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Article in *Journal of Business Ethics* · January 2007

DOI: 10.1007/s10551-006-9100-y · Source: RePEc

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A Framework for Understanding Corporate Social Responsibility Programs as a Continuum: An Exploratory Study

Julie Pirsch
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ABSTRACT. Corporate Social Responsibility (CSR) programs are increasingly popular corporate marketing strategies. This paper argues that CSR programs can fall along a continuum between two endpoints: Institutionalized programs and Promotional programs. This classification is based on an exploratory study examining the variance of four responses from the consumer stakeholder group toward these two categories of CSR. Institutionalized CSR programs are argued to be most effective at increasing customer loyalty, enhancing attitude toward the company, and decreasing consumer skepticism. Promotional CSR programs are argued to be more effective at generating purchase intent. Ethical and managerial implications of these preliminary findings are discussed.

KEY WORDS: Corporate social responsibility, cause-related marketing, customer loyalty, satisfaction, stakeholder theory, skepticism

Introduction

Corporate Social Responsibility (CSR) programs are becoming increasingly popular elements of corporate marketing strategies. Companies are under growing pressure to embrace social responsibility, in part due to emerging public standards for social performance (e.g. the United Nations Global Compact), in part due to the proliferation of independent evaluations and rankings that make social performance more transparent (e.g. *Fortune's* Most Admired Companies), and in part due to the recent scandals associated with prominent companies (e.g. Enron, Worldcom). CSR programs can provide a variety of benefits for companies. CSR helps to attract and retain high quality employees (Fombrun and Shanley, 1990; Turban and Greening, 1997), generate a positive corporate image (Smith and Stodghill, 1994), and enhance product evaluation via an overall evaluation of the firm (Brown and Dacin, 1997). CSR also acts as a buffer against, and may help a company recover from, a market crisis.

However, the most forceful argument for CSR is the positive link it has with a firm's performance (Ruf et al., 2001; Simpson and Kohers, 2002). At the most basic level, CSR programs have been shown to increase the customer's willingness to purchase the company's products (Brown and Dacin, 1997; Sen and Bhattacharya, 2001). In fact, consumer purchase intent has been positively correlated with the degree to which the perceptions of a company's ethical behavior exceeded their expectations (Creyer and Ross, 1997). More broadly, consumers appear to provide greater support for companies that are socially and environmentally

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responsible (Creyer and Ross, 1997; Ellen et al., 2000; Sen and Bhattacharya, 2001), and have negative reactions to companies that are not (Barrett, 1996). The success of companies such as Ben and Jerry's provides support for the emergence of CSR as a new paradigm for doing business (Donaldson and Preston, 1995; Griffin and Mahon, 1997).

In order for CSR programs to accomplish these goals, companies design their CSR programs in a variety of ways. For example, Stonyfield Yogurt has company-wide policies on human rights, supplier diversity, and environmental responsibility, among a variety of other programs (<http://www.stonyfield-farms.com>). In contrast, Bombay Company, a furniture retailer, adopts a more promotional approach to CSR. Once a year, the company designs a teddy bear that is sold annually at its retail stores, and donates 10% of the proceeds from the sale of the bear to St. Jude Children's Research Hospital (<http://www.bombaycompany.com>). For companies and their managers, a dilemma arises as they are faced with choosing the most appropriate type of CSR programs to meet differing business goals: in the short-term, generating increased product purchase, and in the long-term, generating more indirect results such as positive consumer attitude toward the company, improved brand perceptions, and increased customer loyalty.

This paper seeks to provide a guide for managers facing this "how to" challenge of organizing their company's CSR agenda. It is proposed that CSR program configurations lie on a continuum with an extreme CSR position at each endpoint and varying levels of CSR commitment and strategy in between. These responses are investigated from the perspective of the consumer stakeholder group by examining the two proposed endpoints of this continuum: Institutionalized and Promotional CSR programs. *Institutionalized* CSR programs are defined as providing a comprehensive approach to CSR, attempting to fulfill a company's social obligations across all the stakeholder groups, and touching all aspects of the company. Institutional firms embrace CSR throughout the organization, and generate policies and programs for all stakeholders that support their social position. It is argued that Institutional CSR programs are most effective at increasing customer loyalty, improving attitude toward the company, and minimizing the level of consumer skepticism about

the company's motivation for developing a CSR program, rather than increasing immediate product sales. At the other end of the spectrum, *Promotional* programs lack this broader stakeholder approach to corporate social responsibility, and instead are defined as focusing on using CSR initiatives primarily as a tool to drive product sales (through such programs as cause-related marketing, for example). Unlike Institutional programs that are designed to build more long-term customer relationships, Promotional programs are designed to generate short-term effects such as increased immediate purchase intent. The following sections will present a brief literature review, research propositions, and results from an exploratory study that provides support for the classification of CSR into these two different categories.

Literature review

CSR defined

In a seminal article, Carroll (1979, p. 500) presented corporate social responsibility as a construct that "...encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time." In his definition, Carroll argued that these responsibilities are not only performed for the firm's sake but also for the sake of society at large. This means that organizations by their very existence can be viewed as entering into a social contract that obligates the corporation to take the interests of society into consideration when making decisions (Andreasen and Drumwright, 2001).

