

CSR as an Informal Institution: *The Case of Egypt*



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Key Argument

- Institutional profiles can be used to examine and compare CSR across countries
- Institutional profile perspective is more inclusive of informal institutions, which can be particularly important when examining CSR in developing country contexts such as Egypt

Roots of Comparative CSR

■ Stakeholder Theory

- Slow to recognize importance of local context (Reed 2002)
- Firm-stakeholders relationships in different political and economic environments (Cummings and Doh (2002))

■ Institutional Theory

- Firm strategy enacted through a web of social relationships (Beliveau 1994)
- Social constructed (e.g., Boxenbaum 2006)

Revisiting the Gold Standard

“CSR describes a situation where the firm goes beyond compliance and engages in actions that appear to further some social good beyond the interests of the firm and that which is required by law”

(McWilliams and Siegel 2001)

- ❖ Governments deploy incentives for CSR; Compliance with local legal requirements are increasingly considered CSR issues (Chapple & Moon 2005)
- ❖ Global CSR phenomenon – legal compliance appropriate? Normative compliance? (Amaeshi 2006)

Need to Incorporate Informal Institutions into Comparative CSR Frameworks

- Much of the CSR theoretical discourse and empirical evidence based on developed-country institutional environments
 - Formal institutions predominate and are strong
- Developing-country institutional environments differ
 - Formal institutions are generally weak, in transition, or lacking (North 1990, Redmond 2005)
 - Informal institutions are often stronger, pervasive and salient

Institutional Profile

Scott (1995); Boxenbaum (2006)

	Regulative	Normative	Cultural-Cognitive
Basis of compliance	Sanctions, force	Social obligation	Taken-for-grantedness Shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schemes
Logic	Instrumentality	Appropriateness	Orthodoxy
Forms	Rules Laws	Rituals Roles	Common beliefs Shared logics of action
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

Institutional Profile for CSR

- Institutional Profile (cognitive, normative, regulatory) – institutional distance affects the success of transnational transfer of organizational practice (Kostova 1999)
- Institutional profiles have been used to explain other firm-related phenomena, including technology transfer (e.g., Munir 2002), knowledge transfer (e.g., Kimmo 2004), entrepreneurship (Busenitz, Gomez & Spencer 2000)
- Institutional profile differences can explain differential levels and forms of CSR – “embeddedness” of CSR

CSR Cognitive Institutions

■ Religiosity

- Used to explain scope of CSR (e.g., Brammer *et al.* 2005)

■ Individualism – Collectivism

- Used to explain desirability of CSR

- But CSR constructs assume spontaneous sociability among autonomous actors and formal written policies, typical of individualistic (Western) business-society relations (Dunlap, Gallup, Gallup 1993; Singhapakdi *et al.* 2001; Egri *et al.* 2004)

- Collectivism constrains spontaneous sociability to the in-group, such as family, lineage, village, or other limited social subgroups (Fukuyama 1991)

- CSR may translate into unwritten rules of conduct guiding business to in-group interaction as opposed to formal, written codes of conduct, rules, and regulations guiding business and society interaction

CSR Normative Institutions

■ Role Set & Boundaries

– Stakeholder map

- Differentiating between descriptive & normative (Donaldson & Preston 1995; Reed 2002)
- Roles, responsibilities, relative power (Doh & Guay 2002)
- Role overlap and/or conflict?
- Formal vs. informal

