A CONCEPTUAL MODEL FOR MARKETERS’ CONTRIBUTIONS TO CORPORATE SOCIAL RESPONSIBILITY PROGRAMS (CSR)

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ABSTRACT

The main aim of this study is to propose a conceptual model for marketers’ contributions to Corporate Social Responsibility (CSR) programs. Thus, this study could possibly reveal synergies between Marketing and Corporate Social Responsibility Programs (CSR). Customers have expectations that firms need to carry out CSR activities and hence customers have various responses towards companies’ CSR actions. This implies that marketers’ contributions seem necessary in the development and implementation of CSR programs.

This research provides a conceptual model to examine possible synergies between marketing and CSR. Based on the resource based theory of firms, it can be argued that marketers need to contribute to CSR initiatives. From the perspective of return on investments on CSR activities, CSR programs can be viewed as being philanthropic or strategic in nature. Customers tend to respond to both of these CSR types. Hence we propose that contribution of marketers seems important to both kinds of CSR, which in turn would increase customer satisfaction about CSR programs. Consequently, companies’ performance can be enhanced. A mix method is proposed for this study. It is envisaged that in near future, this conceptual model would be empirically tested by collecting data from customers and marketing managers of the Sri Lankan financial institutions. This research concludes with practical implications.

Keywords: Corporate Social Responsibility (CSR), Marketers’ contribution to CSR, Philanthropic CSR and Strategic CSR, Societal issues, Customer response

INTRODUCTION

During last few decades, the awareness level about social issues has increased among public, and hence they have become increasingly socially concerned (Dawkins & Lewis, 2003; Macchiette & Roy, 1994). A consequence of this is that customers expect businesses to operate in a socially responsible manner (Podnar & Golob, 2007). This is evidenced in a study conducted by Cone (2010) who revealed that 83% of consumers in the US perceive that organisations need to carry out their business practices in a socially responsible manner. Social needs can defined as “customers’ sensitivity for societal issues” (Podnar & Golob, 2007, p. 328). Partly in response to customers’ increasing social expectations and concerns, organisations carry out various social activities (Jones, Comfort, & Hillier, 2005; Scholtens, 2009). These
activities could be considered as “Corporate Social Responsibility” (CSR) initiatives, defined as “a company’s activities and status related to its perceived societal or stakeholder obligations” (Luo & Bhattacharya, 2006, p. 2). For example, Jones et al. (2005) argue that in the UK, the top ten retailers are involved in social initiatives under four main themes such as environmental protection measures (e.g. control of emissions, reducing energy consumption and recycling), market place measures (e.g. food safety, animal welfare and ethical trading), work place measures (e.g. respect for work life balance and health advisory service to employees) and community oriented measures (e.g. charitable contributions to local and national organisations).

CSR activities would result in various customer responses (Bhattacharya & Sen, 2004; Luo & Bhattacharya, 2006). One such response is an increase in purchase intentions of company’s products. Mohr, Webb and Harris (2001) argue that there are a segment of customers who consider a company’s CSR as a factor when they decide to purchase products of the company. Such customers tend to reduce purchasing products from organisations which are irresponsible towards society in their business practices. Another customer response towards CSR is their attitudes about organisations. Mohr et al. (2001) revealed that customers have positive attitudes towards firms that are involved in socially responsible activities. Also, CSR influences customer satisfaction. To support this view, from a study among 500 companies, Luo and Bhattacharya (2006) suggested a possible a link between CSR and customer satisfaction. An additional customers’ response to CSR is their loyalty towards firms that regularly carry out CSR activities.

Consumers behaviour towards a product is largely predicted based on their expectations, perception, attitudes and purchase intentions (Malhotra, 2010; Podnar & Golob, 2007). Thus, it can be argued that customers’ social expectations and their responses to companies’ CSR activities need to be properly understood and incorporated into CSR programs. This can further enhance favourable customer responses such as customer satisfaction and purchase intentions of company products, thereby contributing to increasing company’s performance. This would require marketers to be integrally involved in development and implementation of CSR programs. Hence a conceptual model to examine marketers’ contribution to CSR programs is proposed in this study. It is envisaged that in near future, this conceptual model would be empirically tested by collecting data from customers and marketing managers of the Sri Lankan financial institutions.

