

Stakeholder Pressure and Climate Change Performance: The Role of CSR-Oriented Organisational Culture

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Abstract

Purpose: Considering the pressing need to mitigate carbon impacts, climate change performance has gained increasing significance in the business world. Despite being one of the most significant challenges facing humanity, discussions about climate change performance, particularly within SMEs, remain limited, especially in the context of emerging economies. As such, this study seeks to explore how stakeholder pressures influence climate change performance through the perspective of a CSR-oriented organisational culture.

Design/methodology/approach: Grounded on stakeholder and legitimacy theories, data were collected from 127 Malaysian SMEs and analysed via Partial Least Squares (PLS) path modelling.

Findings: The findings indicate that a CSR-oriented organisational culture is essential, as it acts as a mediator in the positive relationship between stakeholder pressure and climate change performance.

Research limitations/implications: To address environmental challenges, it is imperative for organisations to adopt socially responsible practices in response to stakeholder demands. This study recommends that businesses enhance their environmental performance by fostering a CSR-oriented organisational culture internally.

Practical implications: These findings are crucial for policymakers and SMEs, providing valuable insights into effective climate change business practices.

Originality/value: This study enriches climate change literature by demonstrating how the internalisation of a CSR-oriented organisational culture can improve environmental performance within the SME sector.

Keywords: Climate change performance, stakeholder pressure, organisational culture, corporate social responsibility, SMEs.

Classification: Research paper

Introduction

Global warming and climate change have emerged as critical challenges for humanity (Howard-Greenville et al., 2014; Adeneye et al., 2021; IPCC, 2023). In recent years, numerous regions worldwide have experienced severe flooding, with water levels rising dramatically in residential areas after days of continuous rainfall. These extreme weather events, often the worst on record for affected communities, exemplify the tangible effects of climate change. Such unpredictable incidents have heightened awareness among organisational stakeholders about the pressing need for improved climate change mitigation and adaptation strategies (Sullivan & Gouldson, 2017).

As an emerging economy, Malaysia has experienced substantial industrial growth of late, with statistical evidence pointing to the burning of fossil fuels such as coal, oil, and natural gas as primary contributors to pollution (NRE, 2011; Fernando & Hor, 2017; Ooi & Amran, 2019). This study highlights that the combustion of fossil fuels leads to increased carbon dioxide emissions, a primary driver of climate change, largely attributed to human activities. The industrial expansion driven by Malaysia's pursuit of economic growth has created a substantial demand for fossil fuels, which has, in turn, escalated carbon emissions and negatively impacted the environment. Nevertheless, climate change initiatives and practices among companies in developing nations have been slow to progress, primarily due to low climate sensitivity within the corporate sector (Ooi et al., 2024).

Remarkably, climate change stands as one of the most urgent environmental challenges confronting Malaysia today. Nations around the world have undertaken diverse initiatives to address and enhance environmental conditions, striving to create a more sustainable future (Jeswani et al., 2008; NRE, 2011; Amran et al., 2016; Adeneye et al., 2021). Countries worldwide have adopted the United Nations' 2030 Agenda for Sustainable Development, which sets forth the 17 Sustainable Development Goals. These goals collectively form a comprehensive framework aimed at addressing global challenges, including poverty, hunger, inequality, human rights, and environmental degradation. The agenda calls on governments, business entities, and civil societies to initiate proactive and collaborative steps toward protecting the planet and ensuring a sustainable future for all. It emphasises the collective responsibility of all sectors to implement strategies and practices that contribute to environmental preservation, social equity, and economic growth, thereby driving global efforts toward sustainability.

In Malaysia, corporate climate change performance has come under increasing scrutiny from various stakeholders, including society and non-governmental organisations (NGOs) due to instances of malpractice. Reports indicate that businesses are beginning to reassess their climate-related practices, recognising that future climate changes could adversely affect their reputation and public image (Cundill et al., 2017). In light of the challenges presented by climate change, which could potentially impact business performance, there is a growing emphasis on fostering a culture of accountability within organisations worldwide (Tang & Demerit, 2018).

The irregular and unpredictable changes in global climate patterns have heightened stakeholder awareness, leading to increased demands for improved climate change performance from organisations, particularly in addressing global carbon emissions (Kumarasiri, 2017; Sullivan & Goulson, 2017). Developing countries are particularly urged to take proactive measures in mitigating and adapting to climate change, as these actions can contribute to managing and reducing overall global emission costs (Zhang et al., 2017). Consequently, corporate climate change practices have garnered significant attention, with society exerting strong pressure on businesses to act more responsibly. This responsibility now extends beyond merely enhancing environmental aspects, urging companies to integrate climate change and sustainability into their broader corporate strategies to bolster corporate reputation (Amran et al., 2018).

