THE CONSUMERS AND
THE CORPORATE SOCIAL RESPONSIBILITIES

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Abstract:
Consumers are becoming more interested in corporate social responsibility, a concept that has also attracted growing attention from companies around the world. CSR has been described as the business role in sustainable development, and an approach to doing business which aims to integrate and balance economic, environmental and social performance, with the goal of continuously improving all three. Consumers have an important role in encouraging businesses to adopt and advance CSR. Many businesses make a sizeable effort to learn about their customers' preferences and opinions, so they can create products and services that people will want to buy. When consumers care about issues like the environmental performance of a company or labor conditions in foreign factories, corporations take notice.

Key words: corporate citizenship, corporate ethics, corporate social responsibility, socially responsible consumer behavior.

JEL classification: M 14, M 31

Corporate Social Responsibility: a historical review

As a field of study in management, CSR probably emerged in the 1950s in the United States. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donation to charity, services to the community, enhancing employee welfare and promoting religious conduct. In 1951 Frank Abrams, Chairman of the Board of Standard Oil (now Exxon), in a article in the *Harvard Business Review* called for top management to become "good citizens", aspire to a "higher duty of professional management" and contribute to the "solution of the many complex social problems of our time" because business firms were "man-made instruments of society" (Abrams, 1951). Milton Friedman was a powerful advocate of this line of thinking when he claimed some years later in his book *Capitalism and Freedom* (1962) that social responsibility was a "fundamentally subversive doctrine in a free society", arguing that profits itself was a social good and that society was best served when corporations maximized shareholder value.

The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society. Most of the academic research over the next few decades took an instrumental approach to CSR by describing the ways and means by which corporations could meet their social obligations without losing sight of their main shareholder value-maximizing function.

The philosophy driving CSR discourses from the 1950s onwards was an attempt to cultivate civic virtue in corporations. In the 1980s, the focus of CSR shifted from CSR as obligation ("doing good to do good") to CSR as strategy ("doing good to do well"). Criticism of CSR have focused around either its inability to overcome the profit-maximizing motive of corporation or the dangers posed by CSR activities in diverting resources from the economic mission of the firm to meet social goals. The

"new" CSR allegedly overcomes both these problems by linking corporate strategies with social goals.

Corporate social responsibility: definitional issues

After several decades of research on CSR, McWilliams et al. (2006, p. 8) still concluded that ''…there is a no strong consensus on a definition for CSR''. The evolution of the definition becomes clear when one considers several definitions by past researchers.

McGuire (1963, p.144) for example stated that: "the idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations".

Davies (1973, p.313) went further to state that: "social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirement of the law, because this is what any good citizen would do…Social responsibility goes one step further. It is a firm's acceptance of a social obligation beyond the requirement of the law".

These and other definitions are presented within Carroll's (1979, 1999) framework and have been operationalized by many researchers. Compared to other conceptualization of CSR, Carroll's framework is broad enough to consider other concepts of CSR including corporate citizenship (Carroll, 1998) and stakeholder theory (Carroll, 2004).

