IS IT WORTH BEING SOCIALLY RESPONSIBLE?

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Abstract: Several definitions for corporate social responsibility (CSR) exist and these vary greatly as to the activities it should cover and their motivators. Among the benefits of CSR are positive marketing/brand building, brand insurance and employee loyalty. Numerous arguments against CSR prevail, e.g. social responsibility is not a problem that belongs in the sphere of activities a corporation should be addressing or even that CSR distracts businesses from addressing the primary need to concentrate on sales. Thus, the strong economic question: is CSR worth it? In 2014, we carried out a representative survey in Hungary, in which the effects of responsible business practices on consumer purchase behaviour were studied. With our research results, we could show that there is a considerable gap between the apparent interest of consumers in CSR and the limited role of CSR in purchase behaviour.

Introduction

As a reflection of values and ethics of firms, corporate social responsibility (CSR) has received a large amount of research attention over the last decade (Pomering – Dolnicar, 2008), but what is meant by CSR?

It is not a good sign when an entire profession cannot agree on what to call itself. Here is a short list: corporate responsibility (CR), sustainability, corporate social responsibility (CSR), sustainable development, corporate accountability, creating shared value (CSV), citizenship and social responsibility in and of itself. These are all terms that are thrown about with nothing but the glue of disagreement about their ultimate meanings to hold them together. CSR is much broader than philanthropy. Rather, CSR looks to change business operations in a way that maximizes a company’s benefits to society and minimizes the risks and costs to society—all while keeping the company focused on creating business and brand value (Epstein-Reeves, 2011).

Dahlsrud found and analysed 37 definitions for the term CSR in 2008 (Dahlsrud, 2008, Bartus, 2008).

Due to the wide range of CSR definitions in existence, a search for commonality can be potentially instructive. After examining various definitions, Buchholz (1991) in Schwartz – Saiia (2012) suggests that there are five key elements found in most definitions of CSR:

- Corporations have responsibilities that go beyond the production of goods and services at a profit.
- These responsibilities involve helping to solve important social problems, especially those they have helped create.
- Corporations have a broader constituency than stockholders alone.
- Corporations have impacts that go beyond simple marketplace transactions.
- Corporations serve a wider range of human values that can be captured by a sole focus on economic values.

Not only the concept and definition of CSR are topics of debates. Academics and corporate executives have been continuously debating the costs and benefits of CSR. It is a fundamental question: is it worth investing in CSR; is it worth being socially responsible; what is the responsibility of companies at all?

CSR in consumer decisions

Firms’ CSR actions influence consumers’ attitudes. Consumers’ attitudes shape their intentions, and their intentions affect their behaviour. So, firms’ CSR actions may inspire consumers to change their purchasing behaviour (i.e. buy a different product), pay a premium for responsible products, or even deliberately punish those firms that fail to meet their expectations (II). Figure 1 shows a model of socially conscious consumerism, while Figure 2 introduces the relationship between a company’s CSR actions and consumer actions.
Kim (2011) mentions that although academic research has addressed the growing focus on CSR, previous research has suggested mixed results, especially regarding the general consequences of CSR on either financial performance of an organisation or consumer responses. Some research studies found no associations between CSR and consumer responses, but other studies noted several positive relationships. The common thread among academic research is that still little is known as to how and when CSR initiatives work. The research of Kim (2011) attempts to answer these related questions, such as “if there are, indeed, direct influences of CSR initiatives onto company or consumer attitudes or consumer intentions. This study results also suggest that the direct influences of CSR associations differ based on industry type. A company that produces high risk involved products, such as Motorola, might not experience the strong CSR association effects on consumer responses as a company in another industry type, such as Kellog (Kim, 2011).