Accordingly, Yacob et al. (2019) found that small and medium-sized enterprises (SMEs) contribute between 70% and 98% of the world's manufacturing pollution. Although the environmental impact of an individual SME may appear minimal, their collective footprint is substantial. The rapid expansion of the business sector in Malaysia, particularly among SMEs, has significantly contributed to elevated carbon emissions (Fernando & Hor, 2017). This situation highlights the urgent need for appropriate and concerted action from stakeholders, including government agencies, industry leaders, and the SMEs themselves, to implement sustainable practices that mitigate their environmental impact and promote long-term ecological balance.

Despite efforts by the government, the communities, and the businesses to emphasise the importance of addressing climate change, the implementation of these strategies remains relatively limited in Malaysia (Ahmad & Hossain, 2015; Amran et al., 2016; Ahmad & Krishnan, 2017). Accordingly, Ahmad and Krishnan (2017) note that representatives of SMEs often view corporate social responsibility (CSR) as a drawback, believing that allocating resources for CSR activities may not always enhance value. Additionally, Ahmad and Hossain (2015) found that while Malaysian companies have begun to develop climate change strategies, the availability of quantitative data, particularly on greenhouse gas (GHG) emissions, remains scarce, with only 7.59% of companies disclosing such information.

Over the decades, CSR has been recognised as a valuable approach to enhancing business sustainability (Ooi et al., 2017). Recently, many organisations have actively promoted CSR practices to meet the evolving demands of stakeholders. However, research suggests that strategically internalising CSR can further elevate environmental performance by enhancing internal productivity and quality within the organisation (Ooi et al., 2017). Organisational culture plays a crucial role in driving improved environmental performance, as a CSR-oriented culture, when fully integrated into a firm's core values, fosters internal motivation and commitment (Ooi et al., 2020).

To enhance climate change performance, businesses must adopt comprehensive and forward-thinking climate change strategies. It is imperative for organisations to recognise the significant influence stakeholders have on management decisions, which often leads to the development of a CSR-oriented culture. Therefore, businesses must move beyond a shareholder-centric approach and embrace a broader, stakeholder-oriented perspective (Amran et al., 2013). Organisations need to understand that fostering a CSR-oriented culture can contribute beneficially to both social and environmental practices. Therefore, improving climate change performance is crucial for

strengthening Malaysian businesses, equipping them to effectively address the challenges of climate change.

Apparently, a steadily increasing amount of empirical research has explored the link between stakeholder pressure and climate change performance (Ahmad & Hossain, 2015; Delmas et al., 2015; Sullivan & Gouldson, 2017). Despite this, the persistently low levels of climate change performance among businesses (Amran et al., 2016) suggest that a crucial factor may be missing in this relationship. As such, this study seeks to investigate whether a CSR-oriented organisational culture can bridge the positive link between stakeholder pressure and enhanced climate change performance within the context of Malaysian SMEs. By integrating stakeholder and legitimacy theories, which both argue that stakeholder pressures drive CSR practices to enhance climate performance (Delmas et al., 2015), the study seeks to clarify whether fostering a CSR-oriented culture can effectively link stakeholder pressure to improved climate change performance. The primary goal is to provide insights that can help SME management leverage CSR-oriented organisational culture to boost their climate change performance.

Literature Review

It is widely recognised that human activities are the primary contributors to climate change (Howard-Greenville et al., 2014). Consequently, there has been a growing awareness of climate change performance, as the pressure from diverse stakeholders on business organisations to lower anthropogenic carbon emissions continues to rise, as a key aspect of their strategies to combat climate change (Ahmad & Hossain, 2015; Amran et al., 2016; Sullivan & Gouldson, 2017). According to Ooi and Amran (2018), corporate climate change performance can be classified into seven primary dimensions, namely (1) climate governance, (2) management-driven climate performance, (3) strategic analysis of climate-related practices, (4) carbon emissions, (5) opportunities arising from climate change, (6) risks associated with climate change, as well as (7) strategic climate foresight. Among these dimensions, businesses tend to focus less on opportunities and risks, while more attention is given to areas such as "management engagement & actions", "strategic analysis" and "future outlook & external affairs". These findings suggest an increasing focus on climate change, prompting numerous companies to develop strategies aimed at tackling this issue. Additionally, these companies are not only actively engaging stakeholders but also implementing initiatives to educate and raise awareness about climate-related challenges. By doing so, they aim to foster a shared commitment among stakeholders towards sustainable business practices, ultimately reinforcing their long-term sustainability goals (Amran et al., 2016; Ooi & Amran, 2018).