For Carroll, the responsibilities of a business encompass four dimensions – economic, legal, ethical and philanthropic activities.
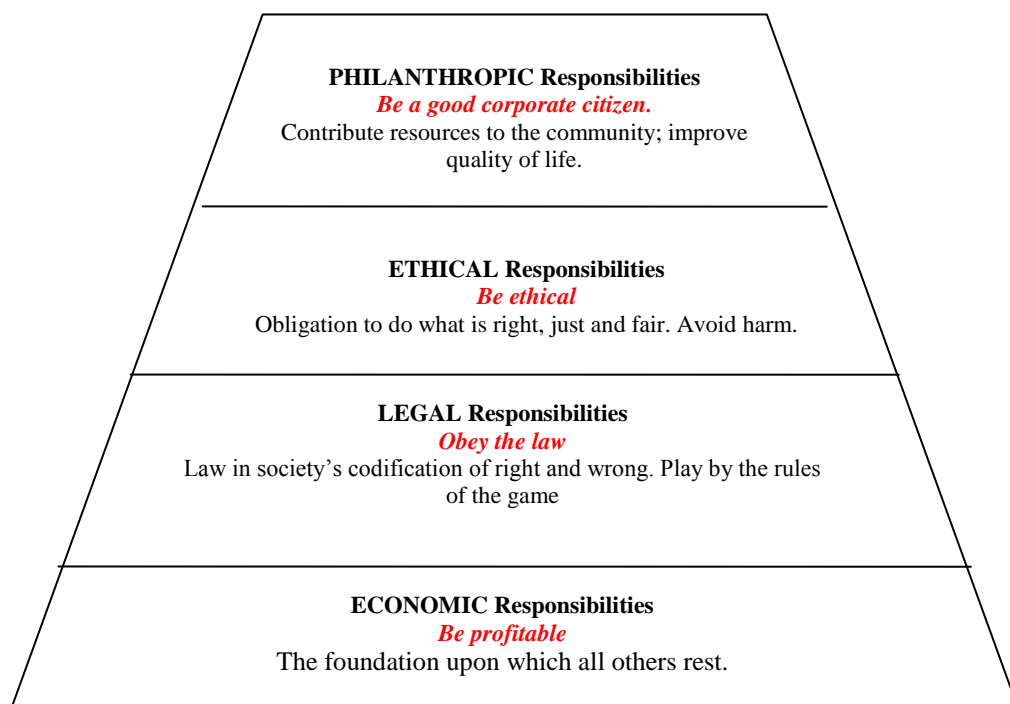
PHILANTHROPIC Responsibilities
Be a good corporate citizen.
Contribute resources to the community; improve quality of life.

ETHICAL Responsibilities
Be ethical
Obligation to do what is right, just and fair. Avoid harm.

LEGAL Responsibilities
Obey the law
Law in society's codification of right and wrong. Play by the rules of the game

ECONOMIC Responsibilities
Be profitable
The foundation upon which all others rest.

Figure 1 : The Pyramid of Social Responsibility

Source: Carroll, A. B. 1991. The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. Business Horizons, 34, pg. 39-48.

Economic responsibilities refer to the production of goods and services demanded by the market and to be profitable. This is the fundamental responsibility.

In a developing country context, fulfill this responsibility results in the creation of jobs and income (UNIDO, 2002). *Legal responsibilities* refer to fulfilling the economic responsibility within the boundaries set by the legal system of the country. This may include compliance with various legal requirements including workers safety, environmental standards and tax laws. *Ethical responsibilities* are to do what is right, just and fair and to avoid harm to nature and people. Ethics takes responsibility to another level in that compliance goes beyond the legal requirements (Garriga and Mele, 2004). Finally, *the philanthropic responsibility* is to contribute to society and improve the general quality of life. In developing countries, philanthropic activities in the form of donations are equated to CSR (Crane and Matten, 2004).

These responsibilities are typified in a pyramid form with the more basic responsibilities (economic and legal) at the base, while more advanced responsibilities (ethical and philanthropic) are at the pinnacle. The pyramid analogy also implies that the basic responsibilities support the more advanced ones.

For corporate stakeholders (managers and shareholders), the building blocks of CSR as described above provides an understanding of the various degrees of involvement in society. Indeed, Carroll's definition has been operationalized in empirical studies that used managers as their unit of analysis.

The consumers and the socially responsible businesses

Very little research has examined the extent to which consumers are willing to make an effort to support socially responsible businesses and punish irresponsible organizations. Preliminary evidence has been provided by industry surveys.

For example, a study by Walker research found that 88 percent of U.S. consumers are more likely to buy from a company that is socially responsible (Smith, 1996). Similarly, a survey by the Council on Foundations indicated that sixteen percent of U.S. consumers claim to seek do-gooders when shopping while another forty percent found corporate citizenship to be a tiebreaking activity (Council on Foundations, 1996). Even though these studies are encouraging for socially responsible businesses, they consider social responsibility in general and do not examine how consumers characterize corporate social responsibility.