LITERATURE REVIEW

Underpinning Theory

Marketers’ role should not be restricted to the marketing department alone, thus their contribution seems important in strategic decision making also (Hooley et al., 1999; Hunt & Lambe, 2000). Strategic decisions are made by top managers in an organisation to improve its overall performance. As suggested by Harvey and Denton (1999), strategic decisions need to be made with a “customer focus” in order to produce “customer satisfaction”. This in turn will contribute to enhancing company’s competitive position in the market place and its performance. Thus, marketers’ role in
corporate decision making would be essential to effectively achieve these outcomes (Harvey & Denton, 1999).

The resource based theory of firms underpins the argument that contribution of a marketer is necessary in strategic decision making process. The resource based theory of firms proposed by Penrose (1959) postulates that the unique assets and capabilities of a firm are important factors that give rise to competitive position in the market place and superior performance (e.g. profitability) to companies. Barney (1991) extended this theory, who argues that in order to achieve a competitive position and superior performance, these resources need to be heterogeneous and imperfectly mobile to other companies. In this respect, marketers generate knowledge of the market, customers and competitors, thereby contributing to resources and capabilities of organisations. These marketing capabilities would ensure customer satisfaction, which is soundly linked with organisational profits and performance (Anderson, Fornell, & Rust, 1997). Thus, marketing scholars apply the resource based theory of firms to justify marketers’ contribution in strategic decision making process (Hooley et al., 1999; Hunt & Lambe, 2000).

CSR falls within the realm of strategic decision making. Hence consistent with the resource based theory of firms, it can be argued that marketers need to contribute to CSR programs. Some researchers have made suggestions and recommendations as to how marketers can play a role in CSR programs. Nevertheless, to date, none of them have developed a conceptual framework or carried out an empirical study on the marketers’ contributions in CSR programs. The various roles that marketers might possibly play in CSR programs are discussed below. These roles can be useful to derive hypotheses and a conceptual framework for this study.

**Input Communication on Social Issues**

Whilst making CSR decisions, a marketer’s contribution seems important to collect information about customers’ perceptions of social issues. In support of this idea, Macchiette and Roy (1994) suggest that there is a segment of customers who are socially conscious. These customers tend to give a due consideration to social issues when forming purchase decisions. Also, these customers are likely to spread information about organisations’ CSR activities to other customers and to the broader community. Hence as suggested by Macchiette and Roy (1994), marketers’ contribution would be necessary to collect information about customers’ attitudes and perceptions of social issues and expectations for CSR efforts. This information in turn might enable management to understand and to respond to needs and concerns of such customers. Researchers have suggested various measures to collect this information. As argued by Macchiette and Roy (1994), some viable options to collect this information include forming a network with opinion leaders of socially conscious customer segments, participation in community affairs and arranging focus groups studies. Alternatively, Maignan, Ferrell and Ferrell (2005) propose that marketers could collect this information from sales representatives, customer service representatives, purchasing managers and public relations specialists. Although measures suggested by researchers are different, it appears that marketers could well provide useful information to organisations when developing and implementing CSR initiatives.

**Dissemination of Knowledge about Customers**
After collecting the information and identifying customers’ social expectations, marketers need to disseminate this knowledge within an organisation (Isabelle Maignan & Ferrell, 2004). This implies that marketing managers need to convince the CSR decision makers about significance of developing company’s CSR programs consistent with the interests, expectations, perceptions and attitudes of their customers. Maignan and Ferrell (2004) suggest that marketers may achieve this by sharing their views in inter-departmental meetings, circulating documents about social issues (e.g., reports and newsletters) and by discussing findings of customer research on social issues.

**CSR Idea Generation**

Marketers’ contribution seems essential in formulating CSR programs. Whilst firms develop ideas about CSR, marketing managers need to determine whether organisations’ CSR ideas are in line with the interests and expectations of their customers. Also, marketers need to ensure such CSR programs can generate favourable customer responses like customer satisfaction and positive customer attitudes towards companies’ CSR programs (McAlister & Ferrell, 2002). Additionally, in product development phase, marketers can assure that products are designed consistent with the social expectations and concerns about customers. As suggested by Macchiette and Roy (1994), marketers’ role would be indispensable in designing the ethical and socially desirable products especially to the vulnerable groups of customers such as children so as to confirm that these products would not exploit vulnerable groups.

