

Corporate Social Responsibility Efforts and Its Impact on Corporate Reputation from the Perspective of Customers

-An Investigation of Major Multinational Retailers in China

Ying-ying LOU

Ningbo Institute of Finance and Economics

Ningbo, Zhejiang, China

lyynb321@sina.com

Abstract—At present, corporations are increasing their participation in Corporate Social Responsibility (CSR) to help establish and maintain their good reputation. Although CSR efforts are aimed at the general public, they are particularly focused on consumers. It is hoped that such actions will lead to a higher degree of positive reception from the general public and customers. However, the overall success depends on customers' perception of CSR as well as the corporations' capability of informing or communicating with customers about their CSR efforts. According to that, this paper will examine the impact of CSR on corporate reputation from the perspective of customers. It raises a series of questions about whether or not, and how, CSR efforts of major multinational retailers in China have an impact on corporate reputations. Combinations of qualitative and quantitative methods are used in the study. The findings reveal that customers' perception of responsibility towards customer, environment, employee and public welfare has a significant positive influence on the affective responses and cognitive responses of corporations.

Keywords—Corporate Social Responsibility; Corporate reputation; Customers' perspective

I. INTRODUCTION

In a competitive market environment, corporations relationship both with the state and the society have been taken more seriously because corporations are expected to make more contributions to the public good. In this context, Corporate Social Responsibility (CSR) has come into the spotlight and gained increasing attention from governments, non-governmental organizations, customers and corporations. Since the increasing of corporations in their modern forms in the early twentieth century, there has been a growing of public concern about these corporations' influences on society [6]. More recently, greater attention is being paid to the role of multinational corporations in developing countries, especially in China since China has become a popular choice for foreign investment.

However, according to the 2011 Multinational Corporation CSR Report released by China's Ministry of Commerce, multinational retailers such as Carrefour and Wal-Mart have been confirmed as involving in price fixing scandals;

Ningbo philosophy and social projects in 2018: Study on the driving factors and realization path of social responsibility of small and medium-sized enterprises in Ningbo under the new normal (G18-ZXLL54).

ConocoPhillips caused environmental damage in East China Sea; cosmetics giant Avon caught up in bribery scandal and other forms of corporate misconduct and these issues have damaged their reputation. The reporting of these issues and society's reaction highlights the interest people have in the affairs of companies and the need for companies to build and maintain a positive reputation. A major benefit and drive to accomplish the above is through their efforts on CSR. However, the overall success depends on customers' perception of CSR as well as the corporations' capability of informing or communicating to customers their CSR efforts.

II. LITERATURE REVIEW

A. The Definition of CSR

The concept of CSR was first introduced by British academic Oliver Sheldon in 1923; he believed that if the behavior of corporation has any influence on other entities including society and environment, corporations should undertake corresponding responsibilities for their actions [5].

More recently, the definition of CSR has been further extended. Boatright describes CSR as "the voluntary assumption by companies of responsibilities beyond purely economic and legal responsibilities"; it includes areas of social science, economy and moral responsibilities of firms, likewise the management of the corporate responsibility activities of the businesses [1]. Another larger, societal view of CSR proposed by Mallenbaker was that CSR is about how corporations run the business process to create an overall positive influence on the general public [10].

B. Past Practice in Studying Relationship between CSR and Corporate Reputation

Fombrun pointed out six criteria which seem to control the construction of reputation: community participation, employee welfare, product quality, environmental effect, organizational issues and financial performance [6]. In these six criteria, most of them stand for some CSR activities. From a different focus, Lewis listed seven criteria based on responsibility: employee treatment, financial performance, management ability, environmental performance, social responsibility, and product quality and customer service [8]. Moreover, Schultz, Mouritsen and Gabrielsen proposed some other criteria of reputation which are human resource, globalization, environmental responsibility, price, fiscal strength and significance to society [13]. Consequently, all these criteria have an effect on the reputation of company.