Malaysia is among the countries facing a significant risk from global warming and climate change. According to a report by the Asian Development Bank (ADB, 2009), Southeast Asian countries have been severely affected by ongoing climate change and extreme weather events. In particular, Malaysia has experienced rising temperatures, which have adversely impacted the agricultural sector (NRE, 2011). As a result, one could argue that climate change performance in Malaysia remains in its early stages. Consequently, businesses are expected to take greater responsibility for their environmental impact, as this could potentially influence their operations.

Seemingly, the Malaysian government has implemented several initiatives to mitigate the adverse business impacts of climate change (Ooi & Amran, 2019). For instance, the formulation of the National Policy on Climate Change is a key measure, aiming to ensure climate-resilient development and to elevate the focus on climate change issues (NRE, 2011). This policy is built on five principles and ten strategic drivers, all designed to support the enhancement of climate resilience. The new climate change policy seeks to transition Malaysia into a decarbonised economy by integrating climate considerations into broader national programs. This transformation will require resources from all sectors, including information technology, human resources, finance, and research & development, to advance towards a low-carbon economy. Moreover, the implementation of a GHG emissions reporting framework and a national carbon accounting system will be integral to achieving a sustainable environment.

Theoretical Foundation and Formulation of Hypotheses

Explicitly, this study suggests that a CSR-oriented culture acts as a mediator in the positive relationship between stakeholder pressure and climate change performance. This connection is understood through the integration of stakeholder theory and legitimacy theory, both of which illustrate how stakeholder influences impact climate change performance. Therefore, the main hypothesis is that business organisations address stakeholder expectations by fostering a CSR-oriented culture within the organisation.

To achieve corporate sustainability, businesses must actively cultivate and manage their relationships with stakeholders. Stakeholder theory highlights the interconnected relationships between an organisation and the various groups or individuals who have a vested interest in its operations (Amran et al., 2013). These stakeholders include customers, employees, investors, suppliers, and others who may be impacted by the organisation's decisions or objectives (Freeman, 1984). Referring to Mitchell et al. (1997), stakeholder salience is shaped by three key attributes: power, legitimacy, and urgency. Accordingly, power symbolises the level of influence a stakeholder has over the organisation, meanwhile legitimacy refers to the rightful and appropriate nature of the relationship between the stakeholder and the organisation, and urgency reflects the immediacy with which a stakeholder's concerns must be addressed. These attributes combine to create a stakeholder typology that can greatly influence managerial decision-making within business organisations.

Considering that climate change is a critical strategic issue, immediate action is required due to its global environmental impact. The influence and authority of stakeholders are essential factors for businesses in addressing climate change-related pressures, pushing them to confront these challenges (Garces-Ayerbe et al., 2012). Stakeholders significantly contribute to encouraging businesses to embrace environmentally friendly practices (Qi et al., 2012). In Malaysia, some SMEs have started to incorporate environmental management systems into their business strategies by adopting green innovations. A prominent example of this environmental initiative is the widespread adoption of the ISO 14001 standard by numerous multinational companies in Malaysia (Kawai et al., 2018; Sorooshian & Ting, 2018). These studies illustrate that stakeholder and governmental pressures are closely interlinked within organisations and are primary factors in

management's decision to implement environmental management practices, thereby enhancing climate change performance.

Seemingly, corporate climate change performance may also be examined through the lens of legitimacy theory (Cotter & Najah, 2012; Dowling & Pfeffer, 1975). This theory suggests that stakeholders play a crucial role in shaping global climate change challenges (Ooi et al., 2018). Consequently, an increasing number of organisations globally are actively working to reduce climate change risks and are committed to combating global warming. When comparing stakeholder theory with legitimacy theory, it becomes evident that legitimacy theory offers a wider perspective, encompassing society at large. Though stakeholder theory concentrates on the various interest or influential groups that shape an organisation's practices, legitimacy theory emphasises the importance of establishing norms and taking actions on climate change that are deemed acceptable by society, thereby legitimising business operations. Organisations recognised and perceived as legitimate and credible by their stakeholders are better positioned to attract economic resources, as long-term success depends on gaining societal approval. Therefore, climate change performance is vital and is seen as a socially desirable practice that validates ongoing green initiatives.

Stakeholder pressure

According to stakeholder theory, pressures from stakeholders play a crucial role in motivating organisations to adopt various pro-environmental strategies (Jeswani et al., 2008; Garces-Ayerbe et al., 2012; Erdiaw-Kwasie, 2018). Stakeholders are regarded as "any group or individual who can influence or be influenced by the achievement of an organisation's objectives" (Freeman, 1984). They frequently exert pressure and demand that businesses minimise adverse impacts and enhance positive outcomes (Amran et al., 2013). It is argued that stakeholder collaboration and engagement are crucial for companies to attain social legitimacy.