■ Role Interactions

– Informal social expectations for firm-stakeholder management

- Isomorphic pressures

CSR Regulatory Institutions

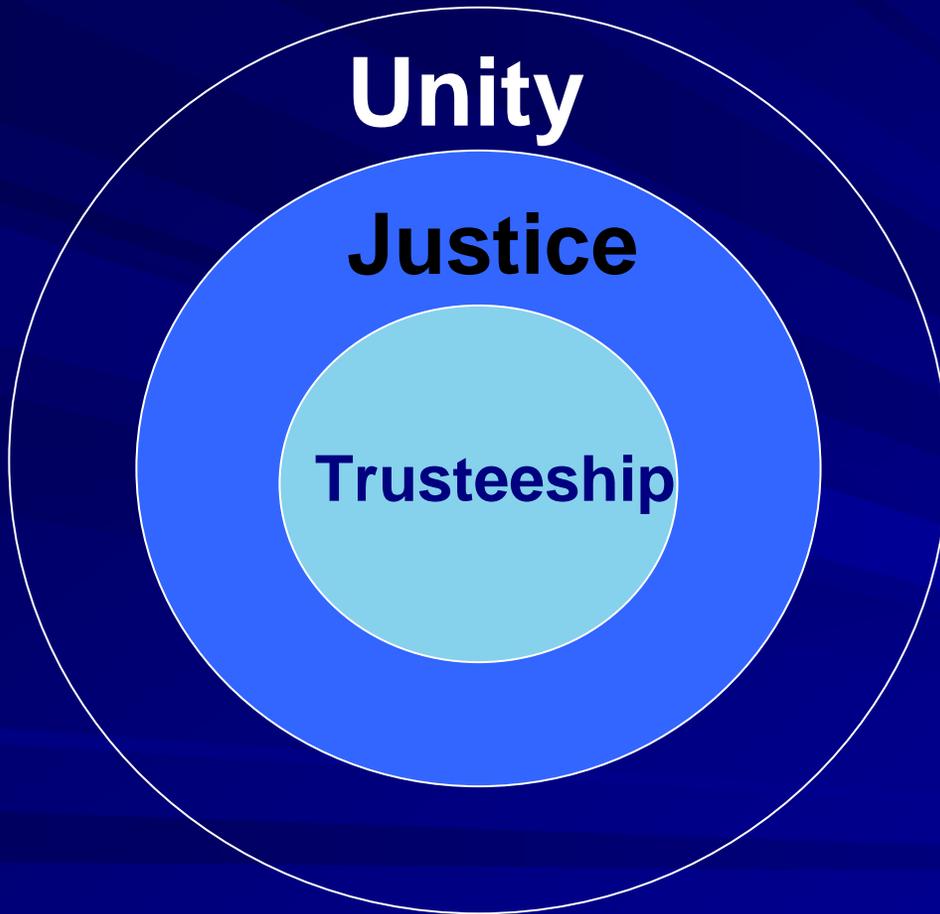
■ Regulatory Rules (Reed 2002)

- Financial market-related
- Product/service and consumer-related
- Competition-related
- Labor market-related
- Human rights-related

■ Regulatory Enforcement

- The degree to which codified rules are enforced in reality

CSR Cognitive Institutions in Egypt



- Business activity should have a socially useful function (*Maqasad al Shariah*)
 - Faith (*Iman*) is demonstrated through the application of these principles in economic activity (Gambling and Karim 1991; Beekun 1996; Rice 1991; Ali 2005; Ali et al. 2005; Beekun and Badawi 2005; Zinkin 2005)

(Abu-Sulayman 1976; Siddiqi 1981; Chapra 1992; Asad 1993; Ali 1995)