The construct CSR has four intimately related facets – economic, legal, ethical and philanthropic – with organizations striving to achieve all four at all times. Based on these components, a socially responsible firm "should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1991, p. 43). Conceptualization of CSR (see Carroll, 1999 for a review) ranges from a wide view of CSR "as actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001, p. 117) to one that is narrowly focused on maximizing shareholder wealth (Goodpaster,

1991). These conceptual variations reflect different degrees of responsibility ascribed to a firm beyond its role as an economic institution (Hemphill, 1997). In this paper, the wider societal perspective is adopted, defining CSR as the company's "status and activities" regarding its responsiveness to its perceived societal obligations (Brown and Dacin, 1997, p. 68) as they apply to all company stakeholders. Under this definition, a company is obligated to take action to "protect and improve both the welfare of the society as a whole and the interest of organizations" (Davis and Blomstrom, 1975, p. 6).

Stakeholder theory and CSR

A compelling argument behind why firms are motivated to invest in CSR programs comes from the domain of stakeholder theory (Argandoña, 1998; Freeman, 1984; Harvey and Schaefer, 2001; Post, 2003). Stakeholder theory suggests that organizational survival and success is contingent on satisfying both its economic (e.g. profit maximization) and non-economic (e.g. corporate social performance) objectives by meeting the needs of the company's various stakeholders. Early research in the area of stakeholder management defines a stakeholder in an organization as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Primary stakeholder groups consist of shareholders and investors, employees, customers, suppliers, public entities such as governments or other public organizations that set laws and govern economic commerce (Clarkson, 1995), and trade associations and environmental groups (Donaldson and Preston, 1995).

The degree to which management considers each stakeholder group is classified in the literature in three different ways. The normative viewpoint suggests that firms attend to the interests of all stakeholder groups equally, not just customers or stockholders (Clarkson, 1995; Donaldson and Preston, 1995; Jones and Wicks, 1999). This suggests that when designing a CSR program, normative companies should create a comprehensive, multi-dimensional CSR program designed to appeal equally to all stakeholders of the company. The instrumental viewpoint argues that since economic

success is a key objective for companies, a firm should place its strongest focus on improving economic performance (Donaldson and Preston, 1995). Instrumental companies would therefore tend to emphasize the elements of CSR programs that would directly improve economic performance, sometimes even at the expense of other stakeholder interests. Examples of this strategy might include using cause-related marketing to generate additional sales from customers, or encouraging suppliers to minimize packing materials (so as to reduce disposal costs for the firm). The descriptive viewpoint suggests that the organization's shareholders, their values and relative influence, and the nature of the situation all predict organizational behavior (Brenner and Cochran, 1991; c.f. Jones and Wicks, 1999, p. 208). Descriptive firms' CSR efforts might therefore include making donations to causes meaningful to the firm's major investors.

Stakeholder theory and CSR activity have been linked (Ullmann, 1985) by demonstrating that the interrelationship between social disclosure and social and economic performance is made up of three dimensions: stakeholder power, the firm's strategic posture, and the company's past and present economic performance. This link reflects the general stakeholder literature, which argues that firms make decisions based on the intrinsic justice of stakeholder claim on the firm (Jones, 1994, p. 100), the moral legitimacy of the stakeholder's claim, their power in influencing the firm, the urgency of the stakeholder's issue (Mitchell et al., 1997), and the organization's life cycle, since different stakeholders will be more relevant at different times (Jawahar and McLaughlin, 2001).

Each of the above dimensions in the framework helps in predicting the level of corporate social responsibility activity adopted by the firm. The first dimension of stakeholder power states that the more critical stakeholder resources are to the viability of the firm, the greater the likelihood that the stakeholder demands will be addressed. Thus, if a particular stakeholder group has significant power and influence over firm management, managers may be forced to align their CSR program with the CSR values of that stakeholder group, leading to an overemphasis of one stakeholder group over another. The second dimension, strategic posture, points to the nature of company response – active or

passive – toward social issues. Therefore, a company with an active strategic social posture will be more involved in CSR activities than one with a passive posture. The third dimension, the company's past and current economic performance, directly impacts the firm's ability to implement a CSR program. A firm with better economic performance is therefore more likely to develop and institute a CSR program than one that has a lower level of economic performance.

In summary, stakeholder theory suggests that firms are motivated to broaden their objectives to include other goals in addition to profit maximization. Based on this theory, many companies embrace a Corporate Social Responsibility program as a way to promote socially responsible actions and policies, and effectively respond to stakeholder demands (Maignan and Farrell, 2004). Motivation for satisfying stakeholder demands stems from the fact that addressing stakeholder needs can be correlated with a firm's survival, economic well-being, competitive advantage, and the development of trust and loyalty among its targeted customers (Mitchell et al., 1997).

While ample evidence exists supporting the idea that companies that invest in CSR will achieve positive benefits across all stakeholder groups, this paper proposes that companies can maximize *consumer* stakeholder response from CSR programs in the marketplace by carefully identifying which categories of CSR either affect or are noticed by consumers the most. By understanding these connections, managers can adopt a specific category of CSR program contingent on the desired response from the consumer stakeholder group.

