

Investigating the Role of Institutions on Responsible Leader to Sell CSR Issue and Create Organizational Legitimacy in a Developing Country

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Abstract— Developing countries face problem with the developing and institutionalizing CSR, as CSR is not amongst the major problems of these countries. However, efforts in developing CSR institutions (namely regulative, normative and cognitive/cultural) have been the driving force in order to promote CSR in organizational practices. Organizations facilitate CSR practices to develop reputation and legitimacy in developing countries. Yet, this investigation is lacking in current literature and fails to highlight how the synthesis of institutional and strategy elements (the presence of responsible leadership and their ability to sell CSR issue) can facilitate organizations to develop legitimacy. Data was collected from CSR strategists and top managers in Pakistan, in two time periods. A final sample of one ninety-eight responses demonstrated that sequential mediation of responsible leadership and CSR issue selling ability to positively and significantly effect the relationship for CSR institutions and legitimacy. This indicates that institutions alone does not facilitate organizations in building legitimacy however, institutions help organizations to aligns HR practices to develop responsible leaders who sell CSR issue and that leads to organizational legitimacy in developing countries. This paper contributes to the current literature on institutional theory by developing a model for organizational legitimacy, linking responsible leadership and CSR issue selling to facilitate CSR institutions and legitimacy.

Keywords— Responsible leadership; Corporate social responsibility, Institutional profile; Issue-selling; Legitimacy; HR

I. INTRODUCTION

In recent times, corporate social responsibility is increasingly perceived as a key driver for competitive advantage and corporate sustainability (Bocken and Geradts, 2020). The institutional theory, referred to as the “the rules of the game” include regulative, normative and cognitive/cultural elements, play an important role in facilitating organizations in constraining, constructing and empowering organizational actors (Powell & DiMaggio, 1991). This intellectual transformation is centered on the concept of organizational legitimacy, defined as “congruence between the social vales associated with or implied by (organizational) activities and the norms of acceptable behavior in the larger social system” (Dowling & Pfeffer, 1975, pg. 122). Current research on legitimacy has focused on either institutional or strategic

aspects. In the strategic element research has primarily focused on managerial perspective and emphasizes the way organizational actors build and break practices in order to seek support (Ashford & Gibbs, 1990; Dowling & Pfeffer, 1981). On the institutional aspects, research highlights the institutional elements guiding organizational practices (DiMaggio, 1983).

However, research on legitimacy synthesizing the strategic and institutional elements is largely missing. We argue that in developing countries where CSR institutions are weak, characterized by high corruption, low transparency, ethics and irresponsible actions create problems in building legitimacy. By integrating the intuitions and strategic elements legitimacy in developing countries can be achieved (Swidler, 2000). This research aims to explore the relationship of CSR institutional profile in developing country, Pakistan with organizational legitimacy and investigate the role of strategic elements such as CSR-HR responsible leadership and CSR issue-selling abilities of the managers to create legitimacy in weak CSR institutions.

The study seeks to provide answers to research questions: Does CSR institutional profile facilitates in developing organizational legitimacy? Does responsible leadership and CSR issue selling facilitate CSR institutional profile in developing organizational legitimacy? By investigating the role of CSR institutional profile on organizational legitimacy, this study contributes to the existing literature by extending our understanding of CSR institutional profile as a driver of organizational legitimacy. We further examine the strategic role of CSR-HR in developing responsible leaders and their ability to sell the CSR issue to make CSR communication successful. In sum, this study explores the how responsible leaders can encourages and helps integrate CSR issue-selling in the weak CSR institutions, hence facilitating organizational legitimacy.

II. LITERATURE REVIEW

A. CSR institutional profile and legitimacy

Institutional theory posits that when institutional pressures become strong organizational decisions results in conformity that leads to legitimacy (Fernandez-Alles & Valle-Cabrera, 2006). Legitimacy exists when organizational actions are “desirable, proper or appropriate” within the socially constructed systems of norms, beliefs and values (Suchman, 1995). Building, maintaining and regaining organizations legitimacy is a process through which organizations seek

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approval from their stakeholders (Kaplan & Ruland, 1991). Institutional regulations, norms and cultural elements pave a way for organizational actors to "legitimize" organizational practices (Yüncü, 2020). Based on the above literature, the following hypothesis was developed:

Hypothesis 1: There is a positive relationship between CSR institutional profile and organizational legitimacy.

