Corporate Social Responsibility

Strategies and Governance

Finley Carver

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Preface

Corporate social responsibility is a form of regulation for private businesses that operate under the objective of furthering social good beyond the interests of the organization. Businesses may choose to engage in CSR with the aim of increasing long-term profits and building shareholder trust through positive public relations and strong ethical standards. They can also adopt CSR policies because of an ethical belief system. CSR encompasses not only the behavior of individual firms but also supplier behavior and use of products. It involves six categories of social initiatives- corporate philanthropy, cause promotions and activism, community volunteering, cause-related marketing, socially-responsible business practices and corporate social marketing. This book discusses the fundamentals as well as modern approaches of corporate social responsibility. It is compiled in such a manner, that it will provide in-depth knowledge about the theory and practice of CSR. For all those who are interested in this field, this book can prove to be an essential guide.

This book is a comprehensive compilation of works of different researchers from varied parts of the world. It includes valuable experiences of the researchers with the sole objective of providing the readers (learners) with a proper knowledge of the concerned field. This book will be beneficial in evoking inspiration and enhancing the knowledge of the interested readers.

In the end, I would like to extend my heartiest thanks to the authors who worked with great determination on their chapters. I also appreciate the publisher's support in the course of the book. I would also like to deeply acknowledge my family who stood by me as a source of inspiration during the project.

Editor

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The influence of political connection on corporate social responsibility

Haifeng Huang[1*] and Zhenrui Zhao[2]

Abstract

In recent years, Chinese private companies have improved a lot in corporate social responsibility (CSR) performance, especially in the philanthropic area. However, private companies' awareness and performance of social responsibility still have a big disparity with SOEs. And private companies' policy of social responsibility is subjective and preferential. To explain this contradiction, this paper tries to introduce political connection and, based on stakeholder salience theory, to test how political connection changes managers' perception of stakeholders' relative importance and cause changes in stakeholders' satisfaction level of social responsibility requirement. The result shows that (1) political connection has positive influence on private companies' CSR; (2) companies with political connection are significantly better than the ones without political connection in society-oriented and customers-oriented responsibility; (3) two kinds of companies have no significant difference in investors-oriented responsibility; (4) as for government-oriented and employee-oriented responsibility, companies with political connection are worse than ones without political connection. These findings are significant for China's future construction of competition system and private companies' choice of stakeholders and future investment.

Keywords: Political connection, Corporate social responsibility, Stakeholder salience theory

Introduction

Chinese scholars' discussion on Corporate Social Responsibility (CSR) developed rapidly from the 1990s. The Chinese government gradually implemented a series of laws, regulations and guidelines. The newly-amended Company Law in 2005 first defined CSR on a perspective of law and pointed out clearly that a company should improve the awareness of social responsibility when pursing profitability. China's SASAC issued the Guidelines for Central Enterprises to Fulfill Social Responsibilities in 2008, which is the first normative document of CSR issued by the ministry. The same year the Shanghai Stock Exchange issued the Announcement about Strengthening Listed Companies' Performance of Social Responsibility, which encourages listed companies to publish their concrete performance towards stakeholders' social responsibility and appeals to companies to issue corporate social responsibility reports. Government's efforts encouraged companies' positive response. According to the Research Report on Corporate Social Responsibility of China (Huang et al. 2014) issued by the Chinese Academy of Social Sciences, the CAGR of Chinese CSR development index reached 16.80 % since 2009.

An important component of China's economy, private companies have become an important power that is spurring China's economic development expanding employment, and improving people's well-being. In recent years, a private company's performance of social responsibility is heading in the right direction. CSR's content is richer and includes charitable donation, fund raising, environment protection, and etc. (Xiao & Xu 2011). Private companies are the backbone of donation. According to Annual Report on China's Philanthropy Development (Yang 2009), the proportion of private companies' total donation is more than half of all companies' donation. What is the motivation that is pushing private companies to increase their investment in CSR? Compared to state-owned companies and foreign-funded companies, private

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companies have been treated unjustly in terms of laws and regulations for a long time. With a limited ability to obtain resources, private companies' survival and development space are relatively small. During China's economic transition, marketization has been low, and government's intervention in the economy has been strong. Key resources which are vital to companies' development are controlled by government. Under these disadvantages, private companies would, therefore, prefer to build and maintain connections with government to advance their development. In order to maintain political connection, based on the reciprocity theory, companies should meet government's needs. Politically connected companies will increase its investment in CSR as the government focuses on social responsibility.

However, private companies' awareness and performance of social responsibility still have a big disparity with other types of companies, especially SOEs. Private companies' CSR lacks systematization and purposefulness, and does not possess a fixed management team that handles social responsibility (Gu 2015). All these make private companies' policy of social responsibility subjective and preferential. For example, when private companies get actively involved in philanthropy, they also become the subject of labor trouble, security incidents, and quality issues. According to the Report on Chinese Social Opinion and Crisis Management (Lian 2014), more than 40 % of financial and economic events are about private companies. Faced with the contradiction of private companies' performance in CSR, this paper wants to provide an explanation from the stakeholder theory. As business development's process involves many stakeholders, which are vital to companies' survival and development, companies should bear relative obligations and responsibilities (Clarkson 1995). If companies fail to deal with the different stakeholders' relationships, companies' sustainable development will be affected. However, due to enterprises' limited resources, firms cannot satisfy all stakeholders' needs. Donaldson & Perston (1995) consider that not all stakeholders' requirements are reasonable. Therefore, firms should balance among diverse stakeholders and satisfy stakeholders' social responsibility requirement selectively based on stakeholders' importance. Mitchell et al. (1997) defined stakeholders' salience theory based on their characteristics, legitimacy, power, and urgency, which provide a theoretical basis for this paper. Stakeholders' salience is dynamic. And, stakeholders can change managers' perception of salience through the use of political power and the foundation of alliances. For private companies, the introduction of political connection may change managers' judgement toward stakeholders' relative importance, and, then, change the different stakeholders' satisfaction level of social responsibility.

In summary, this paper attempts to answer the following questions: (1) Under the background of economic transition, what is the impact of political connection on private companies' performance of social responsibility? (2) Whether the introduction of political connection changes managers' perception of stakeholders' relative importance and, then, cause changes in stakeholders' satisfaction level of social responsibility requirement.

Literature review

Definition and measurement of Corporate Social Responsibility

The researcher, who first proposed the concept of CSR, is Oliver Sheldon. He defined CSR as a businessman who satisfies the internal and external requirements. Before the 1960s, scholars used Social Responsibility of the Businessman as the CSR undertaker, not the company. Bowen, who is the Father of Corporate Social Responsibility and who first systematically defined CSR, also pointed out that the businessman has the responsibility to develop policies in accordance with established social goals and values, and a businessman's voluntary performance of social responsibility is the effective method to improve the economy and achieve economic goals.

Until the 1970s, scholars tried to define CSR more precisely and change the CSR undertaker from the businessman to a company. To further define the content and object of CSR, scholars formed two definition methods.

(1) Levels of Analysis. Carroll's interpretation is a classic in a related field. He divided social responsibility into economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. These four categories of CSR might be depicted as a pyramid from bottom to top. Economic responsibility, which is the foundation of the other three responsibilities means that companies have the responsibility to manufacture, make profit, and satisfy customers' needs. Legal responsibility means the company should comply with the laws and regulations promulgated by federal, state and local governments as ground rules. Ethical responsibility embraces those activities and practices that are expected or prohibited by societal members and embodies those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the interests or protection of stakeholders' moral rights. Philanthropic responsibility encompasses those corporate actions that are in response to society's expectation that businesses be good corporate citizens (Carroll 1979 & 1991).

(2) Stakeholder Perspective. This method is based on the stakeholder theory that gained popularity in the second half of the twenty-century. The combination with stakeholder theory helps CSR research provide a

more clear definition and precise measurement method. It also provides a theoretical foundation. Stakeholder theory is called by scholars the most closely related theoretical framework within CSR. The method, levels of analysis, verifies the content of CSR; however, it does not solve the problem of whose responsibility CSR should be. The word "Social" in CSR has not been clearly defined for a long time, giving a simple understanding among people. The introduction of CSR clarifies the meaning of "Social" (Carroll 1991).

The following is a discussion of stakeholder-oriented responsibility. In order to define related stakeholders of CSR, scholars have done a lot of research. Most scholars agree that investors, employees, and customers compose stakeholders. Besides the above three, Freeman used a stakeholder map to include competitors, unions, and suppliers (Edward 1994). Based on the balance of stakeholders' urgency, power and legitimacy, government was incorporated by Agle & Sonnenfeld (1999). According to Carroll's philanthropic responsibility, Li incorporated society (Li 2006). With the extension of sustainable development, the environment and community relations were incorporated (Waddock & Graves 2009). In addition, women and minority groups, product or service quality are sometimes mentioned (Greenley & Foxall 1998).

Based on data availability and according to a Shanghai Stock Exchange's document, the Announcement about Strengthening Listed Companies' Performance of Social Responsibility, which mentioned shareholder, employee, customer, creditor, community, and government, this paper selects society, investors, customers, employees and government as the five core stakeholders to discuss political connection's influence on different stakeholder's required responsibility. This paper defines CSR as part of companies undertakings related to economic, legal, ethical, and philanthropic responsibilities to core stakeholders, and positive impact on stakeholders as described in Table 1 below.

There are three commonly used CSR measuring methods. (1) Content Analysis: This method mainly determines score or numerical value of various aspects of social responsibility through collecting and analyzing companies' published reports, especially the annual reports. (2) Reputation Index: This method calls industry veterans to evaluate companies' CSR policies and then sort the sample companies. (3) Grade of Professional Institutes: This method refers to the CSR database created by professional institutes. The KLD index given by American KLD Company is the most accepted and widely used. In China, the authoritative and widely used database is given by Rankings CSR Ratings (RKS).

Chinese scholars primarily use grades from professional institutes. However, when combining stakeholders with CSR, Chinese scholars mainly utilize the questionnaire method and the content analysis method based on financial reports for the lack of professional database from the perspective of stakeholders such as the KLD database. For questionnaires, the samples are always small and the cost is high. So content analysis is mainly used. Later, I summarize the research results that use financial indicators to measure CSR.

Research based on government's formulas

There are two basic formulas. One is the social contribution rate given by China's Ministry of Finance in 1995. The other is the social contribution value per share given by the Shanghai Stock Exchange in 2008. Social contribution rate means that the company creates a contribution to society with certain assets. The more contribution the company creates with the same amount of assets, the higher the economic and social benefits of the company. The formula is shown as follows:

$$\textbf{Social Contribution Rate} = \textbf{Amount of Social Contribution} / \textbf{Average Total Asset}$$

The total amount of social contribution includes employees' wages (bonuses, allowances, etc.), labor retirement investment, and other social welfare expenditures, net interest payments, value added tax payable, sales tax and extra charges, other taxes, and net profit.

Social contribution value per share means the sum of profits for shareholders and for other stakeholders. The

Table 1 Companies' responsibility to stakeholders

Responsibility to Investors:	Responsibility to Employees:
Create more profits, guarantee investors' capital safety, and pay dividends or interests on time.	Provide competitive wages and good benefits, ensure employees' safety, and provide abundant opportunities for employees' growth and development.
Responsibility to Customers:	Responsibility to Government:
The rational investment in R&D, production, sales, and after-sales according to customers' requirement in daily production activity.	The compliance of laws and regulations and the payment of taxes on time
Responsibility to society:	
Green production and charitable donation.	

higher the index, the better CSR performance a company has. The formula is shown as follows:

$$\textbf{Social Contribution Value per Share} = \textbf{Earnings per Share} + \left(\begin{array}{l}\textbf{Total Tax} + \textbf{Employee Cost} + \textbf{Interest} \\ \textbf{Expenditure} + \textbf{Public Welfare Expenditure} - \textbf{Social Cost}\end{array}\right) / \textbf{Shareholder Equity}$$

Many scholars modify the above formulas to calculate CSR and stakeholder-oriented responsibility. For the social contribution rate formula, (Cheng 1995) used sales income instead of total average assets to make it more suitable for companies' social achievements. Chen & Ma (2005) used the data based on cash system of accounting instead of the numerator based on accrual basis to make the formula attract more users' attention, which is shown in Table 2.

According to previous researches, Zhou, Wang and Liu calculated stakeholder-oriented social responsibility based on Carroll's division of CSR and quantifiable and accessible data as seen in Table 3 (Zhou et al. 2008).

Zhu divided CSR's objectives into internal and external stakeholders, and measure the relevant investment with absolute and relative method, shown in Table 4 below.

When calculating the total value of CSR, besides the basic two formulas above, some researches make some improvement, which is shown in Table 5.

The advantage of this method is calculations based on government and relevant organizations' formula, which has a certain authority. The disadvantage is that it does not consider stakeholders' discrepancy of significance and influence on a company.

Weights endowed method

This method calculates total CSR based on the weight of different stakeholders. However, the complexity and data availability hinder the use of this method.

Shen calculated the weight of shareholders, creditors, employees, consumers, suppliers, and government based on comprehensive, quantitative, comparable, and operational principles (Shen & Shen 2003, 2004), shown in Table 6 below. This method guided subsequent researchers (Qiu & Xu 2005).

Gao and Peng calculated stakeholders' weight from the dynamic life-cycle perspective. According to companies' period of founding, growing, maturing, and declining, companies pay different attention on the same stakeholders (Gao & Zhou 2011), shown in Table 7.

The above research results show that when measuring stakeholder-oriented responsibility, the chosen indicators do not have an impact. To measure a company's contribution to society, scholars use donation expenses in non-business expenditure part. To measure company's contribution to employee, scholars use the wage and welfare rate and wage growth rate. To calculate the government-oriented responsibility, scholars use tax ratio. For customer-oriented responsibility, operating cost ratio and sales growth rate are used. For investor-oriented responsibility, net asset value per share, earnings per share, and asset-liability ratio, are used. The specific calculation method of this paper will be introduced in Chapter 4.

Definition and measurement of political connection

Researches on political connection began in the 1970s. Krueger pointed out that entrepreneurs could build connection with government officials to bring economic benefits (Krueger 1974). The definition of political connection has not reached an agreement. In a narrow sense, political connection is when corporate executives or major shareholders have government working experience, or have a

Table 2 Calculation of stakeholder-oriented responsibility

Stakeholders	Contribution Rate
Contribution to Government	(Tax Payments—Tax Returns)/Cash Inflow From Operating Activities
Contribution to Employee	Cash Paid to Employee and for Employee / Prime Operating Revenue
Contribution to Investor	Dividend and Interest Paid in Cash/ Prime Operating Revenue
Contribution to Society	(Environment Expenditure + Donation + Sponsorship Fee)/ Prime Operating Revenue

Table 3 Calculation of stakeholder-oriented responsibility

Stakeholders	Contribution Rate
Contribution to Country	(Tax Payments—Tax Returns)/ Prime Operating Revenue
Contribution to Employee	Cash Paid to Employee and for Employee/ Prime Operating Revenue
Contribution to Investor	Dividend and Interest Paid in Cash/ Prime Operating Revenue
Contribution to Society	Public Welfare Paid in Cash/ Prime Operating Revenue

Table 4 Calculation of stakeholder-oriented responsibility

Absolute Value	Indicator
Inner Stakeholders	Staff Training Expenditure
	Staff Social Security Expenditure
External Stakeholders	Donation
	Pollution Control Expenditure
Relative Value	Indicator
Inner Stakeholders	Staff Training Expenditure/Revenue
	Staff Social Security Expenditure/Revenue
External Stakeholders	Donation/Revenue
	Pollution Control Expenditure/Revenue

close connection with officials (Faccio 2006). In a broad sense, political connection is when a company has a close connection with government actively or passively to pursue self-development. Recessive political connection based on entrepreneurs' social relationships is also included in political connection (Sun 2012). Considering the difficulty and inscrutability to measure recessive political connection, scholars mainly focus on the narrow sense. The following summarizes several measurement method of political connection depending on the background of each country.

(1) Dummy Variable Method. Foreign scholars think if the controlling shareholders, directors, or executives are comprised of senators and ministers or have a close connection with politicians, the company is seen as having political connection, which equals to 1. If not, political connection equals to 0 (Faccio 2006; Francis et al. 2009). Chinese scholars think if the executives (chairman and general manager; chairman or general manager; the board of directors and general manager; directors, supervisors, and executives) are or have been government officials, NPC delegates, CPPCC delegates, Party Congress delegates, et al., the company is seen as having political connection which equals to 1. If not, political connection equals to 0 (Li 2010; Wang & Wu 2008; Yu & Pan 2008).

(2) Political Level Valuation Method. To better measure the difference of political connection levels, some scholars give different levels numerical values, respectively. Political connection equals to 5 with national connection; equals to 4 with provincial connection; equals to 3 with municipal connection; equals to 2 with county-level connection; equals to 1 with township-level connection; and equals to 0 with no connection (Du et al. 2009; Wu 2014).

(3) Proportion Method. This method includes politically connected executives of total executives, national-connected executives of total executives, and local-connected executives of total executives (Boubakri 2008; Deng & Zeng 2009; Qiu & Xu 2015).

Table 5 Formula of CSR

Scholar	Formula
Gao & Zhou (2008)	(Dividend Paid in Cash + Interest Paid in Cash + Cash Paid to Employee and for Employee + Cash Paid to Customer + Cash Paid for Goods Purchased and Labor Services Received + Actual Tax Paid)/ Prime Operating Revenue
Zhang & Liang (2012)	(Dividend Paid in Cash + Interest Paid in Cash + Cash Paid to Employee and for Employee + Cash Paid to Customer + Cash Paid for Goods Purchased and Labor Services Received + Actual Tax Paid + Donation)/ Prime Operating Revenue
Cao & Yu [2013]	(Tax Payments—Tax Returns + Cash Paid to Employee and for Employee + Dividend Paid in Cash + Interest Paid in Cash + Notes Payable + Accounts Payable)/ Prime Operating Revenue

Table 6 Calculation of CSR and stakeholder-oriented responsibility

Item	Formula
Stockholder	Earnings per Share
	Net Asset Value per Share
Creditor	Interest Coverage Ratio
	Equity to Asset Ratio
Customer	COGSTS
	Sales Growth Rate in 3 Years
Supplier	Accounts Receivable Turnover
	Ratio of Cash and Accounts Payable
Employee	Wages and Welfare Ratio = Wages and Welfare /Net Profit
	Wages and Welfare Growth Rate
Government	Tax Ratio
	Tax Growth Rate in 3 Years
Weight	Stockholder's Weight = Stock Equity/ Total Asset + (Subject Equity/ Total Asset) * (Dividend /(Stockholder + Creditor + Customer + Supplier + Employee + Government))
	Creditor's Weight = Loans/ Total Asset + (Subject Equity/ Total Asset) * (Interests /(Stockholder + Creditor + Customer + Supplier + Employee + Government))
	Other Stakeholders' Weight = (Subject Equity/ Total Asset) * (Other Related Stakeholder's Expenditure /(Stockholder + Creditor + Customer + Supplier + Employee + Government))
CSR	$CSR = \sum_{n=1}^{6}(CSR_i * W_i)$
	(CSR_i is the indicator of stakeholder-oriented responsibility. W_i is stakeholder's weight)

Besides the above three methods, political donation expenditure method (Goldman 2006), Suharto dependent index (Fisman 2001), geographical factors analysis method (Faccio & Parsley 2009) are additional methods used by

Table 7 Calculation of CSR and stakeholder-oriented responsibility

Item	Formula
Stockholder	Dividend Paid in Cash/ Prime Operating Revenue
Creditor	Interest Expense/ Prime Operating Revenue
Employee	Cash Paid to Employee and for Employee / Prime Operating Revenue
Customer	R & D/ Prime Operating Revenue
Supplier	Cash Paid for Goods Purchased and Labor Services Received/ Prime Operating Revenue
Government	(Tax Payments—Tax Returns)/ Prime Operating Revenue
Community	(Donation + Sponsorship Fee)/ Prime Operating Revenue
Negative Contribution Rate	- (Amercent Outlay + Compensation Expenses + Overdue Fine)/ Prime Operating Revenue
CSR Performance	$CSR = \sum_{n=1}^{8}(CSR_i * W_i)$ (W$_i$ is the recognition level of stakeholders in different life-cycles.)

scholars. Political donation expenditure is the lobbying spending or political donation. Geographical factors mean that the hometown of Congress members is the same as corporate headquarters. However, these three methods' applicable range is limited.

Considering China's actual condition and the availability of data, this paper uses the dummy variable method and considers whether chairman of the board or general manager is or had been a government official, NPC delegates, CPPCC delegates, Party Congress delegates, then political connection equals to 1. If not, political connection equals to 0. In the robust test part, this paper uses political level valuation method.

Motivation of Corporate Social Responsibility

Motivations of companies' performance of CSR are complicated. To sum up, the motivations can be divided into internal motivation and external pressure.

(1) Internal Motivation. Swanson considers internal motivation includes positive-duty and utilitarian. Positive-duty means that the company is willing to perform social responsibility whether there exists external factor or not. Utilitarian means that the performance of CSR is to pursue self-performance goals (Swanson 1995). Scholars after Swanson are based on his results. Even though the name is different, the connotation is similar. For example, Li et al. (2010) distinguished between value-driven factor and performance-driven factor; (Sánchez 2006) pointed out altruistic motive and profit maximization motive; and Aguilera et al. (2007) used moral motive and instrumental motive. Agent theory is applied to motivation research and forms over-investment hypothesis (Barnea & Rubin 2010; Goel & Thakor 2008; Gompers 2003). Executives may over invest in social responsibility in order to build their own social reputation when they are in charge of companies' operation.

(2) External Pressure. Negative-duty is an explanation of external pressure given by Swanson, which means CSR is companies' passive response to external stakeholders (Swanson 1995). Stakeholder-driven theory (Li et al. (2010), political and institutional power motive (Sánchez 2000), relational motive (Aguilera 2007) are also mentioned by scholars.

The classification of internal motivation and external pressure is simple; however, there may exist some overlap, which is hard to distinguish. Godfrey (2005) used company strategic motives in CSR motivation analysis and combined utilitarianism with external pressure.

China's CSR motivation researchers mainly learn from foreign research results and use external and internal methods. Sun and Zhong divided the motivation factors into economic motivation (including value-added driven and agent problem) and non-economic motivation (including politically driven and morally driven). SOEs' CSR is mainly driven by agent problems, and private companies' CSR is mainly driven by value-added and political protection (Su 2011). Zhang (2013) proposed the structure of "Competition-Commitment-Compliance" based on Swanson's theory. Competition means that CSR performance is to satisfy companies' target of self-profits and overcoming the competition. Commitment is companies' or executives' contribution to society based on their philosophy. Compliance means companies execute social responsibility according to external pressure (Fig. 1).

This paper treats political connection's influence as the combination between internal utilitarian and external political pressure, which will be discussed in the next part in detail.

Political connection and Corporate Social Responsibility

Internal utilitarian

Based on resource effect of political connection, it is an important social capital. Companies can obtain required key resources through political connection, which is in accordance with utilitarianism.

Political connection's resource effect researches are comprehensive and in-depth from basic theory to empirical analysis. For fund-raising, political connection can help connected companies to obtain bank loans more

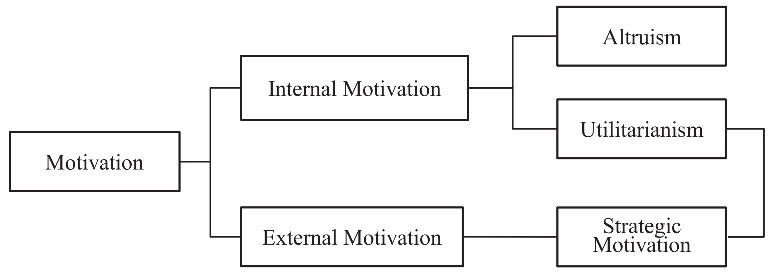

Fig. 1 CSR motivation

easily, especially long-term loans (Mian & Khwaja 2005). Connected companies can improve the ability of capital acquisition through a high corporate quality signal (Hu 2006). For government's support and protection, political connection allows for s more tax preference for connected companies, and they would remove barriers more easily and then improve competitiveness and values (Faccio 2006; Wang & Wu 2008; Luo & Huang 2008). When facing difficulty, politically connected companies may obtain more government assistance. Political connection can also be the alternative mechanism for imperfections in the economic and legal systems to protect companies' property from government damage (Sun 2005; Yu & Pan 2008).

External political pressure

According to social exchange theory, establishing, maintaining, and improving political connection require companies' investment to meet government's need. With government's increased attention on CSR, companies are pressed to perform social responsibility.

Aronson, Wilson and Akert (2005) considered that political connection is a recessive contract. Based on reciprocity and fairness principle of social exchange, companies should help government solve problems when they receive help from government. In the CSR field, government tries to maintain society's stability and development, and officials strive to increase their achievements. Therefore, they expect companies to bear relevant social responsibility through recessive contracts of political connection (Li 2010). To maintain and improve this recessive contract, a company may step forward to fill government needs and bear social responsibilities, which originally belonged to government (Zhang & Liang 2012). Thus, political connection has positive influence on companies' performance on social responsibility. In fact, the higher the political connection level, the better companies take responsibility (Yi & Xu 2014).

In terms of the relationship between political connection with donation, researches show that politically connected companies are more prone to accept government apportions and have a higher propensity to donate. Jia and Zhang analyzed companies' motivation to donate based on sample contributions after the 2008 Wenchuan earthquake. They proposed that maintaining and improving relationship with government is a main reason that causes companies to donate assets (Jia & Zhang 2010). Scholars also find that Chinese companies can build political connection through charity activities, and then get more loans, investing opportunities, etc. (Su & He 2009).

Political connection's influence on enterprises, however, is not always positive. Close connection with government will sometimes spur a decrease in stock value and sales growth when the government is faced with negative rumors such as a leader's health deterioration or death (Faccio & Parsley 2007; Fisman & Wang 2015). Some researchers found that compared with connected companies, non-connected companies demonstrate a better performance on sales returns and profit growth (Fan et al. 2007; Wang & Wu 2008). In the social responsibility field, some researchers pointed out that political connection may be a cause for companies' immoral activities because government is less stringent on regulation. Fan et al. (2007) found that Chinese politically connected companies will use *Guanxi* to bypass labor protection laws and regulations to decrease cost and increase profit. Dong and Luo found that party organization in private companies does not improve employees' wages from the perspective of the relationship between party and companies (Dong et al. 2014). Fisman's and Wang's research shows that the death rate of political connected companies is 2–3 times higher than non-connected companies, which is attributed to connected companies use of *Guanxi* to bypass government's safety checks and regulations and decreasing investments in employees' safe work environment and environmental protection (Fisman & Wang 2015).

Stakeholder saliency theory

Currently, researches on stakeholder theory can be divided into description analysis, instrumental analysis, and normative analysis. Description analysis mainly solves the question of who are companies' stakeholders. In this paper, we choose investors, customers, employees, government, and society as the stakeholders. Instrumental analysis discusses stakeholders' influence on business strategy and the stakeholder management strategy based on the analysis of the relationship between stakeholder management and traditional companies' targets. It also includes the research of stakeholders' analysis, which is the core of this paper. Normative analysis attempts to prove the rationality of stakeholder theory from an abstract perspective.

Instrumental researches consider that companies cannot satisfy all stakeholders' requirement and companies should prioritize stakeholders based on their relative importance and then meet their needs tactically. The concept of salience is formed as a result of managerial evaluations of stakeholders' priority levels when they deal with conflicting stakeholders' needs. In other words, salience is the ranking of stakeholders from a manager's perception (Mitchell et al. 1997). Salience is a comprehensive judgment of stakeholders' value and distinguishes important and unimportant stakeholders. The stakeholder salience research is based on Mitchell, Agle and Wood's achievement, which uses stakeholders' legitimacy, urgency and power to determine salience. Power means the ability and method of a stakeholder to affect company's decision. Legitimacy means a stakeholder's obligations given by laws, regulations and social duty. Urgency means a stakeholder's requirement or demand can be taken into account or solved by managers. Figure 2 shows the relationship among stakeholders' three characteristics.

Mitchell pointed out that if a stakeholder has at least one characteristic of the three, it can get the companies' attention. Scholars apply this theory into CSR, discuss the importance of different stakeholders for CSR, and then devise CSR strategy. Agle & Sonnenfeld (1999) found that CSR is directly related to stakeholders. In addition, increasing consumer's and government's importance will increase the performance level of social responsibilit. Maignan and Ralston (Maignan & Ralston 2002) found that consumers and community are the most important participants that push companies to partake in environmental social responsibility. For SMEs, the most important stakeholders are government (Williamson et al. 2006), competitors (Jenkins 2006) and consumers (Perrini et al. 2007).

In conclusion, companies can judge stakeholders' importance based on power, urgency and legitimacy. Furthermore, stakeholder salience is constantly changing without a fixed property. Stakeholders can use political power, the foundation of alliance, etc. to change their relationships to companies and change the perceptive salience (Mitchell et al. 1997). Take power for example. Power is a relative concept that needs to comprehensively compare stakeholder and companies' resource capability. From a static point of view, a stakeholder holds the key resources that a company needs to survive and develop. This forces a company's reliance on stakeholders, increasing stakeholder power. If this stakeholder's needs are not satisfied, he may use power to control the inflow of key resources and force the company to do as he wants. From the dynamic point of view, if the company finds substitute resources or its self-capacity is gradually strengthened, the dependency on stakeholder would decrease and the stakeholder's power would also decrease. Therefore, the relationship between company and stakeholders is interdependent, dynamic and unfixed (Svendsen & Laberge 2005). For private companies, the introduction of political connection will change managers' perception of stakeholders' relative importance and then influence companies' satisfaction of stakeholders' social responsibility requirement.

Hypothesis development

Political connection and Corporate Social Responsibility

Resource dependence theory holds that an organization is an open system and all resources that the organization's needs cannot be fulfilled internally; therefore, these needs must be met externally.. The more important, scarce and irreplaceable the required resources, the deeper dependence of the organization are on an external resource supplier (Pfeffer & Salancik 1978). China is at the critical stage of economic transformation process, and government controls key resources companies need for survival and development Therefore, the government becomes the most significant source of dependence for

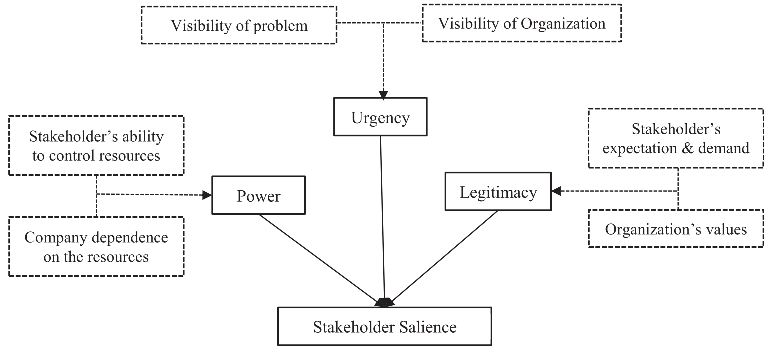

Fig. 2 Relational graph of stakeholder salience

companies. Compared with state-owned companies with close ties to the government and foreign-funded companies supported by government, private companies are treated unjustly in terms of laws and regulations. They are at a disadvantage because of this. To achieve sustainable survival and development, companies should build good relationships with local governments actively and positively. Based on this relationship, companies could get preferential policies, like financing, tax preference, etc. and survive in a fierce market competition. Most government policies are made by officials. They will cooperate with interest groups due to an interest demand and share the rent, which is called political rent creation. Sometimes government officials will use the method of promulgating bad policies to an interest group to exchange benefits, which is called political rent extraction (McChesney 1987). Based on this theory, politically connected companies should pay for this relationship to meet government's needs when they accept preferential policies from the government. With economic development, government is paying more attention to companies' performance of social responsibility and issued relevant laws and regulations to address this. Faced with government's expectation, private companies will implement social responsibility to meet expectations. Hence, this paper makes the first hypothesis.

H1: Private companies' political connection has a positive influence on corporate social responsibility.

Political connection and stakeholder-oriented responsibility

CSR is critical for companies' production and development and is the foundation of sustainable development. Only performing social responsibility and coordinating stakeholders' relations can companies realize gradual improvement and strategic targets. However, due to enterprises' limited resources, companies cannot satisfy all stakeholders' needs. Donaldson and Perston (Donaldson & Preston 1995) consider that not all stakeholders' requirements are reasonable. Therefore, companies should balance different stakeholders' requirements. According to stakeholder salience theory, companies and managers can justify different stakeholders' importance to them based on stakeholders' characteristics of legitimacy, urgency and power. Stakeholder salience is constantly changing without fixed properties. Stakeholders can use political power, and the foundation of alliance to change their image to companies and then change the perceptive salience (Mitchell et al. 1997). Therefore, the introduction of political connection will change managers' perception of stakeholders' relative importance and then influence companies' satisfaction to stakeholders' social responsibility requirement.

The following will discuss the detail relationship between political connection and stakeholder-oriented responsibility and make the second hypothesis.

Society orientation

Companies' society-oriented responsibility use donations as the principal thing, which is defined as funds or goods that are voluntarily provided for free to government or related organizations by companies (Financial Accounting Standards 1993). However, the reality of practice and definition is very different. Companies' beneficence is a purposive behavior to a large extent, which is called strategic philanthropy. Government has the function to maintain social stability, like helping refugees and vulnerable groups, which needs massive government spending and puts great pressure on public finances. Therefore, government needs to find a supplementary resource to remedy the lack of related investment. For politically connected companies, they would be willing to be the input-completer in order to improve government credibility, maintain the existing relationship with government and then get more key resources from the government. According to agency cost theory, managers need to obtain approval of the public and government, if they want to become an official. Carroll's Pyramid of CSR thinks that philanthropic responsibility is at the top of the pyramid, which can more easily get approval and is the important channel for managers to build and maintain political connection (Ma & Parish 2006). Hence, this paper makes hypothesis 2a.

H2a: Private companies' political connection has a positive influence on companies' contribution to society-oriented responsibility.

Investor orientation

As companies' main capital sponsor, investors are most concerned whether their capital will receive a corresponding return. Therefore, company's responsibility to investors is to create more profits, guarantee investors' capital safety, and pay dividends or interests on time. Political connection as an important social capital can improve companies' ability to obtain capital to reduce entry barriers, and then help to improve competitiveness and values (Hu 2006; Faccio et al. 2006; Wang & Wu 2008). At the same time, political connection can strengthen controlling shareholders' dominance of the board of directors, restrain executives' opportunism behavior effectively, decrease the companies' overinvestment, and improve the efficiency of investment; thus, laying the foundation for attaining investment earnings (Chen & Zhu 2009). When facing difficulty, politically connected companies may obtain more assistance from the government, which protects capital safety to some degrees (Sun et al. 2005; Yu & Pan 2008). Hence, this paper makes hypothesis 2b.

H2b: Private companies' political connection has a positive influence on companies' contribution to investor-oriented responsibility.

Customer orientation

From private companies' development history, one of the important reasons that they can compete with SOEs and foreign-funded enterprises without government support and become a new source of China's economic growth is to maintain a consumer service orientation. Companies' responsibility to consumers is a voluntary social responsibility. This can be communicated to the public with superior performance and a good social reputation, and then form competition superiority, which can also be a good way to build and maintain political connection. In recent years, product safety incidents have caught the attention of the government and consumers. Connected companies will be harmed more if they are linked to these safety concerns. Higher market share and better ability to enter barriers and obtain projects make politically connected companies invest more on consumers. Hence, this paper makes hypothesis 2c.

H2c: Private companies' political connection has a positive influence on companies' contribution to customer-oriented responsibility.

Government orientation

Companies' contribution to government-oriented responsibility can be measured by the actual tax burden. According to political cost hypothesis, government would implement stronger regulation on larger-scale enterprises and make them bear a higher tax burden (Zimmerman 1983). For politically connected companies, they always have a larger assets scale and draw higher attention from the media, government, and tax department than non-connected companies, which makes connected companies' tax position consistent with political cost hypothesis. However, according to political power hypothesis, larger-scale enterprises can obtain more resources and have a higher ability of revenue sharing and affect government's formulation of tax policy, which can help decrease companies' tax burden. Political connection can have the same influence as companies' scale to decrease the effective tax rate (Feng 2012). This paper agrees with political power hypothesis. According to China's reality of relation-based society, tax laws and regulations have a strong policy-based characteristic and government has a strong ability to determine companies' payable taxes and tax preference, which makes officials' power to create rent. Politically connected companies will use their political resources to build a favorable tax environment. Hence, this paper makes hypothesis 2d.

H2d: Private companies' political connection has a negative influence on companies' contribution to government-oriented responsibility.

Employee orientation

Companies' contribution to employee-oriented responsibility states that companies should provide competitive wages and good benefits, ensure employees' safety, and provide abundant opportunities for employees' growth and development. However, some researchers found that political connection will cause companies' moral cost. Politically connected companies will use *Guanxi* to bypass labor protection laws and regulations to decrease cost and increase profit (Fan et al. 2007), which may cause a higher death rate than non-connected companies (Fisman & Wang 2015). In recent years, labors' income compared to the national income has decreased. China's labor market is in buyer's monopoly situation and dispersive labors are in a weak position when negotiating with employers, which makes companies' tendency to reduce the investment in employees. For connected companies, political connection makes them have more channels to get resources and then decrease their attention on employees. Meanwhile, behavior of rent contribution may decrease the investment to employees. Hence, this paper makes hypothesis 2e.

H2e: Private companies' political connection has a negative influence on companies' contribution to employee-oriented responsibility.

Method

Data sources

In 2008, the Guidelines for Central Enterprises to Fulfill Social Responsibilities issued by SASAC and the Announcement about Strengthening Listed Companies' Performance of Social Responsibility issued by the Shanghai Stock Exchange symbolized a new stage in Chinese CSR. Therefore, this paper uses the year of 2008 as a starting-point and chooses A-share listed private companies during 2008-2014 as original samples to make the empirical test.

Executives' background materials are from Private Listed Companies' Database in CSMAR and political connection data is manually collected through these executives' resumes. Data of the institutional environment is from China's Marketization Index (2015) published by Fan and Wang. Data to calculate CSR are from the annual reports. Other financial data are from Wind.

This paper screens out some unsuitable samples based upon the following principles. (1) All financial companies including bank, securities, insurance, etc. are excluded because their substantial difference with non-financial companies. (2) Samples are excluded when executives' information is not clear, main operation income is vanishing, total assets are zero, or owner's equity is negative. (3) Listed companies that are specially treated as ST and *ST are excluded. (4) In order to avoid IPO effect, sample firms listed in and after 2008 are excluded. Lastly, this empirical research has 2590 samples of 370 listed private companies in 7 years.

According to Industry Classification Benchmark published by the China Securities Regulatory Commission in 2002, the sample companies' industrial distribution is shown in Table 8, and companies in the manufacturing industry, real estate industry and wholesale and retail trade industry occupy the first three positions.

Table 8 Industry distribution of sample companies

Industry	Number	Proportion
Mining Industry	10	2.70 %
Electricity, Heat, Gas and Water Production and Supply Industry	3	0.81 %
Real Estate	34	9.19 %
Construction Industry	11	2.97 %
Scientific Research and Technological Services	2	0.54 %
Agriculture, Forestry, Husbandry and Fishery	7	1.89 %
Wholesale and Retail Trade	31	8.38 %
Water Resources, Environment and Public Facilities Management	1	0.27 %
Health and Social Work	1	0.27 %
Culture, Sports and Entertainment	3	0.81 %
Information Transmission, Software and Information Technology Services	16	4.32 %
Industry	240	64.86 %
Hotels and Catering Services	1	0.27 %
Comprehensive Industry	6	1.62 %
Renting and Commercial Services	4	1.08 %

Dependent variables: CSR

In the literature review part, we have summarized different methods to calculate CSR. Based on existing results and figures' quantity and availability, this paper chose content analysis method to measure companies' contribution to investor, consumer, employee, government and society's required responsibility from companies' expenses perspective.

Society orientation

Companies' responsibility to society mainly means whether companies contribute their benefits to society during daily production and management. Therefore, this index selects the donation, sponsorship fee, environmental expenditure, etc. in non-business expenditure part of the annual report. The ratio of these figures' sum to prime operating revenue is a measure of companies' fulfilled degree to society. The higher the ratio, the better the companies' society-oriented performance.

$$\textbf{Society Orientation} = \begin{pmatrix} \textbf{Donation} + \textbf{Sponsorship Fee} \\ + \textbf{Funds} + \textbf{Environmental Expenditure} \end{pmatrix} * \textbf{10000} / \textbf{Prime Operating revenue}$$

Companies' responsibility to employees includes providing competitive wages and good benefits, ensuring employees' safety, and providing abundant opportunities for employees' growth and development. This paper chooses cash paid to employee and for employee and calculates the ratio of this index to prime operating revenue as the measurable indicator of companies' fulfilled degree to employee. The higher the ratio, the better the companies' employee-oriented performance.

$$\textbf{Employee Orientation} = \textbf{Cash Paid to Employee and for Employee} / \textbf{Prime Operating Revenue}$$

Investor orientation

Company's responsibility to investors is to create more profits, guarantee investors' capital safety, and pay dividends or interests on time. This paper chooses cash paid as dividend and interest and calculate the ratio of this index to prime operating revenue as the measurable indicator of companies' fulfilled degree to investor. The higher the ratio, the better the companies' investor-oriented performance.

$$\textbf{Investor Orientation} = \textbf{Dividend and Interest Paid in Cash} / \textbf{Prime Operating Revenue}$$

Customer orientation

Companies should perform their responsibility to consumers, which includes the rational investment in R&D, production, sales and after-sales, etc. according to consumers' requirement in the daily production activity. Based on past researches, companies' investment in consumer-oriented responsibility can be measured by prime operating cost, the ratio of this to prime operating revenue can be used as the measurable indicator of companies' fulfilled degree to consumer. The higher the ratio, the better the companies' consumer-oriented performance.

$$\textbf{Customer Orientation} = \textbf{Prime Operating Cost} / \textbf{Prime Operating Revenue}$$

Government orientation

Companies should perform their responsibility to government, which contains the compliance of laws and regulations, and the payment of taxes on time. This paper chooses actual paid taxes and the ratio of this index to prime operating revenue as the measurable indicator of companies' fulfilled degree in government. The higher the ratio, the better the companies' government-oriented performance.

$$\textbf{Government Orientation} = \textbf{Actual Paid Taxes} / \textbf{Prime Operating Revenue}$$

Aggregative indicator of CSR

As the whole CSR is not this paper's research focus, so I chose the measurement method based on government's formula, which neglect the proportion of each stakeholder. The formula I chose is the social contribution rate given by China's Ministry of Finance in 1995.

$$\textbf{Social Contribution Rate} = \textbf{Amount of Social Contribution} / \textbf{Average Total Asset}$$

Many scholars use and improve this above formula. As aforementioned, Cheng (1995) used the sales income instead of total average assets to make it more fit for companies' social achievements. Chen and Ma (2005) used the data based on cash system of accounting instead of the numerator based on accrual basis to make the formula attract more users' attention. Based on these scholars, we can get the following CSR measuring formula.

$$\textbf{CSR Index} = \begin{pmatrix} \textbf{Donation} + \textbf{Sponsorship Fee} + \textbf{Funds} \\ + \textbf{Environmental Expenditure} \\ + \textbf{Cash Paid to Employee and for Employee} \\ + \textbf{Dividend and Interest Paid in Cash} \\ + \textbf{Prime Operating Cost} + \textbf{Actual Paid Taxes} \end{pmatrix} / \textbf{Prime Operating Revenue}$$

Independent variables: political connection

In literature review part, we have summarized diverse methods to measure political connection. Combined with China's national condition and the availability of data, this paper uses dummy variable method and considers that if chairman of the board or general manager is or was government official, NPC delegates, CPPCC delegates, Party Congress delegates, et al., political connection equals to 1. If not, political connection equals to 0.

Control variables

Combining existing researches, this paper chooses company scale, financial efficiency, duality, company growth and fixed asset ratio, and also controls for year and industry's effect.

Company scale has an important influence on CSR. Gainet (Gainet 2011) found that in the European market company scale has a positive effect on CSR. However, Deng & Dart (1999) held that middle- and small-sized enterprises would be more inclined to respond stakeholders' needs quickly to get more developing opportunities because they received fewer resources than large enterprises . As a result, SMEs would invest more in CSR. This paper will use the logarithm of total assets to measure company scale. Many researchers consider that financial efficiency has a close relationship with CSR (Helwege et al. 2007). This paper uses return on assets (ROA) to measure financial efficiency. President's responsibility is to organize and supervise the companies' operation and production. General Manager's responsibility is to take charge of the specific operation and production. Researches show that duality would make the companies lack a balance mechanism that executives could make use of decision behavior to grab individual interests and potentially harm other stakeholders' interests (Wang et al. 2015). To measure duality, this paper uses the dummy variable method. If there exists a duality situation, it equals to 1. If not, it equals to 0. From the growth perspective, companies would make different choices in investing and distributing profits in different development periods. For example, companies in growth period prefer to choose investing instead of sharing profits. This paper chooses revenue growth rate to measure company growth. From a fixed asset ratio perspective, the higher index means that companies invest more on fixed asset and then reduce companies' cash flow and influence their CSR investment.

The following Table 9 summarizes all variables.

Model design

To test the two hypotheses, this paper uses the following regression models. To solve endogenous of political connection, company scale, financial efficiency and CSR, I use the first-lagged method (Lin et al. 2014).

H1:

$$\begin{aligned} CSR = {} & \alpha_0 + \alpha_1 POLC_{t-1} + \alpha_2 SIZE_{t-1} + \alpha_3 ROA_{t-1} \\ & + \alpha_4 DUAL + \alpha_5 GROW + \alpha_6 FIX + \alpha_7 YEAR \\ & + \alpha_8 IND \end{aligned}$$

H2:

$$\begin{aligned} & SOCO/GOVO/INVO/EMPO/CUSO \\ & = \alpha_0 + \alpha_1 POLC_{t-1} + \alpha_2 SIZE_{t-1} + \alpha_3 ROA_{t-1} \\ & \quad + \alpha_4 DUAL + \alpha_5 GROW + \alpha_6 FIX \\ & \quad + {}_{\alpha 7} YEAR + \alpha_8 IND \end{aligned}$$

Empirical analysis

Descriptive statistics

Table 10 lists samples' political connection information. For overall samples, the non-political connected samples are dominant and political connected samples only occupy 26.06 % of the total. However, as time goes by, the number of political connected samples continues to rise.

Table 9 Definition and explanation of variables

Type	Name	Code	Description
Dependent Variables	CSR	CSR	(Donation + Sponsorship Fee + Funds + Environmental Expenditure + Cash Paid to Employee and for Employee + Dividend and Interest Paid in Cash + Prime Operating Cost + Actual Paid Taxes) / Prime Operating Revenue
	Society Orientation	SOCO	(Donation + Sponsorship Fee + Funds + Environmental Expenditure)*10,000 / Prime Operating Revenue
	Employee Orientation	EMPO	Cash Paid to Employee and for Employee / Prime Operating Revenue
	Investor Orientation	INVO	Dividend and Interest Paid in Cash / Prime Operating Revenue
	Customer Orientation	CUSO	Prime Operating Cost/ Prime Operating Revenue
	Government Orientation	GOVO	Actual Paid Taxes/ Prime Operating Revenue
Independent Variables	Political Connection	POLC	If chairman of the board or general manager is or had been government official, NPC delegates, CPPCC delegates, Party Congress delegates, et al., POLC equals to 1. If not, POLC equals to 0.
Control Variables	Company Scale	SIZE	Log (Total Asset)
	Financial Efficiency	ROA	ROA
	Duality	DUAL	If the general manager and chairman is one person, DUAL equals to 1. If not, Dual equals to 0.
	Company Growth	GROW	The growth rate of main operation income
	Fixed Asset Ratio	FIX	Fix Asset/ Total Asset
	Year	YEAR	7 year, Dummy Variable
	Industry	IND	15 industries, according to CSRC's industry classification standard (2012)

From whole set, the mean of CSR is 1.001, the minimum value is 0.396 and the maximum value is 3.816. According to the five core stakeholders we chose, companies invest the most in customer orientation, which is higher than the other four stakeholders' orientation. When divided into connected and non-connected samples, through comparing the average, we can see that connected samples' CSR performance is better than non-connected samples'. A similar situation is found in samples' investment in society, investor, and customer's responsibility. For the investment to employee and government, non-connected samples' performance is better than connected samples'. Based on descriptive statistics, the results are consistent with H1 and H2 (Table 11).

Table 10 Descriptive statistics of samples by year

Year	Non-political Connection		Political Connection	
2008	277	74.86 %	93	25.14 %
2009	277	74.86 %	93	25.14 %
2010	273	73.78 %	97	26.22 %
2011	273	73.78 %	97	26.22 %
2012	272	73.51 %	98	26.49 %
2013	272	73.51 %	98	26.49 %
2014	271	73.24 %	99	26.76 %
Total	1915	73.94 %	675	26.06 %

For control variables, connected companies' company scale and financial efficiency are higher than non-connected companies'. The opposite situation exists for fixed asset ratio and companies' growth rate (Table 12).

Correlation analysis

To avoid multicollinearity problem, this paper uses Pearson two-tailed test to test the correlation among different variables.

For dependent variables, they are correlated at 1 % significance level and the coefficients are relatively high; however, they are not higher than 50 %. For other variables, most of them are correlated at 10 % or under the significance level and the coefficients are relatively low, the highest of which is 13 % (Table 13).

Regression analysis on political connection and CSR

Based on the characteristics of samples, this paper chose pooled least squares method because the period of time is relatively short, just 7 years, and the independent variable, political connection, and range ability is relatively small. Meanwhile, in the test, there exists heteroskedasticity and this paper will use robust method to solve heteroskedasticity and later will announce robust standard error.

Regression results for H1 and H2 are shown below.

From Table 14, for CSR connected private companies' performance is better than non-connected private companies' at 1 % significance level and H1 is supported. From control variables, company scale and duality do not

Table 11 Descriptive statistics of the dependent variables

	Samples				Political Connection				Non-political Connection			
	Mean	SD	MIN	MAX	Mean	SD	MIN	MAX	Mean	SD	MIN	MAX
CSR	1.001	0.433	0.396	3.816	1.061	0.457	0.396	3.816	0.980	0.423	0.396	3.816
SOCO	6.597	12.714	0.000	81.619	8.515	15.174	0.000	81.619	5.845	11.528	0.000	81.619
EMPO	0.111	0.095	0.006	0.540	0.094	0.082	0.006	0.540	0.117	0.099	0.006	0.540
INVO	0.054	0.062	0.000	0.410	0.060	0.069	0.000	0.410	0.052	0.059	0.000	0.410
CUSO	0.733	0.178	0.165	1.065	0.744	0.169	0.165	1.065	0.729	0.180	0.165	1.065
GOVO	0.071	0.081	−0.047	0.563	0.070	0.089	−0.047	0.563	0.071	0.078	−0.047	0.563

significantly influence CSR. Financial efficiency, company growth rate, and fixed asset ratio are negatively related to CSR at 1 % significance level. High return on assets and company growth rate mean that companies can make good use of assets and make high profit to receive rapid growth. To maintain and improve the current level, companies will invest more money on the daily operation or investing opportunities. The high fixed asset ratio means that companies invest more on fixed asset and then reduce companies' cash flow and impact their CSR investment.

For society-oriented responsibility, connected companies' contribution is higher than non-connected private companies' at 1 % significance level. H2a is supported in that private companies' political connection has a positive influence on companies' contribution to society-oriented responsibility. As control variables, company scale, duality, and company growth rate do not have significant influence, which is partially true because companies have not formed long-term strategic charity plan and most contribute to emergencies with great influence (Wang 2013). From a descriptive statistics part, we can see that companies' performance of society orientation is highest in 2008. Furthermore, private companies' philanthropic responsibility is closely related to entrepreneurs' self-value and experience. The above two reasons can also be used to explain the relatively low R2.

For investor-oriented responsibility, political connection's coefficient is 0.0017 and not significant, which means political connection does not have significant influence and H2b is unsupported. So there is no significant relationship between political connection and investor-oriented responsibility.

For customer-oriented responsibility, connected companies' contribution is higher than non-connected private companies' at 10 % significance level. H2c is supported in that private companies' political connection has a positive influence on companies' contribution to customer-oriented responsibility.

For government-oriented responsibility, connected companies' contribution is lower than non-connected private companies' at 10 % significance level. H2d is supported in that private companies' political connection has a negative influence on companies' contribution to government-oriented responsibility. This result supports the political power hypothesis.

For employee-oriented responsibility, connected companies' contribution is lower than non-connected private companies' at 1 % significance level. H2e is supported in that private companies' political connection has a negative influence on companies' contribution to employee-oriented responsibility, which supports that political connection will cause companies' moral cost.

Regression results on political connection and CSR

From Table 15, political connection has a positive influence on CSR. However, when CSR is divided by stakeholders, politically connected companies' performance is not better than non-political connected companies' in any aspect. Companies will judge differently to satisfy stakeholders' requirement according to their perception of stakeholders' importance (Table 16).

Table 12 Descriptive statistics of the control variables

	Sample				Political Connection				Non-political Connection			
	MEAN	SD	MIN	MAX	MEAN	SD	MIN	MAX	MEAN	SD	MIN	MAX
SIZE	21.494	1.168	18.474	24.586	21.734	1.172	18.474	24.586	21.410	1.155	18.474	24.586
ROA	0.065	0.069	−0.161	0.338	0.069	0.064	−0.161	0.338	0.064	0.070	−0.161	0.338
DUAL	0.229	0.420	0.000	1.000	0.187	0.390	0.000	1.000	0.244	0.429	0.000	1.000
FIX	0.221	0.154	0.001	0.654	0.213	0.154	0.001	0.654	0.224	0.154	0.001	0.654
GROW	0.244	0.938	−0.796	7.766	0.241	0.937	−0.796	7.766	0.244	0.939	−0.796	7.766

Table 13 Correlation analysis

	CSR	SOCR	CUSO	EMPO	GOVO	INVO	POLC	INS	SIZE	ROA	DUAL	FIX	GROW
CSR	1												
SOCR	0.137***	1											
CUSO	0.130***	−0.216***	1										
EMPO	0.192***	0.080***	−0.282***	1									
GOVO	0.414***	0.282***	−0.441***	0.230***	1								
INVO	0.424***	0.166***	−0.208***	0.126***	0.449***	1							
POLC	0.067***	0.100***	0.037*	−0.119***	−0.010	0.045**	1						
INS	−0.015	−0.042*	0.043**	−0.040**	−0.102***	−0.058***	−0.010	1					
SIZE	0.045**	0.003	0.083***	−0.293***	0.044**	0.278***	0.124***	0.062***	1				
ROA	−0.079***	0.082***	−0.299***	−0.024	0.117***	0.019	0.033	0.063***	0.109***	1			
DUAL	0.008	−0.004	−0.019	0.081***	−0.010	−0.031	−0.062***	0.061***	−0.122***	−0.001	1		
FIX	−0.271***	−0.089***	0.176***	−0.026	−0.269***	−0.176***	−0.033***	−0.079***	−0.058***	−0.112***	0.025	1	
GROW	−0.048**	−0.010	−0.078***	−0.110***	−0.020	−0.089***	0.006	−0.014	−0.130***	−0.041**	0.007	−0.076***	1

***$P < 0.01$
**$P < 0.05$
*$P < 0.1$

Based on stakeholder salience theory, companies can determine the salience through stakeholders' legitimacy, urgency, and power.

For politically connected companies, after their connection with the government, government's salience increases. From power's perspective, connected companies' dependence on key resources controlled by government increases and then the relative power also increases. From urgency's perspective, government influences companies and make its requirements and problems seen easily by companies and government can also use key resources to threaten companies to increase authority. For government, it does not only ask companies to pay taxes on time, but also needs them to help solve problems, which cannot

Table 14 Regression results of H1 and H2

	CSR	SOCO	INVO	CUSO	GOVO	EMPO
Hypotheses	H1	H2a	H2b	H2c	H2d	H2e
POLC	0.058***	2.366***	0.002	0.014*	−0.006*	−0.014***
	(0.019)	(0.665)	(0.002)	(0.007)	(0.003)	(0.003)
SIZE	−0.0120	−0.459	0.011***	0.012***	−0.002	−0.025***
	(0.012)	(0.288)	(0.001)	(0.003)	(0.001)	(0.002)
ROA	−0.567***	14.217***	−0.000	−0.757***	0.139***	−0.023
	(0.212)	(4.425)	(0.021)	(0.072)	(0.031)	(0.038)
DUAL	0.036	0.044	0.001	0.004	−0.002	0.002
	(0.023)	(0.613)	(0.003)	(0.008)	(0.004)	(0.004)
GROW	−0.039**	−0.348	−0.006***	−0.013**	−0.005**	−0.015***
	(0.016)	(0.413)	(0.001)	(0.005)	(0.002)	(0.002)
FIX	−0.560***	−6.131***	−0.033***	0.111***	−0.087***	−0.003
	(0.071)	(2.062)	(0.009)	(0.024)	(0.013)	(0.014)
YEAR	Yes	Yes	Yes	Yes	Yes	Yes
IND	Yes	Yes	Yes	Yes	Yes	Yes
R^2	17.85 %	7.29 %	25.97 %	27.36 %	24.57 %	26.43 %
Observation	2180	1790	2180	2180	2180	2180

() Robust standard error
***$P < 0.01$
**$P < 0.05$
*$P < 0.1$

Table 15 Test result of H1 and H2

Hypotheses	Dependent Variable	Content	Regression Result
H1	CSR	PC > NPC	PC > NPC(***)
H2a	SOCO	PC > NPC	PC > NPC(***)
H2b	INVO	PC > NPC	PC > NPC
H2c	CUSO	PC > NPC	PC > NPC(*)
H2d	GOVO	PC < NPC	PC < NPC(*)
H2e	EMPO	PC < NPC	PC < NPC(***)

PC Political Connection, *NPC* Non-political Connection
***$P < 0.01$
**$P < 0.05$
*$P < 0.1$

be totally solved by government and these problems mainly consist of society-oriented problems (Xin 2008). Carroll's Pyramid of CSR thinks that philanthropic responsibility is at the top of the pyramid, which can more easily get approval and is the important channel for managers to build and maintain political connection (Ma & Parish 2006). Politically connected companies can use philanthropic investment to get more developing opportunities and tax preference from government in return. Therefore, compared with non-connected companies, connected companies will contribute more on society-oriented responsibility and less on government-oriented responsibility because of political power effect.

Employees, especially the talented, are essential to government's survival and development. They are the main producer and producer of products and service. The creativity and initiative of employees directly affected companies' level of competitiveness. They can use their resources to pressure companies to address their urgent requirements (Wang & Zhang 2003). However, when a company builds a connection with the government, its selectable channels to obtain resources increase and employees' relative salience decreases because the relative power decreases and its urgency also decreases as employees' requirement is less visible by the company and managers. However, for unconnected companies, in order to survive and develop, it must broaden its appeal to talents and build core teams with higher skills, which means increasing the investment in employee and employee's salience to these unconnected companies.

For investors, as companies' direct capital supplier, they have a close connection with companies and have an important influence on companies' decision-making. They can use their capital to threaten companies and protect self-interests. For customers, as the direct creation of companies' profit, private companies keep customer service orientation and pay close attention to customers to compete with SOEs and foreign-funded enterprises without government support. When introducing political factors, connected companies will get more customer and media's attention. Their behavior of harming customers' benefit will be enlarged. Therefore, customers have more power and ability to affect companies,

Table 16 Robust Regression Result of H1 and H2

	CSR	SOCO	INVO	CUSO	GOVO	EMPO
Hypotheses	H1	H2a	H2b	H2c	H2d	H2e
POLC	0.017***	0.434***	0.001	0.005***	−0.002**	−0.004***
	(0.004)	(0.158)	(0.001)	(0.001)	(0.000)	(0.000)
SIZE	−0.013	−0.467	0.011**	0.011***	−0.002	−0.025***
	(0.011)	(0.291)	(0.001)	(0.003)	(0.001)	(0.002)
ROA	−0.570***	14.295***	−0.001	−0.757***	0.139***	−0.022
	(0.212)	(4.418)	(0.021)	(0.072)	(0.031)	(0.038)
DUAL	0.036	0.021	0.000	0.004	−0.002	0.002
	(0.022)	(0.617)	(0.002)	(0.008)	(0.003)	(0.004)
GROW	−0.039**	−0.339	−0.006***	−0.013**	−0.005**	−0.015***
	(0.016)	(0.415)	(0.001)	(0.005)	(0.002)	(0.002)
FIX	−0.564***	−6.326***	−0.033***	0.110***	−0.087***	−0.001
	(0.070)	(2.069)	(0.009)	(0.024)	(0.013)	(0.014)
YEAR	Yes	Yes	Yes	Yes	Yes	Yes
IND	Yes	Yes	Yes	Yes	Yes	Yes
R^2	17.94 %	6.86 %	26.00 %	27.44 %	24.67 %	26.44 %
Observation	2180	1790	2180	2180	2180	2180

() Robust standard error
***$P < 0.01$
**$P < 0.05$
*$P < 0.1$

which increase their salience. In sum, politically connected companies' performance to customers is better than non-politically connected companies.

Robust test

To test the results' robustness, this paper changes the measurement of political connection. For political connection, this part makes use of the valuation method by giving the different levels numerical values. Political connection equals to 5 with national connection; equals to 4 with provincial connection; equals to 3 with municipal connection; equals to 2 with county-level connection; equals to 1 with township-level connection; and equals to 0 with no connection (Du et al. 2009; Wu et al. 2014).

For H1 and H2, besides the significance level of political connection's coefficients, customer orientation and government orientation increase, the other political connection's coefficients' sign and significance level do not change. From the regression results, when a company has a higher political connection level, it would contribution more to CSR and society-oriented and customer-oriented responsibility, and less on employee-oriented and government-oriented responsibility.

From above analysis, this paper's regression model and results are robust.

Conclusion

This paper uses non-financial A-share listed private companies from 2008 to 2014 as samples and analyzes the influence of political connection on CSR under different stakeholder orientation. The paper finds that political connection has a positive influence on private companies' CSR (H1). However, if we divide the companies' social responsibility by diverse stakeholders, we find that H1 is valid for some certain stakeholder-oriented responsibility, but for some other stakeholder-oriented responsibility,H1 is not valid. The above results partially support H2: political connected and non-political connected companies will choose and satisfy a certain stakeholder preferentially according to the importance of stakeholders. The companies with political connection are significantly better than the ones without political connection at society-oriented and customers-oriented responsibility. The two kinds of companies have no significant difference at investors-oriented responsibility. As for government-oriented and employee-oriented responsibility, the companies with political connection are worse than the ones without political connection. There are two reasons from the perspective of the dynamic stakeholder salience.

China is still facing many institutional environmental problems, which have a far-reaching influence on private companies. Private companies have faced unfair treatment for a long time and have no chance but to build political connections with government. It is more important for government to build a fair competitive environment and a sound legal system environment for private companies and guide them to establish a systematical social responsibility strategy. Specifically, improving the institutional environment and giving more attention to the relationship between the Chinese government and enterprises are necessary for an economic reform. Then, the government should guide private companies to establish social responsibility strategy, improve labors protection system and bargaining power, which help to crack down the "moral cost" issue caused by political connections. For companies, during the performance of corporate social responsibility, companies should distinguish the core stakeholders according to their own characteristics. Companies should know which stakeholder is most important and establish viable relationships to promote sustainable development.

Both CSR and stakeholders' theories are complicated academic theories. Researchers have different views. This paper inevitably has some limitations, reflected in the following several points. Firstly, this paper's design indicators for CSR are from a financial perspective. However, financial statements are disclosed by companies independently, which only reflects its operating and financial results. Consequently, it may be not comprehensive and objective enough to measure the performance of social responsibility. Secondly, this paper only considers political connections disclosed in executives' resume and neglects recessive political connections. Although this paper values and studies different levels of political connections, it does not distinguish government-type officials and delegate-type officials and then study the influence of different types of officials on the performance of corporate social responsibility.

Based on the above problems, further research can focus on the following points.

(1) Establish more comprehensive and objective indicators to measure the performance of corporate and stakeholders' social responsibility.
(2) Distinguish different types of political connections and discuss the influence of government-type political connections and delegate-type political connections on the performance of fulfilling stakeholders-oriented responsibility.
(3) The degree of importance of different stakeholders perceived by companies and the difference for companies to meet stakeholders' demand at various levels are reflected in corporate operating performance. Operating performance can be added in future research. Further research can test whether corporate choice's change brought by political connections will improve corporate performance, a more realistic significance.

Competing interests
The authors declare that they have no competing interests.

Authors' contributions
HH suggested the concept and designed the framework for the paper while also performing the theoretical research. ZZ worked on the sample by collecting the data and conducting the empirical analysis. Both authors read and approved the final manuscript.

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Communicating Corporate Social Responsibility in the post mandate period: Evidence from India

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Abstract

The concept of Corporate Social Responsibility (CSR) underwent a overhaul in India for certain large, stable companies post the passing of the Companies Act, 2013. It transited from being a voluntary, sporadic exercise to mandated, objective, structured, transparent and accountable compliance - not only to the Government, but also to the other stakeholders and most importantly, to the Companies themselves. As a result, Corporate Communication on CSR became extremely relevant. Moreover, study of mandated CSR (here, under the Section 135 and Schedule VII of the Companies Act, 2013) also became a new area for knowledge creation. Although, much research has been done in the past to assess the relationship of CSR Communication with CSR and study the relationship of CSR with regards to Firm Performance, yet, this investigation remains the first empirical study done in the post-mandate period between the years 2015–2017, barely two years since the Act came into existence.

Keywords: India CSR, Corporate social responsibility, CSR communication, Mandated CSR, Section 135, Schedule VII, India, Empirical study, CSR mediator, Firm performance, Emerging economies, Intangible benefits, Reputation, Image

Introduction

CSR communication has gained a momentum in India in recent times (2014 onwards), not only because the firms feel strongly to communicate their CSR efforts, but also, because it is mandated by the Section 135 of the Companies Act, 2013 (Appendix 1) that requires the Board of the stipulated Companies to: "after taking in account the recommendations made by the CSR Committee, approve the CSR policy for the Company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed." This act of including CSR Communication within the statute has made it not only more relevant, but also more serious. However, this "process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to the society at large" (Gray et al. 1996; Wang 2013) is not new.

Different scholars at different times have recognised different philosophies of various Companies for communicating their CSR efforts. Kotler and Lee 2005 observe that while some recommend "don't be shy," others have a company policy to " let others do the talking." Whatever be the philosophy, a CSR Communication plan can minimize 'company anxiety' regarding CSR communications as over-promising or declarations of rightness and good intentions that could cause mistrust of consumers and stakeholders creating the opposite effects from those expected (Das Gupta 2012). Yet, any discussion on CSR or its Communication will remain incomplete unless it's effect on the firm performance is gauzed. After all, the purpose of any business is to maximise profit.

Literature review

The concept of CSR has had a long and diverse history in extant literature. Murphy (1978) classified four broad CSR eras that embraced the period before and after the 1950s, as follows (Table 1). Infact the year 1950 is popularly known as the beginning of the modern era in CSR.