Definitions and research propositions

Institutionalized versus promotional CSR programs

Varying structures of CSR programs can be found today in the marketplace. In the case of British Petroleum (BP), a global energy supplier, the company has organized itself largely around the concept of being a strong corporate citizen worldwide, and provides an excellent example of a firm that has institutionalized its commitment to corporate social responsibility. This commitment is employed liberally throughout company policies, and reflects the

company's commitment to demonstrating social responsibility across all stakeholder groups. For example, BP conducts research on renewable energy, has a stated long-term goal of reduced emissions for their products, and links up with governments, local businesses and organizations and non-governmental organizations to protect worker rights and ensure lawful use of resources. BP also supports local arts and culture, has built a diverse employee base, remains committed to the health and safety of employees, generates human rights safeguards, maintains a stated policy on business ethics, and utilizes two independent external auditing firms to monitor their environmental and social reporting (<http://www.bp.com>). In summary, BP pursues CSR because "We believe that long-term, sustainable success is linked to being a responsible business: setting the highest standards in our financial, environmental and social performance and earning the trust of our stakeholders."

In a contrasting example, the furniture retailer Bombay Company adopts what this paper terms a Promotional approach to CSR. Once a year, the company designs a teddy bear that is sold annually at its retail stores, and donates 10% of the proceeds from the sale of the bear to St. Jude Children's Research Hospital (<http://www.bombaycompany.com>). This promotion is targeted to its consumer stakeholder group (although some spillover effect may occur for other groups such as employees who may regard this promotion as a positive for their company), and provides a marked contrast to BP's CSR strategy that attempts to have a CSR effort for all stakeholders.

In order to operationalize these two differing concepts playing out in the marketplace using existing theory and practice, the KLD SOCRATES Database of Corporate Social Responsibility (<http://www.kld.com>) was used. KLD SOCRATES contains CSR profiles on 3,000 US corporations, and is widely regarded as the most comprehensive corporate social responsibility database on the market today. In order to evaluate a company's CSR standing (whether they are more or less socially responsible), SOCRATES uses seven major categories (called "screens") for evaluation. These seven categories are community involvement, corporate governance, employee diversity, overall employee relations, environmental policies, human rights positions, and

product evaluation. The SOCRATES CSR screens are adopted as the basis for measuring the degree to which companies take an Institutional or a more Promotional approach to their CSR programs. It is argued that a company with a fully Institutionalized CSR program would have policies within each of the seven major evaluation categories, thus addressing the social demands of all stakeholders. In contrast, companies that offer Promotional CSR programs would address significantly fewer of the CSR categories, choosing instead to focus on the more short-term cause sponsorship programs such as cause-related marketing initiatives. In this way, it is envisioned that CSR options for companies operate on a continuum, with Institutionalized CSR companies at one end of the spectrum with organizational level policies to meet the needs of all stakeholders, and Promotional CSR programs at the other end, using short-term methods to generate sales among the consumer stakeholder group.

Consumer responses to CSR

While the various elements of a CSR program are targeted at different stakeholder groups, this paper focuses specifically on the reactions of the consumer group. Clearly, CSR programs are designed to accomplish a variety of responses within the consumer stakeholder group, ranging from improving attitudes via corporate (Simon, 1995) and brand image (Fombrun, 1996), and enhancing product evaluation (Brown and Dacin, 1997), to increasing the customer's willingness to purchase the company's products (Brown and Dacin, 1997; Sen and Bhattacharya, 2001). It is recognized, too, that while specific elements of a company's CSR program may be targeted primarily at non-consumer stakeholders such as investors or employees, consumers make evaluations of CSR programs more holistically. For example, while employee diversity may not directly affect the consumer of the company's product, the presence of this policy is likely to be regarded as a positive in the consumer stakeholders' eyes. Similarly, while a corporate environmental policy may only indirectly affect the consumer in the form of marginally cleaner air or water, its presence as a company policy would be perceived by consumers as a positive, enhancing their own view of the company's image.

While consumer variables have been tested independently in the past as outcomes to CSR, this exploratory study tests whether four common CSR results differ for consumers after the consumer is exposed to the two different types of CSR programs: customer loyalty, purchase intent, skepticism toward the company's motivation for generating a CSR program, and attitude toward the company. Significant differences in these four responses will provide support for the differentiation between Institutional and Promotional CSR.

Customer loyalty

Research shows that CSR initiatives in various forms become active channels for building customer loyalty. For example, supporting a cause (Miller, 2002), community involvement (S, 1997), supporting women's rights, and philanthropy (Kroll, 1996) all have been shown to assist in generating loyal customers. Customer loyalty has a variety of definitions and motivations in literature and practice. A managerial view of loyalty stems from the benefit that the customer response has to offer to the firm. Businesses are motivated to generate customer loyalty primarily for economic reasons: an increase in customer retention has been shown to produce substantial increases in net present value of profits (Reichheld and Sasser, 1990; Reichheld, 1996). In addition, customer loyalty is instrumental in generating sustainable competitive advantage (Kotler, 1984), and can lead to cost savings, referrals, unaided brand awareness, greater awareness of brand assets, and a reluctance to defect (or a tendency to complain rather than defect) (Duffy, 2003).

Theorists, on the other hand, have focused their attention on a broader conception of the loyalty construct. Definitions for customer loyalty in literature can be grouped into two categories: process and psychological (Oliver, 1999). Process (Oliver, 1999) or operational (Dick and Basu, 1994) definitions focus on what consumers do to become loyal (Oliver, 1999), and is generally measured in terms of repeat purchasing frequency or relative volume of same-brand purchasing (see Jacoby and Chestnut, 1978 for review; Tellis, 1988). Psychological (Oliver, 1999) or theoretical (Dick and Basu, 1994) definitions focus more on the deep rooted commitment or internal

disposition on the part of the consumer to seek out the same brand in repeat purchase situations (Day, 1969). This perspective combines both the attitudinal and behavioral measures of loyalty (Jacoby and Chestnut, 1978; Jacoby and Kyner, 1973) and is a more holistic representation of the loyalty concept. This study conceptualizes loyalty in terms of the attitude toward the company and its resultant patronage behavior, defining loyalty as:

“a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999, p. 34).

