Full Length Research Paper

Corporate social responsibility strategies, dynamic capability and organizational performance: Cases of top Taiwan-selected benchmark enterprises

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With an increasing trend of attention devoted to the corporate social responsibility (CSR) in businesses all over the world, this paper discusses the types of CSR strategies from both value perspective and strategic orientation. We also incorporate dynamic capabilities perspective to explain the effects of CSR strategies on organizational performance. Case studies from Taiwan further support theory framework and proposed propositions. Data is collected from annual reports, databases of reports on environmental performance and sustainable development of Taiwanese businesses, web sites as well as interview reports of CSR from the media. The results indicate that a firm's particular dynamic capabilities of stakeholder relationship management can determine the effectiveness of alternative CSR strategies, in return influencing organizational performance. Finally, we discuss some of the implications of the practical and academic contributions of this study as well as its limitations. We also provide suggestions for future research.

Key words: Corporate social responsibility, dynamic capability, organizational performance.

INTRODUCTION

The viewpoint of agency theory states that an opportu-nistic and self-serving manager may use corporate social responsibility (CSR) to increase his or her personal social status, yet the related costs of executing CSR are borne by all stockholders (Friedman, 1970). Furthermore, these managers do not always possess the professional ability to solve social problems effectively, which is why investment in CSR is an unfair treatment for stockholders (Friedman, 1970). However in the past 20 years, CSR and an organization's goals share a broader connection and much research supports a positive correlation between CSR and an organization's financial perfor-mance (Lee, 2008).

CSR is a field of study that has developed in the managerial field and in theory is nearing maturity as more and more corporations have begun to realize this goal. Furthermore, as the consciousness of stakeholders rises along with the continuous change occurring in the global management environment, these changes will invariably make a significant impact on an organization's operations. Taiwanese corporations are an important link in the global supply chain and if they are unable to keep up with the global pace, these corporations will face imminent difficulty in their future operations. Therefore, the management field has placed greater emphasis on the practical managerial issues of CSR.

Currently, many papers adopt the resource depen-dence theory, organizational life cycle and the manage-ment of stakeholders to examine how these perspectives affect managers in their managing plans, explaining why organizations in different life cycle stage must take on different strategies in response to the demands of stake-

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holders (Jawahar and McLaughlin, 2001). According to the above theories, this study further differentiates CSR strategic types based on value perspective and strategic orientation (Oliver and Holzinger, 2008) additionally taking the next step in exploring the dynamic capabilities which determine the effects of CSR strategies on organizational performance.

This study looks into management issues of CSR strategic effectiveness from a dynamic capabilities perspective, including many reasons. First, dynamic capabilities emphasize the variation in firms' ability to adapt quickly to an ever-changing environment and its relative impact on organizational performance (Teece et al., 1997). The context of CSR strategy in question involves the dependence of corporate success on the relations and interactions between an organization and its stakeholders. For instance, failure of the industry to satisfy consumer demand or to provide acceptable pricing for safe products and the corresponding post-sale service will result in the collapse of consumer confidence. Also as part of the international supply chain, companies risk losing regular orders if they fail to meet environmental regulations required by downstream customers or are unable to respond more expeditiously than their competitors. Therefore, corporations must enhance their dynamic capabilities to meet the changing demands of their various stakeholders.

Second, dynamic capabilities also stress the importance to enhance the productivity of other resources that a firm possesses in order to increase profitability (Makadok, 2001) . This study further looks into the possible influence of CSR on organizational performance through the supply of innovative products and services. Both arguments are consistent with each other. Past literature has shown that organizations list CSR as one of the most valued operating policies in addition to the impact of CSR on their financial performance. However, there is limited discussion on how discrepancies in firm-specific capabilities affect the effectiveness of CSR strategies. In this way, a dynamic capabilities perspective can draw attention to the crucial role of specific dynamic capabilities in enabling firms to execute CSR strategies successfully.

In summary, the crux of this paper lies in the active role of the CSR strategic validity based on the dynamic capabilities perspective which forms the basis of this study's theoretical framework and propositions. To support the framework and propositions discussed in this paper, we further present cases of top Taiwan-selected benchmark enterprises that have improved their organizational performance owing to the successful execution of CSR strategies. In theory, this study helps to bridge literatures between CSR and the dynamic capabilities perspective. On the other hand, it also provides reasonable answers to the following questions that enterprises may encounter in actual business situations: (1) What are the types of CSR strategies used in

an organization? (2) What are the possible benefits generated by dynamic capabilities in order to promote greater strategic CSR effectiveness and increased organizational performance?

With the supporting evidence of the benchmark enterprises, the contemplation of these questions not only facilitates the execution of CSR strategies in society where CSR awareness is at its infancy, it also serves as a model for corporations at the initial stage of CSR execution.

LITERATURE REVIEW

This section reviews the reasons why organizations need to execute CSR activities and characterizes the various types of CSR strategies. We further link CSR strategies to specific dynamic capability in order to understand how interaction between these two can affect organizational performance.

Reasons for organizations' execution of CSR

An organization is a dynamic social system of cooperative interactions and relationships. At different stages of the life cycle, these relationships change depending on the combination of relations, bringing the organization opportunities and threats for survival (Jawahar and McLaughlin, 2001). The resource dependence theory states that an organization must rely on valuable resources provided by its environment to ensure continuous operations, therefore the organization will develop dependence on stakeholders who can provide vital resources and affect its resource allocation strategy (Gioia, 1999; Jawahar and McLaughlin, 2001). Furthermore, an organization's capability of satisfying major stakeholders' demands is a key factor that determines whether an organization can constantly survive and maintain its competitive advantages (Clarkson, 1995). Due to limited resources, corporations must identify their major stakeholders in the current life cycle (Agle et al., 1999; Jawahar and McLaughlin, 2001) and take the step to form an aggressive response strategy (Jawahar and McLaughlin, 2001) . In other words, when an organization's resource dependence on certain groups increases, their influence on the company also increases (Frooman, 1999), hence managers will give greater attention and priority to resource allocation (Agle et al., 1999).