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Table 1 Four Broad CSR Eras Before and After Year 1950 till 1978

Period	Role of CSR
up to the 1950s	'philanthropic' era, in which companies donated to charities more than anything else
1953–67	'awareness' era, characterized by more recognition of the overall responsibility of business and its involvement in community affairs
1968–73	'issue' era, in which companies began focusing on specific issues such as urban decay, racial discrimination, and pollution problems
1974–8 and, continuing beyond	'responsiveness' era, where companies began taking serious management and organizational actions to address CSR issues

Source: Adapted from Carroll 2008

In 1979, Carroll proposed a four-part definition of CSR which was embedded in a conceptual model of corporate social performance **(CSP)**, where he defined the social responsibility of businesses as encompassing the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.

During the 1980s, a 'social responsibility agenda for the 1980s' was set forth by Frederick (2006) that closely corresponds with, or was slightly ahead of, business concerns and practices during this period.

The prominent themes which continued to grow and take center stage in the 1990s included the following: corporate social performance **(CSP)**, stakeholder theory, business ethics, sustainability, and corporate citizenship (Carroll 2008). However, a careful analysis of these definitions reveal that they are more in the nature of micro-definitions. These micro-definitions, more often than not, fall within the macro concepts of CSR, that "reflects three distinct, discontinuous perspectives, namely, **shareholder value, societal value and stakeholder value**" (Rath & Gurtoo, 2012).

However, Stanaland et al. (2011) opined that the perceptions of a company's attitude toward CSR are influenced by its corporate marketing efforts like its communication (Schiefelbein 2012; Mitra 2015). Hence, regardless of the philosophic perspectives on corporate recognition, developing a communications plan for the initiative is a best practice (Kotler and Lee 2005).

CSR communication and corporate social responsibility

In a climate that is arguably marked by more informed publics and a critical media, companies are facing more clearly articulated expectations from customers and consumers regarding their contributions to sustainable development, which puts pressure on them to maintain transparency and be proactive in communicating with its publics (Ghosh 2014; Mitra 2015). CSR Communication objectives should, therefore, signal desired audience outcomes; e.g., increase in awareness, concern, participation, and/or individual behaviour change (Kotler and Lee 2005; Mitra 2015). This shows that, firms that undertake CSR activities with a strategic intent (intention to gain) should initiate a respectful and honest communication with their customers (Noland and Phillips 2010; Isaksson 2012).

Infact, Sethi (2014), Mitra (2015) feels that CSR reports, Business Responsibility Reports and Sustainability Reports are instruments to manage reputation; therefore should be the essence of a robust communication strategy.

Corporate social responsibility and firm performance

On the other hand, Shaista and Sara (2014), evaluated and found a positive correlation between CSR and organizational performance. Evidence from research indicates that CSR is associated with profitability, and contributes to employee commitment and customer loyalty (Fraedrich and Ferrell 2008; Friday 2015). This profitability can be measured in terms of **financial performance and non-financial performance**. While financial performance calculates only financial measures; non-financial performance tries to measure the **intangible benefits** for the company such as corporate reputation and image (Schwaiger 2004) increased employee motivation (Epstein and Roy 2001), improved brand image (Heal 2005) and the like (Mishra and Suar 2010). Today, business performance is no longer measured only in terms of the balance sheet value, but by the positive impact of business on the shareholders and other relevant publics (Friday 2015). Infact, there has been an abundance of management accounting literature highlighting the inadequacies of relying primarily on financial performance measures for performance measurement and evaluation (e.g., Kaplan 1984; Bromwich and Bhimani 1994; Abdel-Maksoud et al. 2005; Lau and Martin-Sardesai 2012). By filling in the gaps left by financial accounting, nonfinancial measures promise to complete the picture of a company's performance (Ittner and Larcker 2003).

As a matter of fact, within the past few years, the importance of intangible assets in general and the significance of corporate reputation in particular have grown rapidly (Schwaiger 2004). Taking into consideration that companies showing strong reputation have better access to capital markets, which decreases capital costs (Beatty and Ritter 1986) and lowers procurement rates (Schwalbach 2000), it is obvious that a company's profitability ceteris paribus grows with a better reputation (Schwaiger 2004).

Generally construed, reputation is the overall estimation of a company by its stakeholders (Fombrun 1996). A favourable reputation can be a strategic resource that improves performance (Hall 1992; Deephouse and Ourso 1997). Infact, McGuire et al. (1990) provide evidence indicating that the **reputation-performance** effect may operate in both directions: a firm's financial performance affects its reputation, but its reputation also affects its performance (Roberts and Dowling 1997). Infact, it has also been demonstrated that investing in a positive CSR image and reputation aligns with the ideas of relationship management and allows companies to reach their commercial goals more easily (Perez and Rodríguez del Bosque 2013).

This Literature review from Section "CSR communication and corporate social responsibility and Corporate social responsibility and firm performance" forms the basis of the following hypothesis:

H_1: There is a significant relationship between CSR Communication and (Variable) Corporate Social Responsibility.

H_2: There is a significant relationship between (Variable) Corporate Social Responsibility and Firm Performance.

Research gaps

Literature review further pointed out a distinct gap in research in an emerging economy context, as

- Current literature on CSR focuses heavily on instances from developed western markets (Eberhard-Harribey 2006, Knights and O'Leary 2006, Vuontisjärvi 2006, Habisch et al. 2005, etc.), and the replicability of these findings on the emerging markets, e.g., of Asian countries, is lacking (Khan, 2008);
- Challenges faced by the developing countries with respect to CSR are different as compared to challenges faced by the developed countries (Ghosh 2014; Chatterjee and Mitra 2017).

So, even within emerging economies, India was selected as 'there has been little emphasis on CSR researches in Asian developing countries as compared to the West' (Ghosh 2014; Erden and Bodur 2013). Moreover, in the management literature, only recently, **some work has been done on CSR in Asian developing countries** (Chapple and Moon 2005; Erden and Bodur 2013).

Thus, a research adaptation in India is justified, as further literature review reveals that:

i). Empirical evidence from CSR research in India suggests that there are differences with regard to India's perceptions, operationalization and expectations of CSR practices when compared to those of the West (Kumar et al. 2001; Mohan 2001; Ghosh 2014).

ii). India largely retains its own characteristics, adopting only some aspects of global mainstream CSR (Ghosh 2014).

iii). Researches on mandated CSR are a new field of study as CSR statute in India, itself, has been introduced only in the year 2013 and has come into effect from Financial Year 2014–15 (Chatterjee and Mitra 2017).

iv). Lack of empirical research post the passing of the mandate (Chatterjee and Mitra 2017).

These research gaps led to this empirical investigation that was conducted between the years 2015–2017, barely 2 years since the CSR mandate came into force in India and concerns itself solely with the new area of study, mandated CSR. By using the term 'mandated CSR' in this research, we refer to the Section "Introduction"35 of the Companies Act 2013 (Appendix 1) that was introduced in India after replacing the 57 years old Companies Act of 1956.

Research objectives

Thus, from the research hypothesis and the research gaps, the objectives of this research can be framed. The objectives, therefore, are mainly **to establish the relationship between CSR Communication and (Variable) Corporate Social Responsibility; and between (Variable) Corporate Social Responsibility and Firm Performance. Additionally, the mediating role of (Variable) Corporate Social Responsibility between CSR Communication and Firm Performance has been analysed; and (Variable) Corporate Social Responsibility strategy for large Indian firms in the context of their firm performance has been suggested/ proposed**.

The conceptual framework

In order to attain these objectives, the conceptual model or the theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept (Conceptual framework n.d.), in this research is as follows (Fig. 1):

The variables in the above model can be understood with the help of Table 2. In the Conceptual Model (Fig. 1) above, it is observed that (Variable)

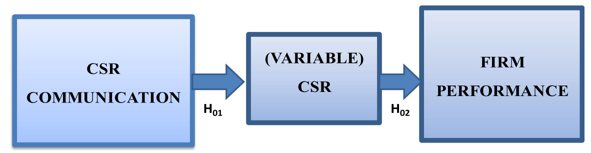

Fig. 1 Conceptual Research Model, *Source: Researchers' Own*

CSR acts both as a dependent as well as an independent variable (Table 2).

In other words, in this research, (Variable) Corporate Social Responsibility (VCSR) is a **mediator variable, that** is, the variable that causes mediation between the dependent and the independent variables. The different abbreviations and connotations used to denote the variables of the Conceptual model are as follows (Table 3):

Thus, the (Variable) CSR used in this research is different from that of the CSR in the developed countries and contributes to improving the governance, social, ethical, labour, environmental conditions of the developing countries. Here, the context is India.

Moreover, in this research, Firm Performance will measure only the intangible or non-financial firm performance like that of reputation and image through the eyes of one of its key stakeholders (employees) with respect to its competitors.

Research methodology

This study is a part of the larger and more indepth investigation of Mitra's (2017) research, titled 'Corporate Social Responsibility: A study of Strategic Management and Performance in Large Indian Firms' which is an adaptation of Isaksson's (2012) research (with due permission), titled 'Corporate Social Responsibility: A study of Strategic Management and Performance in Swedish Firms.' Thus, since this study has already been done in part in Sweden, this is a conclusive research, that 'tests and authenticates the propositions revealed by exploratory research' (Chawla and Sondhi 2011). Here, the exploratory research is Isaksson's 2012 empirical research, that has been developed using a qualitative research as a base. However, just to assess the content validity of the reconstructed instrument, a pilot study was done among 5 subject experts (3 Academicians and 2 practitioners). Their inputs have guided the research not only during the pilot study in finalizing the questionnaire, but also in firming up the research methodology, research analysis and discussion phase.

Table 2 Key Constructs of the Study

Stage	Independent variables	Dependent variable
1	CSR Communication	VCSR
2	VCSR	Firm Performance
3	CSR Communication	Firm Performance

Source: Researchers' Contribution

The research design can be understood with the help of the following Fig. 2:

However, at every stage, secondary data search formed the basis of comprehension and corroboration of quantitative findings.

Sampling design

In order to identify the right database to classify the large Indian firms, a literature review of the previous CSR researches in India was done that divulged the use of certain repositories, some of which have been documented in Table 4.

On analysing the above-mentioned databases, it was found that Prowess suffers from many limitations, for instance, there are many firms operating in the Indian Automobile industry which are not listed in the Prowess database. Moreover, it is known that there are firms within this sector which control the entire production of certain components and such information disappears because of the aggregation problem of industrial classification adopted by the Prowess database. This is true in the case of many other sectors such as drugs and pharmaceutical industry (Beena 2014). Hence, the Prowess database was eliminated from our consideration.

On the other hand, a correspondence with the representative of 'Karmayog.org'**(on January 8, 2015)** confirmed that their definition of 'largest company' are based on 500 largest companies listed in BSE based on their sales; however, the Karmayog Rating has not been updated post 2010. Hence, the Karmayog CSR rating was also eliminated from our consideration.

Moreover, literature review of all the researches mentioned in Table 4 revealed that the BSE/ NSE database was more suitable for qualitative investigations that uses secondary data analysis and not so much for quantitative researches using interview techniques. This belief was re-inforced by the five subject experts **(3 academicians and 2 practitioners)**. Hence, there was a dilemma in going ahead with this database.

As this debate was going on, as to which database to use, India was going through a reformation in its CSR arena. India was speaking the language of not only 'large' companies, but also, 'large, stable companies,' (Chatterjee and Mitra 2017) who had to spend 2 % of their average net profits made during the three immediately preceding financial years, in pursuance of its CSR policy, under the Companies Act of 2013. Keeping this transformation in view, the criteria for inclusion in the research was narrowed down to the selection criteria as laid down by the Government under Section 135 of the Companies Act, 2013. The rationale behind this selection was that these are the Companies, who are not only large in a certain

Table 3 Guide to Abbreviations and Connotations of Variables Used in Conceptual Model

Variables	Abbreviations	Connotation in this conceptual model
CSR Communication	VCOM	*"The process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to the society at large"* (Gray et al. 1996).
(Variable) Corporate Social Responsibility	VCSR	*"The formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labour, environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religions, historical and cultural contexts"* (Visser 2008). Here, the context is India.
Firm Performance	VFP	Non-financial performance; *"intangible benefits for the company such as corporate reputation and image"* (Schwaiger 2004).

Source: Researchers' Compilation

financial year, but also large and stable over the last 3 years.

A list of these Companies was received from the **Indian Institute of Corporate Affairs (IICA)** repository of the **'Top 2500 CSR Companies' CSR Crawler Master Database** in **April, 2016**, which formed the sampling frame of the research. These companies covered a wide range of Indian industries including automobiles, pharmaceuticals, consumer goods, power, energy, oil and natural gas, Information technology, and service sector. Moreover, all of these Companies fell within the CSR statute under the Company's Act, 2013 (and hence, the stipulated criteria required for this research).

Tools for data collection

Data has been collected from both primary source with the help of a questionnaire as well as secondary source to validate research hypotheses. The survey instrument (questionnaire) was also developed based on literature review, where the items measuring the constructs in the conceptual model has been influenced by the existing literature and then formatted in a consecutive order, with the exception of the CSR Index.

In India, there is an absence of a CSR Index. Only recently, "on September 23, 2013, **BSE Ltd. (formerly known as the Bombay Stock Exchange Ltd.)** and the Indian Institute of Corporate Affairs has signed a **Memorandum of Understanding (MoU)** in Mumbai to work collaboratively to develop a CSR Index, which will be the driver for CSR practices for the Indian Corporate World and an ideal option for investors to put their money for 'responsible investment'" (BSE India 2015). It is still under process. Till the time, when the official CSR Index is formulated, the catalogue of Schedule VII under the Company's Act, 2013 has been used, that closely substantiates the Index for CSR Research in India.

The pitfalls of the questionnaire method were checked by an iterative process of pretesting and pilot survey. This ensured scientific rigour and resulted in a robust research instrument.

While developing the items, following were given emphasis: ensuring readability of each item; preventing

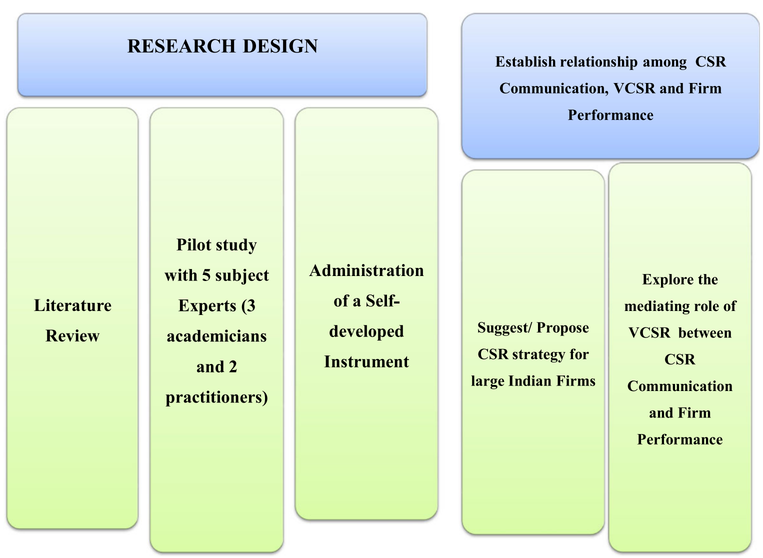

Fig. 2 Research Design, *Source: Researchers' Contribution*

Table 4 Use of Databases in CSR Researches

Database	CSR researchers
Prowess database of CMIE (Centre for Monitoring Indian Economy Pvt. Ltd.)	Mishra and Suar 2010; Ghosh 2014.
Karmayog CSR Rating	Gautam and Singh 2010; Sharma and Kiran 2011; Guha 2011; Shanmugam and Mohamed 2011; James 2012; Saxena and Kohli 2012; James 2013; Dutta and Singh 2013; Ajith 2014.
BSE (Bombay Stock Exchange)/ NSE (National Stock Exchange)	Rana and Misra 2010; Kansal and Singh 2012; Haldar and Mishra 2015; Chandra and Kaur 2015.

Source: Researchers' Compilation

usage of double barrelled items, ambiguous pronoun references and positive and negatively worded items (De Vellis 2003). Special emphasis was given to avoid confusing questions, gratuitous unconstructive questions, leading or loaded questions (Groves et al. 2004; Page and Meyer 2000; Whitley 2002; Khan 2014). Both formalized and unconcealed, and formalized and concealed questions were used.

A total of 24 items were shortlisted based on intensive review of previous literature, Isaksson's (2012) questionnaire and the judgement of 5 subject experts. The interval scale was used so that the respondent is able to answer the questions on a continuum scale. The questions were constructed on a 7 point Likert scale, mainly on an Agreement scale *where 1 signifies 'Entirely Disagree' (ED) and 7 signifies 'Entirely Agree' (EA). Also, a few questions based on effectiveness scale*, where 1 is 'Extremely Ineffective' and 7 is 'Extremely Effective' were used.

Response from Section 1 formed the sample description, used to describe the basic features of the data in the study and provide simple summaries about the sample and the measures; whereas Section "Literature review" provided the data for the inferential statistics of the research.

As literature review showed that Indian managers are generally averse to responding to questionnaire surveys, and statistically significant response rates are rare (Khan, 2008), the self-developed instrument (questionnaire) was sent to all 2500 Companies for self-administration with a covering letter assuring confidentiality of the usage of data. A self-administered questionnaire saves time, cost and manpower and, thus, it is advisable to use in case of a large sample.

Planning and collecting the data for research

Respondents included professionals who are a part of the CSR team of the Company. So, the respondents could be from various Departments, viz. Human Resource, Legal, Communication or Strategic Management in the Company, but should be a member of the CSR team of the Company. It was noticed that since structured CSR is a new phenomenon in India, initiated only after the passing of the CSR mandate, hence, even the largest of the Companies in India lacked a formal CSR department. This observation corroborates with Mishra and Suar's (2010) findings, which states: "Like a recent survey which finds that CSR activities of many Indian companies are mainly handled by public relations or human resources department rather than a CSR department (Sagar and Singla 2004), our survey also finds that 90% of the surveyed companies have neither an exclusive-department nor a specific budget for CSR."

Data was collected from **April to November, 2016**.

A web-enabled version of the master questionnaire was developed in googledocs and sent through e-mail with a covering letter to the 2500 companies, which had e-mail addresses. 93 emails returned immediately out of which 48 were 'mailer-daemon (unavailable email)' and 45 'not in office'. There was no response from the rest of the 2407 (2500–93) companies. The mail was sent again to the 2452 (2500–48) Companies after a lapse of fifteen days and again, 65 e-mails returned as 'not in office' and still no response from the 2387 (2452–65) Companies.

Baruch (1999) has identified two primary reasons for non-response, viz.

a) Failure to deliver the questionnaires to the intended population and
b) The reluctance of people to respond.

This was a genuine concern. While, it was confirmed that the questionnaire was reaching the intended population, then, the reason for this non-response was the reluctance of the respondents. Baruch and Holtom (2008) observed that such reluctance may occur due to reasons such as time constraint, topic irrelevance, or company policies to not participate in surveys (Krishnan and Poulose 2016).

A new strategy was then undertaken. The questionnaires were sent to the 2452 Companies again a third time and extensively followed-up one by one over phone on an ongoing basis. Contact was established and various other social media like text messages/ whatsapp/ email were used opulently to solicit response. This method of multiple survey mailings, incentives to respond and personal follow-ups have also been suggested by Cook et al. (2000); Krishnan and Poulose (2016). However, a principle was taken for non-incentivisation as it could lead to bias.

Thus, apart from the ongoing follow-ups, the following actions were also undertaken:

- Occasionally questionnaire was re-sent via googledoc link in email when necessary.
- Personal contact was made with 81 Companies, who preferred a one-on one interview rather than googledoc.
- Questionnaire was also sent as email attachments, who preferred a word/pdf document rather than googledoc.

And at last, over a period of seven months and continuous follow-ups, responses were received from 528 Companies (21.53% response rate) out of 2452 questionnaires sent. The various reasons for not responding were multiple:

- Company going through a transition in its CSR domain due to compliance to the Companies Act, 2013,
- Unwillingness to share key financial data,
- Forbidden by Company policy,
- Some Companies fell under the same group Company, hence they were unwilling to share more than one response,
- Time constraint,
- Travel of key respondents.

Rejections to respond without stating any cause were plenty (938), thus affecting the response rate. It must be borne in mind that the response rate, in itself is not the sole criterion for assessing study quality, but one of the indicators to assess the potential contribution of a study (Campion 1993; Cook et al. 2000). The response rate information makes a useful reference when combined with the information on the efforts put in by the researcher to increase response rates and how the non-respondent bias has been tackled (Krishnan and Poulose 2016).

While googledoc only accepted filled-in questionnaires with complete responses, however, such filter was not possible when submitted through email attachments and physical copies. Raw data validation was done to ensure that all detectable errors and omissions have been examined and the necessary steps have been taken. So, even out of the 528 responses received, 216 were incomplete responses, where mostly, the respondents left some of the responses blank as a sensitive data. Complete response was collected from 312 Companies.

This result is somewhat unsurprising given that response rates to surveys have declined dramatically over time (Bradburn 1992; de Leeuw and Heer 2002; Dey 1997; Fraenkel and Wallen 1993; Smith 1995). As reported by Dey (1997), response rates to national mail out surveys have declined from approximately 60% to 21% since the 1960s.

The outline of the process-flow of data collection has been provided below in Fig. 3:

Therefore, the empirical study was conducted among a sample size of 312 large companies, who fall within the CSR 2 % mandate under the Companies Act, 2013.

Data refining and preparation for analysis

Post data collection, responses have been analysed to decipher conclusions and further recommendations. The tools that were employed to test the framed hypothesis are: **Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM)**. Mediation Analysis was done by using **PROCESS** (Hayes 2013). Two software packages viz. (Statistical Package for Social Sciences) SPSS 22, (Analysis of a moment structures) AMOS 21 were used for data analysis.

The Fig. 4 below gives a rough idea of the various stages of analysis undertaken in this research.

Validity

Importance has been given on the validity of the scale. Content validity, also called face validity has been done where the subjective judgement of five subject experts (3 academicians and 2 practitioners) have been considered to assess the appropriateness of the construct.

Data analysis and discussion

Once the rules of the research has been outlined in the Research Methodology, the scale is developed and tested for sample adequacy, after which the data is collected. This data is then analysed in order to provide a holistic comprehension of the sample description; the relationship of the various constructs or in other words, the testing of the hypothesis; and also, the mediator role of (Variable) Corporate Social Responsibility between CSR Communication and Firm Performance.

Sample adequacy

Sample adequacy is measured using Kaiser-Meyer-Olkin (KMO) test (Field 2005; Kaiser and Rice 1974). A bare minimum value of 0.5 is recommended by Kaiser et al. (1974). Therefore, a value of .774 indicates the suitability of the sample for conducting factor analysis.

Bartlett's Test of Sphericity (Bartlett 1954) also indicates the strength of the relationship among variables. It is used to test the null hypothesis that the original

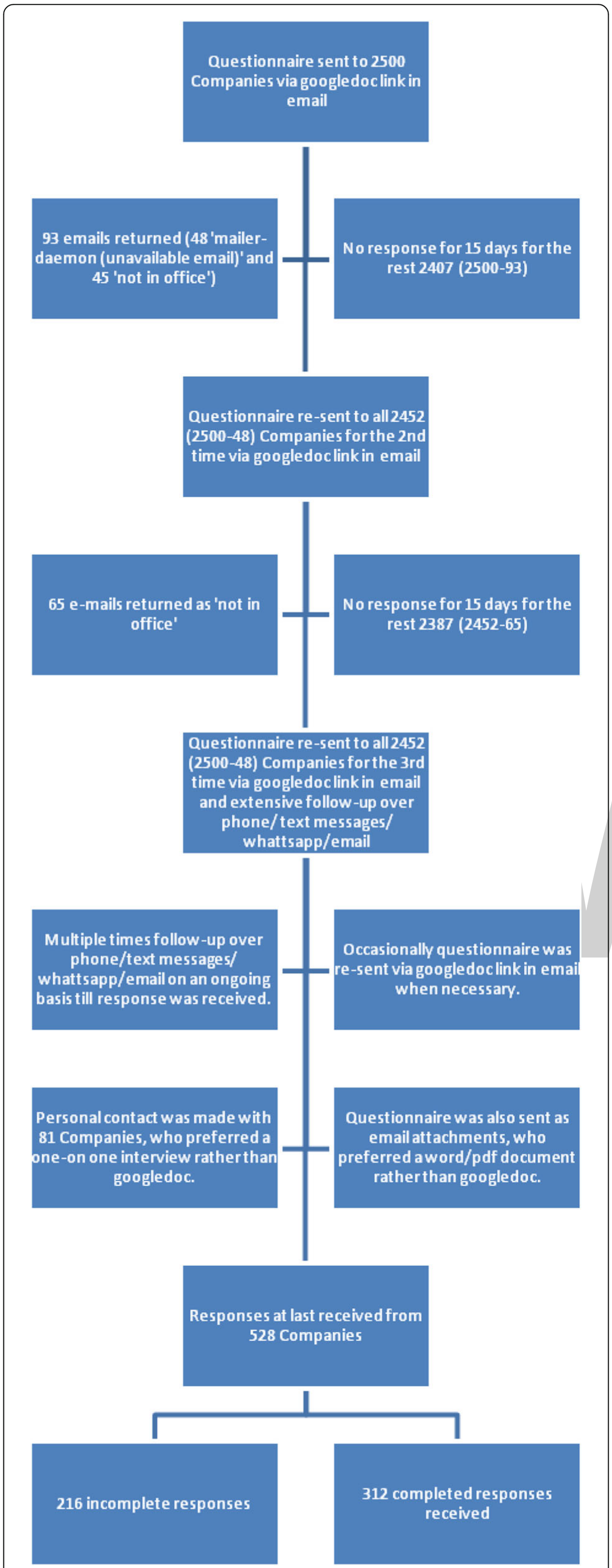

Fig. 3 The Process Flow of Data Collection, *Source: Researchers' Contribution*

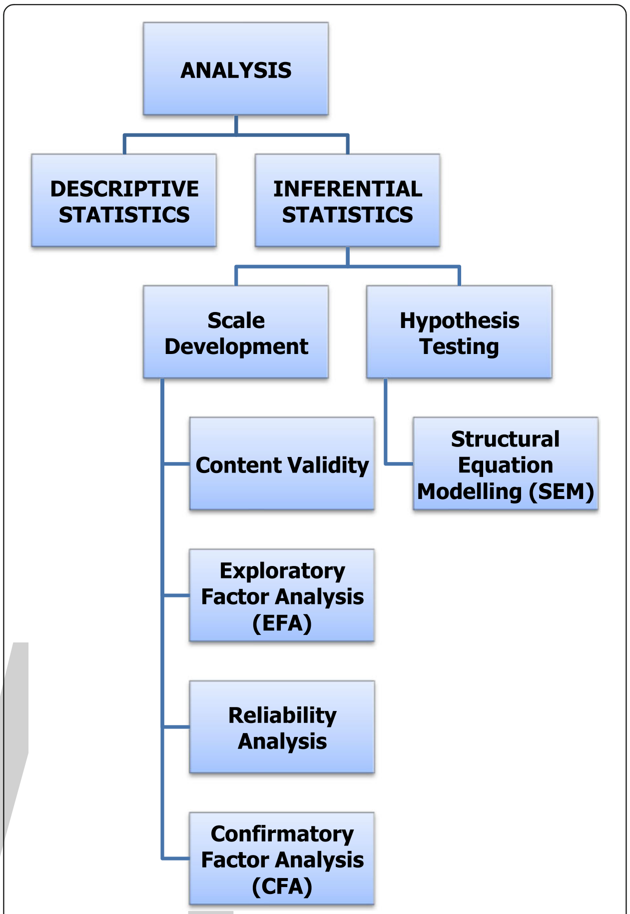

Fig. 4 Stages of Analysis, *Source: Researchers' Contribution*

correlation matrix is an identity matrix indicating that the variables are unrelated in the population. A significant test will favour rejection of null hypothesis and indicate that there are some relationships among the variables, thus confirming the appropriateness of applying factor analysis. In the present study, Bartlett's test was significant ($p < 0.01$) indicating the fitness of the sample for factor analysis (Table 5).

Exploratory factor analysis

Factor analysis is a multivariate statistical procedure primarily used for data reduction and summarization. Exploratory Factor Analysis was used to condense the information contained in the original variables into a smaller set of variates (factors) with a minimum loss of information (Hair et al. 2010) so as to arrive at a more

Table 5 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.774
Bartlett's Test of Sphericity	Approx. Chi-Square	3898.871
	Df	276
	Sig.	.000

prudent conceptual understanding of the set of measured variables.

Here, both the Principal Component Analysis as well as Factor Analysis has been used to determine the type of extraction. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. It attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis can also be used to generate hypotheses regarding causal mechanisms or to screen variables for subsequent analysis (for example, to identify co-linearity prior to performing a linear regression analysis).

Factor extraction Total Variance Explained (Table 6) lists the eigenvalues associated with each linear component (factor) before extraction, after extraction and after rotation. Before extraction, SPSS has identified 24 linear components within the data set (we know that there should be as many eigenvectors as there are variables and so there will be as many factors as variables). The eigenvalues associated with each factor represent the variance explained by that particular linear component and SPSS also displays the eigenvalue in terms of the percentage of variance explained (here, factor 1 explains 25.727% of total variance). Infact, 70.932% of total variance has been explained by only 7 factors, whereas subsequent factors explain only small amounts of variance. The eigenvalues associated with these factors are again displayed (and the percentage of variance explained) in the columns labelled Extraction Sums of Squared Loadings. The values in this part of the table are the same as the values before extraction, except that the values for the discarded factors are ignored (hence, the table is blank after the seventh factor).

In the final part of Table 6 (labelled Rotation Sums of Squared Loadings), the eigenvalues of the factors after rotation are displayed. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the relative importance of the seven factors is equalized. Before rotation, factor 1 accounted for considerably more variance than the remaining six (25.727%), however, after extraction, it accounts only for 14.160% of variance.

Table 6 Total Variance Explained

Component	% of Variance	Cumulative %
1	14.160	14.160
2	14.098	28.258
3	11.994	40.252
4	9.303	49.555
5	8.460	58.015
6	8.002	66.017
7	4.914	70.932

Extraction Method: Principal Component Analysis

Table 7 shows the Communalities before and after extraction. Principal component analysis works on the initial assumption that all variance is common; therefore, before extraction the communalities are all 1.000. The communalities in the column labelled 'Extraction' reflect the common variance in the data structure. So, we can say, that 80.3% of the variance associated with Question 1 (S30) is common or shared variance.

The Component matrix (Table 8) contains the factor loadings of each variable onto each factor. By default, SPSS displays all loadings, however, we requested that all loadings less than 0.4 should be suppressed in the output. But, all 24 items had loadings greater than 0.4 as is evident from Table 8.

Confirmatory factor analysis

Identification of model

As shown below, the estimation of the hypothesized model resulted in an overall chi-square value of 266.196 with 105 (153–48) degrees of freedom and the probability value of .000. Of importance also is the notation that the minimum was achieved. This indicates that the software (AMOS) ran successfully in estimating all the parameters, thereby resulting in convergent solution (Byrne 2009).

Notes for Model (Default model).

Computation of degrees of freedom (Default model).

Number of distinct sample moments:	153
Number of distinct parameters to be estimated:	48
Degrees of freedom (153–48):	105

Table 7 Communalities

Items	Initial	Extraction	Items	Initial	Extraction
S30VCOM	1.000	.803	S61VCSR	1.000	.605
S31VCOM	1.000	.716	S62VCSR	1.000	.548
S32VCOM	1.000	.504	S63VCSR	1.000	.734
S33VCOM	1.000	.716	S64VCSR	1.000	.554
S34VCOM	1.000	.784	S65VFP	1.000	.705
S35VCOM	1.000	.718	S66VFP	1.000	.813
S36VCOM	1.000	.592	S69VFP	1.000	.742
S56VCSR	1.000	.829	S70VFP	1.000	.785
S57VCSR	1.000	.763	S71VFP	1.000	.677
S58VCSR	1.000	.769	S72VFP	1.000	.821
S59VCSR	1.000	.688	S73VFP	1.000	.703
S60VCSR	1.000	.743	S77VFP	1.000	.709

Extraction Method: Principal Component Analysis

Table 8 Factor Loadings of the Items

Items	Loadings	Items	Loadings
S30VCOM	.817	S61VCSR	.650
S31VCOM	.676	S62VCSR	.695
S32VCOM	.604	S63VCSR	.568
S33VCOM	.745	S64VCSR	.601
S34VCOM	.542	S65VFP	.591
S35VCOM	.761	S66VFP	.840
S36VCOM	.715	S69VFP	.694
S56VCSR	.812	S70VFP	.667
S57VCSR	.738	S71VFP	.733
S58VCSR	.551	S72VFP	.792
S59VCSR	.814	S73VFP	.755
S60VCSR	.754	S77VFP	.786

Chi-square = 1588.468
Degrees of freedom = 249
Probability Level = .000

Among the various techniques used for running CFA, the present study adopts the Maximum Likelihood Estimation (MLE) (Scholz 1985). MLE method is suitable for the continuous data. Before running the MLE method, the data was required to be measured on normality indices.

Fit-indices (Table 9)

Apart from chi-square goodness-of-fit test, there are various ancillary indices of fit i.e. goodness of fit index and adjusted goodness-of-fit index (GFI, AGFI Joreskog and Sorbom 1986), the comparative fit index (CFI, Bentler 1990), and root mean square error of approximation (RMSEA, Steiger and Lind 1980). The GFI is the measure of relative amount of variance and covariance in sample data that is jointly explained by sigma. The AGFI is quite different from the GFI only in the case where it adjusts the number of degrees of freedom in the specified model. The value of these indices ranges from zero to 1.00, being value close to one is indication of good fit. In Table 9, The values of the GFI and AGFI are found to be .915 and .877 respectively and GFI is conforming to the recommended value. The CFI (Bentler 1990) assesses fit relative to other models and uses an approach based on the non-central $\chi 2$ distribution with non-centrality parameter. CFI values greater than .9 are often indicative of good fitting models (Hu and Bentler 1999). For our analysis, CFI stands with .936. The RMSEA takes into account the error of approximation in the population and asks the question "How well would the model, with unknown but optimally chosen parameter values, fit the population covariance matrix if it were available?" (Browne and Cudeck 1993). The RMSEA is found to be .070.

Table 9 Fit Indices

Fit-indices	Recommended	Observed
CMIN/DF	< 3	2.535
GFI	>.9	.915
AGFI	>.9	.877
RMSEA	<.08	.070
CFI	>.9	.936

Reliability analysis

Reliability analysis is done to check the consistency of the ratings produced by the scale (Malhotra 2007; Warner 2008). The reliability of the scale is high in case the value of the Cronbach's alpha is greater than .60. Present study found the value of the Cronbach's alpha .860 which is significant with 24 items in the scale. We have also checked the reliability analysis of the factors separately which is given in the following Table 10.

Having developed the scale of the research, and post its verification for validity and reliability, the research instrument was finalised, data was collected and analysed with the help of various statistical instruments.

Sample description

Descriptive Statistics (Table 11) reveals that out of the 312 companies, 50% belonged to the Manufacturing sector, followed by the service sector (39.4%) and last, but not the least with the Mining sector (10.6%). The majority of the sample were from the Private sector (71.2%), out of which 72.1% were of Indian origin. The respondents were mainly Top Level Managers (65.4%) in the organisational hierarchy; had work experience of 21 and above years (49%) and belonged to the age-group of 40–60 years (66.3%) and were highly qualified with 65.4% having post graduate education.

Descriptive statistics further divulges that while 30.8% belonged to the Top Management Team (Managing Director/ Chief Executive Officer/ Board Member/ Director), the rest 69.2% belonged to the various functional departments like the CSR department (29.8%), Human Resource department (12.5%), Company Secretary (5.8%), Public Relations (2.9%) and others (18.3%) of the Company. Thus, the observation was that the CSR team members often belonged to various departments. This is because, since structured

Table 10 Reliability Analysis

Factors	No. of items	α-value
Communication	7	0.758
(Variable) Corporate Social Responsibility	9	0.837
Firm Performance	8	0.833
Overall	24	0.860

Table 11 Sampling Profile of Respondents

	Frequency	Percent
Age		
Below 39 yrs	87	27.9
40–60 yrs	207	66.3
61 yrs. and above	18	5.8
Total	312	100.0
Gender		
Male	267	85.6
Female	45	14.4
Total	**312**	**100.0**
Education		
Graduate	57	18.3
Post Graduate	204	65.4
Others	51	16.3
Total	**312**	**100.0**
Work Experience		
10 yrs. and below	42	13.5
11–20 yrs	117	37.5
21 yrs. & above	153	49.0
Total	**312**	**100.0**
Management		
Frontline Manager	24	7.7
Middle-level Manager	84	26.9
Top-level Manager	204	65.4
Total	**312**	**100.0**
Position		
CSR	93	29.8
HR	39	12.5
Top Management	96	30.8
Company Secretary	18	5.8
Public Relations	9	2.9
Others	57	18.3
Total	**312**	**100.0**
Nature of Company		
Private	222	71.2
Public	90	28.8
Total	**312**	**100.0**
Private Sector		
Indian Origin	225	72.1
Foreign Origin	84	26.9
Others	3	1.0
Total	**312**	**100.0**
Type of Industry		
Service	123	39.4
Manufacturing	156	50.0
Mining	33	10.6
Total	**312**	**100.0**

Source: Researchers' Own

CSR is a new phenomenon in India, initiated only after the passing of the CSR mandate, hence, even the largest of the Companies in India lacked a formal CSR department.

Table 11 exposes that this research has only 14.4% female respondents as compared to 85.6% male respondents. This does not come as a surprise as even the Mukesh Ambani led Reliance Industries Limited, largest private sector company and the first Indian company featured in Fortune Global 500 list, aspires to achieve only 15% women workforce by 2030, as revealed in their latest Annual Report (India CSR 2017). Infact, India has the lowest percentage of women employees (23%), followed by Japan (24%), Turkey (26%) and Austria (29%), according to the Corporate Gender Gap report brought out by the World Economic Forum (CSR Vision 2017). Hence, such discriminatory response of women respondents.

Impact of CSR communication on (variable) CSR and that of (variable) CSR on firm performance

The analysis of the structural equation modelling (SEM) specifies the relationship among latent variables as specified by the theory. SEM is also referred to as causal modelling, causal analysis, simultaneous equation modelling, and analysis of covariance structures, path analysis, or CFA (Ullman 2006).

The model of CSR communication with (Variable) CSR and company performance appears in Fig. 5. In this model, there are three latent variables among which two are independent namely (Variable) CSR and Communication, and one variable is dependent i.e. Firm Performance. Furthermore the (Variable) CSR here is used as a mediating variable between Communication and firm performance. These variables are not directly measured but rather assessed indirectly by seven items in communication and nine items in (Variable) CSR, while the dependent variable is measured by eight items in the construct. The observed variables, signified by rectangles, are measured on a seven point likert scale. The latent variables are calculated by taking the average of the observed variables. The present study has been tested through various models and the one, which has higher values of the fit indices has been adopted. This model comprises of company performance as a dependent variable, while (Variable) CSR and communication are independent variables.

Model (Default model).

Computation of degrees of freedom (Default model).

Number of distinct sample moments:	300
Number of distinct parameters to be estimated:	50
Degrees of freedom (300–50):	250

Fig. 5 The Research Model, *Source: Researchers' Own*

The fit indices of the structural equation modelling is given in Table 12. The analysis starts with the evaluation of the fit indices. Overall, the values of the fit indices are not what has been recommended but still they are at the satisfactory level. The value of the CMIN/DF is 2.518, which is quite higher than 2 as is the threshold value suggested by Ullman, 2001 and is less than 5. The RMSEA value for the structural model is .07 which is less than .08 (Browne and Cudeck 1993; (Hu & Bentler, 1998). Other fit indices were GFI = .915, AGFI = .878, and CFI = .936. All the fit indices except AGFI are found satisfactory.

Results and discussions based on SEM

Based on the Structural Equation Model, the impact of CSR Communication on (Variable) CSR and the impact of (Variable) CSR on Firm Performance can be analysed. This can be understood with the help of the Fig. 5 below and has been further illustrated in Table 13. The impact has further been discussed in detail thereafter.

Impact of csr communication on (variable) corporate social responsibility It was observed that CSR Communication has both a positive and statistically significant ($P = < 0.05$) impact on (Variable) Corporate Social Responsibility (S.E = .093). Therefore, hypothesis $H_{1.4}$ is supported.

This finding corroborates with Ligeti and Oravecz (2009), who states that "Corporate Social Responsibility and the related communication are inseparable." Information about CSR helps consumers to learn about the company's value system (Lee et al. 2009; Sen and Bhattacharya 2001) and to acquire consumers' positive perception about a particular company (Menon and Kahn 2003; Yoon et al. 2006). However, consumers look closely at companies that make claims regarding their involvement on social issues (Bronn and Vrioni 2001). Hence, CSR communication should be factual and avoid the impression of boasting with it (Sen et al. 2009). Kuhn and Deetz (2008) contend that CSR should be "motivated by enriched processes of communication that engender authentic stakeholder participation, incorporate various social values, and operate within a process that constructively engages in conflict to inspire creative solutions."

Table 12 SEM Fit-Indices

Fit-indices	Recommended	Observed
CMIN/DF	< 3	2.518
GFI	>.9	.915
AGFI	>.9	.878
RMSEA	<.08	.070
CFI	>.9	.936

Chi-square = 1590.650
Degrees of freedom = 250
Probability level = .000

Impact of (variable) corporate social responsibility on firm performance The result of Structural Equation Model reveals that (Variable) Corporate Social Responsibility has both a positive (S.E = .023) and a statistically significant ($P = < 0.05$) impact on Firm Performance. Therefore, hypothesis H_3 is supported.

This confirms to Rettab et al.'s (2009) investigation that notes that CSR has a positive relationship with Corporate reputation even in emerging economies where the researchers expect that CSR activities will not be communicated effectively to external stakeholders due to lack of skills and effective channels. Superti (2005) also lists 'enhanced brand image and reputation' as key non-financial firm performance that is impacted from CSR. Peloza and Papania (2008), however suggests that in attempting to improve and sustain its own reputation, the firm must manage its own CSR activities while keeping an eye on the actions of other firms within its industry; the actions of its industry associations; and even developments in other industries that may shift the playing field.

Mediator analysis

In order to analyze the mediating role of (Variable) Corporate Social Responsibility (VCSR) as a mediator between CSR Communication and Firm Performance (VFP), the **PROCESS** program developed by Hayes (2013) was used.

The hypothesis derived for this are as follows:

H_3: (Variable) Corporate Social Responsibility (VCSR) mediates the relationship between CSR Communication and Firm Performance.

Simple mediation framework (Model 4) of the PROCESS programme was used to get the results of mediation. If the range of **Lower Control Limit (LCL) and Upper Control Limit (UCL)** for indirect effect contains zero values, it signifies no mediation; but if the

Table 13 Results of SEM in Tabular Form

Independent Variable	Dependent Variable	Hypothesis	(S.E)	Construct Reliability (C.R)	(P)	Result
VCOM	VCSR	H_{01}	.093	4.366	***	Positive and Significant
VCSR	VFP	H_{02}	.023	2.968	.003	Positive and Significant

range of LCL and UCL for indirect effect contains no zero values, it signifies mediation role. The findings are discussed in Table 14.

It is found from the Table 14 above that (Variable) Corporate Social Responsibility does have a mediating effect between CSR Communication and Firm Performance.

Conclusion

The contribution of this research can be drawn both in terms of its theoretical as well as managerial implications, as hereunder:

From the theoretical point of view, the empirical results of this research support some previously made and analyzed assumptions while questioning some of the others. Some of the major theoretical findings of this empirical research among the large Indian Firms in the post mandate period are as follows:

- CSR Communication has a positive as well as a significant relationship with (Variable) Corporate Social Responsibility;
- (Variable) Corporate Social Responsibility has both a positive and significant relationship with Firm Performance.

Needless to say, while some of the extant theories had already established the above-mentioned significance among the relations, it was mostly done in a different contextual setting.

Mandated CSR is a new area of study as one of the pioneers of CSR mandate, is India itself, having brought CSR under its statute only in the year 2013. The findings of this research thus forms some of the early theoretical bases for study in mandated CSR in an emerging country like that of India. Incidentally, the CSR mandate is also applicable to the large Indian firms, which has the same sampling frame as that of this research.

On the other hand, any management research is incomplete without indicating its practical, managerial implications. This research contributes to this by pointing out that (Variable) Corporate Social Responsibility has a mediating effect between CSR Communication and Firm Performance. Thus, it can be deduced that (Variable) Corporate Social Responsibility can be used strategically to induce better firm performance by utilising CSR communication efficiently and effectively. In other words, management must start looking at (Variable) Corporate Social Responsibility not as an expenditure but as an investment as it induces better firm performance. Infact, this itself is the most important (Variable) Corporate Social Responsibility strategy for large Indian firms in the context of their firm performance.

Table 14 (Variable) Corporate Social Responsibility as a Mediator Between CSR Communication and Firm Performance

H	MEDIATOR	RELATIONSHIP	INDIRECT EFFECT		ROLE
			LCL	UCL	
H_3	VCSR	VCOM-VCSR-VFP	.0257	.0978	Mediation

Limitations and future research directions

However, like all researches, this empirical study is also not without limitations and way forward, that has been enumerated below:

Limitations

The limitations of this research are many. Some of them are as follows:

- It is conducted only in the context of one country, India and hence, limited by its socio-economic-demographic background.
- The research is conducted among the large Indian firms, and hence, does not consider the vibrant dynamics of the Micro, Small and Medium Enterprise **(MSME)** sector that forms the backbone of the Indian economy.
- Quantitative techniques has been mainly used, that has been supported by qualitative data. Hence, although the data collection was practical and could be analyzed more scientifically and objectively than other forms, it has its inherent drawbacks. For example, there is always a threat of biased sample due to non-response and misinterpretation of a question among others.
- In the absence of a CSR index in India, the parameters in Schedule VII of the Companies Act, 2013 were used. A CSR Index would have been more holistic and measureable in terms of research findings.
- The research is based on the opinions and perceptions of the respondent belonging to the CSR team of the Company. Hence, the responses

are limited to his/her perceptions alone and not of other executives in the Company.

Keeping the above mentioned limitations in view, the research findings cannot be generalised in any other context.

Future research directions

The possible future research directions are as follows:

- This present research is limited only to India and can be further tested in other countries.
  - Moreover, a completely independent research can be undertaken with the same constructs, but catering to the MSME sector in India. These MSMEs play a vital role for the growth of Indian economy. The annual report of MSME 2012–13, has confirmed that the 44.7 million MSME enterprise with a total employment of over 100 million and more than 6000 quality products account for a large share of industrial units; as well as 43% of India's total exports in 2011–12 (Ministry of Finance; 2013).
  - This research with the same constructs can be re-administered few years hence when the CSR Index is formed in India. The **BSE Ltd** and the **IICA** are currently working on the preparation of the CSR Index for India.
  - Moreover, it may be interesting to note the perceptions and opinions of respondents who do not belong to the CSR team in these large Indian Companies. Their responses, may vary completely from the research findings of this present investigation.

Appendix 1

Section 135 of the companies act, 2013

Every company having a net worth of INR 5 billion or more, or a turnover of INR 10 billion or more, or a net profit of INR 50 million or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director;

The Board's report shall disclose the composition of the CSR Committee.

The Corporate Social Responsibility Committee shall: formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII recommend the amount of expenditure to be incurred on these CSR activities monitor the CSR policy of the Company from time to time.

The Board of these Companies that shall:

After taking in account the recommendations made by the CSR Committee, approve the CSR policy for the Company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and Ensure that the activities are included in their CSR Policy and are actually undertaken by the company.

The Board of these companies, shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR policy.

Moreover, the Section 135 also provides a direction to these Companies to give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

However, the law also states that if the company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.

Abbreviations

AGFI: Adjusted goodness-of-fit index; AMOS: Analysis of a moment structures; BSE: Bombay Stock Exchange; CFA: Confirmatory Factor Analysis; CFI: Comparative fit index; CSP: Corporate social performance; CSR: Corporate Social Responsibility; *EA*: 'Entirely Agree'; *ED*: 'Entirely Disagree'; EFA: Exploratory Factor Analysis; GFI: Goodness of fit index; IICA: Indian Institute of Corporate Affairs; KMO: Kaiser-Meyer-Olkin; LCL: Lower Control Limit; MLE: Maximum Likelihood Estimation; MoU: Memorandum of Understanding; MSME: Micro, Small and Medium Enterprise; P: Probability; RMSEA: Root mean square error of approximation; S.E: Standard Estimate; SEM: Structural Equation Modelling; SPSS 22: Statistical Package for Social Sciences; UCL: Upper Control Limit; VCSR: (Variable) Corporate Social Responsibility; VFP: Firm Performance

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Authors' contributions

All the authors equally and substantially contributed to the conception, drafting and revising of the work. While Dr. NM has formulated the research objectives, hypotheses and collected the data, Dr. AA has run the statistical analysis, as part of the research methodology. Dr. ADG has provided the overall review. All authors read and approved the final manuscript.

Competing interests

The authors declare that they have no competing interests.

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3

Beyond sponsorship - exploring the impact of cooperation between corporations and NGOs

Caroline Dale Ditlev-Simonsen

Introduction

Sponsorship is a key element of many companies' marketing. At the same time, companies are increasingly concerned about corporate social responsibility (CSR) (Ditlev-Simonsen 2010, Wirl 2014, Scalet and Kelly 2010, Martínez-Ferrero et al. 2016, The Economist 2008a). This paper will illustrate how combining sponsorships with CSR through non-governmental organizations (NGOs) can be a win-win case both for the company and the NGO. Approaches to document the societal effect of such initiatives will also be addressed.

The article will start by presenting the following key concepts: sponsorship, charity, non-governmental organizations (NGO) and corporate social responsibility (CSR). The demand for integrating CSR into business and documenting its effects will be addressed as well. Thereafter, these concepts will be discussed relative to each other. Different models and theories on business-NGO relationships will be presented, as well as the Cone et al. four-principles model for NGO interaction in this study. Integrating two more principles, goal-setting and effect evaluation, into the Cone et al. model is suggested to capture the increased demand on companies to act on and include CSR in day-to-day business.

The extended Cone et al. model will be applied to three business-NGO initiatives (IKEA-WWF, Walmart-Alliance and The Body Shop-ECBAT) to illustrate how the new model can be applied.

Sponsorship and charity

Sponsorship as a concept has been around for a long time in different versions. A traditional definition of sponsorship is «a cash and/or in-kind fee paid to a property (typically a sports, entertainment, non-profit event or organization) in return for access to the exploitable commercial potential associated with that property» (McKelvey and Grady 2008).

Corporate sponsorship is a form of marketing in which a corporation pays for all or some of the costs associated with a project or program. In exchange, the company gets its logo exposed, earning attention and—to some extent—goodwill. The global sponsorship market is large, estimated at more than $38 billion in 2007, against $ 449 on advertising (The Economist 2008b).

A typical form of traditional sponsorship is to associate with a sporting event. The Olympic Games in 2014, for example, had 10 key sponsors, including Coca-Cola, Dow, McDonald's, Omega and Visa. The Olympics organization says the games "are one of the most effective international marketing platforms in the world, reaching billions of people in over 200 countries and territories throughout the world" (Olympic.org 2014). Because commercial partnerships account for more than 40% of the Olympics' revenue, sponsoring companies must agree that sponsorship is effective marketing—even though few studies have documented this effect in economic terms. In addition to making the company name and logo visible, sponsors might enjoy other advantages such as free tickets and exclusivity. During the Beijing 2008 Olympic Games, when Visa was a key sponsor, only Visa cards were accepted. The NFL sponsorship revenue for the 2014 season was $1.15 billion (Pro Sports 2015).

Sponsorship is not only about financial support. Sponsoring through products is often an alternative or additional element, such as free Coca-Cola for all participants or free computer rentals from Apple in conjunction with an event.

Of the sponsorship models, sports accounts for the largest share. In the North American market, for example, sports accounts for 69% of sponsorships. In second place is entertainment, followed by causes, arts, and festivals and fairs (IEG 2013).

There has been a continuous growth in total sponsorship spending. In 2011 total global sponsorship spending

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was estimated to be $ 48.6 Billion, and in 2014 it was $ 55.3 billion, proximately an annual growth of four percent (IEG 2015)

Whereas sponsorship is about making the company brand visible, usually associated with sports events, charity is about voluntary giving to those in need, usually from a humanitarian perspective. Corporate charity donations are usually managed by a non-governmental organization (NGO).

Non-governmental organizations (NGOs)

According to the World Bank, an NGO is "a private organization that pursues activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development" (Malena 1995). According to the Business Dictionary, an NGO is a "private sector, voluntary (and usually non-profit and non-sectarian) organization that contributes to, or participates in, cooperation projects, education, training or other humanitarian, progressive, or watchdog activities."

Previous studies reveal that corporate managers often decide which NGOs to donate to or support (Campbell et al. 1999, Atkinson and Galaskiewicz 1988, Bhattacharya et al. 2008).

When a company donates to a cause through a charity, the cause is usually managed by an NGO. Typical NGOs are Save the Children, WWF, Greenpeace, Amnesty International and the Red Cross. These are large international NGOs, and one of their main sources of income is private or corporate donations. Not all NGOs are as well-known. Most NGOs are small, with unknown brands. There are about 1.5 million NGOs in the United States engaged in a variety of activities (U.S. Department of State 2012). In Russia, there are about 277,000 NGOs (Rodriguez 2008), and in India, about 3.3 million NGOs (Indian Express 2010).

For many companies charity is often perceived as a key element of CSR, and corporate donations to NGOs are a significant source of income for NGOs. Since 2007, for example, overall donations from FTSE 100 companies have increased at a faster rate than pre-tax profits. The median donation by FTSE 100 companies has increased from 1 million pounds in 2007 to 3 million pounds in 2012 (CAF 2014).

Corporate social responsibility (CSR)

In the last 20 years we have seen a tremendous increase in focus on corporate social responsibility. CSR refers to "the responsibilities of enterprises for their impact on society" (European Commission 2017). Addressing environmental issues, human rights and corruption are key elements of CSR (UN Global Compact 2014). By using CSR in the "right" way, companies can lower risk, reduce cost of capital access, improve customer and employee relationships, and contribute to innovation. Figure 1 documents the increased attention on CSR since 1989 based on media coverage. Companies are more concerned about being perceived as responsible and stakeholder engagement is an important step in this direction is an important step in this direction (Brammer and Millington 2004). Advice through cooperation with NGOs can be a good way to develop a CSR program.

Instead of being a corporate "side activity," CSR is becoming more a part of doing business, especially because of its potential positive effects when done the right way (Carroll and Shabana 2010, The Economist 2009, Simona et al. 2013, Rangan et al. 2015, Petrenko et al. 2016, Cha et al. 2016, McPherson 2012) and different ways to measure the effect is suggested (Lion et al. 2013). Even though it is also argued that studies reporting on positive effect of CSR are biased and overestimate the positive effect of CSR (Rost and Thomas 2015), there are several examples of how doing CSR right can contribute to increased profitability (Khan et al. 2015).

As customers become more concerned about sustainability, they are more likely to choose responsible products (The Economist 2009, Vasilash 2017, Scherer 2012). Having control over a company's responsibility activities can reduce the risk of scandals associated with, for example, uncontrolled emissions corruption, leading to bad media coverage. Also, more responsible products can contribute to a better reputation and branding (Siltaoja 2006). Employees wants to work for responsible companies. Studies show that 80% of people 13–25 years old want to work for a company that cares about its impact and contribution to society (Meister 2012). Last but not least, investors are becoming more concerned about the level of responsibility in companies they invest in as part of the due-diligence process. From 2012 to 2014, the "global sustainable investment market has continued to grow both in absolute and relative terms, rising from $13.3 trillion1 at the outset of 2012 to $21.4 trillion at the start of 2014, and from 21.5 to 30.2% of the professionally managed assets in the regions covered" (GSIA 2015).

The fact that CSR is becoming an integrated part of doing business, and included in companies' long-term strategies, implies that it needs to be evaluated from a business point of view. Business in general can be measured in numerical figures like profit and loss, but the impact of CSR is more complicated to quantify. Even though some activities, such as waste generation and reduction, and changes in CO_2 emissions, can be measured in numbers, it is more difficult to measure the effect of using more environmentally friendly products in the supply line, creating better working conditions in factories, or helping children in developing countries.

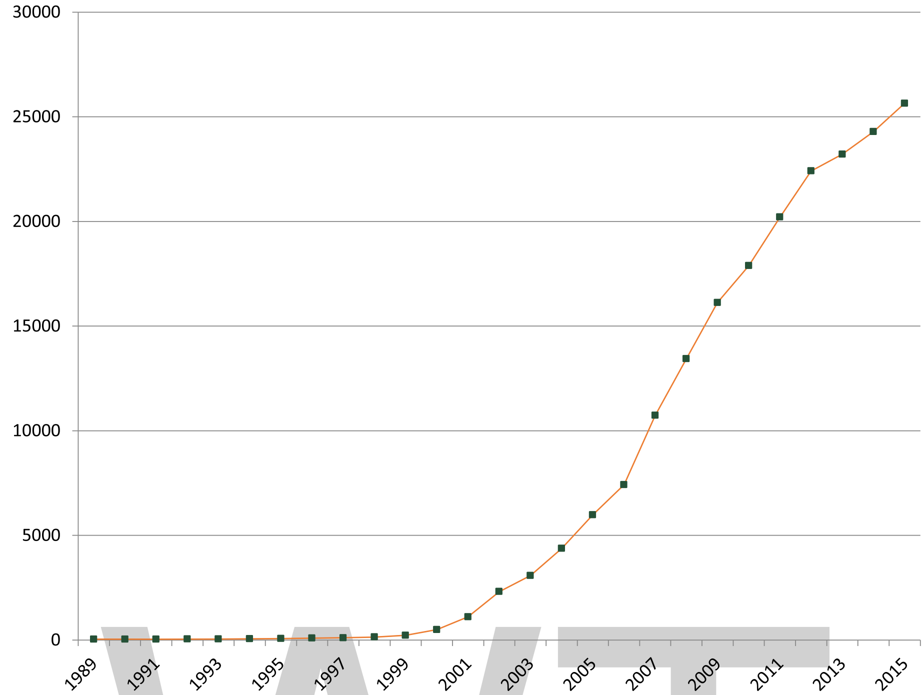

Fig. 1 Corporate Social Responsibility (CSR in media)

Although measuring the contribution of CSR engagement in dollars and cents is complicated, such activity can still be measured based on its result relative to the goal that has been set. To evaluate the extent a project has fulfilled its mission, however, a goal must be set. Goals that can be accounted for include higher sales of environmentally friendly products; an increase in the number of workers affected by improvements in working conditions, or children passing certain exams; and a reduction in accidents or sick-leave.

Today, however, this type of goal-setting for CSR activities is addressed to a lesser degree, at least explicitly in annual reports. The fact that reports addressing CSR are usually referred to as non-financial reports, when such activities do impact financial results—positively or negatively—is itself a paradox. Given that research shows that the manner in which companies addresses CSR has different impact on corporate financial performance. Whereas investment in material sustainability issues can enhance shareholder value, immaterial sustainability investment may hav little or even negative value implications (Khan et al. 2015).

So far this study has presented four key concepts: sponsorship, charity, non-governmental organizations and corporate social responsibility. The paper has addressed how the typical sponsorship is more profit-oriented than charity, and how increased growth in CSR presents a business challenge that can be fulfilled by a new type of sponsorship: cooperation and partnership with NGOs. In the next section, different theoretical perspectives of business and NGO partnership with parallels to sponsorship and charity will be presented. Such partnerships between businesses and NGOs combine sponsorship and charity with CSR. If the partnership is done properly, a company can increase its responsibility and improve its bottom line simultaneously.

Theoretical foundation

No clear-cut business-NGO partnership theory exists. Academics and the media have frequently addressed the business-NGO relationship. However, few concrete suggestions are provided on how companies should cooperate with NGOs. This study will present three leading approaches to business-NGO partnerships: James Austin's strategic alliance; Porter and Kramer's corporate philanthropy with competitive advantage; and Cone, Feldman and DaSilva's cause-and-effect model. The first two will be used mainly to introduce the topic; the latter is a step-by-step model to guide companies on how to interact with NGOs. The study will evaluate the relevance of the Cone et al. model, and suggest how it can be developed to be in line with today's requirements for CSR engagement. The new model will be applied to assess how three companies—IKEA, Walmart and The Body Shop—collaborate with NGOs. The extent to which these companies report on their collaboration will be discussed.

Austin has developed a concept of three stages of strategic alliances between business and non-profit

(NGO) partnerships: philanthropic, transactional and integrative (Austin 2004). Key characteristics of the *philanthropic* relationship are low levels of engagement, few resources and activities involved, and little interaction with low strategic value. In the *transaction* stage, all these elements of engagement increase. At the *integrative* stage, engagement is high, with a large set of resources involved in many activities at a high level of interaction. The collaboration is of strategic value to both participants.

The relationship stage that companies and NGOs choose is to a large extent related to purpose and potential. Some companies give to only one cause so they will have an "acceptable" response to the many NGOs contacting them to donate. If the company responds, "Sorry, annually we donate to Save the Children and unfortunately we have no budget beyond that," the NGO usually accepts the refusal. A company selecting the integrative NGO relationship has to be prepared for a time-consuming and demanding program. Developing a human rights training program for all employees around the world with Amnesty International, for example, would be an integrative relationship.

In their article "The Competitive Advantage of Corporate Philanthropy," Michael E. Porter and Mark R. Kramer argue that charity can be associated with economic benefits (Porter and Kramer 2002). Their "A Convergence of Interest" illustrates the variation between pure business and pure philanthropy (Fig. 2). This model also suggests that companies should combine business and philanthropy. The article Creating Shared Value can be seen as a follow-up of this article, as the authors go a step further and argue for companies taking into account its social and environmental impact in decision-making (Porter and Kramer 2011). Being a responsible company is, according to the authors, to combine profit and positive environmental and social impact, and they provide several examples supporting the argument.

Carol L. Cone, Mark A. Feldman and Alison T. DaSilva represent a Boston-based consulting firm specializing in cause branding and marketing (Cone et al. 2003). In their Harvard Business Review article "Causes and Effects," they present four guiding principles to help corporations with cause branding (Fig. 3). Companies can use this practical four-step model to develop a win-win cooperation approach to NGO interaction. The model combines ideas by Austin, Porter and Kramer about different types of NGO partnerships to create an approach companies can use in their day-to-day operations. It's also a practical tool to evaluate already established cooperation agreements reflected in the cases presented in this paper. Here are the four guiding principles introduced by Cone et al.:

1. Select a cause that is aligned with your corporate goals.
   All company stakeholders—customers, employees, suppliers, etc.—can be relevant when choosing a topic or cause.
2. First commit to a cause, then pick your partners.
   When the cause or topic of cooperation is selected, the search for an appropriate NGO begins. To

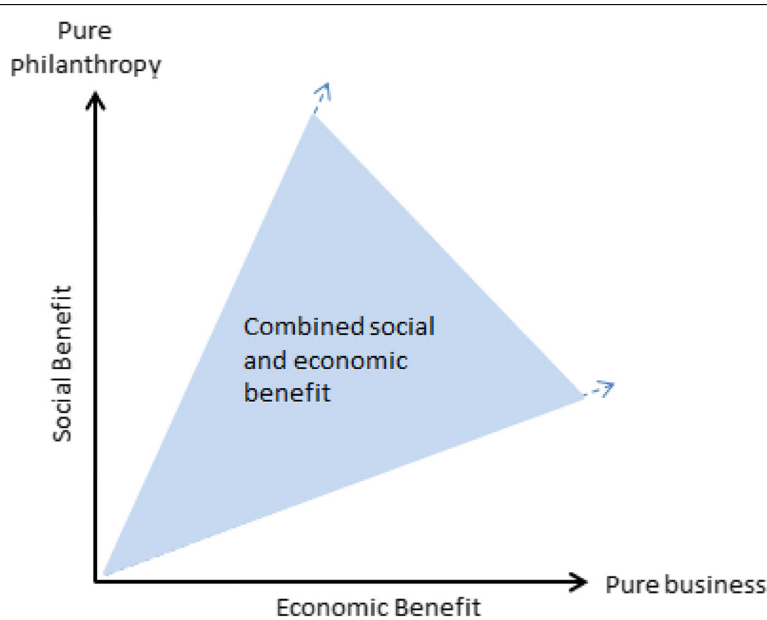

Fig. 2 A Convergence of Interest (Porter and Kramer, 2002)

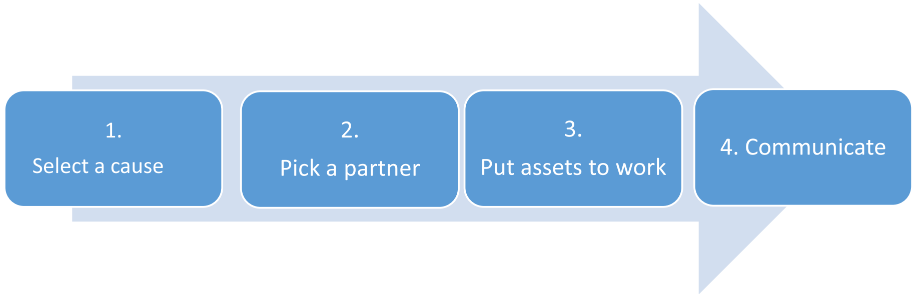

Fig. 3 The Cone et al. model

companies that first pick their cause, the partner might seem obvious, but in reality that's not always the case. Companies often start supporting the NGOs that are the most "pushy" or aggressive, leading to mismatches of companies and NGOs.

3. Put all your assets to work, especially your employees.
   Collaboration is not only the responsibility of the company leadership team or information department. All employees should be aware of and understand the choice of NGO. The more a company involves employees, the better. Employees might, for example, provide services, share knowledge or serve as voluntary ambassadors for the cause.
4. Communicate through every possible channel.
   Making employees aware of the cooperation is a first step. Other stakeholders, such as customers, investors, suppliers and governmental agencies, are potential good ambassadors and should be aware of the collaboration when relevant.
   The Cone et al. model is qualitative and descriptive, providing a practical, step-by-step way for companies to pick and start cooperating with an NGO. However, when it comes to setting goals and evaluating the effect of this cooperation, the model is less concrete. The model does not explicitly assess what is to be achieved and how to measure it.
   According to the model, a company can pick the right cause and partner, engage stakeholders and communicate the partnership. However, as addressed earlier in this paper, when CSR is part of doing business, goals have to be set and results evaluated. Because the current model does not require a concrete goal, it is difficult to evaluate the collaboration's effect, whether it was a success, and how it can be improved.
   Developing the model a step further by 1) setting concrete goals and 2) effectively evaluating the project, will improve the usefulness of the model. In Fig. 4, this new model is presented.
   This new six-step model will be applied to evaluations of NGO cooperation with IKEA, Walmart and The Body Shop. The extent to which these companies report according to the new model will be discussed, providing a test of the new model and how companies can improve their NGO partnership reporting.