It is argued that those firms that invest in creating and implementing an Institutionalized CSR program across more of the seven major CSR categories (through such policies as employee diversity, support of human rights issues, charitable giving, community involvement, etc.) will be rewarded with higher levels of customer loyalty. While some of these initiatives may be directed at other stakeholders rather than directly at the consumer him- or herself, knowledge and awareness of the company’s commitment toward all stakeholder groups will allow the consumer to develop a more favorable evaluation of the company through a spillover effect (Drumwright, 1996). In contrast, Promotional CSR programs are primarily designed to capture attention at point of purchase and generate product trial, focusing more on driving sales through positive purchase intention rather than on building relationships with its stakeholders (cf. Miller, 2002). This leads to the following research propositions:

Research Proposition 1: Institutional CSR programs will have a greater effect on customer loyalty than Promotional CSR programs.

Research Proposition 2: Promotional CSR programs will have a greater effect on purchase intent than Institutional CSR programs.

Skepticism

The consumer’s level of skepticism toward the company’s motivation for developing the CSR program is a third consumer response examined to

determine whether there are differences between consumer perceptions of Institutional and Promotional CSR programs. Skepticism has been defined as a tendency toward disbelief (Obermiller and Spangenberg, 2001), or the overall tendency to question (Boush et al., 1993; Kantner and Mirvis, 1989). In the case of CSR programs, consumers are often likely to express skepticism about a company’s motivation for generating such a program, particularly when the company publicizes their efforts (Webb and Mohr, 1998). Research in the area of cause-related marketing, a typical example of a Promotional type of CSR program, demonstrates that consumers can be skeptical of the reasons that companies enter into cause-associated alliances (Andreasen, 1986; Ross et al., 1990–1991; Varadarajan and Menon, 1988). Specifically, consumers must make a judgment about whether cause-related marketing programs are cause-beneficial or cause-exploitative (Andreasen, 1986; Ross et al., 1990–1991; Varadarajan and Menon, 1988): is the goal to increase sales revenue and market share, or to genuinely support of the social cause at hand and the overall welfare of society?

Results from a study by Ellen, Mohr and Webb (2003) show that consumers do differentiate between the different reasons for participating in cause-oriented marketing programs, and that these motivations can result in differing consumer actions. It can be argued that as firms show increasing commitment to CSR by including more and more categories of CSR programs (i.e. as they go beyond promotional programs like CRM to include policies across more of the seven KLD database categories), consumers become less skeptical of the firm’s motivations for participating in a CSR program. This could be a result of the increasing demands of employee time and corporate budget needed to support more expansive CSR programs leading to a more significant perception of corporate altruism rather than exploitation as companies “put their money where their mouth is.” Therefore, it is proposed that:

Research Proposition 3: Consumer skepticism about the company’s motivation for participating in a CSR program will be higher for Promotional CSR programs than for Institutional CSR programs.

Attitude toward the company

A fourth and final consumer response that is proposed to differentiate between Institutional and Promotional CSR is consumer attitude toward the company. Attitudes have been defined as the summary evaluations of objects, issues or people based on behavioral, cognitive and affective information or experiences (Petty et al., 1991; 1997). Pursuing CSR initiatives has been shown to lead to favorable customer attitudes toward the sponsoring firm (Brown and Dacin, 1997; Ross et al., 1990–1991; 1992), to attract and retain high quality employees (Fombrun and Shanley, 1990; Turban and Greening, 1997), to generate a positive corporate image (Smith and Stodghill, 1994), and to enhance product evaluation via an overall evaluation of the firm (Brown and Dacin, 1997). CSR activities have also been shown to increase the customer's willingness to purchase the company's products (Brown and Dacin, 1997; Sen and Bhattacharya, 2001), demonstrating that consumers appear to provide greater support for companies that are socially and environmentally responsible (Creyer and Ross, 1997; Ellen et al., 2000; Sen and Bhattacharya, 2001), and have negative reactions to companies that are not (Barrett, 1996). It is therefore argued that Institutional CSR, with its cross-sectional appeal across a variety of CSR categories, will contribute to a significantly more favorable attitude towards the sponsoring company than a Promotional perspective, where the focus is short-term and narrow in view. It is proposed that:

Research Proposition 4: Consumer attitude toward the company will be more positive for companies with Institutional CSR programs than for companies with Promotional CSR programs.

Results and discussion

In order to test the above research propositions, an exploratory on-line survey was administered to 179 subjects. Subjects had a mean age of 29, and an average of 15.35 years of primary and secondary education. A total of 87 (48.6%) were males, and 92 (51.4%) were females. Subjects were volunteers

randomly recruited for participation from three universities and from the general public. No incentives were provided to the subjects for participating.

