

# Application of theories in CSR research focusing study context and corporate attributes

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## Abstract

**Purpose** – The purpose of this paper is to review the background of the theories, how they motivate corporations to engage in corporate social responsibility (CSR) activities and their application, focusing on the study context and corporate attributes.

**Design/methodology/approach** – The study used Google Scholar as an online database and collected 170 published academic papers via a systematic search procedure; of these, 112 papers were selected as suitable for the study purpose. The selection followed the analysis of the abstract, the paper contents including the proposition of the theories, the literature review, the theoretical framework and the hypothesis development.

**Findings** – The study findings indicate that the cores of the proposed theories to explore CSR are not identical. The components of theories build a social value system, which intensely motivates corporations to engage in CSR activities and voluntary disclosure practices. A thorough analysis of the characteristics of the theories demonstrates that the choice of theories to explore both an endogenous variable like CSR and exogenous variables depends on the study context and the characteristics of the corporate attributes.

**Research limitations/implications** – The study considers only the most prominent theories in CSR research, but many other theories are also explored in CSR research. In addition, the study takes only academic papers in the English language into consideration, and the generalization of study findings is only for CSR research.

**Practical implications** – The study aims to provide guidance about the selection of theories based on the contexts and corporate attributes to explore both endogenous and exogenous variables. It draws policymakers' attention toward the renovation and addition of motivational instruments in the context. The study also helps industry practitioners in realizing the principles and consequences of the theories and in taking strategic social and environmental obligations into consideration in their decision-making process.

**Originality/value** – This is the first attempt to conduct a literature review on the development of theories and corporate CSR engagement from 1975 to 2019, covering 112 published academic papers. A deeper understanding using theoretical conceptualization as guidance is beneficial, as it provides a strong basis for the enhancement of future CSR corporate activities.

**Keywords** Motivation, CSR, Theory, Context, Attributes

**Paper type** Literature review



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## 1. Introduction

Corporate social responsibility (CSR) has attracted increasing attention from policymakers, which has been reflected in the increased level of corporate accountability and transparency toward the consequences of corporations' operational activities for the environment and society at large (Jamali and Mirshak, 2007). The pyramid of CSR given by Carroll (1991) pointed out the corporate philanthropic, ethical, legal and economic responsibilities whereby corporations should honor the ethical values of the society to respect environmental and social obligations (Porter and Kramer, 2006). Corporations are innately involved with society; they obtain many benefits from the society, while their operational activities negatively affect social backdrops, so they are responsible for making a contribution to social and environmental issues (Adams, 2008), and it is remarkable that many corporations have already started to reduce the negative consequences of their activities (Porter and Kramer, 2006).

Currently, the big question is whether corporations only perform unethical harmful activities for society? It is certainly true that their activities generate employment opportunities and contribute to the country's socio-economic development (Belal and Cooper, 2011). So, what is the role of CSR? The benefits of CSR have been explored by many researchers, whereas CSR is the instrument of receiving competitive advantage (Saeed and Arshad, 2012; Porter and Kramer, 2006; Herrera, 2015; Gazzola and Colombo, 2014), of reducing information asymmetry (Lu and Chueh, 2015; Cui *et al.*, 2018; Cho *et al.*, 2013) and of gaining legitimacy for their activities (Barkemeyer, 2007; Porter and Kramer, 2011; Ahn and Park, 2018). Then, when do corporations fall into a legitimacy crisis and when do they need to reduce the information asymmetry to receive a competitive advantage over their counterparts?

There is no doubt that today, a diverse group of stakeholders will show different types of interests in corporate affairs as a result of which corporations face many challenges regarding their social responsibilities. The area of CSR has extended to a large scale the ways in which corporations have to maintain a wide range of CSR behaviors such as being employee friendly, environment-friendly, investor-friendly, mindful of ethics and respectful to communities. Sometimes, CSR extends beyond the corporate field including supporting the arts, universities and other good causes (Benabou and Tirole, 2010). When corporations conduct their business without honoring the expectations of the society and the demands of the stakeholders, they fall into a legitimacy crisis and information asymmetry. Therefore, they should have more dimensional constructs in their responses toward stakeholders' demands. Among the objectives of CSR is a reduction of the legitimacy crisis and information asymmetry resulting in a company receiving a competitive advantage (Cui *et al.*, 2018).

However, one question here is essential to understand the nature of corporations: do corporations eagerly contribute to social issues and ensure environment-friendly operations to reduce the legitimacy crisis or do they need incentives to engage in CSR activities? The various theories and their components based on a particular context create a social value system, which motivates corporations to engage in CSR activities to uphold their corporate image in the society (Azizul Islam and Deegan, 2008). The motivational instruments are needed for corporations to engage in CSR activities for various reasons. For example, CSR is on a voluntary basis in most developed and developing countries (Khan *et al.*, 2013); it requires extra funding in addition to consuming profit (Li *et al.*, 2016); there is a lack of potential resources (McWilliams and Siegel, 2011); and the benefit of CSR is not like the transposable currency, as it is intrinsic and long term, which is related to the existence and survivability of the corporations (Nurunnabi, 2016).