Method

The three cases are convenient samples: large companies with well-known brands that sell to individual customers. Furthermore these companies are well known brands in the retail marked as well as companies with and extremely loyal customer base (Aaker 2011). The companies originated in different countries—Sweden (IKEA), U.S. (Walmart) and U.K. (The Body Shop)—but over time have

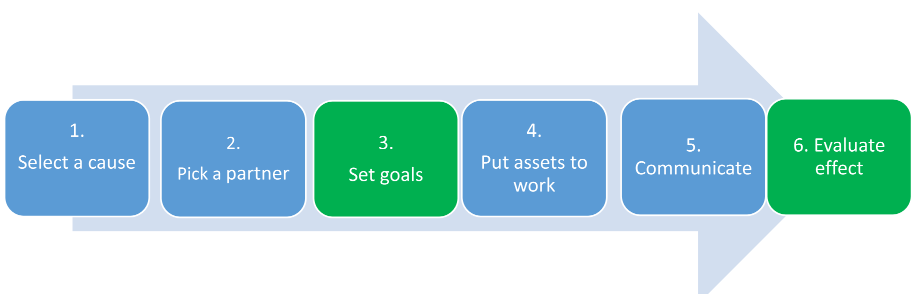

Fig. 4 The revised model of NGO interaction

become international. Each company cooperates with several NGOs. This paper will study one NGO partnership for each company: WWF (IKEA), Alliance for Bangladesh Worker Safety (Walmart) and End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes (The Body Shop).

Information about the companies' NGO cooperation was retrieved solely from their websites to capture how they present themselves. Company representatives could have been interviewed, but the information would have reflected the interview subjects' personal views of the partnership. Alternatively, one could search the Web to learn how the partnership has been covered in the media, but that approach would be too random to represent the cooperation. Material about the company's NGO collaboration on its own website is the company's official report. What a company chooses to report on about its NGO relationship is itself documentation and contributes to a more objective way of comparing companies. Still, company websites can be of thousand of pages. It might be that this study does not capture all the information available. However, the cases are mainly used to illustrate how to apply the revised model. Therefore the key information provided is acceptable.

The drawback to using the company's website as a sole source is that the study might be missing information that the company has not posted it on its website. However, it is also of interest to investigate what the company actually chooses to focus on and present on its website, so in that case the limitations of what companies put on their websites is itself of interest.

To evaluate business-NGO cooperation, this paper will first describe each company's vision, size, and attitude or policy toward NGO cooperation and partnership, addressing the suggested extension of Cone et al.'s four-principle model to a six-principle model. These principles were developed to help managers establish a cause-branding program, and this paper will use the model in retrospect to evaluate the already established NGO cooperation. The principles will be reversed to the following checkpoints:

1. Is the cause chosen in line with the corporate goals? The company's vision, mission and/or purpose will be compared with the cause it has selected.
2. Is the company's choice of NGO partner in line with the cause selected?
3. Has the company set a concrete goal for its collaboration initiative?[1]
4. To what extent has the company put all its assets to work, especially the employees? For instance, does the company mention employees?
5. How does the company communicate its NGO cooperation? The degree to which this is a balanced presentation—not promoting too little, or too much—will be addressed.
6. Is the effect of the project evaluated?[2]

The purpose of this exercise is to illustrate how the model can be applied, and investigate to what extent leading international corporations like IKEA, Walmart and The Body Shop are presenting their relationship with key NGO partners. This research approach can be described as a comparative case study based on multiple (three) cases. Common denominators for selection of cases are leading companies in the retail industry and their association with key NGOs. Applying the extended Cone model as a common framework for evaluating the three companies' NGO interaction is a good tool to identify similarities and differences between the companies. This approach also tests the extended Cone model to evaluate how much the companies have integrated NGO interactions into their business operations, as well as the degree of awareness and openness associated with their NGO collaborations.

This study of IKEA, Walmart and The Body Shop's NGO interactions is on purpose simplified. The data is based on searching the companies' websites for how they present their NGO interaction, and providing a summary. Applying this approach makes it possible to compare the companies as well as test the extended Cone model.

Cases

IKEA

IKEA's vision is "to create a better everyday life for the many people." Its business idea is "to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them" (IKEA 2017).

IKEA says it works to "achieve quality at affordable prices for our customers through optimizing our entire value chain, by building long-term supplier relationships, investing in highly automated production and producing large volumes. Our vision also goes beyond home furnishing. We want to create a better everyday for all people impacted by our business."

Total sales for IKEA Group were in 2015 were about 31.9 billion euros.[3] IKEA has 389 stores in 42 countries, 915 million visits and employs 183,000 workers.[4]

IKEA's policy for NGO interaction is the following: "The IKEA Group co-operates with companies, trade unions, NGOs and organizations to develop and reinforce the impact of our work within the social and environmental fields. From a social perspective IKEA Foundation has partnerships with UNICEF, Save the Children and UNDP. From an environmental perspective the IKEA Group has a partnership with WWF, the global conservation organization."[5] This study will focus on IKEA's cooperation with WWF (World Wide Fund for Nature).

1. Is the cause chosen in line with the corporate goals? IKEA says it wants to create a better everyday for all people impacted by its business. Focusing on a cause related to key products in its value chain, wood and cotton, is in line with the corporate goal.
2. Is the company's choice of NGO partner in line with the cause selected?
"WWF, the global conservation organization, is one of the world's largest and most experienced conservation organizations with a global network in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring the sustainable use of renewable natural resources and promoting the reduction of pollution and wasteful consumption."
WWF is therefore an NGO partner in line with the cause chosen.
3. Has the company set a concrete goal for its collaboration initiative?
(Search: Ikea WWF Partnership goal). On IKEA's website, no concrete goal is described for the effect of the WWF forestry partnership, other than where it will be conducted. For the Better Cotton project, however, several concrete and well-described goals are presented on the website, such as, "The aim is for 2000 farmers in Pakistan to pass through the Farmer Field Schools during the 3-year period."[6]
4. To what extent has the company put all its assets to work, especially employees?
IKEA actively promotes its cooperation with the WWF on its homepage with a separate document that describes the collaboration. The focus has been on suppliers, because they deal with forestry and cotton production. The extent to which employees are aware of this partnership is not addressed.
5. How does the company communicate its NGO cooperation?
IKEA presents its NGO partnership thorough its website and product certification. This is a balanced approach. It is not evident to what extent the company promotes its NGO cooperation in stores and toward its customers.
6. Is the effect of the project evaluated?
(search: IKEA WWF partnership result) On IKEA's website, the results of the WWF partnership are described generally without any concrete figures.[7] The results of the joint cotton partnership projects in India and Pakistan are thoroughly accounted for. Figures for reduced pesticide and water use, as well as increases in gross margins for farmers, are included.[8]

Walmart

Walmart's purpose and goal is "Saving people money so they can live better" (Walmart 2014).

Fiscal year 2016 revenues were $482.1 billion, and the company employs 2.3 million associates worldwide (http://corporate.walmart.com/newsroom/company-facts)

Walmart collaborates with stakeholders for positive change. "Meaningful collaboration with key stakeholders is essential to driving positive and sustainable change in the supply chain. This is why we continue to work with leading NGOs and take an active role in industry coalitions. We work to improve the effectiveness of our own responsible sourcing program and, ultimately, improve the lives of workers in our supply chain."

From Walmart's website under "Partnership," here are some of the NGOs listed: the Alliance for Bangladesh Worker Safety, Coalition of Immokalee Workers, Ethical Trading Initiative and Global Social Compliance Program. This study will focus on Walmart's cooperation with the Alliance for Bangladesh Worker Safety (Alliance), which started in 2013.

1. Is the cause chosen in line with the corporate goals? The Alliance was create to improve worker safety in Bangladeshi garment factories through training, factory assessment, safety, transparency and financial commitments. This cooperation is not directly in line with Walmart's goal, but can be perceived as necessary to avoid accidents like the collapse of the Bangladesh factory Rana Plaza in 2013 that killed 1129 people (DePillis 2015).
2. Is the company's choice of NGO partner in line with the cause selected?
Because the cause is increasing safety and working conditions for employees in Bangladesh, the Alliance is a good partner. However, the Alliance is a relatively small NGO, with 27 member companies. In that sense the Alliance does not hold the same international respect as an NGO like the WWF. As a result, cooperation with the Alliance might not be as credible as other partnerships.
3. Has the company set a concrete goal for its collaboration initiative?
On its website, Walmart writes about its 5-year undertaking to improve safety in garment factories in Bangladesh, but no explicit goals are set.[9]
4. To what extent has the company put all its assets to work, especially employees?
Walmart reports about the good work of the Alliance, but does not describe other "assets" being put to work.

5. How does the company communicate its NGO cooperation?
   On its website Walmart describes the Alliance partnership, reporting, for example, the inspection of 587 factories and presentation of basic fire safety training for more than 1 million workers and managers. Other than this website information, and a link to the Alliance's annual report, no other communication channels are readily available.
6. Is the effect of the project evaluated?
   (Search: Walmart Alliance for Bangladesh Worker Safety partnership result) On its website, Walmart refers to the Alliance annual report, which provides concrete figures for what the organization has accomplished. It has, for example, trained more than 1.2 million factory employees on basic fire safety, provided wages for more than 6600 workers, and documented that the number of employees who know how to react in case of an emergency has increased from 61% before training to 88% after training.[10]

The body shop

Here are the company's core values: "The Body Shop is a leader in promoting greater corporate transparency, and we have been a force for positive social and environmental change through our campaigns around our five core Values: Support Community Fair Trade, Defend Human Rights, Against Animal Testing, Activate Self-Esteem, and Protect Our Planet" (Body Shop 2014).

Retail sales for 2015 were 1559.6 million euros. The Body Shop is owned by L'Oréal and has more than 3000 stores in more thatn 60 countries.[11]

The company describes its cooperation strategy: "Each of our relationships is unique, providing different benefits for the communities, such as a more stable future, or access to basic essentials like education, clean water and healthcare." The Body Shop Foundation engages in projects related to animal protection, environmental protection and human rights. "Campaigning has been part of The Body Shop from the very beginning. The first was Save the Whale, launched with Greenpeace in 1986, followed by Stop the Burning, which collected almost a million signatures to call for action to save the Brazilian rainforest."

In this paper the focus will be on The Body Shop's cooperation with the NGO ECPAT International and its Stop the Sex Trafficking of Children and Young People campaign.

1. Is the cause chosen in line with the corporate goals?
   Given that one of The Body Shop's five core values is to defend human rights, stopping sex trafficking of children is in line with its corporate goal.
2. Is the company's choice of NGO partner in line with the cause selected?
   End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes (ECPAT) is an NGO with more than 80 local groups in over 70 countries. The NGO partner is in line with the cause selected.
3. Has the company set a concrete goal for its collaboration initiative?
   (Search: Body Shop ECPAT partnership goal) A report on ECPAT's website, "Creating change through partnership 2012—ECPAT International and The Body Shop," includes three concrete formulated goals, but not concrete numbers, such as achievements in preventions, legislation and law enforcement..[12] This report, however, was created to evaluate the partnership.
4. To what extent has the company put all its assets to work, especially employees?
   Given that one of The Body Shop's main strategies in NGO cooperation is campaigning for positive change, employees are automatically involved. The partnership, linked to the company's Soft Hands Kind Heart Hand Cream, is based on campaigning and marches, and employees have had a key role. For example, through a petition for the cause, more than 7 million signatures were collected around the world. In another example, Marianne, a Body Shop employee in Denmark, organized a successful march supporting the campaign. More than 1500 people turned up, which created huge media interest.
5. How does the company communicate its NGO cooperation?
   The Body Shop describes its communication channels in reports and on its website. Through campaigns and marches, the company makes engagement visible.
6. Is the effect of the project evaluated?
   (Search: Body Shop ECPAT partnership result) Concrete numbers about the effect of the partnership are presented on The Body Shop's blog: "The law has changed in 20 countries to help protect and support children and young people"; "65 countries supported the campaign"; etc.[13] On the ECPAT website, a report measures progress against the organization's three campaign goals from 2009 to 2012, when the campaign ended. The before-and-after figures are presented in illustrative graphs, and in sentences such as, "The data revealed that policies and programs on prevention, legal framework and assistance designed and implemented by the 42 countries analyzed have generally increased since 2009" .[14]

Discussion and conclusions

This study has illustrated how traditional sponsorship and charity can develop into NGO collaborations, becoming a key element in company CSR. It develops Cone et al.'s guiding principles to include goal-setting and evaluation. The revised model is tested by exploring cooperation by IKEA, Walmart and The Body Shop with their respective NGOs. The article demonstrates how NGO cooperation can have different structures and render different results. Still, the revised model can be useful as a guiding tool.

The cases illustrates how NGO partnership and cooperation represent advanced forms of sponsorship. It contributes to general branding, one of the key elements of traditional sponsoring, while also contributing to brand-building as a responsible company (CSR). This study documents how such a win-win approach can be developed and evaluated.

This paper shows that Cone, Feldman and DaSilva's four guiding principles to develop a cause-branding relationship can also be used to evaluate an existing company-NGO partnership. While traditional sponsorships are evaluated based on financial results, business-NGO relationships include the social impact of a company's support. Compared with traditional sponsoring, cooperating with an NGO can have a much larger impact on both the company and society. Through business-NGO cooperation, companies can reduce risk, increase innovation, and engage employees and other stakeholders, which contributes to improved branding.

Companies generally are not familiar with NGO cooperation. Traditional sponsorship is simple and does not require much engagement from companies beyond financial contributions. Extending a traditional sponsorship to an NGO cooperation related to CSR issues is more demanding, but can have greater impact. Applying the model tested in this paper might facilitate and inspire more companies to cooperate with NGOs.

Given that companies are to a much larger degree expected to report on CSR engagement today than when the Cone et al. guiding principles were developed in 2003, the model also needs to be developed. As CSR becomes part of doing business, it is necessary to evaluate companies' engagement in the field as a business operation. The earlier choice of an NGO for charity and collaboration was to a large extent based on the management team's personal preferences (Galaskiewicz and Colman 2006). Now, however, companies need a more business-related decision process for choosing partners (Lion et al. 2013, Austin and Seitanidi 2012). Along with the business approach to NGO collaboration and CSR, it is natural to set goals and evaluate results. These elements are added to the original Cone model.

The three companies evaluated are leaders in the world and have teams to develop and implement NGO cooperation professionally. Based on the revised Cone model, these three companies are evaluating their NGO collaboration, mainly based on the number of people reached or engaged. Still, few have put forward concrete goals, or compared to what extent they have reached goals. It might well be that all three companies set goals initially, but those were only used internally—as were comparisons between original goals and actual achievements.

Companies and organizations engage in environmental and societal activities with the intention to do something "good." The actual effect of these initiatives, however, is rarely measured from a financial point of view. Because impact investment is growing rapidly (Eurosif 2016), companies might need to take the next step of evaluating the impact of NGO interaction. This is also a good approach for evaluating different NGO partners and activities.

The goals of effect evaluation are based not only on economics, but also on learning. This evaluation can be done simply or in a more complex way. By setting concrete goals and evaluating the results, companies can learn more about their way of collaborating and how to improve it—both for the companies and the NGOs.

Further studies should evaluate other business-NGO partnerships and examine more closely what the different stakeholders in companies and NGOs have accomplished through their relationships. This study suggests an extended model to evaluate effect of business—NGO interaction. What worked well and what can be improved are interesting issues to investigate. Furthermore, the model in this paper was used to evaluate activities which had already taken place, i.e. in retrospect. New studies might use the model both as guidance for developing new NGO collaboration and as an evaluation tool for the collaboration subsequently.

Endnotes

[1]To answer this questions, a search on "company name" "name of NGO" and "partnership" and "goal" was conducted. Information presented on the company's website was used unless otherwise reported

[2]To answer this questions, a search on "company name" "name of NGO" and "partnership" and "result" was conducted. Information presented on the company's website was used unless otherwise reported

[3]http://www.ikea.com/us/en/about_ikea/newsitem/091015_IKEA-solid-sales-growth-fy15

[4]https://highlights.ikea.com/2016/ikea-facts-and-figures

[5]http://www.ikea.com/ms/en_JP/about_ikea/our_-responsibility/partnerships/index.html

[6]http://www.ikea.com/ms/en_SG/about_ikea/our_-responsibility/ikea_forest_projects/ikea_and_wwf.html

[7]http://www.ikea.com/ms/en_SG/about_ikea/our_-responsibility/ikea_forest_projects/ikea_and_wwf.html.

[8]http://www.wwf.se/ikea/source.php/1648066/WWF_IKEA_SCI_Report_2015results_20160613.pdf

[9]http://corporate.walmart.com/our-commitment-to-the-workers-of-bangladesh

[10]http://corporate.walmart.com/our-commitment-to-the-workers-of-bangladesh

[11]http://www.loreal-finance.com/eng/brands/the-body-shophttps://www.thebodyshop.com/en-gb/aboutus

[12]http://www.ecpat.org/wp-content/uploads/2016/04/Creating%20Change%20Throught%20Partnership_FI-NAL.pdf page 3

[13]http://blog.thebodyshop.com/post/20066216691/20-countries-commit-to-protect-children-from-sex

[14]http://www.ecpat.org/wp-content/uploads/2016/04/Creating%20Change%20Throught%20Partnership_FI-NAL.pdf page 19.

Competing Interests

The authors declare that they have no competing interests.

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Corporate social responsibility reporting in the telecommunications sector in Ghana

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Abstract

Many corporations today have come to the realization that there are enormous benefits to be derived from being socially responsible in the societies they operate. Today, the argument is no longer about being a good corporate citizen on the part of businesses but the ability of businesses to communicate their social contributions to stakeholders. A number of mediums can be employed by businesses to report on their corporate social responsibility (CSR) to stakeholders: including annual reports; community reports; press releases among others. This study looked at CSR reporting in the telecommunications sector in Ghana, using websites as a disclosure medium. Drawing inspirations from prior studies, this study looked at corporate social responsibility reporting (CSRR) in five thematic perspectives: environment; human resource; product and customer; community and ethical aspects. Findings from this study indicate that the telecommunications companies in Ghana poorly articulate their CSR issues online. The community involvement category received much attention in their reportage, which supports earlier studies that most organizations are committed to corporate philanthropy. The findings also show that two telecommunications companies have dedicated department solely for CSR (MTN Ghana and Vodafone Ghana), known as CSR Foundation with separate vision statement, mission statement; objectives; aims as well as independent board different from the mother entities. The study makes relevant contribution in the area of CSRR in the context of Ghana, judging from the fact that the concepts CSR and CSRR are relatively new and also adds literature to a fairly growing area of CSR communications via websites which are fast becoming a medium of corporate communication for corporations in Ghana and beyond.

Keywords: CSR, CSR reporting, Telecommunications, Ghana

Introduction

Organizations today, whether private or public are expected to conduct their businesses in a legal, ethical and transparent manner, raking in the needed profit, while at the same time meeting the expectations of various stakeholders. This is where the issue of corporate social responsibility (CSR) comes into play. Issues of CSR continue to be in the front burner in many corporate board rooms of many business corporations. This view is endorsed by (Nielsen & Thomsen, 2007) when they opined that the need for transparency and accountability from organizations operating worldwide has pushed them to put CSR high on their agendas. CSR today remains an emerging concept in many developing economies (Muller & Kolk, 2008), of which Ghana is not an exception. According to a an international survey issued by the Price Water House Coopers in the early part of 2002, reveals that nearly 70% of global chief executives believed that addressing CSR was vital to their companies' profitability (Simms, 2002). Notwithstanding the age-long debate about corporate social responsibility and the difficulty in arriving at a consensual definition of the concept, CSR is gaining currency in many business enterprises in Ghana today. Similarly, the Ghanaian government has proactively endorsed CSR friendly practices by firms operating in the country (Atuguba & Dowuona-Hammond, 2006). This is because organizations by their nature have responsibilities assigned to them by law, shareholders, stakeholders and society at large (Carrol, 1979). Undoubtedly, corporatism today looks beyond the bottom line, in an attempt to placate its stakeholders. CSR issues are now being factored into all aspects of business operations and explicit commitment to CSR is made in the vision statement, mission statement and value statement in many business enterprises in the world (Ofori & Hinson, 2007). It is increasingly becoming

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fashionable today for organization not only to be socially responsible, but, also endeavor to report same. This view is endorsed by (Epinosa and Porter, 2011), when they argue that matters of sustainability reporting are increasingly assuming a global trend heading towards a paradigm shift in the ways businesses and organizations whether public or private, profit-making or non-profit-making operate in society. Engaging in social responsibility and reporting such activities at a regular interval have been recognized as an essential device for organizations towards ensuring the long term continued existence and survival (Khan, 2010).

A review of the social disclosure literature suggests that reporting CSR issues have become a necessary facet of businesses to demonstrate companies' commitment to the wellbeing of society (Khan, 2010). A number of earlier researches analyzing CSR information disclosure have touched on a wide range of fundamental issues (See for example: Mahmoud et al., 2017; Boateng & Abdul-Hamid, 2017; Hinson et al., 2010; Sulemana, 2016; Khan, 2010; Gao, 2011; Abugre, 2011; Khan et al., 2009). It appears not coincidental that issues of sustainability reporting is also suffering definitional quagmire similar to that of CSR. Consequently, it has been referred to variously as corporate citizenship report; triple-bottom line (TBL) report; social and environmental accounting; annual social report; integrity report; sustainability development report among others. It is pertinent to add that there are various mediums through which businesses can communicate CSR messages. Reasons for dwelling on corporate websites as a disclosure medium is inspired by the assertion by Zeghal & Ahmed (1990) that the use of annual reports alone do not adequately represent information disclosure of a firm or industry as they tend to target only investors and shareholders, which makes websites disclosure appropriate and relevant.

Additionally, the number of people using the internet continues to soar (Arnone et al., 2011) making it an appropriate medium to disclose CSR information. The objective of this study therefore, is to look at how telecommunications companies in Ghana disclose their CSR on their corporate websites. This paper is structured into six parts: the first part dealt with the introduction; section two provides literature review; section three sheds light on the theoretical framework underpinning the study; research methodology follows in section four; while section five discussed findings of the study. The paper is wrapped up with conclusions and recommendations of the study.

Literature review

According to Smith (2002: 42) CSR is the "integration of business operations and values whereby the interests of all stakeholders, including customer, employees, investors, and the environment are reflected in the organization's policies and actions". According to (Nielsen & Thomsen, 2007) the emergence of non-financial reporting or CSR reporting can be seen as an attempt to increase transparency with respect to corporate dealings concerning social and environmental issues. To accentuate this, a number of reporting guidelines have been developed to which corporations are expected to report on to bring about fairness, transparency and truthfulness (Rrynolds and Yuthas, 2008), such as global reporting initiatives (GRI), SA (Social Accountability, International Labor Standards) or the triple bottom line. The corporate social reporting literature has witnessed tremendous growth over the last three decades (Gray, 2001). However, notwithstanding the extensive research in the area of CSR reporting, there is no consensus on the exact definition of CSR reporting (Gray, 2000).

According to Abugre & Nyuur (2015: 173) "Communicating CSR is a means of ensuring that these firms are in touch with their stakeholders to be responsible for their social and environmental impacts". The increasing desire by companies to engage in CSR is largely attributed to the myriad of benefits that companies stand to gain when perceived by society as being social responsible (Du et al., 2010). According to Rizk et al., 2008: 306) corporate social responsibility reporting is "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organizations (particularly) companies; beyond the traditional role of providing a financial account to the owners of capital, in particular to shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibility than simply to make money for their shareholders". Fonseca et al. (2011) see sustainability reporting as the process of accessing and making periodic public disclosures relating to organization's social, environment, economic, safety and health performance. Hinson et al., (2010) discussed how banks in Ghana disclose their CSR on their websites. The study found that adb (agricultural development bank) which has won most CSR awards in Ghana had the poorest communication of CSR on its websites.

The study further revealed that unlisted banks communicated more of their CSR than listed banks, contrary to the finding of (Dineshwar, 2013) study which revealed that listed banks in Mauritius communicated more of their CSR activities than unlisted banks. Hinson (2011a) discussed how banks split along CSR award-winning versus non CSR award-winning banks communicate their CSR online. The study concludes that banks with the most awards as far as CSR was concerned had the poorest CSR communication online. Sulemana (2016) analyzed CSR reporting by telecommunications companies across Africa and found that telecommunications companies on the continent are committed to CSR and reporting same to placate their stakeholders. Khan et al., 2009examined CSR disclosures by 20 commercial banks in Bangladesh. The study showed that commercial banks in Bangladesh report on a wide range of themes, with much emphasis on human resource disclosure, contrary to the findings of (Hinson et al., 2010) study in Ghana which saw commercial banks putting much emphasis on corporate philanthropy. Gao (2011) analyzed 81 listed companies' CSRR in China and found that state owned enterprises (SOEs) have the higher propensity of addressing social issues than non-state owned enterprises. The study further suggests that industrial firms are more willing to address the interests of stakeholders than service firms. Abugre & Nyuur (2015) conclude that Ghanaians companies are committed to CSR and rely on a wide range of channels to make their CSR contributions known to the public, however, the companies dwell so much on corporate philanthropy as evidence of their CSR engagements. Nielsen & Thomsen (2007) analyzed CSR reporting by six Danish companies and conclude that their CSR reportage are very different with respect to topics on the one hand and dimensions and discourses expressed in terms of perspectives, stakeholder priorities, contextual information and ambition levels on the other hand. Khan (2010) looked at the potential impact of corporate governance (CG) issues on CSR reporting among private commercial banks in Bangladesh and the results demonstrate that although voluntary, CSR reporting is rather modest, but, the various themes reported are impressive, with corporate philanthropy once again leading the pack.

Scholarship in the area of CSR reporting has largely been a European affair (see Birth et al., 2008; Kotonen, 2009; Morsing et al., 2008; Adams & McNicholas, 2007; Capriotti & Moreno, 2007). However, there is fairly a growing literature in the context of Ghana on CSR reporting. For example, (Hinson et al., 2010; Hinson, 2011a; Hinson, 2011b) did look at CSR disclosures in the banking sector in four thematic areas: human resource; environment; product and customer; and community involvement. But, these studies did not look at issues of ethical disclosure, which borders on good corporate governance, which this study seeks to do, by incorporating issues of corporate governance into Hinson et al., (2010) study, which is very critical in sustainability development. This is because the underlying theme of the meaning of the concept CSR is accountability and responsibility (Dineshwar, 2013). After all, it would be of no use if a business communicates its CSR activities in the areas of human resource; environment; product and customer; and community involvement to its stakeholders and their operations are replete with corruption and unethical business conduct. Furthermore, (Sulemana, 2016) on the other hand, looked at CSR communication using African telecommunications companies. Unfortunately, his data did not capture any telecommunications company from Ghana. This study intends to build on the work of (Sulemana, 2016) by narrowing on how telecommunications companies in Ghana disclose their CSR on their websites in five thematic areas: human resource; environment; product and customer; community involvement; and ethics, drawing inspirations from earlier studies by (Dineshwar, 2013; Hinson et al., 2010 & Sulemana, 2016). This will add to the fairly growing literature in the area of CSR reporting in the Ghanaian context.

Research framework

A number of earlier studies were of great inspiration for this framework, notably (Hinson et al., 2010; Dineshwar, 2013). The study looked at CSR reportage in five thematic areas: human resource; environment; product and customer; community involvement; and ethical disclosure. The human resource disclosure include: employee health and safety; employee training; and employee morale. The environmental disclosure include: environmental policy/ company concern for the environment; environmental management system; conservation of energy in the conduct of business; conservation of natural resources and recycling/ E-waste management. Product and customer disclosure touch on: product quality; customer complaints/ satisfaction; provision for physically challenged, aged or difficult-to-reach customer. Community involvement comprises: support for education; support for health; youth entrepreneurship; employee volunteerism; and sports sponsorship. The ethical disclosure refers to: integrity; ethical/ professional conduct; transparency; and equality and diversity. The figure below illustrates the theoretical framework for the study. Fig. 1

As alluded earlier, firms report on their CSR activities in attempt to elicit legitimacy from the society. Reporting on CSR engagement in the areas of human resource; environment; product and customer; community involvement and ethical issues are all geared towards enhancing their image and invariably gaining legitimacy from the areas they operate. The figure above illustrates the attempt by firms to gain legitimacy by reporting on their CSR with the view to eliciting legitimacy from the society they operate. It is divided into three sections: CSR reporting; what is communicated and motive for communicating CSR. CSR reporting here means communicating on websites of telecommunications companies. Here, they communicate issues like human resource; environment; product and customer; community involvement and ethical disclosure. The third section talks about the motive of communicating CSR. This is done ostensibly to earn legitimacy from the areas they operate.

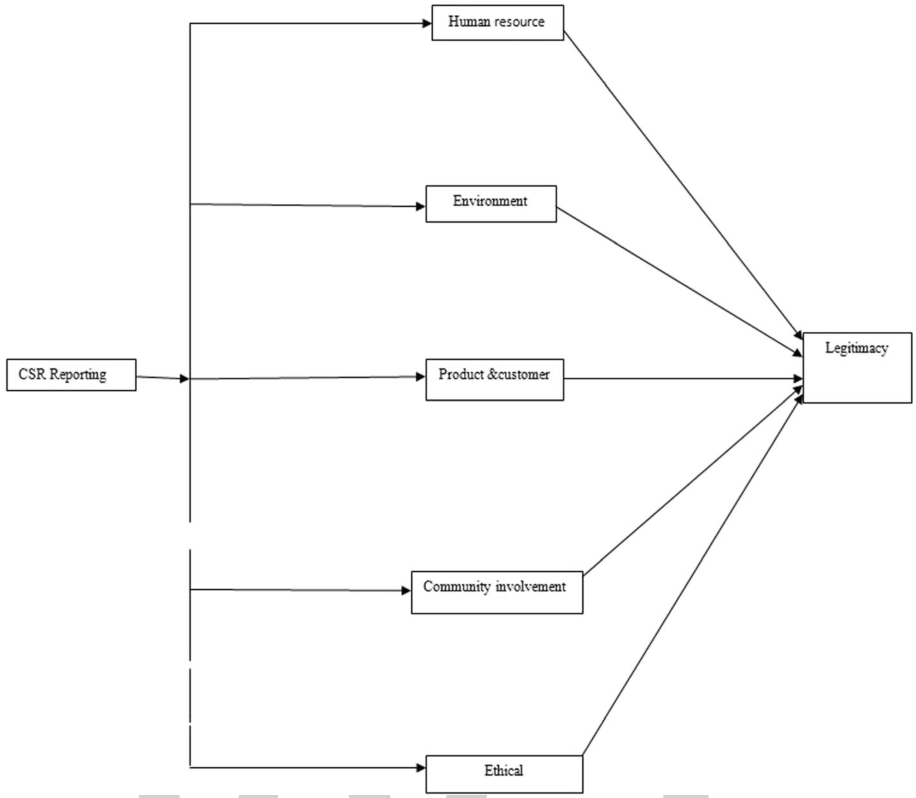

Fig. 1 CSR Reporting and Legitimacy Nexus

Theoretical explanation for CSR reporting

In spite of the widespread academic and business interest on the issue of CSR reporting, a comprehensive theoretical framework for explaining the underlining determinants of corporate social and environmental disclosure is still elusive (Reverte, 2008). Consequently, varied theories have been used to elucidate CSR reporting. Prior studies in social disclosure literature have used a single theory or a combination of theories to explain CSR reporting. For example, legitimacy and stakeholder theories by (Hinson et al., 2010; Dineshwar, 2013; Golob & Bartlett, 2006); legitimacy theory and political cost theories (Ghazale, 2007); institutional theory (Amran & Susela, 2008; Ali and Rizwan, 2013) and agenda-setting theory (Pollach, 2013). This study used the legitimacy theory as theoretical underpinning. The legitimacy theory provides significant insights into how CSR disclosure is done by firms operating in society. Evidence exists in corporate social disclosure literature that corporations engage in voluntary disclosure in their annual reports as a means to manage legitimacy (Campbell, 2000). "Businesses under the legitimacy theory therefore, disclose their CSR activities to show a socially responsible image, so as to legitimate their behaviors to their stakeholders" (Hinson et al., 2010: 500). Therefore, in an attempt to legitimize their existence in society, firms disclose their CSR activities to look good based on the expectations of society. In this regard, only firms that conduct their actions within the dictates of society will receive legitimacy in society. Once reporting on social causes elicits legitimacy, firms will continue to report on their CSR as that is the surest way to ensure their continual existence, profitability and good image. The purpose of legitimacy theory is to align the company's practices with the expectations of society as a whole.

Research methodology

The corporate websites of the five telecommunications companies in Ghana were visited to identify the data needed to be condensed into categories or themes for interpretation and subsequent analysis. The data below summarizes how the various CSR themes were operationalized on the websites of the five telecommunications companies in Ghana. Table 1

Study context

According to the national communications authority (NCA), the regulator of the telecommunications sector of Ghana, subscription to mobile telephony is increasing tremendously. It is undoubtedly, the fastest growing sector in the service sub sector of Ghana. This is largely brought about as a result of deregulation of the telecommunications sector. This view is corroborated by

Table 1 Operationalization of CSR Themes on Corporate Websites of the Sampled Companies

CSR Themes	Statements or items connoting CSR on websites
Human resource disclosure	
1.Employee health & safety	Protecting employees against work hazards
2. Employee training	Training, refresher training and other educational opportunities
3.Employee morale	Fringe, instant non-monetary benefits aimed at incentivizing employees to concentrate on the job, also include annual monetary incentives.
Environmental disclosure	
1.company concern for the environment	Conducting business while maintaining the integrity of the environment
2.Environmental audit	Operating with an ISO certification or allowing third party audit
3.Conservation of energy in the conduct of business	Using renewable alternative sources of energy in business operations
4.Conservation of natural resources	Conserving water, protecting flora & fauna
5.Recycling /E-waste management	Re-use, recycle paper, recycling electronics waste & other materials used in production
Product & customer disclosure	
1.product quality	Best offers from the company in the form of products and services
2.customer complaints/ satisfaction	Dealing with customers issues, complaints, in comfortable, friendly and congenial manner without hassle, after sale service
3.Provision for physically challenged/ aged/ difficult-to- Reach customers	Taylor-made products for people with impairment, aged, and those in remote places
Community involvement	
1.support for education	Commitment to promote education. Assistance in the areas of class room infrastructure, text books, computer donations, teaching & learning materials, building capacity of teachers, schools internet connectivity & other educational scholarships.
2.support for health	Assistance in health infrastructure, refurbishment, donating hospital equipment, training for health professional
3.Youth entrepreneurship	Assistance aimed at training the youth to be entrepreneurial to create their own jobs and be self-reliant.
4.Employee volunteerism	Company employees getting out of their comfort zone and doing community work. Contributing cash or kind to the community
5.Sports sponsorship	Providing assistance to sporting activities in the areas of football, volley ball athletics, rugby, swimming, supporting national teams.
Ethical disclosure	
1.Ethical/professional conduct	Allowing sound, good moral judgment in the conduct of business.
2.Transparency	The extent to which corporate actions are observed by outsiders. How corporate actions and decisions are opened to employees, stakeholders, shareholders and the general public.
3.Integrety	Be honest & upright in corporate dealings.
4.equality & diversity	Treating people fairly and equitably without prejudice and allowing cultural differences to fester.

(Frempong & Atubra, 2001) when they assert that evidence exists to suggest that the surge in the telecommunications sector in Africa is attributable to the deregulation of the sector and its attendants investment in the telecommunications sector. Furthermore, (Mahmoud & Hinson, 2012) argue that as a result of sweeping reforms in the sector in Ghana in the mid-1990s, culminating in deregulation, which brought in its wake efficiency and competition. Deregulation has brought about competition in the telecommunications sector and open the way for private participation into the sector and subsequent reduction in prices of telephone services in the country. Today, as a result of deregulation, there are five telecommunications companies operating in the country according the state regulator, as opposed to one during the regulated phase. These are MTN Ghana, Vodafone Ghana, Tigo, Airtel and Glo Ghana (www.nca.org.gh). These companies have contributed a lot by way of social interventions, especially in the areas of education, health and economic empowerment. Some of them have even won CSR awards at the Ghana club 100 awards. According to Hinson & Kodua (2012: 336),"the Ghana club 100 awards, award corporate excellence in Ghana's business environment and is perceived to be one of the most objective indicators of business performance in Ghana". Therefore, it sounds plausible to investigate how these companies communicate their CSR to stakeholders, especially on their websites. Undoubtedly, the ability of corporations to communicate to their stakeholders, whether corporate or individuals via their corporate websites has been made possible as a result of the availability of telecommunications infrastructure, made possible by telecommunications companies.

Qualitative content analysis

The study employed qualitative content analysis to interpret the themes contained on the websites of the five telecommunications companies in Ghana. Qualitative content analysis involves a process designed to condense raw data into categories or themes based on valid inferences and interpretation. According to Krippendorff (1989: 243) content analysis is defined as a "research technique for making replicable and valid inferences from data to their context". This study specifically used summative content analysis espoused by Hsieh & Shannon (2005). This technique involved the identification and quantification of particular word in a context with the view to understanding the underlining theme. Earlier studies which employed similar methodology in their studies include (Sulemana, 2016; Hinson et al., 2010; Hinson, 2011a; Hinson, 2011b). Since this study is interested in how much of their CSR is communicated, this approach is appropriate for this study. Qualitative content analysis focuses on characteristics of language as communication, with attention to content or contextual meaning of text (Hsieh & Shannon, 2005). The web sites of the five telecommunications companies were navigated to locate links to CSR for quantification in line with the summative approach, the methodology employed for this study. Links that made it possible to locate CSR on these websites include CSR, CSR Foundation, about us and sponsorship. To measure the level of CSR by the five telecommunications companies in Ghana, the websites of these companies were visited in March, 2017 and revisited in September, 2017 to look for contents of CSR and its connotations. This technique entails grouping the information disclosed into categories or themes which capture aspects of CSR to be measured (Hinson et al., 2010; Branco & Rodriguese, 2006). In the summation approach, a scoring system similar to the one used by (Sulemana, 2016; Hinson et al., 2010; Hinson, 2011a; Hinson, 2011b) was employed, allocating a point each for all the categories talked about earlier. For example, if a telecommunication company builds a school, it will score a point under community involvement category, which has 5 items. This is repeated for all other items in this category to find the total CSR disclosure for the community involvement category. This scoring system is replicated for all other categories: thus environmental disclosure 5 items; product and customer 3 items; human resource 3 items and ethical disclosure 4 items. In all, a total of 20 CSR items are expected to be communicated by the five telecommunications companies in Ghana. Based on the disclosure status of each of the telecommunications companies, interpretation and analyses as well comparison were then made. The study employed the services of coders to assist in classifying the recorded data on the websites into categories. Two student coders from Tamale Technical University were trained to assist in this study. It took 5 weeks for the coders to deal with the five telecommunications companies, with each company allotted 1 week to analyze the website of these companies. To bring about consistency and validity in the coding process, the two coders together with the authors met on the campus of Tamale Technical University to discuss the results and to build consensus as to what to quantify and what not to quantify. This is because inter-coder agreement is very critical in this methodology. This is in consistent with the assertion by (Lincoln & Guba, 1985) that credibility, transferability, dependability and conformability will go a long way to promote trustworthiness in the validation process. Krippendoff (1989) however, note that findings of this kind of methodology cannot be generalized. The table below gives the online presence of the five telecommunications companies in Ghana.

Research findings

The study reveals not a very impressive CSR disclosure by the five telecommunications companies in Ghana. As alluded elsewhere under the research framework,

Table 2 CSR Reporting On Websites by the Selected Telecommunications Companies

CSR Themes		MTN Ghana	Vodafone Ghana	Airtel Ghana	Tigo Ghana	Glo Ghana
Environmental disclosure	1.Company concern for the environment	●	○	●	●	●
	2.Environmental audit	●	●	●	●	●
	3. Conservation of energy in the conduct of business.	●	●	●	●	●
	4.Consrvation of natural resources	●	●	●	●	●
	5.Recycling/ e-waste management	●	●	●	●	●
Human resource disclosure	1.Employee health and safety	●	●	●	●	●
	2. Employee morale	●	●	●	●	●
	3. Employee training	●	●	●	●	●
Product & Customer disclosure	1.Product quality	○	○	○	○	●
	2.Customer complaints/ satisfaction	●	●	●	●	○
	3. provision for physically challenged and difficult-to-reach customers	●	●	●	●	●
Community involvement disclosure	1.Support for education	○	○	○	○	●
	2. Support for health	○	○	○	○	●
	3. youth entrepreneurship	●	●	●	○	○
	4. Employee volunteerism	●	●	●	●	
	5. Sports sponsorship	●	●	○	●	○
Ethical disclosure	1.Integrety	○	●	●	●	●
	2. Ethical/professional conduct	●	○	●	●	●
	3.Transparency	●	○	○	●	●
	4. Equality & Diversity	●	●	●	●	●
Grand total		04	06	05	04	03
Percentages (%)		20	30	25	20	15

● CSR Not Disclosed
○ CSR Disclosed

the five telecommunications companies were supposed to disclose their CSR contributions in five thematic areas: environment, human resource, product and customer, community involvement and ethical disclosure. In all, these companies were expected to disclose a total of 20 items comprising environment, 5; human resource, 3; product and customer, 3; community involvement, 5 and ethical disclosure, 4. From Table 2, it can be observed that these five companies reported in percentage terms 20% for MTN, 30% for Vodafone, 25% for Airtel, 20% for Tigo and 15% for Glo. Surprisingly, MTN Ghana has won the CSR Company of the year on two occasions in 2015 and 2016, while Airtel has even won a global CSR award in 2016. These numbers are not impressive to talk about as far as CSR disclosures are concerned. For individual thematic disclosures, the human resource theme was abysmally reported with none reporting on the three constructs that measure the human resource category. The environmental disclosure was also poorly reported, with only one company (Vodafone) reporting on the company concern for the environment. Perhaps, this could be a reflection of the assertion that there is no known hazardous impact, as yet of the operations of telecommunications companies to the environment. This was followed by the ethical category, with MTN reporting on only integrity, Vodafone on ethical or professional conduct and transparency, Airtel on only transparency, while Tigo and Glo reported on none in the ethical disclosure. The poor reportage on human resource, ethical disclosure and the environmental issues is consistent with the observation by (Visser et al., 2010) that ethical and responsible behavior, obeying the law and work place issues receive low priority in CSR discussions. Lastly, the five telecommunications companies reported somehow better on the community involvement theme than all the other categories. Majority of the companies in this study reported on this theme, with none failing to report on anything as seen with the human resource category. Specifically, support for education and health were widely reported, with only Glo Ghana failing to report these two. The study also reveals that two of the telecommunications companies have departments solely responsible for CSR. These are MTN Ghana and Vodafone Ghana.

Conclusions and recommendations

From the forgoing discussions, it possible to argue that engaging in CSR is one thing and proactively communicating same online is another. In this regard, telecommunications companies must endeavor to exist in both "brick-and-mortar" format as well as online. The fact that some of these companies have won CSR awards and have not proactively communicated same could be reflection of what Hinson et al., 2010described as poor synchronization of their integrated marketing communication strategy offline and online. Even though, these companies have not well articulated their CSR issues online, they have not done badly as far as the community involvement theme is concerned, particularly with support for education and support for health. This is consistent with the reason put forward by (Zeghal & Ahmed, 1990), that because company's websites are targeting many stakeholders including consumers, it is only reasonably plausible that they give much attention to community involvement than any other category. This has the potential of giving the telecommunications companies' legitimacy in the eyes of the public. The dominant reportage on education and health by these telecommunications companies is only a reflection of the premium these companies place on education and health. This observation is consistent with the findings of Hinson and Kodua, 2012who in their study reported that issues of education and health are important. Furthermore, Hinson et al., 2010assert that the concentration on education and health could be an apparent reflection of what stakeholders perceive as corporate social responsibility. As this could be described as one of the ways of eliciting legitimacy from stakeholders. With the view to coordinating their social investment they embark on, the study revealed that two of these telecommunications companies, MTN Ghana and Vodafone Ghana have "Foundations" to promote their CSR contributions in the areas they operate. This is in concert with the studies of (Tang & Li, 2009; Hinson and Kodua, 2012; Dashwood & Pupulampu, 2010) who in their respective studies found that companies established "Foundations" to coordinate their social investment. The study observed that these Foundations have separate vision statement, mission statement; objectives; aims as well as independent board different from the mother entity. This is to give bite to the intention of these two companies to prosecute their social investment competently.

The fact that there are several mediums through which CSR can be communicated including: websites, environmental reports independent of annual report, annual reports, community reports and press releases. The rests are extra supporting documents for annual reports, advertisement, video tapes, published articles and booklets regarding corporate environmental activities. This means that telecommunications companies in Ghana can choose to report on their CSR in any of these mediums. However, judging from the enormous benefits associated with CSR communication via websites (see Wanderly et al., 2008; Branco & Rodrigues, 2006; Geerings and Hassink, 2003), it is incumbent that companies try to report their social contributions via websites. Failure to use the appropriate communications channels of one's business activities could result in disbelief, doubt and uncertainty on the part of stakeholders (Abugre, 2011). Again, it also useful that companies must try to exist in both "brick-and-mortar" format as well as in "click-and-mortar format" (Singh, 2004), which is increasingly becoming cheaper with the advent a plethora of digital communications tools. Visibility is critically important in the market place and one of the surest way which companies can access visibility cheaply, is to report on their CSR via websites, which will go a long way to promote legitimacy in the eyes of stakeholders. This study only looked at CSR communications on the websites of these telecommunications companies and not any other CSR disclosure medium in March and September, 2017 and any CSR initiative beyond this month is not covered. This study looked at CSR reporting in telecommunications sector in Ghana via websites, next research may look at triangulating these data by talking to CSR foundation managers. Future research might also consider comparing CSR in annual reports and CSR via corporate websites.

Authors' contributions

AAJ wrote the methodology, collected data and anlysed the data for use, whiles IKAH wrote theintroduction, literature review and conclusions. All authors read and approved the final manuscript.

Competing interests

The authors declare that they have no competing interests.

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Corporate social responsibility in Bolivia: meanings and consequences

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Abstract

Background: Corporate social responsibility (CSR) has been studied extensively in developed countries. However, although most of the world's consumers live in developing countries, the study of CSR in developing countries in general, and in Bolivia in particular, still is very limited. Developing countries are characterized by widespread poverty, corruption, inequality, social exploitation, and environmental pollution and, consequently, offer abundant opportunities for CSR. In addition, research on CSR in developing countries has the potential to promote equality, social justice, transparency, and accountability by holding frequently irresponsible local and international organizations to account. For that purpose, this study explores the nature of CSR practices and their effectiveness in influencing consumer attitudes in Bolivia as the least developed among the developing countries in the Americas. To this end, this study uses data collected in Bolivia through both structured surveys (quantitative data) and unstructured questionnaires/in-depth interviews (qualitative data). Using structural equation modeling of the quantitative data on two product categories and multiple brand contexts from 1016 consumers, this study tests a series of hypotheses on the consequences of CSR practices in developing countries. The results indicate that CSR practices exert both a direct influence on customer satisfaction and an indirect, mediated influence on customer loyalty. Moreover, the results of qualitative data analysis suggest that multinational companies and young managers are leading the way in implementing CSR practices in Bolivia. Managerial implications are discussed.

Keywords: Corporate social responsibility, Customer satisfaction, Customer loyalty, Developing country, Eco-friendly practices, Environmental sustainability, Ethical behavior, Latin America, Recycling convenience, Social sustainability

Introduction

The 2008 global financial crisis has increased the trend for organizations to identify themselves as responsible and trustworthy. For example, according to Bhattacharya (2009), many organizations have come to pursue activities to measure and reduce their carbon footprint, thus increasing their value to society. On the management level, organizations are moving away from a firm-centric type of strategy determined solely by executive boards, to a more inclusive type of cooperative value creation emphasizing cooperation with stakeholders (Bhattacharya 2009). Corporate social responsibility (CSR) practices that benefit direct and indirect stakeholders such as customers, employees, society, and the environment are a key pillar in this trend toward cooperative value creation. Such CSR practices may appear as selfless actions, but they have the potential to benefit firms through positive stakeholder reactions beneficial to the organization. For instance, CSR practices cause consumers to feel proud to be affiliated with the focal, apparently socially responsible company and thus strengthen consumers' brand identification, which can lead to greater sales and revenues (Bhattacharya and Sen 2004).

While the literature on CSR predominantly focuses on the effects of CSR in developed countries, there is a gap in exploring the effects of CSR in developing countries. According to Pisani et al. (2017), less than 10% of the CSR literature primarily focuses on developing countries, potentially due to less public pressure on firms to report CSR practices in developing countries (Ali 2017), thus reducing the availability of CSR data for scholarly research. In line with this assumption, research finds that firms in developing countries tend to report CSR practices only reluctantly upon pressure from powerful stakeholders such as government

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agencies (Hossain et al. 2017) and international stakeholders (Jamali et al. 2017).

As developing countries comprise the majority of the world's population, generating knowledge of the role of CSR in developing countries would be highly relevant to managers and policy-makers. In particular, virtually no studies illuminate the effects of CSR practices by companies in Latin American countries (Haslam 2007). Furthermore, Pisani et al. (2017) report that the CSR literature includes only 43 studies on Latin American countries and has not yet addressed a few Latin American countries such as Bolivia. According to De Olivera (2006), CSR in Latin America has been shaped heavily by socio-economic and political conditions that aggravate environmental and social problems such as deforestation, unemployment, inequality, and crime. Thus, CSR practices are regarded as hope for positive change in the face of persistent poverty, environmental degradation, corruption, and economic stagnation.

In the specific case of Bolivia, the least developed country in the Americas (IMF 2017), CSR practices arrived 20 years ago. Since then, Bolivian organizations have come to understand that CSR practices consist of not only philanthropy but of a holistic management system that adds value to stakeholders (Sanchez 2016). Although many Bolivian organizations nowadays attempt to include CSR practices in their marketing strategy, there is a lack of research to determine whether those practices have any influence on Bolivian consumers and thus on whether those practices have the potential to pay off financially.

To fill this significant gap in the CSR literature, where studies on developing countries are scarce, our study explores the influence of CSR practices on consumer attitudes in Bolivia as a developing Latin American country that has not yet been studied. For that purpose, we develop a model (see Fig. 1) that describes the influences of CSR practices (recycling convenience, eco-friendly practices, and ethical behavior) on customer satisfaction and customer loyalty. To test this model, we perform structural equation modeling of original quantitative data on two product categories collected from 1016 consumers in Bolivia. To provide further verification of our results and to extend these results with local practitioner expertise, we also use qualitative data collected through in-depth interviews with CSR experts in Bolivia.

Theoretical background and hypotheses

Theoretical foundation

According to Rahman (2008), there is no dominant theoretical perspective for the study of CSR practices. However, Rahman (2008) suggests three main approaches to studying CSR practices: political economy theory, legitimacy theory, and stakeholder theory. Although other theories exist (such as decision-usefulness theory, positive accounting theory, and agency theory), Gray et al. (1995) argue that those theories are not useful for the study of CSR practices because CSR is motivated by market failures and the desire to change current business practices. Bowen (1953) propose that managers should be responsible for their actions in a sphere wider than the profit-and-loss statement. As a consequence, according to Castaldo et al. (2009), several schools of managerial thought have emerged, and most of the conceptualizations of CSR relate to stakeholders.

A review from Frynas and Yamahaki (2016) finds that stakeholder theory dominates the study of external drivers of CSR practices. According to Freeman (1994), stakeholder theory relates to the study of interest groups that can affect, or be affected by, the firm's activities, such as customers. Specifically, according to Berman et al. (1999), stakeholder theory suggests that firms are interested in their consumers because consumers react to corporate behaviors and increased purchases by consumers drive financial performance. Marketing studies have applied stakeholder theory when studying the effects of CSR types such as environmental protection, community volunteer activities, natural resource saving,

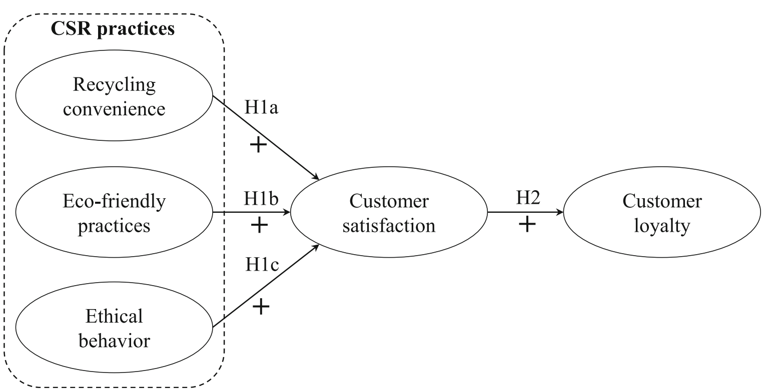


Fig. 1 Conceptual model and hypotheses

and social charities (Handelman and Arnold 1999; Quazi and O'Brien 2000). Some of these studies find evidence of an influence of CSR practices on consumer behavior (Bhattacharya and Sen 2004; Haddock-Fraser and Tourelle 2010; Maignan 2001), consumer product responses (Brown 1998), and purchase intentions (Barnes et al. 2005). Conversely, consumers' ethical values and expectations for CSR practices also influence manager attitudes (Mandhachitara and Poolthong 2011). Therefore, this stream of literature suggests that stakeholder theory relates to consumers (Berman et al. 1999) and thus is appropriate for the study of CSR practices and their relationships with marketing outcomes such as customer satisfaction.

In addition to stakeholder theory, signaling theory may serve as an alternative framework for the study of the customer impact of CSR practices. Signaling theory emphasizes that information influences consumer decision-making processes. Consumers make decisions based on public information, which is freely available, and private information, which is available for only a part of the public. According to Connely (2011), information asymmetries arise between those who hold private information (firms) and those who potentially could make better decisions if they had it (consumers). Thus, signaling theory is concerned with reducing such information asymmetries between firms and consumers. Some marketing studies argue that organizations adopt CSR practices to signal intangible attributes to their consumers (Frombrun et al. 2000; Su et al. 2016) and that consumers value the intangible attributes which CSR practices convey (Surroca et al. 2010). Moreover, in developing countries, due to the lack of quality information on capital, labor, and product markets, firms tend to form closed networks to better control information (Miller et al. 2009). Thus, CSR practices have the potential to effectively signal intangible attributes to consumers. For instance, according to Doh et al. (2016), multinational firms in developing countries pursue CSR practices as a signaling mechanism to (a) gain legitimacy, (b) overcome liabilities of foreignness, and (c) obtain a license to operate. In line with this argument for a strong effect of CSR practices on consumer attitudes in developing countries, consumer culture theory (Arnould and Thompson 2005) suggests that consumer behavior in general (not only concerning CSR) converges across countries as the Internet improves access to information and consumers align their identities with the structural imperatives of a consumer-driven global economy. Therefore, we predict considerable effects of CSR practices on customer satisfaction and loyalty even in the hitherto unexplored context of Bolivia as the least developed country of the Americas (IMF 2017).

Effects of CSR practices on customer satisfaction (H1)

Based on the above theoretical foundation, we posit that firms use CSR practices to increase customer satisfaction and consequential customer loyalty (stakeholder theory, signaling theory). We also posit that these effects, compared to the abundant research results in developed countries, are of a similar (consumer culture theory) or even greater magnitude (signaling theory) in developing countries.

The global CSR literature strongly supports influences of CSR practices on consumer attitudes and purchase intentions, although most of these studies focus on developed countries. Chung et al. (2015) suggest that consumers evaluate organizations and products in terms of their CSR practices. Moreover, different studies find that CSR practices have a significant influence on customer-related outcomes (Bhattacharya and Sen 2004). For example, Creyer and Ross (1997) find that CSR practices influence consumers' purchase decisions. Additionally, according to Creyer and Ross (1997), consumers are willing to pay higher prices to reward organizations' CSR practices. Moreover, according to Luo and Bhattacharya (2006), customers derive value and consequently higher satisfaction from products that are made by socially responsible organizations. In addition, Bhattacharya and Sen (2004) suggest that CSR practices make consumers perceive an organization to have a better reputation, a stronger personal connection, and a higher fit between the organization and their personal causes. Furthermore, Maignan and Ferrell (2001) suggest that CSR practices have a positive impact on a consumer's evaluation of products. Similarly, Brown and Dacin (1997) propose that CSR associations influence product evaluations through the organization's image. Moreover, de los Salmones et al. (2005) report that CSR practices influence the overall evaluation of services. In addition, Sureshchandar et al. (2002) propose that CSR practices should be understood as an organization's ethical behavior, and thus as another component of quality. In other words, an organization whose behavior is perceived to be ethically correct transmits trust to its customers and positively influences their evaluations (de los Salmones et al. 2005). Therefore, based on studies from developed countries, the extant literature suggests that CSR practices positively influence consumer attitudes such as customer satisfaction. Drawing on overwhelming theoretical support and our theoretical foundation, we likewise argue for positive effects of CSR practices on customer satisfaction in developing countries (**H1**).

In particular, our study considers three types of CSR practices that Ward et al. (2007) consider as being of special importance to developing countries: recycling convenience (H1a), environmentally responsible/eco-friendly practices (H1b), and ethical behavior (H1c). First, as many firms in developing countries habitually violate legal obligations and mistreat their workers, ethical behavior (H1c) in the form of legal compliance and social standards in labor relationship serves as the first milestone in a CSR strategy (Ward et al. 2007). Second, since recycling practices often fail due to consumers' low incomes and a consequential lack of willingness to invest time and costs on behalf of higher-level environmental goals (Wang et al. 2011), recycling convenience (H1a) facilitates the consumer participation in recycling activities in developing countries. Third, environmentally responsible practices (H1b) are highly relevant to developing countries where firms frequently are responsible for massive environmental pollution, which compromises living conditions (Ward et al. 2007).

Effect of recycling convenience on customer satisfaction (H1a)

According to Berry et al. (2002), convenience is the ability to reduce consumers' non-monetary costs (i.e., time, energy, and effort) when purchasing products or services. Regarding recycling convenience, Ando and Gosselin (2005) find evidence that links convenience with recycling rates. Moreover, Sidique et al. (2010) propose that recycling is increased when consumers perceive it as a convenient activity. Additionally, Domina and Koch (2002) find that convenience is an important determinant of recycling behavior. Similarly, Vining and Ebreo (1990) suggest the existence of differences between recyclers and non-recyclers due to recycling convenience. Hence, the available literature indicates that recycling convenience is an antecedent of recycling behavior and thus determines the consumption of recyclable products.

In this broad literature on recycling, a number of studies link recycling to consumer attitudes. Mobley et al. (1995) suggest that purchases of recyclable products depend on overall affect toward recycling. Moreover, Minton and Rose (1997) find that attitudes are determinants of the consumption of recyclable products. In addition, Biswas et al. (2000) suggest that consumer attitudes toward recycling influence recycling shopping behavior. Furthermore, Frank et al. (2012) and Srivastava and Kaul (2014) suggest that convenience influences attitudes such as customer satisfaction. While these studies reflect the situation of developed countries, we draw on our theoretical foundation to hypothesize analogously that recycling convenience positively influences customer satisfaction in developing countries (**H1a**).

Recycling practices frequently fail in developing countries where consumers have low incomes and consequentially lack the willingness to invest time and costs on behalf of higher-level environmental goals (Wang et al. 2011). In terms of stakeholder theory, a firm's provision of recycling convenience reflects an understanding of consumer difficulties and enables consumers to address prevalent waste problems, thus rewarding the firm by a positive consumer reaction in the form of higher customer satisfaction. In terms of signaling theory, a firm's provision of recycling convenience signals a better understanding of consumer concerns and a higher capability to create value for consumers and society.

Effect of eco-friendly practices on customer satisfaction (H1b)

Nowadays, consumers recognize the importance of protecting the environment. As a consequence, environmentalism has become a major issue in the marketplace, making consumers more ecologically conscious and inducing them to buy eco-friendly products (Kalafatis et al. 1999). The literature finds that a firm's eco-friendly practices strongly enhance eco-conscious consumers' satisfaction level (Laroche et al. 2001; Han et al. 2009; Kalafatis et al. 1999; Manaktola and Jauhari 2007), thus leading to higher average customer satisfaction. In terms of stakeholder theory, firms engaging in eco-friendly practices take their eco-conscious consumers' value preferences seriously and are rewarded with a positive consumer response.

Moreover, according to Cetindamar (2007), eco-friendly practices require organizations to invest in better technology, methods, tools, and raw materials, helping them to become more innovative and achieve competitive advantage (Porter and Linde 1995) reflected by lower costs and improved customer attitudes (Griffin and Mahon 1997). In terms of signaling theory, a firm's eco-friendly practices thus signal advanced capabilities, which likely is particularly effective to differentiate the firm in developing countries where many firms are perceived as not having such capabilities. Consequently, we predict that consumer perceptions of corporate eco-friendly practices positively influence customer satisfaction in developing countries (**H1b**).

Effect of ethical behavior on customer satisfaction (H1c)

Global competition has pressured organizations to cut labor costs, and some organizations have responded to this pressure by implementing abusive labor practices (Rudell 2006). Governments, organizations, and consumers have benefited directly and indirectly from such unfair labor practices. According to Rudell (2006), consumers play a main role in ensuring an ethical marketplace through socially conscious and informed product selection. For example, Roberts (1995) proposes that socially conscious consumers express their social concerns through their purchasing power (Roberts 1995). Therefore, consumers with high ethical standards react to an organization's degree of ethical behavior regarding different dimensions, such as the perceived fairness of labor practices (Sen and Bhattacharya 2001; Whalen et al.

1991). In terms of stakeholder theory, a firm displaying a high standard of ethical behavior thus is rewarded by a positive consumer response, which is supported by many studies. For instance, Davidson (1998) proposes that similar to price and quality, an organization's degree of ethical behavior is an important attribute in consumer purchasing decisions. Abratt and Sacks (1988) suggest that consumers avoid transactions with dishonest and unethical organizations. Moreover, consumers are willing to pay more for (Elliott and Freeman 2005), or are more likely to purchase (Auger et al. 2003), products made under ethically responsible conditions. Similarly, Folkes and Kamins (1999) propose that an organization's degree of ethical behavior determines consumer attitudes. Therefore, this stream of literature suggests that an organization's ethical behavior positively influences consumer attitudes in general and, presumably, also customer satisfaction in particular. While this theoretical background is limited to studies from developed countries, we analogously hypothesize that consumer perceptions of a firm's degree of ethical behavior positively influence customer satisfaction in developing countries (**H1c**).

In terms of signaling theory, a firm's perceived ethical behavior can signal trustworthiness in how the firm treats not only society or employees, but also customers. Signaling low risk to consumers is particularly effective in developing countries, where consumers frequently do not know which firm they can trust (Frank et al. 2013), and thus enhances customer satisfaction.

Effects on customer loyalty (H2)

Finally, we seek to understand how the perception of CSR practices affects consumer loyalty. Customer loyalty is considered an attitudinal construct reflecting the customer intention to purchase again from a brand (Frank et al. 2012, 2014). According to Sureshchandar et al. (2002), CSR practices should influence customer loyalty. In terms of signaling theory, a consumer's perception of CSR practices should increase commitment to a brand because these CSR practices signal (a) the brand's character (Brown and Dacin 1997), (b) values differentiating the brand from other brands (Turban and Greening 1997), (c) respect for society in general and customers in particular, and (d) the desire to comply with quality standards (de los Salmones et al. 2005). Based on stakeholder theory, consumers reward these efforts with loyalty towards the organization (Maignan et al. 1999). Different research shows that consumers are willing to buy and repurchase products from organizations associated with social causes (Ross et al. 1992; Frank and Schvaneveldt 2014, 2016; Moisescu 2017). From this stream of literature on developed countries, we infer that perceived CSR practices positively influence customer loyalty, and we posit that these influences are mediated by customer attitudes toward the focal brand.

The most prominent and empirically verified type of customer attitude affecting customer loyalty, and thus the most likely mediator of the effects of CSR practices on customer loyalty, is customer satisfaction (Abulaiti et al. 2010; Johnson et al. 1997; Fornell et al. 2006; Frank et al. 2012, 2014). Not only empirical academic studies, but also large-scale national customer barometers (e.g., the American Customer Satisfaction Index) from developed countries confirm the cross-industry and cross-country validity of the causal relationship between customer satisfaction and customer loyalty (Fornell et al. 2006). As an extension of the hypothesized influence of CSR practices on customer satisfaction (H1), we thus propose that customer satisfaction mediates an influence of CSR practices on customer loyalty in developing countries (**H2**). This has not yet been shown in the CSR literature, whose focus is on developed countries.

Methodology

We tested our hypotheses with a sequential mixed-methods approach (Bryman 2006), the so-called QUANT+qual approach (Morgan 1998). As the dominant research method, we first collected and analyzed quantitative data, which provides a statistical test of our research hypotheses. As a complementary approach frequently used by survey researchers (Morgan 1998), we subsequently collected qualitative data through interviews with Bolivian CSR experts in order to confirm the practical value of our results, to discuss their application in corporate practice, and to obtain further valuable insights beyond the reach of our hypotheses.

Measures

To test our hypotheses, we developed a questionnaire for a consumer survey. Based on the results of a pilot test, we improved the questionnaire to ensure the reliability and validity of the scales. The questionnaire contained two sections. Section 1 included questions regarding brand-specific CSR practices in the industry context of grocery stores (service industry) or soft drinks (product industry). Section 2 included questions regarding consumer attitudes: customer satisfaction and customer loyalty for the respective industry context. As the intended contribution is to explore the role of CSR practices in the formation of consumer attitudes and behavioral intentions in a developing country, in contrast to the abundance of extant research on developed countries, we chose to focus on Bolivia as the least developed among the developing countries in the Americas (IMF 2017). This choice ensures a clear focus on a developing country and a marked contrast from the known situation in developed countries.

In terms of product contexts, we focused on consumer perceptions of grocery stores and soft drinks for four reasons. First, we sought to study the benefits of CSR practices as a marketing tool in a real, actually experienced product/service context rather than in an artificial experiment. Second, we chose to focus on multiple brands in a product context and a service context in order to understand the degree to which findings can be generalized across contexts because generalizing purely context-specific results can lead to misinterpretations that are costly to practitioners following research recommendations. Third, due to the multi-dimensionality and complexity of CSR practices (Maignan and Ferrell 2001), consumers in Bolivia and elsewhere have difficulties in acquiring and memorizing information about CSR practices (Mohr et al. 2001), which might impair the validity of results obtained in research. Fourth, we follow recommendations in the marketing literature (Lehmann et al. 2011) to ascertain cross-contextual relevance and its potential boundary conditions. While numerous industries may fit these rationales, we focused on grocery stores and soft drinks as two contexts that are very well known to Bolivian consumers. Moreover, these industries are well known for their investments in CSR practices, and thus, to some extent, consumers feel involved with these CSR practices.