Peterson stated that certain activities of some companies especially in the oil and pharmaceuticals industry have had a negative influence on corporate reputation of these companies which could possibly be a result of unsuitable actions towards the environment or customer [11]. In the meantime, scholars have discovered positive connections between CSR and corporate reputation; they claimed that a company's appropriate behavior towards society can bring about positive reputation [2]. This result was also supported by Rettab, Brik and Mellahi, their research of the UAE (United Arab Emirates) marketplace showed the same thing [12]. Moreover, Bendixen and Abratt research into a big American multinational corporation's reputation in supplier-buyer relations, demonstrated that the buyers' ethical perception about suppliers consists of the foundation of corporate reputation. Furthermore, Fombrun and Shanely were in favor of the idea about CSR is one of the ways that companies can use to acquire a positive reputation [6]. At present, more than 85% of the Fortune 500 firms have a specialized page for CSR on official websites and no less than 92% of these firms already have CSR initiatives in the right place [9]. It is obvious from the evidence presented that there is a common belief among

people – that performing CSR initiatives do lead to better reputation.

Most of the investigations above were conducted in western nations and the United States. This situation shows that there is limited research to study the connection between CSR and corporate reputation in developing nations. Moreover, even lesser study has investigated their relationship in China. Hence, this dissertation tries to make certain contribution in this area and hopes to encourage more studies on CSR and corporate reputation connections going beyond western nations in the future, particularly in China as a rising power in the world stage. One of the most significant advantages of CSR is to influence the corporate reputation [3]. Improved the relationships with external stakeholders, for example consumer, investor, banker, supplier and competitor, is obviously associated to holding a good social responsibility reputation. Moreover, it is also important to maintain a positive relation with internal stakeholders such as employee. For instance, Branco and Rodrigues pointed out that firms can attract better workforce or enhance the enthusiasm and spirit of employees as well as their commitments and faith to the firm, which may result in the improvement of business performance [3]. They also stated that efforts on CSR are a significant mechanism to improve corporate reputation as it represents a sign of enhanced societal and environmental performance [3]. As a result, it will bring good reputation to the company because of the efforts on CSR.

III. RESEARCH DESIGN

A. Establishment of CSR Evaluation Indexes

This paper established a general evaluation indexes system of CSR from the stakeholders' perspective, and then carried out interviews to determine CSR evaluation indexes from consumers' perspective.

Based on the literature, the general evaluation indexes including the seven dimensions is presented as below (table 1):

Table 1: General Evaluation Indexes of CSR

Dimension	Detail
Customer	➤ Provides customers with safe and reliable products and services
	➤ No price fraud
	➤ Provides customers with perfect after-sale service
	➤ Improve the quality and safety of product and service
Employee	➤ Provides healthy and safe working environment for employees
	➤ Pays attention to staff training and provides opportunities for advancement
	➤ Provides fair and reasonable salary
	➤ Fair treatment of employees without discrimination
Shareholder	➤ Create value for shareholders
	➤ Be honest to shareholders
	➤ Improve corporate governance for a bigger market share
Environment	➤ Provides environmental protection products
	➤ Properly deals with waste and controls environmental pollution
	➤ Uses renewable resources, reduce energy consumption
	➤ Participation or sponsorship of various environmental protection activities
Community	➤ Provide employment opportunities
	➤ Help disadvantaged groups
	➤ Support for donation and charity
	➤ Contribute to social stability and prosperity
Business partner	➤ Abide by business ethics
	➤ Have faith in management
Public welfare	➤ Encourage employees to participate in volunteer and social public welfare activities
	➤ Sponsor public activities directly
	➤ Charitable donations

In order to acquire the evaluation indexes from the customers' perspective, this paper conducted an interview as the second step of the research. During the interview, the interviewer first asked about the multinational retailers respondents were familiar with; then inquired about the seven general evaluation indexes (table 1), the questions included knowing about these indexes and caring about them. A total of 22 people participated in the interview; the results show that,

customers have a high level of understanding and attention on four of these indexes: responsibility towards customers, responsibility towards employees, responsibility towards environment and responsibility towards public welfare.

B. Hypothesis

H1: From the customer's perception, multinational retailers' CSR activities towards customers have a significant positive impact on corporate reputation.

H1a: From the customer's perception, multinational retailers' CSR activities towards customers have a significant positive impact on affectional response to corporation.

H1b: From the customer's perception, multinational retailers' CSR activities towards customers have a significant positive impact on cognitional response to corporation.

H2: From the customer's perception, multinational retailers' CSR activities towards public welfare have a significant positive impact on corporate reputation.