Therefore, it is more important to take the essence and components of the theories into consideration to understand the social value system of a particular context. The study context represents the social value system, which plays a crucial role in social phenomena (Freeman and Phillips, 2002, p. 331). It also shapes the actual boundary of CSR (Jamali and Carroll, 2017); typically, it underlines the relationship between corporations and stakeholders, focuses the role of business in society (Jamali and Mirshak, 2007) and, finally, improves the particular social value system (Saeed and Arshad, 2012). However, the components of the theories are not similarly available in the study contexts. For instance, societies are different in many respects such as various cultural contexts (Dobers and Halme, 2009); the variation of national business systems or of value systems (Chapple and Moon, 2005) and the meaning of CSR can differ from one society to another (Blowfield and Frynas, 2005), and eventually, the variations in the social value system among the contexts and corporate attributes are reinvigorated in different ways from one study context to another.

Consequently, it is clear that the appeal of the components of theories is different in accordance with the corporate attributes and the context of the endogenous variable like CSR engagement and reporting. Therefore, the researchers should have applied their knowledge regarding the components, essences and application of theories before selecting the theories with a view to exploring CSR research in accordance with the particular study context and corporate attributes. There is a growing gap in the literature investigating the backgrounds, components and essences of the theories and their suitability in the context of endogenous variables such as CSR and corporate attributes. Therefore, it is more relevant to generate knowledge and reduce the literature gap. Hence, the study aims to investigate the backgrounds of the theories and how they motivate corporations to engage in CSR activities and their appropriate submission for a particular context of the endogenous variable such as CSR and corporate attributes.

The remainder of this research is structured as follows: Section 2 addresses the research method. Section 3 underlines the backgrounds of the theories and how they motivate the corporations to engage in CSR activities. Section 4 focuses on the submission of theories according to context and corporate attributes. Section 5 provides the discussion and conclusion.

## 2. Research method

The purpose of this research is to review the literature about the background of the theories related to CSR research and how theories motivate corporations to engage in CSR activities. In addition, the study has taken a further step to identify the suitability of theories to explore CSR according to the context and corporate characteristics of a particular study. This study takes published research articles with the key areas of the development of theories and corporate CSR engagements into consideration from 1975 to 2019, which are depicted in Table 1 and Figure 1. The study followed a systematic search procedure to collect published academic articles from Google Scholar. For that purpose, the study codes “corporate social responsibility,” “CSR,” “political economy theory,” “legitimacy theory,” “stakeholder theory,” “agency theory,” “resource dependence theory,” “resource-based view,” “institutional theory” and “CSR theories” were used (Fatma and Rahman, 2015).

The study found 170 published academic articles related to the above-mentioned keywords, out of which 112 articles were selected as suitable for the study purpose. The selection was made by analyzing the abstract, the article contents including a literature review, the theoretical framework and the hypothesis development. However, working papers, master and Ph.D. dissertations and textbooks were excluded, and only academic

articles in the English language were included. The areas of journals of selected articles included accounting, finance, management, marketing, business ethics, accountability and society, business strategy, organization studies and others (Malik, 2015). A cross-check of the selected articles was conducted to improve the validity of the study (Fatma and Rahman, 2015).

### 3. Theories and corporate social responsibility motivation

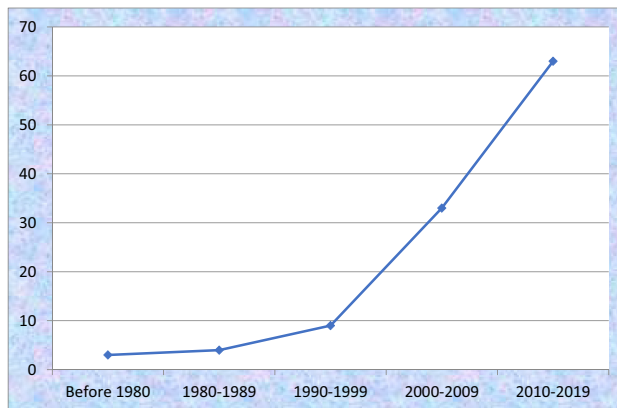
From the viewpoint of corporate social engagement, in the recent past, many theories have been explored as motivational instruments to label CSR behavior. In this domain, the political economy theory acknowledges the vital role of the socio-political and economic system of a country in shaping the value system between corporations and society given that this value system stimulates normative pressures on corporations to participate in CSR activities (Williams, 1999). Therefore, when corporations perform unethical activities in society such action inevitably removes the existence of the corporations from society (Deegan, 2002). The political economy theory also explains the essence of governmental intervention as the motivational indicators when there is an imperfect market and social disorder instigated by corporations (Oliver, 1992).