Among academic inquiries, interesting findings were brought about by Brown and Dacin (1997) who demonstrated in an experiment that negative corporate responsibility associations can have a detrimental effect on overall product evaluation, whereas positive associations can enhance product evaluations. Brown and Dacin (1997) used two activities to induce corporate social responsibility associations: corporate giving and community involvement. Even though these two activities are significant of philanthropic responsibility, they do not represent the full spectrum of corporate social responsibility initiatives.

Thus, Brown and Dacin's (1997) study merely suggests that some philanthropic actions can affect product evaluations. In another experimental study, Handelman and Arnold (1999) observed that marketing actions with a social dimension generate consumers' support for the organization. Handelman and Arnold (1999) considered three types of corporate social actions: commitment to the family, the community, and the nation. Accordingly, the authors assessed consumers' evaluations of three specific types of responsibility initiatives, but could not establish how consumers act toward an organization that they consider as generally responsible. In fact, as discussed below, past research has provided very limited insights into consumers' definition of socially responsible corporate behaviors.

Parallel to changing consumer attitudes towards environmentalism and sustainability can be traced changing attitudes among companies and businesses as they

recognize the changing nature of their customer. Corporate social responsibility (CSR) has become increasingly prominent in companies' provision of and stakeholders' approaches to buying goods and services. CSR addresses two kinds of commercial responsibility: "commercial responsibilities (that is running their businesses successfully) and social responsibilities (that is their role in society and the community)".

CSR Europe commissioned MORI (Market and Opinion Research International) to undertake the first ever European survey of consumers' attitudes towards CSR in September 2000. Twelve thousand participants were interviewed across 12 European countries (Belgium, Denmark, France, Finland, Germany, Great Britain, Italy, Netherlands, Portugal, Spain, Sweden and Switzerland): 70% of European consumers say that a company's commitment to corporate social responsibility is important when buying a product or service, and 1 in 5 would be very willing to pay more for products that are socially environmentally responsible…. Conversely, 1 in 6 shoppers frequently boycott (or buy) products because of the manufacturer's reputation. The research strongly implies – in line with previous studies – that the public's key priority for companies is a demonstration of corporate citizenship (quality and services; human health and safety; being open and honest). In turn the study also identified the active conscious consumer or socially responsible activists who were defined as those people how have participated in 5 or more socially responsible activities in the last twelve months. Across Europe more than a quarter are activists. In Switzerland, Sweden and Belgium the proportion rises to two in five. In contrast, only around one in ten could be classified in this way in Germany, France, Portugal and Italy. The top ranking activities across Europe are recycling household waste, followed by giving money to good causes. Each has been done by more than half the public in the last twelve months. Around two in five have also bought a product or service because of its links with good causes, or a product labeled as social, ethical or environmental. Similar proportions have bought organic food and given voluntary help to a good cause.

A CSR perspective held by consumers was developed through a research sponsored by the National Consumers League. A telephone survey of 800 U.S. adults showed that the most important proof of good corporate citizenships how well a company treats its employees. Similarly, the survey found that 76% believe that a company's treatment of its employees plays a big role in consumer purchasing decisions.