Doane (2005) writes about the market failure of CSR. One problem here is that CSR as a concept simplifies some rather complex arguments and fails to acknowledge that ultimately, trade-offs must be made between the financial health of the company and ethical outcomes. Moreover, when they are made, profit undoubtedly wins over principles. CSR strategies work under certain conditions, but they are highly vulnerable to market failures, including such factors as imperfect information, externalities and free riders. Most importantly, there is often a wide chasm between what is good for a company and what is good for society as a whole. In her paper, she defines the four myths of CSR. Of the four myths, the one in connection with ethical consumerism is introduced below in more detail:

- the market can deliver both short-term financial returns and long-term social benefits.
- the ethical consumer will drive the change: Although there is a small market proactively rewarding ethical business, for most consumers, ethics are relative. In fact, most surveys show that consumers are more concerned about price, taste or sell-by dates than ethics. In the United Kingdom, ethical consumerism data show that although most consumers are concerned about environmental or social issues, with 83 percent of consumers intending to act ethically on a regular basis, only 18 percent of people act ethically occasionally, while fewer than 5 percent of consumers show consistent ethical and green purchasing behaviours.
- there will be a competitive “race to the top” over ethics among businesses.
- in the global economy, countries will compete to have the best ethical practices.

Győri (2013) adds that not only in Hungary, but even in more developed countries, consumers are more concerned about environmentally conscious, healthy products or products produced in a socially responsible way than can be experienced in their real purchasing behaviours. Even in the case of cheaper “responsible” products, they prefer the “habitual” other product.

Investigations show that there is an unresolved paradox concerning the role of corporate social responsibility (CSR) in consumer behaviour. On the one hand, consumers demand increasingly more CSR information from corporations. On the other hand, their research indicates a considerable gap between consumers’ apparent interest in CSR and the limited role of CSR in purchase behaviour. Consumers report positive attitudes toward buying products from socially responsible companies, but these positive attitudes are not transferred into actual purchase behaviour. A total of 22 individual interviews were conducted by them in a Western European country in
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fall 2009 and spring 2010. Overall, the interviewees agreed on the minor importance of CSR compared to other purchase criteria, such as price, quality, brand, country of origin or service. They point out that this result is in accordance with prior research, which shows that CSR is not “at the top of many consumers’ lists” and that only a very small segment of consumers consider CSR when purchasing products (Öberseder et al. 2011, Beckmann et al. 2001; Belk et al. 2005; Bray et al. 2011; Lichtenstein et al. 2004; Mohr et al. 2001).

Although a company’s CSR initiatives alone do not trigger a purchasing decision in most cases, there are several determinants that increase the likelihood of taking CSR into consideration when making purchase decisions. Specifically, consumers clearly distinguish between core, central and peripheral factors. Core factors determine whether CSR is taken into account when deciding about a purchase. If these are not met, CSR will most likely not play a role in a consumer’s buying decisions. These core factors are informational and personal concern. They are both prerequisites for considering CSR in the purchasing process. The most important and complex factor is information on a company’s CSR position. Information consists of two dimensions: level of information and type of information. The former describes the extent of knowledge (e.g., no, little, or extensive knowledge) consumers have about a company’s CSR initiatives. The second dimension focuses on whether the CSR information consumers have is perceived as positive or negative. When consumers have no or only little information about a company’s socially responsible behaviour, CSR will unlikely be considered a purchase criterion. Consumers can also have extensive knowledge of a company’s CSR behaviour. This can relate both to positive and to negative corporate behaviour. When well-resourced with comprehensive CSR information, the respondents believe that it is easier and more likely for them to integrate CSR into the decision-making process. The interviewees stress that the financial situation of a consumer constitutes a central factor in this process. The factor not only describes the consumer’s price perception and willingness to spend money on products from socially responsible companies, but also the actual monetary resources of a person. These findings are in accordance with previous research on the importance of price and the dominance of financial, rather than ethical, values in purchase decisions. Thus sufficient financial resources are a prerequisite for considering a company’s CSR activities as a purchase criterion. Price is frequently only a justification for not considering products of socially responsible companies. Their respondents assume that products of a socially responsible company are more expensive than alternatives. Their respondents agreed that, in most cases, purchasing products of companies with positive CSR activities is related to the assumed price premium of such products: if the price differs only slightly, they would prefer the product of a socially responsible company over a company with a negative CSR profile. When all core factors are met and the central factor – price – is perceived acceptable, their interviews revealed that the respondents consider three additional factors before they incorporate a company’s CSR initiatives into their purchasing decisions. These peripheral factors include the image of the company, the credibility of CSR initiatives, and the influence of peer groups. The image of a company is, according to the respondents, an indication of whether or not it employs socially responsible practices when conducting business. A positive perception of a company’s image evokes the association that the company behaves socially responsible. Their respondents believe that this, in turn, increases the likelihood to consciously opt for a company’s products and incorporate CSR efforts into their purchasing decisions. The credibility of CSR initiatives constitutes another peripheral factor. The respondents agree that credibility is influenced by the fit between a company’s CSR initiatives and its core business. Many consumers only consider a CSR initiative credible if it is aligned with a company’s core business. The respondents conceive that initiatives totally detached from the business a company is operating in appear less credible and are interpreted as a marketing ploy. Furthermore, initiatives are less credible if they involve only a monetary donation.