Section 1 of the questionnaire measured three types of CSR practices with 10-point Likert-type scales ranging from 1 (strongly disagree) to 10 (strongly agree). In particular, we measured recycling convenience with three items from Pickett-Baker and Ozaki (2008), e.g., easiness to recycle the product's container. We measured eco-friendly practices with four items from Webb et al. (2007), e.g., manufacturing the product with a minimum use of resources and energy. Finally, we measured ethical behavior with two items based on Schmeltz (2012), e.g., manufacturing the product under socially responsible conditions. Similarly, section 2 of the questionnaire measured customer satisfaction and customer loyalty through multi-item scales with 10-point Likert-type scales from Fornell (1992), e.g., overall satisfaction with the product.

Data collection and sample profile

Our data collection focused on consumers across Bolivia aged 18 years and older. We conducted a physical, rather than electronic, survey because electronic surveys are not widely used in Bolivia due to unreliable Internet provider service. We collected 489 valid questionnaires for our study on grocery stores. In this sample, 55% of the respondents were male and 45% female. Their ages ranged from 18 to 71 years. For our study on soft drinks, we collected 527 valid questionnaires. In this sample, 53% of the respondents were male and 47% female, with ages ranging from 18 to 82 years. Both samples had a similar age and gender distribution and thus appeared comparable.

Convergent and discriminant validity

Following the guidelines proposed by Anderson and Gerbing (1988), our study assessed the adequacy of measurements using a confirmatory factor analysis (CFA) with maximum likelihood estimation. As shown in Table 1, the goodness-of-fit indices in both industries show that the five-factor model has an acceptable fit with the data (grocery stores: χ^2/d.f. = 3.322, $p < 0.001$, RMSEA = 0.069, CFI = 0.956, NFI = 0.938; soft drinks: χ^2/d.f. = 2.473, $p < 0.001$, RMSEA = 0.053, CFI = 0.968, NFI = 0.947). All items load significantly on their specified latent construct ($p < 0.01$) with loadings above 0.60. In addition, we calculated the composite reliability (CR) and average variance extracted (AVE) of all constructs to examine their convergent and discriminant validity. The CR of recycling convenience, eco-friendly practices, ethical behavior, customer satisfaction, and customer loyalty in grocery stores is 0.853, 0.818, 0.884, 0.809, and 0.839, respectively. In the case of soft drinks, the CR of recycling convenience, eco-friendly practices, ethical behavior, customer satisfaction, and customer loyalty are 0.859, 0.822, 0.810, 0.801, and 0.850, respectively. As shown in

Table 1 Descriptive statistics and psychometric properties of constructs

	Grocery stores				Soft drinks			
Measure	Mean	SD	CR	AVE	Mean	SD	CR	AVE
Recycling convenience	5.740	1.947	0.853	0.774	5.927	2.382	0.859	0.673
Eco-friendly practices	8.891	1.666	0.818	0.530	5.934	1.924	0.822	0.537
Ethical behavior	6.372	1.934	0.884	0.884	6.979	2.138	0.810	0.810
Customer satisfaction	6.664	1.423	0.809	0.586	7.269	1.466	0.801	0.520
Customer loyalty	6.690	1.574	0.839	0.637	7.093	1.463	0.850	0.656
Model measurement fit	χ^2/d.f.	RMSEA	CFI	NFI	χ^2/d.f.	RMSEA	CFI	NFI
	3.322	0.069	0.956	0.938	2.473	0.053	0.968	0.947

Table 1, all CR /AVE values exceed the recommended threshold values of 0.7 / 0.5 (Fornell and Larcker 1981), and all AVE values exceed the squared correlation between the focal factor and any other factor. These results confirm the convergent and discriminant validity of our measurement model (see Table 1).

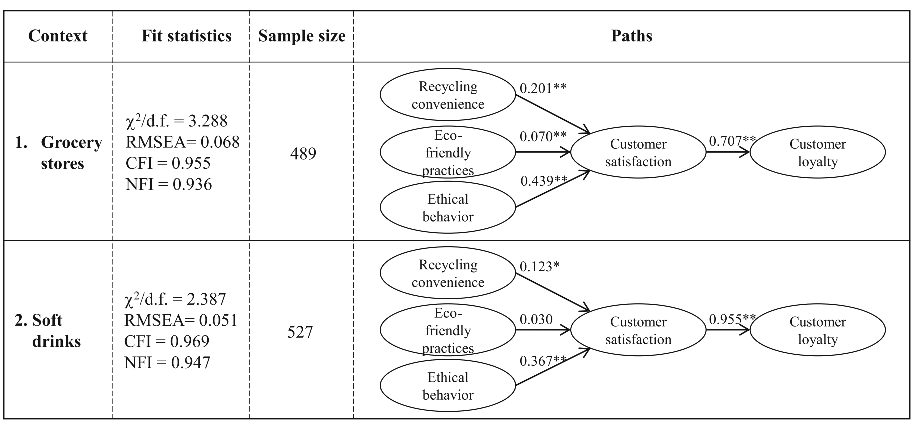
Results of analysis: Hypothesis tests

Quantitative data analysis

Based on the quantitative data obtained through our consumer surveys, we tested our hypotheses using structural equation modeling with maximum likelihood estimation. As shown in Fig. 2, the results suggest that the model fit the data of each industry context appropriately (grocery stores: χ^2/d.f. = 3.288, $p < 0.001$, RMSEA = 0.068, CFI = 0.955, NFI = 0.936; soft drinks: χ^2/d.f. = 2.387, $p < 0.001$, RMSEA = 0.051, CFI = 0.969, NFI = 0.947). All hypothesized paths are significant and positive, providing first signs of support for H1-H2. In an alternative regression analysis, we included age, sex, marital status and household size as control variables for both models, which did not lead to any major changes in the path coefficients. An additional multiple group analysis of the data for both industry contexts did not reveal any significant differences among (a) construct measurements ($\Delta\chi^2$ = 13.321, Δd.f. = 9) and (b) structural path coefficients (recycling convenience ➔ customer satisfaction: $\Delta\chi^2$ = 0.257, Δd.f. = 1; eco-friendly practices ➔ customer satisfaction: $\Delta\chi^2$ = 2.518, Δd.f. = 1; and ethical behavior ➔ customer satisfaction: $\Delta\chi^2$ = 2.087, Δd.f. = 1). Therefore, our results hold across both industry contexts.

In the following step, to test whether customer satisfaction indeed mediates the effects of CSR practices on customer loyalty, as suggested by H2, we re-estimated the proposed model with three additional, direct (non-mediated) paths from recycling convenience, eco-friendly practices, and ethical behavior to customer loyalty. The revised model shows an adequate, but slightly lower, nominal fit with the data (grocery stores: χ^2/d.f. = 3.322, $p < 0.001$, RMSEA = 0.053, CFI = 0.956, NFI = 0.938; soft drinks: χ^2/d.f. = 2.473, $p < 0.001$, RMSEA = 0.053, CFI = 0.968, NFI = 0.947). However, all of the additional direct paths from CSR practices to customer loyalty are non-significant for grocery stores, and only one path (from recycling convenience to customer loyalty) is significant ($p < 0.01$) for soft drinks. Despite the additional path, there is no significant chi-square difference between the hypothesized model and the extended model (grocery stores: $\Delta\chi^2$ = 7.599, Δd.f. = 3; soft drinks: $\Delta\chi^2$ = 0.272, Δd.f. = 3). Thus, we decided to consider our originally hypothesized model for all subsequent analyses. Independent of whether recycling convenience has an additional effect on customer loyalty, the results indicate that customer satisfaction mediates the effects of CSR practices on customer loyalty (H2). Moreover, we estimated a model without customer satisfaction, only with direct paths from CSR practices to customer loyalty. As verified by Sobel tests, all of these path coefficients become significantly weaker when adding customer satisfaction to the model (grocery stores: $Z_{\text{recycling convenience}} = 7.071$, $p < 0.01$; $Z_{\text{eco-friendly practices}} = 9.714$, $p < 0.01$; $Z_{\text{ethical behavior}} = 10.404$, $p < 0.01$; soft drinks: $Z_{\text{recycling convenience}} = 4.345$, $p < 0.01$; $Z_{\text{eco-friendly practices}} = 5.455$, $p < 0.01$; $Z_{\text{ethical behavior}} = 7.469$, $p < 0.01$). These results provide evidence of the hypothesized mediating role of customer satisfaction (H2).

As Fig. 2 shows in detail, the results for both industries support the hypothesized effects of recycling convenience (H1a: $\beta_{\text{grocery stores}} = 0.201$, $p < 0.01$; $\beta_{\text{soft drinks}} = 0.123$, $p < 0.05$) and ethical behavior (H1c: $\beta_{\text{grocery stores}} = 0.439$, $p < 0.01$; $\beta_{\text{soft drinks}} = 0.367$, $p < 0.01$) on customer satisfaction. They partially support the hypothesized effect of eco-friendly practices (H1b: $\beta_{\text{grocery stores}} = 0.070$,



Notes: *$p < 0.05$; **$p < 0.01$

Fig. 2 Results of structural models for grocery stores and soft drinks

$p < 0.01$; $\beta_{soft\ drinks} = 0.030$, $p > 0.05$) on customer satisfaction. Fig. 2 also indicates a significant positive influence of customer satisfaction on customer loyalty for both industry contexts (H2: $\beta_{grocery\ stores} = 0.707$, $p < 0.01$; $\beta_{soft\ drinks} = 0.955$, $p < 0.01$).

Qualitative data analysis

To complement our analyses and to obtain information not accessible through quantitative analysis, we interviewed five Bolivian CSR experts regarding the meaning and implementation of CSR practices in Bolivia. The experts were selected based on recommendations from the Observatory on Corporate Social Responsibility in Cochabamba, Bolivia. Most of the experts conceptualized CSR practices as a management system that allows organizations to manage environmental, social, and economic business processes for continual improvement. These experts agreed that firms implement CSR practices in Bolivia, but only partially in the sense that they focus on environmental dimensions such as eco-friendly practices, whereas they tend to overlook social dimensions of ethical conduct such as responsible labor practices. For example, many firms engage in unfair labor practices that do not comply with Bolivian labor law. In particular, one expert explained the following:

> *In Bolivia, the existence of monopolies prevents CSR practices from transcending current business practices. Therefore, firms can mistreat their employees, and those employees have to endure abuses to not lose their jobs.*

This finding is intriguing because our quantitative analysis shows extremely strong effects of labor-related ethical behavior on customer satisfaction and customer loyalty (see Fig. 2). Compared with the status quo, a greater focus on ethical behavior thus would have the potential to pay off. In addition, the experts pointed out that young managers with access to a more international education and to best practices from developed countries are raising the level of CSR awareness and advocating the use of eco-friendly business processes in Bolivia.

Based on hands-on business experience and actual marketing practitioner insights, the CSR experts also suggested that CSR practices indeed would influence customer loyalty in Bolivia, as hypothesized in our study (H1-H2). Specifically, the experts suggested that Bolivian consumers value a firm's perceived honesty because this honesty increases both consumer' trust in a market where still not every firm can be trusted and their consequential repurchase intentions. In these descriptions, the experts conceptualized a firm's honesty as true compliance of products or services with consumer requirements and as true statements about the degree of compliance. For example, one expert explained:

> *Nowadays, very few firms consider the changes caused by CSR practices on consumers, maybe only in the banking industry. However, CSR practices help to improve consumer attitudes. Transparency and sincerity with the consumer allow the firm to earn the consumer's loyalty and make him or her satisfied.*

Furthermore, the CSR experts suggested that consumers feel inherent satisfaction when purchasing from socially conscious firms because consumers are satisfied with the values that these firms represent. In addition, the CSR experts proposed that CSR practices would improve over time in Bolivia because younger consumers are socially conscious and would demand eco-friendly products and services as they become older and grow in purchasing power and market influence. Finally, two of the five experts suggested that the Bolivian agribusiness industry currently is working on inclusive businesses, which are sustainable businesses aiming to benefit low-income communities. One of these experts explained:

> *CSR practices are correctly applied in the agribusiness industry in the form of inclusive businesses that allow small firms to participate in the market. Most of their practices are oriented to take care of the environment.*

Moreover, all CSR experts agreed that multinational organizations, such as Unilever and The Coca-Cola Company are leading the way in implementing CSR practices in Bolivia. Specifically, one expert suggested:

> *The implementation of CSR practices is led by big firms that belong to multinational organizations, such as Unilever, The Coca-Cola Company, or Bata. They are currently implementing different CSR programs oriented towards the Bolivian society. However, other firms have no incentive to use CSR practices. Those firms perceive CSR practices as an expense and not as a competitive weapon. In the future, little by little firms will realize that CSR practices can appeal to the consumer, open new markets, and thus help improve profitability.*

Discussion and theoretical implications

Discussion

To address the literature gap on CSR in developing countries, our study aims to increase the understanding of the effects of CSR practices on consumer attitudes, such as customer satisfaction and customer loyalty, in developing countries using the case of Bolivia, which is the least developed among the developing countries in the Americas (IMF 2017). In particular, this is the first such empirical study on the effects of CSR in Bolivia, which – like many developing countries – still lags behind in building a strongly research-oriented university system.

Using structural equation modeling of quantitative data from two industry contexts, we explore the direct [indirect] relationships of recycling convenience, eco-friendly practices, and ethical behavior with customer satisfaction [customer loyalty]. With the exception of a single non-significant path in the soft drink context (from eco-friendly practices to customer satisfaction: $\beta_{\text{soft drinks}} = 0.030$, $p > 0.05$), our findings support the hypothesized linkages among the study constructs (H1-H2).

The results of our complementary qualitative data analysis support the quantitative findings. Similar to our quantitative results, interviews with Bolivian CSR experts confirmed the influence of CSR practices on customer satisfaction (H1) and customer loyalty (H2). These experts also confirmed that CSR practices lead to intrinsic satisfaction with the firm's values and thus that customer satisfaction mediates the effects of CSR practices on customer loyalty (H2). Hence, we found theoretical and empirical coherence between the qualitative and quantitative results.

In addition, the CSR experts proposed a role of trust as an additional mediator of the relationship between CSR practices and customer loyalty. Their argumentation suggests that CSR practices signal honesty, which helps build trust within the frequently non-trustworthy market environment of a developing country and thus is effective in influencing customer loyalty. This qualitative result appears to be of special importance to our studied context of developing countries and corresponds with reasons for an enhanced importance of brand reputation in developing countries (Frank et al. 2013). As additional insights, the CSR experts reported that Bolivian firms focus more on environmental than social CSR practices, that young managers and multinational firms are leading the way in implementing and promoting CSR practices, and that younger consumers drive increasing demand for products and services from ethically responsible firms. These results correspond with recent findings of a greater importance of value identification for younger consumers (Herbas Torrico and Frank 2018), which our results thus may extend to CSR contexts.

Theoretical implications

Through the theoretical lenses of signaling theory and stakeholder theory, our conceptual framework and empirical results contribute to a better understanding of the effects of CSR practices in developing countries.

Based on signaling theory, our study suggests that CSR practices enable firms to signal intangible capabilities to consumers (also Frombrun et al. 2000; Su et al. 2016), which we posited to be of particular importance in the less transparent environment of developing countries, where information access is limited and information frequently is not trustworthy (Miller et al. 2009). Such intangible capabilities include a better understanding of consumer concerns, a higher capability to create value for consumers and society (H1a/b: recycling convenience, eco-friendly practices), advanced technological capabilities (H1b: eco-friendly practices), and a low purchase risk from cheating and hidden quality problems (H1c: ethical behavior). CSR practices are very effective in signaling such capabilities because they make apparent the firm's willingness to incur higher costs now in order to create future benefits for customers and society at large (Moore 2002). The use of such signals leads to a positive customer response reflected by higher levels of customer satisfaction and customer loyalty (H2), and thus has the potential to translate into long-term financial benefits (Frank et al. 2009).

Based on stakeholder theory, our study suggests that CSR practices are especially effective at addressing stakeholder concerns in developing countries, where the negative effects of corporate behavior on society frequently are especially pronounced (Ward et al. 2007). Addressing such stakeholder concerns leads to positive stakeholder responses, such as higher levels of customer satisfaction (H1) and customer loyalty (H2) in case of customers as a firm's most important stakeholder group, and thus can benefit the firm in the long term. In order to reap beneficial stakeholder responses, firms need to focus on CSR practices of particular relevance to developing countries, such as recycling convenience (H1a: lack of infrastructure in developing countries), eco-friendly practices (H1b: prevalent environmental pollution in developing countries), and ethical behavior (H1c: prevalent customer cheating due to weaker consumer protection and government supervision in developing countries). At the same time, it is important that firms not only promise CSR practices, but also keep such promises. Otherwise, stakeholders might condemn firms as being hypocritical and misleading, and thus might react negatively, rather than positively, to promised CSR practices (Chen et al. 2014).

Regarding our empirical results, a nominal comparison of the effects of distinct CSR types on customer satisfaction indicates consistently for both industry contexts that ethical behavior has the strongest effect, followed by recycling convenience and eco-friendly behavior. As ethical behavior primarily concerns social and labor conditions, this result may indicate that consumers in developing countries most strongly focus on still unmet social needs, whereas environmental needs are only secondary. By contrast, social needs more or less tend to be met in developed countries, where environmental CSR appears to be more effective as a differentiator (Khanna et al. 2005).

Managerial implications and future research

Our quantitative and qualitative results suggest that CSR practices directly influence customer satisfaction and indirectly influence customer loyalty for Bolivian consumers. This result has the following managerial implications.

First, our study suggests that not only in developed countries, but also in developing countries, consumers account for a brand's CSR practices when evaluating its products and services (H1). Therefore, in order to increase customer satisfaction, firms should behave ethically because consumers are willing to pay higher prices or show different signs of loyalty as a way to reward the firm's ethical behavior. Specifically, according to Creyer and Ross (1997), in order to behave ethically, organizations should subscribe to values such as transparency, honesty, and humility.

Second, our study finds that recycling convenience is an important antecedent of customer satisfaction in a developing country context where limitations in financial resources often make harmless disposal and waste treatment practices difficult (H1a). This finding suggests that organizations not only should consider the use of recyclable materials when designing a product, but they also should ease the recycling process for the consumer. For example, Domina and Koch (2002) suggest that consumers are willing to recycle a wider variety of waste when the system is more convenient. Therefore, firms in developing countries should develop recycling systems that make recycling a convenient activity. For example, municipalities could implement curbside collection days for recyclable products.

Third, our results show that eco-friendly practices influence customer satisfaction in a developing country context where environmental degradation frequently is a problem (H1b). This suggests that consumers in developing countries indeed are aware of the influence of their own purchase behavior on the environment. Therefore, as Han et al. (2009) proposed, organizations actively should inform less environmentally conscious groups that eco-friendly purchasing exerts a positive influence on the environment, and convince them that protecting the environment is everyone's responsibility. These campaigns would motivate consumers to engage in eco-friendly activities, strengthen their intentions to purchase eco-friendly products, and thus increase their satisfaction.

Fourth, we find that ethical behavior influences customer satisfaction in a developing country context where ethical standards in labor practices, product safety, and social contributions tend to be lower than in developed countries (H1c). Therefore, our results suggest that organizations in developing countries should consider behaving ethically to their own benefit. While unethical behavior might be motivated by cost-cutting and increased short-term profits through cheating, a negative stakeholder reaction to such behavior may offset all apparent profit-related benefits of unethical behavior. Due to the stakeholder reaction by consumers, ethical behavior should increase a firm's market share because consumers perceive the firm's products as being made under ethically impeccable conditions and reward the firm through higher purchases (Auger et al. 2003). As the CSR experts in our qualitative study suggested, Bolivian firms currently are breaching the labor law. Thus, in order to behave ethically and increase customer satisfaction, such firms first should comply with the labor law, especially since ethical behavior consistently has the strongest effect on customer satisfaction across product categories in our quantitative study.

Of particular note, our consistent finding across categories of a greater role of ethical behavior and a smaller role of environmental CSR in our developing country context of Bolivia is especially intriguing because the results of our qualitative study indicate that Bolivian firms follow the opposite strategy of focusing more on environmental CSR and less on social or labor-related ethical behavior. Our results thus suggest a need for Bolivian firms with limited resources for CSR to rethink and to align their CSR activities with consumer priorities for ethical behavior, rather than prioritize environmental CSR.

Fifth, our results show that CSR practices indirectly influence customer loyalty through customer satisfaction (H2). Similar to de los Salmones et al. (2005), this finding suggests that CSR practices do influence customer loyalty, or purchase behavior in general, via the customer's overall evaluation of the product or service. Therefore, in order to make profits from consumer purchases, firms in developing countries should link their economic orientation with a social orientation. Specifically, such firms should have well-defined codes of ethics and a clear philosophy of social commitment, have respect for the environment, and show honesty. Moreover, firms from developing countries should subscribe to international codes in order to both formalize their policies and improve through benchmarking themselves against organizations in other developing or even developed countries. In addition, firms in developing countries should communicate their social orientation and environmental involvement using the Internet. For example, organizations can use both social media and mass media to inform society about their CSR practices. The use of the Internet reduces costs, which is of crucial importance in developing countries.

Finally, our qualitative results also show that local firms in a developing country lag behind multinationals. Therefore, local firms and the government should enforce the use of CSR practices to improve operations and thus increase customer satisfaction.

This study had many limitations. For example, we collected data from only two industries. Future studies should collect data from other industries to validate and improve our model. Moreover, future research can study the influence of cultural factors on the importance of the CSR practices included in our model. As typical for developing countries with a traditional economic structure, Bolivia is characterized by traditional values. Thus, we propose that future studies account for the moderating effect of tradition in analyzing the effects of CSR practices.

In order to address the lack of CSR studies in developing countries in general and in Bolivia/Latin America in particular, our work is an attempt to provide new ideas about the consequences and meanings of CSR practices in a developing country context with a still low level of development. We hope that our study stimulates new research to deepen the understanding of the commercial implications of CSR practices for firms in developing countries.

Abbreviations

AVE: Average variance extracted; CFI: Comparative fit index; CR: Composite reliability; CSR: Corporate social responsibility; d.f.: Degrees of freedom; NFI: Normed fit index; RMSEA: Root mean square error of approximation; SD: Standard deviation

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Authors' contributions

BHT contributed to survey design, data collection, data analysis, and article writing. BF contributed to survey design and article writing. CAT contributed to data collection, data analysis, and article writing. All authors read and approved the final manuscript.

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Competing interests

The authors declare that they have no competing interests.

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6

CSR should contribute to the national agenda in emerging economies

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Abstract

Emerging economies face a plethora of social, economic and environmental issues. On the one hand, these have adverse effects that negatively impact the overall development of such economies; and on the other, they offer challenges which when addressed, help these economies to chart a course of integrated and inclusive growth, thus providing them with an opportunity for national development.

India is no different. It has rural Bharat on one side that is steeped in illiteracy, poverty on the one hand and, a literate, rich, glitzy, corporate, urban India on the other; thereby fortifying the predicaments of an emerging nation. This paper, through an analysis of the socio-economic dilemmas and challenges of an emerging nation like that of India and scrutinizing the roles and responsibilities of Corporations to combat such a quandary through CSR, introduces the 'Chatterjee Model,' that urges, from a policy-maker's point of view, that CSR should contribute to the national agenda of a country, helping it to accelerate its transition from an emerging to a developed nation.

Keywords: Chatterjee Model, Corporate Social Responsibility (CSR), National agenda, Emerging economies, India, Cycle of Conversion, Companies Act 2013, Schedule VII, CSR Implementation, Tata Housing Development Company Limited

Introduction

India, designated as one of the world's ten emerging markets in 1995 by the Clinton administration (USA), has over the years, come to be seen as everyman of emerging nations, an archetype that captures the best and worst tricks of all the most dynamic young economies (Sharma, 1999). India is a subcontinent and its diversity makes it possible to assemble almost any picture of the pitfalls and promise of emerging markets, from the rustic, rural Bharat to the smart cities in urban India. The large states like that of Uttar Pradesh, with a population of 200 million, would on its own, represent the world's sixth most populous country; and West Bengal, having a population of 90 million, (Sharma, 2012), make administrative issues complex and multifaceted. Moreover, India has an estimated 269.3 million poor residents (2013), out of which 216.5 million reside in rural India (Rao, 2013), yet, contradicting this, is the fact that Indian stocks move and down more closely in sync with the global emerging-market average than the stocks of most other countries do, because its market is deep and diverse (Sharma, 2012). Hence, there are diversity, complexity and even contradictions in India, as an emerging nation.

Thus, the problem statement of this research paper is 'To introduce a CSR model that will specifically combat the challenges and dilemmas of an emerging economy (here, India); contribute to its National agenda and thereby help to take it to the next level.' Therefore, the research objectives and questions that needs to be pursued are as follows:

a) What are the socio-economic dilemmas and challenges of an emerging nation?
b) What are the various national agendas in such economies?
c) What are the different roles and responsibilities of Corporations through its CSR to combat such a quandary?
d) What is the 'Chatterjee Model?' What are its main propositions?
e) Can a mini Case Study be used to illustrate the model?

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Thus, this paper not only introduces a new CSR model named the 'Chatterjee Model' that we will find, is distinctly different from the other CSR models like the Porter's 'shared value', Elkington's 'triple bottom line' and Prahalad's 'Fortune at the bottom of the pyramid'; but is also unique as it has already established itself as a legislation in the world's largest democracy, India. Thus, this paper is a great contribution to the body of knowledge of mandated CSR in emerging economies (here, India). In this context, one must remember, that researches on mandated CSR are a new field of study as CSR statute in India, itself, has been introduced only in the year 2013 and has come into effect from Financial Year 2014–15. By using the term 'mandated CSR' in the context of India, we refer to the Section 135 of the Companies Act 2013 that was introduced in India after replacing the 57 years old Companies Act 1956. This Section, among many other things mandates every company covered by the inclusion criteria to spend at least 2% of their average net profit in the previous 3 years on CSR activities. The Act applies to companies with a net worth of (Indian Rupee) INR five billion or more, or a turnover of INR ten billion or more, or a net profit of INR 50 million or more.

To understand the above-mentioned problem statement, research objectives and questions, the rest of the paper is as follows. Post Introduction in Section I, Section II analyzes and documents the various dilemmas and challenges of an emerging nation - India and thereby points out its national agenda. Section III draws on the recent theoretical literature on the different roles and responsibilities of Corporations in such an economy. Section IV explains the 'Chatterjee model', that urges, from a policymaker's point of view, that CSR should contribute to the social and economic development of an emerging economy, thus helping it to accelerate to a developed nation. This is followed by a Case Study of Tata Housing Development Company Limited (THDCL), to validate the model. Section V is the conclusion, which is followed by Section VI, the way forward.

Dilemmas and challenges of an emerging nation - India

India has its own challenges as an emerging nation. On one hand it has the world's second largest human population next only to China and predicted to have one of the world's youngest and thereby the largest working population by 2026; yet, on the other hand, it ranks 135 among 186 countries in the Human Development Index (HDI) (Human Development Report, 2013). This means that India has a great volume of people, who have a low life expectancy, education, and per capita income. According to a United Nations Educational, Scientific and Cultural Organisation (UNESCO) report (2014), the country has 287 million illiterate adults, accounting for the largest population globally and 37% of the world total (Bhowmick, 2014) with just under 10% having any type of skilling (2% formal and 8% informal) (Mitra, 2015c; Mitra & Schmidpeter, 2016). Or, in other words, unless this population is developed and channelized, it will be a burden not only to India, but also to the world at large.

Moreover, the environmental regulations in India lag behind similar regulations in Organization for Economic Cooperation and Development (OECD) countries by almost a decade and empirical evidence show that Multi National Companies (MNCs) in India and other emerging markets do not necessarily have stricter environmental standards than their local counterparts (Sawhney 1994; Zarsky, 1999; Khan, 2007; Mitra & Schmidpeter, 2016). Hence, not just socio- economic parameters, but, India also needs to upgrade its environmental indicators to transition into a developed economy.

However, the dilemma lies in the fact that despite such unfortunate socio-economic and environmental indicators, India is home to the sixth largest super-rich population (billionaires) in the world. The total billionaire wealth was estimated to be \$180 billion (Wealth-X and UBS billionaire census report, 2013), bringing India's billionaire population to 103 (Mitra, 2014, 2015c; Mitra & Schmidpeter, 2016). Therefore, the population is divided between the haves and the have-nots. The country has urban India on one side and rural Bharat on the other.

Although, this rise in inequality, to some extent, is natural in the early stages of economic development (Sharma, 2012), it remains a persistent challenge in many economies today. In Asia and the Pacific, inequality has risen over the last decade despite growth rates that have lowered poverty incidence (Son, 2013). Similarly, in India, although poverty has fallen for every social and religious group in every state and in rural and urban areas, separately as well as jointly between 1993–1994 and 2009–2010 (Panagariya & Mukim, 2014), yet, the incidences of inequalities are high. This inequality can pose a threat to growth if it goes unchecked (Sharma, 2012).

Hence, it is imperative to have a strategy in place that will: expand opportunities for the poor and protect the poorest and the most vulnerable (O'Sullivan, 1997). Socio-economic inequality can then be minimised, thus paving the way for an emerging nation to slowly graduate into a developed economy.

Thus, under these circumstances, it is imperative that the national agenda should focus on empowering "the poor and the deprived section of the society" to achieve significant and sustainable human development (Mitra & Schmidpeter, 2016) and to bring about inclusive growth. In other words, the achievement of inclusive growth in the developing world is a significant challenge for makers in international development (Sen, 2014).

This concern for inclusive growth, made policymakers increasingly ask age-old questions about how basic health and education systems can be improved, how regulatory systems can function better, who should provide basic services and infrastructure, and how it should be paid for. This led to a 'rediscovery' of underdevelopment, so to speak, and a realization that something is 'missing' in the policy framework (Graham & Naim, 1997). Thus inequality, earlier measured in terms of income or consumption, has now got extended to cover many other standard of living dimensions such as inequality of outcomes in health, education, and basic infrastructure, among others (Son, 2013). But, whose responsibility is it to provide for the same?

Some think, it is the responsibility of the Government to provide a conducive environment for equality through its social security measures and other policies; while some others think, it is the Corporation that should take the onus in pursuance of their 'social license to operate' objectives. This is often an inconclusive debate, where the perspectives often differ between the developed countries to the emerging countries. What one must remember here is that, the very concept of CSR differs between these two economies in terms of its definition as well as implementation. And, there is no comprehensive, "one size fits all" global corporate governance or CSR system, based on western codes and regulations that can be implemented in emerging markets (Peters et al. 2011), hence, it is better to limit our study of CSR to the emerging markets alone for a focused approach.

Roles and responsibilities of corporations in an emerging economy

The rationale behind studying CSR in developing countries as distinct from CSR in the developed countries is manifold (Ghosh, 2014):

- developing countries represent the most rapidly growing economies and hence a lucrative growth market for business (IMF, 2006);
- social and environmental crisis is more acutely felt in the developing countries (UNDP, 2006);
- developing countries are the ones where the impact of globalization, economic growth, investment and business activity are likely to have a strong impact on societal and environmental issues (World Bank, 2006) and
- challenges faced by the developing countries with respect to CSR are different as compared to challenges faced by the developed countries.

In a developing country like India, it is increasingly appreciated and not least by business, that to become economic players of first-world magnitude, the challenges of a third-world developmental leap have to be addressed. There is also a sense both among business as well as others (particularly civil society and government) that business has to play a leadership role in bringing about this transformation (Mitra, 2007).

Thus, Indian companies have a very important and difficult role to play in the country's development. It is certainly more complex than the role of corporations in developed economies. Starting much behind their international competitors, both in size and capabilities, Indian companies must rapidly learn to compete with the best in the world. At the same time, they have to compassionately connect with the conditions in their own country and communities around them. This is by no means an easy task (Maira, 2004).

The Private sector, therefore has responsibilities and a role in creating broad based growth and furthering opportunities for individuals in poverty to move up. Involvement of the private sector in development efforts should be encouraged, not only to spur growth, but to make the state more effective by providing competition, increasing equity, and supplementing the resources of the state (The Aspen Institute Conferences, 1997). This needs to be undertaken by the Company through its robust CSR strategy.

After all, this is a symbiotic relationship. As the state/nation progresses, so does business and vice versa. Any discord in this relationship can cause disequilibrium within the society.

On a micro scale, Mitra (2014) observes that, among other things, it is for the best interest of both the stakeholders (the Government and the governed) that the Government and the Corporations must work hand in gloves to develop the human capital of India to bring about a glorious future. The ideal model, then, would be to generate the continuous 'cycle of conversion' (Fig. 1) and transform the population to reap demographic dividend through a mutually beneficial relationship with the Government and the Corporation. This will not only benefit the Corporations, but also the Government, the population and most importantly, the country, named India (Mitra, 2014, 2015c)!

There are, of course, apart from developing the human capital, many other issues that can be addressed by CSR that can, in its effect contribute to the National Agenda.

It is under this backdrop of an emerging India, with its own challenges and dilemmas, that the Chatterjee model was formulated to streamline the CSR roles and responsibilities of the Corporations and ensure accountability and transparency in their efforts. The propounder of the model, Dr. Bhaskar Chatterjee argues through this model, that 'CSR should contribute to the National Agenda in emerging economies.'

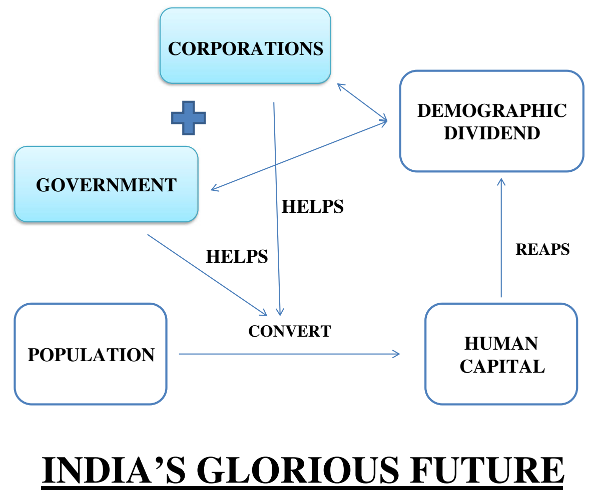

Fig. 1 The 'cycle of conversion' of the population to reap demographic dividend .Source: Mitra, (2014, 2015c)

The Chatterjee Model

The Chatterjee model is indeed a unique model, which is different from the Porter model,[1] Elkington model,[2] Prahalad model[3] or any of the known models of CSR . While, all of the rest of the above-mentioned CSR models viewed CSR as a business opportunity, the Chatterjee model of CSR focused on the social developmental agenda of the nation.

Moreover, the Chatterjee model is not only unique to the Indian socio-economic, environmental context; but is also a pioneer in the study of mandated CSR as a new area of research. India is the third country in the world that has a 2% CSR mandate, next only to Mauritius and Indonesia. However, each one has its own unique features to suit the needs and requirements of their respective countries. In other words, the study of the Chatterjee model is a live study of the CSR mandate in the second most populous country and the largest democracy of the world.

This model was initially launched as the CSR Guidelines for the Public Sector Enterprises of India which became effective from April 1, 2010. Later, Dr. Chatterjee was instrumental in incorporating Section 135 into the Companies Act, 2013 (the Act) (Appendix 1) which made CSR mandatory for certain stable companies having a net worth of (Indian Rupee) INR five billion or more, or a turnover of INR ten billion or more, or a net profit of INR 50 million or more during any financial year. Not stopping there, this Act also laid down a Schedule VII (Appendix 2), detailing the priority areas where such CSR resources needs to be spent.

This Schedule VII of the Act, through repeated amendments, since its formulation, helps prioritise the areas of intervention for the most rapid developmental results and creates the possibility of delivering high impact outcomes while achieving stringent CSR norms and goals. Thus, this CSR mandate has been created 'FOR INDIA, BY INDIA, IN INDIA', keeping in mind the unique Indian context and is 'LINKED TO THE INCLUSIVE DEVELOPMENT AGENDA OF THE NATION' (Chatterjee & Mitra 2016b).

Let us now understand the different components of the model.

The crux of the Chatterjee Model, lay in the fact that certain large, stable Corporations must ensure certain percentage of CSR spent on specific projects beyond their core business and legislative duties, in areas as laid down in accordance with the National priorities (here, Schedule VII) and should have clear outcome-orientation, have a budget and people assigned to it, and, that can be clearly implemented, measured, reported, audited, thereby harnessing the strength of the Corporations (Fig. 2).

In other words, the model lays stress on projectivisation of CSR activities of these stable Corporations, that ensures complete transparency and accountability. The Company should look at it as a serious endeavor; to really be able to strategize as to what it is doing, why it is doing, what are the results that will flow from there, that will build up to contribute to the National Agenda.

Infact, the moment the word 'PROJECT' is used, it has several connotations: *When did it start? When did it end? How much money was allocated to it? What was the baseline survey? What was the documentation? How was CSR monitored? What was the MIS (Management Information System) used? How was it evaluated? How was it assessed? and so on (Chatterjee & Mitra* 2016b*).* Hence, this contribution to national agenda is scientific process driven with a timeline and specific outcome orientation, closely monitored, measured and audited.

This model entails that CSR must be authorized only by the Board of the Company, comprising of three or more Directors, out of which at least one Director shall be an Independent Director and they will be accountable for every decision, every single INR spent on CSR, as well as issuance of a responsibility statement of the CSR Committee confirming that the implementation and monitoring of CSR Policy is in compliance of CSR objectives and Policy of the company. Thus, through this model, CSR, for the first time, came from the backroom to the boardroom.

Further, the Chatterjee model of CSR acknowledges that it is not possible for the mandated companies to directly implement at the grassroot level to bring about this transformation. So, the model propounded that, with the responsibility of projectivisation remaining with the Company, the Companies can implement the CSR projects, approved by the CSR Committee, through civil societies, which in India are certain registered trust or a

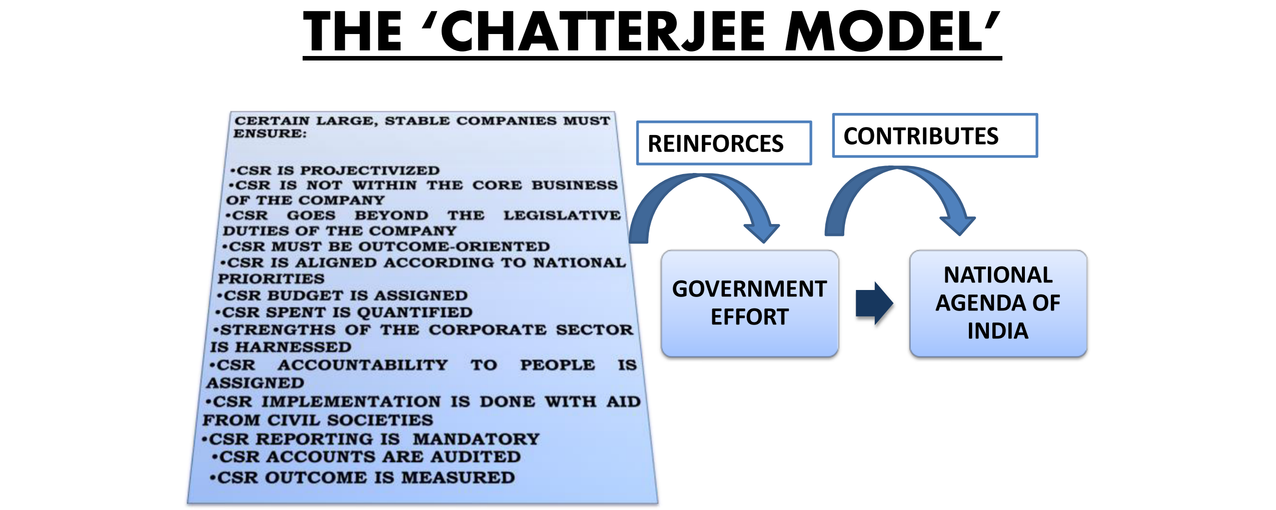

Fig. 2 The 'Chatterjee model'. Source: Authors' own source

registered society or a company established by the company or its holding or subsidiary or associate company under Section 8 of the Company's Act, 2013.

Infact, India has a strength of 3.3 million registered Non-Governmental Organizations that has the experience and expertise of working at the grassroot level. So, the Chatterjee model visualized a plan of partnerships and collaborations, that will build on each other's strengths - the Corporations with its time, money and energy resources; and the partners (civil societies/NGOs) with its manpower (expertise and experience) resources to contribute on the National priorities as laid down by the Schedule VII.

Thus, the CSR implementation strategy, as laid down by the Chatterjee Model can be understood with the help of the following Fig. 3.

To ensure transparency and accountability, this model further makes reporting into the 8-column 'Format for the Annual Report on CSR Activities mandatory to be included in the Board's Report' (Appendix 3). This reporting

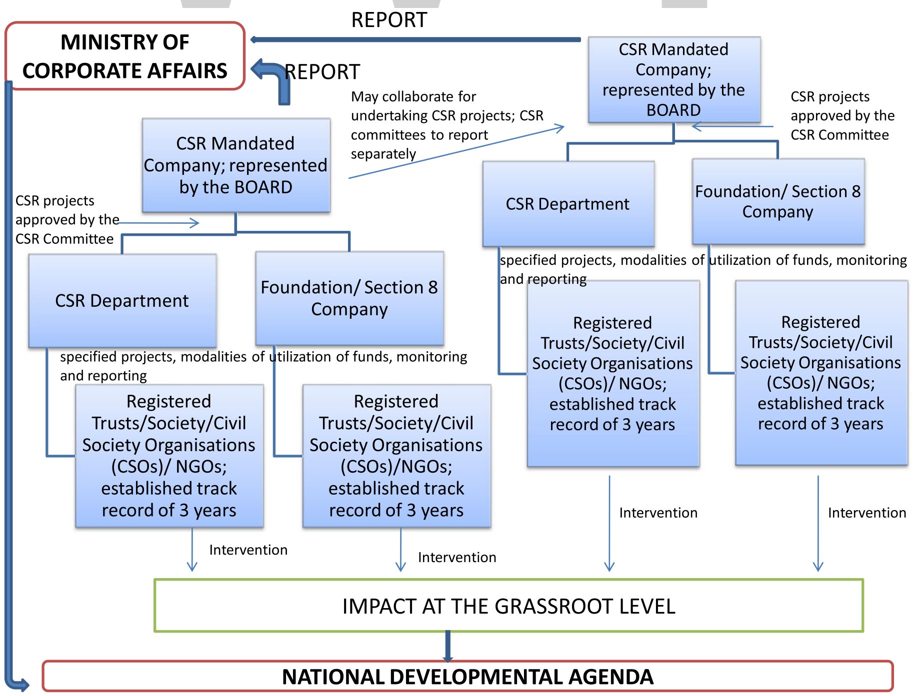

Fig. 3 CSR implementation in INDIA as mandated by the law and how it affects the national developmental agenda. Source: Chatterjee & Mitra, 2016a

concept is based on the principle of "comply or explain". This means that although a company should spend 2% of its net profit on CSR projects and programmes, if, in a financial year, it does not do so, it is called upon to provide an "explanation" on its website and also in the Annual Director's Report. The Government does not stand in judgment on the quality or the validity of the explanation. However, if the company fails to comply with the 2% norm and also fails to provide any explanation, then it stands to be held accountable under Section 134 of the Companies Act, 2013 which provides for stringent punitive measures (Chatterjee & Mitra, 2016a). Thus, this entails complete and total transparency for each of the mandated Company.

The Chatterjee model of CSR is a new model. The CSR law in India was passed in the year 2013 and became operational from the Financial Year 2014–15. Empirical research post the passing of the mandate has not yet been generated. Under these circumstances, it is extremely challenging to pinpoint any Company as an example to demonstrate the model. Thus, we have taken the help of the judgements of two experts (one practitioner and one academician) to select the Case Study of the THDCL in order to explore the validity of the model. We do acknowledge the drawbacks of this judgemental sampling approach and understand that this may not empirically produce satisfactory results and, may, therefore, curtail generalizability of the findings due to the fact that we are using a sample of experts that are conveniently available to us. Further, there is no objective way to evaluate the precision of the results. However, due to the unavailability of extant research in this new field of study, we are using this mini Case Study to explore the validity of the Chatterjee Model.

Mini case study of Tata Housing Development Company Limited (THDCL)

THDCL, a closely held Public Limited Company under 99.86% subsidiary of Tata Sons, is the first Indian Real Estate Company to have reported the triple bottom-line Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines in its Sustainability Report FY 2013–14. It has emerged as the fastest growing company in the real estate sector in India, (since its revival in the late 2006) and has established itself as a "High growth pan India sustainable residential developer". The company has grown its turnover 32 times from INR 360 millions in the Financial Year (FY) 2008 to INR 1146 billion during FY 2014 with a Compound Annual Growth Rate (CAGR) of 37% in last 5 years (Tata Housing Imprints Sustainability Report 2013–14, 2014; Tata Housing CSR Policy, 2015; Mitra, 2015a, 2015b, 2015c).

In THDCL, the CSR leadership rests at the different management levels, namely, the Board of Directors, Audit Committee, Committee of Directors and the CSR Committee of the Board, each having specialized role to provide the highest standard of integrity and transparency. The CSR Committee formulates and recommends to the Board, a CSR policy, recommends the amount of expenditure and monitors the CSR Policy of the Company from time to time (Mitra 2015a).

As part of their CSR activities, THDCL started evolving their Community Engagement model from the year 2011 and have gradually developed to comprise of the five broad projects, the names of which are: Tata Affirmative Action Programme (TAAP), SAMARTH, SRIJAN, SWACHH, SPARSH; implemented by the Company's formal and informal structure along with the project partners/NGO partners at the community; conducted within a radius of ten kilometers from the project area (Mitra. 2015a); as documented in Table 1.

Among the above five projects, the first three, namely, TAAP, SAMARTH and SRIJAN contribute directly in developing the human capital of India, one of the key national agendas in improving its socio-economic indicator. Moreover, the Company not only complies to the regulatory environment in India, but also have prioritized its areas of community engagement by reinforcing the Government efforts like that of the 'Skill India'[4] through its project TAAP and SAMARTH and 'SWACHH BHARAT'[5] through its project SWACHH to contribute to the national agenda of India. Moreover, all the five CSR projects of THDCL comply to Schedule VII that was laid down as an indicator of the national priorities in the Company's Act, 2013.

Additionally, the 'cycle of conversion' (Mitra, 2014) has also been followed at THDCL as is evident from the Fig. 4 hereunder:

What is noteworthy here is that, a Real Estate Company like THDCL alone can contribute immensely to the national agenda as is evident from the Case Study. This is extremely promising, especially, at a time, when, according to the Economic Survey of India (FY 2012–13), the real estate sector not only contributes (5.9% in FY 2011–12) to India's total Gross Domestic Product (GDP); but also likely to grow in the years to come, becoming the second largest employment generator after agriculture in India (employing nearly 7.6 million across India in 2013) (Roy, 2014, Mitra, 2015c). Therefore, if one sector can bring in substantial change, all the sectors together, under the law and otherwise, can transition India from emerging to a developed economy. This Case Study, thus reinforces the validity of the 'Chatterjee Model' and has a positive impact in its contribution to the national agenda of India.

Conclusion

The involvement of one company like THDCL, by applying the Chatterjee model into its CSR portfolio in contributing to the national agenda is only the

Table 1 CSR projects at THDCL

CSR project	CSR project description	Project partners
TATA AFFIRMATIVE ACTION PROGRAMME (TAAP)	- attempts to address the prevailing social inequities in India by encouraging positive discrimination for the SC/ST[a] communities - aligned with the framework on affirmative action (AA) prepared by the Confederation of Indian Industry (CII), which focuses on four areas of development: employment, employability, entrepreneurship and education, ie the four Es	Non-Governmental Organisations (NGOs) and Institutions such as Entrepreneurship Development Institute of India (EDI), Jay Bharati Foundation, Udyogwardhini, Shikshan Sanstha, NIIT Foundation and Sambhav Foundation etc.
SAMARTH	- provides skill development training to the people other than SC/ST, thereby 'Enhancing employability, Enabling people'. - Most of the people trained are in construction related trades and thereby the company is also nurturing the construction ecosystem with this project.	civil societies/NGOs like the Pipal Tree, Labournet and Udyogvardhini
SRIJAN	- undertakes several educational development initiatives, thereby 'Enlightening minds, Empowering masses'. - not only provides Remedial Coaching to students; but also helps in up gradation of school infrastructure of schools in and around project sites.	various Schools
SPARSH	- provides community care by taking care of the development in and around project sites in terms of repair, renovation, reconstruction and development of roads, community halls, play grounds etc. and addresses basic survival needs including relief and rehabilitation, addressing developmental disorders among children etc., thereby 'Enriching lives, Expanding avenues.'	Nil
SWACHH	- aims to create an integrated approach of behavioural change by raising Health and sanitation awareness, construction of clean toilets etc. in the Schools and Neighbourhoods of the project area.	Environmental Sanitation Institute (Ahmedabad), Habitat for Humanity India, and Innovations Unlimited, Gurgaon

Source: Adapted from the Tata Housing Imprints - Sustainability Report: 2013–14, 2014; Mitra, 2015c

[a]Scheduled Castes (SCs) and Scheduled Tribes (STs) are official designations given to various groups of historically disadvantaged people in India. The terms are recognized in the Constitution of India and the various groups are designated in one or other of the categories. During the period of British rule in India, they were known as the Depressed Classes. In modern literature, the Scheduled Castes are sometimes referred to as Dalits (Scheduled Castes and Scheduled Tribes, 2015)

beginning. The importance of this CSR model in contributing to the national agenda of India can go a long way. The Chatterjee model is thus timely. There is greater need in India, than in the West, to build systems to serve the societal needs for health care, education, and the like (Maira, 2004). Given that the integration into the global economy is crucial to long-term development and poverty eradication, yet so difficult for many countries to achieve, it is essential to identify policies which help countries to capture the benefits of the

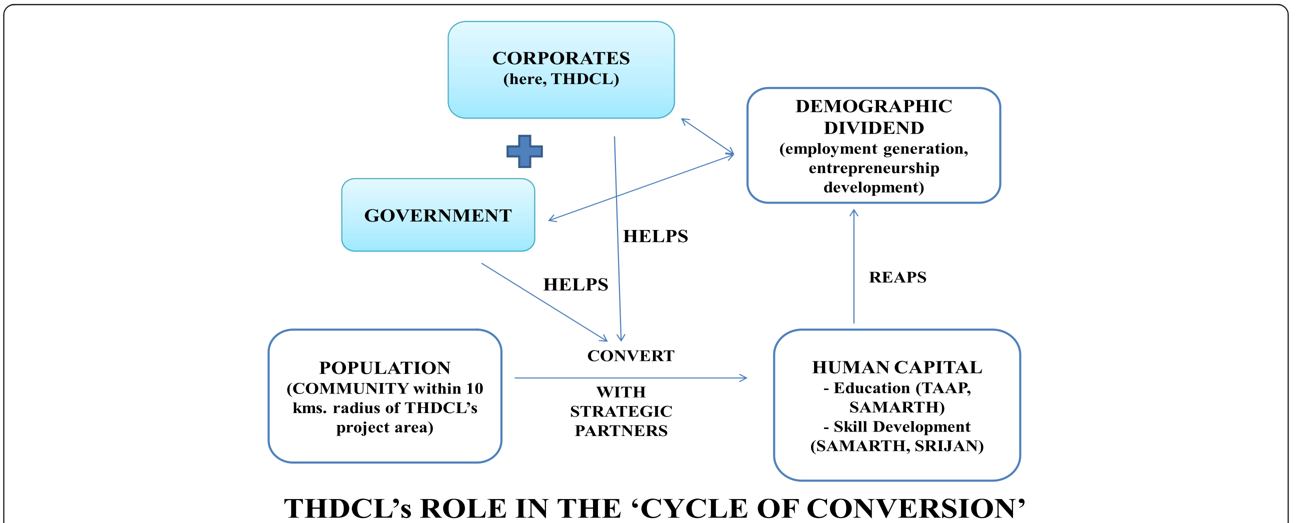

Fig. 4 THDCL'S role in the 'cycle of conversion'. Source: Mitra, 2015c

market (O'Sullivan, 1997). Perhaps it is time for Indian business to declare its agenda for fulfilling society's expectations and be seen to live up to it (Maira, 2004).

Thus, under the 'Chatterjee Model,' a new implementation mold of CSR is emerging through the development of strategic partnerships between the Government, civil societies and Corporations. This model, is expected to allow sophisticated analyses of the national problems, create solutions by combining different projects that complement and supplement each other and create scale for a holistic national development agenda in the years to come (Chatterjee & Mitra, 2016a). To add to this, this model has accountability embedded in its charter. Perhaps, this evaluation of India's mandate can help to develop a framework for how CSR can lead to social well-being in developing countries around the world (Mitra & Schmidpeter, 2016).

The impact of this model is slated to affect over 16,300 companies with an estimated flow of approximately INR 200 billion annually into the Indian economy every year; thus shaking the foundation of business and society at the same time, affecting the country at a multi-stakeholder level. India is scheduled to be the birthplace of social, economical, environmental transformation through financial investments in CSR! (Mitra & Schmidpeter, 2016).

Way forward

This is a very preliminary, yet a vital research that explains the Chatterjee model of CSR as a contributor to the national agenda in an emerging economy such as that of India. It is preliminary as, although, this model has already been mainstreamed as a statute in India, much research needs to be done to analyse the impact of the statute both qualitatively and quantitatively over a period of time, thereby sending in vital information that will be useful for the practitioners - corporates, implementing agencies and Governments, law makers, policy makers alike. This feedback will then act as a benchmark for any corrective action, that may be required. Moreover, the research is also limited by the judgmental sampling of one case study due to the unavailability of extant research in this new field of CSR, so, more case studies need to be done, empirical studies conducted to validate this research. However, this is a very important contribution to the resource of the study of mandated CSR as CSR statute, by itself, is a new area of intervention with Mauritius, Indonesia and India being the only countries under its purview so far.

It is vital as it is one of the first researches that not only distinguishes the concept of CSR between developed and emerging nations; but, also, explains a viewpoint of CSR that is transparent and very objectively contributes to the national agenda of an emerging nation like India, the second most populous country of the world with very poor socio-economic indicators. Moreover, this kind of CSR is unique to India, but further research needs to be conducted to test its replicability in other emerging countries and economies.

Endnotes

[1]Michael E. Porter and Mark R. Kramer (2011) propounded the concept of 'creating shared value,' that states: 'Companies could bring business and society back together if they redefined their purpose as 'creating shared value' - generating economic value in a way that also produces value for society by addressing its challenges. A shared value approach reconnects company success with social progress."

[2]John Elkington (1994) first coined the term, triple bottom line (TBL), that strove to measure sustainability by focusing on comprehensive investment results - that is, with respect to performance along the interrelated dimensions of profits, people and the planet.

[3]C.K. Prahalad (2010) propounded the 'bottom of the pyramid' model, where he argued that one must 'stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up.'

[4]The main goal of 'Skill India' program, a dream project of the Prime Minister of India, Narendra Modi, launched in March 2015, is to create opportunities, space and scope for the development of the talents of the Indian youth and to develop more of those sectors which have already been put under skill development for the last so many years and also to identify new sectors for skill development. The new program aims at providing training and skill development to 500 million youth of India by 2020, covering each and every village (Skill India, 2015).

[5]On September 24, 2014, the Prime Minister of India, Narendra Modi approved the Swachh Bharat campaign, which was a modification of the Nirmal Bharat Programme, launched by the previous Government. It was then launched formally on October 2, 2014, the birth anniversary of Mahatma Gandhi, the objective being to make India a clean India by 2019, the 150th birth anniversary of Mahatma Gandhi. The plan is to provide toilet and sanitation facilities in all rural and remote areas, to create public awareness of cleanliness, to clean roads, streets, encroachments and make India one of the cleanest countries of the world (SWACHH BHARAT Abhiyan, 2014).

Appendix 1

Section 135 of the Companies Act, 2013

1) Every company having a net worth of INR 5 billion or more, or a turnover of INR 10 billion or more,

or a net profit of INR 50 million or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director;

2) The Board's report shall disclose the composition of the CSR Committee.
3) The Corporate Social Responsibility Committee shall:
   - formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII
   - recommend the amount of expenditure to be incurred on these CSR activities
   - monitor the CSR policy of the Company from time to time.
4) The Board of these Companies that shall:
   a) After taking in account the recommendations made by the CSR Committee, approve the CSR policy for the Company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
   b) Ensure that the activities are included in their CSR Policy and are actually undertaken by the company.
5) The Board of these companies, shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR policy.

Moreover, the Section 135 also provides a direction to these Companies to give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

However, the law also states that if the company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.

Appendix 2

Schedule VII in the Companies Act, 2013

i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of Sanitation and making available safe drinking water;
ii) Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects;
iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to the Clean Ganga Fund set-up by the Central Government for the rejuvenation of river Ganga;
v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
vii) Training to promote rural sports, nationally recognised sports, para Olympic sports and Olympic sports;
viii) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
ix) Rural development projects;
x) Slum development.

Appendix 3

Format for the Annual Report on CSR activities to be included in the Board's Report

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects and programs.
2. The composition of the CSR Committee.
3. Average net profit of the company for last three financial years.
4. Prescribed CSR expenditure (two percent of the amount as in item 3 above)
5. Details of CSR spent during the financial year;
   a) Total amount to be spent for the financial year;
   b) Amount unspent, if any;
   c) Manner in which the amount spent during the financial year is detailed below Table 2.

Table 2 Format for the annual report on CSR activities

1	2	3	4	5	6	7	8
S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where the projects or programs was undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent Direct or through implementing agency*
1							
2							
3							
Total							

* Give details of the implementing agency

6) In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide reasons for not spending the amount in its Board report.
7) A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance of CSR objectives and Policy of the company.

This document needs to be signed by the:

i) Chief Executive Officer or Managing Director or Director
ii) Chairman CSR Committee
iii) Person specified under clause (d) of sub-section (1) of section 380 of the Act; wherever applicable.

Authors' contribution

Both the authors equally and substantially contributed to the conception, drafting and revising of the work. Both the authors have read and approved the final manuscript.

Competing interests

The authors declare that they have no competing interests.

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Letters from the top: a comparative control group study of CEO letters to stakeholders

Mark Fuller

Abstract

This paper examines corporate social responsibility (CSR) reporting with a focus on communications from management. It examines letters from the board chair, CEO and/or senior CSR lead to gain a deeper understanding of how firms disclose their past performance and whether firms noted for the CSR reporting disclose their information in meaningfully different ways compared to other firms. Using a comparative analysis between treatment and control groups, we explore whether there is a difference in reporting approaches between a sample of highly regarded CSR reporters vis-à-vis firms recognized for their high profitability. Our findings suggest CSR-recognized firms discuss sustainability issues in greater quantity but without much meaningful difference in quality. We postulate a parabolic relationship between report quality and cost to explain this situation, discussing both the theoretical and the practical implications.

Keywords: Corporate social responsibility, CSR reporting, CEO communications, Voluntary reporting, Mandatory reporting, Stakeholder management, Letters to stakeholders, Canada

Introduction

CSR reporting activities have been explored in many contexts, with stakeholder theory playing a prominent role in both theory and practice (Waddock 2004; Reynolds and Yuthas 2008; Hahn and Lülfs 2014; Orzes et al. 2018). The relationships with various stakeholders, including community groups, customers, distributors, employee groups, investors, regulatory and government agencies, suppliers, as well as NGOs and third-party organizations, have also been well detailed (Barnard 1938; Pfeffer and Salancik 1978; Freeman 1984; Donaldson and Preston 1995; Wheeler and Sillanpää 1997; Laplume et al. 2008). Meanwhile, the integration of CSR reporting within the corporate annual reporting practices of the firm has also been examined (Sierra-García et al. 2015; IIRC 2017; Maniora 2017). Further, the firm's involvement with voluntary regulatory standards has been a source of investigation (Kolk et al. 1999; Logsdon and Wood 2005; Vogel 2008; Tuczek et al. 2018). An area that has been comparatively less addressed involves managerial discussion and analysis of past CSR performance and future CSR aspirations within the context of different stakeholder relationships.

Management's discussion and analysis of a firm's CSR activities are a critical component within a firm's reporting activities. It is the focal point of the reporting effort whereby management can discuss past CSR performance and explain variances from expectation, while also outlining future CSR objectives (Gray et al. 1987). This reporting activity is generally provided in a letter from management, nominally authored and signed by the chair, CEO or senior CSR manager. However, with CSR reporting remaining voluntary in most jurisdictions, not every firm produces an appropriate disclosure statement. When a CSR report is produced, it is not always on an annual basis, with a fixed reporting date, and with standard reporting components (Holder-Webb et al. 2009). Accordingly, some firms report biannually, others report irregularly, with statements from management varying widely in breadth and depth, and occasionally, are not included at all. Further, unlike the financial certification requirements that exist in some jurisdictions – whereby the CEO or CFO may be held liable in the event of false reporting (Gray 2005) and with research showing that certification requirements have impacts upon managerial disclosure (Garg 2018) – nonetheless, such certification requirements are absent in most jurisdictions for non-financial CSR

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disclosure. This makes insight into the firm's corporate social responsibility practices difficult to interpret in terms of past performance and anticipated future activities, particularly at the level of diverse stakeholder groups, which inhibits both chronological and cross-sectoral analysis. This article responds to this issue from a comparative qualitative analytical perspective. By adopting a cross-sectoral analysis with a comparator group, we strive to gain a deeper understanding of management thought, at a snapshot in time, across a variety of industries for a diversity of stakeholder groups. Therefore, the purpose of this article is to examine the content of these CEO letters to stakeholders by exploring the following research questions:

1. How does management report upon previous corporate social performance in their current CSR disclosures from the perspective of multiple stakeholders?
2. Does stakeholder-oriented reporting differ between firms recognized for their CSR activities and those firms that are highly profitable?

Following a review of the extant literature and a description of our research methods, our findings suggest firms privilege particular stakeholder groups – customers, communities, employees and regulators, respectively – over other stakeholders. Firms associated with highly-regarded CSR disclosures tend to reference stakeholders to a greater degree than firms associated with high degrees of financial sustainability, with additional differentiation at the level of individual stakeholders. Making sense of the differences in CSR reporting among firms necessitates an understanding of the relationship between the cost and the quality of enhanced CSR reporting. In our discussion of the implications for theory, we postulate that a parabolic relationship can best explain the gap between non-reporting and reporting firms, and the quality differences among firms engaged in CSR reporting. Our contribution to practice is a recognition that governmental promotion of the United Nations' Principles for Responsible Management and the adoption of mandatory national CSR reporting regimes would make meaningful improvements to corporate disclosures in this regard.

Literature review

We performed a systematic chronological literature review of "corporate social responsibility reporting" in the business, management, and ethics literatures (Booth et al. 2016). We used this term as a key phrase (Hahn and Kühnen 2013) in order to focus upon a defined phenomenon, acknowledging that CSR reporting activities which preceded the use of this phrase previously existed but represented an ill-defined context within the CSR literature. Drawing upon the Web of Knowledge, Business Source Complete and Google Scholar, we traced the literature from the point of divergence in the 1970s within the corporate social accounting literature through to the present.

The early years: 1971–1987

While Freeman (1984) attributed the emergence of the CSR literature to Sethi (1971), we found the earliest explicit reference to CSR reporting to van den Bergh's report on Deutsche Shell (Van den Bergh 1976). Soon after, Buzby and Falk (1979) examined expectations of university investors. They argued for the consideration of non-financial reporting as being of relevance to a plurality of stakeholders, moving beyond the concept of corporate social accounting identified earlier by Epstein et al. (1976). As Buzby and Falk (1979, 25) noted, "we believe … that additional empirical research may be needed in order to ascertain the relative importance of different types of social responsibility data to various potential user groups" while offering that "the evidence is not sufficient to support a conclusion at this time that there is widespread interest in social responsibility reporting". Stakeholder perspectives were changing, however, culminating in Freeman's (1984) seminal work on stakeholder theory. His work highlighted the twin reporting dilemmas (Freeman 1984, 178): "(1) how do we measure our performance with each stakeholder and (2) how do we measure our performance with our entire set of stakeholders?" Freeman's composition explored issues of internal versus external validity in measuring near and long-term metrics of corporate social performance, drawing upon the previous work of both Post (1978) and Mendelow (1981), and remains relevant to our current exploration of CSR reporting. However, despite acknowledging a need to measure "performance as a whole" (Freeman 1984, 178), Freeman posits that "different measures may be appropriate for different customer segments and will depend on product, industry, etc." (Freeman 1984, 180). This inhibits the development of integrative CSR-related measures which Freeman acknowledges, while also constraining longitudinal and cross-sectional reporting analysis within an industry.

Searching for a broader management context: 1987 to 1996

The late 1980s-early 1990s generated quantitatively fewer articles on CSR reporting than has been witnessed more recently. We identified just 21 articles during this period that made explicit references to CSR reporting. Of the 21 articles, five originated from the field of organizational behavior and management studies, two from business ethics or philosophy, and the remainder from accounting and finance, reflecting a gradual emergence from the more financial aspects of corporate social accounting. Wood and Jones (1995) extended Wood's (1991a, 1991b) earlier work in the broader field of CSR to offer a framework for analysis, including features of stakeholder expectations setting, behavioral experiences, and performance evaluation. Others had attempted an integrative perspective as well: Freeman (1984) contributed to the epistemological and ontological lens through which corporate social responsibility could be considered from a stakeholder perspective, while Gray et al. (1987) added to the methodological considerations related to reporting activities. One such prescription highlighted the issue of information relevancy, and the lack of decision models for resolving this issue. They advocated for organizations to provide CSR objectives in order to contextualize the firm's information disclosure. One could argue that the growth in global reporting standards provides an implicit, if not explicit, set of reporting objectives. However, the outsourcing of an organization's CSR goals undermines a firm's implicit, intrinsic commitment to corporate social responsibility: if a firm is only providing disclosure according to external stakeholders using externally mandated measures, what higher order, intrinsic values does corporate social responsibility require from the firm?

The quest for norms and the acceptance of variation: 1997 to 2010

The search for broader managerial meaning begat a significant upturn in CSR research activity. Among the more notable contributions, Elkington (1998) offered unifying principles for crafting a meaningful CSR reporting regime. These include parallel communication between stakeholders and the firm with respect to reporting; independent verification of corporate reporting; comparability within and across firms; life cycle analysis of a firm's activities; input-output analysis; the globalization of reporting standards; the overarching umbrella of a corporate governance regime; the expected expansion of mandatory reporting; negotiated boundary-setting with stakeholders; and triple bottom line performance reporting. During this period, prescriptive studies strived to establish norms within the field of CSR reporting. Yet at the same time, research began to value differences in CSR reporting regimes. Attempts at contextualizing empirical research often were operationalized within the domain of geographic differences: legal and regulatory practices that varied by country having influenced reporting practices. Country-specific exemplars include Australia (Frost et al. 2005); Bangladesh (Imam 2000), Canada (Berthelot et al. 2012; Roca and Searcy 2012); Ireland (Douglas et al. 2004); Jordan (Naser 1999; Al-Khater and Naser 2003); Malaysia (Thompson and Zakaria 2004); Qatar (Naser et al. 2006); South Africa (Dawkins and Ngunjiri 2008), Switzerland (Daub 2007), and the United States (Holder-Webb et al. 2009; Pled and Latridis 2012). In addition, there have been a number of valiant attempts at comparative studies (Adams et al. 1998; O'Rourke 2004; Chapple and Moon 2005; Kolk 2005; Perrini 2005; Matten and Moon 2008; Freeman and Hasnaoui 2011). At the same time, some advocates of stakeholder theory were rejecting normative approaches and embracing contingent approaches to strategic management (Kochan and Rubinstein 2000; Freeman and McVea 2001), which had direct implications for CSR strategy. In this vein, Holder-Webb et al. (2009) highlighted the differences in reporting frequency, disclosure methods and content emphasis among reporting firms. By embracing variation, a research schism began to evolve, which separated normative research grounded in the pursuit of platonic ideals of CSR practices, and those academics willing to embrace a diversity of CSR approaches and reporting methodologies.