The most common responses consumers give to what corporate social responsibility means are: "corporations need to be committed to their employees" (27%), "corporations need to be committed to the public and communities and overall society" (23%), "corporations have a responsibility to provide quality products" (16%), and "responsibility to the environment" (12%).
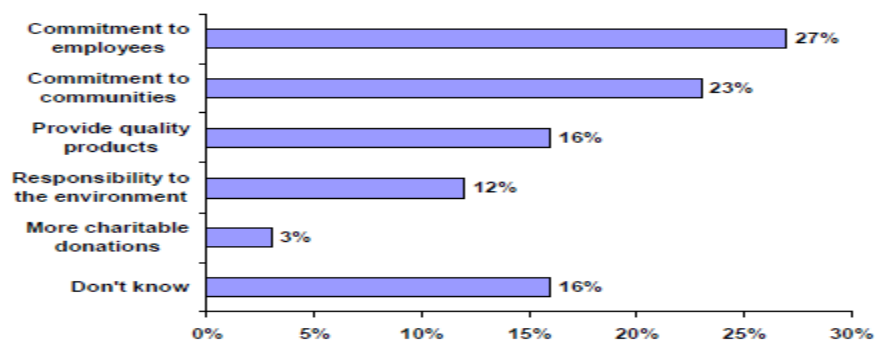

Figure 2: Meaning of "Corporate Social Responsibility"

American consumers also feel strongly about buying products from or working for a company whose values are aligned with their own personal values. Survey respondents say that it's "extremely" or "very" important to work for (79%), buy products from (65%), and socialize with (72%) those who have similar values and principles.

Major employee-related issues cited by consumers include:

- The importance to pay workers inside/outside the U.S. a living wage;
- Salary/wage increases should be placed ahead of making charitable contributions;
- Businesses should employ more people rather than make charitable contributions;
- How well a company treats employees influences what they buy;
- Risks to employee safety influences what they buy;
- Desire to work for a company that shares similar values and principles.

When asked to rate the importance or influence of these common pillars independent of how a company treats its employees, consumers generally indicated their support for activities, such as:

- Consumers believe that corporate donations should go to causes that are somehow relevant to a company (53 percent, "extremely" or "very" important);
- Consumers say that a company's impact on the environment can influence what they buy (82 percent, "extremely" or "very" influential).

In contrast to the high importance consumers give to social responsibility, the survey found that only 21% of respondents give U.S. corporations top marks for being socially responsible.

When asked whether companies have improved in their social responsibility during the last two or three years, only 30% believe that companies are doing a "somewhat better" or "a lot better" job of being socially responsible.

When asked how they obtain information to form their judgments about the social responsibility of a company, 47% of respondents indicate that they use the Internet.

Americans believe the most credible means to shape their opinion of corporate social responsibility is their own online research. Consumers rely on the Internet and word-of-mouth sources because they prefer an unfiltered, unedited view of news and information. Because of the increased availability of online resources, 58% of the respondents believe they or people like them are more informed about companies' records for social responsibility than they were just a few years ago.

The survey also found a positive relationship between active Internet use and engagement in social responsibility. About 40% of those using the Internet have sent e-mail messages to a company about its products or services, and 41% have sent a message to an elected state or federal official about an issue. According to Paul Argenti, professor of corporate communication at Dartmouth's Tuck School of Business, "The American public continues to refine its definition of corporate social responsibility and gain empowerment through online resources in their new role as activists for social change." Argenti states, "Corporations must engage in a new level of dialogue that resonates with stakeholders' personal values. They also will have to increase transparency and adopt a more integrated approach to monitoring and influencing the online communications shaping their reputations."

A possible explanation for the strong emphasis given to employee treatment and the use of the Internet to obtain relevant information about corporate responsibility is the ongoing media coverage of employee benefit reductions, such as the elimination of airline employee retirement programs and continuing layoffs of employees in many

industries. "If companies want to maintain and strengthen their reputations," states John D. Graham, CEO of Fleishman- Hilliard, the public relations firm that conducted the survey, "it will be essential for them to invest actively and visibly in their employees."

Conclusions

Corporate responsibility has never been more prominent on the corporate agenda and primarily because the business case is perceived to be much stronger.

Consumers are an important potential driver of attention to CSR for many companies, along with employees, investors and others.

Consumer surveys typically overstate the influence of ethical concerns on consumer behavior. The evidence is clear that some consumers are influenced in purchase and consumption decisions by ethical and corporate responsibility considerations and sometimes this is a sizable minority, if not a majority. This may take the form of purchase refusal, boycotts being the most obvious example.

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