On the other hand, legitimacy theory is derived from political economy theory and has been widely used in the social reporting literature (Momin and Parker, 2013; Muttakin and Khan, 2014). According to this theory, there is a social contract between corporations and

**Table 1.**  
Number of selected articles, area of research studies and journals

Phases	No. of articles	Key areas of academic articles	Areas of journals
Before 1980	3	1. Development of theories	1. Accounting, management, finance and marketing
1980-1989	4	2. Corporate CSR engagement	2. Business ethics, accountability and society
1990-1999	9		3. Business strategy and organization studies
2000-2009	33		4. Others
2010-2019	63		
Selected articles	112		

**Figure 1.**  
Phase-wise distribution of selected articles



society (Dowling and Pfeffer, 1975; Khan *et al.*, 2013). The corporation is given perpetual legal existence and a common seal implicit in the existing rules and regulations of the society. Inherently, corporations have no right to use the resources, but the social contract declares that corporations have the right to exercise their ownership power in society (Deegan, 2002). Therefore, if discrepancies are found between corporate activities and community interests, corporations need to initiate some changes in the social contract (Wilmschurst and Frost, 2000). Legitimacy theory offers a position of equilibrium where corporations maximize their shareholders' wealth along with considering the interests of the community (Dowling and Pfeffer, 1975).

According to stakeholder theory, corporations conduct CSR activities and disclose financial and non-financial information to maintain a strong relationship with powerful stakeholders (Chu *et al.*, 2013). Stanford Research Institute first introduces the word "stakeholder" in 1963 (Strand and Freeman, 2015). As then, this term has become widely used in the corporate arena, and finally, the essence of stakeholder theory is derived from a political economy theory, which underlines that corporations provide financial and non-financial information owing to the attainment of the good relationship with persuasive stakeholders (Chu *et al.*, 2013). This theory acknowledges that corporations identify the group of stakeholders whose interest is most crucial and relevant to the corporate interest. In such a situation, management is directed to focus more on the relationship with this particular group of stakeholders to achieve corporate targets (Deegan, 2002).

The most potential and meticulous attitudes of stakeholder theory include descriptive, instrumental and normative approaches as identified by Donaldson and Preston (1995). In this domain, the descriptive stakeholder theory explains how corporations should communicate with their stakeholders. It also states what should be the corporate standpoint and possible tactics to manage and motivate stakeholders (Freeman, 1999). The normative approach claims that every stakeholder has property rights, so managers should pay attention to stakeholders' demand to continue their business in society (Freeman and Phillips, 2002). While the instrumental approach accentuates without realizing the expectations of the stakeholders, it is impossible to maximize shareholders' wealth and optimize profit seeking operations (Donaldson and Preston, 1995; Freeman, 1999).

However, the practices of agency theory are widely applied in management science while recognizing that the management has particular duties including planning and coordinating the organizational activities, all of which are defined as decision-making. On the other hand, the risk bearer is the entrepreneur of the corporations who receive the difference between costs and revenue after a particular period (Fama, 1980). Therefore, there is a distinction between the management and the risk bearer in which the manager may be considered as a laborer or employee who accomplishes the tasks and the risk bearer is the real owner of the corporations. Jensen and Meckling (1976) defined an agency relationship as a contract while the manager (agent) works in favor of the real owner (principal). Hence, all the responsibilities, including shareholders' wealth maximization and abating the legitimacy crisis of the corporations, are under the custody and control of the managers. On the other hand, Hill and Jones (1992) document that agency theory also explores the nature of the implicit and explicit contractual relationship between corporations and stakeholders while managers (agents) are responsible for maintaining such relationships.

The very common fact under resource dependence theory is that there is no universally accepted definition of what is an important resource (Kiel *et al.*, 2007, p. 454). Resource dependency theory has been widely used in the research on CSR reporting practices concentrating on the board of directors as the potential resources of corporations (Kiel *et al.*, 2007; Shaukat *et al.*, 2016). This theory seeks to explain organizational and inter-

organizational behavior in terms of those critical resources, which an organization must have to survive and function properly in society (Johnson, 1995, p. 3). To understand the behavior of the corporation, it is more crucial to realize the environment in which the corporation operates (Salancik and Pfeffer, 1978). As the corporate environmental context holds the three core concepts of social context such as corporate autonomy, interest and power, therefore, corporations need to take these issues into account when conducting their businesses in society (Davis and Adam-Cobb, 2010).

The relationship between corporate resources and sustained competitive advantage is the essence of the resource-based view (RBV), a concept that was developed by Wernerfelt (1984) and expanded by Barney (1991). The RBV of corporations has been evolving mainly in the field of strategic management (Galbreath, 2005), and its framework indicates that corporations have heterogeneous resources and capabilities (Rahman and Carpano, 2017) that can constitute a source of sustainable competitive advantage (McWilliams *et al.*, 2006). Barney (1991) argues that strategic resources are heterogeneously distributed across the corporations and that these differences are stable over time. Among the core characteristics of the resources are value, rareness, imitability and substitutability. These characteristics are viewed as potential factors that create space for corporations to engage in CSR activities and achieve a competitive advantage (Barney, 1991).