The influence of peer groups, which is closely connected to the image of a company, is the last peripheral factor. A company’s image frequently develops through interactions with colleagues, friends, or family. Consumer respondents stress that peer groups can also directly influence their assessment of CSR as a purchase criterion. Family and friends can either dissuade or encourage consumers to buy from a socially responsible company (Öberseder et al., 2011).

Results from the qualitative study of Pomerings and Dolnicar (2008) with bank managers and their quantitative study with consumers also indicate low consumer CSR awareness levels. While CSR is effective in eliciting favourable consumer attitudes and behaviour in theory, CSR has not proven its general effectiveness in the marketplace. The low consumer awareness of the various social issues in which firms engage with their CSR programmes suggests that firms may need to educate consumers, so the latter may better contextualise the CSR initiatives seeking to be communicated.

Wang (2008) also found that CSR practices and purchase intention were not directly related. Several possible variables contribute to the reasons why CSR practices do not necessarily relate to financial reward. On the one hand, the impact of CSR on consumers may be dependent on individual consumers’ perceived importance of CSR. For example, consumers may consider CSR communications as favourable public relations messages when they perceive CSR as an important element of business practices. On the other hand, most consumers depend on CSR communications for gathering information about corporations’ CSR practices; corporations have been increasingly involved in various CSR practices and communications in an attempt to improve their reputations and to promote their brands or products. As a result, CSR communications play an important role in shaping consumers’ attitudes toward CSR communications and assessments of corporations’ CSR practices. However, consumers may process CSR communications differently and, in turn, form attitudes toward CSR communications and assess corporations’ CSR practices differently. These variables appear to be correlated.

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perceived argument strength of CSR communications in the context of CSR mediated the effect of initial brand attitude on purchase intention might be more complex than suggested by previous research (Wang – Anderson, 2011).

Despite the increasing importance of CSR communications for effective reputation management, there has been limited understanding of the variables and processes involved in consumer response to CSR communications. The study of Wang – Anderson (2011) proposes a three-stage model (Fig.3) and investigates the mediating roles of perceived importance of and attitude toward CSR in consumer response to CSR communications. The results revealed that perceived importance of CSR mediated the effect of initial brand attitude on perceived argument strength of CSR communications in the pre-processing stage. Next, attitude toward CSR communications mediated the effect of perceived argument strength of CSR communications on assessment of CSR practices in the attribution stage. Finally, post-brand attitude mediated the effect of assessment of CSR communications on purchase intention in the response stage. The results revealed that the relationship between CSR communications and purchase intention might be more complex than suggested by previous research (Wang – Anderson, 2011).