H2a: From the customer's perception, multinational retailers' CSR activities towards public welfare have a significant positive impact on affectional response to corporation.

H2b: From the customer's perception, multinational retailers' CSR activities towards public welfare have a significant positive impact on cognitional response to corporation.

H3: From the customer's perception, multinational retailers' CSR activities towards employee have a significant positive impact on corporate reputation.

H3a: From the customer's perception, multinational retailers' CSR activities towards employee have a significant positive impact on affectional response to corporation.

H3b: From the customer's perception, multinational retailers' CSR activities towards employee have a significant positive impact on cognitional response to corporation.

H4: From the customer's perception, multinational retailers' CSR activities towards environment have a significant positive impact on corporate reputation.

H4a: From the customer's perception, multinational retailers' CSR activities towards environment have a significant positive impact on affectional response to corporation.

H4b: From the customer's perception, multinational retailers' CSR activities towards environment have a significant positive impact on cognitional response to corporation.

IV. DATA ANALYSIS

A. Correlation Analysis

In this study, correlation analysis is mainly for examining the connection between CSR's factors and corporate reputation's factors; Pearson's correlation coefficient method is applied.

First, the connection between CSR's each factor need to be proved. As these four factors were extracted from factor analysis, theoretically they should have no linear association. The result indicates that between each variable, the Pearson's correlation coefficient is equal to 0; it proves that there is no linear association between CSR's each factor. Then test the correlations between CSR's factors and corporate reputation's factors. The result displays the correlation between CSR's factors and reputation's factors. Take environment responsibility and affective component as an example, assume H0 = there is no correlation between environment responsibility and affective component, the coefficient of correlation is 0.276 and the sig. value (2 - tailed) is 0.000, since the p-value is less than 0.01 at 1% significance level, reject the null hypothesis and conclude that there is positive correlation between responsibility towards environment and affective component.

The relationships of other factors' can be judged in the same way; the conclusion is that at 1% significance level, CSR's each factor has positive correlation with affective component and cognitive component.

B. Regression Analysis

In the above correlation analysis, it proved that each CSR's factor has positive relationship with affective component and cognitive component. However, it cannot tell the exact relationship and which factor is more important in explaining the relationship, thus we need to do a regression analysis. In other words, it is the actual analysis of the data and also looks for the existence of the hypothesized relations.

1) Regression Analysis: CSR's Factors towards Affective Component

Affective Component = 0.445 * responsibility towards customer + 0.276 * responsibility towards environment + 0.205 * responsibility towards employee + 0.180 * responsibility towards public welfare

2) Regression Analysis: CSR's Factors towards Cognitive Component

Cognitive Component = 0.198 * responsibility towards public welfare + 0.170 * responsibility towards environment + 0.161 * responsibility towards customer + 0.137 * responsibility towards employee.

C. Summary

This chapter is mainly to identify hypothesis related to the connection between CSR and corporate reputation through the data obtained by questionnaires. To examine the hypothesis, it first looked at the results acquired from the survey and conducted a descriptive statistical analysis to describe the main features of the collected data. The purpose is to ensure the uniformity of sample distribution and avoid significant systematic error. The second step was to examine the validity and reliability of the questionnaire. Then run a factor analysis to reduce the data to certain factors. The connection between each CSR's factor and each reputation's factor is proved by correlation analysis; results indicate that they have a positive correlation. Finally, the exact relationship between CSR and corporate reputation is analyzed by regression analysis. The result shows that customers' perception of each dimension of CSR has significant linear relationship with the evaluation of corporate reputation.

V. CONCLUSION

Grounded on the findings, the following conclusions are made:

(1) Establishing CSR's dimensions from customers' perspective could help multinational retailers improve their CSR performance. Customers, as the group which multinational retailers mostly focus on, have different reactions on different social responsibilities. This dissertation highlights which dimensions of CSR are important to customers. By successfully fulfilling those responsibilities, the companies would gain trust from customers as well as high evaluation, which can strengthen the company's competitive advantage.