Within an organisational setting, stakeholders include investors, employees, suppliers, customers, and shareholders (Amran et al., 2013). Many organisations have undertaken efforts to reduce GHG and carbon emissions in response to substantial stakeholder pressure (Sullivan & Gouldson, 2017). These efforts include adopting best practices in energy management, implementing cost-effective methods to lower carbon emissions, and setting specific GHG emission targets to be met within a designated timeframe (Ahmad & Hossain, 2015; Sullivan & Gouldson, 2017). Furthermore, numerous NGOs have begun urging businesses to be more accountable and transparent in their climate change practices to satisfy stakeholder demands and pressures (Amran et al., 2013).

Stakeholders frequently drive organisations to implement green initiatives that are assumed to yield business advantages (Kawai et al., 2018). Research by Helmig et al. (2016) highlights that environmental concerns have become essential to organisational competitiveness, integrating into both strategic goals and operational planning. For organisations to achieve competitive success, it is vital to cultivate a culture of continuous improvement aimed at combating climate change.

As a diverse range of climate change challenges arises, many organisations are increasingly recognising the need to enhance their environmental practices to address stakeholder pressure. Consequently, addressing the implications of climate change has become a key priority, prompting

business organisations to improve their climate change performance (Amran et al., 2016; Ooi et al., 2024). Given the significant impact of climate change, a steadily rising demand from various stakeholders to enhance climate change performance. As a result, the following hypothesis is proposed:

H1: Stakeholder pressure has a positive impact on climate change performance.

CSR-oriented organisational culture

Recently, CSR has emerged as a crucial factor influencing business practices. To successfully integrate CSR into their organisations, top management has recognised that organisational culture plays a crucial role in this transformation. The concept of organisational culture has been significant in various fields of management research (Ooi et al., 2017). Organisational culture is defined by the fundamental beliefs, shared values, and interaction methods that shape the distinctive social and psychological environment within an organisation. A widely recognised definition is the three-level typology of culture, which includes a range of concepts and cultural dimensions. In this context, organisational culture denotes the shared values, beliefs, and principles held by members of the organisation, whereas corporate culture specifically refers to the cultural aspects deliberately shaped by management to meet certain strategic goals (Ooi et al., 2020).

Organisational culture can differ greatly across various organisations, meaning there is no one-size-fits-all model. This concept has been extensively examined in CSR literature because it aids researchers in understanding organisational behaviour concerning corporate social responsibility performance (Amran et al., 2013; Carroll & Shabana, 2010). Typically, social responsibility has been embedded in organisational culture from the beginning, ideally fostering a value system that positively influences the societies and environments in which organisations operate. Cultivating a culture of social responsibility helps align the beliefs and attitudes of individuals with public expectations.

A CSR-oriented organisational culture can be understood as a collection of core shared values, concepts, and beliefs that guide the behaviour of organisational members. Integrating CSR culture into an organisation can raise awareness and deepen understanding of environmental issues (Ooi et al., 2017). However, as noted by Ooi et al. (2020), connecting SMEs with the significance of CSR can be challenging. Therefore, it is essential for top management to recognise the potential value CSR can bring and engage employees by demonstrating a strong commitment to CSR (Amran et al., 2013). To fully realise the benefits of CSR practices, it is vital to cultivate an effective and well-aligned CSR culture within the organisation.

Today, CSR is widely regarded as a standard business practice, with business leaders acknowledging the critical role organisational culture plays in the transition toward CSR. However, organisational culture is often viewed as a significant barrier to embedding CSR within a company. A weak organisational culture can hinder the adoption of CSR initiatives and adversely affect the company's climate change performance. According to Yu and Choi (2016), substantial cultural change is necessary for an organisation to meet the challenge of sustainable development. Scholars argue that merely promoting CSR is insufficient (Ooi et al., 2017). Hence, to delve deeper into the

link between a CSR-oriented organisational culture and climate change performance, the following hypothesis is suggested:

H2: A CSR-oriented organisational culture positively influences climate change performance.

CSR-oriented organisational culture as a mediating factor

Based on earlier discussion and hypotheses, business organisations face significant pressure from various stakeholders. A multitude of studies have demonstrated that organisations increasingly choose to disclose their CSR commitments in a more transparent manner to align with stakeholder expectations (Kuo et al., 2015). Businesses that either fail to report on their CSR activities or do not improve their climate change performance are often subject to criticism from stakeholders, which can adversely affect their reputation. Despite the escalating pressure from stakeholders to monitor and improve climate change performance, the overall level of climate change performance among businesses in Malaysia remains relatively low (Amran et al., 2016; Ooi et al., 2024).