CSR strategy model for response to the demands of stakeholders

From approximately 1990 on, the concept of CSR became almost universally sanctioned and promoted by all constituents in society from governments and corporations to non-governmental organizations and individual

consumers. Even international organizations (e.g. The United Nations, World Bank, Organization for Economic Corporation and Development, International Labor Organization) fully supported and aggressively established guidelines to continue the movement. According to a study held by US Fortune magazine, of the Fortune 500 companies traded in 1977, less than half of these companies embraced CSR as an essential component in their annual reports. However, at the end of 1990, it was discovered that nearly 90% of the Fortune 500 companies listed CSR as one of the basic elements of their organizational goals, actively reporting the CSR events held by these corporations in their annual reports. From this, it is evident that CSR has received widespread recognition in many large corporations in the USA. In Taiwan, based on the results of a 2005 study conducted by Global Views Monthly magazine, merely 27.6% of public listed companies released information on their CSR programs. In 2006, this figure rose to 55.3%; as to foreign companies with branch offices in Taiwan, the number is 64.3%. From these figures, it is evident that CSR has become an important factor for Taiwanese and foreign corporations and has become the global trend.

Corporate response strategy to CSR or topics in society can be categorized as reactive, accommodative, defensive and proactive (Carroll, 1979). As strategy signifies the set of opportunities for creating value and deploying dynamic capabilities to obtain a competitive advantage (Oliver and Holzinger, 2008), therefore when a company has motives for value creation or mainte-nance that drive the decision to undertake stakeholders' management, there are two ways to receive the opportunity advantage in managing stakeholder relations; either to aggressively influence the stake-holder's demands and expectations, or to respond to the stakeholder's demands to create more opportunities for a win-win situation (Oliver and Holzinger, 2008). Also, some scholars state that CSR performance can be evaluated by a corporation's management of stake-holders, because through the valuable investment made in these stakeholders, a corporation can increase results and accumulate a competitive advantage (Clarkson, 1995) . The CSR strategies in this paper are based on value perspective (maintain or creating value) and strategic orientation (aggressively influencing or respond-ing to a stakeholder's demands).

With an understanding of the fundamental theories stated above, the theoretical framework of this paper is as shown in Figure 1. The motive for a corporate manager is to maintain or create organizational value, to place policies and response protocols of social responsibility in order to obtain opportunities for the development of relationships between organizations and stakeholders (Wood, 1991). Furthermore, organizations with specific dynamic capability can further increase the effectiveness of CSR strategies and improve its organizational performance.

Table 1 illustrates the content of the four types of CSR strategies. According to Figure 1, if a company has the motive to maintain or create value, CSR strategies will be adopted to manage the demands of stakeholders and the effectiveness of these strategies are dependent on a company's specific dynamic capability. Reactive strategy refers to the engagement of strategies to respond to the demands of stakeholders. Accommodative strategy not only signifies the appropriate response to stakeholder demands, it also suppresses or changes the stakeholder demands that are detrimental to a corporation's current situation through the use of other influencing powers; defensive strategy is the pre-emptive allocation of related resources to adapt to the possible change in demands of the stakeholder through predictions in the environmental scanning systems. Lastly, proactive strategy is a corporation's use of its own influence to shape the stakeholder's demands to benefit the organization as well as to satisfy and become the proponents of the industry (Carroll 1979; Clarkson, 1995).

Dynamic capability is a unique and identifiable procedure (Eisenhardt and Martin, 2000) similar to the development of a product, the establishment of strategic policies and alliances and others. Dynamic capability places special emphasis on the active change of environment and the key roles strategic management plays in adaptability, integration and re-structuring of internal and external organizational techniques, resources and functions to adapt to the changing environment (Teece and Pisano, 1994). Furthermore, as organizations possess these dynamic capabilities such as the continuous improvement of technical skills, renewal of fundamental knowledge and others, they can integrate, establish, or re-organize internal and external resources to adapt to changes in the external environment, so as to achieve the goal of maintaining or creating value (Christoph, 2003; Eisenhardt and Martin 2000; Eisenhardt and Martin 2000;; Teece et al., 1997). A study conducted by Deeds et al. (2000) discovered that high technology companies continue to develop new products due to dynamic capability and are able to quickly adapt to changes in the environment and global competition. Aoki's (1990) pointed out that value can be created by effectively and efficiently integrating various resources such as a corporation's internal resources and comple-mentary ones obtained through strategic alliances (e.g. technical knowledge) (Aoki, 1990). If a manager can combine multiple technical aspects, from application to product development, it will be beneficial in helping a corporation create lucrative new products or services (Eisenhardt and Martin 2000). These will be the results produced by the ability to integrate resources. Also, the efficient and effective monitoring of changes in the market and technology, together with management skills to quickly complete resource re-organization or transfer, can help corporations effectively respond to environmental changes, meet market needs and compete with compe-
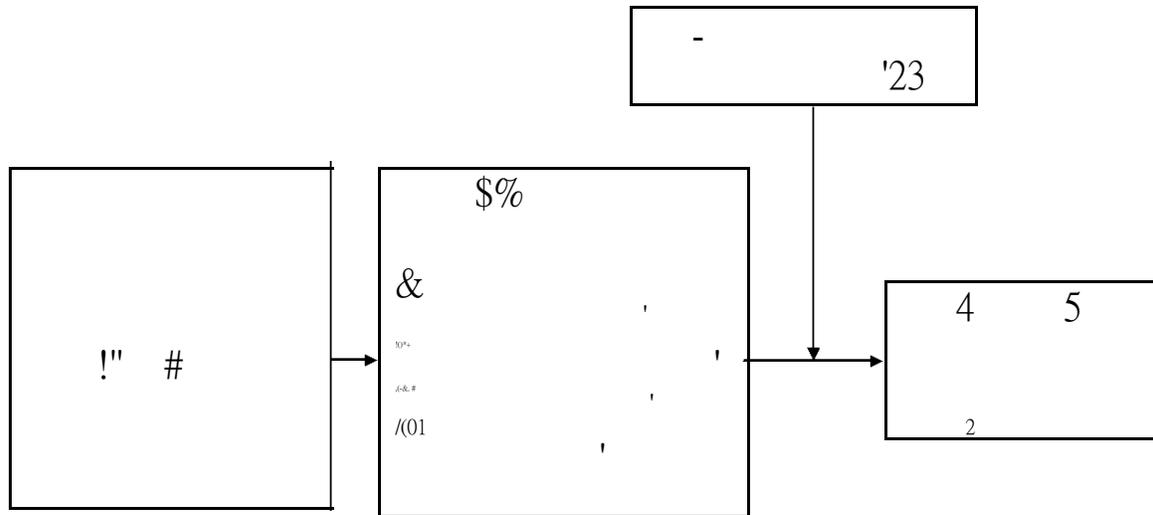
Figure 1. Theoretical framework of this study.