B. CSR institutional profile and responsible leadership

Institutional play an important role in shaping the values of responsible leaders (House et al., 2004) while Javidan et al. (2006) indicates that cultural values guide the decision of the leaders. The type of rules, regulations, norms and cultural cognition in which the organizations is embedded in shapes the conceptualizations of the responsible leaders (Witt & Stahl, 2016; Miska & Mendenhall, 2018). The definition of 'responsible' stems from the constitutions including the effectiveness, endurance and ethics of the judgments (Maak & Pless, 2006). Responsible leadership is dependent on 'system'-in-focus' leadership rather than individually ethics and value-based (Lynham & Chermack, 2006). Thus, responsible leaders can be trained and developed based on the institutional profile by the HR for socially acceptable decisions (Press, Maak & Stahl, 2011). From the literature, the hypothesis was developed:

Hypothesis 2: There is a positive relationship between CSR institutional profile and responsible leadership.

C. Responsible leadership and CSR issue-selling

Responsible leaders while implementing CSR practices emphasize on selling the CSR issue. This allows managers to share organizational strategies with both the internal stakeholders and external stakeholders. Sharing such information informs the stakeholders about the changes and it adds to their understanding of the existence of the organization (Dutton et al., 2001). A concerned responsible leader emerges to facilitate organizational responses especially when the changes were demanded by the stakeholders such as government and customers and are in organizations strategic interest (Bansal, 2003). Shared responsibility and leadership allows employees to align the issue that is in the organizations interest and their own agenda (Bantel & Jackson, 1989; Finkelstein & Hambrick, 1990). CSR issue, an important strategic agenda cannot develop themselves rather they require agency. Issue selling is a type of influence activity defined as "the process by which individuals affect others' attention to and understanding of the events, developments, and trends that have implications for (organizational) performance" (Dutton et al., 2001, p. 716).

Hypothesis 3: There is a positive relationship between responsible leadership and CSR issue-selling.

D. CSR issue-selling and legitimacy

Responsible leader when selling issues present the CSR issues as strategically important and meaningful for the organization's survival. They use formal authority,

relationships, expertise, and normative knowledge. When selling CSR issue managers are well-aware of the societal support they require from the CSR activities (Ashforth & Gibbs, 1990; Scherer et al., 2013). Issue selling relies on framing the issue-acceptance process within organizational and institutional settings (Howard-Grenville, 2007). This acceptance when received from the stakeholders builds legitimacy. Thus, legitimacy is an asset for an organization as it ensures a positive social evaluation made by different actors (Bitektine, 2011). Therefore, the following hypothesis was developed:

Hypothesis 4: There is a positive relationship between CSR issue-selling and organizational legitimacy.

E. Sequential mediation: Responsible leadership and CSR issue-selling

Legitimacy is most dominantly managed by strategic and institutional approaches (Suchman, 1995). This posits that many dynamics of the organizational environment are grounded in cultural norms, symbols and beliefs. Institutional profile sets the ground on which the organizational actors build their operations. These rules, norms and culture acts are the driving and resisting forces in guiding organizational behavior (Miska & Mendenhall, 2018). Strategically, CSR institutions profile direct the top managers the need for change (Stahl & Sully de Luque, 2014). This sets the HR in motion to develop, train, and encourage the responsible leadership within the organization that can carry out the successful implementation of the CSR strategy in line with the institutional demands (Bansal, 2003). Responsible leaderships implement CSR strategy by framing and selling the CSR issue within and outside the organization (Wickert & De Bakker, 2018). This lets the internal and external stakeholders aware of the future changes that the organization is implementing (Scherer et al., 2013). Sharing organizational practices becomes an important element when evaluating legitimacy as this sends government official, employees, NGO's, customers and other stakeholders that the organization is worthy of acceptance and respect (Howard-Grenville, 2007). Therefore the following hypothesis was developed:

Hypothesis 5: Responsible leadership and CSR issue-selling sequentially mediate the relationship of CSR institutional profile and legitimacy.

Theoretical framework is presented in Figure 1.