As organisations adopt CSR practices to enhance environmental performance, it is important to recognise the significant role organisational culture plays in facilitating the shift toward CSR (Yu & Choi, 2016). Incorporating a CSR-oriented organisational culture alongside climate change awareness within an organisation can foster consistent pro-environmental practices, which includes regular and sustained actions that support environmental sustainability (Weerts et al., 2018). Therefore, organisations must embrace cultural transformation and adopt best practices to enhance climate change performance. In this context, a CSR-oriented organisational culture serves as a crucial link, expecting to act as a mediator in explaining the positive relationship between stakeholder pressure and climate change performance. As such, the subsequent hypothesis is put forward:

H3: A CSR-oriented organisational culture mediates the positive impact of stakeholder pressure on climate change performance.

Building on the discussion of theoretical foundations and hypotheses formulation, Figure 1 provides a visual representation of the research framework.

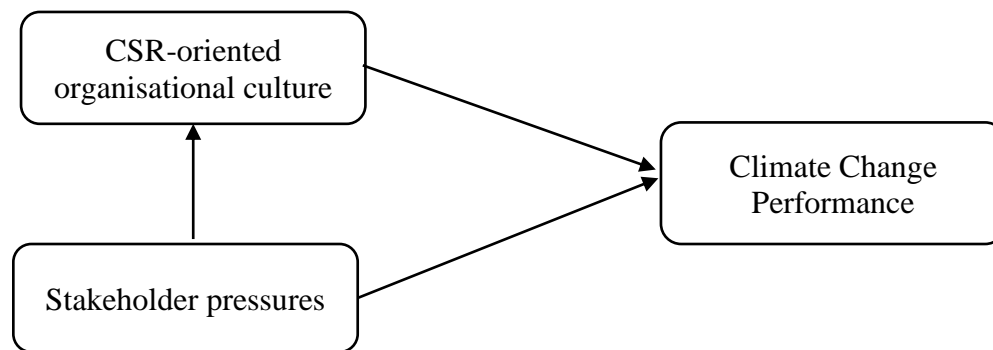


Figure 1: Research framework

Research Method

Data collection and sampling strategy

This study specifically focused on SMEs in Malaysia, utilising a purposive sampling method to target top management within these enterprises. To collect data for the empirical analysis, a questionnaire survey was administered. In total, 500 questionnaires were randomly distributed to the top management of 500 SMEs, which were selected from an extensive list of SMEs provided on the official SME website. This selection ensured representation across a variety of sectors and industries. The data collection process spanned three months, allowing ample time to gather responses and ensure a robust dataset for analysis.

Microenterprises were excluded from the survey due to their small size, usually employing fewer than five individuals, which could hinder their ability to establish a CSR committee or conduct CSR training. After discarding incomplete questionnaires, 127 valid responses were obtained, resulting in a response rate of 25.4%. The responses spanned several sectors: 40.2% from services, 44.9% from manufacturing, 8.7% from construction, and 3.1% from the agricultural, mining, and quarrying sectors.

Research instrument and measurements

To assure that the survey instrument accurately reflects the intended content, all measurement indicators were meticulously sourced from well-established literature (Miao et al., 2012; Ooi & Amran, 2018; Yu & Choi, 2016), thereby ensuring content validity. The survey employed a seven-point Likert scale, spanning from "strongly disagree" (1) to "strongly agree" (7), to capture respondents' perceptions accurately. As such, the CSR-oriented organisational culture was evaluated using five items adapted from Yu and Choi (2016). Meanwhile, stakeholder pressure was assessed with six items derived from Miao et al. (2012). Then, 19 indicators of climate change performance were based on the work of Ooi and Amran (2018) to comprehensively assess the enterprise's involvement and commitment to climate change practices. This rigorous approach ensured that the survey instrument was both reliable and aligned with the theoretical constructs under investigation.

Organisational profile

A summary of the organisational profile, including the number of employees, annual sales, number of years established, sectors, and ownership, was presented in Table 1. After excluding unanswered and incomplete questionnaires, a total of 127 responses from SMEs in Malaysia were obtained for further data analysis.