Institutional theory is more vibrant and visible, and its various mechanisms create pressures on corporations to maintain social obligations. It has captured the attention of a wide range of scholars across the social science field while it is employed to examine the systems ranging from micro interpersonal interactions to global macro frameworks (Scott, 2005, p. 2). DiMaggio and Powell (1983) recognize isomorphism, in which three components, including coercive, normative and mimetic pressures, encourage corporations to show respect to the stakeholders' demands. On the other hand, Scott (2005) highlights the role of institutional rationality in which three elements, such as cultural-cognitive, normative and regulative approaches provide the meanings of corporate effective performance and efficient operations, are in accordance with stakeholders' demands. The summary of the literature related to CSR theories and the essences of these theories are presented in Table 2.

#### 4. Theories, context and corporate attributes

There is no doubt that the field of CSR is now broader and has expanded beyond the legal obligations, as ethical responsibility embraces more social issues than corporate economic, legal and philanthropic responsibilities and reflects the mass people's interests (Carroll, 1991). The social value system conserves all sorts of stakeholders' demands or obligations, and when corporations are ethically bound to engage in CSR activities, their submission covers a wide variety of areas including ethical or moral, regulative and mimetic obligations. Though the regulative approach includes some issues, which are obligatory in nature, these are confined or limited. The social value system differs from one context to another so that components of the theories, which make the social value system of a particular context should be understood first to distinguish the application of theories.

A unique argument in this regard is that the background, rational settings and appeals of all theories differ and are not equally significant for a particular study because some theories create pressures on corporations while others influence corporations to realize the pressures for assembling the necessary belongings to promote CSR. This distinctive nature of the theories makes it possible and useful to differentiate them according to their submission concentrating on the study context of the endogenous variable such as CSR and corporate attributes. The role of the study context and its implications for theorizing has received increasing attention in various academic fields (Poulis *et al.*, 2013, p. 2). The



Areas of research	Author (s)	Theory	Key essences of the theory
Corporate social responsibilities	Frynas and Stephens (2015), Haider (2012), Belal and Cooper (2011), Weyzig (2009) and Woodward <i>et al.</i> (2001)	Political economy theory	Derivation Inclusive value system Need governmental intervention in the case of imperfect market position Generate normative pressure Upshot Ensure social justice and community interest via CSR activities
	Yunus <i>et al.</i> (2016), Nurunnabi (2016), Lu and Abeysekera (2014), Muttakin and Khan (2014), Momin and Parker (2013), Khan <i>et al.</i> (2013) and Prado-Lorenzo <i>et al.</i> (2009)	Legitimacy theory	Derivation Social contract Need managerial arrangements when good association is absent between corporations and society Generate normative pressure Upshot Meet social demands and community interest via CSR
Community issues	Liao <i>et al.</i> (2015), Muttakin <i>et al.</i> (2015), Lu and Abeysekera (2014), Luo <i>et al.</i> (2013), Momin and Parker (2013), Belal and Roberts (2010) and Prado-Lorenzo <i>et al.</i> (2009)	Stakeholder theory	Derivation Powerful stakeholders influence corporations Need managerial arrangements to find out more potential stakeholder Three components – descriptive approach, instrumental approach and normative approach Generate normative pressure Upshot Meet stakeholders' demands via CSR
Environmental issues	Muttakin <i>et al.</i> (2016), Li <i>et al.</i> (2016), Hingley <i>et al.</i> (2013), Jiraporn and Chintrakarn (2013) and Pedersen and Andersen (2006)	Agency theory	Derivation A contract between the principal (stockholders) and agent (managers) Also, implicit or explicit contract with stakeholders and managers To abate agency problem, legitimacy crisis and bring competitive advantage are under the custody and control of the manager Managers realize the social value system and take demand of the stakeholders into consideration Managers realize normative pressure with typically obligatory in nature Upshot Meet stakeholders' demands via CSR
	Muttakin <i>et al.</i> (2016), Rao and Tilt (2016), Wong and Bajuri (2013), Nijhof and Jeurissen (2010), Golob	Resource dependency theory	Derivation Corporations realize and respond to social context- autonomy, interest and power

(continued)

**Table 2.** The summary of the essences of theories, which motivate corporations to engage in CSR activities

Areas of research	Author (s)	Theory	Key essences of the theory
	and Bartlett (2007) and Singh (2007)		Need resources to abate externalities Need managerial arrangements to manage scarce resources Upshot Meet externalities and promote society interest via CSR
Workplace issues	Amran <i>et al.</i> (2016), McWilliams and Siegel (2011), Gallego-Alvarez <i>et al.</i> (2011), Padgett and Galan (2010) and Smith (2007)	RBV	Derivation Corporations realize the necessity of a social value system Tangible and intangible resources are required to promote strategic CSR Upshot Resources promote CSR, and finally, corporations obtain competitive advantage via CSR
Marketplace issues	Amran <i>et al.</i> (2016), Grauel and Gotthardt (2016), Yang and Farley (2016), Momin and Parker (2013), Othman <i>et al.</i> (2011), Islam and Dellaportas (2011) and Azizul Islam and Deegan (2008)	Institutional theory	Derivation Isomorphism – coercive, normative and mimetic pressures Institutional rationality – regulative, normative and cultural-cognitive pressures Generate regulative, normative, mimetic and cultural-cognitive pressures Upshot Meet social demands and community interest via CSR