An on-line survey was used for data collection for a variety of reasons. On-line surveys are seen as an effective way of reaching a large percentage of the population: approximately 70% of US adults have access to the internet at home or at work, and among people aged 18–54, home internet penetration is close to 80% (<http://www.decisionanalyst.com/online.asp>, 2005). Additionally, e-mail or internet surveys tend to provide more detailed and comprehensive information than traditional mail surveys, particularly for open-ended questions (Schaefer and Dillman, 1998), provide speedier responses (Ilieva et al., 2002; McDonald and Adam, 2003), are less costly to administer (Ilieva et al., 2002; McDonald and Adam, 2003), and lead to more accurate coding of responses (Lockett and Blackman, 2004). However, internet panels also may be limited by poor response rates (Kent and Lee, 1999; McDonald and Adam, 2003) and unrepresentative samples (Kent and Lee, 1999), with samples consisting of younger audiences who come from upper- to middle-class populations (Frost et al., 1999; McDonald and Adam, 2003), and who may be more technologically sophisticated than the population at large (Weible and Wallace, 1998). Therefore, interpretation of the results of this exploratory study must be done in consideration of the possible biases intrinsic in this type of data collection.

Each subject read two scenarios (Promotional and Institutional CSR programs) and then answered both open-ended and closed-ended questions assessing their opinion of the scenarios. Existing scales were used to measure the dependent variables including loyalty and repurchase intentions (Bettencourt, 1997; Hellier et al., 2003; Hem and Iversen, 2003; McAlexander et al., 2003; Youjae and Suna, 2004), skepticism toward the company's motivation (Ellen et al., 2003), and attitude toward the company (Moore et al., 1995). Purchase intent was measured by asking consumers their likelihood of purchasing the company's products. All variables were measured using the one to seven Likert scale; the anchor points of the scales are noted below with the reported means for each variable.

Customer responses

Results from the primary testing questions showed a significant difference in the level of customer loyalty toward the Institutional CSR firm ($M = 4.626$, 1 = not very loyal, 7 = very loyal) versus the Promotional CSR firm ($M = 3.747$, $t = 5.642$, $df = 356$, p -value = 0.000), with customers feeling more loyal toward the Institutional firm. These results support Research Proposition 1. While there was a significant difference between the effects of Institutional ($M = 5.518$, 1 = low intent to purchase, 7 = high intent to purchase) and Promotional ($M = 4.812$) CSR programs on Purchase Intent, Research Proposition 2 was not supported. A positive t -test result showed that Institutional CSR programs in fact had a greater impact on purchase intent than Promotional CSR programs ($t = 5.761$, $df = 356$, p -value = 0.000).

Analysis of the results for Research Proposition 3 examining the effect of Institutional versus Promotional CSR programs on skepticism toward the company's motivation for participating in a CSR program showed positive results. Consumers were more skeptical of the company's motivations under the Promotional CSR condition ($M = 3.737$, 1 = very skeptical, 7 = not very skeptical) than under the Institutional CSR program ($M = 4.499$, t -test = 8.521, $df = 356$, p -value = 0.000), supporting Research Proposition 3. Results for Research Proposition 4 showed that Institutional CSR programs generated more positive attitudes toward the company ($M = 6.216$, 1 = negative attitude toward the company, 7 = positive attitude toward the company) than Promotional CSR programs ($M = 5.315$, $t = 7.956$, $df = 356$, p -value = 0.000),

supporting this final Research Proposition. See Table I for a summary of these results.

Finally, respondents were asked to assign a letter grade to each of the two companies based on their CSR programs. These grades ranged from A to D, and were subsequently converted into a numerical scale (A = 4, D = 1). Results showed a significant difference between the grades received by the Institutional versus the Promotional CSR companies ($F(1,356) = 108.963$, p -value = 0.000), with Institutional CSR earning a higher grade equating to an A ($M = 3.58$), and the Promotional CSR company earning a grade equating to a C+ ($M = 2.77$, t -value = 10.439, $df = 356$, p -value = 0.000).

After grading the two companies on their CSR programs, respondents were then asked in an open-ended format why they had chosen to grade the two programs as they did. These consumer responses provided interesting insight into the reasoning consumers used when evaluating these contrasting CSR programs. Responses were categorized and coded based on the primary reason for the grade. For all open-ended questions, two coders were used, and any differences were resolved through discussion.

For the Institutional CSR company, respondents generally offered significant praise, as they perceived the company to be making a positive difference in the community (see Appendix A for the Institutional CSR company description used in the survey). Respondents also noted the diversity and comprehensiveness of the Institutional program as well as the positive moral stance taken by the company; these comments signal the effectiveness of a wide variety of CSR tactics in reaching consumers. A summary of the largest categories of responses showed that 24% of respondents believed the

TABLE I
Summary of Results

Variable	Mean Institutional CSR	Mean Promotional CSR	t -test, df	p -value	Hypothesis
Loyalty	4.626	3.747	5.642, 356	0.000	RP1: Supported
Purchase Intent	5.518	4.812	5.761, 356	0.000	RP2: Not Supported
Skepticism	4.499	3.737	8.521, 356	0.000	RP3: Supported
Attitude Toward the Company	6.216	5.315	7.956, 356	0.000	RP4: Supported
Letter Grade for Company (4.0 = A)	3.580	2.770	10.439, 356	0.000	

Institutional CSR company demonstrated a genuine interest in making a difference in the local community through their CSR policies. Respondents indicated that this company “truly cares about the things they are advocates for,” is “genuine,” and “really makes a difference to give back to the local community.” Other respondents noted that since “it is the ethical obligation of companies to do what they can to give back to the community that they serve,” the Institutional CSR company “take[s] every opportunity they have to use their product to benefit society, not just themselves.” Other typical responses included:

“I see no signs of [the Institutional CSR company] attempting to take advantage of their consumers through these CSR initiatives, instead, I am confident in believing that this company was built with the needs of its stakeholders in mind from the beginning.”