Table 1: Organisational profile

Criteria	Category	Number	Percentage
Size (number of employees)	5-30	63	49.6
	30-75	49	38.6
	75-200	15	11.8
Annual Sales	RM300,000 to RM3 Million	67	52.8
	RM3 Million to RM15 Million	42	33.1
	RM15 Million to RM20 Million	16	12.6
	RM20 Million to RM50 Million	2	1.6
Number of years established	<3 years	18	14.2
	3 – 7 years	63	49.6
	7 – 10 years	38	29.9
	>10 years	8	6.3
Sectors	Services	51	40.2
	Manufacturing	57	44.9
	Construction	11	8.7
	Agriculture	4	3.1
	Mining & Quarrying	4	3.1
Ownership	Sole Proprietorship	15	11.8
	Partnership	57	44.9
	Private Limited Company	55	43.3

Findings

Partial Least Squares (PLS) path modelling, a variance-based structural equation modeling (SEM) technique was employed to analyse the data collected. This analytical approach was chosen for its robustness in exploring complex relationships between latent variables. The analysis was structured into two key stages. In the first stage, the focus was on assessing the reflective measurement model to ensure that the constructs were reliably and validly measured. This step was crucial for confirming that the indicators accurately represented the underlying theoretical constructs. Once the measurement model's quality was established, the second stage involved evaluating the structural model. This step aimed to explore and validate the hypothesised relationships between the variables, building on the foundation laid by the measurement model (Yeap et al., 2021; Ooi et al., 2022). By conducting the analysis in these two stages, the study ensured a rigorous examination of both the measurement and the relationships among the variables, thereby providing a comprehensive understanding of the data collected (Hair et al., 2019).

Assessment of common method bias

Despite the fact that the data were collected from a single source, which could potentially raise concerns about common method bias (CMB) (Ooi et al., 2022), procedural strategies

recommended by Podsakoff et al. (2003) were applied to mitigate the risk of CMB. Furthermore, a full collinearity test was conducted. Accordingly, results show that all variance inflation factors (VIFs) were beneath the critical limit of 3.3 (Kock, 2015), indicating that CMB is not a critical concern, ensuring the robustness and reliability of the study's results.

Assessment of measurement model

In PLS path modeling, reflective measurement models are evaluated using three essential criteria, namely convergent validity, discriminant validity, and internal consistency reliability (Hair et al., 2019; Yeap et al., 2021). Accordingly, internal consistency reliability was assessed, with all composite reliability values (CR) exceeding the suggested threshold of 0.7, implying that all constructs meet the criteria for consistency reliability. Next, convergent validity was evaluated by examining outer loadings and average variance extracted (AVE). Notably, the AVEs for all constructs exceeded the recommended value of 0.5, demonstrating that each construct accounts for over half of the variance in its measures (Henseler et al., 2015; Yeap et al., 2021). Table 2 provides details on the convergent validity of the measures. Meanwhile, climate change performance was measured using 19 indicators adapted from Ooi and Amran (2018), which were then combined into a composite measure.

Table 2: Convergent validity and reliability

Constructs	Measures	Loadings	CR	AVE
CSR Oriented Culture	C1	0.861	0.966	0.852
	C2	0.936		
	C3	0.954		
	C4	0.938		
	C5	0.923		
Stakeholder Pressure	SP1	0.896	0.972	0.853
	SP2	0.930		
	SP3	0.932		
	SP4	0.945		
	SP5	0.933		
	SP6	0.906		

Note: CR=Composite reliability, AVE= Average variance extracted

Then, the heterotrait-monotrait (HTMT) ratio of correlations (Henseler et al., 2015; Yeap et al., 2021) was employed to assess discriminant validity. Notably, HTMT_{.85} is considered the strictest criterion for evaluating discriminant validity. As displayed in Table 3, all HTMT values are below the threshold of 0.85 (Yeap et al., 2021), confirming that discriminant validity has been achieved. These results indicate that all constructs are distinct from one another and that the measures accurately reflect their respective constructs.

Table 3: Discriminant validity

	CSR Oriented Culture	Climate Change Performance	Stakeholder Pressure
CSR Oriented Culture			
Climate Change Performance	0.802		
Stakeholder Pressure	0.834	0.698	

Assessment of structural model

Ensuring that there are no collinearity issues within the structural model is essential (Hair et al., 2019). Accordingly, the collinearity analysis revealed that the inner VIF values for stakeholder pressure and CSR-oriented culture, those exogenous variables, fell between 1.00 and 2.88, which were significantly lower than the maximum allowable threshold of 3.3 (Yeap et al., 2021). Therefore, multicollinearity does not seem to pose a significant issue in this study.

Explicitly, this research developed two direct hypotheses and one mediation hypothesis. Similar to other studies, the significance of the path relationships was evaluated using the bootstrapping approach recommended by Hair et al. (2019). As outlined in Table 4, not all path relationships were statistically significant, apparently only two paths that were found to be significant. Notably, a CSR-oriented culture ($\beta = 0.650$; $p < 0.01$) demonstrated a positive and significant impact on climate change performance. Next, while stakeholder pressure significantly contributes to the development of a CSR-oriented culture ($\beta = 0.808$; $p < 0.01$), it does not have a direct effect on climate change performance ($\beta = 0.166$; $p > 0.05$). Additionally, the R^2 value of 0.618 indicates a moderately strong research model, based on the benchmarks suggested by Hair et al. (2019).