Table 1. CSR strategy types.

		Value perspective	
		Maintain value	**Create value**
Strategy Orientation	Response	1.Reactive Strategy (Respond only to certain demands) e.g. Developing highly effective pollution prevention procedures to adhere to standards of the green supply chain	3.Defensive Strategy (Doing what may be needed in the future) e.g. Constructing operating protocols that stakeholders may demand in the future
	Influence	2.Accommodative Strategy (Using outside influence to change the demands of stakeholders) e.g. Increase the positive affirmation of stakeholders	4.Proactive Strategy (Creating and satisfying needs, taking the role of industry leader) e.g. Mold new demands for stakeholders and satisfy them

titors (Amit and Schoemaker, 1993). Optimal interaction must be maintained with stakeholders throughout a corporation's operating process, hence there will be characteristics of complication and active change. Therefore, the capability of active stakeholder management can help corporations quickly obtain unique resources to create value. The application of dynamic capability in this study means that when a stakeholder's demands and expectations towards an organization become more complicated and active, dynamic capability will permit the organization to obtain the opportunity to respond or change its methods in managing relationships with stakeholders. This study concludes that when relationship management opportunities stem from the change in the stakeholder's demands, dynamic capability can become a source of creating economic profit for the organization. For example, if a company possesses the ability to quickly respond to innovative procedures, it will be able to meet the requirements and demands of being the downstream of a green supply chain. Aside from being able to establish related response protocols under the

internal management guidelines, when other companies attempt to imitate this unique ability, the needed time and capital will be much higher, thereby creating obstacles for competitors to enter their field. In this situation, a company's dynamic capability is closely linked to its organizational competitive advantage (McWilliams et al., 2002).

Stakeholder demands and expectations towards an organization will change in accordance to an organiza-tion's life cycle and changes in the environment. As speci-fic dynamic capability can raise organizational response or influence stakeholder demands (David et al., 1997) as well as the productivity of valuable resources (Richard, 2001), CSR strategies can be effective in increasing organizational performance. As such, this paper concludes that a company's dynamic capability acts as a key role in CSR strategies. For instance, through the use of dynamic capability, an organization can increase efficiency and legitimacy, maintain relations between the organization and its stakeholders and protect market position. Not only that, it can increase the first mover

Table 2. CSR strategy types and dynamic capability.

| | Reactive strategy | Accommodative strategy | Response strategy | Influence strategy |
			Defensive strategy	Proactive strategy
Nature of effectiveness CSR strategies	Increasing efficiency and legitimacy through adjusting internal procedures	Maintain market present position through taking action to influence demands of major stakeholders,	Gaining first mover advantage and increasing company reputation through taking preventive action by scanning and anticipate changes of major stakeholders demands	Taking action to mold and redefine major stakeholder demands in the operating environment to conform beliefs to match with organizational benefits
Dynamic capabilities beneficial to the effectiveness of CSR strategies	Flexible organizational architecture	Accumulation and expansion of trust social capital	Scanning and predictive capabilities	Influence on social culture
Benefits produced by dynamic capabilities	Rapid and low-cost reconfiguration of internal processes; investment in training, resource, and skill innovations to accelerate and improve compliance with stakeholder demands	Activating social networks to defend current market position; lobbying to reduce unexpected changes.	Continuous investment in environmental scanning, hiring professionals and accumulating knowledge on changes in stakeholder demands, advance prediction of changes in target stakeholder demands allows allocation of resources.	With socio- cultural influence, the organization can actively create, widely share and spread the norms and rules of the organization to influence social culture
CSR Strategy Cases	Everlight Chemical Industrial Corporation	Chunghwa Telecom	Taiwan Semiconductor Manufacturing Company	President Chain Store Corporation

advantages, maintain or upgrade company reputation, or shape new stakeholder demands in line with the company's advantage or benefit, thereby being an effective force in increasing or maintaining organizational performance.

Table 2 describes four types of CSR strategies and their differences under different kinds of dynamic capability. Response oriented CSR strategy utilizes specific capability to achieve the demands of target stakeholders; influence oriented CSR strategy uses specific capability to guide a stakeholder's demands to conform to the target and profits of an organization. Below, we describe the relationship between the four strategies and dynamic capability, as well as explain the influence of dynamic capability in improving the effectiveness of CSR strategies. Our research applies dynamic capability perspective to CSR topics to support the further explo-

ration of pertinent issues below, including the types of strategies that can affect the development of relationships between corporations and stakeholders. And under what conditions can these strategies effectively create value?

The essence of effective CSR strategy refers to the expected results of an organization's strategy. Reactive strategy mainly uses internal procedures to increase efficiency and legitimacy (Baum and Wally, 2003; Henderson and Cockburn, 1994) to meet the demands of major stakeholders. Accommodative strategy scans possible changes in the demands of major stakeholders to take preventive action in order to gain the first mover advantage and increase the reputation of a company (Mahon, 2002; Oliver and Holzinger, 2008). Lastly, proactive strategy means taking action in order to mold and redefine the demands of major stakeholders in the operating environ-

ment, influencing their beliefs to conform to the benefit of the organization (DiMaggio and Powell, 1983; Oliver, 1991).