“I feel that the company truly cares about the things they are advocates for...I do not feel that they feel morally or socially obligated to operate in the ways that they do.”

“I think that many of [the Institutional CSR company’s] programs show that it is trying to improve its community – its direct and local community – by its actions in ways that are visible to and require commitment by its employees and management. This requires some effort, and is impressive to me. Even more impressive is the fact that some of [the Institutional CSR company’s] actions may be counterproductive in terms of profits.”

Another 23.5% evaluated the Institutional CSR program highly because it was diverse, comprehensive, and went beyond their expectations of what a company needed to do to be socially responsible. Respondents stated the Institutional CSR company “demonstrated a commitment to social responsibility in all aspects of their business,” making their effort seem more “genuine,” and that they went “beyond the industry norm in terms of defining their own level of social responsibility.” Other examples of comments expressing this viewpoint include:

“It appears this company goes above and beyond in its corporate responsibility and awareness. They take a proactive stance often at significant risk to the bottom line to stand for their causes.”

“[The Institutional CSR company] received an A because their program to reach out and truly help the community is efficient, and comprehensive. They take into account all forms of their business from products to employees to surrounding community.”

“They have touched on nearly every major moral obligation that I feel companies should be pursuing and I give my business to those companies who show true effort rather than companies who throw a philanthropical [sic] team together with a limited, capped budget.”

A final 14.5% of respondents stated that the Institutional CSR company demonstrated a moral responsibility and social consciousness that was admirable. The Institutional CSR company was described as “thorough with their efforts to make the world a better place,” and that management has chosen “to run this company this way out of beliefs not out of social obligation.” Several others commented that the Institutional CSR company was “doing it [pursuing CSR] out of the goodness of their own hearts, rather than to promote themselves.” These respondents noted:

“They thought about their company on several levels [in order] to embrace morally and socially responsible actions in their business.”

“I strongly believe that it is the ethical obligation of companies to do what they can to give back to the community that they serve. [The Institutional CSR company] seems to be genuinely interested in doing this because they give back in a variety of ways (that generally aren’t even expected of them by society.)”

“I feel that this company was truly concerned with the cause they are involved in and started it to support the people who are being helped by their cause...Their CSR program could potentially hurt business, esp[ecially] with customers who are spending savvy, and look for a bargain. Since their CSR program could hurt them, I feel that it is a true cause.”

The Promotional CSR program consumer responses produced significantly different results (see Appendix B for the Promotional CSR company description used in the survey). A total of 19% of respondents actually favored this CSR program over the other, but specifically cited the relevance of the cause selected (breast cancer) to them as

individuals, or as women. A total of 10% of the respondents stated that this Promotional CSR program was good, but the company could do more to support their CSR position. These respondents stated that the Promotional CSR company is “not dedicating a great deal of time or energy to actually contributing a lot of portion of their assets or resources,” and that while it was a good program, it was “not as comprehensive...[It was] One dimensional.” And, while 7% stated they thought the company was overall very socially responsible, 41% of respondents expressed skepticism about the company’s motivation for creating this Promotional CSR program. Respondents noted, that “while the company is making an effort in social responsibility...the programs seem to be geared to help them make a profit (increase sales),” and the company “doesn’t necessarily believe in their cause....It seems they are more interested in making a profit.” Other typical statements expressing skepticism include:

“The Company seems to be doing the bare minimum. Because of this I don’t feel they are doing this because they genuinely care about the cause. They risk very little of their own capital.”

“These types of things [Promotional CSR] are more like an ad campaign versus truly dedicating the company to an overall productive policy in regards to the product, community and company itself.”

“I think [the Promotional CSR company’s] program is not broad enough. They should become more involved in the community and the environment especially considering that they make a lot more products than just ice cream. It seems to me that they follow the CSR program because they feel they have to.”

The statistical and open-ended results from this exploratory study point to some interesting considerations for marketers regarding Corporate Social Responsibility programs, and the effects of these programs on consumer perceptions. Both the statistical and open-ended results suggest that consumers do in fact perceive Institutional and Promotional CSR programs differently. Respondents from this study indicated that Institutional CSR programs have a greater effect on consumer loyalty, intention to purchase, consumer skepticism of the company’s motivation for generating a CSR

program, and on attitude toward the company than do Promotional CSR programs. This suggests that the longer-term, more comprehensive approach to CSR, with its target of a variety of the company’s stakeholders, affects consumers more powerfully, and supports Drumwright’s (1996) assertion that the positive effects of particular elements of CSR, while targeted at one stakeholder group, can spill over and influence other stakeholder groups.

For managers, these preliminary findings suggest that taking a strategic position beyond generating profits can not only help to make important connections with consumers, but can also fulfill the firm’s moral and social obligations, particularly for marketing oriented companies (firms that focus primarily on customer’s needs, elevating the customer above other stakeholders in importance (Ferrell, 2004)). According to Kotler and Levy (1969), while marketing in general is widely perceived as the process of selling, influencing and persuading the end user to purchase a product, it also should serve and satisfy the human needs of its customers and all of its other internal and external publics (see also Kotler, 1972). Institutional CSR programs can therefore help to support the altruistic needs of its internal and external customers, and fulfill the mission of “[tying the company’s] economic activity to a higher social purpose” (Kotler and Levy, 1969, p. 15).