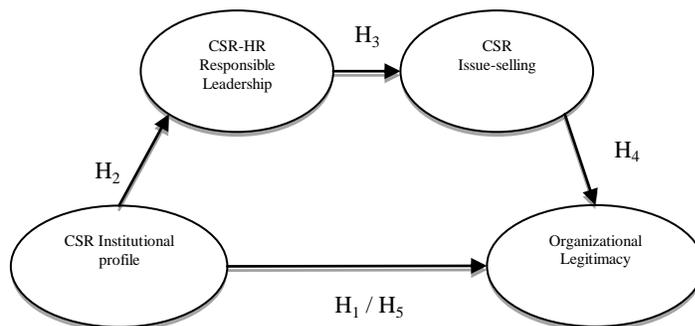


Fig. 1: Theoretical framework

III. METHODOLOGY

A. Measurement of variables

CSR institutional profile was characterized by regulatory (4 items), normative (6 items) and cognitive/cultural (4 items) elements, measured on 7-point Likert scale (1 = Strongly disagree and 7 = Strongly agree). CSR institutional profile was developed by Kostova and Roth (2002) and adapted to CSR for this study. Responsible leadership was measured with 5 items on 7-point Likert scale where 1 being extremely low and 7 being extremely high (Gond, Igalens, Swaen and Akremi, 2011; Maak & Pless, 2009). CSR issue-selling was adopted from Khan (2018) and reflected by external (5 items) and internal issue-selling (7 items) measured on 7-point Likert scale (1 = Strongly disagree and 7 = Strongly agree). Organizational legitimacy was reflected by internal and external legitimacy and was measured on 6 items on a 7-point Likert scale (1 = Strongly disagree and 7 = Strongly agree). Control variables included in this study were organizational size, type of organization, sector of the firm, managerial position and industry.

B. Sample size and data collection

The data was collected in two streams. The data was collected from organizations that took part in the CSR awards in Pakistan. This was done to ensure that organizations are actively taking part in formulating and executing strategic CSR. The questionnaires were emailed to the CSR managers and top management after they agreed to participate. To minimize common method variance, the data was collected in two time periods. Four hundred questionnaires were rotated. In time 1 variables such as institutions, responsible leadership, and issue-selling were included while in Time 2 legitimacy was included. In Time 1, 280 completed questionnaires were received and in Time 2 220 questionnaires were received. Forty managers who agreed to participate did not submit the completed questionnaires. A final usable sample of 198 responses was used for the analysis. The response rate was 49.5%.

The data was checked for non-response bias. For non-response bias, data was evaluated using the Chi-square results for the early and the late response (Armstrong and Overton, 1977). Insignificant results indicate no difference in the sample. This confirms that the data did not have non-response bias. We suspected lack of common method variance because the data was collected in two time periods. This eliminates the problem of common method bias (MacKenzie & Podsakoff, 2012).

C. Data analysis

The data was analyzed through Structural Equation Modeling (SEM) by first conducting measurement analysis using confirmatory factor analysis (CFA) and then structural analysis to estimate path co-efficient of structural model for direct and mediation analysis (Hair, et al., 2019). CFA was also used to ascertain the levels of reliability and validity (Shah & Goldstein, 2006). The hypotheses were estimated using path (structural) analysis that simultaneously regress the proposed

relationship of independent, dependent, and mediating variables by estimating the beta coefficients and p-value (Hair et al., 2019). The significance level ($p < 0.05$) of direct effects and indirect effects confirms the mediation. Model fits were analyzed for good model fit.

IV. RESULTS

A. Measurement analysis

All correlations were significant at $p < 0.01$ (Table II). The measurement analysis tested the factor loading, convergent validity, discriminant validity and composite reliability. The factor loadings of all the items were found to be above 0.85. Average variance extracted and composite reliabilities of all the constructs were above 0.5 and 0.7 respectively (Hair et al., 2019). Table II depicts factor loading, AVE and composite responsibility. Discriminant validity (DV) was also confirmed as the square-root of AVE were greater than the correlations. Table III shows the DV. DV was found to be acceptable.

TABLE II: RESULTS OF MEASUREMENT MODEL

Items	Standardized Factor loading	Convergent Validity (AVE)	Composite Reliability
CSR Institutional profile			
CSRIP-1	0.856***	0.758	0.979
CSRIP-2	0.862***		
CSRIP-3	0.901***		
CSRIP-4	0.913***		
CSRIP-5	0.877***		
CSRIP-6	0.868***		
CSRIP-7	0.862***		
CSRIP-8	0.880***		
CSRIP-9	0.879***		
CSRIP-10	0.879***		
CSRIP-11	0.876***		
CSRIP-12	0.887***		
CSRIP-13	0.905***		
CSRIP-14	0.893***		
CSRIP-15	0.871***		
RL			
RL-1	0.906***	0.859	0.948
RL-2	0.938***		
RL-3	0.936***		
RL-4	0.906***		
Issue selling			
IS-1	0.884***	0.743	0.972
IS-2	0.862***		
IS-3	0.867***		
IS-4	0.861***		
IS-5	0.854***		
IS-6	0.878***		
IS-7	0.863***		
IS-8	0.862***		
IS-9	0.853***		
IS-10	0.881***		
IS-11	0.889***		
IS-12	0.865***		
Legitimacy			
IntLeg-1	0.939***	0.859	0.948
IntLeg-2	0.907***		
IntLeg-3	0.934***		
ExtLeg-1	0.934***	0.864	0.950
ExtLeg-2	0.933***		
ExtLeg-3	0.922***		