Consolidating CSR reporting: 2011 to present

More recently, efforts have been undertaken to integrate research on CSR reporting. Hahn and Kühnen (2013) performed a much-warranted meta-review of 178 articles covering the period from 1999 to 2011. Their findings revealed researcher emphasis toward double bottom line reporting as the subject matter and document analysis as the dominant research method. Analysis of financial reporting was often omitted. This is likely due in large part to a minority of firms producing integrated annual reports, contrary to the findings of Daub (2007), which otherwise would enable standalone triple bottom line analysis; such analysis in a non-integrative reporting regime being possible only when annual reports and CSR reports are used collectively within a data sample (Fuller 2016). The authors found that the adoption rate for CSR reporting and the extent of that reporting were positively associated with various measures of firm size. Wang et al. (2016) performed a meta-analysis of 42 studies, finding a positive relationship of CSR as a driver of corporate financial performance.

Mind the gap: searching for variation in stakeholder-specific disclosure practices

Less well studied have been issues involving stakeholder-specific CSR reporting disclosures practices (Hahn and Lülfs 2014; Orzes et al. 2018), although the extant research has been increasing in recent years. While many studies reference stakeholder theory, including as a lens of analysis (Waddock 2004; Reynolds and Yuthas 2008; Barkemeyer and Figge 2014; Herremans et al. 2016), we find little empirical research which differentiates among multiple groups of stakeholders within CSR reporting disclosures (Orzes et al. 2018). Boesso et al. (2015) suggest prioritized CSR activities can lead to enhanced corporate social performance, particularly in relation to internal stakeholders. Meanwhile, Vazquez-Brust et al. (2010) distinguished environmental responses across 17 distinct stakeholder groups and found that stakeholder salience is not perfectly correlated with firm-level responses to environmental responses. Meanwhile, in differentiating interactive relationships among the firm and its stakeholders, Dobele et al. (2014) argue that the firm is a member of, but not central within, the network of stakeholder relationships in which it operates; that the interaction between the firm and its stakeholders are not dyadic in nature; and that interactive effects need to be assessed as part of complex stakeholder relationships. Without diverging into a discussion of network theory, which is beyond the scope of this article, we return to an examination of our central research questions involving stakeholder-specific CSR reporting and differences in the nature of that reporting for CSR-oriented firms.

Research methods

In exploring this topic, we sought to undertake a qualitative assessment of management's discussion and analysis within their CSR reports. Our focus comprised letters from management, nominally written by the chair, CEO or senior CSR executive. We next sought a dataset that would comprise an exemplar for CSR reporting and an appropriate comparator group. Our goal was to conduct an in-depth review of these letters, and compare these letters across industries, for a given reporting year.

Data samples

As Adams et al. 1998, 5) note specifically in relation to CSR research methods, "the choice of sample is dictated both by the specific objectives of the study and the more pragmatic consideration of data availability." Access to data in part explains the prevalence for the use of documentary analysis in the CSR field (Hahn and Kühnen 2013). In choosing exemplars of CSR reports, we sought a purposeful sample (Patton 2002) premised upon an independent third-party assessment of firms' reporting activities. We further sought to identify a CSR-oriented data set which emphasized report quality. We selected the Corporate Knights (2017) survey of the top 50 corporate citizens in Canada as their methodology is based upon 14 widely-reported metrics that span across industries, thereby fostering an opportunity for exploring the reporting practices of firms lauded for such activities. Other rankings were considered, but ultimately excluded due to being less timely, less transparent in terms of research methodology, or hidden behind paywalls which would impair external review of the data by our peers.

We then wished to compare our sample of CSR reporting exemplars with a sample of firms recognized primarily for their financial sustainability (Spreckley 1981; Elkington 1998), one of the hallmarks of triple bottom line management, rather than a random sample. The rationale for this second purposeful sample was that we did not wish to compare externally venerated CSR active firms to firms with unremarkable performance. Rather, we specifically sought to examine whether firms that are recognized for their CSR activities engage in disclosure activities that are markedly different than firms hailed for their financial performance. We considered a range of alternative comparisons for our control group, ultimately deciding upon the Report on Business (2017) ranking of the top 1000 most profitable firms in Canada due to the accessibility of the data for both authors and readers, as well as the transparency of the ranking methodology. As this was a preliminary study, we chose the top 10 firms on each list as representatives for our two sample sets. Where there was overlap – in the case of two firms, Royal Bank of Canada and Power Financial, parent of IGM Financial, both of which appeared on the Corporate Knights list – we chose the next highest-ranking firms on the Report on Business list. The results of our data sample therefore consisted of the following firms (Table 1):

Data analysis

We view CSR reports as a snapshot in time: they are an opportunity to commit the firm's activities to the annals of corporate history while engaging in thoughtful reflection upon recent achievements at the time of report publication. Whether the firm exercises the option or not, firms can reflect, interpret, and re-interpret past actions for the benefit of the present-day reader. It in unreasonable to expect stakeholders to have read previous CSR reports in order to contextualize management's present perspective. Words matter: precision in diction and consideration in presentation and structure impact stakeholder understanding, and the comparability of CSR reports both longitudinally and cross-sectionally. Care must therefore be taken in the words chosen and committed to the written page. Relatedly, management's letter to the reader of a CSR report may articulate future expectations about objectives, processes, and outcomes (Gray et al. 1987; Wood 1991a, 1991b) that the firm is pursuing within the realm of responsible management behavior. When management chooses to highlight ongoing activities, they elevate the importance of these activities over competing matters that they might otherwise have raised. Thus, in the context of addressing the research questions enumerated previously, we must

Table 1 Sample Firms

Report on Business Data Set	Industry	Corporate Knights Data Set	Industry
TD Bank	Financial services	Vancouver City Savings Credit Union	Financial services
Bank of Nova Scotia	Financial services	Mouvement des Caisses Desjardins	Financial services
Bank of Montreal	Financial services	HSBC Bank Canada	Financial services
CIBC	Financial services	Hydro-Québec	Utilities
CN Railway	Transportation	Cameco Corporation	Energy
Brookfield Asset Management	Property management	Enbridge Inc.	Energy
Great-West Life Co.	Insurance	Royal Bank of Canada	Financial services
Bell Canada Inc.	Telecommunications	IGM Financial Inc.	Financial services
Magna International	Automotive	The Co-Operators	Insurance
Manulife Financial	Insurance	Sun Life Financial	Insurance

be sensitive to how the firm presents past actions within the context of our present conceptions.

Prior to analysis, we acquired the CSR reports for each of the two data sets. This was not possible for one of the focal firms – Magna International – who did not have a sustainability report. For the remaining firms, we downloaded their most recent CSR reports – typically, but not always, 2016 publications. In the case of firms that produced multiple reports on a variety of responsible management-related topics, we privileged CSR reports over other forms of reporting, such as environmental, social, and governance reports and public accountability statements. From each report, we then extracted the letter from the CEO, Chair, or senior CSR thought leader for the firm. In some cases, CEOs and board chairs co-published a letter; in other cases, these

Table 2 Word Frequencies by Data Set

Frequently Cited Words	Infrequently Cited Words	Notably Absent Words
Report on Business Data Set		
2016	Monitoring	Trade
Corporate	Mitigation	Regulatory
Customers	Millennials	System(s)
Communities	Metrics	Policy
Business	Measures	Reconciliation
Employees	Marketplace	Reduction
Responsibility	Loyalty	Target
Executive	Learning	Process
Social	Landfills	Reporting
Governance	Inspiring	Results
Corporate Knights Data Set		
2016	Programs	Accountability
Business	Initiative	Communications
Sustainability	Responsive	Networks
Communities	Prosperity	Workplace
Clients	Participation	Trust
Global	Liquidity	Advice
2017	Ideas	Aspirations
Energy	Diverse	Efficiency
Change	Learn	Grassroots
Management	Employment	Hope

Note: Absentee words are frequently present in the opposing data set but absent in the focal data set were separate letters to stakeholders. In cases of multiple letters, all letters were included in the analysis, because when combined, they represent the most direct and holistic statements of the firm concerning their views on corporate social responsibility. In the case of integrated reporting, where the CSR report is integrated within the annual report – an emerging best practice (Sierra-García et al. 2015; IIRC 2017) – we included the letter to stakeholders.

To explore the research questions on past performance and comparative commentary, we developed a codebook prior to performing a thematic stakeholder analysis (Miles et al. 2014) on the top ten firms lauded by Corporate Knight magazine from their list of the top 50 Canadian reporters, as well as the ten most profitable firms from the Report on Business sample set, which served as our benchmark. To develop the codebook, we employed Nvivo qualitative analysis software to conduct a word frequency analysis of the two data sets. For each data set, we identified the 1000 most commonly employed words of three characters in length or longer. Table 2 synthesizes the notable words that are (a) frequently employed, (b) infrequently employed within the letters, (c) and notable words absent from one list but frequently present in the other list.

Consistent with our chosen analytical lens of stakeholder theory, we then examined each report for statements related to the following key entities: customers, employees, investors, suppliers, distributors, regulators and government, community organizations, and non-governmental organizations (explicitly by name and implicitly by reference). We also explored issues of time, both past and present, as relevant to our specified research questions. Treating each CSR letter to stakeholders as a single case, we performed within-case, cross-case and pairwise analysis (Eisenhardt 1989; Miles and Huberman 1994) for the 19 CSR documents. This enabled us to identify similarities and differences in the temporal context (past performance versus future intent), the sectoral context (through a cross-sectional analysis), and the social responsibility context (responsible management versus profit dominant). We supplemented this with word frequency analysis as part of our thematic analysis, to better understand the nature of the communiques from each organization.

Findings

Reporting upon previous corporate social performance

Our first research question inquired as to how management synthesizes previous corporate social performance in their current CSR reporting disclosures. We examined the issue from the perspective of community groups, customers, distributors, employees, investors, non-governmental organizations, regulatory and government agencies, and suppliers. Customers and clients were the most frequently discussed stakeholder group, followed closely by community groups. Customers were often discussed in the context of the benefits that new products or services would provide them; how changing consumer trends (buying habits, use of technology, etc.) were impacting the firm or the industry; how the firm was seeking to shape consumer practices; and the nature of improvements to the customer service experience. Reporting firms, on occasion, would link customer relations actions to the firm's operations or to issues of a broader concern. For example, Manulife (2017, 2) stated "we believe our greatest contribution to society is the products and services we provide, which offer customers peace of mind, financial security and help when they need it most.," thus documenting the interrelationship between the firm's operations and the value proposition specific to a particular stakeholder group.

Community groups were the second most frequently referenced stakeholder group in the letters from the CEOs. Within the context of past performance, this relationship is frequently characterized by descriptions of investments in general, or to promote a range of interests via targeted investments. Engaging and consulting with stakeholders; providing a source of employment to targeted communities, and relatedly, being representatives of the communities with which the firm is involved; and achieving a positive impact or a mutually-beneficial relationship, are common characterizations. The values of the organization are often illustrated anecdotally in the narratives shared within the CEO letters, and throughout CSR reports more generally. Relationships with community stakeholders were also used as a point of differentiation between the firm and its competitors. As Vancity (2017, 2) stated "credit unions like [ours] have the ability to identify community needs and address them in much more creative ways than traditional financial institutions," reflecting perceptions of differing stakeholder relationships between the two types of financial institutions.

Employees were the third most referenced stakeholder group, mentioned less than half as frequently as customers and community groups. Firms associated employees with both achieving organizational goals (Caisse DesJardins) and the attraction and retention of employees because of organizational goal achievement (Cameco). As the latter firm noted (Cameco 2016, 3), "our people have found ways to be innovative, to do more with less, and to continue to keep this company competitive. And, they've done that without compromising on our commitments to safety, the environment, or our communities," thus connecting the activities of one stakeholder group to the interests and welfare of other stakeholders. The commitment of employees was associated with benefitting society broadly

(Hydro-Québec) and having a social impact (RBC). An inclusive corporate culture, coupled with a high degree of employee engagement, was viewed as enabling employee productivity (Sunlife). Workplace safety also played a recurring role for many firms (Brookfield Asset Management, CN Rail, Enbridge).

Next most mentioned were regulatory agencies and government, which we have combined in our analysis, as one is frequently an extension of the other. Of all 19 reporters reviewed, five commented on governance and/or regulatory matters: Bank of Montreal, Enbridge, HSBC, Royal Bank, and Vancity. Twenty-seven regulatory or governmental references were identified across the four firms, with 23 originating from HSBC which dedicated a whole section to the topic. Issues included HSBC's 'disappointment' over the inability of the regulatory community to achieve consensus on change and the UK vote on Brexit. HSBC (2016, 5) also used their CSR report as a medium for advocacy in relation to the future regulatory environment, by stating "the best outcome would be early global agreement on unresolved issues, followed by an extended period of regulatory stability to allow familiarity and experience to be gained from what has been put in place." Other stakeholder groups received comparatively less coverage in letters from management. These include investors (18 references), distributors (9 references), non-governmental organizations (2 references) and suppliers (1 reference).

What is absent from CEOs' letters is measurable specificity in how their relationships with key stakeholders have achieved objectives related to improved corporate triple bottom line performance (Gray et al. 1987; Hahn and Kühnen 2013). Caisse DesJardins reported increased financial sustainability, as did Vancity in terms of both their assets and their assets under management. Meanwhile, HSBC reported on a share repurchase, which had a financial benefit to investors. However, most statements on performance changes were vague and ambiguous. For example, Caisse DesJardins (2016, 6) reported "an increase in membership, which gives us confidence in the future" while Enbridge (2017, 6) asserted that they "continued to develop long term plans for increasing their energy efficiency and decreasing their direct and indirect GHG emissions" with insufficient elaboration as to either timelines or targets. HSBC reports progress "in reshaping the Group to improve productivity, embrace technological change and reinforce global standards of business conduct". However, some firms are aware of the vagaries typically present in CSR reporting, and have acknowledged the need for improvement. Sunlife (2016,5) for example, stated

> we recognize the need to advance our reporting to meet evolving stakeholder expectations. That's why we have made a number of improvements to this year's report, including providing more meaningful, consistent performance data. We know we have more work and refinement to do, particularly around establishing our benchmarks and targets, all of which will help us to better measure and evaluate our progress on our priority topics.

Comparative reporting of CSR activities

We next turn our attention to the second research question: how do stakeholder reporting by firms acknowledged for CSR activities differ from those of highly profitable firms? For eight stakeholder groups, we coded their use in the management letters from the reporters. Of the 291 coded references, 176 references were attributed to Corporate Knights-listed firms, and 115 to the Report on Business firms, which served as our control group. With the exception of the employee stakeholder group, the other seven stakeholder groups all were referenced to a greater degree by CSR-oriented firms. The results are summarized below (Table 3):

Evidentiary findings demonstrate a greater frequency of discourse for most stakeholder relationships among CSR-oriented firms. Yet is this greater frequency of discussion meaningfully different from a qualitative perspective? When it comes to customers as stakeholders, Sunlife describes their commitment with greater specificity than many Report on Business-ranked firms. Their future-oriented goals include enhancing the customer experience to reduce the complexity of the business relationship; increasing the frequency of client communication; and improved problem resolution of client issues. A greater degree of goal specificity was found in the writings from HSBC who are "seeking to influence client practices and to build the data, the tools and the transparency necessary to embed understanding of climate risk into the way that markets function." (HSBC 2016, 9), combined with enhanced environmental scanning and process innovation. In contrast, Bell Canada, a firm from the Report on Business data set with the most extensive referencing related to customers, chose to highlight their current operational activities. Their future-oriented strategic imperatives were vague and uninspired. Conversely, the four firms with the fewest customer-oriented codings were drawn equally from both data sets, and had tangential discussions of customers as stakeholders.

There was some differential evidence in the reporting about community groups between firms from the two data sets. Vancity, the Corporate Knights-ranked firm with the most codings pertinent to community groups, highlighted their ability as a credit union to better identify community needs in comparison to banking and

Table 3 Stakeholder References by Data Set

Stakeholder	Report on Business Data Set	Mean No. Citations per Report	Corporate Knights Data Set	Mean No. Citations per Report	Total References
Customers	45	5.00	56	5.70	101
Community Groups	41	4.56	53	5.30	94
Employees	22	2.44	17	1.70	39
Regulators and Government	0	0.00	26	2.60	26
Investors	4	0.44	14	1.40	18
Distributors	1	0.11	8	0.80	9
Non-Governmental Organizations	1	0.11	1	1.00	2
Suppliers	1	0.11	0	0.00	1
Total References	115	12.78	176	17.60	291

other financial institutions. This is interesting for a number of reasons. First, four of the major banks in Canada are on the Report on Business data set (the fifth of the five banks, RBC, was on both the Corporate Knights and Report on Business lists, but for the purposes of classification, was included on the Corporate Knights data set). Second, there are non-bank financial services firms (i.e. insurance companies, financial planning services) on both the control group Report on Business data set and the Corporate Knights data set, suggesting that it is not the industry that defines upon which list the firm falls, but the actions of management, in particular, their handling and reporting of corporate social responsibility activities. Meanwhile, the Co-Operators Insurance company expressed in writing their perception of the interconnectedness between their members, clients and communities, rather than viewing each stakeholder as being in a dyadic relationship with the firm (Dobele et al. 2014). Cameco's letter explained why the commitments that the firm makes to community groups – and others – is noteworthy: "the importance of these commitments cannot be overstated. They are not add-ons, or 'nice-to-haves'; they make up the very foundation for how we do business. They help us build trust and credibility, gain and protect community support for our operations, attract and retain employees, and manage risk" (Cameco 2016, 3). In so doing, the firm both extends the discussion and contextualizes the nature of the relationship, attributes that were lacking in many rivals' letters to stakeholders, particularly when compared to Report on Business-ranked firms. Some firms also reported on the need to improve their CSR disclosure practices. The senior managing director for Sunlife stated in his letter (2016, 6):

> As we continue along this journey, our stakeholders can expect to see us do more to ensure our sustainability ambitions are holistic and outcome-based. While our activities may vary from country to country, they are centered around a common theme: building sustainable, healthier communities for life.

The 'meaningful, consistent performance data' of which Sunlife's CEO spoke earlier is a characteristic absent in many CSR reports from both data sets. As Sunlife's senior managing director notes, this requires having inclusive and outcome-centric CSR objectives as the initial point of departure in the reporting process. Contributing to this issue is the remarkable lack of depth in the CSR reporting by firms from the Report on Business data set.

Other than the employees as stakeholders topic, where Report on Business-ranked firms referenced the topic more frequently than Corporate Knights-ranked firms (22 references to 17 references), most other stakeholder groups were addressed far more comprehensively by firms lauded in the Corporate Knights magazine. This holds particularly true for regulators (26 references by Corporate Knights-ranked firms; 0 references by Report on Business-ranked firms), investors (14 to 4), and distributors (8 to 1). The exceptions were non-governmental organizations (one reference each) and suppliers (1 reference only, by ScotiaBank, a firm from the Report on Business data set). CSR-oriented firms spoke of their role in, and the benefits associated with, clear and consistent regulatory policy frameworks; the intermediary role of the firm between investors and other stakeholders; and the role of new distribution models in reaching under-serviced segments of society. In reviewing CSR reporting on past performance and future expectations, and comparing CSR-oriented firms ranked by Corporate Knights to a control group of Report on Business-ranked firms recognized for their profit orientation, we have described a general but not universal pattern whereby firms that are CSR-oriented report in greater detail about the nature and extent of the relationships with stakeholders. Yet we also acknowledge a lack of meaningful difference between our test and control groups in terms of their analytical depth, representing a gap in describing pre-established organizational goals in the context of desired targets and current levels of performance. The extent to which firms that have been recognized for their CSR reporting contributions actually leverage their CSR activities for strategic benefit is left undetermined, with the future for enhanced CSR reporting uncertain. Such a finding has implications for both future research and current organizational practice.

Discussion

Our paper sought to address two key questions: how do firms describe past corporate socially responsible behavior in the context of different stakeholders, and whether this reporting varies between firms recognized for different forms of business success. With our control group consisting of firms associated with high levels of profitability, we compared them to firms whose CSR reporting have received accolades, using the most salient indicator of management thought – letters to stakeholders. Our analysis indicated a varying degree to which each stakeholder group was addressed within the CSR reports, and in particular, a general but not universal trend toward expanded stakeholder discussion. However, while stakeholder discourse was somewhat more extensive among the firms recognized for their CSR disclosure practices, we did not ascertain a meaningful difference in the quality of the communications. From a strategic perspective, firms of both stripes frequently avoided stating CSR objectives in measurable terms, lacked consistent information disclosure, abstained from the specification of performance targets, and engaged in a minimum of reflective analysis as to the underlying causes and future responses to their present performance results. As has been noted previously (Gray et al. 1987; Wood 1991a, 1991b; Wood and Jones 1995), this remains a persistent problem within our field; the current state of CSR reporting, even among firms noted for their CSR disclosure, left us troubled.

We can postulate as to a theoretical explanation which might explain the substantive lack of advancement in CSR reporting quality for CSR-recognized firms compared to profit-oriented firms. In discussing *Implications for Theory* which follows, we hypothesize as to the existence of a parabolic relationship between the cost of CSR reporting and the quality of CSR disclosure. The postulated curvilinear relationship will be shown to address many of the complexities involved, including moving firms from being non-participants to participants in CSR disclosure; explaining the increased breadth of CSR disclosure while disclosure quality remains mired in anecdotal evidence; and the reluctance by firms to embrace high quality disclosure, which we associate with the setting of strategic CSR objectives, the establishment of measurable targets, and the analysis of performance variances.

In discussing *Implications for Practice*, we suggest the incentivization of firms to adopt voluntary disclosure in accordance with the United Nations Global Compact (UNPRME 2017), followed eventually with mandatory national CSR reporting standards subject to a phased implementation over a number of years, drawn from experience in other jurisdictions. It is our contention that such a policy framework will first motivate and then compel firms to initiate and expand their CSR disclosure activities, resulting in an improvement in the breadth and depth of disclosure. With mandatory reporting regimes present in an expanding number of jurisdictions, including Australia (Frost et al. 2005), China and Malaysia (Ioannou and Serafeim 2017), South Africa (Ackers et al. 2015), a number of ASEAN member states (CSR Asia 2016), and the EU member states (Knopf et al. 2011; Kühn et al. 2014), the global drumbeat encouraging enhanced CSR disclosure and reporting policies grows louder.

Implications for theory

A critical factor which may address the gap between strategic benefits derived from CSR investments, and the quality of CSR reporting, may be captured in the costs associated with expanding data acquisition and analysis. In examining the relationship between the cost and the quality of enhanced CSR reporting, we can hypothesize as to the nature of the relationship. One possibility is that the relationship is positive and linear, as this would imply that an increase in CSR reporting expenditure is associated with a positive impact on CSR reporting quality. Such a relationship is unlikely, however, as it would incentivize voluntary reporting of ever-improving quality which has not been widely witnessed, as many firms have resisted producing a CSR report to date, along with the widespread absence of CSR objectives, which are measurable, consistently reported, and outcome-based (Gray et al. 1987; Wood 1991a; Elkington 1998); the latter being a condition acknowledged by Sunlife's (2016) senior management. Further, it fails to explain the reticence of some firms to adopt any form of reporting when such reporting is voluntary (Logsdon and Wood 2005; Tuczek et al. 2018). Another possibility is that the relationship is horizontally linear, although this, too, is unlikely as firms would have neither benefit nor disincentive to report; evidence shows, however, that some firms choose to report voluntarily, even when there is a cost to do so (Chen and Bouvain, 2008; Hahn and Kühnen 2013). Further, the relationship is unlikely to be downward and linear, as this would represent a disincentive to report as costs escalate while reporting quality perpetually declines. And yet, rising reporting costs while reporting quality declines may be associated with the costs of expanded CSR reporting *quantity* – such as the collection, editing and production costs associated with the myriad of anecdotal stories replicated within CSR reports today. More likely is a non-linear relationship between the costs of CSR reporting and the quality of the reporting that is produced.

We posit that a curvilinear, U-shaped quadratic relationship exists between the cost of CSR reporting and the quality of CSR reporting. This relationship would suggest an initial benefit for low-level reporting, a disincentive for mid-quality reporting, and an eventual benefit from high quality reporting (Wood 1991a, Gray et al., 1987), associated with an increased cost of attainment. This relationship is represented as Parabola A in Fig. 1 below.

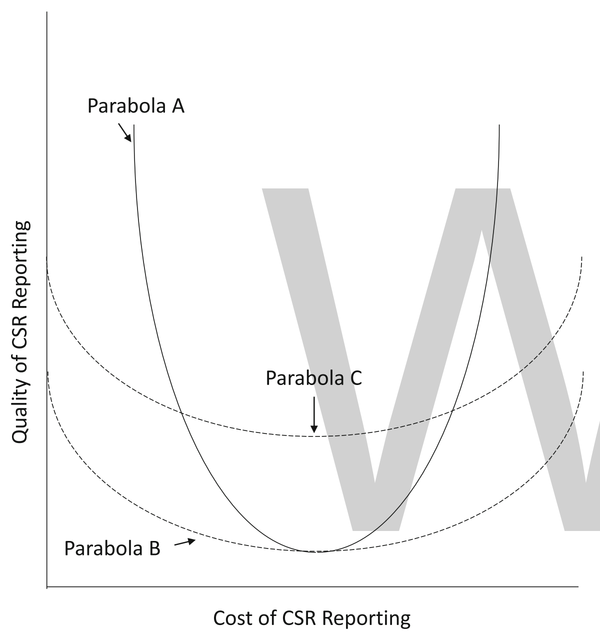

Fig. 1 Three Relationships Between the Cost of CSR Reporting and the Quality of CSR Reporting. Figure 1 illustrates three prospective relationships between the cost associated with the CSR reporting activity and the quality of CSR reporting. All three relationships are conceived as parabolic in nature, intended to illustrate an initial decline in the depth of reporting as the cost of CSR reporting increases. These added costs are associated with an increase in the quantity of narrative matter – stories, illustrations, stakeholder profiles, etc. These narratives may be informative, but their unstructured nature inhibits comparative performance assessments within the firm over time, and in relation to rivals. Parabola A illustrates a gap between the Y-axis and the Y asymptote, illustrative of a barrier to initiating CSR reporting. Parabola A also features a gap between the vertex and the X-axis, which represents the minimum reporting quality level. Parabola B is a dilation of the original parabola, reflecting a reduction of the barriers of entry to CSR reporting. This would be illustrative of a mandatory reporting regime, where firms are legislatively compelled to produce a CSR report. Parabola C is associated with both mandatory reporting and a higher quality level of reporting, as would be expected from the implementation of specific reporting methods, similar to what is required in the disclosure of a firm's annual report. This is represented by an upward vertical translation of Parabola B

If the relationship between the hypothesized cost and quality of CSR reporting is true, as reflected in Parabola A, it would explain a great many things. First, that while there is a cost involved in transitioning from being a non-reporter into a CSR reporter (Perrini 2005; Daub 2007; Chen and Bouvain, 2008; Hahn and Kühnen 2013; Fernandez-Feijoo et al. 2014), that the benefits for some firms outweigh the costs for firms that are able to move beyond the vertex to the right side of the parabola. It further explains why the cost of CSR reporting may increase without an improvement, indeed with a decline, in the quality of CSR reporting. If the quality of CSR reporting is defined as the provision of measurable, consistently tracked, and regularly disseminated outcome-based performance data (Gray et al. 1987; Wood 1991b; Wood and Jones 1995; Elkington 1998), then CSR reports which expand to include the greater use of narrative, including more anecdotal examples and colorful illustrations, would be associated with both a higher cost of production and a simultaneous decline in reporting quality. Further, it offers a rationale as to why firms have not adopted more quantitative, analytical assessments of their CSR practices and performance that has been raised previously (Gray et al., 1987; Elkington 1998): because the incremental benefit of enhanced quantitative disclosure (as represented by the right half of the parabola) is presently offset by the incremental cost that coincides with firms expanding upon their CSR narratives.

Variations on the nature of the curvilinear relationship raise some interesting theoretical issues. If we dilate the parabola by reducing the co-efficient alpha ($|a| < 1$), then Parabola A will be stretched to become closer to Parabola B. With the vertex remaining unchanged, a smaller a will move the left arc of the parabola closer to the vertical axis (assuming $x > 0$ for all points on the parabola). This has the effect of reducing the cost of entry for firms wishing to initiate CSR reporting activities, and would also be associated with the implementation of a mandatory reporting regime where CSR disclosure is required by law. This would help overcome the large-sized firm advantage (Chen and Bouvain, 2008; Hahn and Kühnen 2013) which presently impedes smaller firms from benefitting from gains associated with CSR reporting. Conversely, it draws out the cost of implementation, resulting in a greater cost for implementing higher quality CSR reporting as represented by movement along the x-axis toward the right side of the parabola, which may prolong the inconsistency in CSR reporting quality

(Holder-Webb et al. 2009). Another possibility is that we translate the parabola. By translating it vertically, we achieve higher quality CSR reporting at all points, irrespective of the costs at each level of reporting.

An improved result for the firm may be achieved by combining both a dilation and a translation of Parabola A. This is illustrated in Parabola C which has some beneficial properties. First, when the parabola is closer to the Y-intercept, the firm more readily achieves the initial benefit of voluntary CSR reporting while minimizing cost outlays. Second, that for the left side of the parabola, the quality of CSR reporting declines less rapidly with increases in cost. However, a negative effect is that for firms able to breakthrough to high quality reporting – as represented by movement beyond the vertex to the right side of the parabola – such action results in much higher costs of implementation than in Parabola A. Ideally, the firm might achieve a split quadratic relationship, combining the left side qualities of Parabola C for the initial foray into CSR reporting with the high return benefits found on the right side of Parabola A as they improve the quality of their CSR reporting. Achieving such a curvilinear relationship would require some practical changes in regulatory policy as it pertains to CSR reporting, as noted in the section which follows.

Implications for practice

Moving from theory to practice, how might we improve the CSR reporting adoption rate by non-reporters, and increase the quality of high end reporting for existing reporters, while minimizing the costs of implementation? If a dilation or translation of our hypothesis that a parabolic relationship exists between the cost and quality of CSR reporting is true, then reducing the gap between the y-axis and the y-asymptote is necessary to facilitate firms undertaking CSR reporting for the very first time. This implies a reduction in the initial cost outlays associated with CSR reporting. These start-up costs can be associated with the recruitment and selection of CSR specialists; the development of a CSR strategy and the associated information disclosure plan; data acquisition costs; data analytics; and report writing and dissemination expenses. Two regulatory changes that could facilitate the wider adoption of CSR practices are governmental promotion of United Nations-sanctioned responsible management strategies (UNPRME 2017), followed eventually by legislatively mandated reporting of CSR activities.

Corporate social responsibility is a subset of responsible management practices. As Laasch and Conway (2015) describe them, responsible management includes championing stakeholder responsibility, triple bottom-line management, and moral excellence within the firm. A government-led, industry-supported effort promoting the adoption of responsible management practices would be a beneficial first step at increasing the number of early adopters to practices which subsume CSR principles, policies and practices. When followed with the subsequent adoption of a previously announced mandatory CSR reporting legislation, firms will have an incentive to voluntarily undertake responsible management programs, or be eventually compelled to disclose CSR activities while facing a competitive disadvantage (Knopf et al. 2011; Kühn et al. 2014; Ackers et al. 2015). The two policy initiatives would result in firms moving along the left side of the parabola by participating – whether voluntarily or through mandatory disclosure – in CSR-related business activities.

A greater challenge is moving firms along the parabola. Traversing the vortex necessitates a willingness to endure the sunk costs associated with reaching the vortex; the additional costs as the firm moves to the right of the axis of symmetry; and a willingness to change the nature of their CSR reporting activities from anecdotal evidence toward strategic CSR planning, implementation, disclosure and refinement. This requires methods to incentivize firms to improve reporting quality while incurring additional expenses. Early CSR adopters can be expected to push forward with their enlightened agendas, as their equilibrium reporting states reached in the first phase – the encouragement of responsible management practice followed by mandatory CSR reporting – no longer provide sufficient differentiation to achieve a competitive advantage. Mandatory CSR reporting for incorporated firms will in particular serve as an effective driver of improved reporting participation. Even ill-defined reporting standards have been found to lead to improvements in disclosure frequency and quality, such as when the Canadian government required mandatory public accountability statements for the country's largest banks (Downing 2003; Fuller 2010). When mandatory reporting standards are subsequently revised for greater specificity, and extended to promote greater breadth of content coverage, differentiation-#seeking firms will pursue further opportunities to address the underserviced needs of enlightened stakeholders through, in part, higher quality CSR disclosure.

Limitations

In discussing management's treatment of stakeholders via CSR disclosure, we wish to acknowledge some limitations to our study. An initial constraint involves the availability of data. Given that CSR disclosure is voluntary in most jurisdictions (Logsdon and Wood 2005; Tuczek et al. 2018), not all firms produce CSR reports. Indeed, in a companion study to this report, we undertook a random sample of 3000 Canadian corporations from a pool of more than 12,000 incorporated firms and were able to identify just 40 Canadian firms that produced a CSR report in the 2016 reporting year irrespective of business size, a disclosure rate of just 1.33%. This reinforces previous findings that CSR reporting is primarily associated with large firms (Perrini 2005; Daub 2007; Chen and Bouvain, 2008; Hahn and Kühnen 2013; Fernandez-Feijoo et al. 2014). While the size of the data sample is sufficient for the qualitative analysis we undertook, a larger comparative data sample has the potential to yield further results of interest.

A second limitation involves the volume of data in the data sample. Our focus upon letters to stakeholders intentionally excluded much content in each CSR report. This was necessary to focus upon management's discussion and analysis of the firm's performance, separate from the narrative content that varies widely in quantity and quality among CSR reporters (Holder-Webb et al. 2009). This decision, however, constrained the amount of material for which we could undertake our corporate discourse analysis. This is also a reflection of the limitations of management discussion and analysis presented within CSR reports as compared to the more voluminous annual reports (Fuller 2016) of the same firms. As the practice of CSR disclosure evolves, it is our hope that the extent of CSR-related MD&A increases correspondingly.

A third constraint involves the use of disaggregated CSR reporting. Our study employed CSR reports to maximize the comparability of disclosure for the purposes of analysis. However, firms may disaggregate their CSR reporting efforts across additional platforms, including environmental, social and governance reports, diversity and inclusion reports, public accountability statements, media releases, websites, and social media platforms. (Holder-Webb et al. 2009; Hahn and Kühnen 2013; Dobele et al. 2014). While the use of disaggregated reporting may enable greater relevancy for specific stakeholder groups, such fragmented reporting serves as a systemic impediment to researchers within this field. This is a condition unlikely to be remedied except through greater adoption of widespread voluntary codes of conduct (e.g., the Global Reporting Initiative) or via mandatory reporting and governmental regulation of disclosure practices, as recommended above.

A further constraint relates to our methods of data analysis. We undertook a discourse analysis of corporate documentary evidence. This approach is consistent with the dominant research methods employed in CSR reporting research and included triple bottom line research, where possible, which is atypical in this field of study due to limitations with the availability of the data (Hahn and Kühnen 2013). While this approach was necessary – given that our purpose involves how firms express their CSR activities through their letters to stakeholders – a more holistic approach to the topic may have involved interviews with managers and/or external public relations firms involved in the creation of the disclosure documents with a view to developing case studies of the focal firms (Miles and Huberman 1994; Miles et al. 2014). This approach could have also expanded the variety of data sources employed, as noted previously, and in so doing, enabled the triangulation of information from across multiple sources (Eisenhardt 1989) in order to produce a longitudinal analysis.

Future research directions

Within the expanding field of corporate social responsibility research, there remain many promising avenues for additional scientific exploration. Building upon the knowledge gap and the contributions of this paper, we wish to highlight two interrelated directions that warrant further study. The more practical, bounded direction is the use of experimental research designs to simulate the future evolution of CSR reporting. Hahn and Kühnen (2013, 9) noted that document analysis accounts for 58% of empirical research in CSR studies, with experimental designs accounting for less than 1% by comparison. Understanding whether a parabolic (or other) relationship serves as a barrier to entry has intrinsic importance, but also as a vehicle for improving our understanding of CSR reporting adoption rates. This area of research is not well served by inferential statistical analysis nor by qualitative research to date. Multiple hypothetical relationships, particularly ones that can be tested as they evolve over time, lend themselves well to iterative empirical research designs.

The less bounded research opportunity involves advancing a truly triple bottom line business environment (Elkington 1998) through participatory action research, which is a novel approach to the study of empirical CSR research (Hahn and Kühnen 2013). This would require a combination of securities regulation and/or governmental legislation in order to reach a critical mass of firms, as faculty outreach to encourage firms to adopt CSR reporting processes would likely have a marginal impact on the overall percentage of voluntary CSR reporters. Cultivating social capital to influence securities regulators to adopt mandatory CSR disclosures for publicly-traded firms has the potential to impact all publicly-traded firms in Canada as it has in the European Union (Knopf et al. 2011; Kühn et al. 2014) and South Africa (Ackers et al. 2015). The use of information provisioning, via the distribution of academic research and practitioner articles encouraging greater firm-level CSR disclosure, and the use of grassroots campaigning (Wu and Choi 2004) are two social capital methods that may advance this intellectual agenda. Unfortunately, co-opting securities regulators excludes privately held firms, unincorporated businesses, and foreign-listed firms from coverage under the regulatory jurisdictional umbrella. The use of political lobbying, testifying before government committees, and the cultivation of relationships with political elites are some of the means through which legislative reform could be achieved (Baysinger 1984; Hillman and Hitt 1999; Keim 2001; Hillman 2005). Only through the governmental adoption of mandatory CSR reporting regimes are a significant number of non-reporting firms likely to adopt CSR disclosure practices, and participatory action research holds the promise for significant advancements in this emergent field of research.

Abbreviations

CEO: Chief executive officer; CFO: Chief financial officer; CSR: Corporate social responsibility; IIRC: International Integrated Reporting Council; MD&A: Management's discussion and analysis; NGO: Non-governmental organization; RBC: Royal Bank of Canada; UNPRME: United Nations Principles for Responsible Management Education

Authors' contributions

This paper in a sole authored contribution. The author read and approved the final manuscript.

Competing interests

The author declares that he has no competing interests.

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8

The impact of corporate identity on corporate social responsibility disclosure

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Abstract

Corporate social responsibility (CSR) is of increasing importance for the long-term success of corporations. Extending existing literature this paper explores corporate identity as important determinant for CSR disclosure. The relationship was examined based on 498 German companies that provided English language CSR reports and responded to a company survey measuring CSR-oriented corporate identity. CSR disclosure has been analyzed with an automated content analysis technique using artificial intelligence. Results indicate that value chain and future-oriented dimensions, which were more pronounced in mature CSR concepts, foster CSR disclosure, while introversive corporate identity dimensions that were strong in low level CSR concepts hinder the release of CSR information. The paper shows that a tradition of social responsibility and values results into a low perceived need for legitimacy and outwards communication. The findings support the view that that a combination of voluntary disclosure theory and legitimacy theory is necessary to explain the drivers and constraints of CSR disclosure.

Keywords: CSR disclosure, Corporate identity, Content analysis, Survey, CSR determinants

Introduction

Within the last two decades, CSR disclosure by firms motivated an increasing number of research studies examining the motivation of this disclosure. Findings support that CSR disclosure is value relevant (Clarkson et al. 2013; Plumlee et al. 2015), increases earnings quality (Francis et al. 2008), analyst forecast accuracy (Dhaliwal et al. 2012) and firm level cost of capital (Michaels and Grüning 2017).

Firms also use CSR disclosure to differentiate from competitors and as a marketing tool (Porter and Kramer 2006). Empirical evidence suggests that the integration of CSR in corporate strategy might establish a competitive advantage (Carroll and Shabana 2010). Although firms may attempt to implement real CSR concepts, there is a tendency of "greenwashing" (Laufer 2014). In line with the missing causal link between CSR performance and CSR disclosure stakeholders mainly regard the latter as not trustworthy (Newell and Goldsmith 2001). Volkswagen's "Diesel Dupe" is a contemporary example. CSR disclosure credibility increases if aligned with corporate strategy (McWilliams and Siegel 2001). While quite some research examined internal determinants to support the strategic integration of CSR (e.g. Engert et al. 2016; Lozano 2013, 2015) only a few studies focussed on the internal aspects facilitating CSR disclosure. Prior research outlined a scheme to connect corporate identity and CSR (Otubanjo 2013). The "identity-revealing nature of CSR activities" is crucial in building a long-term sustainable corporate image (Du et al. 2010, p. 17) and a successful CSR strategy (Heikkurinen and Ketola 2012) but has been rarely addressed in the literature. Nevertheless, identity-based values and attributes as well as their communication are considered key factors for entrepreneurial success (He and Balmer 2007). Therefore, this paper examines if the degree of CSR-orientation in corporate identity is an important managerial driver of CSR disclosure. Results show that corporate identity significantly influences CSR disclosure even though they reveal an ambiguous pattern. Whereas the corporate identity dimensions "strategic integration" and "CSR application" facilitate, "employee integration" and "attitude awareness" inhibit CSR disclosure. CSR disclosure is objectively measured using an artificial intelligence based narrative analysis of CSR reports from 2013/14. CSR-oriented corporate identity is extracted from a company survey. Whereas the total sample consists of 498

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companies, the intersecting sample (providing data for all main variables) consists of 108 German companies. The paper contributes to existing literature by revealing insights on so far unobserved determinants of CSR disclosure. It supports that managerial activities can shape internal drivers of CSR disclosure to obtain related financial benefits. Moreover, the paper provides quantitative data to the state of the art of corporate identity profiles and CSR disclosure of German firms.

The paper is structured as follows. The next section reviews the existing literature and develops the hypotheses. In the third section research design, sample selection and variable measurement are described. Section four provides the results. The final section concludes.

Related research and hypothesis development

CSR disclosure

Numerous theoretical frameworks have been used to understand CSR as a relevant real world phenomenon. Clarkson et al. (2008) categorizes CSR accounting research into three broad fields of interest; (i) value relevance of CSR disclosure; (ii) determinants and constraints regarding the disclosure of CSR information; and (iii) the relationship between CSR performance and CSR disclosure. Whereas this study relates to the second group, findings from the third support the hypotheses development.

As a particular type of voluntary non-financial disclosure, CSR disclosure is believed to reduce information asymmetry between managers and investors (Dhaliwal et al. 2011). Voluntary disclosure theory suggests that voluntary disclosure is used by well performing companies to differentiate from low performers in order to avoid an adverse selection problem (Verrecchia 1983). High CSR performers disclose more CSR information as they expect to benefit on financial markets (Reverte 2012). In contrast, low performers disclose less in order to prevent negative effects due to capital market participants expecting a financial risk (Dhaliwal et al. 2011).

Nevertheless, prior studies revealed that CSR disclosure in particular is somewhat different from other types of non-financial information (Guidry and Patten 2012). There was much evidence of a severe mismatch between claims made in CSR disclosure and the implementation of CSR programs (Baumann-Pauly et al. 2013). Therefore legitimacy theory contrastingly argues that CSR low performers disclose more CSR information to legitimate themselves (Cho et al. 2012, p. 21). In this view, public pressure from the social and political environment is regarded as the main determinant of CSR disclosure (Cho and Patten 2007). While empirical findings support political cost (Reverte 2012) and increasing stakeholder pressure (Young and Marais 2012) to affect CSR disclosure, evidence of a causal connection between CSR performance and CSR disclosure is mixed (Plumlee et al. 2015). Only a few studies empirically explore this relationship with a limited focus on ecological disclosure (Cho et al. 2012). As a result, some research assumes a complementary relationship between both theoretical concepts; whereas voluntary disclosure theory explains the volume of CSR disclosure, legitimacy theory elucidates patterns in the disclosure (Clarkson et al. 2008).

As a consequence, prior research explores the individual determinants of CSR disclosure in greater details (Hahn and Kühnen 2013) and distinguished internal and external factors (Fifka 2013). The economic system, national culture, stakeholder orientation and company visibility, etc. are regarded as external factors. Companies in state-led market economies are found to report in a more aggregated way about CSR policies and provide more information on business behavior, labor concerns and environmental issues than companies in liberal market economies (Young and Marais 2012). In the context of national culture, companies in countries with a pronounced long-term orientation are considered to disclose more CSR information (Once and Almagtome 2014). Stakeholder orientation also positively influences CSR disclosure (Van der Laan Smith et al. 2005). Finally, company visibility is found to be an important driver of CSR disclosure (Gamerschlag et al. 2010). Industry affiliation, firm size, financial performance and capital market orientation are regarded internal determinants of CSR disclosure. Previous studies show that companies in CSR-sensitive industries like chemicals, mining or energy disclose more CSR information (Shnayder et al. 2016; Young and Marais 2012). In addition, CSR disclosure is considered to improve with increasing firm size (Wickert et al. 2016), financial performance (Haniffa and Cooke 2005) and capital market orientation (Heitzman et al. 2010).

The relevance of corporate identity for CSR disclosure

Further, more abstract internal CSR disclosure determinants received little attention so far but might help to understand how voluntary disclosure theory and legitimacy theory explain CSR disclosure. Du et al. (2010, p. 11) argue that a perceived "CSR fit" is an important internal factor driving the credibility of CSR disclosure. This fit relates to a perceived match between disclosed CSR information and corporate identity (Hristache et al. 2013). Corporate identity is derived from shared values and beliefs (Van Riel and Fombrun 2007) and comprises what is central, enduring and distinctive about the company (Albert and Whetten 1985). Corporate identity attributes can be detected by observing a company's strategy, behavior, rules, and structure (Melewar and Karaosmanoglu 2006). Desirable characteristics of corporate identity are a high quality mentality, supreme products, financial stability, an excellent working environment, as well as a sensitivity for CSR aspects (Einwiller and Will 2002).

He and Balmer (2013) connect an effective corporate identity management with an improved corporate image in the short term and a better corporate reputation in the long term. Corporate image relates to the perception of expressed corporate identity (Margulies 1977). Not the information content of a message but what receivers perceive is relevant for establishing an corporate image (Boulding 1956). Balmer & Greyser (2006, p. 735) refer to corporate image as “various outbound communications channels deployed by organizations to communicate with customers and other constituencies”. This view allows managerial activities to significantly affect both, corporate identity and image (Gioia et al. 2000). Corporate image is regarded as a direct consequence of corporate identity that the firm can control comprehensively (Balmer and Greyser 2003). Accordingly, CSR disclosure is regarded a major determinant of corporate image. Hopwood (2009, p. 437) suggest that companies defend with CSR disclosure by “providing a new face to the outside world while protecting the inner workings of the organization from external view”. Simultaneously, public scandals uncover unethical corporate activities (Brennan et al. 2013). Consistently, Michaels and Grüning (2016a) find that increased CSR disclosure has a positive impact corporate reputation.

Altogether, prior research revealed an interdependency between corporate identity and corporate strategy (He and Balmer 2013). In this context, Otubanjo (2013) as well as Venturelli et al. (2017) acknowledge the importance of this connection for CSR concepts. Heikkurinen & Ketola (2012, p. 332ff) suggest an “awareness approach” for the integration of CSR into corporate strategy. Here, CSR is part of the firm’s ethical, political and intrinsic convictions and a lack of credibility may never exist. Choosing CSR initiatives that address the entire organization as well as all dimensions of CSR is crucial in this context (Lozano 2012). Various views exist on the relationship between CSR performance and CSR disclosure. The adoption of CSR practices and values may lead to differentiating characteristics in the market (Porter and Kramer 2006). Following this business case approach companies align their CSR activities to create a competitive advantage that may increase profits or create additionally value added (Michaels and Grüning 2016b). Alternatively, the resource-based view of CSR suggests that companies engage in CSR in order to create positive internal and external benefits that enable a “more efficient use of resources” (Branco and Rodrigues 2006, p. 120). Both view call for an internal strategic adoption of CSR principles. Critics argue that these purely economic approaches endanger the moral foundations of CSR and inhibit its proper implementation (Nijhof and Jeurissen 2010).

Baumgarth and Binckebanck (2011) note that the establishment of a CSR-oriented corporate identity and culture are preconditions to achieve a reliable and trustworthy image and reputation. Both are highly affected by CSR disclosure (Guidry and Patten 2012). Consequently, the integration of CSR into the corporate identity is crucial for a successful CSR concept (McShane and Cunningham 2011). Managers utilize corporate identity to give organizational members “some sense of purpose” that motivates them to achieve common goals (Cornelissen 2002, p. 266). Corporate identity management enables the ability to express individuality, to manifest differentiating attributes, to set and express strategy as well as to communicate effectively (Balmer 2001). In most cases the alignment of corporate identity towards CSR requires the adoption of new values and beliefs as well as the definition of a new strategy and vision (Heikkurinen and Ketola 2012). Furthermore, the adoption of CSR principles requires most companies to revise or establish processes and structures (Hristache et al. 2013). Accordingly, Lozano et al. (2016) found a strong reciprocal relationship for organisational change management and CSR disclosure.

Credibility is an important issue for CSR disclosure (Lock and Seele 2016). Inconsistencies between the current status of CSR implementation and its communication have severe destructive consequences (Baumann-Pauly et al. 2013, p. 701). Hence, if companies face difficulties in creating credibility for their CSR programs, those companies that dispose over high conformance would use it to create credibility through increased CSR disclosure. Accordingly, CSR-oriented corporate identity is an important internal determinant of CSR disclosure and the following hypothesis is formulated:

H1: A high level of CSR-oriented corporate identity is positively associated with the level of CSR disclosure.

Sample, variable definition, and methodology

Sample selection

The analysis is based on 498 listed and non-listed German companies. Due to the history of an advanced social welfare system German companies likely assume a distinctive social responsibility (Chen and Bouvain 2009). Germany is also known to have an extraordinarily high number of “hidden champions” (Simon 2012). These companies are often family-owned and characterized by a high social responsibility (Spiegel and Block 2013, p. 12). Capital market sustainability ratings support the view that German companies have an outstanding sustainability performance, beating comparable US, France and Austria firms (Sustainalytics 2012).

In line with other empirical CSR studies (e.g. Fatma et al. 2016; Huang et al. 2014; Liu et al. 2014) a convenience sampling has been applied (Table 1). Companies are selected based on (i) two German image and sustainability rankings (172); (ii) a list of the German ministry of environment containing firms that publish CSR reports (266); and (iii) randomly chosen companies of the prime and general standard of the Frankfurt Stock Exchange (60). Altogether, 327 of the 498 firms (66.6%) English language CSR reports (standalone CSR reports, integrated corporate reports or website information) could be collected from corporate websites or the GRI reporting database for reporting year 2013/2014. The latent construct of CSR-oriented corporate identity is measured using a company survey. 226 (45.4%) of the 498 sample companies replied of which 149 (29.9%) firms provide usable answers. In total, the intersecting sample of firms for which we could obtain CSR disclosure as well as usable answers from the company survey consists of 108 companies.

AIMD

The dependent CSR disclosure variable is measured using automated content analysis deviated from Artificial Intelligence Measurement of Disclosure (AIMD) (Grüning 2011). AIMD measures the extent to which text documents refer to specified topics. Different to ordinary word count approaches, AIMD is able to partly consider the context of information, including thesaurus and syntax (Grüning 2011). In a first step (training phase) a coding scheme must be developed to identify certain topics in text documents. In a second step (application phase) the topics of large quantities of texts can be classified using this coding scheme. Figure 1 summarizes the basic procedure. The coding scheme consists of semantic units (N-grams) that are "connotative categorical equivalents" for a specified type of information (Grüning 2011, p. 510), i.e. refer to the same topic. Using various dictionaries N-grams are automatically standardized and the resulting AIMD coding scheme is almost not affected by grammar and orthography of the underlying texts.

Although the coding scheme can be generated manually, in this paper a fully automated approach is used because of superior objectivity. In line with linguistic practice (Archer 2009, p. 2) N-grams appearing frequently in the CSR reports and not frequently in the annual reports (excluding CSR related chapters that are removed manually) are regarded as typical for CSR reporting. More specifically, for 29 firms from the German DAX and MDAX CSR annual reports (except of CSR chapters) for 2014 are enumerated into N-grams of up to three consecutive words (excluding stopwords). All N-grams that occur in x annual reports (except of CSR chapters) and y CSR reports are collected separately. Lists with $y > x$ are potentially indicative for CSR reporting. An AIMD content analysis is performed using each of the $841 = 29 \cdot 29$ N-gram lists. The one that best replicates the CSR content analysis of Gamerschlag et al. (2010) is finally chosen. The N-gram list that includes all

Table 1 Sample Distribution

	1		2		3		4	
	No. of companies	in %	No. of CSR reports	in %	No. of CSR surveys	in %	No. of companies with report + survey	in %
	Initial sample						Full sample	
Panel A: Distribution by Industry								
Industry								
Banks and Insurance	30	6.02	18	5.50	14	9.40	9	8.33
Chemicals, rubber, plastics, non-metallic products	60	12.05	50	15.29	16	10.74	16	14.81
Food, beverages, tobacco	52	10.44	35	10.70	11	7.38	7	6.48
Gas, water, electricity, construction	30	6.02	19	5.81	10	6.71	8	7.41
Machinery, equipment, furniture, recycling	105	21.08	88	26.91	26	17.45	25	23.15
Other services	107	21.49	51	15.60	38	25.50	21	19.44
Post, telecommunications, transport, publishing	37	7.43	26	7.95	12	8.05	10	9.26
Wholesale & retail trade	77	15.46	40	12.23	22	14.77	12	11.11
Total	498	100.00	327	100.00	149	100.00	108	100.00
Panel B: Distribution by Stock market activity								
Stock market activity								
Listed	139	27.91	109	33.33	46	30.87	41	37.96
Not listed	359	72.09	218	66.67	103	69.13	67	62.04
Total	498	100.00	327	100.00	149	100.00	108	100.00

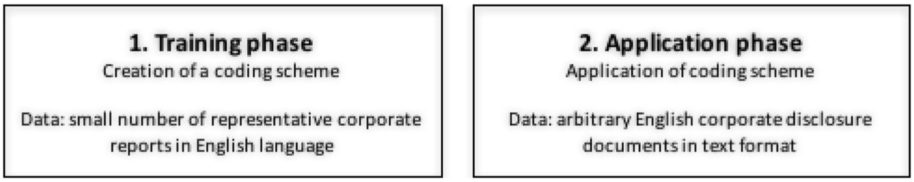

Fig. 1 Basic idea of AIMD disclosure level measurement. Figure 1 shows the two basic steps of AIMD disclosure measurement. The first step consists of the training phase where a coding scheme is created based on a small number representative corporate reports in English. The second step consists of the application phase of the coding scheme on arbitrary English corporate disclosure documents in text form

N-grams appearing in 15 of the 29 CSR reports but in only seven of the annual reports (except of CSR chapters) establishes the final coding scheme (see Table 2). While for many of the N-grams the relation to CSR is straight, some likely remain as artefacts because the coding scheme has been established empirically. Those are not removed manually to preserve objectivity of the content analysis. Altogether, the correlation coefficient of the AIMD results and the frequency counts of Gamerschlag et al. (2010) is 0.76 ($p = 0.00$).

To obtain the CSR disclosure measure for the sample reports AIMD frequencies are determined using this coding scheme in the application phase. A higher AIMD frequency represents a higher level of CSR disclosure.[1]

Company survey

In order to characterize CSR-oriented corporate identity comprehensively, eight dimensions of interest are derived from prior literature on CSR and surveys measuring general corporate identity (Sackmann 2006): (i) People orientation (McShane and Cunningham 2011); (ii) Leadership (Strand 2014); (iii) Innovation (Fischer and Sawczyn 2013); (iv) Work related issues (Collier and Esteban 2007); (v) Stakeholder orientation (Brennan et al. 2013); (vi) Communication (Du et al. 2010); (vii) value orientation (Bondy et al. 2012); and (viii) Strategy/vision (Heikkurinen and Ketola 2012). For each dimension relevant items are generated in the survey. Following Martins (2007), the survey is structured in a three-pillar-order (see Table 3) where the items of one dimension are not in a subsequent order. The advantage of this three-fold approach is that all identity levels (artifacts, values and underlying assumptions) are captured. Whereas artifacts are predominantly included in the beginning section, values, beliefs and underlying assumptions are mainly recorded within the other two parts. Think-aloud-protocols (Ericsson 2006) and verbal probing (Willis 2006) are applied to ensure the validity of the questionnaire. The questionnaire was sent out in spring 2015 with reminders after about 2 months. Data collection finished after approximately 4 months. Construct validity of the company survey are evaluated using exploratory factor analysis. An average Cronbach's alpha of 0.96 demonstrates the reliability of the survey items. The average Kaiser-Meyer-Olkin criterion is 0.91 and indicates a "marvelous" sampling adequacy. Based on a screw test, exploratory factor analysis establishes four major factors that comprise CSR-oriented corporate identity which are (i) strategic integration; (ii) CSR application; (iii) employee integration; and (iv) attitude awareness. All factors have an Eigenvalue above 1. Strategic integration refers to the relevance of CSR in a company's strategic planning process and its market positioning. CSR application is related to CSR activities and artefacts. The dimension employee integration reflects the relevance in assuming social responsibility. Attitude awareness indicates the degree of corporate awareness about CSR-related values and principles. The retrieved factors are consistent with related literature (e.g. He and Balmer 2007; Melewar and Karaosmanoglu 2006). Statistical model fit indicators are in line with standard recommendations (Unterreitmeier 2004). The four factors are used as independent variables in the regression model.

Empirical model

To test H1, the relationship between CSR-oriented corporate identity and CSR disclosure is examined. The following multivariate regression analysis model that controls for various other determinants of CSR disclosure is applied:

$$\begin{aligned} DISCLOSURE = \beta_0 &+ \beta_1 STRATEGY \\ &+ \beta_2 APPLICATION \\ &+ \beta_3 EMPLOYEE \\ &+ \beta_4 AWARENESS \\ &+ \beta_5 logSIZE + \beta_6 INDUSTRY \\ &+ \beta_7 logPROF \\ &+ \beta_8 INCORPORATION \\ &+ \beta_9 LISTED \\ &+ \beta_{10} STANDALONE \\ &+ \beta_{11} GRI + \varepsilon \end{aligned} \tag{1}$$

The dependent variable *DISCLOSURE* is an AIMD N-gram-count based disclosure score. The main independent variables are the four factor variables that

Table 2 Coding scheme (121 codes)

academic	education training	ilo organization
academy	emission energy	important stakeholder
analysis materiality	emission reduction	information sustainability
animal	emission scope	initiative support
apprentice	employee germany	intercultural
association freedom	employee health	international labor
assurance report	employee make	international labor organization
balance life	employee need	issue sustainability
balance life work	employee new	labor organization
bargain	employee opportunity	labor standard
bargain collective	energy include	lighting
biodiversity	energy resource	man woman
business travel	energy saving	management safety
carbon disclosure	energy water	management sustainability
carbon footprint	engagement stakeholder	management waste
carbon reduce	environment impact	mentor
chain management supply	environmental issue	ngos
charitable	environmental performance	occupational safety
child labor	environmental reduce	offer program
combustion	environmental responsibility	organization s
community local	environmental social standard	pollution
compact global principle	equal opportunity	process procurement
condition working	gas greenhouse reduce	product responsibility
consumption electricity	ghg	program support
consumption energy reduce	global principle	project social
consumption resource	governmental non	project support
consumption water	governmental non organization	rate turnover
convention	governmental organization	recycle
country employee	greenhouse reduce	recycling
course training	grus initiative	reduce use
development professional	grus initiative reporting	relate work
dialog stakeholder	hazardous	renewable use
discrimination	hazardous waste	report sustainability

Table 2 Coding scheme (121 codes) *(Continued)*

disposal waste	help program	reuse
donate	hiring	social standard
drinking	hour work	sponsorship
drinking water	hour working	square
eco	illness	strategy sustainability
economic environmental	ilo	use water
economic environmental social	ilo labor organization	volunteer
		waste water

Words as parts of N-grams are order alphabetically and stemmed to their root

constitute CSR-oriented corporate identity. The variable *strategic integration*, *STRATEGY*, comprises many future-oriented survey items concerning mission, vision and targets as well as the role of CSR for strategic positioning. The variable *CSR application*, *APPLICATION*, joins all items related to CSR activities. As a third factor, the variable *employee integration*, *EMPLOYEE*, captures items covering how good CSR is implemented as a participative organizational concept. The last variable *approach awareness*, *AWARENESS*, covers how important CSR-related values are for a company.

Following prior empirical work, the model controls for the effects of structural company characteristics that impact the level of CSR disclosure (Fifka 2013). Data is retrieved from the Orbis database. Prior empirical findings documented that *firm size* is significantly related to CSR disclosure because larger companies are exposed to increased external stakeholder pressures (Guidry and Patten 2012) or larger companies benefit from an economy of scale regarding organizational cost for CSR (Baumann-Pauly et al. 2013). In this paper, *logSIZE* is alternatively proxied as the natural logarithm of the number of employees or the logarithm of annual sales. Because of structurally identical results only the results of the former are tabulated and results of the robustness analysis using the latter are not reported.

Prior research suggests *industry affiliation*, *INDUSTRY*, is an important control variable because companies in particular industries are exposed to higher public pressure (Jackson and Apostolakou 2010) and regulation

Table 3 Questionnaire Structure

Section	Explanation
1 - Types and organization of CSR	Section 1 aims to capture the existing forms of CSR in the company and their organization and anchoring in directives.
2 - Application of CSR	Section 2 is intended to cover how the company uses CSR, what objectives it pursues.
3 - Cultural anchor	Section 3 is to identify the values and levels at which CSR is anchored in the company.

of CSR issues, such as environmental protection, may vary between industries (Fischer and Sawczyn 2013).

Profitability is included as a control variable although the relationship between CSR disclosure and profitability is inconclusive (McWilliams et al. 2006). However, the resource based view suggests that financially high performing companies dedicate more resources to CSR activities and therefore increase their CSR disclosure (Russo and Fouts 1997). The natural logarithm of sales per employee (*logPROF*) proxies for the economic potential of profitability because of data availability considerations. Robustness test (not reported) indicate structural identical results for other proxies (natural logarithm of earnings before tax; of return on assets; of return on sales) that are constrained by data availability.

In addition, controls for the effect of disclosure regulation with the variables *legal form* and *stock market activity* are implemented. Prior research revealed the interaction of mandatory and voluntary disclosure to affect the disclosure level (Dye 1990). Hence, companies which are subject to larger mandatory disclosure release more voluntary information. Therefore, the indicator *STOCKCOMPANY* is included to control for this effect. Similarly, the indicator *LISTED* controls for *stock market activities* as listed companies are regarded to have higher voluntary CSR disclosure levels (Adhikari and Tondkar 1992) because of their multi-investor ownership structure (Rouf 2011).

Furthermore, it we control for the effects of different *CSR reporting types*. These types, such as standalone reports, integrated reporting or website information may vary in volume, structure and content (Dhaliwal et al. 2011). Cho et al. (2015) found that firms with standalone CSR reports significantly disclose more CSR information. Therefore, *STANDALONE* is included as an additional control. Moreover, the model controls for the effects of the *application of reporting guidelines* of the GRI. Empirical findings support that the adoption of international reporting standards such as GRI leads to increased harmonization and transparency in cross-country comparisons as well as to higher levels of CSR disclosure (Fortanier et al. 2011; Nikolaeva and Bicho 2011). Accordingly, the indicator *GRI* is included in the analysis. Table 4 offers a summary of all variables, abbreviations and data sources.

Results and discussion

Descriptive statistics

Table 5 summarizes descriptive statistics for all continuous variables included in Eq. (1). All nominal and dichotomous variables are omitted. Variables *STRATEGY*, *APPLICATION*, *EMPLOYEE*, *AWARENESS* are factor values comprising CSR-oriented corporate identity. They result from the exploratory factor analysis of survey items described in "Company survey" section. The item variables are standardized before exploratory factor analysis. Therefore, the factor values have a mean close to 0 and a SD close to 1.

Table 6 shows the Pearson correlation of CSR disclosure (*DISCLOSURE*), all independent variables and the control variables without industry affiliation (*INDUSTRY*). The correlation coefficients between the independent variables do not indicate the presence of multicollinearity as the highest value is 0.655 (Farrar and Glauber 1967). In line, the variance inflation factors (mean of 1.57) also do not reveal multicollinearity.

Consistent with the hypothesis, at least two independent variables, *STRATEGY* and *APPLICATION*, show a

Table 4 Data sources

Variable	Measure		Source
	Abbreviation	Explanation	
CSR disclosure	DISCLOSURE	CSR disclosure score measured by AIMD	From company websites
Strategic integration	STRATEGY	Degree of strategic integration of CSR	Company survey
CSR application	APPLICATION	Degree of CSR application	Company survey
Employee integration	EMPLOYEE	Degree of employee integration	Company survey
Approach awareness	AWARENESS	Degree of approach awareness	Company survey
Company size	logSIZE	Logarithm of number of employees	Orbis database
Industry affiliation	INDUSTRY	Industry classification	Orbis database
Profitability	logPROF	Logarithm of sales per employee	Orbis database
Legal form	INCORPORATION	Indicator for limited company on shares	Orbis database
Stock market activity	LISTED	Indicator for listed companies	Orbis database
Reporting type	STANDALONE	Indicator for standalone reporting	Own assessment
Application of GRI guidelines	GRI	Indicator for application of GRI guidelines	Company survey

Table 5 Descriptive Statistics

Variable	Number	Mean	Std. Dev.	Min	Max
DISCLOSURE	327	314.09	402.23	0.00	2905.00
STRATEGY	149	0.01	0.95	−2.96	1.90
APPLICATION	149	0.01	0.95	−3.17	2.31
EMPLOYEE	149	−0.01	0.97	−3.28	1.82
AWARENESS	149	0.00	0.95	−4.40	1.37
logSIZE	481	7.72	2.38	0.00	13.29
logPROF	459	5.81	1.34	−1.47	14.29

Only continuous variables included in Eq. (1) are shown. All nominal and dichotomous variables are omitted
Variables STRATEGY, APPLICATION, EMPLOYEE and AWARENESS are factor values comprising CSR-oriented corporate identity
They result from an exploratory factor analysis (EFA) of survey items relevant for the measurement of CSR-oriented corporate identity
The item variables have been standardized before EFA. Therefore, the factor values have a mean near to 0 and a SD close to 1
See Table 4 for variable explanations

significant positive correlation. The variables *EMPLOYEE* and AWARENESS indicate a weak negative correlation. Furthermore, a significant positive relationship between *logPROF* and *DISCLOSURE* as well as between *GRI* and *DISCLOSURE* and *STANDALONE* and *DISCLOSURE* is found according to the expectations. However, the results do not reveal a strong positive relationship between company size and CSR disclosure which was reported by other researchers (Baumann-Pauly et al. 2013). Stand-alone reports correlate significantly positive with CSR disclosure.

