When is it necessary to include Corporate Social Responsibility (CSR) into a business’s corporate strategy?

What is CSR?

Corporate Social Responsibility embodies ‘any concept of how managers should handle public policy and social issues’ (Windsor, 2006, p. 93). According to Carroll (1979, p.500), CSR involves four key dimensions:

- **Economic responsibility**: the production of goods and services that society wants to sell and make for profit.
- **Legal responsibility**: legal requirements sanctioned by society.
- **Ethical responsibility**: the ethical standards and norms not codified into law but still expected by society.
- **Philanthropic responsibility**: voluntary contributions to society.

Within real life, businesses move from the aforementioned responsibilities towards the latter as they build upon each other. They must firstly have a solid economic base and adhere with legal requirements before moving onto non-obligatory dimensions. Examples of CSR actions undertaken by companies include: (a) behaving ethically, (b) supporting the work of non-profit organisations, (c) treating employees fairly, and (d) minimising damage to the environment (Rüskallah, 2012, p335).

Background

The importance of CSR

CSR is important for business as it influences the perspective of stakeholders. Consumers are one such stakeholder and are highly important due to the intrinsic link between an individual’s consumption behaviour and firm’s financial performance. Businesses are able to attain and maintain positive consumer perception through the incorporation of CSR within their corporate strategy.

However, not all individuals respond to CSR in the same way. Mohr et al (2001) identified four key consumer groups (see table 2.0).

Complexity of CSR within modern business practice

CSR is perceived as being contradictory the theory of the firm—the idea that organisations exist to maximise profits (Friedman, 1962). It was generally seen that if a firm behaved in a way that went against the greatest social good the invisible hand of the market would replace it (that firms will be rewarded for fulfilling society’s needs and expectations, and punished through reduced profits and investments if they fail) would punish contravening businesses and act as a deterrent to deviation for others.

This is an ideal paradigm but is not reflective of reality. As mentioned above, Mohr et al (2001) categorised consumers into four categories. The majority of respondents within this study that believed in the concept of the invisible hand failed to recognise the paradox that the invisible hand cannot work if they do not use CSR within their purchasing criteria.

Our study looks to expand on Mohr’s findings and offer a more nuanced reflection of consumer responses to CSR strategy. Whilst prior literature provides affirmation that CSR influences consumer perception, the link between consumer buying behaviour and perception remains dubious.

Research Question

Our study suggests that whether a consumer utilise CSR in their decision-making is dependent on what industry a company exists within. Consequently, different industries e.g. food, technology and clothing, are subject to different levels of CSR requirement.

We sought to determine these different levels of engagement and to also identify contributory causes to these differences.

Methoodology

The study consisted of a multi-method approach. Firstly, a scenario-based survey was undertaken. Respondents were made to choose between two products. Factors exemplar of CSR scandal was included. The questions pertained to three overarching industries—food, clothing and technology. To test concurrent validity, results were compared to the percentage-change in revenue of three major brands before and after a CSR scandal. Each company correlated with a different industry. This was to determine if our survey was reflective of a wider phenomenon.

Survey Results see table 2

Revenue change results see table 4.0

Findings

- There is an industry based disparity in the application of the invisible hand on unethical behaviour.
- In industries with a multitude of competitors producing the same (or similar products) consumers are more likely to engage in SRCB (socially responsible consumer buying) e.g. the food industry.
- Therefore, companies are obligated to undertake CSR strategy to maintain profitability.
- In industries with fewer or no substitutes consumer self-interest will prevail e.g. clothing or technology. Consumers will continue to purchase a good irrespective of CSR contravention.
- Therefore, CSR is not important for companies operating in similar industries.
- For all industries, consumers were more likely to consider CSR in their decision-making when the choice was made towards an unknown brand.
- However, when brand attachment existed respondents reduced their consideration of CSR.
- Company revenue change supported the sentiments exemplified in the survey.

Implications for business

If a company is seeking to overlook its CSR obligations it is important for consumer attachment to be established. This must go beyond a brand attachment, and be almost necessity. A mechanism of achieving this is to produce a product that is novel and unable to be replicated.

References