**CSR Communication**

Marketers’ contributions would be needed to communicate firms’ CSR programs to customers and society. Marketing managers have to provide information about CSR to various stakeholders. Particularly, company’s CSR activities need to be promoted to the socially sensitive and vulnerable customer segments so as to make them perceive about company as being a “Socially Responsible Business” (Macchiette & Roy, 1994; Isabelle Maignan et al., 2005). Bhattacharya and Sen (2004) suggest that marketers could use marketing promotion tools like advertising, publicity and personal selling to propagate firms’ CSR activities amongst customers.

**THE LITERATURE GAP AND RESEARCH QUESTIONS**

Researchers have suggested that marketers need to contribute to CSR programs (Lantos, 2002; Macchiette & Roy, 1994; Podnar & Golob, 2007). Organisations make investments in CSR activities, and hence perhaps managers have an expectation for benefits in return in the forms of increased market share and profits (McDonald & Rundle-Thiele, 2008). However, as revealed by Luo and Bhattacharya (2006), CSR programs would contribute to determining customer satisfaction, which in turn would optimise market share. This suggests that marketers’ contribution in CSR programs can be a determinant of customer satisfaction of CSR programs. Surprisingly, the marketers’ contribution in CSR programs has not yet been empirically investigated despite the call by Maignan and Ferrell (2004) who suggested that past studies had rarely considered how marketing thinking and practices could contribute to CSR practices in organisations. Similarly, McAlister and Ferrell (2002) argue that marketing practices and marketing thoughts have not yet been well integrated into firms’ CSR activities. Although institutions tend to carry out CSR activities, to date,
there has not been a conceptual model as to how marketers can contribute to CSR programs. Nor has there been any empirical study that has investigated marketers’ contribution in CSR programs. This implies a gap in literature. Thus, an absence and an ambiguity of marketers’ contribution in CSR programs will negatively impact a company’s decisions relating to its CSR activities. Hence from this literature gap, the following research questions are proposed:

1. What roles do marketers play in the development of CSR programs?
2. To what extent does Marketers’ contribution in CSR programs enhance customer satisfaction towards the organisations’ CSR programs?

DEVELOPMENT OF A CONCEPTUAL FRAMEWORK

Organisations’ CSR programs can be viewed from various perspectives. For example, Carroll (1979) proposed four dimensional perspective of CSR as comprising economic, legal, ethical, and discretionary initiatives carried out by organisations at a given point in time. Nevertheless, CSR programs can also be viewed from the perspective of return on investments on CSR programs. Organisations design CSR programs with the motive of bringing benefits to society. On the other hand, firms develop another type of CSR initiatives to benefit both business and society. Hence based on these motives, organisations carry out two types of CSR programs. CSR development process differs between these types of CSR initiatives. These CSR programs are further discussed below.

1. Philanthropic CSR programs
2. Strategic CSR programs

Philanthropic CSR Programs
Organisations are responsible to stakeholders who have interests in organisation, not just to shareholders. Hence philanthropic CSR programs would be designed with the main aim of building a relationship between organisation and society (Galbreath, 2006; Lantos, 2002; Yehya & Dutta, 2008). Lantos (2002) defines philanthropic CSR as “the fulfilment of an organisation’s altruistic responsibilities, going beyond preventing possible harm to helping alleviate public welfare deficiencies, regardless of whether or not this will benefit the business itself” (p206). Firms tend to be engaged in various philanthropic activities the likes of a financial support to NGOs, natural disaster relief programs, providing funding to schools and higher education institutions and a financial assistance to charity and religious organisations. These initiatives would likely to serve to strengthen the relationship between companies and society. Lin-Hi (2010) reports that in 2008, companies in the US spent 14.5 billion US dollars in charitable activities, which implies popularity of philanthropic CSR activities in businesses arena.