Additionally, there is a significant negative correlation between *INCORPORATION* and *LISTED* and strategic integration. Furthermore, profitability is significantly negatively correlated with CSR application. These findings contradict with earlier empirical findings suggesting that higher public pressures generate superior CSR performance (Fischer and Sawczyn 2013).

Regression results

The hypothesis predicts a positive relationship between CSR-oriented corporate identity and CSR disclosure. Standardized regression coefficients (beta) and significance levels (p) for Equation (6) are reported in Table 7. The robustness of the models is ensured by subsequently adding the control variables (Models 1–8) for the same sample ($N = 108$). The explained variance (R^2) increases from 10.4% in Model 1 to 43.1% in Model 8. The coefficient estimates of the control variables are generally consistent with the correlation analysis in Table 6. The issuance of standalone CSR reports ($beta_{STANDALONE} = + 0.327^{***}$) and the application of GRI reporting guidelines ($beta_{GRI} = + 0.331^{***}$) in particular indicate a highly significant positive association. Firm size (*logSIZE*) and profitability (*logPROF*) had significant positive effects in Models 4–6. However, the final model (Model 8) does not show a significant relationship. There are no significant effects on CSR disclosure for stock companies (*STOCKCOMPANY*) or for companies that are listed on the Frankfurt Stock Exchange (*LISTED*). This results are contradictory to prior empirical findings for corporate disclosure in general (Healy and Palepu 2001). Different to prior research (Gamerschlag et al. 2010), a Wald test for joint significance of the control variable *INDUSTRY* (not tabulated) reveal no significant effect.

In line with the prediction, a significant positive impact of strategic integration ($beta_{STRATEGY} = + 0.165^{**}$) and CSR application ($beta_{APPLICATION} = + 0.167^{**}$) on CSR disclosure is found. Inconsistently with the hypothesis, employee integration ($beta_{EMPLOYEE} = - 0.167^{***}$) and attitude awareness ($beta_{AWARENESS} = - 0.153^{*}$) are significantly negatively associated with CSR disclosure. These results are considered robust as estimates for *STRATEGY, APPLICATION*, *EMPLOYEE*, *AWARENESS* do not structurally differ between models. Notably, in

Table 6 Pearson Correlations

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
DISCLOSURE	(1)	1										
STRATEGY	(2)	.193*	1									
APPLICATION	(3)	.180*	.038	1								
EMPLOYEE	(4)	−.118	.035	.012	1							
AWARENESS	(5)	−.111	.052	.028	.007	1						
logSIZE	(6)	.059	−.081	.008	.119	−.030	1					
logPROF	(7)	.179*	−.037	−.240*	−.079	−.048	−.354*	1				
INCORPORATION	(8)	.004	−.218*	−.081	.067	−.143*	.360*	−.070	1			
LISTED	(9)	.017	−.175*	−.099	−.024	−.021	.323*	−.069	.661*	1		
STANDALONE	(10)	.367*	.073	.126	.026	.132	−.014	.018	−.110*	−.114*	1	
GRI	(11)	.440*	.265*	.057	.05	.133	.126	.118	.030	.048	.227*	1

A correlation coefficient with asterisk indicated that the correlation is statistically significant at the 10% level
See Table 4 for variable explanations

Table 7 Regression Results

Dependent Variable = DISCLOSURE	Model 1 beta	Model 2 beta	Model 3 beta	Model 4 beta	Model 5 beta	Model 6 beta	Model 7 beta	Model 8 beta
STRATEGY	.220***	.215***	.257***	.261***	.283***	.281***	.256***	.165**
APPLICATION	.188**	.182**	.178**	.224**	.223**	.225**	.200**	.167**
EMPLOYEE	−.123	−.13	−.152*	−.134	−.143*	−.140*	−.166**	−.167***
AWARENESS	−.116	−.106	−.110	−.105	−.090	−.092	−.114	−.153*
logSIZE		.207*	.192*	.238*	.201*	.194	.220**	.147
logPROF				.197*	.190*	.180*	.118	.063
INCORPORATION					.110	.070	.053	.072
LISTED						.061	.107	.082
STANDALONE							.385***	.327***
GRI								.331***
INDUSTRY	No	No	Yes	Yes	Yes	Yes	Yes	Yes
R^2	10%	15%	17%	20%	21%	21%	35%	43%
N	108	108	108	108	108	108	108	108

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
This table presents the regression results using DISCLOSURE as dependent variable
Model 1 shows the regression results of dependent (DISCLOSURE) and independent variables (STRATEGY, APPLICATION, EMPLOYEE, AWARENESS) without any control variables
In Model 2–8, we subsequently add control variables. We use robust standard errors over all models as heteroscedasticity is present. Model 8 contains the final regression
See Table 4 for variable explanations

the final model (Model 8) all independent variables indicate roughly the same power of association. Therefore, the association of corporate identity and CSR disclosure is regarded to vary between the various aspects of corporate identity. In particular, those corporate identity dimensions which are more closely related to the value chain and future-oriented targets stimulate an increasing CSR disclosure compared to corporate identity dimensions with an introversive focus. Thus, the findings explicitly support neither voluntary disclosure theory nor legitimacy theory to explain the determinants of CSR disclosure. They rather indicate that CSR disclosure is different from other types of disclosure, as already proposed by Guidry and Patten (2012). In summary H1 is only confirmed partly.

To better understand the ambivalent effects of various corporate identity characteristics, four informal interviews with corporate CSR experts who participated in the survey have been conducted.[2] The exploratory interviews provide some interesting thoughts about the results and could help in refining the hypotheses to stipulate further confirmative research. The findings from the interviews have not been used in evaluating the logical value of the hypotheses. The experts' feedback suggests that the diverging impacts of corporate identity dimensions might depend on the development stage of a CSR concept in companies. The level of corporate identity dimensions is expected to change according to the implementation status of CSR. Whereas *attitude awareness* and *employee integration* are more pronounced in an early phase of implementation, *CSR application* and *strategic integration* become more important with the maturity of the concept. In line with voluntary disclosure theory, CSR disclosure is expected to grow with the evolution of the concept. The results could indicate that the hard attributes of corporate identity, such as CSR artefacts and the relevance of CSR in the strategic planning process, promote CSR disclosure. This interpretation is corroborated by prior findings which suggest that strategic planning is also considered an important reason for CSR disclosure (Pérez and Rodríguez del Bosque 2011). According to the CSR experts, CSR disclosure has a target setting function and will only be provided once a CSR program becomes more precise. In line, the GRI considers CSR disclosure to be a milestone within the continuous improvement of CSR programs (Brown et al. 2009). The CSR experts also state that *attitude awareness* and *employee integration* have been relevant dimensions in their companies for a longer period of time than it has been common to adopt "fancy" CSR programs and disclose CSR information. As a consequence, these issues may remain stable over time and may not contribute to the variance of CSR disclosure content. Similarly, previous research reveals that companies with a long-standing social personality tend to invest less in CSR communication (Baumann-Pauly et al. 2013). As such, results may also suggest that less CSR disclosure does neither indicate if companies do not dispose over any CSR characteristics in their corporate identity nor to what extent these characteristics are existent. It can be suspected that companies with strong CSR values employ other means to create transparency and to appear trustworthy.

The regression results are regarded robust as the effects of the main variables remain stable over different models. Various other models that include a proxy for CSR performance are tested as well (not tabulated). Prior research uses CSR performance proxies from databases such as MSCI KLD or Bloomberg (Cho et al. 2013; Nelling and Webb 2008). For 41 firms environmental, social and governance performance indicators (total greenhouse gas emissions, employee turnover and board meeting attendance) could be obtained from Bloomberg. The results do not reveal a significant effect of CSR performance of CSR disclosure. Due to the low sample size, CO_2 emissions reported in the CSR reports are used as alternative measure in line with prior literature (Clarkson et al. 2008, p. 308). The analysis based on a sample of 77 firms results (not tabulated) reveal again no significant effect of (this very narrow) CSR performance on CSR disclosure.

Conclusion and future research

Today, CSR information is a major component of companies' corporate disclosure. It is considered to mirror companies' CSR performance as a response to increasing stakeholder requirements and legitimate business operations. The growing interest in sustainability topics has also motivated many researchers to examine CSR disclosure. Prior research revealed a number of internal and external influential factors along with a number of benefits that companies gain from compiling and publishing CSR information.

The aim of this research study is to extend the knowledge of so far unobserved internal determinants of CSR disclosure. In summary, the results of this study suggest three major findings. First, characteristics of corporate identity are related to the development stage of a firm's CSR concept. Corporate identity dimensions that indicate a mature CSR concept are positively associated with companies' CSR disclosure. Firms that remain in an early phase of CSR development or that have a superficial CSR model disclose significantly less CSR information. This finding is in line with voluntary disclosure theory. Second, introversive corporate identity dimensions are more pronounced in a firm with low level CSR engagement. Value chain and future-oriented dimensions are more pronounced in a firm with high level CSR engagement. Third, the perceived need for legitimacy influences the degree of a firm's CSR disclosure. Companies that historically possess a corporate identity of strong *attitude awareness* and *employee integration* report less CSR information because they do not detect the need for legitimacy. Concerned companies consider aspects of these corporate identity dimensions to be ordinary business conduct. This finding is in line with legitimacy theory. It will be necessary to further investigate why these companies have this perception; they may use other means and channels to create a trustful relationship with their stakeholders.

In conclusion, the results of this study support the claim that a combination of voluntary disclosure theory and legitimacy theories (Clarkson et al. 2008) is necessary to explain the drivers and constraints of CSR disclosure as well as the relationship between CSR disclosure and CSR performance.

The empirical analysis contributes to CSR disclosure literature by examining further potential determinants and consequences of CSR disclosure, which have received little attention so far. To the authors' best knowledge, this study is the first that empirically examines the relationship between corporate identity and CSR disclosure. It extends the scope of research of what is known about firm's internal determinants of CSR disclosure. The discovery of corporate identity dimensions with ambiguous effects on CSR disclosure supports the growing field of researchers that state a complementary relationship between voluntary disclosure theory and legitimacy theory to explain CSR disclosure. Additionally, the findings underline the results from prior research (e.g. Dhaliwal et al. 2014) by demonstrating that the reporting framework has a substantial impact on the level of CSR disclosure: Companies that issue standalone CSR reports and apply the GRI guidelines achieve a significantly higher disclosure level. Other determinants like the legal form and stock market activity appear to be less important than expected.

From a methodological point of view, this is the first time that artificial intelligence is applied to the measurement of CSR disclosure. The study provides quantitative data on the state of the art of CSR disclosure of German firms. In addition, it develops a survey-based measurement tool to determine the degree of CSR orientation in firms' corporate identities and provides quantitative data on the current corporate identity profiles of German firms.

Limitations of the empirical work arose from potential conceptual and methodological shortcomings. With regard to the research question, it is possible that additional factors that have a direct, moderating or mediating impact on the theoretical constructs are not captured appropriately. Specifically, corporate identity is an abstract construct that is difficult to capture. Even though the corporate identity dimensions are based on an extensive literature review, they are potentially biased or incomplete. From a technical point of view, it is recognized that the cross-sectional design that was chosen because of research economic considerations severely limits results because of the probable but undeterminable time lag of corporate identity effects on CSR disclosure. Furthermore, the usual sampling issues of field research may limit the generalizability of results.

The findings of this study unveil a number of research paths that could be investigated in future research. Further research should examine the relationship between corporate identity and CSR disclosure on an international level or apply different measurement techniques to capture corporate identity. This may validate the findings and provide further insights into the interaction of CSR disclosure determinants derived from voluntary disclosure theory and legitimacy theory. Further research in this direction may also apply a mix of quantitative and qualitative approaches to obtain more in-depth knowledge about the interaction of CSR identity and CSR disclosure. The four exploratory interviews following the confirmatory hypotheses evaluation suggest some potential avenues for further research. Additional empirical research is also required to elaborate on the interaction between information asymmetry and trust in the context of CSR: do they have a cause-effect relationship or are they even substitutes for each other?

Endnotes

[1]For a detailed explanation of AIMD refer to Grüning (2011).

[2]The interviews were conducted by telephone in April 2016 and took about 30–45 min. The participants work in different industries (food and beverages, machinery, chemicals, services)

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Competing interests
The authors declare that they have no competing interests.

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9

Determinants of intention to engage in Sustainability Accounting & Reporting (SAR): the perspective of professional accountants

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Abstract

This study examines the perception of professional accountants and the intention to engage in Sustainability Accounting & Reporting (SAR). By relying on the Theory of Planned Behaviour (TPB), the study investigates whether attitudes, subjective norms and perceived behavioural control have any impact on a firm's intention to engage in SAR. A survey method of research was adopted, and a set of questionnaires was developed (based on existing studies) and administered to professional accountants- the respondent group. A total of 86 professional accountants in Ghana voluntarily participated in the study. The partial least square-SEM (PLS-SEM) technique was used to analyse the data obtained. The results from the structural analysis demonstrate that only subjective norm and perceived behavioural control significantly influence a firm's intention to engage in SAR. By implication, the attitude of an accountant towards SAR does not affect the intention to engage in the practice and that the willingness to engage in SAR is primarily determined by resources availability and pressure from major stakeholders.

Keywords: Sustainability reporting, Theory of planned behaviour, Accountants, Structural equation modelling

Introduction

Sustainability accounting and reporting (SAR),[1] has received significant research attention in the field of accounting within the last two decades (Lamberton 2005; Schaltegger et al. 2013). The concept of SAR has evolved out of the need to increase corporate accountability and transparency about the impact of corporate decisions on the environment and society as a whole (Ball et al. 2000; Adams and Whelan 2009). This according to Henri and Journeault (2010) is critical to the development of decision support systems for enhancing corporate sustainability management. The importance of engaging in a SAR is well emphasised in the literature. As argued by some studies (Özsözgün Çalişkan 2014; Schaltegger and Burritt 2010), engaging in SAR may lead to potential legitimacy gains for firms and other corporate benefits necessary for the long-term value creation of firms.

Although, prior literature suggests the existence of divergent views on what constitutes SAR and its processes (Parker 2011; Bebbington and Gray 2001; Burritt and Schaltegger 2010), majority of the existing studies recognise the relevance of accountants' involvement in environmental and sustainability management (Zvezdov et al. 2010; Evans et al. 2011). This consensus in part is attributable to the professional accountants' role in the conduct and design of firms' reporting system, preparation and interpretation of timely information to management to make informed socio-environmental and economic decisions (Özsözgün Çalişkan 2014; Aras and Crowther 2009b).

Generally, SAR involves corporate reporting on environmental, social responsibility and economic performance of firms, conceptualised as the 'triple bottom line (TBL) reporting' (Asif et al. 2011; Herzig and Schaltegger 2011). SAR augments the current external corporate financial reports in benefitting wider external parties of economies and societies, which hitherto have mostly been beneficial to shareholders of companies (Özsözgün Çalişkan 2014).[2] SAR practices, thus, encompass companies reporting on

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their performance regarding the environment, health, safety and social matters, in addition to the traditional financial performance over a period.[3] For this reason, SAR is suggested as part of firms' external reporting system (Sisaye 2011a, 2011b; Gray, 2006), for which the practical design and implementation of such system is a fundamental role of the professional accountant (Aras and Crowther 2009a, 2009b). Accountants also play an integral role in the value creation process of firms by providing services related to the development of sustainable business strategies – with their risk and opportunities evaluation skills (EY 2011), and SAR and assurance – by providing measurement, accounting, reporting and assurance skills (Özsözgün Çalişkan 2014). Moreover, accountants are perceived to be knowledgeable about the financial and non-financial information, including SAR, relevant for managerial decision-making and performance management and control (Granlund and Malmi 2002; Scapens and Jazayeri 2003; Jack and Kholeif 2008).

These traditional roles performed by the accountant in organisations, coupled with their advisory role to top management and decision makers, have positioned them in a very strategic way to influence the establishment and implementation of an efficient SAR system in organisations (Pierce and O'Dea 2003). The need for professional accountants to be more engaged in providing sustainability information has become more pressing than before because of: the need to comply with emerging jurisdictional requirements of sustainable development for organisations; market demands for firm's greater awareness of sustainability; and increased social/media attention from social change that has influenced the society's perceptions on sustainability (Parker 2000, 2011; Ferreira et al. 2010; Schaltegger and Zvezdov 2013; Mistry et al. 2014). In response to these demands, there has been a renewed effort by the accounting profession to address sustainability issues within the general framework of reporting (Özsözgün Çalişkan 2014; Lusher 2012).

However, while the professional accountants' roles and involvement in conventional accounting and reporting process are extensively researched in existing literature, very few studies have examined the involvement of accountants in SAR (Schaltegger and Zvezdov 2013; Albelda 2011). The few existing studies on accountants' involvement in SAR suggest that accountants are not adequately if at all, involved in environmental and sustainability information management in organisations (Wilmshurst and Frost 2001; Carter et al. 2011; O'Dwyer and Owen 2007; O'Dwyer 2002). Although professional accountants are acknowledged to have positive attitudes towards the environment, their response to SAR has been "*fairly lukewarm and superficial*" (Gray et al. 1993, 10) and mostly unwilling to get involved in SAR (Wilmshurst and Frost 2001; O'Dwyer 2002).

As Wilmshurst and Frost (2001) assert, the seeming reluctance of accountants to engage in SAR may be a reflection of their limited understanding of their roles towards sustainable development, which may be a consequent of their perception of the practice.[4] For instance, it has been argued that some accountants generally perceive SAR to be only a means of gaining corporate legitimacy (O'Dwyer 2002), and also a practice beyond their purview (Wilmshurst and Frost 2001). An understanding of the accountants' perceptions on SAR is therefore relevant in predicting the extent of their engagement in practice and that of their companies. Moreover, the attitudes and perceptions of corporate managers and decision makers have also been found to significantly impact information disclosure, including SAR (Adams and McNicholas 2007; Wilmshurst and Frost 2001; Thoradeniya et al. 2015; O'Dwyer 2002). Suggestively, accountants' perception about SAR may affect their attitude towards SAR and their willingness to engage in the practice.

As studies on SAR increases and firms continue to embrace sustainability issues in both developed and developing countries (Schaltegger et al. 2013; Parker 2011; KPMG 2011), it is envisaged that most companies have gained better understanding and experience in SAR and its related issues (Bennett et al. 2013). However, SAR is still in its embryonic stage in developing countries in practice compared to developed countries (Belal and Owen 2007; KPMG 2011). Similarly, research focus on SAR in developing countries is still at the evolution stage compared with the developed world (Thoradeniya et al. 2015). The few existing studies from the perspective of developing countries have also concentrated in the Asia-Pacific region (Kamla et al. 2012; O'Dwyer et al. 2005; Belal and Owen 2007; Thoradeniya et al. 2015; Kuasirikun 2005). Moreover, despite the growing interest in SAR globally, questions still linger around whether accountants now understand their roles in SAR and most importantly their willingness to engage in the practice (Schaltegger and Zvezdov 2013). Besides, Gray et al. (2010, 36) call for studies to *"discover why individuals [i.e. key managers, such as accountants] do (or do not) support and develop social accounting."*

Guided by the fact that the perception and attitude towards SAR may be influenced by context-specific factors (Kamla et al. 2012), this study attempts to explore the perception of accountants towards SAR from Sub-Saharan African perspective. By relying on the Theory of Planned Behaviour (TPB), the study further investigates the factors that influence accountants' intentions to engage in SAR practices in Ghana. Our empirical analysis provides some relevant insights into the fundamental factors that can affect SAR practices in Ghana. Further, the current study adds-on to research on individuals' beliefs and perceptions about action and the effect on their attitude towards that action.

The next section of this paper reviews the current literature on SAR and highlights the need to examine the perceptions, intentions, and behaviour of professional accountants on SAR practices. The research design, data collection and the data analysis procedures employed are then described followed by the presentation of results and discussion of the findings. Lastly, some concluding remarks are given, and the implications of the findings are highlighted.

Literature review

Sustainability management which entails the formulation, implementation, and evaluation of the decisions and actions related to environmental, social and economic sustainability issues (Starik and Kanashiro 2013) has been an issue of interest to global businesses, researchers, and society at large. At the firm level, a key concern has been how corporate managers can minimise the impact of their firm's operations on the environment by establishing business systems, models and behaviours necessary for the long-term value creation of firms and sustainable development. Firms need to communicate all information on their management and performance on environmental, social, economic and sustainability issues to stakeholders by engaging in SAR to demonstrate their commitment to sustainable development. Consequently, the need for SAR practices by companies has been emphasised in the literature (Schaltegger et al. 2003; Martin and Hadley 2008) and within the last two decades, it has become an important concept in financial reporting that is receiving a significant amount of attention across the globe (KPMG 2011).

Despite the growing interest, it is apparent from existing literature that SAR is inadequately conceptualised as scholars are yet to have a consensus on the descriptive constituents, processes and expectations of SAR (Parker 2011; Bebbington and Gray 2001; Burritt and Schaltegger 2010). Nonetheless, SAR is widely construed to be concerned with the process through which organisations report to stakeholders on the social, environmental and economic impacts of their business activities (Asif et al. 2011; Herzig and Schaltegger 2011; Sisaye 2011a, 2011b). This process involves integrating the concerns for social and environmental issues into core business operations, formulating long-term plans, controlling and measuring performance on such issues by organisations and communicating them to organisational stakeholders (Zvezdov et al. 2010). Thus, in addition to the conventional corporate financial reporting, SAR includes reporting on environmental, health, safety and other social issues to relevant and broader scope of external stakeholders. SAR, in this regard, is contended to be an extension or modification to companies accounting systems designed to promote a strategy of sustainability and hence part of corporate external reporting system (Sisaye 2011a, 2011b; Gray, 2006).

Extant literature suggests that companies can create long-term value, manage their business risk and gain a competitive advantage by considering the social, environmental and economic impacts of their business operations relative to solely emphasising corporate profit (Asif et al. 2011; Herzig and Schaltegger 2011; Porter, 2003). Companies therefore engage in SAR to better manage and communicate their business risk and create and enhance long-term shareholder value.[5] It is suggested that, principal actors of the corporate environment, including employees, businesses, industries and government, play an integrative role in this firm value creation process by linking company strategy to sustainability, evaluating risks and opportunities, and providing measurement, accounting and reporting skills (Zvezdov et al. 2010; Evans et al. 2011). In this regard, if SAR is assumed to be a way that firms internalise and manage sustainability needs to make it measurable and observable, then the role of accountants in ensuring useful SAR and assurance practices, to create corporate value cannot be overemphasised.

SAR and the accountant

Traditionally, corporate accountants are mainly responsible for the provision of accounting information structured to measure, observe and assess business activities and their results (Özsözgün Çalişkan 2014). They also verify financial data, assess compliance status, undertake cost-benefit analysis and ensure the practical design and implementation of organisational internal control systems. Accountants are, thus, mandated to provide reliable, timely and useful information to guide, direct and protect the interests of stakeholders (Aras and Crowther 2009a, 2009b). Impliedly, accountants have the skills and expertise to value environmental impact, evaluate environmental performance and monitor the entire environmental management system of companies as this falls within their purview (Wilmshurst and Frost 2001). For instance, accountants are better equipped to identify and measure the direct and indirect social and environmental costs financially and develop practical consumption-based measures of current and future social and environmental performance required in green accounting (Vincent, 2000). Wilmshurst and Frost (2001) therefore contend that accountants can ensure the successful implementation of the environmental management system by inculcating the traditional functions of accounting into the environmental management process.

Accountants also provide auditing and assurance service, which involves assessment of compliance with standards and regulations, identification and evaluation of risks and attesting to the reliabilities of the information provided (Özsözgün Çalişkan 2014). In the context of

SAR, accountants could play a significant role in socio-environmental performance via environmental auditing, i.e., assessing compliance, evaluating environmental risks and providing feedback for continuous improvement of firm's sustainability policies and performance (Wilmshurst and Frost 2001). For example, accountants are likely to be responsible for developing an information and decision support systems to ensure environmental compliance and avoid any environmental disputes or claims in the future (Bisk CPA Review Editorial Team, 2012). Suggestively, the expertise of professional accountants to verify financial information makes them better placed in assessing and verifying the compliance status and the economic viability of environmental management accounting systems.

In sum, accountants can provide the needed expertise for developing and verifying information, decision supporting and control system necessary for the provision of both financial information and non-financial information, including sustainability reports, to enhance managerial decisions for creating long-term firm value (Aras and Crowther 2009b; Sisaye and Birnberg 2010). These specific roles of the accountant, coupled with their ability to establish and interpret connections between non-financial and financial information of firms and responsibility to inform and educate related parties (Özsözgün Çalişkan 2014), suggest the crucial part they play in effective corporate SAR practices.[6] Thus, for companies to improve their financial, social, and environmental performance reporting, accountants must be active in SAR to provide such comprehensive accounting information (Lusher 2012). This provides a massive opportunity for accountants to spearhead environmental and sustainability management via their active involvement in the SAR process (Lewis 2000).

It has been argued that the attitude of top-level managers is very relevant in formulating sustainability goals and the communication of sustainability information (Schaltegger and Wagner 2006). Hence, if top management is uncertain about the relevance of SAR reporting, they may not commit resources to ensure its implementation thereby hindering the practice of SAR in an organisation (Martin and Hadley 2008). The authority that accountants have in organisations (Dezaley and Sugarman 1995) because of the formally established access they have to essential decision-makers cannot be overemphasised. Accountants are deemed information providers to corporate decision-makers, including top management, if not top managers themselves in organisations. The influential role of the accountant as information broker has made them internal business consultants (Burns and Vaivio 2001) and business advisors (Francis and Minchington 1999). This suggests that accountants potentially influence corporate management decisions to engage in SAR because of their information brokerage role for firms' top management.

Notwithstanding the fact that studies have generally found the attitudes of top managers, including accountants towards the environment to be positive (Kuasirikun 2005; Lodhia 2003; O'Dwyer 2002; Wilmshurst and Frost 2001), the willingness of accountants to engage in environmental and sustainability reporting has been questioned (Deegan and Rankin 1996; Gray et al. 1995). This explains why in recent times there have been calls for accountants to be more involved in SAR and other environmental sustainability management issues (Evans et al. 2011). Gray et al. (2010) call for the need for researchers to investigate why key managers such as accountants do not support and help develop social and environmental accounting. While acknowledging the fact that some works have been done in responding to this call, especially in examining the attitudes of accountants and other top managers towards SAR, research on SAR from the perspective of developing countries is still at the infant stage (Thoradeniya et al. 2015). Motivated by the need for more studies into SAR within the context of developing countries, this study explores the perception of accountants on their companies' intentions towards SAR and investigates the main predictors of such intentions. The next section discusses the theoretical review and the primary hypotheses to be tested.

Theoretical review and hypotheses development

Theory of planned behaviour (TPB)

The Theory of Planned Behaviour (TPB) is one of the most influential and well-recognised theories applied in psychological research to predict and explain human behaviour. TPB is an extension of the Theory of Reasoned Action (TRA) (Ajzen and Fishbein 1980; Ajzen, 1988). While the TRA posits that attitudes and subjective norm are the critical determinants of intentions and behaviour, TPB considers 'perceived behavioural control' as an additional variable that predicts intentions and behaviour. Therefore, from the tenets of TPB, attitude, subjective norm and perceived behavioural control are the factors that influence an individual's behavioural intention which informs the individual's motivation to perform the behaviour.

Ajzen (1991) explained attitude to mean the extent to which an individual has a favourable or unfavourable evaluation of behaviour. Subjective norm is an individual's perception of the opinions of some prominent individuals who influence decisions of the individual. In other words, subjective norm describes the tendency for an individual to exhibit a behaviour based on the influences of people considered to be important within the immediate community. Perceived behavioural control is also explained to mean the perception that an individual has about his/her own ability to perform a particular behaviour. Thoradeniya et al. (2015) explain perceived behavioural control to mean a situation where an individual lacks the complete control to exercise and perform a behaviour.

As Thoradeniya et al. (2015) rightly indicate – although the actions of persons, in general, are influenced by the data they process and act upon regularly – their actions are also influenced to, a considerable extent, by the availability of resources to perform the act and by external forces who have major influence. A significant distinction between the TPB and the TRA therefore lies in the fact that TRA does not consider the effect of resource availability on the performance of an action by an individual. In sum, from the perspective of the TPB, performance of actual behaviour by an individual depends on the attitude of the individual towards the behaviour, the influence of other important people in society on the behaviour of the invididual and the capacity of the individual to perform the behaviour.

Due to its usefulness in explaining the intentions and behaviour of individuals, the current study relies on the TPB to examine the factors that influence professional accountants' intentions to engage in sustainability reporting practices. Specifically, the study investigates whether professional accountants' attitude towards sustainability reporting (attitude), their perception of sustainability reporting approval by stakeholders (subjective norm), and the perception of their ability to control the process of sustainability reporting (perceived behavioural control) are important predictors of intentions to engage in SAR. Three main hypotheses based on the tenets of the TPB are consequently developed as follows:

Hypotheses development

Attitude towards SAR and intention to engage in SAR

Attitude is a key antecedent of intention to act and reflects a person's overall assessment of an issue at hand (Weidman et al. 2010). Fishbein & Ajzen, (1975) view it as the best predictor of intention and behaviour. Prior studies provide evidence that a manager's attitude has important implications on social-environmental issues and SAR practices (Adams 2002; Beddewela and Herzig 2013; Cordano and Frieze 2000; Thoradeniya et al. 2015; Weidman et al. 2010). These studies predict and consistently report of a positive association between attitude and intentions of firm managers to engage in SAR. Cordano and Frieze (2000) for instance, find the intention of managers to prevent pollution and source reduction activities to be positively related to their attitudes whiles Weidman et al. (2010) find that the attitude of firm executives have a positive relationship with their intentions to accrue and disclose environmental liabilities in the US.

Thoradeniya et al. (2015) find a similar relationship between managers' attitudes and intention to engage in SAR in Sri Lanka while Farzana et al. (2015) document that attitude is an important determinant of the energy conservation intention of accounting students in Malaysia. Notwithstanding the fact that some studies including Flannery and May (2000) report a negative association between internal perceived behavioural control and managers' environmental, ethical decision intentions, the evidence provided by most empirical studies generally suggest the existence of a positive relationship between attitudes and intention. Hence this study hypothesises that.

H_1 There is a positive relationship between accountants' attitude and their intention to engage in SAR.

Subjective norm and intention to engage in SAR

Subjective norm, which is an individual's perception of the opinions of prominent people who maintain influence over decision making, can affect an individual's intention to perform or not perform an action (Ajzen 1991). Corporate actions and inactions affect stakeholders and society, and the need to perform and report on these actions has been raging on in the academic environment. Existing literature documents that major stakeholders of companies – prospective employees, existing and potential capital providers/investors, the public/society, regulators and environmental pressure groups influence the SAR behaviour of firms (Dillard et al. 2005; Hedberg and Von Malmborg 2003; Magness 2006) This suggests the influence of key stakeholders on companies. These companies are obliged to act and perform to protect their image and reputation to sustain their business, although it may be costly. SAR in Ghana currently is a discretionary activity and mindful of cost, managers are unlikely to practice and report on it. Hence, pressure from stakeholders considered vital to the business may encourage managers to consider such an action.

Some studies report of how subjective norm (key stakeholders) influences the intentions of managers to engage in SAR (Weidman et al. 2010; Cordano and Frieze 2000; Flannery and May 2000; Thoradeniya et al. 2015). For example, Weidman et al. (2010) find that the intentions to accrue and disclose environmental liabilities by financial executives are positively related to their subjective norms. Similarly, Cordano and Frieze (2000) document a positive relationship between subjective norm and environmental managers' intention to engage in source reduction activities to prevent pollution. Flannery and May (2000) also find subjective norm to be a significant predictor of managers' environmental, ethical decision intentions. Again, Thoradeniya et al. (2015) find a positive relationship between managers' subjective norm and their intention to engage in sustainability reporting. Based on the seeming power of stakeholders to influence intention to act, this study posits that.

H_2 There is a positive relationship between subjective norm and intention to engage in SAR.

Perceived Behavioural control and intention to engage in SAR

Perceived behavioural control which is the perception that an individual has about his/her own ability to perform a specific behaviour influences the intention to perform that particular behaviour (Ajzen 1991). The ability to perform a particular behaviour depends on the availability of resources. Resources are thus vital to management intention and actions and managers will consider actions that are beneficial to them. Intention to engage in SAR will involve consideration by managers of resource availability and skills to perform the activity. The extant literature identifies some factors that facilitate or inhibit the managers' control and their willingness to engage in SAR. This includes knowledge, skills, and experience of managers; the availability of time and resources; continuous training and improvement; and effective cooperation and communication with external stakeholders.

Whereas Adams and McNicholas (2007); Lamberton (2005) and Park and Brorson (2005) suggest that availability of time and resources; increased knowledge and expertise enhance SAR process; they also argue that lack of support by management through sound leadership, ineffective cooperation and communication between all parties involved in the process and the absence of continuous training and development may inhibit the SAR process. Professional accountants by their training are exposed to SAR and may be willing to engage in it. However, where systems and structures are non-existent, they cannot do much. The discretionary nature of SAR, coupled with the cost implication of implementing a useful structure and system may affect the intention of managers to engage in SAR, and this is rightly so in Ghana. Professional accountants may be willing to engage in SR but considering its voluntary nature and the cost implication on profit, they may not have the support from other management personnel to engage in it especially where this is not aligned to their interest.

Results of studies on perceived behavioural control and intention to engage in SAR and other environmental activities are mixed. For instance, Weidman et al. (2010) find that the intentions to accrue and disclose environmental liabilities by financial executives are positively related to their perceived behavioural control. Also, Thoradeniya et al. (2015) find a positive relationship between managers perceived behavioural control and their intention to engage in sustainability reporting. Lee et al. (2017) document that perceived behavioural control positively and significantly influences students' positive intentions towards the environment. On the other hand, Cordano and Frieze (2000) report of a negative relationship between perceived behavioural control environmental managers' intention to engage in source reduction activities to prevent pollution. Similarly, Flannery and May (2000) find a negative relationship between internal perceived behavioural control and managers' environmental, ethical decision intentions. However, this study posits a direct link between the constructs.

H_3 There is a positive relationship between accountants perceived behavioural control and their intention to engage in SAR.

The development of the accounting profession in Ghana and the need for sustainability studies

Ghana after gaining independence in 1957, the national spirit of the time was for the nation to achieve optimum development in all facets of the Ghanaian human life. There was also a clarion call by the average Ghanaian to develop local capacity. Around that same time, the country was experiencing severe difficulties with regards to the training of accountants. These difficulties were as a result of inadequate local practical experience for accountancy trainees. This consequently led to the establishment of a local accountancy professional body called the Institute of Chartered Accountants – Ghana (ICAG). The ICAG was established by an Act of Parliament, Act 170, in 1963. It is the sole body responsible for regulating the accountancy profession in Ghana. The members of the Institute are the only persons recognized under the Companies Code 1963 (Act 179) for the purpose of the audit of a company.

The institute is governed by a Council of eleven chartered accountants headed by a president who holds office for a period of 2 years. The ICAG is a member of three international bodies namely: the International Federation of Accountants (IFAC), Pan African Federation of Accountants (PAFA) and Association of Accountancy Bodies in West Africa (ABWA). The ICAG currently runs three distinct programmes: the professional Chartered Accountants (CA) programme, the Accounting Technicians Scheme West Africa which provides the avenue for graduates to take up middle-level managerial jobs and the Chartered Diploma programmes which are designed to enable members specialize in specific business - related disciplines. Since its inception, the institute has been instrumental in training and licensing a number of qualified accountants to meet the industry's ever-growing demand for professional accountants. Within the last decade, the number of chartered accountants in Ghana has witnessed significant growth. For instance, between the year 2004 and 2014, the number of professional accountants increases from 1089 to 3851 respectively (ROSC, 2014). Notwithstanding the huge growth in the numbers, demand for professional accountants in the country which is estimated around 8000 far exceeds the supply.

In a bid to improve upon the reporting quality in the country and promote cross-border comparison of accounting information and within the spirit of harmonization, the government through the institute adopted the International Financial Reporting Standards (IFRS) in the year 2007. Thus, Ghana just like many other countries has fully adopted the IFRS for reporting purposes. The adoption of the IFRS was in part influenced by a review of Accounting and Auditing practices in Ghana conducted in 2004 by the World Bank. The World Bank documented the issues found in its Report on Observance of Standards and Codes (ROSC). Among other things, the report highlighted the weaknesses and strengths of the accounting and auditing requirements as pertained in the then Ghana National Accounting Standards (GNAS) and strongly recommended the full adoption of IFRS to replace the GNAS.

Apart from the fact that the country Ghana has made progress in the development of its accounting profession, Ghana provides a very good setting for sustainability related studies in an African setting. The country remains one of African countries with rich in natural resources including gold, diamond, bauxite with the latest being the discovery of oil in commercial quantities. In fact, Ghana contributes significantly to the world's gold production as it ranks tenth in the world's leading producers of gold and ranks second in Africa (Kapstein and Kim 2011). In spite of Ghana's contribution, a whopping 85% of artisanal and small-scale miners' activities are illegal, unregulated and therefore inimical to the environment and society at large (Ofosu-Mensah 2016). Similarly, Abdulai (2017) bemoans the severe nature of illegal mining in Ghana and calls for political action to deal with the menace. The relevance of sustainability practice in this setting therefore cannot be overemphasized.

Methodology

Research design and data collection

The study employed the survey research method and the data employed was obtained from a set of questionnaires. The survey instrument for the study contained two different sections – questions on the essential demographic characteristics of the respondents including the age, gender type, level of education, a sector of employment, number of years of employment and the position held by the respondents in their respective organisations at the time of the survey. The second part of the questionnaire sought to measure respondents' intentions to engage in SAR and the dominant factors that influence this intention.

Based on the TPB, three constructs: attitude, subjective norm and perceived behavioural control were the primary factors considered in this study as influential on companies' intention to engage in SAR. Each of these constructs was measured on a seven-point Likert scale with multiple indicators describing each construct. Similar to Thoradeniya, all the constructs were measured using four indicators each. The indicators for attitude measures the professional accountants' personal views on their company's engagement in SAR, whiles indicators for subjective norm focused on the professional accountants' perception about stakeholders' approval or otherwise of their company engaging in SAR. For perceived behavioural control, indicator questions seek to obtain information on the ability of the firms to perform the act, i.e. SAR and who determines the performance of the act.

Respondents were required to state their level of agreement or otherwise based on the seven-point Likert scale with one being strongly disagreed and seven being strongly agreed. The specific questions used in measuring the constructs were adopted from an earlier study by Thoradeniya et al. (2015). This instrument was considered more appropriate for use in this study since it was developed based on many of the existing instruments and hence, results from this study could be compared with most empirical studies with minimal difficulty.

The instrument was administered to the respondent group at a conference marking forum organised by ICA-GH. This forum offered the researchers the unique opportunity of reaching out to accountants in good standing with the Institute of Chartered Accountant Ghana (ICA-GH) from different organisations (both public and private sector) across the country at a central location. A few of the questionnaire was also sent to accounting firms and organisations that were not represented in this sample during the conference marking. In all, a total of 120 questionnaires were administered to the respondent group during the conference marking seminar of professional accountants in June 2016 and subsequently to other accountants in July 2016. Out of the number of questionnaires administered, 86 of the respondents responded to the questionnaire representing a response rate of 71.6%.

Data analysis procedures

In examining the objectives of the study, the partial least square (PLS) structural equation modelling (SEM) technique was adopted. The PLS model, a variance based technique of SEM was employed as it permits analysis of both direct and indirect relationships between independent and dependent variables and also allows for minimal path construction (Fornell and Bookstein 1982). Moreover, PLS does not require a large sample size and therefore, handles better data that are not normally distributed (Gefen and Straub 2005; Hair Jr et al. 2014; Henseler et al. 2009). Thus, given that the sample size for the study was relatively small, the PLS technique was deemed more appropriate for this study.

Results and discussions

Descriptive statistics

Table 1 presents the essential demographic profile of the respondents used in the study analysis. Out of the total

86 respondents, 66 were males (77%) with the remaining 20 (23%) of the sample being females. Among all the respondents, 78% hold positions from supervisory level up to senior management level while 30% of them had working experience of 5–10 years and 26% had work experience of more than 10 years. This result is a clear indication that a sizeable number of the respondents occupy higher level management positions and have also acquired a significant amount of working experience in their respective organisations hence, their views could reasonably be relied upon for a study of this nature. The presumption is that, because of the key position these respondents (accountants) hold in their organization, their role is crucial in the development of sustainability strategy for their respective companies and hence, their views/position on sustainability issues may be a fair reflection of their organizations.

Initial measurement model assessment

Before proceeding with the structural model analysis, the measurement characteristics of the constructs and their indicators were assessed to determine whether they meet the recommended thresholds suitable for the structural analysis. An examination of the indicator loadings as shown in Table 2 demonstrate that all the indicators for the constructs were above the 0.70 recommended threshold and hence can be reasonably classified as good indicators (Sarstedt et al. 2014). Indicator loadings above 0.70 according to Sarstedt et al. (2014) means that the construct explains more than 50% of the indicator's variance which is considered appropriate for structural model analysis.

Internal consistency reliability of the constructs was also checked using Cronbach alpha and composite reliability, and the results are presented in Table 3. As shown in Table 3, composite reliability scores for each of the study construct exceeded 0.70 minimum requirement (Hair Jr et al. 2014; Sarstedt et al. 2014), while the Cronbach alpha coefficients were all above the minimum 0.70 thresholds (Nunnally 1978). Further, convergent validity and the discriminant validity tests were conducted on the study constructs.

Convergent validity test was carried out using the average variance extracted (AVE) for all items related to each of the constructs. This test is conducted to ensure whether the set of indicators represents the same underlying construct. An AVE of 0.50 and above is considered acceptable as a value of 0.50 and above is an indication that more than 50% of the variance of the items are explained by the construct (Hair Jr et al. 2014; Sarstedt et al. 2014). As shown in panel A of Table 3, the AVE scores for all the constructs were above 0.50 which indicates that convergent validity is assured.

Discriminant validity test was also conducted to ascertain whether the study constructs were distinct from each other in the path model using the Fornell–Larcker

Table 1 Demographic Characteristics of Respondents

Age	21–30 years	31–40 years	41–50 years	Over 50 years
Frequency	29	29	19	9
Percentage	34%	34%	22%	10%
Gender	*Male*	*Female*		
Frequency	66	20		
Percentage	77%	23%		
Highest Education	*Bachelors and Professional Certificate*	*Bachelors, Masters and Professional certificate*	*Professional Certificate only*	
Frequency	32	49	5	
Percentage	37%	57%	6%	
Type of organisation	*Public Sector*	*Public Accounting Firm*	*Private Accounting Firm*	*Private Sector*
Frequency	24	11	36	15
Percentage	28%	13%	42%	17%
Position in company	*Junior staff*	*Supervisory management*	*Middle level management*	*Senior level management*
Frequency	19	35	26	6
Percentage	22%	41%	30%	7%
Years spent with organisation	*Below 5 years*	*5–10 years*	*10–20 years*	*above 20 years*
Frequency	38	26	17	5
Percentage	44%	30%	20%	6%

Table 2 Indicator Loadings

Variable	Loading
Intentions (INT)	
My company is committed to engage in or continue SAR	0.93
My company plans to engage in or continue SAR	0.95
My company has the intention to engage in or continue SAR	0.94
My company is willing to engage in or continue SAR	0.87
Attitudes (ATT)	
It is good for my company to engage in Sustainability Reporting	0.86
It is rewarding for my company to engage in SAR	0.97
It is valuable for my company to engage in SAR	0.97
It is meaningful for my company to engage in SAR	0.78
Subjective norm (SBN)	
Most of my company's stakeholders (shareholders, employees, community, etc.) think that my company should engage in SAR	0.93
Most of the internal stakeholders (employees and management) would approve my company engaging in SAR	0.72
Most organisations, whose opinions are valued by my company, engage in SAR	0.90
Many companies similar to my company engage in SAR	0.88
Behavioural control (BC)	
It is easy for my company to engage in SAR	0.79
It is possible for my company to engage in SAR	0.76
The decision to engage in SAR is under my company's authority	0.76
The decision to engage in SAR is under my company's control	0.85

criterion (Fornell and Larcker 1981). This criterion compares the AVE of each construct with the squared inter-construct correlation of that construct with all other constructs in the model. As can be seen from panel B of Table 3, the various square roots of the AVEs for each construct (in bold) are far higher than the inter-item correlation coefficients which demonstrate that discriminant validity criteria have been fulfilled. The above results demonstrate that the measures for the study constructs are reliable and valid to perform the structural model analysis.

Table 3 Reliability and Valid Tests

Panel A: Convergent Validity and Reliability Test				
	AVE	*Composite Reliability*	*Cronbach's Alpha*	
ATT	0.80	0.94	0.92	
BC	0.63	0.87	0.80	
INT	0.85	0.95	0.94	
SBN	0.74	0.92	0.88	
Panel B: Discriminant Validity Test				
	ATT	*BC*	*INT*	*SBN*
ATT	**0.90**			
BC	0.48	**0.79**		
INT	0.49	0.60	**0.92**	
SBN	0.52	0.53	0.75	**0.86**

Structural model analysis

The study initially examined if collinearity was present among the constructs (predictors) – attitude (ATT), subjective norm (SBN) and perceived behavioural control (BC) to determine the structural relationship among the study constructs. This test is essential since the structural path coefficient for the model is based on ordinary least squares (OLS) regression (Mooi and Sarstedt 2011). Collinearity test was conducted using the Variance Inflation Factor (VIF). The results from this test raise no general concern about collinearity problems given that the VIF values which range between 2.08 and 2.59 are far below the maximum threshold of 10. The low VIF values are indicative of the fact that the results from the structural model analysis are not influenced negatively by collinearity problems. Having ensured the reliability and validity of the construct, the proposed hypotheses were examined by running Algorithm and Bootstrapping of SmartPLS. Figure 1 and Table 4 present the products of the algorithms.

Test of the overall model quality was assessed using the coefficient of determination (R^2). The R^2 indicates the predictive power of the endogenous constructs by showing the percentage of variance explained (Sarstedt et al. 2014). The result of this test as shown in Fig. 1 demonstrates that the endogenous construct 'Intention to engage in sustainability reporting (SAR) has a high predictive power given

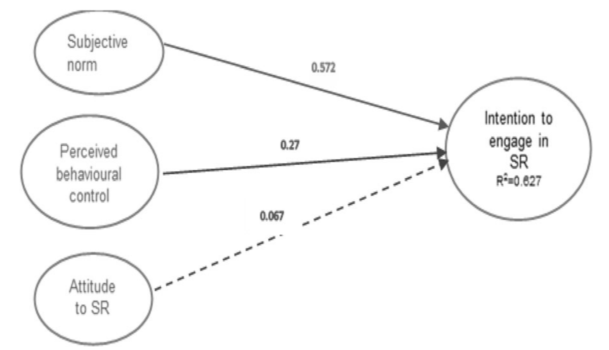

Fig. 1 Structural Model for Intention to Engage in SAR

the reported R^2 value of 0.627. By implication, 62.7% of Intention to engage in sustainability reporting is jointly explained by all the exogenous variables. Next, the predictive relevance of the endogenous construct for the model was evaluated by adopting Hair Jr et al. (2014) blindfolding guidelines. The rule of thumb is that the cross-validated redundancy (Q^2) should be above zero to be considered relevant. The result from this test also provides enough support for the predictive relevance of the endogenous construct 'Intention to engage in SAR' with a Q^2 value of 0.5136.

Finally, the coefficient and significance of the paths in the structural model were analysed using bootstrapping procedure. These paths demonstrate the original hypotheses or the structural relationships of the study as shown in Fig. 1 and Table 4. In this study, we predicted that professional accountants' attitude (ATT), subjective norm (SBN) and perceived behavioural control (BC) have a direct influence on a company's intention to engage in SAR as espoused by Thoradeniya et al. (2015) and Weidman et al. (2010). However, the results from the path analysis (Fig. 1) indicate that only two of the indicator constructs – subjective norm and perceived behavioural control have a significant relationship with intention to engage in SAR. With a path coefficient of 0.572 (p value = 0.000), subjective norm was found to have a significant positive relationship with perception about a company's intention to engage in SAR. Likewise, perceived behavioural control was also found to be positively and significantly related to intention to engage in SAR with a path coefficient of 0.27 (p value = 0.000). The relationship between accountants' attitude towards SAR and intentions recorded insignificant results with a path coefficient of 0.067 and a p-value of 0.40.

Table 4 Structural model results

Hypothesis	Path	Path Co-efficient	p value	Decision
H1	ATT → INT	0.067	0.40	Rejected
H2	SBN → INT	0.27	0.00	Supported
H3	BC → INT	0.527	0.00	Supported

The above results suggest that perceived pressure from major stakeholders of a firm by accountants and the availability of resources are the key determinants of intentions to engage in SAR. The findings of this study indicate that the personal attitude of accountants towards SAR do not affect the company's intention to engage in SAR in a significant way. Impliedly, regardless of the predisposition of accountants towards SAR, a firm is more likely to engage in SAR when it has the much-needed resources to invest into it and when stakeholders exert pressure and demand for such information. Thus, irrespective of an accountant's disposition towards SAR, pressure from stakeholders for such information and availability of resources to provide same may trigger action from management to engage in SAR to avoid legitimacy threats from these stakeholders.

The results, to a considerable extent, are expected. Given that SAR remains mostly a voluntary activity and a drain on shareholder wealth, availability of resources would be a significant consideration for firms to engage in the practice. Moreover, since there would always be competing demands for the resources of firms which are usually scarce (Lamberton 2005; Adams and McNicholas 2007), the intention to engage in SAR will also be dependent in part on pressure from users of such information. From empirical perspective except for the insignificant relationship between attitude and intention to engage in SAR, our findings are broadly consistent with the work of Thoradeniya et al. (2015) and Weidman et al. (2010). Nevertheless, the insignificant relationship between attitude and intentions from this study has also received empirical support in past studies (Flannery and May 2000).

Conclusion

The study examined the primary determinants of the intention to engage in SAR in Ghana from the perspective of professional accountants. Based on the tenets of TPB, the study examined the attitude of professional accountants, their perception of perceived behavioural control and subjective norm on their company's intention to engage in SAR. Using the instrument of Thoradeniya et al. (2015), data was collected from accountants who belong to the professional accounting body ICA-GH for the empirical analysis of the study. The partial least square (PLS) SEM-based technique was adopted to analyse the study objectives.

Based on the results from the structural model, the study found that two of the constructs: perceived behavioural control and subjective norm are the main predictors of a firm's intention to engage in SAR. Thus, the intention to engage in SAR is primarily influenced by stakeholder pressure for disclosure of such information and availability of resources to engage in the practice. However, the attitude of professional accountants towards SAR does not influence the intention to engage in SAR significantly. Given that resources of the firm are scarce in relations to the unlimited needs, an essential way of promoting the SAR based on the findings of this study will be for significant stakeholders to be alive with their responsibilities and exert pressure on corporations to disclose information on sustainability. Notwithstanding the key contributions of the present study to the SAR literature the findings are based on the views of very few professional accountants in Ghana. While this limitation may affect the extent of generalization of the study findings, it also provides an important avenue for further research in the area in different context.

Endnotes

[1]Defined as the process through which firms provide information on the socio-economic and environmental impacts of their operations to stakeholders.

[2]This assertion assumes that financial accounting reports can serve the legal and administrative regulations and persons with economic power in support of liberal economic democracy, a grounded theory of financial reporting (Gray, 2006; Özsözgün Çalişkan 2014)

[3]Reports on environmental, health and safety often include issues on employee health, on-the-job accident rates, emissions of certain pollutants, spills, volumes of waste generated and initiatives to reduce and minimise such incidents and releases. Social issue reporting embraces reports on ethical labour practices, training, education and diversity of work force, and corporate philanthropic initiatives.

[4]Lin et al. (2008) assert that the perceptions about a practice is essential in establishing the knowledge and acceptance of the practice.

[5]Other indirect firm value creation variables such as legitimising corporate actions, enhancing and protecting companies reputation, demonstrating firms' commitment to the environment and social issues, and response to demands for information from the growing number of stakeholders are also advanced as contributing to the practice of SAR by firms (Özsözgün Çalişkan 2014; Schaltegger and Burritt 2010).

[6]See Özsözgün Çalişkan (2014) and Schaltegger and Zvezdov (2015) for a detailed review and discussion of the role of accounting and accountant in SAR.

Abbreviations

ATT: Attitude; AVE: Average variance extracted; BC: Perceived behavioural control; GNAS: Ghana national accounting standards; ICAG: Institute of chartered accountants-Ghana; IFAC: International federation of accountants; KPMG: Klynveld Peat Marwick Goerdeler; OLS: ordinary least squares; PAFA: Pan African Federation of Accountants; PLS: Partial least square; ROSC: Report on Observance of Standards and Codes; SAR: Sustainability Accounting Reporting; SBN: Subjective norm and; SEM: Structural Equation Modelling; TBL: Triple Bottom Line; TPB: Theory of Planned Behaviour; TRA: Theory of Reason; VIF: Variance Inflation Factor

Authors' contributions

All authors read and approved the final manuscript.

Competing interests

The authors declare that they have no competing interests.

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A research-informed model for corporate social responsibility: towards accountability to impacted stakeholders

Dyann Ross

Abstract

An Australian case study is presented of an ongoing conflict between Alcoa World Alumina, a multi-national mining company and the impacted stakeholders of Yarloop, a small rural community in Western Australia. The conflict has been subject to research by the author since the early 2000s and is the impetus for developing a model for corporate social responsibility (CSR). The model emphasises engaging impacted stakeholders in dialogue with powerful stakeholders to achieve social justice. This involves a three way set of relationships with key people in leadership positions from the relevant government departments, the corporation's management group and the impacted stakeholders.

The model is premised on an ethic of love approach which utilises the ideas of social justice, social sustainability, and the social pre-cautionary principle. An outline is presented of these ideas as well as a set of inter-linked strategies which are responsive to power inequalities in conflict situations. The ideas and strategies can guide efforts to address the social costs incurred by the impacted community stakeholders. This will involve a discerning commitment to work towards accountable government, sustainable business practices and social justice for impacted stakeholders. The approach requires a cultural shift in the business sector, and wider society, to equally value people, place and profit.

Keywords: Social work, Corporate social responsibility, Dialogue, Impacted stakeholders, Social justice, Social precautionary principle, Social sustainability, Ethic of love, Warrants, Accountability

Introduction

The article explains how the social justice imperatives of social work led the author to respond to an invitation by Alcoa World Alumina, Australia (Alcoa) to assist them with issues they were having with Yarloop, their neighbouring community. This entrée point into the conflict between Alcoa and Yarloop has led to an ongoing interest in issues of failure of corporate social responsibility (CSR). In the Australian context, large scale extractive mining is a significant driver of its 'two speed economy' (Brueckner et al., 2013). One speed relates to the economy which functions on high levels of company profits and individual wealth in the mining industry. The second speed economy relates to the other end of the spectrum where almost one third of the population are living below the poverty line on government benefits (ACOSS 2014). This broader context of inequality sets the scene for a complex intersection between social irresponsibility by mining companies and the pre-existing patterns of disadvantage in Australian society (Habibis & Walter 2015).

The question at the centre of CSR literature is - what responsibility does the mining sector have to its employees and local communities, and perhaps the broader society? Some examples noted in this introduction suggest that a number of multi-national mining companies do not consider their responsibility extends very far at all. The link between business claims of CSR in contexts of adverse impacts on, or conflicts with, community stakeholders appear to show an over-valuing of business profits at the expense of people and place (Brueckner & Author 2010). The article brings a focus to the social costs and inequalities in the mining

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sector which can be understood as examples of corporate social irresponsibility. The purpose in doing this is to establish an argument for the need to find effective ways to respond to these issues without further disadvantaging the less powerful, adversely impacted stakeholders.

CSR is typically defined as those capacities exercised by businesses, governments and other civil entities to ensure the impact of their operations has a social positive value and not a negative harmful effect (The International Organisation for Standardisation, cited in MOSS 2015: np). CSR is understood as being good for business and research shows that an explicit social emphasis to business operations can favourably impact on business profits and reputation. For example, research by Galbreath (2010) found evidence of gains in a wide cross section of Australian businesses who adopted CSR activities. The following summary of the findings explains the positive value of CSR:

> First, due to exhibited fairness, socially responsive activities appears to be a means to reduce employee turnover. Second, by meeting justice needs of customers, CSR is likely to increase customer satisfaction. Lastly, CSR activities provide visible signals from which stakeholders infer various positive characteristics of firms, thus creating an avenue to increase overall firm reputation. (Galbreath 2010: p411)

Where a social positive value is not experienced by some social groups or communities, the pressing task is how to engage the involved stakeholders to work towards a fairer outcome. An illustrative case study is presented which developed from some initial research into the conflict between Alcoa and the town of Yarloop.

A practice model is outlined for responding to failures of CSR which features an ethic of love premised on: social justice; social sustainability, and; the social precautionary principle. A key component of the model is the inclusion of warrants which hold the powerful stakeholders accountable for their contributions toward addressing the issues they have created. These ideas and other features of the model will be explained using details from the Yarloop-Alcoa case study.

A social work perspective

Social work is a profession distinctly placed to have something to offer in terms of the debates about the importance of ensuring CSR of business and also in terms of effective responses to failures of CSR. Social work is diverse and complex in how it is understood and practised throughout the world. There are significant cultural, historical and political factors which have shaped the nature of social work in different countries. These points notwithstanding, the International Federation of Social Work, defines social work as:

> A practice-based profession and an academic discipline that promotes social change and development, social cohesion, and the empowerment and liberation of people. Principles of social justice, human rights, collective responsibility and respect for diversities are central to social work … Social work engages people and structures to address life challenges and enhance wellbeing. (2014: np)

There is a key direct entrée point whereby social work can be seen to have a relevant role in responding to the impact of failures of CSR. This is related to social work's commitment to address social justice issues (AASW 2010: p13), which occurs in contexts of social equality and well-being (Author 2013a). From a social work perspective the interlinks between social justice and social sustainability are evident:

> Conflict, violence, abuse, human degradation and impoverishment are all indicators of the lack of social sustainability … Socially sustainable relationships are free of oppression from exploitation, violence, imperialism, disempowerment and marginalisation (Young 1990). It is an active state that occurs when people are involved in non-exploitative ways in the big and little decisions which affect all aspects of their lives. (Author 2013a np)

Some public and private entities adopt CSR principles as a core part of their business to avoid the reputational damage that can occur when companies fail to protect the interests of people and ecosystems affected by their operations. The pursuit of profits and market share can come at the cost of social well-being and can cause environmental degradation (Brueckner & Author 2010; Rees & Wright 2000). Internationally, the example in Brazil where a tailings dam wall broke destroying whole landscapes and villages, was a disaster waiting to happen. In 2015 the Fundao dam on the banks of a tributary to the Rio Doce was breached by sludge from the Samarco mining company. The torrent of tailings from the dam destroyed the village of Bento Rodrigues and killed 19 people. An Australian television report found evidence that the dam collapse was linked to a ramping up of production at the mine site (Knight, Hichens & Tozer 2016). Further, records show that concerns were expressed previously about potential issues with the safety of the dam walls (Douglas 2015). The Australian owned multi-national mining company, BHP Billiton (BHP), jointly owns Samarco with Brazilian company Vale SA.

The disaster has echoes to a major industrial issue last century in Australia at Wittenoom which continues to claim lives decades on from the crocidolite asbestos mine's heyday between 1943 and 1966. According to Heinrich (2013), the Western Australian government ignored warnings from medical officers who reported grave concerns for the safety of mine site employees for several decades before the operations were finally closed. The dangers related to exposure to asbestos were known internationally at the time. By 2013 the death toll stood at 2000 people from a workforce in the mine's heyday of 6500 men and 400 women (Heinrich 2013). People are still dying as a direct result of this mining disaster and the town of Wittenoom has been de-gazetted in an effort to keep people away from the contaminated area. The *Snowmen* (Simpson 2007) documentary about the asbestos issue details the devastating human costs of corporate irresponsibility by James Hardie Industries and the struggle, led by Bernie Banton, for justice for workers and their families.

BHP demonstrated the limits of its sense of CSR when it shut its new mine site at Ravensthorpe in south west Western Australia without notice, yet continued to recruit staff knowing this decision had been taken (Burrell 2013). There were claims some employees had arrived just the day before the company made the announcement and despite rumours for months prior, BHP had continued to deny it was closing (Burrell 2013). Just 8 months into the establishment of the nickel mine there was an international slump in nickel prices and while this was not in BHP's control, how it treated its employees and local community was within its sphere of influence and responsibility.

At the same time, the Australian federal government is meant to provide a social safety net for people (ACOSS 2014) who aren't part of the winners of the mining boom. But there is not a neat fit between who has access to the safety net and who bears the costs as shown by the impacted people of Ravensthorpe. The gap is perhaps where CSR needs to be exercised. Evidence suggests that much of the increase in inequality and the divide between rich and poor as typified by the two speed economy, is attributable to the skewing effects of wealth from mining (Oxfam 2014). There is no legal obligation for mining companies to provide social and welfare benefits to their employees or ex-employees. The Corporations Act (2001) refers to, and relies upon, company directors to act with 'enlightened self interest'. However, in times of economic down turn the mining sector tends to shed jobs at a faster rate and to a greater extent than other areas of the economy (Sprague 2015). Alongside this financial dynamic in favour of mining corporations, the Australian Government has actively resisted historical attempts by the United Nations to legislate for a business code of human rights norms (Anderson & Landau 2006: p3).

The business literature highlights the need for businesses to operate according to the 'triple bottom line' of economic sustainability, social sustainability and environmental sustainability (Elkington 1997). Aluchna (2017: p13) argues that the idea of triple bottom line involves the 'company incorporating the expectations of stakeholders [not only their shareholders] in its strategy and operations'. This development in CSR practices increases the likelihood that responses to the challenges involved in sustainable economic development (Idowu 2016: p1) will include all the stakeholder groups' interests and rights.

A consideration in the research undertaken with Yarloop and Alcoa was to understand the intersection between: the town people's calls for social justice; the corporation's professed claims of practicing CSR, and; the government's professed intention of ensuring social sustainability in the conflict situation. The disjuncture between these three stakeholder positions was the basis for a complex conflict that continues at the time of writing. The passage of time since the early 2000s has shown Alcoa continuing to be highly profitable and the town being almost destroyed. The depletion of social capital and businesses in Yarloop was evident from 2004 and mirrors other trajectories of towns where mining operations have intruded into the lives and health of residents. For example, the town of Hinkley in the United States of America also experienced a massive buy-up of private properties by a company which reversed the growth and resilience of the town (Pearl 2015).

In the broader societal context, social sustainability refers to 'an ideal state of well-being which might be expected to occur when social, economic and environmental interactions foster inter-generational equality and longitudinal equilibrium' (Author 2013a: p2245). The idea of social sustainability needs also to include animals who have the right to be protected from harm and suffering (RSPCA 2017). From a social work perspective, CSR can be understood as any actions undertaken by a corporation or government to contribute to short and longer term social sustainability. This would provide an optimal context for social justice where corporations would be expected to extend their responsibility to people who are adversely impacted by their business operations.

CSR is believed to be good for business (reputation and profits) and good for community relations which can be crucial for maintaining a 'community licence to operate' (MMSD 2002: p371). It cannot be assumed however, that private business entities' interests will align with communities' interests even if this is proclaimed to be the case. A mining company operating in a geographic locality has a social responsibility to not gain at the expense of the people, animals and ecosystems. An imbalance between corporate pursuit of profits and the safety and well-being of people and animals can indicate risks to social sustainability. The main indicators of social sustainability in the Yarloop case were health, social capital and sovereignty of the community from intrusions by the corporation (Brueckner & Author 2010). The next section will show how these three indicators of social sustainability became threatened in the Yarloop-Alcoa conflict.

The Yarloop-Alcoa case study

The irreconcilable conflict at the centre of the case study rests on perceived pollution threats from Alcoa's mining operations and the impacts of their increasingly intrusive public relations campaigns on local people and towns. This was occurring in tandem with the intricately influential role of the State Government which continues to have a pro-development agenda. This pro-development agenda privileges businesses such as Alcoa (Brueckner et al. 2013: p113) without sufficient regard to the socio-environmental impacts and costs (Sharp 2004; Brueckner & Author 2010: p61).

During 2002 and 2003, the author was engaged by Alcoa to advise them on how to quieten the community outrage against them which was reported in national media releases (Mayman 2002: p19). At the time, deep concerns were placed on the public record relating to air, land and noise pollution from Alcoa's alumina refinery at Wagerup. For example, some Alcoa employees were claiming unfair consideration for work related health impacts (McDermott 2005; Flint 2006a: p50). The extent of health and social impacts became exposed as more people in the community spoke out after a build-up of frustration and fear due to both the Government and Alcoa being slow to listen and take people's concerns seriously (Hahn 2002). Alcoa's own medical expert, Mark Cullen, deepened the controversy by declaring there was a link between health concerns and the refinery and he called on the local management of Alcoa to fix the problem (Miraudo 2002). Alcoa perversely continued to deny harm while it nevertheless commenced major technical improvements at the refinery. Meanwhile in this volatile context in early 2002, Alcoa undertook what became a very undermining and divisive buy up of private properties to secure what local people called a 'buffer' (Brueckner & Author 2010: p83). Alcoa has since purchased more than half of the town and many of the surrounding farms.

After an initial reconnaissance of various key stakeholders' views, the author and a small group of research colleagues from Edith Cowan University, sought entrée to the community and established regular meetings with community leaders and Alcoa managers. The evident power differences and competing interests between the community and the company alerted the researchers of the need to avoid complicity with Alcoa. A critical, participatory action research strategy (Stringer 2013) was undertaken as this allowed an emergent approach with action and reflection cycles based on an ongoing awareness of the power dynamics in the conflict. The article refers to information on the public domain and does not discuss material held in confidence by any of the stakeholders.

From Alcoa's perspective the project was about solving the problem of a community blaming them for issues Alcoa did not accept they were causing. While initially sceptical, the community gradually co-operated with the research team. The project used a community development style of engagement (Ife & Tesoriero 2006) which enabled people to be heard and to jointly seek solutions to the shared issues (Author 2002, 2003). To ensure transparency and accountability to both Alcoa and community members, the researchers provided all research materials such as meetings notes and discussion papers to the public as well as to Alcoa.

All sides to the conflict were separately engaged with and listened to and then a series of facilitated public meetings were conducted with the stakeholders in various combinations over an 18 month period. These meetings constituted the dialogue table where efforts to resolve the issues were centred. The challenge was to find a beginning point where all parties would be willing to come to the table. While health and safety were the main concerns of many residents, the focus for the facilitated public meetings was on the perceived unfairness of Alcoa's policy for buying local properties. Alcoa offered a bonus on top of market value for properties adjacent to its refinery but only market value for properties in the older part of Yarloop. This in itself created disharmony and confusion in the town. The buy up of properties by Alcoa was very contentious and was in 'take-off' mode as the research began.