Table 2.

interaction between CSR and corporate attributes also depends on the study context. The researchers' ability to create convenient logic about contextualization may play a significant role in selecting a suitable theory for a particular context and corporate attributes.

However, it sometimes leads to a debate about whether theory explains the context or whether the context and its indicators hint at the choice of theories for a particular study. Indeed, it is a dilemma, and the reality is that context and organizational factors should be considered before choosing a suitable theory for a specific piece of research. This is because the typical natures of the developed and developing countries differ in many ways (Muttakin *et al.*, 2016). In the developed countries, corporations operate their activities in which sufficient rules and regulations, strong professional institutions, higher level ethical practice, typical human rights practice, investor and consumer rights association, etc., are available and functional, and they are pushing corporations to show more ethical attitudes toward social obligations.

On the other hand, the phenomenon is entirely different in developing economies; although the above-mentioned instruments are present to a certain degree, they are inactive or they cannot work due to many dimensional socio-economic threats or the lack of better enforcement (Khan *et al.*, 2013). These causes provide the impetus to emphasize conceptualizing the study context of the endogenous variable like CSR before theorizing the particular study. Social responsibility research has found that most studies in developed countries use legitimacy theory (Yunus *et al.*, 2016; Montecchia *et al.*, 2016; Lamberti and



Noci, 2012; Cuganesan *et al.*, 2010; Guthrie *et al.*, 2007; Magness, 2006; Marcuccio and Steccolini, 2005; Guthrie and Parker, 1989) or stakeholder theory (Liao *et al.*, 2015; Sobczak and Havard, 2015; Ducassy and Montandrou, 2015; Bocquet and Mothe, 2011; Russo and Perrini, 2010; Russo and Tencati, 2009; Hansen *et al.*, 2004) to explain the sources of corporate motivation to engage in CSR activities.

The political economy theory, legitimacy theory and stakeholder theory are mostly explored along the same line of context, as legitimacy theory and stakeholder theory are derived from the essence of political economy theory (Momin and Parker, 2013; Muttakin and Khan, 2014), such as legitimacy theory and stakeholder theory, political economy theory produces normative pressures on corporations to legitimize corporate activities (Chu *et al.*, 2013). To take a broader value system into consideration, the researchers frequently use political economy theory to explain the improvement of the relationship between business and society (Cooper and Owen, 2007). However, stakeholder theory is relatively suitable and pertinent for a context where there are more powerful stakeholders such as governmental units, consumer associations, buyer associations, NGOs, donor agencies and media forums that persistently pressurize corporations into responding to social issues (Cooper and Owen, 2007).

Legitimacy theory has more appeal in promoting CSR activities than have other theories. In this domain, the context should be as culturally rich as developed countries where corporations encompass high ethical standards or where the court, law and other practices have obligated them to consider some social issues; hence, a social contract is created between the corporation and society (Cormier *et al.*, 2005). The above-mentioned characteristics related to context are fairly accessible in the developed economy context; as a result, most researchers explore legitimacy and stakeholder theory in conceptualizing and characterizing the CSR practice in developed countries. Besides, the application of agency theory, resource dependency theory and RBV are more constrained to the corporate attributes for which they have a parallel submission in the context of developed and developing economies.

For instance, in most developed and developing countries, an endogenous variable like CSR activities and reporting is on a voluntary basis, whereas researchers may choose legitimacy theory, stakeholder theory and political economy theory by taking the existing social value system into account with any types of organizational factors as exogenous variables (Muttakin and Khan, 2014; Pistoni and Songini, 2013; Anas *et al.*, 2015; Prado-Lorenzo *et al.*, 2009). Because all theories generate normative pressures, their submission covers a wide range of areas from the micro-organizational level to the macro-social value system, whereas the endogenous variable and exogenous variables are stimulated through the normative pressures of the social value system (Deegan, 2002; Dowling and Pfeffer, 1975). When researchers wish to focus specifically on the role of managers in promoting CSR activities or reporting, they should choose agency theory, while for the role of corporate governance, the resource dependency theory is relatively substantial and appropriate to explore CSR activities and reporting. Besides, researchers should use RBV when they focus precisely on the contribution of the resources to CSR reporting. It is important to note that agency theory, resource dependency theory and RBV generate normative pressures while both endogenous and exogenous variables are reinvigorated to realize the normative pressures.