Strategic CSR Programs
Organisations are essential social entities that create wealth in an economy. Hence firms need to be productive and profitable to sustain their existence. Since resources are scarce, firms would prefer to carry out CSR initiatives that could create the “shared value”. These CSR activities would be developed to bring meaningful benefits to both society and to organisation. Porter and Kramer (2006) classify such CSR initiatives as strategic CSR, and define them as “the social initiatives that will
bring significant social impacts and reap the greatest business benefits” (p. 85). In this case, organisations would need to conduct CSR activities that can contribute to their economic benefit. For example, if a textile manufacturing company adopts an eco-friendly manufacturing process for its business, it would benefit society by preserving the environment (e.g. reducing harmful gas emissions and adopting water conservation). On the other hand, the adaptation of this process may contribute to profit such that it would save organisation’s money by doing so.

The Intersection or Relationship between Philanthropic and Strategic CSR Activities

Often in business practice, firms may need to adopt a mix of strategic and philanthropic CSR activities so as to optimise contributions from their CSR programs. This issue is further discussed by Munilla and Miles (2005) who argue that firms need to adopt a strategic CSR approach to create value to organisation. Nevertheless, an increased social pressure in today’s competitive business environment influences organisations to carry out CSR initiatives beyond an expectation for return value to organisations. The latter part of their argument suggests a need for philanthropic CSR. For example, with respect to multi-national companies (MNCs), in their home countries they can select strategic CSR activities that could add shared value to both business and society. However, in host countries, particularly in developing countries where host governments lack funds to provide social services, MNCs would be required to provide social support beyond expectation of return value to business. Hence, in host countries, MNCs need to carry out philanthropic CSR initiatives in order to win the support of local stakeholders.

Additionally, there are CSR initiatives that cannot be clearly separated into solely being strategic or philanthropic (Munilla & Miles, 2005). For example, if a company producing essential goods donates its products as relief items to the victims of a disaster without expecting benefits in return, this social initiative can be classified as being a philanthropic CSR initiative. However, providing branded products as relief items might promote the particular brand, thus, benefitting the firm in return. Hence this initiative can also be considered as a strategic CSR initiative. This implies that the same CSR action can be deemed as being both strategic and philanthropic. From the above discussion, it seems that in relation to some CSR initiatives, there would be an intersection between strategic and philanthropic CSR.

Customer Responses to and Marketers’ Role in Both Types of CSR Activities

Both philanthropic and strategic CSR activities can result in customer responses. Mohr and Webb (2005) revealed that philanthropic CSR activities such as donations to local charity had a positive effect on consumers’ evaluation of a company and purchase intentions of the company’s products. In a similar vein, customers make increased purchases, and thus can become loyal to an organisation in response to its strategic CSR initiatives (Smith & Williams, 2011). Hence Marketers’ contribution seems necessary in development and effective implementation of both philanthropic and strategic CSR initiatives.

Strategic CSR would be carried out through core business activities like marketing, HRM and production (Lantos, 2002). Hence marketers could become involved in strategic CSR activities through marketing programs. It means that marketers could design marketing strategies so as to mitigate harm to society and to provide societal
benefits (e.g. designing environmental friendly products or packaging). These marketing strategies would also contribute to business profit. Likewise, marketers can play a role in philanthropic CSR activities, although the responsibility for philanthropic CSR cannot be exclusively attributed to a particular organisational function like marketing and production. Lin-Hi (2010) argues that marketing skills are necessary to carry out philanthropic CSR programs. It is possibly owing to the fact that there is a segment of customers who expect firms to undertake such CSR actions. Hence marketers need to identify customers’ expectations for different philanthropic activities and to disseminate this knowledge to the CSR decision makers. Also, marketers may use philanthropic CSR initiatives even as a promotional tool. Hence from the forgoing discussion, it is plausible to hypothesise that:

Hypothesis 1: The role of marketers in philanthropic CSR programs would be positively related to customer satisfaction of CSR programs, which in turn would enhance firm’s performance.

Hypothesis 2: The role of marketers in Strategic CSR programs would be positively related to the customer satisfaction of CSR programs, which in turn would enhance firm’s performance.

THE PROPOSED CONCEPTUAL MODEL

Based on the literature review and the hypothetical relationships, a conceptual model was developed for this study (Figure 1). This model depicts the marketers’ contributions to both strategic and philanthropic CSR programs and customer satisfaction to both of these CSR types.