During the life of the research and under increasing pressure from a number of concerned residents groups and medical experts, the State Government instigated a Parliamentary Inquiry which found that Alcoa was acting outside town planning requirements in creating the buffer (Sharp 2004: p267). An expert independent planner called the buffer 'a zone of commercial interest' (Author 2003). That is, Alcoa continued to act in its own commercial interest as all indicators showed the town's viability and growth had stalled and even reversed. There were no new residential developments in Yarloop once Alcoa became the main buyer of property in the context of health and property value concerns. The research in 2002 and 2003 also helped build the pressure on the Government to act and information submitted to the Parliamentary Inquiry from the research assisted in addressing Alcoa's unfair property formula.

The Inquiry recommended that Alcoa purchase any properties where owners were concerned for their health which was the first time a link was made and seen as fact that Alcoa was responsible for local peoples' health impacts and fears. Again perversely, Alcoa continued to deny it was buying properties because it had caused health issues. It was also probably perturbed by the unexpected number of property owners outside the township of Yarloop who wanted to sell up. The property purchase program required by the Government collapsed under this pressure within a short period (Brueckner & Author 2010: p56). The dialogue created by the research obtained a local commitment from Alcoa to not pursue further expansion of its Wagerup refinery while Yarloop and other local towns were feeling adversely impacted. It was not too long though before Alcoa announced its intention to expand and despite very strident community submissions against the expansion, it gained approval from the State Government. This was regarded by some residents as the ultimate act of social irresponsibility by Alcoa and while the expansion has not yet occurred due to unfavourable market conditions, the harm to company/community relations was done.

The research team's decision to withdraw from the project was triggered by Alcoa not allowing to release a key report of the research. Just prior to this action, Alcoa had refused to provide remaining residents in Yarloop with a life of the refinery guarantee on the value of their properties. This guarantee was central to the negotiations at the dialogue table over the 2 year period of the research. Since 2004 several members of the research team have continued to lend their support to the town of Yarloop. This ongoing relationship has afforded a deep understanding of the largely hidden costs of living too close to a major industrial complex in a state which has a vested interest in keeping Alcoa operating, if necessary at the cost of its people and local environment. The book – *Under corporate skies* (Brueckner & Author 2010) – provides a detailed account of this original research and some subsequent research about a community's struggle for social justice which continues to this day. The book and more recent publications by the authors can be considered the product of the research and a testimony to the challenges of trying to achieve CSR from the impacted stakeholders' perspective.

Accountability needed by powerful stakeholders

What the model needs to do

The case study shows how a practice model needs to address the dominance of the business sector's self-interested commercial activities. In particular, the model needs to ensure the interests of non-dominant impacted stakeholders are upheld. In the event of conflict or serious harm to the environment, animals or people, where corporate irresponsibility is occurring, it is manifestly illogical to leave to the corporation the task of self-regulating. For example, in a context of concerns for the air quality at Alcoa's Wagerup refinery, it was Alcoa, not the State Government or an independent body, who gathered, tested and reported on air samples.

Matters of environmental and social justice are the business of all tiers of civil society. Evidence shows that at times of major social and political upheaval, for example, there is a phenomenon of private businesses benefiting from the suffering and chaos of the society (Palazzo 2007: p55). The case study suggests that government regulatory mechanisms, to the extent they exist, can be inadequate for some types of socio-environmental issues where scientific evidence is inconclusive but public outrage persists. There has been a hidden burden on the Yarloop community to research and prepare a large number of submissions over the last 15 years against Alcoa's expansion and aspects of its licence. This effectively has done the Government's work for it and yet has not resulted in a curbing of Alcoa's incremental increases in production levels (Community Alliance for Positive Solutions CAPS 2017).

A power sensitive model of negotiations through dialogue is proposed premised on anti-oppressive ethics and principles (Clifford & Burke 2009) that can guide key stakeholders in their response to issues of CSR. The model is not on its own sufficient to address complex issues of harm, loss and unrestrained commercial interests but is an essential set of capacities and processes for ensuring efforts towards CSR achieve some traction. The model derives from the research experience and subsequent involvement with the Yarloop community and is designed on the author's understanding of what worked and what failed.

Main concepts explained

The proposed model involves the concepts of: anti-oppressive theory; social justice; dialogue; social sustainability; the social precautionary principle, and; an ethic of love. The concepts will be explained in this section and then the model will be presented. Anti-oppressive theories refer to ideas that seek to explain and respond to issues of discrimination and disadvantage where there tends to be a pattern of loss and harm for de-valued social groups such as women, people with disabilities and people who live on low incomes (Thompson 2011). These ideas bring a critique to privileged social groups who gain at the expense of non-dominant groups (Pease 2010). In the context of issues with CSR, adversely impacted stakeholders are the non-dominant group which often have members who belong to other disadvantaged social categories. For example, in the mining sector in Australia one such category is disadvantage that relates to locality. Rural and remote locations, where most of the large scale mining occurs, can exacerbate access to employment and services (Smith 2004). In the case study, Yarloop is in a rural area where there is limited employment and one of the impacts of Alcoa's operations has been a reduction in services to the community. Only a small number of Yarloop residents work at the Wagerup refinery.

Social justice involves efforts to address discrimination and disadvantage and usually refers to the re-distribution of societal resources (Rawls 1973). It can also refer to the inclusion of people in discussions and decisions which affect them (Young 1990). Social justice in Yarloop would have a number of dimensions and for many this required gaining compensation for harm done by Alcoa. Dialogue is a set of strategies for enabling this form of social justice where power differences between stakeholders are mediated to enable democratic, non-exploitative and power equalising processes (Author 2013b).

Social sustainability was defined earlier in the article and for current purposes refers to a genuine valuing of relationships across power differences where justice is sought without further disadvantaging the most vulnerable stakeholders. The social precautionary principle is an adaptation of the more familiar idea of the precautionary principle which is 'based on values related to "forecaring for life" and the natural world' (Myers 2002: p210; Myers 2004). According to Weier & Loke (2007:pi) 'the most widely adopted versions, based on the United Nation's 'Rio definition', seek to ensure that uncertainty about potentially serious hazards does not justify ignoring them'. In this article the term highlights the need to consider the social consequences of decisions as well as the environmental consequences.

An ethic of love refers to actions that seek to employ social justice, social sustainability and social precautionary principles to address issues of corporate irresponsibility. An emphasis on ethics brings attention to the way the issues are addressed and the love ethic brings attention to fostering a respectful and caring regard for all parties alongside the challenging of power relations that cause harm.

Dimensions of a model for critical social responsibility

This section describes the various aspects of the model that seeks accountability to adversely impacted stakeholders. The notion of critical social responsibility (Critical SR) highlights this goal of the model. It brings an anti-oppressive focus to the resolution of mining conflicts to avoid further disadvantaging less powerful stakeholders. Specifically, Critical SR refers to an ongoing need to check and moderate the effects of actions by powerful stakeholder groups when these actions have adverse impacts (Author 2017).

In relation to matters requiring Critical SR, the three principles to be upheld are: the social pre-cautionary principle (SPP); social sustainability (SS), and; social justice (SJ). These are the components of an ethic of love. This brings attention to the social capacities of: acting to protect vulnerable or adversely impacted group's interests as a priority (SPP); respect and a sustained commitment in all relationships (including non-human and ecosystems, Plumwood 2000) (SS), and; inclusion and fairness, with accountability by the powerful stakeholders (SJ). The main stakeholders this work needs to include are the senior business managers and government representatives (accountability for SJ), over the life of the issue (SS) where deference is given to the least powerful stakeholders (SPP).

The social capacities are required of all stakeholders. Further, the wisdom of the people (Ife & Tesoriero 2006) based on their lived experience needs to be given equal credence with the scientific and expert knowledge of business and government (SPP, SJ). Responses to issues of CSR need to hold the more powerful stakeholders, the corporation and government, responsible to resolve the issues (SJ), without blaming or ignoring the impacted communities and ecosystems (SS).

Figure 1 below summarises the main stakeholder group for each of the three principles for a model for enabling Critical SR.

Thus, the government, as the corporate regulator, has the onus of responsibility to enact the SPP, for example, when a mining company applies for expansion or increases in their production levels in circumstances of unresolved conflict with impacted communities (Brueckner & Author 2010). The corporation has the onus of responsibility to sustain relationships with all stakeholders, in particular with stakeholders who are claiming adverse social and other impacts (Author 2016, 2017). Finally, the onus of responsibility for impacted stakeholders is to act to ensure their views and interests are heard and to seek to influence due processes of accountability of the government and corporation (SS).

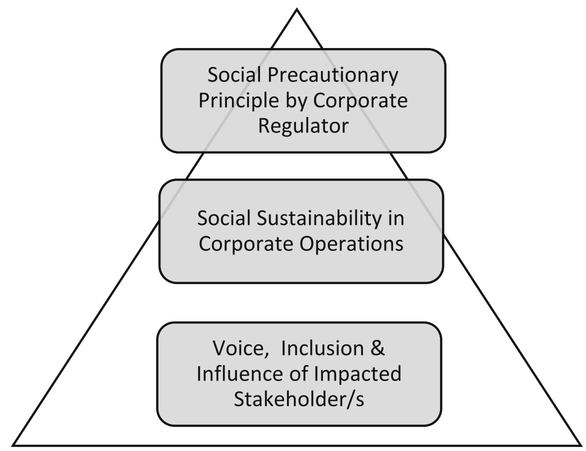

Fig. 1 Key principles for enabling an ethic of love per stakeholder responsibility

The main outcomes to be sought for the engagement between the three stakeholder groups are described below in Fig. 2.

It is for the impacted stakeholder group to declare if the desired outcomes are being achieved (SJ). In this regard it cannot be the prerogative of the powerful stakeholders to decide justice has been bestowed. The privilege and vested interests of powerful parties could mean that the members will continue to act defensively and in their own interests at the cost of non-dominant groups if necessary (anti-SS and anti-SJ). This is the main power dynamic of all global examples of corporate irresponsibility (Zadec 2007).

Figure 3 below introduces the idea of the dialogue table where the stakeholder groups need to sit and bring their respective views, interests and a willingness to address the issues affecting social sustainability and social justice.

The dialogue table is not a consultation process initiated by the corporation to gain support for their business plans and it is not a government regulatory process for consulting with the public about the corporation. The dialogue table needs to be a 'third space', much as the post-colonial literature suggests (Bhabha 2004). In this third space, the parties attend without duress and in good faith to progress a power-sensitive conversation based on the principles of an ethic of love – the social precautionary principle, social sustainability and social justice.

Figure 4 below describes the sources of power and legitimacy to join the dialogue table and to be able to act authoritatively in co-creating shared agreements and plans.

The sources of power and authority to act, both to cause the issue and to resolve it, have been outlined in Fig. 1 with the idea of 'onus of responsibility'. Here it suffices to note that each stakeholder group draws upon different types of power where the legal, financial and institutional power of the government and corporation, while differently constituted, locates and legitimises ongoing human and financial resources to these entities. Thus, in the current case study, Alcoa is legally authorised with its own legislation – The Alumina Refinery (Wagerup) Agreement Act, 1961 & 1978 – and by the approval of its licence to operate by the State Government. The type of authority impacted community stakeholders can draw upon tends to rest in ethical and social bases which have been shown to be harder to galvanise and finance to undertake effective activism. There are though innumerable examples globally of the effectiveness of social activism in relation to irresponsible corporate and government activities (Zadek 2007: p160).

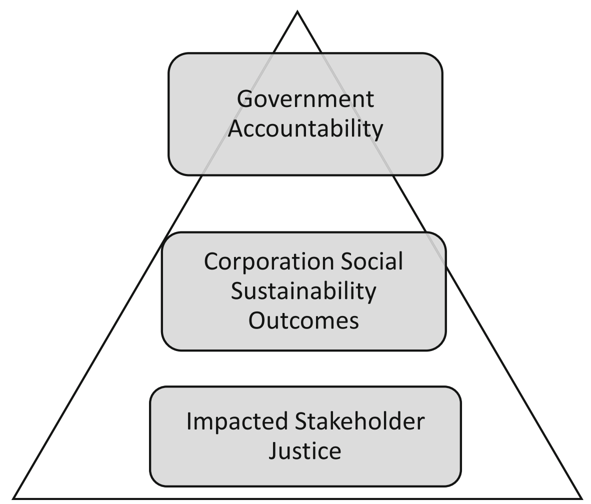

Fig. 2 Three way stakeholder dialogue outcomes

Figure 5 shows the warrants, or agreements, that need to be upheld to address the unequal power relations so that dialogue can be effective:

Drawing on the work of Fox & Miller (1995), the starting point to dialogue is identifying the warrants that need to be achieved. If these warrants cannot be agreed to, or fall away at key decision-making points between the stakeholders, then dialogue has shifted to domination and control. This will mean a usurping of both democratic processes and an ethic of love (SPP; SS; SJ) has occurred. The discussion at the dialogue table needs to focus on matters of relevance (SJ), especially to the less powerful parties; result in substantial contributions to addressing the issue (SJ), especially by the corporation and government; and be based on sincere relationships over time (SS). Further, the process needs to include stakeholder group based reflections, and if necessary, a challenging strategy, if power dynamics undercut the goodwill of any stakeholder/group in the dialogue process (SS).

Seeking justice for impacted stakeholders

In the intensely contested and highly politicised context of the Yarloop-Alcoa conflict (Southwell 2001; Mayman 2002; Flint 2006b, 2008), it was extremely difficult to maintain relationships across all the intersecting power differences. One fragment of the author's practice is noted here to give an example of how an ethic of love guided actions and decisions. The research team enabled weekly meetings over an 18 month period between Alcoa and the community, and sometimes this included government officials, politicians, lawyers and other experts. The focus was on developing a set of recommendations relating to Alcoa's policy for property purchases, town amenity improvements and other sustainability measures. The aim was to achieve consensus between local Alcoa managers and community stakeholders of ways forward that could be ratified by senior managers in Alcoa at their Australian head office. A key strategy at the dialogue table was strongly facilitated meetings which very firmly held to

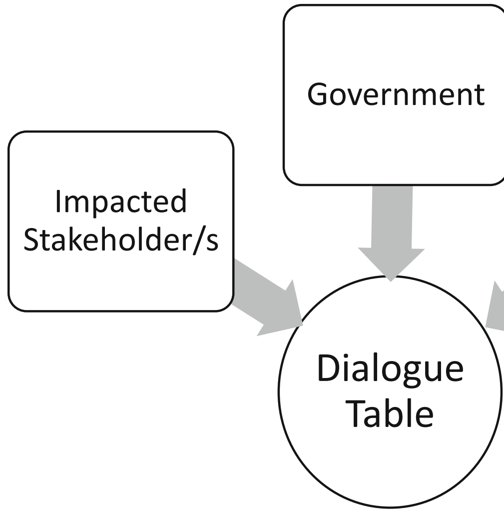

Fig. 3 Stakeholders sit at the dialogue table

meeting etiquette. A love ethic was needed to ensure everyone present felt safe, respected, heard and able to contribute and influence matters of concern to them without anyone dominating or being aggressive. Crucially, the significant power differences needed to be constantly negotiated and acknowledged. Some townspeople were angry and affronted by their perceptions of harm caused by Alcoa. As well, some Alcoa people became angry and affronted that Alcoa was being blamed.

Thus, an aspect of the meeting etiquette and facilitation strategy was the modelling of respectful engagement with a strong challenging of unilateral claims of power and claims of being right or beyond question. The challenging skills (Thompson 2011) needed to be enacted by the facilitator guided by the ethic of love. This was occurring to the extent that, for example, there is a perceived care and fairness in applying the challenging to all parties, including less powerful people. However, this needed to occur with a very explicit awareness of the unequal situation of stakeholders. Specifically, the love ethic stance involved demonstrating a critical awareness of power (Fook 2016) and structural issues (Mullaly 2010) alongside a refusal to allow a reduction of discussions to private troubles (Mills 1959) or non-existent issues. This needed deep regard, care and concern for people (Banks 2012) so that how the meetings were conducted was experienced as respectful and sensitive to power while enabling constructive discussions and decisions (Author 2003).

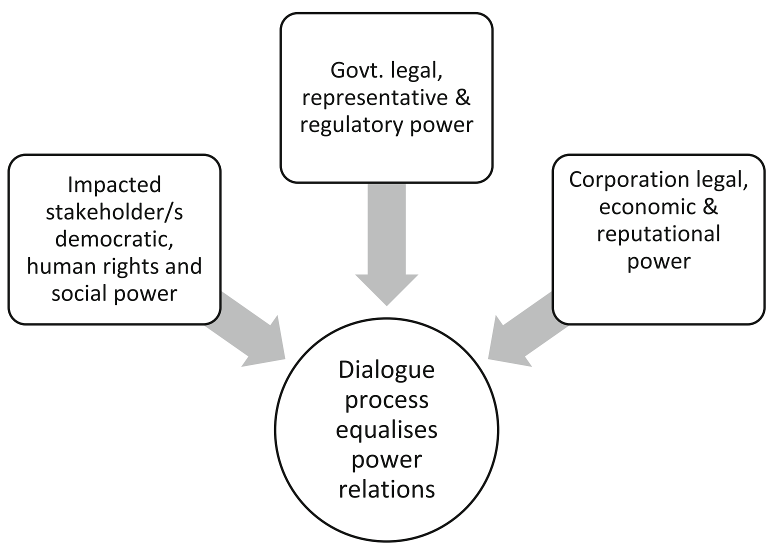

Fig. 4 Sources of stakeholder authority in dialogue process

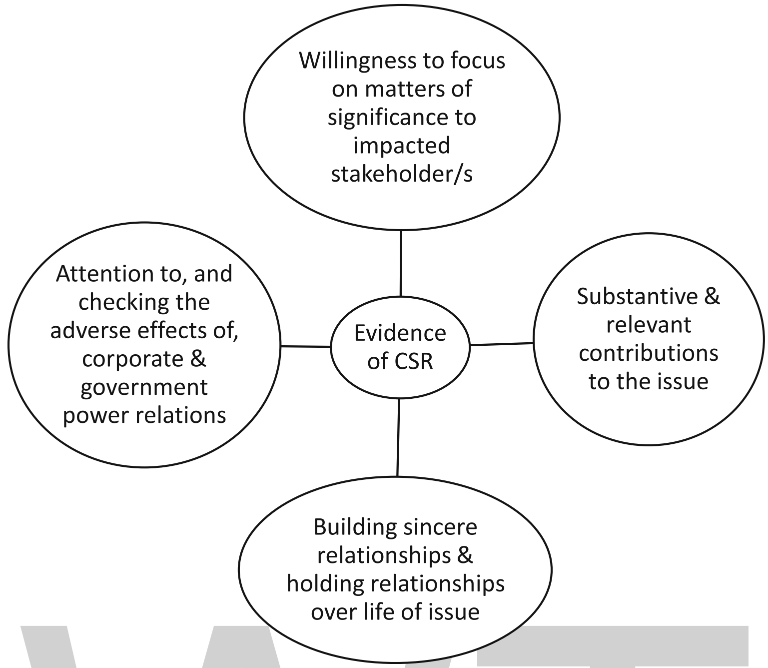

Fig. 5 Warrants for ensuring CSR is enacted

To enable such complexity in the public meetings, parallel spaces were needed for stakeholder groups to prepare for the meetings and debrief after them. These parallel meetings were crucial for instilling non-violent, respectful and robust critiques of others and for strategising for the next steps. The involvement of the research team in many of these meetings allowed a developed appreciation of the interactional, contextual and sustainability issues. All aspects of these issues involved high levels of emotional intensity, opposing views and evidence and competing agendas which could de-rail the dialogue if not carefully acknowledged or addressed. Matters of substance were achieved in the form of the majority of recommendations co-created at the meetings. One key recommendation – protection of resident's property values for the life of the refinery – however, was not upheld by senior management at Alcoa headquarters. The hope - more sensed momentarily in the meetings than realised beyond the dialogue table - was that the practising of Critical SR would transfer to enacting an ethic of love by all stakeholders in between the meetings and going forward over time.

This was one and only time Alcoa was willing to engage in a power-equalising dialogue with impacted stakeholders over matters of substance to the Yarloop people. The experience has significantly informed the nature of the proposed model. The research identified a number of characteristics that are anchored in the model: the voluntary participation of stakeholders; an embedded power analysis; the fostering of respectful relationships; the value of independent third party facilitation, and; the transparent public meetings and documents. What was missing at the time that was a major learning from the research is that formally binding warrants need to be established. This needs to occur at the beginning of attempts to hold the government and corporation accountable through a community dialogue process.

As Fig. 5 shows, the model includes a set of four warrants, or agreements, that need to be upheld until the issue, as understood by the impacted stakeholders, is resolved. The research did achieve the warrant of a willingness to focus on several matters of significance to the impacted stakeholders. This was held though, only at the local level between Alcoa managers at the Wagerup refinery and community members. When the set of recommendations generated locally were presented to senior management in Alcoa, the key recommendation of life of the refinery guarantee of property values, was not upheld. This constituted a lack of willingness to focus on the matter of substance to residents who wanted to stay in Yarloop without being financially disadvantaged by Alcoa's operations.

The ongoing challenge during the meetings was to obtain the warrant related to the substantive and relevant contributions to the issue by Alcoa and the State Government. The example of guarantee of property values sat alongside other interests of the impacted stakeholders which were not able to be placed on the dialogue table at the time due to resistance from Alcoa. The big issues were: Alcoa to take responsibility for a range of health and social impacts and to pay compensation for harm done; medical authorities' calls for no further expansion of the refinery, and; the need for comprehensive, independent health and air quality studies. After the life of the research, independent studies were undertaken (Telethon Institute for Child Health Research 2008; Department of Environment and Conservation 2008) but there has been no change to the status quo to date.

The other warrants relating to sincere relationships and curtailing of adverse effects of dominant power relations were intertwined with the lack of substantive contribution to the issues. The public meetings were efforts at dialogue where sincere relationships, attention to power dynamics and staying focussed on matters of relevance were achieved *during* the meetings. Beyond the meeting spaces in the corridors of power and privilege, the dominant stakeholders took little direct responsibility to uphold the integrity of the local relationships and agreements. There was no formal, legally binding agreement to uphold the commitment to act in the interests of the impacted stakeholders and to fix the problems. In unresolved situations, the baseline action needs to be the right of any stakeholder to call for the enacting of the social pre-cautionary principle.

Conclusion

The long running industrial conflict between Yarloop and Alcoa in Western Australia was explored to show a contribution being made by social work. This contribution took the form of industry funded research and subsequent support of the impacted stakeholders. The article presented a model for engaging key stakeholders which can enable redress to social justice issues as part of achieving CSR. The model is the culmination of the author's involvement in the issue since the early 2000s. It fits into a politico-economic context of pro-development and limited checks and balances for harm done to impacted stakeholders. As such the model is feasible and adaptable to contemporary circumstances where multi-national mining companies are operating in close proximity to pre-existing towns and agricultural businesses.

Crucially though, the warrants which set the parameters of areas of focus and who is responsible need to be secured before efforts at dialogue are attempted. It is extremely difficult to enable dialogue across differences of power where there is a perceived or actual threat to the powerful stakeholders. Alcoa was able to employ a range of tactics to avoid being accountable, including senior management foiling local efforts of its own people at problem-solving. As Freire (1970) notes, the dominant stakeholders won't want to give up their privileges and advantage and are unlikely to do so without legal pressure. The role of government in bringing this legal pressure to bear becomes a central matter needing further investigation.

The outcome from using the proposed model is not assured for the impacted stakeholders as the Yarloop people have found. In such circumstances, there is perhaps a greater obligation on civil society to regulate for CSR and to direct the areas of social concern and social impact that the businesses need to address as part of their legal licence to operate.

About the author
Dyann Ross lectures in social work at the University of the Sunshine Coast in Queensland. She has been a social worker for many years in the areas of mental health, community and tertiary education, and research in the mining industry. Dyann led a research team in a critical, participatory research project with Alcoa World Alumina of Australia and local impacted communities in the early 2000s. Her interest in this area has continued in the form of follow up research, writing and support of local communities who continue to seek corporate social responsibility of their nearby neighbour.

Competing interests
The author declares that she has no competing interests.

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Cross-cultural differences in concrete and abstract corporate social responsibility (CSR) campaigns: perceived message clarity and perceived CSR as mediators

Soojung Kim[1*] and Jiyang Bae[2]

Abstract

Guided by Hofstede's (Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations, 2001) cultural value of uncertainty avoidance, this study tests whether the effect of concrete vs. abstract CSR campaign messages on attitude toward the company and purchase intention varies by cultural difference in uncertainty avoidance and whether such effect is mediated by the perceived clarity of the message and perceived CSR. Lab experiments were performed in the U.S. and South Korea with American and Korean college students. Two-way ANOVA results revealed the relative advantage of concrete message on attitude toward the company and purchase intention among Koreans (vs. Americans) with high (vs. low) uncertainty avoidance. A series of bootstrap analysis testing multiple mediation models showed that the relative advantage of concrete message among Koreans was mediated by their perceived message clarity and perceived CSR in response to the concrete message. By identifying an international CSR campaign message strategy, the findings contribute to research on cross-cultural campaigns and CSR campaign effects.

Keywords: Corporate social responsibility, Uncertainty avoidance, Perceived message clarity, Perceived CSR, Cross-cultural campaigns

Introduction

According to a recent report from Cone Communications (2012), there is strong evidence of consumers' increasing focus on CSR activities: 83 % of Americans wish brands and companies would support worthy causes, and 41 % have purchased a product associated with a cause. This holds true for consumers with different cultural backgrounds. For instance, 64 and 63 % of consumers in Asia and Latin America are respectively willing to pay more to purchase products or services from companies devoting themselves to CSR activities (Nielsen 2014). This global trend may be linked to companies' active participation in global CSR activities. According to Reputation Institute (2012), 100 reputable companies across 15 countries have spent 102.6 million dollars for implementing global CSR activities.

Despite companies' active participation in CSR activities, it remains unclear how they may effectively communicate CSR activities with consumers from different cultural backgrounds. CSR communication strategies that are adapted to consumers' cultural backgrounds could be essential (Ding 2006), especially when the message content and audience's message perception are tied to cultural values (e.g., Kim & Johnson 2013). As individuals' cultural backgrounds are important consumer factors influencing campaign effects and effectiveness (de Mooij 2010), previous studies suggests the relative advantages of culturally adapted messages over standardized or culturally non-adapted messages (Han & Shavitt 1994; Zhang & Gelb 1996).

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Some CSR campaign messages include the information of a company's CSR activities in detail (e.g., type of CSR activities and donation amount), while others are not more image- or feeling-oriented (Olsen et al. 2003; Pracejus et al. 2003; Yoon 2015). Some researchers suggested that cultural values would play an important role in influencing the effects of CSR campaign messages with various degrees of CSR-related information presented in the messages (e.g., Bae 2011; Lee 2008).

With these situations as backdrops, this study tests the cultural differences of uncertainty avoidance level in the effects of concrete vs. abstract CSR messages on attitudes toward the company and purchase intention. In comparing different cultural groups, this study is based on a sample of Koreans and Americans. Koreans and Americans characterized as individuals with higher and lower uncertainty avoidance, respectively (de Mooij & Hofstede 2010; Hofstede 2001; Hofstede et al. 2010).

In order to further understand the process whereby the effects of concrete vs. abstract CSR messages vary by the level of uncertainty avoidance, this study tests the mediating role of perceived message clarity and perceived CSR as mediators (Kim et al. 2010; Lichtenstein et al. 2004). In particular, this study adopts a multiple mediation approach to examine whether perceived message clarity and perceived CSR vary by cultural difference in response to the abstract vs. concrete messages, which may subsequently influence attitudes toward the company and purchase intention (Kim et al. 2010; Lin et al. 2011; Stanaland et al. 2011; Tian et al. 2011). In doing so, this study would contribute not only to the research stream on CSR communication research and campaign development, especially campaigns targeting different cultural or sub-cultural groups, but also to research on cross-cultural campaign effects.

Literature review and hypotheses

Corporate social responsibility (CSR) activities and campaigns

As a social obligation to represent a positive commitment to society, corporate social responsibility (CSR) is defined as the obligation "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 1953, p. 6). Previous research indicates that CSR is effective in improving not only companies' financial performances (Orlitzky et al. 2003; Pava & Krausz 1996), but also consumers' perceptions and beliefs about companies (Gonzalez 2007; Luo & Bhattacharya 2006; Pfau et al. 2008; Sen et al. 2006). For instance, Pfau et al. (2008) found that CSR campaigns tended to enhance an organization's image, reputation, and credibility. Gonzalez (2007) also showed that CSR campaigns generated consumers' beliefs about an organization's contributions to the community and its trustworthiness. Thus, it is reasonable to expect that CSR advertising campaigns, which communicate an organization's socially responsible activities, would be likely to produce consumers' positive responses.

Cause-related marketing (CRM), a marketing form of CSR to communicate companies' donations to worthy causes, tends to generate similar positive outcomes (Nan & Heo 2007; Ross et al. 1992; Smith & Alcorn 1991; Webb & Mohr 1998). For instance, consumers generally believe that CRM is a good way for companies to perform socially responsible behaviors (Ross et al. 1992). Consumers also tend to form positive attitudes toward the ad, company, brand, and product involved in a CRM campaign (Nan & Heo 2007; Ross et al. 1992; Webb & Mohr 1998). Furthermore, consumers are willing to purchase products from companies committed to CSR activities (Smith & Alcorn 1991).

Du, Bhattacharya, and Sen (2010) noted that message content and communication channels in CSR communications played an important role in affecting consumers' beliefs, attitudes, and behaviors. For instance, messages communicating CSR activities that are congruent (vs. incongruent) with an organization's characteristics (Menon & Kahn 2003; Sen & Bhattacharya 2001) and highlighting an organization's commitment to CSR activities (e.g., the amount of input) (Du et al. 2010; Dwyer et al. 1987) have been found to be effective. The following section discusses one of the CSR message strategies, namely, concrete vs. abstract message strategy.

Concrete vs. Abstract message strategy in CSR advertising campaign effects

Although CSR campaigns generally produce consumers' favorable responses (Gonzalez 2007; Pfau et al. 2008), previous research has not documented definitive answers to a companies' concern. The concern is related to the degree to which companies need to communicate CSR activities in detail. In the absence of the answer, some companies create CSR campaigns including specific facts (e.g., donation amount and the type of CSR activities) based on concrete terms and expressions, while other companies implement CSR campaigns using abstract expressions (Olsen et al. 2003; Pracejus et al. 2003).

The concrete message strategy is characterized as the use of specific information, terms, and expressions in messages so that audiences can easily understand and process the message (Hitchon et al. 1994; Liang & Cherian 2010). In contrast, the abstract message strategy is characterized as the use of abstract terms and expressions (e.g., hope and happiness) in messages and, thus, audiences do not receive detailed information. Applying this concrete vs. abstract message strategy to the CSR advertising campaign context, consumers exposed to a concrete CSR campaign message could process information embedded in the message more easily than those exposed to an abstract CSR message.

Some studies reported that concrete advertising messages were more effective (Atkin et al. 2008; Hitchon et al. 1994; Ketelaar et al. 2010; Rossiter & Percy 1980), whereas other studies found that abstract messages were more effective (Eisenberg 1984; Ha & Hoch 1989; Hoch & Ha 1986; McQuarrie & Mick 2003). For example, Hitchon et al. (1994) showed that music video ads with a lower level of abstractness produced more favorable attitudes toward the ad and brand. Ketelaar et al. (2010) also found that consumers exposed to traditional ads were more likely to form positive attitude toward the ad than they do with open ads, which did not guide to specific information. In contrast, Ha and Hoch (1989) showed that consumers were more likely to be persuaded by ads with abstract components.

The cultural value of uncertainty avoidance

The cultural dimension of uncertainty avoidance (de Mooij & Hofstede 2010; Hofstede 2001; Hofstede et al. 2010; House et al. 2010) can serve as a useful theoretical framework for explaining individuals' different responses to concrete vs. abstract CSR campaign messages. This is because different values held by individuals with different cultural backgrounds are likely to affect their patterns of message processing (Nisbett 2003; Nisbett & Masuda 2003).

Uncertainty avoidance is defined as "the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations" (de Mooij & Hofstede 2010, p. 89). Individuals with a strong level of uncertainty avoidance are reluctant to accept changes and innovation (Yaveroglu & Donthu 2002; Yeniurt & Townsend 2003) and are more likely to establish detailed practices and social norms (Javidan et al. 2006). In contrast, individuals with a low level of uncertainty avoidance are willing to accept changes and take unknown risks (Yaveroglu & Donthu 2002; Yeniurt & Townsend 2003) and tend to prefer simple processes in the work situations (Javidan et al. 2006). Countries such as Japan, South Korea, and Greece are considered as high uncertainty avoidance societies, whereas countries such as the United States and Great Britain are considered as low uncertainty avoidance societies (Hofstede 2001).

The differences in the level of uncertainty avoidance among individuals from various cultural backgrounds are observed in a wide range of contexts and forms. Particularly, trust in other people and organizations and preference for clarity in consumer behaviors and organizational practices are relevant to this study. Given that trust can be considered as an individual's openness to take risk in a relationship (Schoorman et al. 2007), individuals with high uncertainty avoidance do not easily trust other people (Hofstede 2001). In contrast, individuals with low uncertainty avoidance tend to believe that most people can be trusted (Hofstede 2001). Similarly, Schoorman et al. (2007) found that people with high uncertainty avoidance were less likely to trust in for-profit companies than those with low uncertainty avoidance.

Individuals with high uncertainty avoidance are more likely to have a stronger need for clarity in consumer behaviors and organizational practices (Adler 1997; Lynn et al. 1993; Newman & Nollen 1996). In particular, people with high uncertainty avoidance were less likely to engage in nonobligatory consumer behaviors (e.g., tipping) (Lynn et al. 1993). Newman and Nollen (1996) found that the clarity of management practices produced high work-unit performances among individuals with high uncertainty avoidance.

The role of uncertainty avoidance in affecting the concrete vs. abstract message effects

Considering the suggested connection between individuals' level of uncertainty avoidance and their beliefs and behaviors, the effects of concrete vs. abstract CSR messages may vary by individuals' level of uncertainty avoidance. Particularly, it is expected that individuals with a high level of uncertainty avoidance would respond to the concrete (vs. abstract) CSR campaigns more positively, whereas individuals with a low level of uncertainty avoidance would not be likely to respond to the concrete and abstract CSR campaigns differently.

Previous empirical studies found that advertising messages congruent with the target consumers' uncertainty avoidance were more persuasive (Garcia & Yang 2006; Reardon et al. 2006). For instance, Garcia and Yang (2006) found that consumers with high uncertainty avoidance generated more favorable attitude toward the mild sex-appeal ad, whereas consumers with low uncertainty avoidance generated more favorable attitude toward the strong sex-appeal ad. This is because sex-appeal ads are often considered controversial and challenging in terms of the traditional ethical standard. Furthermore, Reardon et al. (2006) demonstrated that adolescents with high uncertainty avoidance responded more favorably to the negative (vs. positive) anti-smoking ad message, resulting from the fact that they were more motivated to avoid taking risks.

A few studies have been conducted to test the role of uncertainty avoidance in influencing the effects of concrete vs. abstract advertising messages. Particularly, Liang and Cherian (Liang & Cherian 2010) tested the effects of concrete vs. abstract advertising messages by comparing Chinese consumers of high uncertainty avoidance with Americans consumers of low uncertainty avoidance. They found Chinese consumers who were more sensitive to their traditional values had more favorable attitude toward the ad with concrete words and ad contexts than with abstract words and no expressions. In contrast, American consumers who were less sensitive to others challenging their traditions did not show different levels of attitude toward the ad in response to concrete and abstract ad messages.

Applying a study by Liang and Cherian (Liang & Cherian 2010) to this study's context, for individuals with a high level of uncertainty avoidance, a straightforward CSR message having specific information would be evaluated more positively. On the other hand, an abstract CSR message without clear information would be evaluated negatively. For individuals with a low level of uncertainty avoidance, two message conditions would not be evaluated differently. Thus, the following two hypotheses are posed:

Hypothesis 1: The concrete (vs. abstract) CSR message will produce more positive attitude toward the company for Koreans. However, such effects will not be observed for Americans.

Hypothesis 2: The concrete (vs. abstract) CSR message will produce greater purchase intention for Koreans. However, such effects will not be observed for Americans.

Perceived message clarity and perceived CSR as mediators

Perceived message clarity and perceived CSR may provide an explanation for why the positive effects of the concrete CSR message would be more prominent for some consumers. First, perceived message clarity is characterized as the extent to which audiences perceive media messages as clear and understandable without ambiguity or noise (Darley & Smith 1995; Kim 2006; Kim et al. 2010; Yalch & Elmore-Yalch 1984).

Research indicates that perceived message clarity is an outcome of concrete messages (Yalch & Elmore-Yalch 1984) and a predictor of consumers' positive responses to such messages (Kim et al. 2010). More specifically, Yalch and Elmore-Yalch (Yalch & Elmore-Yalch 1984) found that the message with a quantitative body copy, defined as a message with more clear evidence, generated a higher level of perceived message clarity than the non-quantitative message. Moreover, Kim and his colleagues (Kim 2006; Kim et al. 2010) considered message clarity one of the creative strategies and demonstrated that message clarity was a significant positive predictor of attitudes toward the ad and brand.

Perceived CSR is characterized by individuals' perceptions of a company incorporating charitable activities into its business (Drumwright & Murphy 2001; Hess et al. 2002; Lichtenstein et al. 2004). Research indicates that perceived CSR is a response to CSR campaign messages (Lin 2005) and the antecedent of consumers' positive responses to CSR activities (Lin et al. 2011; Stanaland et al. 2011; Tian et al. 2011). More specifically, Tian et al. (2011) showed perceived CSR was a significant positive predictor of attitudes toward the company and purchase intentions. Similarly, Lin et al. (2011) documented that perceived CSR led consumers to trust the company, which subsequently generated greater purchase intentions. Additionally, Stanaland et al. (2011) found that perceived CSR positively influenced perceived corporate reputation, trust in the company, and consumer loyalty.

Taken together, perceived message clarity and perceived CSR are expected to mediate different responses to concrete CSR messages among individuals with high vs. low uncertainty avoidance (Kim 2006; Kim et al. 2010; Lin et al. 2011; Stanaland et al. 2011; Tian et al. 2011; Yalch & Elmore-Yalch 1984). In other words, individuals with high uncertainty avoidance, compared to those with low uncertainty avoidance, would perceive the CSR campaign with concrete message components as more clear and understandable and perceive the company as actively incorporating charitable activities into its business. Those perceptions would subsequently result in their more positive attitudes toward the company and higher purchase intention. Thus, the following two mediation hypotheses are posed:

Hypothesis 3: The concrete message will generate higher perceived message clarity, which will have a positive effect on (a) attitude toward the company and (b) purchase intention for Koreans, but not for Americans.

Hypothesis 4: The concrete message will generate higher perceived CSR, which will have a positive effect on (a) attitude toward the company and (b) purchase intention for Koreans, but not for Americans.

Method

A two message condition (concrete vs. abstract) by two cultural group (Koreans vs. Americans) factorial design was used. The concrete message condition included the specific information of a fictitious telecommunications company's CSR activity, habitat movement, whereas the abstract message did not provide any specific information about the company's CSR activity, but included abstract terms (e.g., happiness) only. Detailed descriptions about stimuli is discussed below.

This study tested the effects of concrete vs. abstract messages promoting a company's CSR activity based on participants from Korea and the U.S. Korea is considered one of the most uncertainty avoiding countries in the world, whereas the U.S. is considered a relatively uncertainty accepting country (Hofstede 2001; Hofstede et al. 2010).

Sample

A total of 90 American participants were recruited from undergraduate courses in a large Midwestern university in the U.S., and a total of 110 Korean participants were recruited from undergraduate courses at a large private university in Daegu, South Korea. The participating students received extra credit points in exchange for their voluntary participation.

The average age of the participants in the sample ranged from 19 to 33, and the mean age was 21.93 (SD = 1.87). In addition, 56 % of the participants were female. In terms of Korean participants, 56 % were female, and their age ranged from 19 to 33 (M = 22.23, SD = 2.03). In terms of American participants, 57 % were female, and their age ranged from 19 to 25 (M = 21.55, SD = 1.55). Most of the participants were Caucasians (79 %), followed by Asians/Asian Americans (11 %), others or mixed race (6 %), African-Americans (2 %), and Hispanics (2 %).

Stimuli

In this study, we created two versions of print ad promoting a company's CSR activity. To avoid priming any existing attitudes toward the company or business-specific stereotypes, a fictitious telecommunications company, Young Telecommunications, was used. Telecommunication companies have been often used in research on CSR campaign effects (e.g., Kim 2011). The habitat movement was used as the company's CSR activity because it is one of the most widely used CSR activities worldwide (Habitat for Humanity 2013).

As described earlier, the conceptualization of the concrete (vs. abstract) condition in this study's context was defined the amount of specific information presented in the message. Based on Hitchon et al. (1994), the concrete message with detailed information is considered having enough concrete words and contexts for message recipients to avoid multiple interpretations and have a clear understanding of the message. On the contrary, the abstract message without detailed information is considered having many abstract words and, consequently, message recipients would be less likely to understand the message clearly.

Based on this conceptualization, both conditions read identical headline and sub-headline: "We will deliver hope to places in need and step up for the happiness of global citizens. Young Telecommunications is creating a world with dreams and a future through the habitat movement." In the following, the concrete message condition provided detailed information in the body copy such that Young Telecommunications' habitat movement in Southeast Asia has contributed to addressing severe housing problems, whereas the abstract message condition did not provide any specific information about this habitat movement. At the end of the body copy both conditions read an identical message describing the role of the habitat movement in addressing residential problems (see Appendix).

Procedure

The experiments were conducted in experimental labs in Korea and the U.S. Participants from each cultural group were randomly assigned to one of the two message conditions. There were 55 Koreans and 45 Americans in the concrete message condition, and there were 55 Koreans and 45 Americans in the abstract message condition. They were asked to view a printed version of advertisement and were asked to complete a questionnaire, which included questions about their responses to the message.

Measures

Attitudes toward the company

Participants were asked to indicate their attitudes toward the company using three 7-point semantic differential items: "bad-good," "unfavorable-favorable," and "negative–positive" (MacKenzie et al. 1986). The inter-item consistency for attitudes toward the company was acceptable, and the responses were averaged across the three items (Total: Cronbach's α = .93, M = 4.96, SD = 1.11; Korea: Cronbach's α = .91, M = 4.75, SD = 1.10; U.S.: Cronbach's α = .94, M = 5.21, SD = 1.08).

Purchase intention

Purchase intention was measured by asking participants' agreement to the two measurement items: "It is likely that I will buy a Young Telecommunication's product in the near future" and "I intend to buy a Young Telecommunication's product in the near future" (Capella et al. 2010). The inter-item consistency for purchase intention was acceptable, and the responses were also averaged across the two items (Total: Pearson's $r = .79$, $M = 3.46$, $SD = 1.27$; Korea: Pearson's $r = .79$, $M = 3.84$, $SD = 1.23$; U.S.: Pearson's $r = .80$, $M = 2.98$, $SD = 1.16$).

Perceived message clarity

Perceived message clarity was measured by asking participants to indicate the extent to which they believe the ad is "not easy to understand-easy to understand," "not immediately understandable-immediately understandable," "unclear-clear," and "not concise-concise" (Kim et al. 2010). The inter-item consistency was acceptable, and the responses were averaged across the four items (Total: Cronbach's $\alpha = .88$, $M = 4.11$, $SD = 1.40$; Korea: Cronbach's $\alpha = .89$, $M = 3.90$, $SD = 1.48$; U.S.: Cronbach's $\alpha = .86$, $M = 4.37$, $SD = 1.26$).

Perceived CSR

Perceived CSR was measured by asking participants' agreement to the four measurement items. The items included: "Young Telecommunications is committed to using a portion of its profits to help others;" "Young Telecommunications gives back to the communities in which it does business;" "Young Telecommunications integrates charitable contributions into its business activities;" and "Young Telecommunications is greatly involved in corporate giving" (Lichtenstein et al. 2004). The inter-item consistency was acceptable, and the responses were averaged across the four items (Total: Cronbach's $\alpha = .87$, $M = 4.70$, $SD = .98$; Korea: Cronbach's $\alpha = .88$, $M = 4.56$, $SD = 1.10$; U.S.: Cronbach's $\alpha = .84$, $M = 4.87$, $SD = .79$).

Cultural group manipulation check

The cultural group manipulation check items assessed whether participants hold different levels of uncertainty avoidance. Specifically, participants were asked to indicate their agreement to the following statements (Furrer et al. 2000): "High stress and subjective feeling of anxiety are frequent among people;" "Fear of ambiguous situations and of unfamiliar risks is normal;" "Uncertainty is a normal feature of life and each day is accepted as it comes (reverse-coded);" and "Emotions should not be shown (reverse-coded)." (Total: Cronbach's $\alpha = .70$, $M = 5.34$, $SD = 1.06$; Korea: Cronbach's $\alpha = .72$, $M = 5.48$, $SD = 1.10$; U.S.: Cronbach's $\alpha = .65$, $M = 5.17$, $SD = .99$).

Message manipulation check

The message manipulation check items assessed whether participants perceived that the advertising message is clear and understandable. Specifically, participants were asked to indicate their agreement to the following statements: "It is clear what the message the company would like to convey through the ad" and "It is easy to understand the message that the company would like to convey through the ad." The inter-item consistency was acceptable, and the responses were averaged across the two items (Total: Pearson's $r = .80$, $M = 4.14$, $SD = 1.43$; Korea: Pearson's $r = .81$, $M = 3.93$, $SD = 1.33$; U.S.: Pearson's $r = .78$, $M = 4.40$, $SD = 1.50$).

Results

Cultural group manipulation check

Cultural group manipulation checks tested if Korean and American participants hold different levels of uncertainty avoidance. As expected, Korean participants ($M = 5.48$) held significantly stronger uncertainty avoidance than American participants ($M = 5.17$) (F (1, 198) = 4.27, $p < .05$, $\eta^2 = .02$).

Message manipulation check

The results of manipulation check verified that the participants perceived the two advertising messages differently. Particularly, the concrete message (Total: $M = 4.52$, $SD = 1.40$; Korea: $M = 4.25$, $SD = 1.25$; US: $M = 4.83$, $SD = 1.43$), compared with the abstract message (Total: $M = 3.77$, $SD = 1.36$; Korea: $M = 3.60$, $SD = 1.34$; US: $M = 3.97$, $SD = 1.46$), contained clear information about the company's CSR activity (Total: t (198) = 3.84, $p < .01$; Korea: t (108) = 2.64, $p < .01$; US: t (88) = 2.85, $p < .01$).

Interaction effects between message condition and cultural group

H1: interaction effect on attitude toward the company

H1 predicted that the concrete message would produce more positive attitude toward the company for Koreans. Two-way ANOVA results revealed significant interaction between message condition and cultural group (F (1, 195) = 5.62, $p < .05$, $\eta^2 = .03$) (see Fig. 1). Additionally, significant main effects were found for message condition (F (1, 195) = 9.38, $p < .01$, $\eta^2 = .05$) and cultural group (F (1, 195) = 9.30, $p < .05$, $\eta^2 = .05$). The concrete (vs. abstract) message and Americans (vs. Koreans) showed higher attitude toward the company. As shown in Table 1, the results from planned contrast tests showed that Koreans showed significant higher mean scores of attitude toward the company after receiving the concrete message ($M = 5.16$) than the abstract message ($M = 4.34$). Americans also showed higher mean scores of attitude toward the company after receiving the concrete message ($M = 5.26$) than the

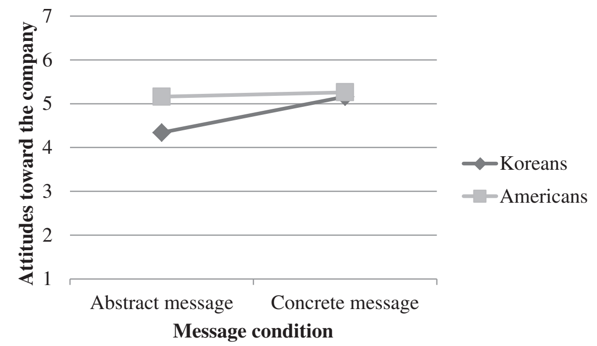

Fig. 1 The interaction effect between message condition and cultural group on attitudes toward the company

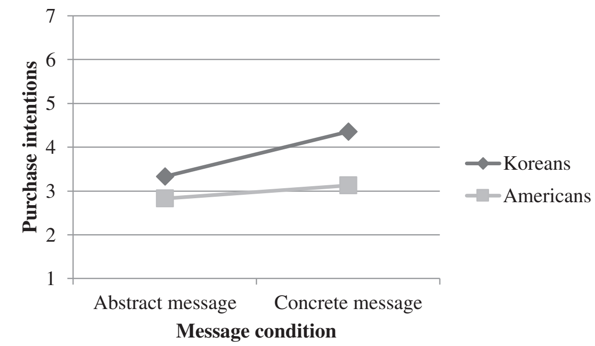

Fig. 2 The interaction effect between message condition and cultural group on purchase intentions

abstract message ($M = 5.16$). However, this mean difference was not statistically significant. The result indicates that the positive impact of the concrete message on attitude toward the company is greater for Koreans and that such effect is not observed for Americans. Thus, the result provides support for H1.

H2: interaction effect on purchase intention

H2 predicted that the concrete message would produce higher purchase intention for Koreans. Two-way ANOVA results revealed a significant interaction between message condition and cultural group (F (1, 196) = 5.18, $p < .05$, $\eta^2 = .03$) (see Fig. 2). In addition, significant main effects were found for message condition (F (1, 196) = 17.05, $p < .01$, $\eta^2 = .08$) and cultural group (F (1, 196) = 28.39, $p < .01$, $\eta^2 = .13$). The concrete (vs. abstract) message and Koreans (vs. Americans) showed higher purchase intention. As presented in Table 1, the results from planned contrast tests showed that Koreans showed significant higher mean scores of purchase intention after receiving the concrete message ($M = 4.36$) than the abstract message ($M = 3.33$). Americans also showed higher mean scores of purchase intention after receiving the concrete message ($M = 3.13$) than the abstract message ($M = 2.83$). However, this mean difference was found to be statistically non-significant. The result indicates that the positive impact of the concrete message on purchase intention is greater for Koreans and that such effect is not observed for Americans. Thus, H2 was supported.

Table 1 Differences in attitudes toward the company and purchase intention

Dependent variables		Mean	SD	f	p
Attitudes toward the company					
Koreans	The concrete message	5.16	1.08	17.11	.00*
	The abstract message	4.34	.98		
Americans	The concrete message	5.26	.91	.21	.65
	The abstract message	5.16	1.23		
Purchase intentions					
Koreans	The concrete message	4.36	.85	23.48	.00*
	The abstract message	3.33	1.34		
Americans	The concrete message	3.13	1.29	1.51	.22
	The abstract message	2.83	1.01		

Note: *$p < .05$

Mediation analyses

A multiple mediation model was tested, separately for Americans and Koreans (Preacher & Hayes 2008). As this study has two dependent variables, namely, attitude toward the company and purchase intention, it tested two multiple mediation models separately for Americans and Koreans. To test the significance of the indirect effects, this study performed a bootstrap analysis by using an SPSS macro (Mallinckrodt et al. 2006; Preacher & Hayes 2008). In particular, the original sample of 90 Americans and 110 Koreans were used to generate a bootstrap sample of 90 and 110 participants with replacement. Testing the significant of indirect effects was based on these American and Korean bootstrap samples, and it was repeated with 5000 samples to obtain parameter estimates.

H3: perceived message clarity as a mediator

H3 predicted a significant mediation effect on (a) attitude toward the company and (b) purchase intention such that perceived message clarity would play a mediating role in explaining the effects of the positive effects of concrete (vs. abstract) message on (a) attitude toward the company and (b) purchase intention for Koreans. Figure 3 shows the results among

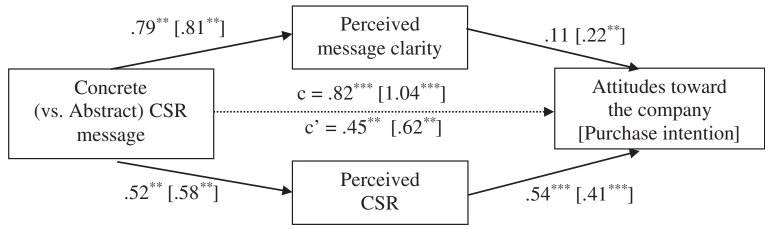

Fig. 3 A multiple mediation model for Koreans. Unstandardized regression coefficients from a bootstrap analysis are provided along the paths, with effects on attitude toward the company outside brackets and effects on purchase intention inside brackets. Note. *c* is the total effect, which refers to the effect of concrete message on outcome variables without two mediators, and *c'* is the direct effect, which refers to the effect of concrete message on outcome variables after controlling for two mediators. $^{**}p < .01$. $^{***}p < .001$

Koreans. Koreans perceived a concrete message to be more clear compared to an abstract message (b = .79, $p < .01$). However, perceived message clarity did not have a significant impact on attitude toward the company (b = .11, $p = .09$). Additionally, Koreans perceived a concrete message to be more clear compared to an abstract message (b = .81, $p < .01$), which in turn, generated higher purchase intention (b = .22, $p < .01$). As shown in Table 2, the indirect effect of concrete (vs. abstract) message on purchase intention through perceived message clarity was significant, but not on attitude toward the company.

Figure 4 shows the results among Americans. The concrete message did not have a significant effect on perceived message clarity (b = −.13, $p = .62$). Perceived message clarity did not have significant effects on (a) attitude toward the company (b = .09, $p = .27$) and (b) purchase intention (b = −.04, $p = .67$). Consequently, the indirect effects of concrete (vs. abstract) message on attitude toward the company and purchase intention through perceived message clarity were not significant (see Table 2).

The findings demonstrated that perceived message clarity played a mediating role in the effect of the concrete message on purchase intention, but not on attitude toward the company for Koreans. Perceived message clarity was not found be a significant mediator of the effects of the concrete message on attitude toward the company and purchase intention for Americans. Thus, H3a was not supported, whereas H3b was supported.

H4: perceived CSR as a mediator

H4 predicted a significant mediation effect on (a) attitude toward the company and (b) purchase intention such that perceived CSR would play a mediating role in explaining the effects of the positive effects of concrete (vs. abstract) message on (a) attitude toward the company and (b) purchase intention for Koreans.

Figure 3 shows the results among Koreans. Koreans showed higher perceived CSR in response to a concrete message, compared to an abstract message (b = .52, $p < .01$), which in turn produced more positive attitude toward the company (b = .54, $p < .01$). Additionally, Koreans showed higher perceived CSR in response to a concrete message, compared to an abstract message (b = .58, $p < .01$), which in turn produced higher purchase intention (b = .41, $p < .01$) As shown in Table 2, the indirect effects of

Table 2 Indirect effects for Koreans and Americans

Paths	Koreans			Americans		
	Beta	SE	95 % CI	Beta	SE	95 % CI
H3: Perceived message clarity as a mediator						
Concrete message –» Perceived message clarity –» $A_{company}$	.08	.07	-.01 to .26	-.01	.04	-.14 to .03
Concrete message –» Perceived message clarity –» PI	.18	.09	.05 to .41	.01	.03	-.03 to .13
H4: Perceived CSR as a mediator						
Concrete message –» Perceived CSR –» $A_{company}$	.28	.11	.10 to .52	.01	.11	-.20 to .25
Concrete message –» Perceived CSR –» PI	.24	.10	.08 to .48	.00	.04	-.07 to .11

Note: $A_{company}$ Attitudes toward the company, *BI* Purchase intention, *CI* confidence intervals
The confidence intervals containing zero indicate that the indirect effects are not significant

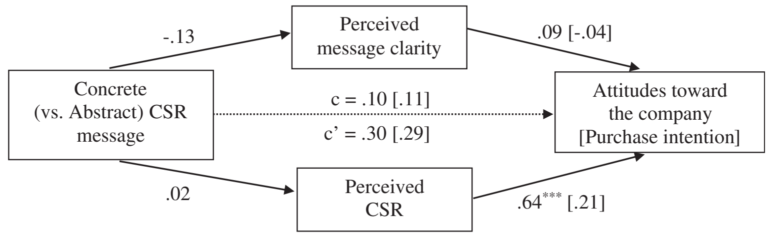

Fig. 4 A multiple mediation model for Americans. Unstandardized regression coefficients from a bootstrap analysis are provided along the paths, with effects on attitude toward the company outside brackets and effects on purchase intention inside brackets. Note. *c* is the total effect, which refers to the effect of concrete message on outcome variables without two mediators, and *c'* is the direct effect, which refers to the effect of concrete message on outcome variables after controlling for two mediators. ***$p < .001$

concrete (vs. abstract) message on attitude toward the company and purchase intention through perceived CSR were significant.

Figure 4 shows the results among Americans. The concrete message did not have a significant effect on perceived CSR (b = .02, p = .92). Perceived CSR had a significant effect on attitude toward the company (b = .64, $p < .01$), but not on purchase intention (b = .21, p = .21). As shown in Table 2, the indirect effects of concrete (vs. abstract) message on attitude toward the company and purchase intention through perceived CSR were not significant.

The findings demonstrated that perceived CSR played a mediating role in the effects of the concrete message on attitude toward the company and purchase intention for Koreans, but not for Americans. Thus, both H4a and H4b were supported.

Discussion

In this study, we examined (1) the role of uncertainty avoidance in influencing the effects of concrete vs. abstract CSR messages on attitude toward the company and purchase intention and (2) the role of perceived message clarity and perceived CSR in mediating such interaction effects. We found the positive effects of concrete message on attitude toward the company and purchase intention were more prominent for Koreans with high uncertainty avoidance than for Americans with low uncertainty avoidance.

This study also found that Koreans' relatively more positive responses to the concrete (vs. abstract) message could be explained by different levels of perceptions regarding the CSR campaign message and the CSR activity between two countries. More specifically, Koreans showed more positive attitude toward the company in response to the concrete message than to the abstract message because the concrete message was more likely to lead them perceive that the company incorporated socially responsible activities into its business (i.e., perceived CSR). Additionally, Koreans showed greater purchase intention in response to the concrete message than to the abstract message because the concrete message was perceived to be more clear, and it contributed to generating higher perceived CSR.

This study contributes to the international advertising and public relations literature by applying the cultural dimension of uncertainty avoidance to the CSR campaign context. Unlike the cultural dimension of individualism-collectivism (Hornikx & O'Keefe 2009) that has received much empirical research attention, the cultural dimension of uncertainty avoidance has been relatively the under-examined. Therefore, this study's findings offer empirical evidence that cultural differences in terms of the level of uncertainty avoidance is an important factor influencing CSR campaign outcomes.

Although Maio and Haddock (2007) noted cultural differences may function "as an enabler of persuasion but not as an elicitor of persuasion" (p. 578), little empirical research attention has been devoted to examining potential mediators to provide an explanation for why the effects of message characteristics vary by cultural difference (Taylor 2002; Taylor 2005). While prior research has examined perceived message clarity and perceived CSR in the context of advertising creativity (Kim et al. 2010) or treated it as one of communication outcomes (Lin et al. 2011; Stanaland et al. 2011; Tian et al. 2011; Yalch & Elmore-Yalch 1984), this study tested it as a mediator that can explain for why there are cross-cultural differences in response to the concrete vs. abstract messages. Based on this study's finding, advertising practitioners are advised to create clear and easily understandable messages for cultural groups with high uncertainty avoidance in order to increase the likelihood of generating better communication outcomes.

In terms of two mediators, perceived message clarity mediated the effects of concrete (vs. abstract) message on purchase intention only, whereas perceived CSR mediated the effects of concrete (vs. abstract) message on attitude toward the company and purchase intention. The finding seems to suggest that perceived CSR could better explain Koreans' positive communication outcomes in response to the concrete message. In other words, Koreans' higher perception of message clarity in response to the concrete (vs. abstract) message did not lead to attitude toward the company.

Although this study showed relatively positive effects of the concrete (vs. abstract) message on attitude toward the company and purchase intention mediated by perceived message clarity and perceived CSR for Koreans, Americans did not show any significant differences in response to both the concrete and abstract messages. This finding for Americans might be explained by universally positive attitudes toward CSR activities and campaigns among consumers, regardless of the message content features (Gonzalez 2007; Nan & Heo 2007). Consequently, this may have caused insufficient variability in scores for attitude toward the company and purchase intention for Americans.

This study also makes meaningful contributions to international advertising and public relations literature by using multiple mediation analyses (Preacher & Hayes 2008). Previous research has been conducted to demonstrate the relative advantage of a match between what campaign messages adopt message strategies or executional techniques and what the message recipients considered them well-aligned with their cultural values (Garcia & Yang 2006; Han & Shavitt 1994; Reardon et al. 2006; Zhang & Gelb 1996). Testing potential mediators in conjunction with the interaction between message strategies and audiences' cultural characteristics has been limited, however. Thus, this study addresses the gap in the literature by adopting multiple mediation analyses.

This study's findings offer useful practical implications for developing effective campaign strategies, particularly focusing on how to effectively communicate CSR activities. Communication practitioners implementing CSR or CRM campaigns across different cultural groups should carefully examine audience's cultural backgrounds and their impacts on individuals' message processing, and develop culturally adaptive messages. For instance, individuals with a high level of uncertainty avoidance are likely to purchase life insurances (Chui & Kwok 2007). In case insurance companies try to communicate their CSR activities with their consumers, they are advised to include specific information in their CSR messages in order to maximize the marketer-intended effects and effectiveness. In other words, this study contributes to developing message strategies for effective CSR campaigns by focusing on individuals' cultural values.

The multiple mediation approach also offers implications for communication practitioners. Mediators are considered more proximal outcomes of campaign messages than other outcomes, such as message recall, attitude toward the company, and purchase intention. Given that it is not always easy to directly change consumers' memory, attitudes, or purchase intentions through a single campaign message (Hornikx & O'Keefe 2009), practitioners could develop message strategies aiming at changing proximal outcomes (i.e., mediators), instead of distal outcomes (e.g., recall, attitudes, and purchase behavior). For example, practitioners are advised to focus on developing message strategies that can produce favorable message perceptions or evaluations among individuals of strong Confucian values as a way to generate desirable communication outcomes (Kim et al. 2010).

Limitations and suggestions for future research

This study has some methodological limitations. Since this study used college students enrolled in Korean and American universities, which are not representative of Koreans and Americans. Consequently, the findings might not be generalizable to the general population of Koreans and Americans. Additionally, the experimental stimuli were created by the researchers, which may affect ecological validity. In order to address the methodological limitation of this experimental study, future researchers are encouraged to conduct survey research to examine a relationship between cultural values (e.g., uncertainty avoidance) and message preference with a representative sample (e.g., Bae & Kim 2013).

Considering the study limitations and building on this study's findings, future researchers are encouraged to replicate this study in other contexts. For example, future researchers should consider replicating this study in the context of other corporate marketing communications, such as CRM, since different cultural groups have different responses to messages promoting a company's donations to worthy causes (Kim & Johnson 2013; Lavack & Kropp 2003). Additionally, given that Du et al. (2010) suggested that communication channels are likely to play an essential role in CSR communications, future researchers are encouraged to focus on the different media (e.g., television and social networking sites) in affecting the effects and effectiveness of CSR campaigns across countries.

Appendix

Fig. 5 The abstract message

Fig. 6 The concrete message

Abbreviations
ANOVA, analysis of variance; CRM, cause-related marketing; CSR, corporate social responsibility; SPSS, statistical package for the social sciences

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Authors' contributions
The first author serves as the corresponding author and played a leading role in collecting data and preparing and submitting the manuscript. The second author was involved in data collection. Both authors read and approved the final manuscript.

Competing interests
The authors declare that they have no competing interests.

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12

Green DIY store choice among socially responsible consumer generations

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Abstract

The purpose of our empirical investigation, based on the theory of reasoned action and generational theory, is to study the green DIY retail store choice of socially responsible consumer generations (Baby Boomers, Millennials, Gen X-ers and Gen Zs). The authors base their quantitative research on structural equation modelling in an emerging market (Romania) to highlight the socially responsible consumption behavioural factors (education on environmental protection and social responsibility, rational use of resources and financial sacrifice necessary to protect the environment) which drive the customers of international DIY store chains operating in Europe in their choice of retail formats. The results reveal that there is a difference between Romanian and European-based retail chains with respect to the impact of socially responsible consumption behavioural dimensions on the choice of retail format, due to their respective communication of environmental governance strategies and different actions implemented. The research contributes to the development of the literature by establishing a connection between socially responsible consumption behaviour and retail format choice in green DIY retailing. From the management perspective, the paper provides retailers operating in emerging markets with possible directions to adapt their strategies when approaching these markets. The value of the paper lies in the application of socially responsible consumption behaviour scale and generational theory in green DIY retailing to a fast-growing emerging market, with a view to enhancing consumer retail format choice, depending on their attitudes towards social responsibility and propensity towards environmental protection.

Keywords: Socially responsible consumption behaviour, Socially responsible consumers, DIY retailing, Green DIY, Emerging market, Green consumers, Green retail stores

JEL codes: M31, M11, Q55

Introduction

Social responsibility is increasing in importance and relevance for organizations striving to gain competitive strategy and planning to target consumer segments (Pryshlakivsky and Searcy, 2015). By adopting precise actions aimed at protecting the environment, reducing pollution and/or the consumption of resources and raw materials, designing green products, services and brands, and showing concern for employees and customers, as well as for the local communities where production, processing and distribution units exist (Dabija and Băbuţ, 2013; Dabija and Pop, 2013; Dabija and Bejan, 2017) retailers are striving to improve their image and attractiveness among consumers of different ages. Social responsibility has increasingly become a key plank of retailers' strategic orientation, being consistently pursued and put into practice by the management.

By embracing social responsibility, sustainable principles and environmental governance, retailers have been able to boost customer trust and acceptance, reaping the benefits from their satisfaction with products and services, and gaining their loyalty (Dabija et al., 2014; Dabija, 2018). The offer of green products adjusted to consumers' new socially responsible consumption behaviour has enabled retailers to take advantage of the upward trend and adapt accordingly. Depending on the consumer generations targeted, retailers have been faced with significant gaps between the individual's motivations, beliefs, expectations and buying reasons, and the way in which these aspects can turn into actual purchases. Retailers need to ensure that customers' motives and preferences translate into buying decisions, determining their behaviour. However, little is known about how

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consumers of different generations act, and how they make purchasing decisions depending on the extent to which European DIY retail stores implement social responsibility in emerging markets by implementing specific measures, such as protecting the environment, reducing pollution, reducing the consumption of resources, etc.

Previous studies have found major influences of green oriented fashion retailers among consumer generations (Dabija et al., 2017; Dabija, 2018), however little is known about DIY retail. We have relied on the socially responsible consumption behaviour scale proposed by Antil and Bennet (1979) and Antil (1984) in order to investigate green DIY store choice in an emerging market. We have chosen to base the investigation on the Romanian market because it is among those showing the fastest growth of GDP in recent years (Obucina, 2017).