Moreover, the researcher may choose a multi-level theoretical framework while both endogenous and exogenous variables may be explored by two or more theories according to the study context and in accordance with specific issues that are the focus of the study (Laan *et al.*, 2008; Amran *et al.*, 2016; Shaukat *et al.*, 2016; Katmon *et al.*, 2019; Ahmad, 2017).

However, the researcher may also choose two or more theories, such as political economy theory, legitimacy theory, stakeholder theory and institutional theory, as a multi-level theoretical framework to explore both endogenous and exogenous variables when the study takes more than one context into consideration or according to variations in the social value system among the contexts and corporate attributes.

Regarding the contexts, where CSR is more strategic and voluntary and corporations are not in a position to maintain high ethical standards of existing social value system, the researcher should choose institutional theory, as corporate CSR engagement or reporting as the endogenous variable is customized by the normative and mimetic components of institutional theory, which are also ethical considerations applied by corporations to the social value system, and exogenous variables are tailored with regulative, normative and mimetic pressures. Awards and recognitions of various professional institutions, other social and religious organizations and homogeneous or peer group practices generate normative, cultural-cognitive and mimetic pressures, respectively, which enrich the social value system and influence corporations to engage in CSR activities and disclose more social information.

However, one crucial point here is that in the context, which underlines mandatory requirements of CSR reporting, the choice of other theories rather than institutional theory would not be prudent while CSR is customized by regulative pressures and exogenous variables with regulative, normative and mimetic pressures. However, if selected exogenous variables demand other theories, then the researcher should use a multi-level theoretical framework including institutional theory. The logic behind the application of resource dependency theory, RBV, is the parallel submission in developed and developing countries because they particularly stimulate the specific organizational factors to realize the social value system. For instance, resource dependency theory is linked with human resources including corporate governance mechanism (Verbeeten *et al.*, 2016), as the strategic CSR response requires a decision-making process in the context of both developed and developing economies while the resourceful board can provide counsel and advice to the management in contributing to society and community interests.

In addition, the role of the corporate governance mechanism in the corporation is more directional in that it helps in taking social issues into consideration (William and Zeithaml, 1992). The importance of internal and external corporate resources is essential to extend the area of CSR practice both in developed, developing and least developed countries. On the other hand, RBV explains the heterogeneous characteristics of the corporations and various contexts based on the heterogeneity of the level of corporate resources and the country-specific rules and regulations. Therefore, the resource-based theory is explored to characterize CSR when corporations have heterogeneous characteristics based on resources or when sample corporations are situated in various contexts or are controlled and monitored by dissimilar sets of rules and regulations (Fontana, 2017; Amran *et al.*, 2016).

However, all theories except institutional theory require managerial actions for the renovation of the social contract or the identification of powerful stakeholders or when the scarce resources manage to promote CSR (Cormier *et al.*, 2005). In addition, the submission of a passive contract with society is more generic when corporations show reactive attitudes toward their social obligations. On the other hand, stakeholder theory considers only the satisfaction of powerful stakeholders (Belal and Roberts, 2010); besides, the promotion of CSR is mainly based on the managerial intention according to agency theory (Jiraporn and Chintrakarn, 2013). Also, agency theory is more suitable in a compliance-oriented context and CSR reporting (Muttakin *et al.*, 2016), but when CSR is on an emerging, more strategic and voluntary basis, the use of agency theory to explore CSR is somewhat paradoxical.

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Besides, a significant impetus is found from resource dependency and resource-based theories to promote CSR when contexts are highly regulated or when they follow the required ethical standards in conducting business activities (Rao and Tilt, 2016; Smith, 2007).

On the other hand, the institutional theory is more suitable for developing economies or the context in which corporations show reactive behavior toward social responsibilities (Momin and Parker, 2013). When the context is more vulnerable due to a lack of ethical standards or a lack of better enforcement, the researchers should use institutional theory to the conceptualization of CSR practice. As this theory has a dominant influence over the corporate behavior, its appeals are more cherished in the developing economy context, especially where CSR strategy and accomplishment is a newly emerging issue or there is a need for the adoption of CSR disclosure practice as part of the corporate strategies (Milne and Patten, 2002). The astounding appeal of institutional theory is due to its regulative, normative, mimetic and cultural-cognitive pressures.

In the developing economy context, there are unlimited demands but limited resources, resulting in corporations thriving only economically but not socially. In this domain, there is a need to change corporate behavior while Yang and Farley (2016) suggest that regulative pressure is more functional to enhance corporate social behavior in developing economies. However, the components of institutional theory can influence all organizational factors at all levels, but its utilization is not prudent in the context in which corporations are more accustomed to ethical standards. Besides, if the researcher does not find any components of institutional theory in the study context, then they should choose other theories that are more relevant to the context and corporate attributes.