Cragg (2002) extends the concept of marketing going beyond solely economic motivations by arguing that firms actually have an obligation to take a more comprehensive approach to the ethical and moral interactions with all stakeholders. According to Cragg, firms exist because the communities in which they operate set up the necessary legal structures to protect the firm. Therefore, the firm has a “social contract” that obligates it and its managers to treat all stakeholders ethically and fairly in return for establishing and maintaining this legal structure. Institutional CSR programs, with their comprehensive approach to social responsibility, can therefore help firms meet their obligations to all stakeholders, and fulfill the social contract with all of the company’s publics.

This position is also in keeping with the concept that there is now a marketplace trend toward a more comprehensive approach to the ethical and moral issues facing firms today. Rodgers and Gago (2004) present the “ethics of care” philosophy, and state that

this is an increasingly popular element of strategic management decisions. In contrast to earlier strategies where companies function under “psychological egoism” and exist only to maximize shareholder wealth, or under the relativist position where companies do only as much as their competitors, the ethics of care strategy seeks to build solidarity among all stakeholders in the organization. An institutional CSR program, therefore, with its comprehensive approach addressing moral and ethical issues affecting all stakeholders, supports this trend in the marketplace. Based on the open-ended responses from this exploratory study, this strategy is effective in reaching the consumer stakeholder group and generating loyalty, purchase intent and positive attitude toward the firm, while minimizing skepticism.

Another possible explanation for the strong support shown for the institutional approach to CSR could come from Social Identity Theory, which states that individuals derive their self-image from the social categories to which they perceive themselves as belonging (Hogg and Abrams, 1988; Tajfel, 1978, p. 16; Tajfel and Turner, 1985). These social categories or groups are formed based on the prototypical characteristics of their members (Ashforth and Mael, 1989; Turner, 1985); individuals join a group is based on the emotional and value significance of the group to themselves (Tajfel, 1972; Turner, 1975). When it comes to purchasing products, consumers have been shown to be more likely to “join” a company (through purchase, for example), when the company’s identity overlaps with their own (Ashforth and Mael, 1989) and are more willing to reject those whose identities and ideals are in conflict with their own. The “values” and “morals” of companies adopting a comprehensive, Institutionalized CSR program may therefore seem more attractive to consumers than companies who adopt a more limited Promotional CSR approach, leading to increased purchase and increased identification with the overall social position of the company. Managers must consider, however, that while many consumers will be attracted to a comprehensive CSR program, others may be turned off by it, particularly if the moral or social position is in direct contrast with the consumer’s own. Careful market research is needed to ensure that there is a match between the elements of the company’s CSR

program and the general beliefs and positions of its key customer groups.

Financial and performance factors can also drive firms toward more comprehensive, Institutional CSR programs. Specifically, the social and ethical position taken by a company through their CSR program can help to differentiate one firm from other firms in the marketplace, and as demonstrated through these findings, lead to increased purchase of the firm’s products. Based on the preliminary results found in this study, not only do consumers seem to notice the comprehensiveness of the CSR program presented by companies, and reward those companies that make an effort to holistically support their social positions, but responses to the open-ended questions demonstrate that many consumers are judging the companies relative to each other. This indicates that companies must be increasingly conscious of competitors “raising the CSR bar” within a product category in order to minimize a negative comparison, and may benefit financially from establishing a more comprehensive CSR program, particularly when competing in a market where other firms use more promotional CSR tactics.

It is important to say that while the results for Institutional CSR programs were overwhelmingly positive, Promotional CSR programs are not without merit. While they produced weaker consumer responses than Institutional CSR programs, Promotional CSR responses were still positive (loyalty $M = 3.747$, purchase intent $M = 4.812$, and attitude toward the company $M = 5.315$, where 7 = positive and 1 = negative). This indicates that consumers do place value on even the most basic forms of CSR, and that companies can benefit from these programs.

However, the most noticeable difference in Promotional CSR program results came from the level of consumer skepticism expressed about the company’s motivation for developing a CSR program. Respondents were significantly more suspicious of the company’s motivations under the Promotional CSR scenario, with the numerical differences further supported through the open-ended responses. Recognizing that consumers are skeptical about why companies develop CSR programs, and understanding which type of CSR program generates the most skepticism among consumers will assist managers in combating this effect among target customers. Recognizing that consumer CSR skepticism

exists will also help managers develop effective Promotional campaigns to support their CSR programs that do not conflict with consumer perceptions about “proper” company actions.

Limitations and future research directions

The preliminary categorization of CSR based on variance in customer response offered in this paper presents several opportunities for future research. One key contribution of the paper is the suggestion that Institutional CSR programs are directed at creating and maintaining customer loyalty. As indicated by Dick and Basu (1994), loyalty construction follows an attitude-based framework with a set of cognitive, affective and conative antecedents. Extending this framework, Oliver (1997, p. 35) argues, “...consumers can become ‘loyal’ at each attitudinal phase relating to different elements of the attitude development structure.” Future research should explore whether Institutional or Promotional CSR programs are more effective in generating one of these specific types of loyalty.