In order to achieve the goals of CSR strategies stated above, under related preconditions, an organization must possess a flexible organizational structure for reactive strategy to increase in efficiency and legitimacy through the adjustment of internal procedures (Henderson and Cockburn, 1994). To influence stakeholder demands and protect the current market position for the goal of accommodative strategy, the basis of trust is necessary (Amit and Schoemaker, 1993; Burt, 1992; Tsai and Ghoshal, 1998). Furthermore, if an organization does not have the capabilities of scanning and predicting change in the environment, early detection of changing stakeholder demands is impossible. Consequently, the company will neither obtain the first mover advantage

nor improve its reputation (Mahon, 2002; Oliver and Holzinger, 2008). In other words, the goals of an accommodative strategy will not be met. Lastly, if an organization cannot make an impact on social culture, it will naturally be unable to redefine stakeholder demands in the operating environment and thus cannot match their beliefs to its organizational benefit (DiMaggio and Powell, 1983; Oliver, 1991; Pfeffer and Salancik, 1978), thereby leading to failure in proactive strategy.

As such, the effectiveness of CSR strategies discussed in this paper requires four types of dynamic capabilities, including: 1. Flexible organizational architecture; 2. The accumulation and expansion of trust social capital; 3. The ability to scan and predict the environment; 4. Influence on social culture. These four dynamic capabilities allow organizations to achieve a better fit with external environmental change to produce positive influence on an organization's performance. Therefore, the success of CSR strategies in achieving goals hinges on these dynamic capabilities. Table 2 describes the relationships between CSR strategies and dynamic capabilities.

Effectiveness of different CSR strategies

Reactive strategy

From the perspective of dynamic capabilities, if a company wishes to protect strategic assets, it will do so by adjusting internal procedures to meet the demands of major stakeholders. Highly regulated industries such as pharmaceutical, chemical, aviation and financial Industries especially need to develop certifiable data processing procedures to provide up-to-date, complete and reliable data to adhere to related laws and regulations. In other words, when an organization faces changes in the demands of major shareholders due to changes in laws and regulations, adjustment of internal procedures is needed to increase efficiency and legitimacy, so as to reach the goals of reactive strategy (Henderson and Cockburn, 1994). When an organization possesses dynamic capabilities of realigning or reconfiguring structural and technical process architecture (Henderson and Cockburn, 1994), employee training and education not only become faster, technological innovation can also be achieved with lower costs. This not only increases an organization's efficiency in adapting to changing laws and regulations, it also raises the speed and quality of employee execution towards related laws and regulations (Henderson and Cockburn, 1994) in response to the demands of major stakeholders.

As stated, a flexible organizational structure permits investments in employee training and technological innovation and provides more opportunities for fast restructuring of internal procedures at a lower cost. Aside from efficiently responding to changes of laws and regulations in the operating environment and obtaining legitimacy, it also enables major stakeholders to identify

more with the organization. In other words, corporations that are adept at linking flexible internal adjustment procedures with external laws and regulations can help a company achieve the goals of legitimacy and social support (Griffin and Dunn, 2004). This explains the role of flexible organizational architecture in the success of reactive strategy. For example, if a company continues the innovation of production procedures to develop cost-effective information device technology in adherence to related regulations in the operating environment, it can increase the legal viability and social support of an organization to produce an advantage in operating performance or survival (Pratima and Kendall, 2000). The foregoing arguments raise propositions 1a and 1b below:

Proposition 1a: The effectiveness of reactive CSR strategies will depend on a firm's structural and process reconfiguration capabilities.
Proposition 1b: Effective reactive CSR strategies lead to increased efficiency and legitimacy, which in turn positively influence an organization's performance.

Accommodative strategy

Literature on social networks points out that through expanding social links continuously, important social capital can be drawn and accumulated (for example: trust) (Burt, 1992; Gulati, 1998; Tsai and Ghoshal, 1998). This social capital can boost the actor's ability in obtaining support from key members in the social network in order to further influence other members in the network and to ensure an organization's positive results (Tsai and Ghoshal, 1998). Our research defines CSR's social capital as the trust social capital of a company, which through direct or indirect social links, can be used to influence key members in the network. The latter can further use their influence to persuade major stakeholder demands to be maintained at status quo (DiMaggio and Powell, 1983), to sustain their current relationship and also to protect the current market position (Blyler and Coff, 2003; Coleman, 1990).

When an organization foresees a change in major stakeholder demands, it will take action to negotiate or influence actions to maintain the status quo (Amit and Schoemaker, 1993). If an organization has energized its social network and continues to expand links in society to accumulate trust social capital, it can exert its influence through using these relationships to coordinate with the demands of major stakeholders and to obtain their support. In other words, the accumulation and expansion of trust social capital are contained in the identifiable relationship management procedure of an organization. This is beneficial in influencing the actions of major stakeholders. It also aids in maintaining the relationship between the two as well as protects the company's current market position (Blyler and Coff, 2003). Therefore, this paper views the accumulation and expansion of

trust social capital as a dynamic capability which facilitates discussions with major stakeholders to maintain or protect a company's current assets and market status (Coleman, 1990)? As such, this study proposes propositions 2a and 2b as below:

Proposition 2a: The effectiveness of accommodative CSR strategies will depend on a firm's capabilities in accumulating and expanding trust social capital.
Proposition 2b: Effective accommodative CSR strategies will enable an organization to maintain current related assets and to protect its market position so as to bring about a positive effect on organizational performance.

Defensive strategy

Enhancing an organization's scanning and predictive capabilities can aid a corporation to obtain the latest knowledge on the underlying environmental change. As a result, it will be able to make appropriate responses before events occur (Oliver and Holzinger, 2008), gain the first mover advantage and also improve its organization's reputation (Mahon, 2002). Active scanning and predictive capabilities can be operated differently, for example: continuing investments in scanning procedures, strengthening employee training to improve abilities in scanning the environment and obtaining related knowledge, or hiring professionals to provide suggestions periodically on the latest in changes and response strategies (Oliver and Holzinger, 2008). This concept as suggested in this paper states that an organization must strive in regular, instant and expansive scanning of stakeholder demands to predict the changes that will occur in stakeholder demands, to quickly obtain and accumulate the latest knowledge of possible changes in such demands and through innovative operating regulations, to take defensive strategy and to obtain the first mover advantage. Furthermore, consumers, suppliers, competitors and the government will highly acknowledge the response of the company which can possibly lead to a public recommendation through the media or public service announcements, which are all beneficial to the company reputation (Mahon, 2002). As such, this study raises propositions 3a and 3b below:

Proposition 3a: The effectiveness of defensive CSR strategies will depend on a firm's scanning and predictive capabilities.
Proposition 3b: Effective defensive CSR strategies will result in the first mover advantage and enhanced reputation for the firm to bring about a positive effect on its organizational performance.