Scholars should demonstrate their cognitive view for understanding the context and show their rationale when selecting the theories. For instance, positive accounting theory recognizes the contract between corporations and investors (economic agents) and explains the utilization of resources within an efficient market to mobilize monetary resources. Therefore, its application is narrower in CSR research because it is focusing more on economic agents and not on the interests of CSR (Cormier *et al.*, 2005). Besides, in the emerging market, typical corporations are particularly pressurized by the foreign buyer associations, donor agencies and human rights organizations, and even prevailing regulatory and institutional frameworks are guided by such pressures. In this domain, researchers should use stakeholder theory to explore both the endogenous and exogenous variables (Azizul Islam and Deegan, 2008).

For instance, textile industries in the context of developing economies explore their social obligations only with the motivation of powerful stakeholders. In addition, in a context where some social issues, including river pollution, environmental pollution, workers' safety, welfare, etc., are made obligatory by the court or law such that it is compulsory that they be preserved by the corporations, it is crucial that a strong social contract be created between corporations and society; hence, the submission of legitimacy theory is more prudent to customize both the endogenous and exogenous variables (Nurunnabi, 2016). The key considerations about contexts are presented in Table 3.

Generally, the components of the basic four theories, i.e. political economy theory, legitimacy theory, stakeholder theory and institutional theory, develop a social value system in the society in which endogenous and exogenous variables are pressurized by the components of respective theories (Nurunnabi, 2016; Muttakin and Khan, 2014; Lu and Abeyssekera, 2014). Meanwhile, agency theory, resource dependence theory and RBV influence the corporate attributes to realize the social value system in which endogenous and

Theoretical framework	Key considerations
Political economy theory	<p><i>Considerations</i> The context in which there really exists an inclusive value system Corporations are operated with a higher level of ethical standards Perfect market position, but if it is found to be an imperfect market, government interventions are accessible immediately Corporations show proactive behavior toward social obligations</p> <p><i>Landscape</i> Normative pressures on corporations to engage in CSR activities</p>
Legitimacy theory	<p><i>Considerations</i> The context in which there really exists a social contract between corporations and society Context should be culturally rich, and corporations encompass high ethical standards or the court, law and other practice has made some social issues obligatory; hence, a social contract is created between corporation and society Corporations show proactive behavior toward social obligations</p> <p><i>Landscape</i> Normative pressures on corporations to engage in CSR activities</p>
Stakeholder theory	<p><i>Considerations</i> Various stakeholders including governmental units, consumer associations, foreign buyer associations, NGOs, donor agencies, human rights organizations, journalist forums, etc., persistently pressurize corporation in responding to social issues Corporations show proactive behavior toward social obligations</p> <p><i>Landscape</i> Normative pressures on corporations to engage in CSR activities</p>
Agency theory	<p><i>Considerations</i> The context in which managerial efficiency and performance is the key issue to promote CSR Corporations may show proactive or reactive behavior toward social obligations</p> <p><i>Landscape</i> Corporations influenced to realize the pressures about society interest to promote CSR</p>
Resource dependency theory	<p><i>Considerations</i> The context in which it is required to manage resources for taking social issues in decision-making into consideration to promote CSR Corporations may show proactive or reactive behavior toward social obligations</p> <p><i>Landscape</i> Corporations influenced to realize the pressures for assembling necessary belongings to promote CSR</p>
RBV	<p><i>Considerations</i> Study contexts in which resources are more potential to promote CSR along with resources hold heterogeneous characteristics or are regulated by a different set of rules and regulations (when the study is conducted on more than one country) Corporations may show proactive or reactive behavior toward social obligations</p> <p><i>Landscape</i> Corporations influenced to realize the pressures for assembling necessary belongings to promote CSR</p>
Institutional theory	<p><i>Derivation</i> The context in which there is a lack of options requires ethical standards in conducting business operations Corporations may show reactive behavior toward social obligations</p> <p><i>Landscape</i> Regulative, normative, mimetic and cultural-cognitive pressures on corporations to promote CSR</p>

**Table 3.**  
The key considerations about contexts in selecting the theories for a particular CSR study

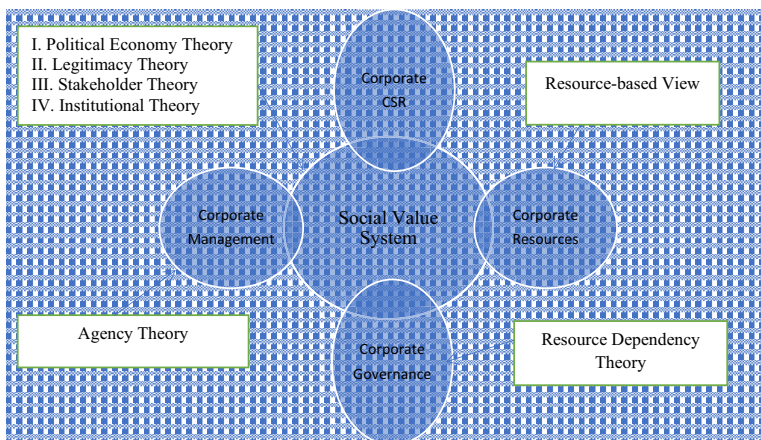
particular exogenous variables are motivated by the normative pressures of the social value system (Hingley *et al.*, 2013; Padgett and Galan, 2010; Golob and Bartlett, 2007). The contribution of theories to develop a social value system and their influence in realizing the social value system are depicted in Figure 2.