Note: * $p < .1$, ** $p < .05$, *** $p < .01$

TABLE III: DISCRIMINANT VALIDITY

Variables	Fornell-Larcker r criteria	Heterotrait-Monotrait ratio (HTMT)			
		Ext eg	CSRIP	Int Leg	CSR-IS
Ext Leg	0.930				
CSRIP	0.871	0.636			
Int Leg	0.927	0.812	0.649		
CSR-IS	0.862	0.763	0.718	0.779	
RL	0.927	0.825	0.645	0.733	0.751

B. Hypothesis testing

Table V reports the results for hypotheses 1-4. The results of hypothesis 1a demonstrated a significant relationship with coefficient 0.110 at $p > 0.05$. The results of hypothesis 1b insignificant with coefficient 0.052 with $p > 0.05$. Hypothesis 1a and 1b were not accepted. Hypothesis 2 was positive and significant with coefficient 0.651 with $p < 0.01$. Hypothesis 2 was accepted. Hypothesis 3 was positive and significant with coefficient 0.450 with $p < 0.01$. Hypothesis 3 was accepted. Hypothesis 4a indicated positive and significant with coefficient 0.436 and $p < 0.01$ and hypothesis 4b indicated positive and significant with coefficient 0.303 and $p < 0.01$. Hence, hypothesis 4a and 4b were accepted. Sequential mediation is indicated in hypothesis 5a and 5b. Hypothesis 5a was positive and significant with coefficient 0.114 with $p < 0.01$ and hypothesis 5b was positive and significant with coefficient 0.128 with $p < 0.01$. This shows that there is full mediation of responsible leadership and CSR issue-selling between CSR institutional profile with internal and external legitimacy. The model fit of SRMR is 0.046.

TABLE IV: RESULTS OF HYPOTHESIZED RELATIONSHIPS

Hypotheses	Relationships	Path Estimates
H _{1a}	CSRIP → Int Legitimacy	0.119
H _{1b}	CSRIP → Ext Legitimacy	0.052
H ₂	CSRIP → RL	0.651***
H ₃	RL → CSR-IS	0.450***
H _{4a}	CSR-IS → Int Legitimacy	0.436***
H _{4b}	CSR-IS → Int Legitimacy	0.303***
H _{5a}	CSRIP → RL → CSR-IS → Int Legit	0.114***
H _{5b}	CSRIP → RL → CSR-IS → Ext Legit	0.128***

Control variables: Position, organizational type, sector, managerial level and size

*** $p < .01$

V. DISCUSSION AND IMPLICATIONS

The purpose of this paper is to understand the relationship of institutional aspects of CSR profile impacting organizational legitimacy and the strategic component that incorporate the CSR-HR in developing responsible leadership (Miska & Mendenhall, 2018), who promote CSR issue-selling in order to enhance legitimacy (Bansal, 2003). The data was collected from the developing country, Pakistan. The results indicated insignificant relationship between CSR institutional profile and legitimacy but demonstrated the synthesis of institutional profile and strategic component i.e. responsible leadership and their issue-selling ability to enhance organizational legitimacy. This research is amongst the first to integrate the institutional and strategic elements that effect legitimacy. Legitimacy is important for organizations to survive and justify their existence

in the society (Bitektine, 2011). The results are of this study are show that institutions alone does not create legitimacy but a combination of institutional and strategic component are important in the developing country.

VI. LIMITATIONS AND FUTURE RESEARCH RECOMMENDATION

This research was limited to a developing country, that is, Pakistan. Comparative research and future studies can include strong institutional profiles from developed countries and investigate other strategic elements (Ashforth & Gibbs, 1990). Responsible leadership is gaining more and more importance. Investigations into the type and construct of responsible leadership in developing countries can add to the literature (Miska & Mendenhall, 2018). Lastly, legitimacy is a continual process of developing and regaining legitimacy. Longitudinal studies can facilitate the comprehension of how managerial actions develop credibility and legitimacy in developing as well as developed countries (Yüncü, (2020).

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