Proactive strategy

Institutional theory suggests that power will flow to organizations that have the greatest capacity to shape

and manipulate the underlying values and beliefs. Therefore, organizations will be able to shape or control these basic values and beliefs embedded in their operating system (DiMaggio and Powell, 1983; Oliver, 1991). In assessing the dynamic capability that can influence or control basic values and beliefs, whether or not an organization's efforts in the media or public relations influence social culture in forming shared beliefs becomes the barometer (DiMaggio and Powell, 1983). Also, an organization's dynamic capability in influencing social culture can be linked to its impact on major stakeholders, the degree of obtaining resources and information channels, redefinition of major stakeholder demands and the shaping of social culture's common awareness to increase the company's competitive advantage (Oliver, 1991; Pfeffer and Salancik, 1978; Suchman, 1995) . Combining these perspectives, an organization can, through the practicality of development, bring about influence in molding new basic values or produce common beliefs in social culture to improve the practical development of an organization's actions. It can also achieve consensus in society (DiMaggio and Powell, 1983) as well as connect to an organization's benefits, thereby creating value.

To sum up, an organization's range and extensiveness in an economic or regulatory environment decides the power and scope of influence on social culture (Uzzi, 1997). This is because when an organization has influence on social culture, it can actively create and share organizational norms to affect society's basic values and beliefs of major stakeholders, hence capable of matching them with the benefit and advantage of the organization. Therefore this paper proposes that if an organization possesses influence on social culture, the actions it takes will naturally redefine the demands of major stakeholders in the operating environment and will influence the beliefs of these stakeholders to conform to the organization's benefit. The range and extensiveness of operating procedures with major stakeholders affect the number of persuadable major stakeholders who will believe and agree that the practical development of an organization is in line with their expectations, hence will improve its organizational performance. This theory is similar to that proposed by Suchman (1995), stating that if a company can aggressively create and share organizational norms, spread and define the links to society's basic values, then this influence on social culture can be used to mold new beliefs in major stakeholders to form common approval of a company's practical development, which in turn will improve an organization's results. As such, this study offers propositions 4a and 4b below:

Proposition 4a: The effectiveness of proactive CSR strategies will depend on the scope of a firm's capability in influencing social culture.
Proposition 4b: Effective proactive strategies lead to the creation and sharing of organizational norms to influence

society's basic values and the belief of major stake-holders to provide positive results for an organization.

RESEARCH METHOD

Case study research methods can be used in the establishment, testing or expansion of theories; and data can be collected by analyzing related documents, conducting exhaustive interviews or issuing questionnaires (Eisenhardt, 1989). According to Yin (2003) viewpoint, the case study research method can be adopted in exploratory, narrative or explanatory research.

This study aims to answer questions that include:

(1) What CSR strategies can an organization execute?
(2) How do dynamic capabilities affect CSR strategies in terms of enhancing an organization's performance?

These are all questions of "what" and "how," which are suitable for case study research. Furthermore, Taiwanese corporations are still in the budding stages of CSR execution, which brings great difficulty in obtaining large amounts of data to conduct empirical study. Hence, we have chosen benchmark publicly traded corporations that have shown actual results in executing CSR strategies to conduct our case study research and to provide supporting evidence for the conceptual framework of this paper.

Case study choices

This research chooses four case studies for analysis and discussion, including Everlight Chemical Industry Corporation, Chunghwa Telecom, Taiwan Semiconductor Manufacturing Company (TSMC), and President Chain Store Corporation. The rationale behind this selection are (1) they are Taiwanese public listed companies, so related public data is more abundant and accurate; (2) the CSR strategies executed by these corporations are archived in the "Sustainable Development Report of Large National Corporations Database"; (3) they are recipients of CommonWealth Magazine's first and second annual "Top 50 Best Corporate Citizens" award chosen by analysts of professional institutes, accountants, and scholars which provide credibility to the choices; (4) they are all local leaders in their respective industries with CSR strategies matching the topics explored in this paper, making them representatives and indicators of leadership effect.

Data collection and analysis

Case study research can be formed through multiple sources of data, including direct observation, systematic interviews, government and private data, or media report (Leonard-Barton, 1990), which is why this paper uses company annual reports, official websites, corporate websites, and public media CSR topic interview reports and other methods to collect the needed data. Main sources of data include 1. Annual reports - a company's yearly information mandatorily made public; the data collected in annual reports on a company's CSR information; 2. Taiwan Business Council for Sustainable Development's "Sustainable Development Report of Large National Corporations Database"; 3. CSR cases provided by the Ministry of Economic Affairs, R.O.C's CSR in Taiwan website, 4. Company websites, describing the history of their CSR promotion, and 5. CSR related interviews conducted by the public media. Table 3 organizes the basic data of the four case studies.

STUDY FINDINGS AND DISCUSSION

Propositions 1a and 1b

This study uses Everlight chemical's response to major stakeholders (consumers) in the CSR case, which explains why using reactive strategy to maintain relationships with consumers and internal restructuring of company structure and procedures affect the effectiveness of reactive CSR strategy.

Taiwan's largest Everlight Chemical Industry Corporation, which adopts an international marketing approach, was established in 1972. As it produces chemical products, its manufacturing and production processes are often intertwined with issues on environmental protection, marking it an industry that is heavily regulated by law. Furthermore, as Taiwan is an island economy lacking in both raw materials and local market demand, under the pressure of rising prices in international raw materials and intense global competition, the transfer pricing becomes limited, which leads to a decrease in added value, making the threat of organizational survival apparent.