Figure 3. The three-stage model of consumer responses to CSR communications

The Applied Research method: Kruskall-Wallis (KW) test

The Kruskal-Wallis test is applied in cases where there is one nominal variable and one ranked variable. Kruskal-Wallis tests whether the mean ranks are the same in all investigated groups. Usually, the Kruskal-Wallis test is applied when the analyst possesses one nominal variable and one measurement variable, i.e. whenever the experiment would normally involve analysing data using one-way anova, but the measurement variable does not meet the normality assumption of a one-way anova. Some researchers argue that unless there is a large sample size and one can clearly demonstrate that the data are normal, one should routinely use Kruskal-Wallis; they think it is dangerous to use one-way anova, which assumes normality, in cases when one is unsure whether one's data are normal. In fact, one-way anova is not very sensitive to deviations from normality. Reports on simulations performed with a variety of non-normal distributions, including flat, highly peaked, highly skewed, and bimodal, showed the proportion of false positives being always around 5% or a little lower, just as it should be. For this reason, the Kruskal-Wallis test is not recommended as an alternative to one-way anova.

The Kruskal-Wallis test is a non-parametric test, which means that it does not assume that the data come from a distribution that can be completely described by two parameters, mean and standard deviation (the way a normal distribution can). Like most non-parametric tests, it is performed on ranked data, requiring conversion of the measurement observations to their ranks in the overall data set: the smallest value receives a rank of 1, the next smallest receives a rank of 2. The remaining sets are ranked accordingly. In substituting ranks from the original values, one risks losing information, which might render this a somewhat less authoritative test than a one-way anova.

Yet another assumption of one-way anova is that the variation within groups is equal (homoscedasticity). Although the Kruskal-Wallis test does not assume the data to be normal, it does assume that the different groups have the same distribution and groups with different standard deviations have different distributions (12).

Representativeness of the Sample

A survey was conducted 1-30 March 2014, with the involvement of 1,000 consumers in Hungary. Representativeness of regions and settlement types had already been ensured, thus their structure fully met the quota stipulated by the Central Statistical Office (quota sampling).

In some regions and selected settlements, the principle of random walking was applied, which ensures complete randomness to select the appropriate respondents (each person had the same chance to be involved in the sample). The essence of the method is that starting addresses were provided for each interviewer at each selected region and settlement (regions and settlements matching the population ratios in the sample). Starting from the starting address – in the order of increasing house numbers – interviewers started the interviews at the third house of the same side of the street, then they continued the interview with the third house again. When preparing the sampling plan, we took into consideration family house and apartment house areas, as well.

Of the residents of the visited households, the appropriate person for the interview was selected using the birthday key method. This means that the interviewer asked the number of residents above 18 years of age. As a second step, the consumer above 18 years of age and having the birthday closest to the date of the interview was selected. Thus, with this method, complete randomness was ensured in the second step, as well. Random error of the sample was ± 1.9% - 3.2%.

Finally, in order to ensure representativeness, the sample was corrected with multidimensional weighting (based on gender and age). Thus, the sample represents the population of Hungary regarding four factors (region, settlement type, gender, age).
Results and Discussion

With our first question, we wanted to find out what our respondents mean by Corporate Social Responsibility. We offered them the following alternatives: (1) keeping rules, law; (2) environmental / sustainable operation; (3) creating work places, employment; (4) supporting arts, culture, sports; (5) creating, supporting foundations; (6) ensuring healthy, balanced work environment; (7) ethical behaviour toward all business partners; (8) fair communication, behaviour towards consumers; (9) good marketing trick; (10) responsibility towards its (social and natural) environment. For each answer, they had to determine its relation to CSR in a scale from 1-5.

Before introducing the results of the Kruskall-Wallis test, it should be noted that the average and standard deviation of the results have also been studied. We can state that the relation between CSR and the above provided alternatives is strong; it is above 4.00 with the exception of “just a marketing trick” which average was 3.88 only. We received the highest averages for the following alternatives: creating workplaces, employment (4.662); keeping rules, law (4.635); environmental / sustainable operation (4.624); responsibility towards its (social and natural) environment (4.57). We have to add that the lowest standard deviations belong to these high averages, so the opinions are the most unified for these answers.