Table 4: Results of structural model

Endogenous Variable	Exogenous Variable	Path Coefficient	t-value	R^2
Climate Change Performance	Stakeholder Pressure	0.166	1.407	0.618
	CSR Oriented Culture	0.650	6.201**	
CSR Oriented Culture	Stakeholder Pressure	0.808	25.600**	0.650

Note: ** $p < 0.01$ (one tailed)

CSR-oriented organisational culture as a mediating factor

In order to evaluate the mediating effect of a CSR-oriented organisational culture, the bootstrapping method, as recommended by Hair et al. (2019), was employed. The results revealed that stakeholder pressure exerts a significant indirect influence on climate change performance through the presence of a CSR-oriented culture, with a path coefficient of $\beta = 0.525$ ($p < 0.01$). Additionally, the confidence interval for this indirect effect, ranging from 0.377 to 0.675 at the 95% level, does not cross zero. This finding provides strong evidence supporting the existence of

a mediation effect, as outlined by Preacher and Hayes (2008). Consequently, these results feature the critical role that a CSR-oriented culture plays in bridging the gap between stakeholder pressure and climate change performance. The comprehensive analysis of the mediation hypothesis, along with the statistical details, is thoroughly presented in Table 5.

Table 5: Mediation hypothesis testing

Relationship	Path Coefficient	Std. Error	t-value	Confidence Interval	
				Lower Limit	Upper Limit
Stakeholder pressure -> CSR oriented culture -> Climate change performance	0.525	0.081	6.465**	0.377	0.675

Note: **p<0.01 (one tailed)

Discussion

Although climate change has increasingly gained attention as a critical subject in organisational research over the years, the specific role that a CSR-oriented organisational culture plays in mediating the association between stakeholder pressure and enhanced climate change performance has not been thoroughly explored. While much of the existing research focuses on the direct impacts of climate change and how organisations are pressured to respond, the underlying mechanisms, such as how an organisation's culture centered around CSR influences its ability to translate stakeholder expectations into solid climate change actions, remain largely unexamined. This gap in the literature is particularly evident in developing countries like Malaysia, where, despite various initiatives aimed at responding to stakeholder pressure, climate change performance remains low (Amran et al., 2016; Ooi et al., 2024). This persistent shortfall emphasises the need to locate and investigate the essential link between stakeholder pressure and climate change performance, especially within the context of emerging economies and SMEs. Understanding this connection is crucial for developing more effective strategies to enhance corporate climate change performance through the cultivation of a CSR-oriented culture.

Numerous studies indicate that stakeholder pressure plays a crucial role in increasing awareness of CSR practices to mitigate climate change risks. However, this study's findings demonstrate that stakeholder pressure does not directly influence climate change performance. A plausible explanation is that while stakeholders may be aware that climate change could lead to significant damages and disruptions to businesses, thereby affecting business sustainability (Erdiaw-Kwasie, 2018), there remains a lack of strong emphasis on the importance of CSR practices within organisations (Ooi et al., 2017). Some members of top management, particularly in SMEs, may view it as premature to adopt CSR practices, considering CSR a liability and a financial burden without added value to the company. Therefore, fostering a CSR-oriented culture within a business organisation is crucial for mitigating climate change risks.

Unlike the direct relationship, the existence of a CSR-oriented organisational culture acts as a mediator in the positive link between stakeholder pressure and enhanced climate change performance. This implies that organisational culture plays a pivotal role and function for the

Malaysian SMEs in improving their environmental performance. By embedding CSR principles into their culture, these organisations can better respond to stakeholder demands, thereby driving more effective and sustainable environmental practices. Developing a CSR-oriented organisational culture is a gradual process, making it essential to have a CSR committee in place to continuously monitor and regularly review the progress of CSR standards (Ooi et al., 2017). The committee should assess corporate strategies to ensure alignment with the organisation's goals and objectives, thereby promoting long-term sustainability. Moreover, the CSR committee can play a crucial role in ensuring that the company responsibly manages its environmental impacts and fulfills stakeholder expectations.