Responding to its buyers' strong demand for the organization to be protective of the environment within its operations, its international clients' demand for the company to invest in the green supply chain, and also Taiwan's law of necessitating publicly traded companies to provide environment-friendly standards and information in their annual reports, Everlight Chemical Industry Corporation imported new environmental technologies in 1988. This move not only increased the efficiency of pollution processing, but also reduced waste emanating from its manufacturing operations, achieving the goal of a clean manufacturing process and a change in the processing cycle that minimized the formation of unwanted by products. At the same time, the company established Taiwan's first environmental accounting system to increase the certification, completeness and accuracy of its operating environment data that serve as deciding factors in policy formation on internal environmental activities.

In this case study, under the enormous pressure to survive and thrive, Everlight Chemical Industry Corporation has not only advanced its manufacturing and environmental technologies, but has also invested in building infrastructure, training employees in environmental consciousness and aggressively exploring opportunities within the company for green innovation. This quick internal restructuring of the manufacturing process and the active introduction of many innovative measures, coupled with the superb capability of establishing a new environmental accounting system, not only helped the company respond readily to the demands of downstream supply chain buyers, but also rang true to the United Nation's 1987 declaration of the "sustainable development" philosophy. This philosophy, together with the "Environmental Cost Accounting" promoted by the sus-

Table 3. Basic data of case studies.

Case Study	Everlight chemical industry corp.	Chunghwa telecom	TSMC	President chain store corporation
Industry	Chemicals	Telecommunications	Semiconductors	Trade
2007 Company assets	7,454,261 (thousands of NT)	465,234,117(thousands of NT)	551,772,623 (thousands of NT)	42,637,512 (thousands of NT)
Established date	1972	1996	1987	1987
Time period of data sources	(1) 2006 and 2007 annual reports; (2) 2007 and 2008 CommonWealth Magazine's corporate citizen investigation[1]; (3) 2007 report on the sustainable development of large national corporations database; (4) 2008/2/1-2008/9/15 corporate website;(5) 2008/2/1-2008/9/15 CSR in Taiwan website			
CommonWealth CSR Interviewee[2]	Financial Officer Ren Zong Chang General Manager Wei Wang Chen	CEO Chen Dan Ho	CEO Morris Chang	CEO Ching Yuan Kao General Manager Zong Ren Chu

[1]2007 Commonwealth's Corporate Citizen judging period considers a corporation's performance till end 2006, 2008's judging period uses a corporation's performance until end 2007.
[2]CommonWealth Magazine issue number 367, Strategy of Pioneers - Corporate Social Responsibility Data Source: Organized by this study.

tainable development committee of Taiwan, propelled Everlight Chemical Industry Corporation to receive higher CSR acclaim in local or international markets. Its successful execution of environmental policies also garnered greater legitimacy and social support.

The unique process reconfiguration capabilities described above are also reflected in the increase in speed and quality of employee execution of related laws and regulations. This enables Everlight Chemical Industry Corporation to receive a greater number of business orders which contributes to the operating performance of the organization. On the other hand, if such dynamic capabilities of restructuring organizational processes were not in place, a company would not be able to meet order requirements from large international organizations. In addition, under legal regulations, should an environmental disaster occur, it would not be able to avoid the risks of paying corporate responsibility and a large compensation.

Combining the above, Everlight Chemical Industry Corporation has adopted reactive CSR strategies; and under the demands of downstream buyers and government regulations, it has effectively amended its company structure and related

procedures to help the company receive higher legitimacy and social support. These unique dynamic capabilities have not only responded to consumer demands, they have also lowered the survival risks of organizations. Also, with the establishment and promotion of "Environmental Cost Accounting," companies would be able to clearly identify the hidden environmental costs. In this operating environment of ever increasing pollution processing costs, Everlight Chemical has been able to decrease its yearly costs by reducing the amount of pollution emanated. Also, with a new information system providing reasonable cost-allocating methods, it has been able to move noticeably in the direction of cost saving, enabling policy makers to set better price and production strategies to make a positive impact on its organizational performance.

Propositions 1a and 1b are supported. It means that if a company has the dynamic capabilities to restructure its organizational setup and processes, they will form a deciding factor in the effectiveness of reactive CSR strategies. Furthermore, effective reactive CSR strategies will help a company gain increased legitimacy and social support, which will aid in maintaining its organizational performance.

Propositions 2a and 2b

In terms of accommodative CSR strategies, this study uses Chunghwa Telecom's accommodation of major stakeholder (employee) demands to explain why the dynamic capabilities of accumulating and leveraging trust social capital can affect the effectiveness of accommodative CSR strategies.

Chunghwa Telecom is Taiwan's largest analog communications, digital communications and mobile phone service provider with networks and employees across 319 townships in Taiwan. Chunghwa Telecom's services have permeated both the main island of Taiwan and its satellite islands, making it a highly localized corporation. In the process of transforming from a public to a private company in 2005, its company policies and management both experienced enormous transformations; and while employees understood that change was inevitable, emotionally they harbored strong doubts against this revolution and in turn formed resistance. Throughout the process of privatization, employee distrust in privatization and worry for their own benefits spurred many union-led protests, resulting in much conflict on issues of labor and wages, eroding the trust social

capital between the two parties.

In facing employer-employee conflicts and the threat of opposition, Chunghwa Telecom took an open position towards its employees in order to find a solution to the problem and to accumulate trust between the two parties. Through communication and compromise, it was able to gradually decrease employee resistance towards changes in the organization. For instance, in August, 2007, the company established an internal platform for interaction, the "Chunghwa Dissenting Voice Forum," to provide employees with free and open communication channels such as discussion areas and blogs. This step of increasing employee participation with a structured communication platform gradually increased employee trust in the company.