Next, the results had been grouped and evaluated by level of education, legal status and financial situation, as well. Results can be seen in Fig. 4-6. We found significant deviations in the cases of these three groups. These deviations are as follows:

Regarding the financial situation of respondents, for well-paid respondents, job creation and employment are part of CSR. For people with daily living problems, keeping rules and following the law are not part of CSR. Results can be seen in Fig. 4.

Fig. 4. Relation of the provided alternatives to CSR by financial situation of respondents

Source: Own research, 2014

By level of education, respondents with high school certificates also believe that keeping rules and following the law are not parts of CSR. This is the second responsibility of companies after economic responsibility: to meet rules and legal regulations (called legal responsibility). Thus, keeping rules and following laws can automatically be expected from companies. For these respondents, CSR is something more and goes beyond all these. Ensuring a healthy, balanced work environment is part of CSR for each studied group. Supporting arts, culture and sports is part of CSR for each studied group, except for respondents with a higher education degree. The reason behind this result can be connected to their better informedness, since the recent definition of CSR and the activities behind this phenomenon is rather about the creation of shared value, i.e. creating something new together with several stakeholders in the company which is mutually valuable. Sponsorship is undoubtedly important, even essential for some groups, but this activity is something different. It is not about creating shared value. Results can be seen in Fig. 5.

Fig 5. Relation of the provided alternatives to CSR by education level of respondents

Source: Own research, 2014

Regarding the legal status of respondents, keeping rules and following the law is not part of CSR for groups of respondents having no job. For students, CSR is only a good marketing trick. Since these respondents represent the future, they are the next generation of corporate executives and the consumers a company does not yet have; therefore, this approach should be corrected through proper courses on e.g. business ethics, managerial ethics, CSR and sustainability. These individuals should be familiar with the essence of CSR. CSR should not be only a marketing tool (even though, for some companies, it is), it should be something totally different: it should rather be a managerial approach. For active worker respondents and respondents on maternity leave, arts, culture and sports are not parts of CSR. For student and housewife respondents, fair communication and behaviour towards consumers are parts of CSR. Results can be seen in Fig. 6.

Fig 6. Relation of the provided alternatives to CSR by legal status of respondents

Source: Own research, 2014
We also wanted to use the above listed information to understand how to influence the purchasing decision of our respondents: (1) product price; (2) producer; (3) place of production; (4) ingredients; (5) environmental impact of the product; (6) product safety; (7) healthy product; (8) product appearance; (9) price-value ratio; (10) shelf life. Respondents had to evaluate the importance of the listed points of views in their purchasing decision in a scale of 1-5.

Analysing the results, it can be stated that the received averages are around 4.3 and their standard deviation is around 0.8. Value 1 means that the information does not influence, while 5 means that the information influences considerably the purchasing decision. We received the highest averages for product price, price-value ratio and shelf life. The received average for product price and price-value ratio reached 4.72 with very low standard deviations. The result shows that the respondents are rather price sensitive. The high average received for shelf life indicates that this is really important information when buying mainly a food product. The received lower averages for product safety, ingredients and healthy product can be explained in that these types of information can be found, read and understood not so easily or in that price sensitivity is simply the dominant factor for such consumers. It should be pointed out that the environmental impact of the product and the producer are the least important types of information for the respondents from among the above mentioned information influencing their purchasing decision.

In addition to the above explained results, we tried to find correlations again between the demographic variables and the received results. By level of education, we found significant deviation in the cases of price, producer, place of production, ingredients and product appearance, as well. As can be seen in Fig. 7, with the higher level of education, the producer becomes increasingly important. The same conclusion can be drawn for the place of production. These results can be reasoned with the higher levels of study and the informedness of respondents on the social, environmental and moral impacts of companies, as well as because these respondents expect responsibility from companies for all these areas of impact. This responsibility is seemingly obvious for these educated respondents. Information on the responsible - or even on the irresponsible - business practices of companies is very important for them and influences their purchasing decisions. Regarding the place of production, it can be expected that they are more familiar with the financial impact of their purchasing decisions. This means that through buying local products, they can contribute to the economic development of their homeland. For them – in comparison to the other studied groups – price and product appearance are the least important. This consumer behavioural factor can be reasoned with the fact that to their high education level is probably associated with higher incomes, thus they can be expected to be living in a good financial situation and they can afford to rank product price lower as a not so important factor influencing their purchasing decisions. As regards ingredients, those respondents with the lowest education level have to be pointed out, since for them this information was the least important.