As stakeholder pressures and expectations for enhanced climate change performance grow, numerous business organisations are increasingly committing to CSR-related initiatives and activities to address environmental challenges. These efforts include adopting sustainable practices, investing in green technologies, and fostering transparency in their environmental impact. By proactively engaging in CSR, companies aim not only to meet regulatory requirements but also to build stronger relationships with stakeholders and improve their long-term sustainability (Sullivan & Gouldson, 2017). Non-profit organisations, as key stakeholders, play a significant role in sustainable development. Therefore, fostering a CSR-oriented culture can be achieved through collaborative efforts between businesses and NGOs. The expertise of NGOs in promoting broader social or political change can help businesses in improving their environmental and sustainability performance, leading to the development of new social and economic value models (Ooi et al., 2017). Recognising the importance of a CSR-oriented culture, management should actively promote the benefits of CSR and collaborate with employees to cultivate this culture within the organisation. For SMEs in Malaysia, management should inspire employees to focus on long-term financial growth while differentiating the company from competitors by integrating CSR activities. CSR initiatives should extend beyond external efforts, internal alignment of CSR practices can generate equally significant advantages, fostering a cohesive corporate culture and enhancing overall organisational performance.

Research Implications

Overall, this study makes a significant contribution to the theoretical understanding of the essential link between stakeholder pressure, CSR-oriented organisational culture, and climate change performance, particularly within the context of SMEs in developing countries like Malaysia. Firstly, this research strengthens the integration of stakeholder theory and legitimacy theory by demonstrating that stakeholder pressures not only affect organisational practices but also necessitates the creation of a CSR-oriented culture to legitimise business operations. The study offers empirical evidence that organisations respond to stakeholder pressures by internalising CSR practices, which, in turn, improve their climate change performance.

Furthermore, this study enhances the theoretical understanding of CSR-oriented organisational culture as a key intermediary in the link between stakeholder pressure and enhanced climate change performance. This finding highlights the importance of internal organisational culture in converting external pressures into better environmental outcomes. It suggests that simply responding to stakeholder demands is not enough without a corresponding internal cultural shift towards CSR.

By focusing on SMEs, this study addresses a gap in the literature concerning the unique challenges and opportunities these enterprises encounter in implementing CSR and improving climate change performance. The findings suggest that theories on CSR and environmental performance should consider the specific contexts and resource limitations of SMEs, which differ significantly from those of larger organisations.

The findings of this study provide critical insights for SME top management and policymakers in mitigating the anthropogenic impacts of climate change. By empirically validating the mediating role of a CSR-oriented organisational culture in linking stakeholder pressure to improved climate change performance, this study highlights the necessity of embedding CSR principles across all organisational levels. For the leadership of Malaysian SMEs, the strategic internalisation of CSR practices is not merely beneficial but essential for cultivating social responsibility and enhancing long-term sustainability (Ooi et al., 2017). To effectively combat climate change, SMEs should prioritise the development of innovative environmental initiatives that engage employees at all levels, fostering a culture of collaboration and shared responsibility. Furthermore, management should actively facilitate the exchange of ideas and best practices, both within the organisation and with external partners, to continually strengthen climate change mitigation and adaptation strategies (Ooi & Amran, 2019). By doing so, SMEs can not only improve their environmental performance but also position themselves as leaders in sustainable business practices, thereby gaining a competitive edge in a rapidly evolving market landscape.

From a public policy standpoint, this study highlights significant policy and managerial implications for SMEs in Malaysia, a developing nation. The finding that stakeholder pressure directly influences CSR-oriented organisational culture, which in turn improves climate change performance, emphasising the need for government intervention. Given the vital role of a CSR-oriented organisational culture, the government should encourage and enforce policies that aid SMEs in cultivating this culture. It is recommended that the Malaysian government focus on regulatory frameworks and supportive initiatives to help SMEs acknowledge and enhance their climate change performance. For instance, policymakers could introduce stringent regulations and penalties for SMEs that contribute to environmental harm, thereby addressing climate change more effectively.

Conclusion

As climate change continues to impact the planet, raising public awareness of its underlying causes is crucial for building support for effective risk mitigation strategies and adaptation policies. This study explores the mediating role of a CSR-oriented culture in the relationship between stakeholder pressures and climate change performance. The findings highlight that stakeholder pressures are a key determinant of climate change performance in SMEs. However, the strength of this influence is closely linked to the organisational culture that the company fosters. Developing a CSR-oriented culture is therefore essential for meeting stakeholder expectations and enhancing climate change performance among Malaysian SMEs.

Specifically, this study highlights the importance of embedding CSR values deeply within organisational culture to translate external stakeholder pressures into meaningful environmental

actions. For Malaysian SMEs, cultivating a CSR-oriented culture is not just about responding to external demands but also about proactively improving their climate change performance. By doing so, these enterprises can not only meet but also exceed stakeholder expectations, positioning themselves as responsible and sustainable contributors to the broader effort to combat climate change.

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