Furthermore, in 2006, Chunghwa Telecom established the "Chunghwa Telecom CSR Committee" with the ambitions of making CSR the new cultural strategy for company growth and image creation. The company extended its employer-employee trusted social capital towards social philanthropy to maximize the organi-zation's network power and to inspire mutual cohesiveness. This included the three facets of CSR such as marking "community" as its operating focus, mini-mizing the technological gap between cities and townships, and supporting local cultural industries while cultivating community life. Of these, the "Click Taiwan" project was managed with all employees in Taiwan recommending unique industries of each area, which led to the understanding and support from the Chunghwa Telecom Trust Fund. From establishing websites to aiding the growth of Taiwanese community-based industries, the full use of the social trust capital accumulated by both parties helped create organizational power through the utilization of network advantage. For instance, after the devastating earthquake that struck Taiwan on 21 September, 1999, the confidence level of Taiwanese people took a huge plunge. The need to revitalize local industries became apparent, making communities a fine link to start. The development of community-based industry, "Forest Black Tea," is a prime example. This project saw employer-employee collaboration and employee recommendation of first having renowned director Wen-Tang Cheng document the production and community building processes for placement onto the "Click Taiwan" website, then hiring a designer to conceptualize the gift box design, subsequently organizing the "Corporate Gift Exhibit" to link Taiwanese corporations and community-based industries. Such efforts resulted in the successful transformation of an agricultural commodity into a cultural product. In other words, through the "Click Taiwan" project, Chunghwa Telecom not only accumulated trust and cooperation between the company and its employees, but also used their leverage power of social trust capital to support a unique community-based industry. Furthermore, in this accommodative CSR response strategy, Chunghwa Tele-

com used shared website platforms to bring about higher usage to expand the market for new business opportunities. These are all testimonials to the positive effects that dynamic capabilities of accumulating and expanding trust social capital can benefit an organizational performance.

As stated, Chunghwa Telecom faced union protests when the company experienced enormous changes in organizational structure and standards. Through revitalizing social networks and expanding community ties with direct employee participation in CSR events, the company gradually accumulated and expanded its trust social capital to communities, which in turn buffered employer-employee conflicts and also leveraged the power of networks to strengthen employee-community development, thereby securing Chunghwa Telecom's leadership status in telecommunications services. Hence, these results support propositions 2a and 2b. In other words, the dynamic capabilities of accumulating and expanding trust social capital determine the effect-tiveness of a company's accommodative CSR strategies. Effective accommodative strategies in turn help an organization maintain its current assets and protect its market position, bringing positive results for the organization.

Propositions 3a and 3b

This paper seeks to use Taiwan Semiconductor Manu-facturing Company (TSMC)'s major stakeholders (stockholders) and their changing demands - to describe the company's capabilities of scanning and prediction and their effectiveness towards defensive strategy.

TSMC is the godfather of the Taiwanese semiconductor industry. Established on 21 February, 1987 in Hsinchu's Science Park, TSMC is publicly traded in Taiwan's stock exchange, with 17.5% of its stocks under the TSM symbol converted into ADR and traded in the New York Stock Exchange in America.

TSMC is the first and largest professional semicon-ductor manufacturing corporation which does not participate in the design, production or sale of its own branded products, but acts as an important partner for global semiconductor companies.

TSMC lists stockholders as its first priority in CSR investment, aggressively establishing a system of using independent and professional project managers. It also outlines explicitly the powers of its board of directors, while adopting highly informational and transparent policies. Furthermore, aside from observing the character of potential managers, the board of directors has established a monitoring system to ensure that the behavior of its managers is not flawed (Chang, 2007). For instance, TSMC's 2007 board of directors comprised eight highly skilled individuals with experience in manag-ing world class companies or academics. Of these, there

were four independent members on the board, including former CEO of British Telecom Sir Peter Leahy Bonfield, professor of Massachusetts Institute of Technology Lester Carl Thurow, former Acer Group General Manager Stan Shih and former HP CEO Carly S. Fiorina. During the board meetings in 2002 and 2004, an audit committee and a wage review committee were established. Their key responsibilities included the oversight of regulatory compliance, financial transparency and information disclosure. They also needed to prevent and detect internal corruption and fraud.

In recent years, Taiwan has been gripped by a series of scandals and its publicly traded companies share a unique situation of a deviation between control rights and cash flow rights (Claessens et al., 2000; Yeh et al., 2001) while existing in an environment of power struggles with the goal of controlling its board of directors for operational rights. The management of TSMC has scanned these types of operations, obtained insights and suggestions from its world class board members as well as accumulated knowledge that its stockholders have growing demands for good corporate governance. Taiwan's unique corporate structure, the negative effects of local and international financial scandals on stockholders, and the threat of future stockholder activism further propelled TSMC to establish a healthy and efficient board of directors as a basis to strengthen its corporate governance.

In the aforementioned environment, TSMC has hired professionals to evaluate its external operations and internal corporate structure using all-encompassing, high standards. They have invested the highest capital to achieve the goal of fine corporate governance, becoming a role model in the management of Taiwanese companies. TSMC's success is evident - it has been selected as a global index component for Dow Jones Sustainability Indexes (DJSI) in the past few years.

In essence, TSMC's scanning of global capital flow, its realization of stockholder activism, its hiring of professionals to establish the innovative system of independent project managers as well as the periodical acquisition of defensive strategies and the latest, most comprehensive knowledge on impending CSR changes have all made TSMC a shining model in corporate governance. It has obtained the first mover advantage, elevated its reputation and been a member of the DJSI. Therefore, investors have a special preference for the company, which paves an ideal foundation for company-investor relations and the ability to raise capital in advancing organizational results.

TSMC's results support propositions 3a and 3b. In other words, a company's dynamic capabilities in scanning and prediction determine the effectiveness of defensive strategy; and successful defensive CSR strategies help organizations obtain the first mover advantage, improve reputation and in turn enhance the organizational performance.

Propositions 4a and 4b

This paper uses President Chain Store Corporation's belief in changing social culture as an example to explain that creative practicality is a dynamic capability that can mold or control basic values and beliefs to positively impact the effectiveness of proactive CSR strategies.

President Chain Store Corporation is a subsidiary of Uni-President Enterprises Corporation. As Taiwan's largest convenient store operator, the group primarily manages 7-Eleven stores which serve as its core business. Currently, there are more than 4,400 7-Eleven stores island wide, making the density of convenience stores in Taiwan a miracle: the highest in the world. This phenomenon is connected to the multi-faceted and complex Taiwanese society whereby urban development has resulted in smaller living spaces. The lack of time, space and companionship faced by many people has brought about mistrust and alienation among each other. Hence, there is a need to change living habits and value beliefs in Taiwanese society.