(2) Multinational retailers can improve their reputation through CSR efforts. It was found in the study that customers' perception of CSR has significant positive relationship with corporate reputation. Companies are not born with reputation, it is gradually formed in the process of interaction with society and it is also an intangible asset which is shaped by the companies' past behaviors and the consequence of those behaviors. CSR activities will contribute to improve the expectation of companies' stakeholders and strengthen the overall level of concern in general public. Customers are sympathetic towards CSR actions carried out by these multinational retailers. They believed that these actions are helpful for the social wellbeing. Therefore, this is an advantageous situation for the company to focus on more business opportunities through socially oriented marketing activities and by doing so, companies will receive a good reputation and enhance the overall competitive position in the marketplace.

(3) If the multinational retailers want to establish affective relationship with customers, they should pay attention to the responsibility towards customers in the first place. The research result shows that customers are more concerned on the quality of goods, the after-sale service and the ability to improve the products and the service than any other aspects. Therefore, it is worthwhile for multinational retailers to be more concerned about the responsibility towards customers. Through these

actions, they can achieve a positive evaluation from customers and hence maintain their market position and gain a good return from their investment in CSR activities. In addition, for the sake of building a positive image in customers' perception, the companies cannot ignore other responsibilities such as responsibility towards public welfare, responsibility towards employee and responsibility towards environment since they all account for a fraction of the regression equation.

(4) If the multinational retailers want to establish cognitive relationship with customers, they should pay attention to the responsibility towards public welfare and responsibility towards environment in the first place. The findings suggested that being socially responsible provides companies the chance to be well accepted by the community. This may be reflected in activities like encourage employees to participate in voluntary and social public welfare activities, sponsor public activities and at the same time, provide environmentally friendly products and properly deal with waste and control environmental pollution. Moreover, it is also worthwhile for multinational retailers to be concerned on responsibility towards employee and responsibility towards customers as there is not a big difference between each factor's coefficients in the regression equation.

REFERENCES

- [1] Boatright, J.R., 1997. Ethics and the Conduct of Business, 2nd Edition. New Jersey: Prentice-Hall.
- [2] Brammer, S and Millington, A., 2005. Corporate Reputation and Philanthropy: An Empirical Analysis. *Journal of Business Ethics*, 61(1), pp. 29-44.
- [3] Branco, M.C. and Rodrigues, L.L., 2008. Corporate Social Responsibility and Resource-Based Perspectives. *Journal of Business Ethics*, 69 (2), pp. 111-32.
- [4] Bowen, H.R., 1953. Social Responsibility of the Businessman. New York: Harper & Row.
- [5] Carroll, A.B., 1979. A Three Dimensional Conceptual Model of Corporate Social Performance. *Academy of Management Review*, 4(4), pp. 497-505.
- [6] Fombrun, C. J., 2005. The Leadership Challenge: Building Resilient Corporate Reputations, in J. P. Doh and S. A. Stumpf (eds.), *Handbook on Responsible Leadership and Governance in Global Business* (Edward Elgar, Cheltenham, UK), pp. 54–68.
- [7] Jenkins, R., 2005. Globalization, Corporate Social Responsibility and Poverty. *International Affairs*, 81 (3), pp. 525-540.
- [8] Lewis, S., 2001. Measuring Corporate Reputation. *Corporate Communications: An International Journal*. 6(1). pp. 31-5.
- [9] Liu, Y., Lou, Z., Liu, J. and Song, J.W., 2009. The Influence Factors of Corporate Reputation and Its Effect on Consumer Word-Of-Mouth Behaviour (translated). *Journal of Management*, 03, pp. 49-52.
- [10] Mallenbaker. 2005. Corporate Social Responsibility – What does it mean? [online] Available at: <www.mallenbaker.net/csr/CSRfiles/page.php?Story_ID=857> [Accessed 02 June 2013].
- [11] Peterson, D.K., 2004. The Relationship between Perceptions of Corporate Citizenship and Organizational Commitment. *Business & Society*, 43(3). p. 296.
- [12] Rettab, B.B.AB. and Mellahi, K., 2009. A Study of Management Perceptions of the Impact of Corporate Social Responsibility on Organisational Performance in Emerging Economies: The Case of Dubai. *Journal of Business Ethics*. 89(3). pp. 371-90.
- [13] Schultz, M.M.J. and Gabrielsen, G., 2001. Sticky Reputation: Analyzing a Ranking System. *Corporate Reputation Review*. 4(1). pp. 24-41.