Figure 1. Conceptual Framework

PROPOSED METHODOLOGY

This research study is intended to be carried out in the Sri Lankan financial sector, since these institutions carry out both strategic and philanthropic types of CSR activities. Rajmanthri (2005) revealed that the Sri Lankan financial institutions tend to regularly undertake CSR activities such as provision of educational assistance to underprivileged students, operating community health services and facilitating agriculture and irrigation activities in rural areas. These activities can be considered as being philanthropic CSR. It is owing to the fact that, since these activities seem to be carried to benefit the society, beyond organisations’ expectations for business benefits. Likewise, CSR initiatives of these financial institutions include providing easy financial access to rural entrepreneurs through low interest credit schemes, entrepreneurial loans and microcredit facilities (Perera, 1999). Whilst the socially responsible financing practices such as these contribute to poverty alleviation and to socio-economic development in Sri Lanka, they also generate profits to financial institutions. Thus, these financing practices can be deemed to be strategic CSR. Hence Sri Lankan financial institutions seem appropriate to explore marketers’ contribution in CSR programs.

The sample for this study would comprise 150 financial institutions that would be selected on the basis of varying sizes and the different level of their CSR involvement. Each financial institution will be considered as a separate case. The marketers’
Contribution in CSR programs has not yet been well defined in extant literature, thus this research will be exploratory in nature. Hence semi-structured interviews would be conducted with the marketing managers in order to define their role in both strategic and philanthropic CSR programs, thus answering the first research question.

Also, a paper based survey questionnaire will be administered to 20 regular customers of each participating financial institutions in order to measure customer satisfaction towards CSR activities. The customers will be approached during office hours within the premises of participating financial institutions. The customers would be first asked whether they are regular customers of particular participating financial institution. The survey questionnaire will then be distributed to only those customers who would identify themselves as being regular customers of each participating financial institution. Previously validated measures of customer satisfaction towards firms’ CSR programs will be used to develop items for this survey, nevertheless these statements will be modified to the context of Sri Lankan financial sector, where appropriate. Subsequently, the degree of customer satisfaction towards companies’ CSR programs will be corresponded to the level of marketers’ involvement in CSR programs, case-by-case. This will be helpful to determine the extent to which marketers’ role in CSR enhances customer satisfaction towards firms CSR programs. Hence it would address the second research question. Accordingly, a mixed methodology is proposed for this study.

**IMPLICATIONS TO THEORY AND PRACTICE**

This research being the first of its kind investigates marketers’ contribution to CSR programs. Thus, this study proposes a conceptual model to incorporate marketing thoughts into firms’ CSR programs. Although researchers have suggested that firms carry out strategic and philanthropic types of CSR initiatives, this study proposes that marketers can play a role in both types of CSR. Additionally, customer satisfaction towards both types of CSR can be empirically tested by adopting the conceptual model proposed in this study. Hence this study would significantly contribute to marketing and CSR literature.

Besides contributions to theory, this study would provide implications to practice. This study would reveal to what extent customers of Sri Lankan financial institutions are satisfied about CSR programs of the financial institutions. Hence managers of the Sri Lankan financial institutions can design CSR programs consistent with customer expectations. Also, insights about customer satisfaction and marketers’ role in both strategic and philanthropic CSR initiatives would assist the managers to define marketers’ responsibilities in CSR development and implementation process. Additionally, these insights would be useful to the managers to optimise contributions from their CSR programs. This implies that the managers can enhance stakeholders’ and society’s support towards firms, whilst also increasing a return on investments over CSR programs. Finally, these practical implications can possibly be useful to managers operating in the contexts similar to those of this study, particularly to managers in other Asian countries whose socio, economic and demographic characteristics are similar to those of Sri Lanka.
LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Despite the potential contributions of this study, this research has limitations, which can be overcome in future studies. This research is proposed to be conducted in Sri Lankan financial institutions. Hence this study needs to be replicated in other sectors and countries, which in turn can contribute to better generalisation of findings. Customers have various responses towards companies’ CSR programs, nevertheless only customer satisfaction towards CSR programs would be evaluated in this study. Future researchers can evaluate other customer responses like purchase intentions, customer attitudes, customer loyalty towards company and company products in response to marketers involvement in CSR programs. Also, there are other perspectives to classify CSR initiatives, such as the one proposed by Carroll (1979), namely economic, legal, ethical and discretionary initiatives. Hence future research can attempt to define how marketers can play a role in CSR programs, adopting another perspective of CSR.

References