From among the five listed factors in Fig. 7, price has an extremely high rank. This result can be explained by their probably modest financial circumstances.

Fig. 7. Significant deviations between the educational level of respondents and certain aspects influencing the buying decision process of consumers

Source: Own research, 2014

Less conclusions can be drawn in connection with marital status. From among the above listed and studied ten aspects, significant deviations were found in relation to the place of production and shelf life only. As Fig. 8 shows, for single (mainly young) respondents, shelf life is not important when buying a product. For the other studies’ groups, the ranking of this aspect is considerably higher. Place of production is an important aspect for married and widow respondents. They presumably belong to the older generation. For this group, the importance of shelf life is similarly important in their purchasing decision. In the case of married respondents, the result can be explained through their sense of responsibility towards the family.

Fig. 8. Significant deviations between the marital status of respondents and certain aspects influencing the buying decision process of consumers

Source: Own research, 2014

Regarding the legal status of respondents, significant deviations have been found in connection with product price, product appearance and price-value ratio. As can be seen in Fig. 9, product price is not so important for our active white collar worker and student respondents. In the case of the former group, the probably higher income associated to their position could be the reason for this result. In the case of students, the result is probably based on the lack of personal income, since these respondents mostly live together with their parents and spend their parents’ money, rather than their own. Since they are young, they may not be well informed on the business practices of companies, on the question of responsibility and, in general, on the possible impacts of their purchase decisions. Therefore, their buying preferences are rather different. How-
ever, we should keep in mind that they are one of the most important groups, since they are the consumers of the near future. Through proper education, they could and should be shown in the group of conscious consumers. For inactive, other dependent and housewife respondent groups, price is a very important factor, which can be reasoned unambiguously with their modest financial situation. Product appearance is remarkably negligible for the other dependent respondents. Price is the most important factor for them from among the studied factors, and the price-value ratio is even less important than product appearance. These results can unambiguously reasoned with the lack of income.

Fig. 9. Significant deviations between the legal status of respondents and certain aspects influencing the buying decision process of consumers

Source: Own research, 2014

The final correlation is related to the financial situation of the families. Results can be seen in Fig. 10, which clearly shows that, with the deteriorating of a respondent’s financial situation, the importance of price is increasing. The place of production and the producer grow less important, in the same order. Healthy product, product appearance, price-value ratio, shelf life are interestingly most important for the group in the middle. The reason for such results is probably that they are trying to find the best solution, best value and best product, compared to their limited financial situations. They “do not have money” to buy useless, unhealthy or expired products, such as food.

Fig. 10. Significant deviations between the financial situation of respondents and certain aspects influencing the buying decision process of consumers

Source: Own research, 2014

Conclusions

Our results support the present practice in terms of the definition of CSR. Almost all the listed alternatives are strongly related to CSR by the respondents. The highest average received for the “creating work places, employment” alternative indicates the importance of this activity and this can also be explained in that - at least in Hungary - CSR today is mainly linked to responsible employment. There are events, including conferences and even the CSR Market 2015, which focus on responsible employment and responsible employers. This message may have reached the respondents and can be a reason for the received results. When reading articles on CSR and the main activities carried out by companies as CSR activities, it can be read that around two third - three quarter of the companies’ CSR budgets are usually spent on activities targeting employees. It is good to see that CSR is not considered to be a mere marketing trick by most of the respondents, but only by students. This opinion can be “modified” with proper education on CSR.

Regarding the different factors influencing purchasing decision, our results underline the importance of price and price value ratio. The producer and its responsible or irresponsible business practice are not important information for the respondents.

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