### 5. Discussion and conclusion

In today's world, the importance of CSR has received significant attention in academic research. This emphasis is because of the investigation of the corporation's innate responsibilities toward social obligations. Therefore, currently, corporate performance maybe not only financial but also non-financial so that both aspects complement each other as an indication of successful corporate citizenship (Khan *et al.*, 2013). In the modern business arena, the relationship with various stakeholders is an important concern; therefore, relying only on financial performance is not sufficient to satisfy the diverse group of stakeholders. As a result, non-financial performance, including the CSR obligation, has become a major part of the business landscape (Maon *et al.*, 2017).

By increasing corporate social performance and reducing legitimacy threats and information asymmetry, corporations are reinvigorated by societal elements including the value systems of the society at large in which they operate. Previous researchers have characterized corporate CSR engagement with many dimensional aspects including ethical duties, moral obligations, social contract, social culture, philanthropic CSR and public welfare (Lantos, 2001). All ideologies represent the social value system, which is developed by the components of the various theories (Garriga and Melé, 2004). The fundamental doctrine of these ideologies states that corporations ought to maintain a level of relationship with society to reduce their legitimacy crisis. Therefore, businesses should be more ethically responsible for their sustainable practices (Joyner and Payne, 2002).

Good ethics in business has a positive role in achieving financial and non-financial performance. Besides, corporate social and religious values in the decision-making process influence the strategizing and implementation of CSR (Srisuphaolarn, 2013). An effective CSR rating system helps improve ethical decision-making by the corporations for building a good society (Scalet and Kelly, 2010). Corporate ethical considerations about the social value system or social intervention stimulate corporations to respect



**Figure 2.** Theories and their involvement to develop and realize the social value system

social needs (Kroeger and Weber, 2014). Corporate ethical responsibility is socially expected (Jamali and Mirshak, 2007), so the social value system affects CSR (Srisuphaolarn, 2013), and by taking CSR as a part of business strategy, corporations honor the existing value system and create their good image in the society (Gazzola and Colombo, 2014).

However, without extensive understanding of the social value system of a particular context, theorizing to explore both endogenous variables such as corporate CSR engagement and exogenous variables would be partial, half-hearted and meaningless, as if the context of the endogenous variable and corporate attributes do not support chosen theories for a particular study, it is like having the finished product without knowing the raw materials. Therefore, researchers should have meticulous knowledge of the study context and characteristics of the organizational factors before selecting the theories for exploring both the endogenous and exogenous variables of a particular topic. People from different countries think different ways, so the social value system is also different according to the context. For instance, environmental issues are emphasized by the Thai people while Ghanaians emphasize the local community issues (Blowfield and Frynas, 2005). Again, various patterns of CSR are observed in seven Asian countries, namely, India, South Korea, Thailand, Singapore, Malaysia, the Philippines and Indonesia (Srisuphaolarn, 2013).

The study contributes to an understanding of the nature and background of the theories, how they motivate corporations to engage in CSR activities and how they are suitable in a particular context and to corporate attributes. This improves knowledge about the CSR literature in general and about the motivational instruments of various theories, which are explored to characterize the promotion of CSR in particular. In addition, this study has explored what attracts the attention of researchers and how they select a suitable theory for a particular study. This study is very early in the literature according to the submission of theories in the contexts including developed and developing economies and will help in choosing an apposite theory for a particular study.

Besides, it provides a deeper understanding of theoretical conceptualization as guidance; this is beneficial, as it can provide a strong basis for future CSR promotions. The study has many practical implications, as it provides guidance to explore CSR with the proper identification of the concepts investigated in the study. The explanation about the background of theories and their derivations would be able to increase policymaker's attention toward the renovation and addition of motivational instruments in the context to improve the social value system and to motivate the corporations. Besides, industry practitioners will benefit from a greater understanding of the essences and outcomes of the theories and when taking strategic social and environmental obligations into consideration in their decision-making process.

This study would be very helpful for novice researchers who are primarily engaged in CSR research, as it would help enhance their insights regarding theories and, finally, characterizing and conceptualizing CSR with society's interest. Despite the above-mentioned contribution, the study is not without limitations. The study considers only the most prominent theories in CSR research, but many other theories are also explored in CSR research. In addition, the study discusses theories and sources of corporate motivation in general but there is an argument that further research goes to make a comparison between two theories with a specific context. Future researchers should hypothesize the derivations of the theories with CSR and conduct a study on the basis of



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collecting primary data from regulators, professionals, policymakers and industry practitioners to test the effectiveness of the theories in a particular context.

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#### **Further reading**

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