President Chain Store Corporation's social change policies transcend environments, from convenient stores to the society, even to the hearts of people. Since 1999, the group has started implementing energy conservation plans. Through using inventory systems of international standards, it periodically monitors energy usage in all chain stores throughout Taiwan, aggressively reducing the emissions of carbon dioxide. In recent years, President Chain Store Corporation has disseminated the importance of toilet cleanliness – concepts from the "Japan Clean-up Club" – to locally managed institutes in Taiwan with the ambition of improving people's mental health and making a positive contribution to society's cultural value beliefs. In 2005, the convenience store chain advocated the "Lohas," an acronym for "Lifestyles of Health and Sustainability," which focuses on health and fitness, the environment, personal development, sustainable living and social justice. There are three axioms – "do good" to support the environment, which helps us "feel good" and healthy, which will eventually lead to "look good," making us more attractive and energetic. These Lohas hallmarks have been embraced by President Chain Store Corporation and its affiliated companies, then disseminated to the entire society. In this series of events, President Chain Store Corporation has rebranded its corporate culture favorably as a company that values mental and physical health of people, hence has succeeded in forming a beneficial link between its organizational goals and consumer health.

In summary, President Chain Store Corporation has developed a corporate culture of environmental and human health in a material environment and has molded new basic value beliefs to influence its convenient stores and even social culture at large. Furthermore, the convenience store chain has continued the development of new health products to convince the public that compared to

its competitors, the managing goals and actions of President Chain Store Corporation are more closely in line with improving personal health, hence supporting propositions 4a and 4b. In other words, a company's creative practicality has the ability to shape or control basic values, as well as to determine the effectiveness of proactive strategies. The latter will match target stakeholder expectations, thereby increasing organizational performance.

Discussion and Suggestions for future research

This paper seeks to theorize why certain dynamic capabilities decide the effectiveness of certain CSR strategies on the positive effect of an organizational performance. Through cases of top Taiwan- selected benchmark enterprises, we successfully target different stakeholder demands by verifying the CSR strategies with the conceptual framework and propositions given above. The main conclusions of this study are as below: (1) Everlight Chemical Industry Corporation met their customers' demands for environmental protection and green supply chain participation by adopting reactive CSR strategies. Through the dynamic capabilities of flexible organi-ational restructuring, it was able to increase its managing efficiency and legitimacy to produce positive results for the organization; (2) In response to employee resistance to change within the organization and employer-employee conflicts, Chunghwa Telecom adopted accommodative CSR strategies. It not only communicated with employees to accumulate trust social capital, but also further expanded its trust towards society by collaborating to revitalize community networks, which in turn maintained the relationship between the two parties and protected its market status, producing positive results for the organization; (3) TSMC's continued scan-ing and prediction of the managing environment, along with the hiring of professionals to accumulate knowledge for executing actions when stakeholder demands change, all helped the company respond to the changing demands of target stakeholders to strengthen corporate governance of the company through defensive CSR strategies. Through this, it has successfully obtained the first mover advantage and has improved its company reputation, building a good foundation for stockholder relationships and global capital accumulation, which made a positive impact on the organizational results; (4) President Chain Store Corporation created new operating policies for the organization. Through sharing with major stakeholders, it was able to control and mold the new basic social value of "holistic health from inside to outside." It succeeded in strengthening the link between organizational development and consumer health, creating positive results for the organization.

In conclusion, though literature has theoretically pointed out that organizations deem CSR as one of their

important operating policies and has studied the positive effects of CSR on an organization's financial results, differences in specific dynamic capabilities of companies and the effects on CSR strategies have not been explored. Thus, this paper includes the perspective of dynamic capabilities to explain that under the active changing demand of stakeholders, depicting the role that an organization's capabilities play in CSR strategy effectiveness fills the gap left by CSR and strategic management literature, providing a fuller theoretical picture. By first exploring a corporation's motive to maintain and create value, understanding the types of CSR strategies executed by corporations, then using the perspective of dynamic capabilities, we can further describe why a corporation's specific capabilities affect and determine the effectiveness of CSR strategies.

Of these, reactive strategy is based on value maintenance and response guided strategy to meet the demands of major stakeholders. If an organization possesses the dynamic capabilities of flexible organizational structure, it will be awarded with lower costs and higher efficiency to achieve the reactive strategy's goal of increased productivity and legitimacy. Accommodative strategy is based on maintaining value and guiding influence strategy through the use of external influence to negotiate the demands of major stakeholders to produce a revitalized social network. This expands beneficial links with the society, which in turn aids in achieving influence on the changing demands of major stakeholders and the accommodative strategy's goal of protecting current market status. Defensive strategy is based on value creation and response guided strategy. This signifies that if an organization has the dynamic capabilities of scanning and prediction, and can preemptively identify changes in major stakeholder demands, then in response allocate resources early, defensive strategy's goals of obtaining the first mover advantage and elevating company reputation will be achieved. Lastly, proactive strategy is based on value creation and influence guided strategy. If an organization possesses the capabilities of influencing social culture, it will be able to actively create and share the benefits derived from their corporate norms, thereby improving social culture. This helps to achieve the molding and redefinition of major stakeholder demands in the operating environment, achieving proactive strategy's goal of influencing beliefs to match the organizational benefits.

CSR in Taiwanese society is still in its infancy. This study has chosen local cases that have successfully executed CSR response strategies, making them instrumental examples which focus on the development of theory framework and hold conclusions that support the propositions in this paper (Creswell, 1998). In other words, using the case studies of benchmark corporations not only aids in the promotion of the budding CSR concept in a society, but also serves as a good reference point for corporations seeking to execute CSR. That is

the contribution this paper makes to practical management.

In future studies, due to the increased emphasis on CSR from local and global corporations, questionnaires of a larger scope can be conducted to seek evidence in supporting the normalization of structure raised in this paper. Also, issues on corporate culture can be included to explore the influence of various cultures on the effectiveness of CSR strategies. These directions will pave the way in helping us understand the differences in effectiveness of CSR promotion across corporations.

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