CSR Cognitive Institutions in Egypt

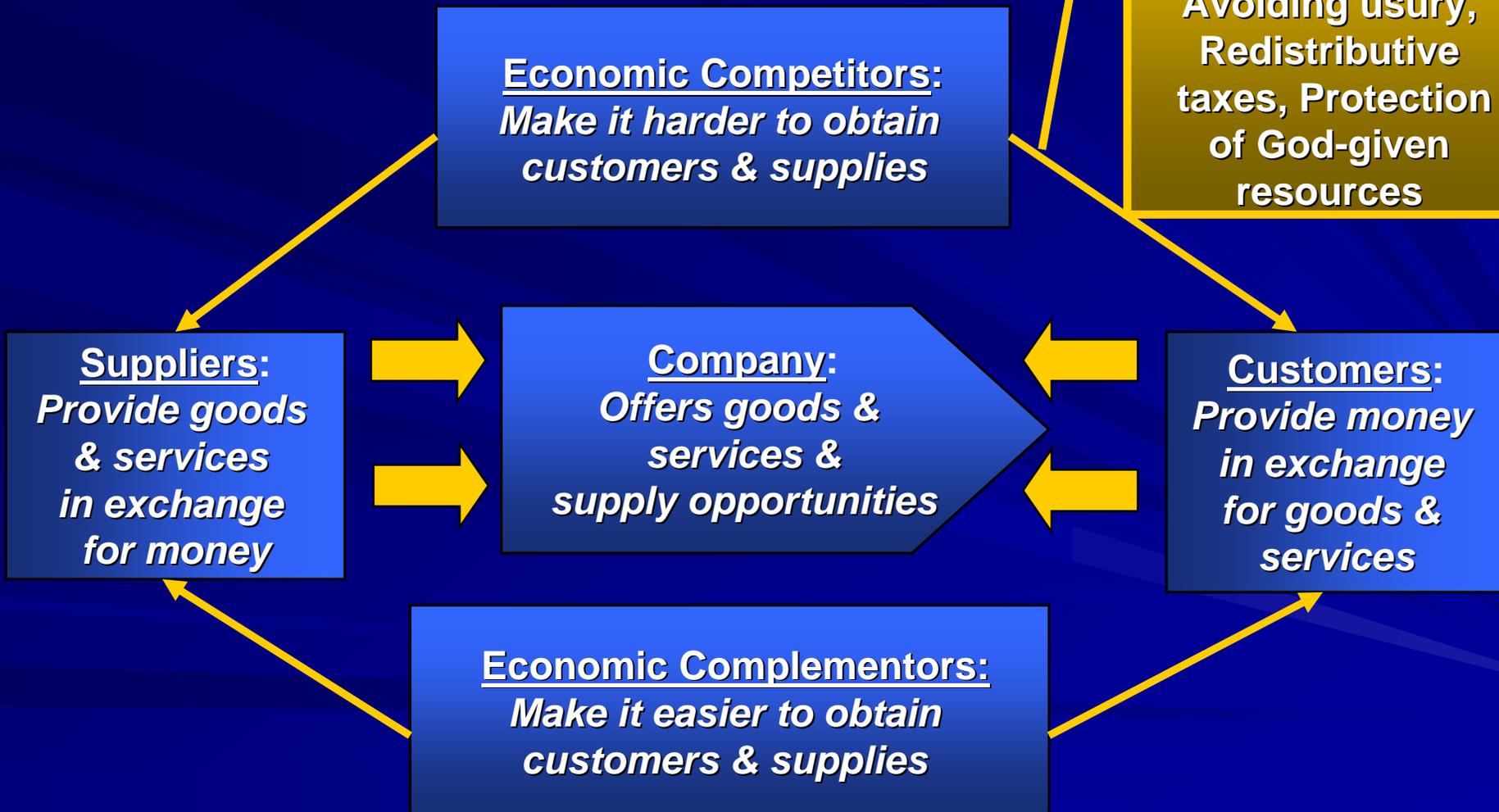


■ Collectivistic Culture

- Hofstede I/C Measure (1980)
- Wagner's I/C Measures (Buda & Elsayed-ElKhouly 1998)
- GLOBE Measures (Kabasakal & Bodur 2002)
- Schwartz Values Inventory (Egri et al., 2004; Riddle et al., 2006)

■ Familial Ethos (Singerman, 1995, 2006)

CSR Normative Institutions in Egypt



Adapted from Cummings and Doh, 2000

CSR Normative Institutions in Egypt



Adapted from Cummings and Doh, 2000

CSR Regulatory Institutions in Egypt



■ Financial Market Related Rules:

- Reform movement & isomorphic pressures
- Weak application/efficacy
 - *SME family-owned governance still predominates*
 - *Arbitrary lending practices prevail*

■ Product Standards Related Rules:

- Lack of uniformity; most are voluntary-based

■ Competition Related Rules:

- Reform movement & isomorphic pressures
- Weak application & efficacy
 - *Trade reform has been uneven*
 - *Excessive product standards impede foreign-based competition*
 - *Significant costs added to the cost of doing business (i.e., red tape, cumbersome bureaucracy)*

CSR Regulatory Institutions in Egypt



■ Labor Market-Related Rules:

- Reform movement & isomorphic pressures
- Weak application/efficacy
 - *Lack of understanding about changing labor/management rights and obligations*
 - *Uneven enforcement of worker safety laws*
 - *Child labor continues in some sectors*
 - *Defeminization of the labor force*

■ Human rights-related Rules:

- Reform movement & isomorphic pressure
- Weak application/efficacy
 - *Press freedom restrictions*
 - *Accusations of abuses of force by the state*
 - *Weak environmental protection*