Additionally, there is an ongoing consensus in marketing literature regarding the close relationship between customer satisfaction and loyalty. However, as argued by Oliver (1999), although loyal customers tend to be satisfied, satisfaction does not always lead to loyalty. Instead, the best way to conceptualize this relationship is to view satisfaction as a factor that, along with other significant factors such as personal determination and social support, transforms over time into loyalty. In the absence of these other factors, though, satisfaction can continue to exist in a dormant state without transforming into loyalty. Further justification for the proposed CSR categorization can be generated by investigating the relationship between satisfaction and loyalty within the domain of corporate social responsibility. Future research could also explore the mediating role of satisfaction and the contribution of factors such as personal determination and social support (Oliver, 1999) in the relationship between CSR and customer loyalty.

Finally, although this paper focuses on generating support for the two different CSR categories by focusing on the responses within the consumer stakeholder group, future research should investigate

the impact of Promotional and Institutional CSR programs across all other salient stakeholder groups. Research by Drumwright (1996) shows that social forms of advertising primarily targeted toward the consumers are also noticed by the employees of the firm, influencing employee morale, motivation and performance. Future research should investigate the perceptions of other stakeholder groups like investors, suppliers and employees towards the firm’s Promotional and Institutional CSR programs, and could examine the relationship between the different stakeholder responses. Such research would hold tremendous managerial relevance by producing substantial justification for investment in building a company’s CSR portfolio.

Despite the contributions of this paper, there are several limitations to this study. First, this was an exploratory study, designed to provide preliminary assessment of the validity of two-tiered classification of CSR. The number of subjects was limited, and the preliminary research propositions relatively simple. Second, this study was a within subjects design rather than a between subjects design. Exposing subjects to both CSR scenarios may have caused subjects to compare the manipulations to one another, and this may have created a contrast bias. This limitation offers a possible explanation for the lack of support for Research Proposition 2. It is possible that although Promotional CSR may in fact stimulate a higher purchase intention at point of purchase than an Institutionalized program, in this study the within subjects design allowed respondents to compare these two programs to one another. This may have caused respondents to rate Institutional CSR programs higher on purchase intent simply because the company description offered a much more extensive CSR picture than the Promotional CSR company description. Future projects will use a between subjects design in order to eliminate this bias. Finally, the difference in scenario detail, nature of causes supported in the two scenarios with the promotional CSR program focusing entirely on women’s health issue and the use of convenience sample might be have contributed to some study bias.

In summary, this paper contributes to the domain of corporate social responsibility in a variety of ways. First, it provides empirical evidence to justify the proposed view of CSR as consisting of two distinct categories anchoring a continuum: Institutional and

Promotional. Additionally, the strong support shown for the Institutional category reasserts the belief that CSR initiatives designed to and effective in addressing not only the targeted stakeholder group such as employees, investors, and suppliers, but also how the effects of these programs spill over to affect other stakeholder constituencies (like consumers). Consumers do not always have their “consumer hat” on – they are also employees, investors, advocates and community members. Therefore, it is important to recognize that CSR programs have multiple audiences both within and outside of the firm, and companies seeking to maximize the benefits of their CSR initiatives need to increasingly communicate their efforts across all stakeholder groups. Finally, this research demonstrates that consumers can be skeptical about the company’s motivation for developing a CSR program. The more “institutionalized” the program, the more the consumer seems to trust in the altruistic rather than the profit oriented motivations of the firm. CSR is a growing strategic tool gaining increased respect in the marketplace as an effective marketing method. Exploring the nuances of these types of programs will assist managers and researchers alike in identifying and maximizing its effectiveness.

APPENDIX A

Institutional CSR company description

Company R started in 1983 as a project of the Rural Education Center (a nonprofit agency) to help revitalize the struggling New England dairy industry and save the fast disappearing family farms.

Over the 20 years, this company has defined itself around its socially responsible agenda in the following way:

- By using all natural organic ingredients (produced without the use of antibiotics, pesticides and fertilizers), no preservatives or artificial flavors or sweeteners.
- Buying milk only from local family farmers rather than national dairy suppliers, and requires these farmers to use no antibiotics, growth hormones, pesticides or fertilizers.
- Giving 10% of their profits to environmental causes, and has recycled all possible waste from manufacturing, including water and heat, and has decreased plant emissions by over 50%.
- Reducing waste by:
 - switching to a lighter-weight plastic cup
 - replacing the plastic lid with a foil seal
 - giving the yogurt waste (in the manufacturing process) to local pig farmers to be used as hog feed instead of disposing it in a land-fill or incinerator.
- Building a workforce that reflects the local community by hiring a multi-ethnic group of workers and seeking out people from underrepresented segments of the population when hiring.
- Reviewing their suppliers for fair labor practices, make sure suppliers offer a living wage to employees, and require basic health care services be provided.

APPENDIX B

Promotional CSR company description

Company W is part of a larger food products corporation that makes other products besides yogurt like breakfast cereal, snack foods, prepared meals, baked foods etc. The company’s CSR activities include:

- Supporting Women’s Breast Cancer Cure by running a 4 month promotion every year called “More Lids for a Better Life.” This program has been offered for the past 2 years. For every yogurt cup lid that is returned to the company by the user, a 10 cent donation is made to a national Breast Cancer Foundation.
- Providing information on women’s wellness – breast cancer, heart health, osteoporosis prevention and fitness – on its website.

Acknowledgements

The authors would like to thank MSI International, a full service marketing intelligence firm based near

Philadelphia for the generous contribution of their survey programming and internet survey panel for data collection for this study.

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