Our investigation drew on the reasoned action theory formulated by Ajzen and Fishbein (1980), based on the premise that an individual's behaviour may lead to a specific result (Madden et al., 1992). Retailers aim to stir up in consumers a purchase intention which, in most cases, translates into the purchases expected. The theory of reasoned action takes into account consumers' attitudes, thereby making reference to their subjectivity (Nadlifatin et al., 2016). Retailers must consider the impact of the affective component on the formation of an attitude and its translation into an actual purchase. There are significant differences across generations. For instance, with Millennials, retailers have to consider their financial resources, together with the influence of friends (Dabija and Bejan, 2017). Wishing to be accepted by their reference group, individuals may conceal their behaviour and choose to purchase items preferred by peers. The paper also draws on the generational theory according to which each generation of consumers can be clearly defined as an independent target segment which can be properly approached by retailers with a strategy specifically tailored to their characteristics, motives, preferences and attitudes (Codrington, 2008; Meriac et al., 2010).

The paper is structured into five sections. Section One deals with sustainability and its role in persuading people to embrace socially responsible behaviour and a favourable attitude towards environmental protection. It discusses how this phenomenon is connected to, and influenced by the generations of consumers. The next section concerns DIY retailers and highlights some of the specific social responsibility actions carried out to attract consumers of different ages. The third section presents the research methodology and proposed analysis model, while Section Four approaches the format choice behaviour of consumer generations and the driving factors for each individual generation concerned. The paper ends with the conclusions, research limitations and prospects, together with managerial and theoretical implications.

Social responsibility and sustainability

The initial purpose of applying the principles of sustainability within their general business strategy was for organizations to gain a competitive advantage on targeted markets (Hubbard, 2009). As society progressed, and pollution, along with large-scale exploitation of resources to the point of depletion became increasingly widespread, retailers' managers started to understand the necessity of embracing the principles of sustainability into their business strategies and to put them into practice by means of social responsibility. However, these might have led to the risk of no longer generating competitive advantage, with markets tending to lose trust in stores that failed to take concrete steps and measures in this respect. For many managers, sustainability entailed additional costs that had to be kept to a minimum. In recent years, managers have started to recognize the importance of social responsibility actions within the general business strategy. These "compliance issues" (Hubbard, 2009) usually pertain to environmental protection activities, responsibility towards local communities, care of "internal customers", etc.

The concept of sustainability and its related principles were recently re-analysed and incorporated into the new phrase "corporate sustainability management" (Schuler et al., 2017). Corporate sustainability management considers the demands and expectations of consumers, employees and partners of organizations, and establishes a correlation between these stakeholders' activities and aspects influencing the environment. "Corporate sustainability management" has proven quite difficult to embrace, because of decision-makers' reluctance to make changes, and the need to identify appropriate ways of putting it into practice (Mulder, 2017). Employees must be trained regarding sustainability and social responsibility and how these principles can be correlated with the expectations of communities and society at large where retailers operate. Marketing-oriented organizations are willing to better satisfy customers' needs (Green et al., 2015) because they have the know-how and the capacity to collect information about target segments; they also have the resources to identify swiftly and effectively the changes in customer behaviour and make the needed adjustments accordingly. Acting in line with the principles of the new "corporate sustainability management", companies seek to redefine and restructure their offering by including green and environmentally friendly products and services (Baumgartner and Rauter, 2016).

Social responsible consumption behaviour

A half-century ago, the annual consumption of commodities was lower than nature's capacity to regenerate them in 365 days. The recent population explosion has fostered an exponential growth in the worldwide consumption of commodities, so that it now takes the Earth one year and six months to regenerate the resources mankind consumes in a single year (Lakshmi and Kennedy, 2017; Resurse Terra, 2017). In order to hold back this phenomenon, reduce carbon dioxide emissions and prevent the exploitation of natural resources (water, plants, animals, etc.) governments and organizations must come up with viable solutions, and people must change their behaviour by adopting a new type of consumption oriented towards green products and services made from renewable resources and with an impact on nature as minimal as possible (Dabija, 2018).

Sustainable consumption behaviour becomes an essential goal for companies, and should be included in a holistic approach to their general business strategies (Dermody et al., 2015; Singh and Sharma, 2016). The penchant for sustainable consumption behaviour depends on an individual's orientation and his or her values, as well as on a country's level of development. Orientation towards materialism and behavioural antecedents are reflected in the individual's values and subsequent behaviour. Care for the environment and the motivation to adopt responsible consumption together lead to sustainable consumption behaviour (Dermody et al., 2015). Socially responsible consumption is based on the idea that consumers prioritize their purchasing decisions and tend to buy products from producers and retailers that adopt sustainability principles, and implement strategies and policies that pay increased attention to social responsibility and environmental protection (Ulusoy, 2016). Among such actions implemented by retailers we may note: the use of certified raw materials, launching social responsibility campaigns, prioritizing the establishment of partnerships with companies that comply with sustainability principles, replacing packaging and training consumers on how to recycle it, etc. (Bekele et al., 2012). This is how sustainability strategy and actions designed to support socially responsible consumption helps to attract as many customers as possible.

Consumption may be related to the waste or destruction of resources, sometimes leading environmental devastation (Singh and Sharma, 2016). Managers are faced with new challenges, having to adopt strategies able to discourage the measures that might have negative and irreversible effects on the environment and on the society. Proactive behaviour can be supported by carrying out social responsibility actions (Romani et al., 2016), regardless of the company's field(s) of activity. As the negative effects of pollution have become more and more widespread, organizations have conducted social responsibility campaigns aimed at customers, business partners (suppliers, distributors etc.) and their own employees, and have taken measures to make people more responsible towards the consumption of resources, materials as well as products and services (Bekele et al., 2012; Tuten, 2013; Bear, 2017).

Sustainable consumption is often associated with the purchase of green and/or organic products (Biswas and Roy, 2015). Consumers adopting sustainable purchasing behaviour prefer such products and are willing to pay a price-premium for them (Tuten, 2013). What accounts for the higher price is the higher cost of production so as not pose a danger to the environment (Shobeiri et al., 2016). 61% of consumers are willing to pay a 5% higher price to purchase green products (Lim, 2017). Retailers also promote green products within their communication strategies aimed at educating and informing consumers about the characteristics and advantages of such products, as well as the recycling and of eco-friendly, reusable packages or packages made of reused materials (Tuten, 2013; Tariq, 2014). As soon as customers become aware of these aspects, they focus their attention on retailers that promote such behaviour. Green marketing has a more profound significance based on the premise that retailers have to develop and maintain sustainable relationships with all stakeholders, particularly with customers, always protect the environment and act responsible. When retailers comply with these norms, they help target groups develop sustainable behaviour (Rettie et al., 2012).

The purchase of sustainable products is based on trust in retailers and on their ability to "convince" consumers of their characteristics and benefits. As customers are unable to check the potential chemical substances in the composition of goods, the label "organic product" simply reflects their quality (Nuttavuthisit and Thøgersen, 2015). Retailers have to make good on their promises - at the time of consumption or usage their products should even exceed what was promised - so that customers' expectations may be properly satisfied. Retailer reputation plays a special role in building customer trust, together with the opinions of peers and the individual's previous experiences (Laroche and Bergeron, 2001). If existing collaboration between a consumer and a retailer over its brands has yielded a positive experience to the effect that the purchased products meet or even exceed his/her expectations, the consumer will buy green products with confidence, even if this is a new experience for them (Silva Braga et al., 2015).

Consumers' attitudes towards social responsibility and environmental protection

Consumers prove their concern for social responsibility and the environment by the products they purchase and the retail chains they prefer, in particular those that apply the principles of sustainability (Schmidt et al., 2012; Joshi and Rahman, 2015). Despite customers' increasingly strong preference for green, and sustainable products made in compliance with environmental protection and social responsibility principles (Li et al., 2016), recent studies show an interesting paradox: these products attract custom, but the revenue that retailers gain from this segment is not significant (Lim, 2017). From an attitudinal viewpoint, consumers lack the conative component which prompts them to actually buy green products. Aschemann-Witzel and

Zielke (2017) believe that price is the main obstacle to the completion of the purchasing process for such consumers. Although they are conscious of the added value of green products, they refrain from actually purchasing them due to the financial sacrifice they would have to make. The higher price of green products is also the result of the higher costs producers have to bear. Although the global number of organic agricultural products has tripled in the last decade, the area planted with such products accounts for less than 1% of all agricultural land (Aschemann-Witzel and Zielke, 2017), which favours keeping final selling prices at high levels.

It often happens that products of DIY retail go for a high price. Two factors account for this: (1) some retail chains have collaboration with local producers and the added value of the sold goods goes to the communities at a local level, and (2) various specific norms and standards must be complied with during their production regarding pollution, reduction of PM emissions in the air, making goods that do not harm the environment or the communities, etc. (Ayadi and Lapeyre, 2016). Since DIY products are mostly made from natural components such as wood or wood derivatives, retailers will have initiated or been actively involved in social responsibility campaigns (Gurtoo et al., 2010). Actions undertaken include the afforestation of cleared lands, cleaning up green and other areas, supporting communities through specific social and/or environmental protection programmes, etc. (Elg and Hultman, 2011).

Individuals' exhibiting sustainable behaviour depends on how much they are interested in complying with social responsibility and on the extent to which they are aware of the impact they have on the environment (Galbreth and Ghosh, 2012). Care for the environment varies across individuals according to their education, the generation to which they belong and the lifestyle they adopt. The information customers get about the characteristics of eco-friendly products helps them develop the cognitive component of attitudes, while the responsibility towards the environment is fostered by the affective component (Silva Braga et al., 2015). Both components help the development of sustainable behaviour that translates into the actual purchase of products that meet social responsible criteria.

From an attitudinal perspective, individuals are swifter to form an opinion about companies that pay attention to the environment and integrate social responsibility issues within their general business strategy. Their increased purchasing frequency and the number of goods purchased from such companies are a reflection of their loyal behaviour (Lin et al., 2017). Seeing this opportunity, many companies have integrated social responsibility and environmental protection campaigns within their general business strategy, and adopted proactive behaviour towards the communities in which they operate (French and Showers, 2008) by providing brands, products and services made in compliance with these principles. In a similar vein, retailers have shown an increasing tendency to promote social issues and values in their relationships with customers, seeking to gain their trust through green offers adjusted to the expectations of these target segments.

Consumer generations' orientation towards social responsibility

Despite the heterogeneous characteristics of each generation of consumers, they have specific needs and desires on which they place great importance and seek to satisfy by purchasing particular goods and services (Chu et al., 2013). Retailers are compelled to identify those aspects that influence the buying decision and the stimuli that shape individuals' perception of a particular product or brand so as to integrate them within their business strategies. It is difficult to provide green products and services made of components complying with environmental and social responsibility norms and regulations and meeting the established sustainability objectives, because each generation of consumers has a different approach to these values. In fact, the gaps between the generations of consumers in terms of green behaviour and green consumption patterns are more and more obvious. Studies show that, from a social responsibility perspective, Baby Boomers and Millennials exhibit similar behaviour, that of concern for environmental protection, albeit for different reasons. Baby Boomers want to live in a clean environment, as a "reward" for their lifelong work for the benefit of society, and because they want to bequeath a clean environment to future generations, their grandchildren (Millennials) and great-grandchildren (Generation Z) (Boschini, 2015). Millennials believe they can use natural resources to earn their desired lifestyle without jeopardizing the lifestyle of future generations (Boschini, 2015). Although there is some commonality between both generations, Baby Boomers are more reluctant to buy green products because of the higher prices charged, as they do not always have the necessary money. Millennials face a similar situation. Being at an early stage of their careers, they may also have modest incomes, but express great care for nature, the environment and for others (Zahari and Esa, 2016). Millennials may exhibit polyvalent behaviour, failing to put into practice their "statements" about green behaviour and green consumption. They often change their opinions and buy other products, depending on the stimuli to which they are exposed and the influence of social media (Dabija et al., 2018).

By contrast, Gen Xers are more pragmatic and realistic, being eager to obtain tangible results, a fact which influences their personal beliefs (Honeywell and Pease, 2014). Gen Xers form their opinions on the basis of expected results and on how likely it is for these to be achieved. Therefore, their ideals are a lot less lofty, focusing mostly on the tangible facets of life. Numerically, there are fewer Gen Xers than Millennials, with only 41 million people worldwide (Taken Smith, 2014).

According to population size, Millennials represent a target segment consisting of over 80 million people (Taken Smith, 2014). Companies often conduct specific research to better understand Millennials' characteristics, values, preferences, motives, attitudes and behaviour, hoping to identify appropriate levers to draw their attention, provide them with information and have them buy their products (Hill Hyun-Hwa Lee, 2012). Millennials have a preference for social responsible products and brands which have a positive impact on the environment, the production of which does not have harmful effects or a negative influence on nature (Chu et al., 2013). Being aware of the potential represented by this customer segment, retailers try to please them by means of green communication advertising and messages (Taken Smith, 2014). By following this strategy, retailers have been able to activate the conative component of consumers' attitudes, making them purchase green products. Millennials are attracted by catchwords such as "eco-friendly", "green", "social responsible" or "recycled" accompanying the promotion of sustainable products (Smith, 2010). The use of these catchwords on packaging, as part of communication strategies and actions, have boosted product marketing and sales, leading to greater revenues for companies (Taken Smith, 2014). Unlike Millennials, Gen Xers are easier to "target" by means of advertisements, as they allow themselves to be more easily influenced by other people (Acar, 2014). Being pragmatic in character, they make decisions with full knowledge of the facts and information about products, services, brands, etc., often coming from members of the reference groups to which they belong or identify themselves with.

Social responsibility in DIY retail

DIY retailers are paying increased attention, at both a national and international level, to principles related to social responsibility and local community involvement, environmental protection, pollution reduction, and adjusting their business strategies accordingly. A European- based DIY retailer, IKEA is offering its customers bags made from recyclable materials for carrying small products. All of its stores use LED bulbs, 40% of them having solar panels which absorb sunlight as a source of energy. Over 70 wind turbines produce its electrical energy, while geothermal energy is used in nine countries. In partnership with the Forest Stewardship Council, Jysk, another European DIY retailer, advocates the protection of forests, because wood represents the most important raw material for producing its marketed furniture. Jysk is taking part in forest restoration actions by providing foresters with special equipment and helping to improve their working conditions. The retailer is also concerned with reducing carbon dioxide emissions, the heating systems of Jysk stores being so designed as to heat smaller areas than the systems of other retailers (Dabija et al., 2017).

A third European retailer, Praktiker encourages its customers to recycle WEEE. The retailer has created in-store "*green corners*" where the electric, electronic and household appliances are collected. There are two partners, Rorec and Recolamp, with which the retailer cooperates (Praktiker.ro, 2015). Wishing to provide future generations with a clean environment and to minimize the negative impact of its expansion, Dedeman, a Romanian-based DIY retailer, sponsored the campaign "*We plant good deeds in Romania*" by means of which over 300,000 trees were planted (Dedeman, 2016; Dabija et al., 2017). In 2016, the Romanian Ambient DIY retail chain took the first measures aimed at the reforestation of illegally cleared areas. Similarly, during the winter holidays customers were encouraged to purchase potted Christmas trees so that they may later be replanted. The European DIY retail chain, Leroy Merlin stores aim to reduce pollution, by working towards reducing the consumption of water, energy and paper. Some of these stores already have the Haute Qualité Environnementale certificate (Dabija et al., 2017).

Research methodology

In order to assess the preference for green European DIY stores of four consumer generations (Baby Boomers, Gen Xers, Millennials and Gen Zers) depending on the penchant for social responsibility and environmental protection, the authors have conducted a quantitative research on an emerging market. In that regard, they propose to study the relationships presented in Fig. 1.

Respondents of various ages were asked to fill in a questionnaire administered by volunteers at their homes, work/study places and in public areas (parks, promenades, streets, etc.). The volunteers were students of the authors, aged between 20 and 24 years. They could choose any respondent, so long as the sampling plan was respected. The sampling was based on quotas set for gender and age, benchmarked against Romania's latest Statistical Yearbook (2014). After the data collection, respondents were divided by the authors according to the generational theory (Williams and Page, 2011) and their year of birth in the proper generation: Baby Boomers if they were born between 1946 and 1964 (Katz, 2017), Gen Xers (born between 1965 and 1979) (Katz, 2017), Millennials (born between 1980 and 1994)

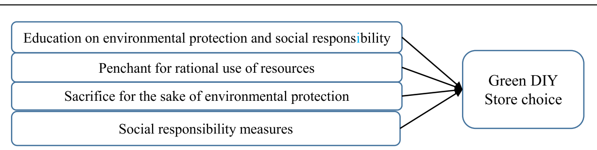

Fig. 1 The investigated model. *Source:* own research

(Cordeiro and de Albuquerque, 2017) and Generation Z (born after 1995) (Desai and Lele, 2017).

The concepts from Fig. 1 were operationalized in accordance with the literature (see Table 1). In this respect, we made use of the socially responsible consumption behaviour scale (SCRB) proposed by Antil and Bennet (1979) and Antil (1984). Respondents' level of agreement in relation to their favourite European-based DIY retailers was expressed on a five-point Likert scale. Data validity, reliability and internal consistency were tested for all dimensions concerned (education on environmental protection and social responsibility, penchant for rational use of resources, financial sacrifice needed to protect nature, social responsibility measures, green European-based DIY stores choice) with the help of Cronbach Alpha, Item-to-total Correlation, Exploratory Factor Analysis. Each value exceeded the minimum acceptable levels laid down (Churchill, 1991).

Combining all items into a single exploratory factor analysis allowed a clear delineation of the four dimensions presented in Table 2 in the order of their extraction. As the dimensions were found to be individually stable, they were subsequently included in a confirmatory factor analysis with AMOS (Table 4).

Results

Sample description

The 744 valid questionnaires contained Romanian respondents' assessment of various DIY retail stores belonging to national chains, such as Ambient, Casa Rusu, Dedeman, Denver, Elvila, King Art, Lems, Mobexpert, Nobila Casa, and international chains such as Leroy Merlin, Bricostore, Hornbach, IKEA, Jysk, Metro, Praktiker. These European-based DIY retail chains had operated in the Romanian market for more than 15 years, and were well-known to the respondents (Dabija and Abrudan, 2015). The breakdown of respondents by gender was approximately uniform, in accordance with the latest data used for sampling, taken from Romania's Statistical Yearbook (2014) (Table 3). There were 104 Baby Boomers (14% of the sample), 195 Gen Xers (15.9% of the sample), 291 Millennials (39.1%) and 154 members of Generation Z (20.7%). There was a relatively even distribution among generations, with Millennials being slightly over-represented because it was easier for the interviewers to contact people of similar age, while some questionnaires were discarded because they had too many missing data (Churchill, 1991; Marsh, 1998) (Table 3). Literature suggests that for structural equations modelling, each category should consist of at least 50 cases/responses (Homburg and Krohmer, 2006, p.225); however having more items in each category should ease data analysis (Aaker, et al., 2000, p.24).

Respondents' behaviour varied when it came to the frequency with which they visited the assessed DIY stores. Millennials visited DIY stores most often (7.9%), followed by Gen Xers (5.4%), while many Baby Boomers (6.9%) and Zers (10.4%) visited them once a year or less. DIY stores were visited several times a year by Millennials (16.8%) and Gen Xers (10.6%), which leads to the conclusion that members of these two generations either build their own houses or decorate them and, consequently, purchase more frequently from DIY retailers. These findings are similar to previous studies (Gurtoo et al., 2010).

Results on generations

The analysis of generations shows that the general model on 744 cases, as well as the multi-group analysis for each generation was stable, their fit indices falling within the imposed limits (Forza and Filippini, 1998; Ju et al., 2006). European-based DIY store choice of environmental and social responsible oriented retailers was directly and significantly influenced by the penchant for rational use of resources (0.180**), the (financial) sacrifice necessary to protect the environment (0.262****) and by social responsibility measures (0.210***). Education on environmental protection and social responsibility (0.153[n.s.]) did not have a significant impact for the 744 cases of respondents' green DIY retail format choice (Table 4).

For the 744 cases, the financial sacrifice respondents were willing to make (0.262****) contributed most to their choice of green DIY stores. Respondents were aware that they could not purchase products which contribute to environmental protection and which are socially responsible without financial implications (in the form of a sacrifice). A less

Table 1 Results of testing validity and reliability of collected data

Dimension	Items	$\alpha^a > 0,7$	$KMO^b > 0,7$	χ^2; df; p^c	Eigenvalue	% variance
Education on environmental protection and social responsibility	6	0.899	0.874	2168.58; 10; ****	3.564	71.28
Penchant for rational use of resources	5	0.852	0.884	1818.007; 21; ****	3.717	53.10
Sacrifice for the sake of environmental protection	3	0.758	0.763	692.194; 6; ****	2.316	57.91
Social responsibility measures	3	0.849	0.879	1874.200; 21; ****	3.708	52.97
Green DIY store choice	5	0.921	0.821	1981.211; 32; ****	3.324	61.43

[a]Cronbach's α coefficient (checking data reliability)
[b]Kaiser-Meyer-Ohlin criterion (exploratory factor analysis) for each dimension
[c]Bartlett's test of sphericity (χ^2 – hi square, df – degrees of freedom, p – probability; ****$p < 0,001$; *** $p < 0,01$; ** $p < 0,05$; * $p < 0,1$)
Source: own research

Table 2 Factor analysis of the investigated dimensions

Construct (References)	Items	Loa-dings	FIT
Education on environmental protection and social responsibility (EEP) (Antil and Bennett, 1979; Antil, 1984)	I get angry when I think about the ways in which industry pollutes the environment.	0.817	EV: 3.24; % of var.: 31.2
	Schools should require that all students attend a course on social responsibility, environmental and nature conservation issues.	0.654	
	I am willing not to buy any more products from retailers that are guilty of environmental pollution and are not social responsible.	0.601	
	I become angry when thinking about the negative impact of pollution on plants and animals.	0.589	
	I am willing to make sacrifices to reduce environmental pollution even if the immediate results do not appear significant.	0.511	
	People should limit the use of products obtained from scarce resources.	0.403	
Penchant for rational use of resources (PRUR) (Antil and Bennett, 1979; Antil, 1984)	Our efforts to save the limited, exhausted resources are not enough.	0.828	EV: 2.12; % of var.: 26.4
	Producers are not sufficiently encouraged to use recyclable packaging.	0.687	
	Pollution is now one of the most sensitive issues of our nation.	0.557	
	Natural resources must be preserved even at the cost of giving up some goods or services.	0.459	
	People should be concerned about the impact of their articles on the environment.	0.406	
Sacrifice for the sake of environmental protection (SPE) (Antil and Bennett, 1979)	I agree to have my taxes increased by 5% if this enables a more rigorous control of pollution by the government.	0.769	EV: 1.95; % of var.: 23.7
	I am willing to increase my total family expenses by 100 EURO next year in order to support the rational use of natural resources.	0.606	
	I would be willing to donate my salary for a full day to a foundation in order to help improve the environment.	0.521	
Social responsibility measures (SRM) (Antil, 1984)	Producers should be compelled to use recycled materials during production and/or processing.	−0.612	EV: 1.21; % of var.: 18.7
	I would accept my stuff being less white or elegant to make sure I have used a non-polluting detergent.	−0.556	
	People should persuade their friends not to use products that pollute or are not socially responsible.	−0.467	
Store Choice (SC) (Nasir and Karakaya, 2014)	I intend to buy “green” DIY articles in the next three months.	0.743	EV: 1.18; % of var.: 15.4
	I will recommend “green” DIY stores to my friends and relatives.	0.721	
	I will buy more “green” DIY articles in the future.	0.702	
	In the near future I will try out other types of “green” DIY articles which I have not bought before.	0.689	
	If the needed “green” DIY articles are not available in the store, I will look for them in other stores even if these are far away.	0.642	

Obs.: EV: Eigenvalues for each factor; % of variance: percent of variance for each factor; Extraction Method: Principal Axis Factoring. Rotation Method: Oblimin with Kaiser Normalization. Rotation converged in 12 iterations
Source: own research

strong, but highly significant correlation was found with social responsibility measures (0.210***). Among such measures was the need for producers to use recycled materials that take on a new form in as many marketed goods as possible, the care for local communities, as well as the use of commodities with a lower impact on the environment. All consumers seemed to be aware of the responsibility they have to protect the environment. The need to save resources and raw materials, in both production and distribution processes, the use of recycling and environmentally-friendly packaging, the general reduction of pollution, and a drop in the consumption of certain goods and services so as to achieve the general goal of protecting the environment represented an important aspect for all generations of consumers, but of less strength and significance (0.180**). The most unusual result for the whole sample was the lack of significance of “education on environmental protection and social responsibility”. Although respondents seemed to understand the need to protect the environment, reduce the consumption of goods

Table 3 Socio-demographic characteristics of the sample

Generations	Baby Boomers		Generation X		Millennials /Y		Generation Z		Total	
	n	%	n	%	n	%	n	%	n	%
Gen										
Male	53	7.1	77	10.3	163	21.9	81	10.9	**374**	**50.3**
Female	51	6.9	118	15.9	128	17.2	73	9.8	**370**	**49.7**
Total	**104**	**14.0**	**195**	**26.2**	**291**	**39.1**	**154**	**20.7**	**744**	**100.0**
DIY store frequency visit										
Once a year or less	51	6.9	75	10.1	107	14.4	77	10.4	**310**	**41.7**
Several times a year	44	5.9	79	10.6	125	16.8	59	7.9	**307**	**41.3**
Several times a month	9	1.2	41	5.4	59	7.9	18	2.3	**127**	**17.1**
Total	**104**	**14.0**	**195**	**26.2**	**291**	**39.1**	**154**	**20.7**	**744**	**100.0**

Source: own research
n - number of cases; % - percent of cases

and services, limit pollution and use resources in a rational manner, education on environmental protection and social responsibility did not have a positive influence in choosing European-based DIY oriented retail stores ($0.153^{n.s.}$). This may be accounted for by the fact that either retailers did not educate consumers sufficiently about environmental governance, or that their measures were perceived by consumers as generally valid good practice – components of their general business strategies – and not as concrete actions performed to attract the regular consumer to the store. At the same time, it is possible that respondents just did not give enough credence to retailers' actions, associating them with promotion and/or communication campaigns, or viewing them as educational efforts.

The breakdown of results by generations revealed some characteristics and differences typical of each target segment, the present study hence contributing to a better practical understanding of generational theory. Baby Boomers chose green European-based DIY stores depending on the extent to which their strategies were in line with this generation's own sacrifices to protect the environment (0.265*) and social responsibility measures (0.437**). The high strength of this dimension, coupled with the fact that the penchant for the rational use of resources and education on environmental protection and social responsibility did not have a significant influence on Baby Boomers' choice of green DIY stores justifies the belief that they had not been educated throughout their life to think about the impact on the environment of consuming various products. Environmental protection had never been a topic of interest for this generation. However, they now thought about the need to be in line with environmental protection and social responsibility measures, and were willing to make sacrifices to this effect. Thus, Baby Boomers seemed to have realized the need to protect the environment in the autumn of their life (Table 4).

Gen Xers exhibits a strong and favourable penchant for environmental protection (0.370**) which actually determined their choice of environmentally oriented European-based DIY stores. The (financial) sacrifice entailed in the purchase of green products (0.248**) was also a good enough reason to choose these green DIY stores. Although their behaviour did not show an active awareness, Gen Xers had a good education on

Table 4 Influences of DIY Store choice among consumer generations

Effects	All generations	Baby Boomers	X	Millennials (Y)	Z
No of cases	744	104	195	391	154
EEP ➔ Green DIY SC	$0.153^{n.s.}$	$-0.131^{n.s.}$	$0.117^{n.s.}$	0.343**	0.171*
PRUR ➔ Green DIY SC	0.180**	$0.223^{n.s.}$	0.370**	$0.087^{n.s.}$	$0.191^{n.s.}$
SPE ➔ Green DIY SC	0.262****	0.265*	0.248**	0.162*	0.495**
SRM ➔ Green DIY SC	0.210***	0.437**	$0.109^{n.s.}$	0.194**	$0.026^{n.s.}$

Obs.: $^{*}p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$; $^{****}p < 0.001$; $^{n.s.}$ – insignificant
Fit indices General Model: χ^2/df: 3.647; GFI (> 0.8): 0.925; AGFI (> 0.8): 0.902; NFI (> 0.8): 0.916; CFI (> 0.8): 0.940; TLI (> 0.8): 0.928; SRMR (≤ 0.08): 0.0448; RMSEA (≤ 0.08): 0.038;
Fit indices for Multigroup on generations: χ^2/df: 1.912; GFI (> 0.8): 0.887; AGFI (> 0.8): 0.856; NFI (> 0.8): 0.861; CFI (> 0.8): 0.949; TLI (> 0.8): 0.940; SRMR (≤ 0.08): 0.0737; RMSEA (≤ 0.08): 0.0350;
Source: own research

environmental protection and social responsibility, being aware of the need to protect it and wishing to use green products only to the extent that their consumption did not have adverse effects on nature (Table 4).

For Millennials (Gen Y) the education on environmental protection and social responsibility (0.343**) has a significant influence in making them choose green DIY stores, with an impact of high relationship strength and significance. Millennials also purchased from these stores because they were willing to make a financial sacrifice to protect the environment (0.162*), and because the DIY stores implemented social responsibility measures (0.194**). Education on environmental protection and social responsibility prompted them to take action, while their green orientation made them believe that, through their competencies, they had a share in protecting nature and reducing the consumption of resources (Table 4).

Generation Z is the target group for which the (financial) sacrifice needed to make a contribution to environmental protection was the most important dimension in their choice of green DIY retail stores (0.495**). Zers seemed to be the most sensitive to "financial" issues, probably because they had modest incomes from seasonal employment and were financially dependent on their parents. As green European-based DIY stores (Table 3) were least visited by members of Generation Z, the results in Table 4 seem to confirm that, despite their education about the need to protect the environment (0.171*), they made limited use of it, as they were unlikely to frequently purchase products from DIY stores (Table 4).

Conclusions

From a theoretical perspective, this paper contributes to the literature on socially responsible consumption behaviour applied in retailing in an emerging market and the theory of reasoned action and generational theory. Consumers' orientation towards socially responsible consumption behaviour in a retail context, measured with the scale proposed by Antil and Bennett (1979) and Antil (1984) in reference to education on environmental protection and social responsibility, consumers' penchant for the rational use of resources, (financial) sacrifice to protect the environment underlies their preference for green European-based DIY stores by visiting them, purchasing from them and recommending them to peers. Thus, the paper combines socially responsible consumption behaviour with the theory of reasoned action, leading to a better understanding of the dimensions whereby these retailers may act on consumers, attract them into stores and influence their purchasing decisions.

The empirical research shows that each segment of consumers corresponding to a generation can be clearly delineated with respect to the values and elements influencing their behaviour towards the green DIY stores. Generational theory has a practical application in this case: Baby Boomers represent the generation that has realized, in the autumn of life, the need to protect the environment and be more socially responsible, and chooses green DIY stores depending on the extent to which personal sacrifice to protect the environment, as well as social responsibility measures, is in harmony with retailers' market strategy. Gen Xers prefer green DIY stores because they sell commodities enabling them to use resources in a rational way, and to bequeath a clean environment to future generations (their children). Millennials represent the generation educated in accordance with social responsibility and environmental protection principles and norms who choose green DIY stores according to which strategies for pollution reduction overlap with their own aspirations and perceptions. Generation Z is the one for which the choice of green DIY stores depends most on the financial sacrifice they have to make to this effect.

From a managerial perspective, this paper enables retailers operating in an emerging market to better understand the various consumer segments, herein represented by each generation, and to define a specific positioning strategy, together with a strategy for targeting and attracting these segments and gaining their loyalty. Moreover, retailers may consider the relevant dimensions typical of each generation in order to customize their offers, for example, offers at more attractive prices for Gen Z, or offers focused on saving resources and raw materials for Gen Xers.

One of the research limitations is the fact that consumer perception was examined only in an emerging market. Future research should make a comparison between saturated and emerging markets (Swoboda et al., 2017), while focusing on how the retail format is transferred from the home market to emerging markets (Swoboda et al., 2014). Consumer habits vary, and comparative analysis thereof could help establish an overall picture of the evolution of consumer preferences across generations.

Another limitation is the fact that the research did not make a comparison between respondents' domicile (urban versus rural), nor did it take into account the influence of income in the choice of retail format. More often than not, the money an individual has, and is willing to spend on shopping may influence the choice of the store about to be visited. Undoubtedly, another limitation of the research is the relatively small sample covered, so that the research findings cannot be generalized to the entire population. Moreover, the research did not consider the differences between the members of a group. For example, Gen Z members have many heterogeneous characteristics, so that the findings for the sample considered cannot be extended to all persons in the same category.

Future studies should also focus on investigating consumer perceptions towards green issues in other retail formats, such as fashion, grocery, etc., and should highlight, for example, whether consumer preference and involvement therein is stronger than in DIY retail. Likewise, any future research should consistently track retailers' communication of social responsibility measures, as well as the extent to which the prices of products vary according to their contribution to pollution reduction. Future analyses should pursue the extent to which retailers constantly keep an eye on environmental governance through the actions they carry out throughout the value chain.

Abbreviations

AGFI (Fit index of a structural equation model): adjusted goodness of fit index; AMOS: Structural Equation Modelling software; Baby Boomers: people born between 1946 and 1964; CFI (Fit index of a structural equation model): comparative fit index; df: Degrees of freedom; DIY (Retail): Do-It-Yourself (Retail); EEP: Education on environmental protection and social responsibility; EV: Eigenvalues for each factor; Gen Xers or X: People born between 1965 and 1979; Gen Y or Y or Millennials: People born between 1980 and 1994; Gen Z or Z: People born between 1994 and 2000; GFI (Fit index of a structural equation model): Goodness of fit index; KMO: Kaiser-Meyer-Ohlin criterion; NFI (Fit index of a structural equation model): Normed fit index; p: Probability; PRUR: Penchant for rational use of resources; RMSEA (Fit index of a structural equation model): Root mean square error of approximation; SC: Store Choice; SPE: Sacrifice for the sake of environmental protection; SRM: Social responsibility measures; SRMR (Fit index of a structural equation model): Standardised root mean square residual; TLI (Fit index of a structural equation model): Tucker-Lewis fit index; var.: Variance; X or Gen Xers: People born between 1965 and 1979; Y or Millennials or Gen Y: People born between 1980 and 1994; Z or Gen Z: People born between 1994 and 2000; α: Cronbach's α coefficient (checking data reliability); χ^2: Hi square

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Authors' contributions

The authors of the paper have the entire contribution to the paper. DCD is responsible for the methodological part and the results analysis and interpretation, as where BMB is responsible mainly for the literature review. DCD also assumed the final shape and the submission of the article. All authors read and approved the final manuscript.

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The authors declare that they have no competing interests

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Market orientation and corporate social responsibility: towards an integrated conceptual framework

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Abstract

The aim of this study is to develop a comprehensive framework and propositions showing the integration of market orientation (MO) as an economic-oriented strategy and corporate social responsibility (CSR), as a socially–oriented strategy for business performance (BP). A review of literature on the three constructs of MO, CSR and BP facilitated the development of the framework and a number of research propositions. An integrated conceptual framework of economic and social strategies is constructed based on prior conceptualisation of MO and CSR. In total, twenty-six (26) propositions are developed based on the integrated conceptual framework. An empirical examination of the model will clarify further, relations among the variables and then authenticate the developed model and propositions. The study provides practitioners with a framework and the accompanying propositions for decision making with respect to their strategic choices and performance. The conceptual framework and the proposition developed when implemented are expected to enhance both the firm and customer value which has a wider implication for the society. The novelty in this research is the common antecedents of both MO and CSR. This research augments the few studies on the integration of MO and CSR.

Keywords: Market orientation, Economic strategy, Corporate social responsibility, Social strategy, Business performance, Framework, Propositions

Introduction

A growing number of scholars and practitioners are calling for attention to be given to the integration of market orientation (MO) and corporate social responsibility (CSR) for competitiveness (Brik et al. 2011; Mitchell et al. 2010; Qu 2009). Despite the prominence of MO and CSR, previous scholarships on the two constructs have focused on the individual strategic constructs and their impact on organisational performance to the neglect of their integration (Mitchell et al. 2010; Grinstein 2008). Thus, Grinsatein (2008) advised that research on MO should shift its focus. According to Grinstein (2008), researchers should move from the study of the direct effect of MO on business performance to the study of the various combinations of strategic orientations that firms can pursue in different situations. Researchers are encouraged to study how the more successful market-oriented firms balance between MO and other strategic orientations (Grinstein 2008; Mitchell et al. 2010). A number of scholars have responded to this call in the extant MO literature (Yan et al. 2017; Felix 2015). Relatively, some research works have been done on the integration of MO – CSR - performance relationship but more research is required to highlight the phenomenon (Brik et al. 2011; Qu 2009).

Scholars have suggested the benefits of integrating MO as an economic strategy with CSR as a social strategy (Mitchell et al. 2010; Mohr and Sarin 2009). For instance, it is argued that the pursuit of both economic and social strategies simultaneously would not be harmful to the operations of a firm (Mohr and Sarin 2009). On the bases of the above argument, this study is set out to develop a comprehensive conceptual framework and propositions that guides the integration of MO and CSR for BP. In this regard, the key question that needs to be answered is whether there are sufficient frameworks that

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project the integration of MO as an economic strategy and CSR as a social strategy leading to business performance in extant marketing and management literature?

The paper contributes to marketing theory in three ways. First, it proposes a comprehensive business framework integrating MO and CSR for BP. Limited frameworks exist on the integration of MO, CSR and BP (Brik et al. 2011; Morgan et al. 2009; Grinstein 2008; Maignan and Ferrell 2004; Maignan et al. 1999; Morgan and Strong 1998). Second, we propose common determinants of MO and CSR, which to the best of the researchers' knowledge, have never been proposed in the extant marketing literature. To buttress this position, reference is made to Kuada and Hinson's (2012) argument that the antecedents to CSR exert different degrees of influence on the CSR practices of firms in different parts of the world. They argue further that these antecedents have not been adequately articulated and integrated into the available analytical models.

Third, the conceptual framework and the propositions from the research is significant for management researchers and practitioners. Employing the theorised framework and propositions will allow scholars to offer relevant advice on the likely outcomes of integrating MO and CSR across firms of varying backgrounds. The remainder of the paper is presented as follows: the conceptual framework and propositions are discussed next and this is followed by the discussions and implications. The conclusions and directions for future research bring the paper to a close.

Literature review and conceptual framework

In the conceptualisation of market orientation (MO) and corporate social responsibility (CSR), researchers often theoretically or empirically investigate their antecedents or predictors and consequences or outcomes (Galbreath 2010; Zebal and Godwin 2011; Kocak et al. 2017). The proposed integrated conceptual framework for this study has five major components (*see* Fig. 1).

Hult et al. (2005) established the value of the information processing perspective to market orientation. Market orientation is defined as the extent to which a firm engages in information generation, dissemination, and response to market intelligence pertaining to current and future customer needs, competitor strategies and actions, channelling requirements and abilities, and the broader business environment (Morgan et al. 2009). Inspired by the traditional resource-based theory, the literature posits that firms with superior MO achieve

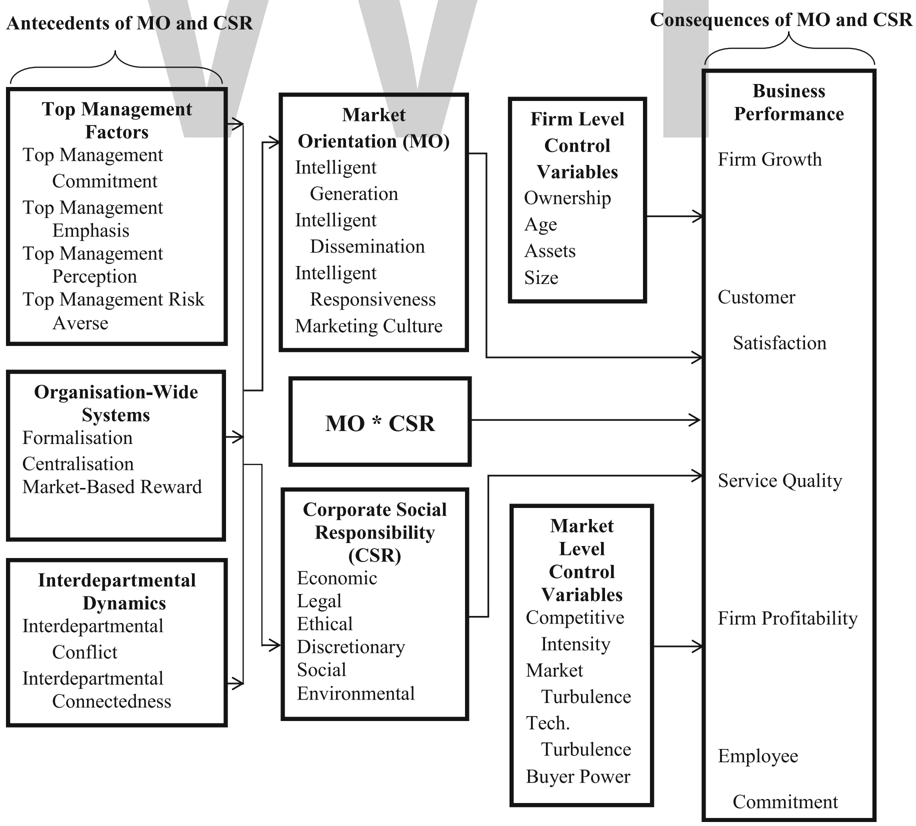

Fig. 1 Conceptual Framework

superior business performance because they have a greater understanding of customers (Lafferty and Hult 2001).

There has been a general agreement in the literature on the key components of MO: market intelligence gathering and the synthesis of market information to develop and implement competitive, profitable marketing strategies (Cano et al. 2004; Cervera et al. 2001; Greenley et al. 2005; Kirca et al. 2005; Kohli and Jaworski 1990; Lafferty and Hult 2001). MO should focus on the integration of a firm's capabilities to generate long-term profitability, maintain or increase market share, improve firm competitiveness, ensure organisational responsiveness in providing customer value and satisfaction, and meet strategic corporate targets (Mitchell et al. 2010).

With respect to CSR, Whitehouse (2006) opined that despite several decades of vociferous debate regarding the concept of CSR, it is possible to say, with certainty, that there exists no one universally accepted definition of the term. Lantos (2001) is of the view that the concept of CSR is a fuzzy one with unclear boundaries and debatable legitimacy. While academics continue to debate the content and meaning of CSR, many large companies appear to have found common ground upon which they have constructed elaborate CSR policies and practices (Whitehouse 2006).

Carroll's (1991) classification of CSR was modified to include social and environmental dimensions (Mitchell et al. 2010) to conceptualise corporate social responsibility in this integrated framework. Carroll (1991) provides a clear view of business responsibility and repeats these four dimensions in subsequent articles (Carroll 2000; Schwartz and Carroll 2003) to underscore the importance of this classification in future CSR studies. Hence, the adoption of Carroll's model. Consequently, from the basis of Carroll's (1991) conceptualisation, CSR has been defined by Maignan et al. (1999, p. 459) as "the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders". This definition is in line with the four dimensions of CSR proposed by Carroll (1991), which is still recognised by contemporary researchers (Maignan et al. 1999; Maignan and Ferrell 2004; Pirithiviraj and Kajendra 2010; Galbreath 2010). These six dimensions of CSR adapted for this study are considered appropriate to investigate CSR in order to address the accusation against marketing scholars for their narrow focus on the dimensions of CSR (Maignan and Ferrell 2004; Porter and Kramer 2006).

Propositions

The three major hierarchical dimensions of top management factors, organisational systems and interdepartmental dynamics proposed by Kohli and Jaworski (1990) and Jaworski and Kohli (1993), which have been used widely in the market orientation literature, are employed in this study. However, the present study extends strategic marketing knowledge by postulating that these factors are equally determinants of CSR. The proposed integrated conceptual framework suggests the measures can be used to assess the firm's level of MO and CSR activities and initiatives.

Top management factors

A number of scholars have alluded to the importance of top management in determining an organisation's market orientation and corporate social responsibility (see Kohli and Jaworski 1990; Jaworski and Kohli 1993; Aguinis and Glavas 2012). These scholars assert that with more support from top management, CSR programmes will be given more attention than with less management support (see Aguinis and Glavas 2012). Without support from top management, it will be difficult to formulate and implement market orientation and corporate social responsibility programmes. Top management is a key stakeholder whose level of influence on firms' MO and CSR initiatives cannot be ignored. Top management support ensures that MO and CSR programmes succeed. Top management demonstration of leadership by example encourages employees to follow suit. If top management is involved in gathering intelligence, disseminating this intelligence and being responsive to the needs of both internal and external demands, other staff members will also be encouraged to do so. Similarly, maximising shareholder wealth, operating within the legal and ethical framework of the firm's environment and also showing concern for the larger society by acting responsibly and donating to charitable institutions demand the support of top management. On the basis of the above arguments, we proposed as follows:

P1: Top management emphasis relate to organisations market orientation and corporate social responsibility.

Top management's risk aversion is another key factor among the antecedents to MO and CSR in the conceptual framework. Top management's willingness to strategically allow new ideas to be experimented will aid the MO and CSR development process in firms. In the same vein, if top management is always searching for certainty before making decisions, it could stifle MO and CSR initiatives. Intelligence generation, intelligence dissemination and intelligence responsiveness, as well as the marketing culture of an organisation, are all influenced by top management's risk aversion. In more elaborate terms, one can postulate that top management's risk aversion has an influence on the economic, legal, ethical, philanthropic, social and environmental performance of an organisation. Jaworski and Kohli (1993) found a negative association between top management risk aversion and intelligence responsiveness while Avlonitis and

Gounaris (1999) also found a negative association between top management risk aversion and market orientation. Thus,

P2: Top management risk aversion relate to organisations market orientation and corporate social responsibility.

The conceptual framework further suggests that top management's perception is an integral component among the top management factors which are critical to predicting the level of MO and CSR. Perceptions have a serious influence on top management actions and reactions towards MO and CSR initiatives. Favourable perceptions of managers towards marketing intelligence generation, dissemination, responsiveness, as well as the beliefs and values in marketing practices could elicit top management support of MO and CSR practices. Also, top management's favourable perception towards the economic performance of the organisation will encourage them to support MO and CSR activities. This notion is applicable to ethical conduct, legal obligations, social and philanthropic interventions, as well as good environmental activities. Thus,

P3: Top management perception relate to organisations market orientation and corporate social responsibility.

Another major predictor variable in the conceptual framework, that could stimulate an organisation's market orientation and corporate social responsibility is the organisational system. This comprises formalisation, centralisation and market-based reward systems. Earlier studies have found that both centralisation and formalisation are negatively associated with overall market orientation (Jaworski and Kohli 1993; Avlonitis and Gounaris 1999; Harris 2000). On the contrary, a number of studies reported a positive relationship between market orientations; formalisation and centralisation. This suggests that scholars are still in a dilemma as far as the role of formalisation and centralisation in the development of market orientation are concerned. Therefore, the inclusion of these factors in the study's framework is intended to provide further empirical insight into these variables. Inferring from the MO literature, the conceptual framework additionally postulates that the organisational system has an influence in shaping an organisation's CSR activities.

Organisational systems

Formalisation is the "degree to which rules define roles, authority, relations, communications, norms and sanctions, and procedures" (Kohli and Jaworski 1990, p. 10). Often, it is assumed that bureaucratic tendencies are likely to be associated with arrangements which can impede the development of a market orientation culture in such formalised institutions. A high degree of formalisation can result in low market orientation culture in an organisation, which in turn can impact the organisation's efficiency and effectiveness and hence its business performance. Formalisation affects the development of a market orientation culture (Jaworski and Kohli 1993; Kuada and Buatsi 2005; Zebal and Godwin 2011). Research on the predictors of market orientation so far suggests that formalisation is a barrier to communication and consequently hostile to market-oriented activities (Zebal and Godwin 2011). Formalisation is postulated to impede innovation and timely responses to changing market needs, which are at the core of market orientation (Kohli and Jaworski 1990; Jaworski and Kohli 1993). Kuada and Buatsi (2005) conclude that formalisation has no role in the market orientation model. Jaworski and Kohli (1993) report that contrary to prior hypotheses, formalisation does not appear to be related to market orientation.

P4: Formalisation relate to organisations market orientation and corporate social responsibility.

Centralisation is described as the concentration of power and decision-making in an organisation on top management (Kohli and Jaworski 1990; Jaworski and Kohli 1993). In this sense, employees at the lower levels who are knowledgeable about market requirements are not given the opportunity to act voluntarily without approval from the top management. Thus, generating, dissemination and responsiveness to market intelligence are impeded, resulting in low MO levels in such organisations. Hence, organisational structures of centralisation also affect the development of market orientation. They are negatively and significantly related to market orientation, according to the study of Kuada and Buatsi (2005). Flavián and Lozano (2006), however, could not conclude on the role of centralisation in the development of market-oriented culture.

P5: Centralisation relate to organisations market orientation and corporate social responsibility.

Market-based reward schemes are basically how management and employees are rewarded for their effort in contributing to the attainment of the organisation's goals. Webster (1988) is of the view that the cornerstone of developing a market-driven or customer-oriented business organisation is how management is evaluated and rewarded. Jaworski and Kohli (1993) contend that organisations that reward their management and employees based on certain factors, such as customer satisfaction and building customer relationships, tend to be more market-oriented. Pulendran et al. (2000) support this assertion, and advocate that organisations must use market-based reward schemes to reduce role conflict and ambiguity within their operations. On the basis of the above findings, the inclusion of market-based reward schemes in the conceptual framework to determine market orientation and corporate social responsibility is therefore timely and justifiable. Therefore,

P6: Market-based reward system relate to organisations market orientation and corporate social responsibility.

Interdepartmental dynamics

Interdepartmental dynamism consists of interdepartmental conflict and interdepartmental connectedness, which could either enhance or impede the development of market orientation and corporate social responsibility. Scholars report that the implementation of market orientation is determined by interdepartmental conflict and interdepartmental connectedness (Kohli and Jaworski 1990; Jaworski and Kohli 1993). Empirically, interdepartmental conflict is negatively associated with market orientation (Pulendran et al. 2000). Interdepartmental conflicts create barriers among various departments in an organisation and stifle the flow and the exchange of information. In this regard, suggesting interdepartmental conflict as an antecedent to market orientation and corporate social responsibility in the conceptual framework appears reasonable. Consequently,

P7: Inter-departmental conflict relate to organisations market orientation and corporate social responsibility.

Interdepartmental connectedness is another variable of interdepartmental dynamism which is a key antecedent to market orientation. A number of empirical studies point to the fact that interdepartmental connectedness is significant and positively related to market orientation (Jaworski and Kohli 1993; Harris and Piercy 1999; Pulendran et al. 2000). Due to the role interdepartmental connectedness plays in determining market orientation, it is appropriate to propose that interdepartmental connectedness is a variable influencing the degree of market orientation and corporate social responsibility in the conceptual framework of the study. So,

P8: Inter-departmental connectedness influences organisations market orientation and corporate social responsibility.

Consequences of MO and CSR

Business performance was conceptualised using six different measures as shown in the conceptual framework. These are: overall business performance (Harris and Ogbonna 2001; Matsuno et al. 2000; Kwon and Hu 2000), customer satisfaction (Galbreath 2010), service quality (Galbreath 2010; Agarwal et al. 2003), profitability firm growth (Morgan et al. 2009) and employee commitment (Galbreath 2010; Jaworski and Kohli 1993). Overall, business performance combines all five measures. Scholars have reported positive, negative, significant and non-significant relationships between market orientation and organisational performance in the extant literature (Lukas and Ferrell 2000; Ellis 2006; Kirca et al. 2005; Zhou et al. 2005; Atuahene-Gima 2005; Kyriakopolos and Moorman 2004; Voola and O'Cass 2010). Market orientation is associated with both objective and subjective performance variables. Objective measures include profitability, return on assets and firm growth, whereas subjective measures employed include customer satisfaction, service quality and employee commitment. Market orientation has a positive relationship with overall business performance and it is frequently postulated to improve business performance (Kirca et al. 2005; Zhou et al. 2005).

Narver and Slater (1990) were the first to provide empirical evidence on the link between market orientation and business performance. Subsequently, many studies from developed and developing economy perspectives have examined the relationship between market orientation and business performance (Mahmoud et al. 2010; Opoku and Essien 2011; Mahmoud et al. 2010). Market orientation is, thus, viewed as a source of competitive advantage for an organisation, in that it helps to create superior value for customers (Narver and Slater 1990; Slater and Narver 1994; Slater and Narver 2000). Dwairi et al. (2007) replicated Kohli and Jaworski's (1990), and Jaworski and Kohli's (1993) entire market orientation model in Jordan to investigate MO and business performance. They found that MO is significantly related to business performance. They report that their findings generally resonate with the results of Jaworski and Kohli (1993) and offer empirical support for the robustness of Kohli and Jaworski (1990) and Jaworski and Kohli's (1993) market orientation model. A replication of Jaworski and Kohli's (1993) model by Kuada and Buatsi (2005) in the Ghanaian context generated similar results. Accordingly,

P9: Market orientation is related to overall business performance.

The business community is increasingly committed to incorporating CSR into strategic and business planning. CSR is not only a prominent research theme, but also it can be found in corporate missions and value statements (Svendsen et al. 2001). CSR is argued to be capable of improving a business' competitive position (Porter and Kramer 2006, 2011) and performance (Prado-Lorenzo et al. 2008; Quazi and Richardson 2012). A mixed result has been presented in the scholarly literature regarding corporate social responsibility and business performance (Peloza 2009; Prado-Lorenzo et al. 2008; Luo and Bhattacharya 2006; Sen and Bhattacharya 2001). Whilst some studies are reporting a positive relationship between firms embarking on corporate social responsibility and business performance (*see* Peloza 2009; Luo and Bhattacharya 2006), others are reporting a negative relationship (*see* Peloza 2009). Moreover, some studies are establishing no relationship between corporate social responsibility and business performance (*see* Peloza 2009). In a review of 128 studies that explored the CSR-organisational performance relationship; Peloza (2009) reported that 59% found a positive relationship, 27% indicated a mixed or neutral relationship, and 14% found a negative relationship. A variety of performance variables have been associated with corporate social responsibility in the extant literature, and these include customer satisfaction, service quality, growth, employee commitment, profitability and overall business performance (Weber 2008; Lee et al. 2011; Luo and Bhattacharya 2006; Backhaus et al. 2002; Brammer and Millington 2005; Peterson 2004).

Lee (2008) posit that the development of CSR theories suggests that there is a tighter linkage between CSR and firm business performance. The emphasis of CSR theories has shifted away from an ethics orientation to a performance orientation. In addition, the level of analysis has moved away from a macro-social level to an organisational level, where the effects of CSR on firm financial performance are closely scrutinized. Vogel (2005) upholds that the close investigation of the relationship between CSR initiatives and firm financial performance is a characteristic of the 'new world of CSR'. He argues that 'old style' CSR of the 1960s and 1970s was motivated by social considerations. Economic considerations were not among the motives for CSR: 'while there was substantial peer pressure among corporations to become more philanthropic, no one claimed that such firms were likely to be more profitable than their less generous competitors'; in contrast, the essence of the 'new world of CSR' is 'doing good to do well' (Vogel 2005, pp. 20–21). Therefore, we propose that,

P10: Corporate social responsibility is related to overall business performance.

The integration of MO and CSR on organisational performance is operationalised in the framework by integrating market orientation and corporate social responsibility. This is expected to result in synergy, and thus translate into superior organisational performance (Narver and Slater 1990; Maignan et al. 1999; Qu 2009; Pirithiviraj and Kajendra 2010; Brik et al. 2011; Arshad et al. 2012). The integration of MO and CSR as a competitive strategic tool is key to this study. An emerging logic in marketing is that multiple approaches to strategy from both social and economic perspective is key to guarantee certain level of business performance (Mahmoud 2016). Scholars' attention has been drawn to the fact that market orientation needs to be incorporated as a bundle into other strategic actions to achieve effective and efficient performance (Cano et al. 2004; Qu 2009; Brik et al. 2011; Hakala 2011; Mahmoud 2016). Mitchell et al. (2010) advocated for the incorporation of macro marketing variables such as corporate social responsibility, ecological and environmental issues as additional variables into future market orientation studies. Accordingly, we argue in this study that:

P11: Integration of MO and CSR is related to overall business performance.

MO, CSR and customer satisfaction

In this conceptualisation, customer satisfaction generally means a service firm's capability to deliver products and services within the customer's zone of tolerance (Zebal and Godwin 2011); that is, not below the customer's expectations and not above the customer's ideal expectation (Zeithaml 2000). There are many items that must be incorporated into generating the desired customer satisfaction relative to the competition. This makes it challenging to use a single issue to constitute customer satisfaction. Moreover, customers differ in the value they attach to each of these elements. Customer satisfaction means that relative to other competitors, the firm has more loyal customers. In this paper, it is also apparent that such firms often receive complimentary phone calls/letters from their customers (Zeithaml 2000). In addition, regarding customer satisfaction, the paper also recognised the fact that the firm's trade partners always give positive testimonies to the quality of service rendered to them. If complaints are minimal, if not absent altogether, it is considered a sign of customer satisfaction in this study (Hinson 2006). It also means the service firm is able to generate new customers on a regular basis without difficulty and that existing customers are happy with the services and prices.

Customer satisfaction has long been considered a resource that generates competitive advantage in the marketplace and thereby triggers superior financial performance for a firm relative to its competitors (Hunt and Morgan 1995). One of the most important indicators of the strength of a firm's customer relationship is customer satisfaction (Anderson et al. 2004). Fornell (1992) has postulated that satisfied customers can be viewed as economic assets that yield future cash flows for organisations. Customer satisfaction affects the level, timing, and risk of a firm's future net cash flows. It triggers positive outcomes such as customer loyalty, customer retention, cross-buying activity, price tolerance, word of mouth, and recommendation behaviour (Anderson et al. 2004; Fornell et al. 2006; Gruca and Rego 2005; Luo 2007; Luo and Homburg 2007; Luo et al. 2010), which in turn enhance future cash flows. The key issue is that market-oriented firms or organisations respond to customer needs and preferences better than less market-oriented firms, hence, they are in a position to satisfy customers (Kohli and Jaworski 1990; Jaworski and Kohli 1993; Slater and Narver 2000). Scholars opine that the consequence of market orientation is customer satisfaction, which increases repeat purchases and draws new customers to the business (Kohli and Jaworski 1990; Singh and Ranchhod 2004). Slater and Narver (2000) are of the view that becoming and remaining market-oriented is essential for a company's success. Market orientation is such that it creates loyal customers, who will not only keep coming back to the organisation, but will also tell others about the organisation (Kohli and Jaworski 1990). Hence,

P12: Market orientation is related to customer satisfaction.

The role of corporate social responsibility in determining the level of customer satisfaction has received little attention, despite the acknowledged importance of customer satisfaction in the marketing literature (McDonald and Rundle-Thiele 2008). The relationship between corporate social responsibility and customer satisfaction is not always straightforward (Luo and Bhattacharya 2006). CSR is found to be associated with customer satisfaction in a recent study in the banking sector (Senthikumar et al. 2011). Some scholars are of the view that CSR only results in customer satisfaction when the CSR initiatives and activities have a direct benefit for the customer group concerned (*see* McDonald and Hung Lai 2011).

Luo and Bhattacharya (2006) discovered that in firms that are less innovative in nature, CSR may decrease customer satisfaction levels and ultimately reduce the firm's financial returns. In this case, it implies that firms do not always benefit from CSR actions and that "less innovative firms may be better off financially avoiding CSR actions" (Luo and Bhattacharya 2006, p. 16). Sen and Bhattacharya (2001) report that CSR initiatives can under certain circumstances decrease consumer's intention to buy a firm's products and/or services. In particular, failing to secure the legitimacy from the target market to operate as a result of firms' CSR initiatives activities can result in a decrease in consumer intention to purchase. This, therefore, makes it imperative for firms to adopt an integrated corporate strategy rather than an individual one.

P13: Corporate social responsibility is related to customer satisfaction.

Galbreath's (2010) empirical study reported that CSR was significantly and positively associated with customer satisfaction. Organisational performance is operationalised in the framework by integrating MO and CSR leading to customer satisfaction. The integration of MO and CSR as a competitive strategic tool is key to this study. An emerging logic in marketing is that multiple approaches to strategy from both social and economic perspectives is key to guarantee a certain level of business performance (Mahmoud 2016). Scholars' attention has been drawn to the fact that market orientation needs to be incorporated as a bundle into other strategic actions to achieve effective and efficient performance (Cano et al. 2004; Qu 2009; Brik et al. 2011; Hakala 2011; Mahmoud 2016). Mitchell et al. (2010) advocated for the incorporation of macro marketing variables such as corporate social responsibility, ecological and environmental issues as additional variables into future market orientation studies. Accordingly, we argue in this study that:

P14: Integration of MO and CSR is related to customer satisfaction.

MO, CSR and firm growth

Firm growth in this conceptualisation represents multiple dimensions. Firm growth in this study refers to improvements in: return on investment, profit margin, sales, market share, revenue and financial position relative to competitors. The organisation's ability to recoup its investments or meet its return on investment goals is an indication of growth (Narver and Slater 1990; Morgan et al. 2009). Also, improvement in the organisation's financial position relative to the competitor is associated with the firm's growth. Similarly, an improvement in sales either in quantity or revenue could be regarded as firm growth (Morgan et al. 2009). Improvement in the market share relative to competitors could also be viewed as growth for the firm (Morgan et al. 2009).

Market orientation has a positive link with firm growth. Empirical research has shown that market orientation is related positively to sales growth (Slater and Narver 1994). Service organisations that grow do so because they are good at finding their market niche and understanding market demands, which amount to being market-oriented. Usually, most firms cite the lack of demand as an important impediment to growth. Lack of demand may also be understood as targeting the wrong market, which is to say that consumer research is not guiding the firm's operations. There are several examples of firms that, at least for a period of time, stopped growing because they did not keep up with market orientation activities (Kohli and Jaworski 1990; Narver and Slater 1990). To be more likely to succeed, aspiring growth-oriented firms must appreciate how to adequately identify their market niches and how to exploit them. They also must come to appreciate the importance of putting the customer first and what that implies for their operations.

P15: Market orientation is related to a firm growth.

Even in difficult times or slow periods of growth, CSR is still recommended as a strategic tool for firms' growth. This is even more important for developing economies, especially in sub-Saharan Africa where the poverty level is high (Hinson and Ndhlovu 2011). In such economies, organisations are expected to provide some social services and welfare programmes in addition to their normal economic activities (Hinson and Ndhlovu 2011). Firms balancing their economic and social goals would be able to achieve their business objectives and address societal concerns at the same time. This is what is termed strategic CSR (Lantos 2001; Porter and Kramer 2006).

A study of CSR practice and motivations in Spain, Prado-Lorenzo et al. (2008), after controlling for the size of the companies, found that disclosure of information on CSR leads to an improved corporate image which eventually increases the rate of sales growth. They state that firms which have disclosed a greater volume of information on CSR have experienced greater sales growth, as opposed to those organisations which have not disclosed information publicly (Prado-Lorenzo et al. 2008, p.1259). CSR has been found to be positively related to customer attraction and retention, as well as customer loyalty (Lee et al. 2011; Weber 2008). Similarly, loyal customers will result in firm growth due to their long stay with an organisation and their potential of attracting other users of products and services to the organisation. Customer attraction, retention and loyalty could be said to be positive enablers to firm growth.

P16: Corporate social responsibility is related to a firm growth.

The integration of MO and CSR is expected to result in firm growth as depicted by the model. This is expected to result in synergy, and thus translate into firm growth (Narver and Slater 1990; Maignan et al. 1999; Qu 2009; Pirithiviraj and Kajendra 2010; Brik et al. 2011; Arshad et al. 2012). The integration of MO and CSR as a competitive strategic tool is key to this study. An emerging logic in marketing is that, multiple approaches to strategy from both social and economic perspective is key to guarantee a certain level of business performance (Mahmoud 2016). Scholars' attention has been drawn to the fact that market orientation needs to be incorporated as a bundle into other strategic actions to achieve effective and efficient performance (Cano et al. 2004; Qu 2009; Brik et al. 2011; Hakala 2011; Mahmoud 2016). Mitchell et al. (2010) advocated for the incorporation of macro marketing variables such as corporate social responsibility, ecological and environmental issues as additional variables into future market orientation studies. Accordingly, we argue in this study that:

P17: Integration of MO and CSR is related to a firm growth.

MO, CSR and employee commitment

Employee commitment in this conceptualisation means the willingness of employees to go the extra mile to seek the collective interest of the organisation (Agarwal et al. 2003). Specifically, employee commitment means that people in an organisation are genuinely concerned about the needs and problems of each other (Glavas and Piderit 2009). They own the organisation and working for the organisation is reflective of being a part of "one big family". When employees are satisfied, they are emotionally attached to each other. In such organisations, employees view themselves as independent individuals who have to tolerate others around them. Employee commitment as an outcome variable has been employed in previous MO and CSR research (Agarwal et al. 2003).

Prior studies have indicated a relation between market orientation and employee commitment (Kohli and Jaworski 1990; Jaworski and Kohli 1993). A market-oriented culture facilitates clarity of focus and vision in an organisation. This generates pride in belonging to an organisation, and results in high employee morale and greater organisational commitment (Jaworski and Kohli 1993). Siguaw et al. (1994) report that, if a firm is perceived as having a high market orientation, then the sales force practice a greater level of customer orientation. Market orientation reduces role stress and engenders greater job satisfaction and organisational commitment. Additionally, it provides psychological and social benefits for employees. Market orientation leads to a sense of pride and belongingness in an organisation, in which all departments and individuals work towards the common goal of serving customers. If this objective is achieved, it results in employees sharing a feeling of worthwhile contribution, as well as higher levels of job satisfaction and commitment to the organisation (Kohli and Jaworski 1990). Thus,

P18: Market orientation is related to employee commitment.

Corporate social responsibility has a positive effect on attracting more talented employees, employee identification with the organisation and employee creative involvement (*see* Maignan et al. 1999; Greening and Turban 2000; Carmeli et al. 2007; Glavas and Piderit 2009). Smart employees might prefer to be associated with organisations that have friendly and good corporate social responsibility policies and programmes in place. Maignan et al. (1999) and McGuire et al. (1988) suggest that CSR activities stimulate a firm's ability to attract more talented and committed individuals who seek to merge their work and non-work lives and boost internal employee morale and commitment within the firm. CSR will improve employees' relations with the organisation in addition to its stakeholders (Akgeyik 2005; Glavas and Piderit 2009).

P19: Corporate social responsibility is related to employee commitment.

The integration of MO and CSR on organisational performance is operationalised in the framework yield employee commitment. This is expected to result in synergy, and thus translate into superior organisational performance (Narver and Slater 1990; Maignan et al. 1999; Qu 2009; Pirithiviraj and Kajendra 2010; Brik et al. 2011; Arshad et al. 2012). The integration of MO and CSR as a competitive strategic tool is important to this study. An emerging logic in marketing is that multiple approaches to strategy from both social and economic perspective is key to guarantee a certain level of business performance (Mahmoud 2016). Scholars' attention has been drawn to the fact that market orientation needs to be incorporated as a bundle into other strategic actions to achieve effective and efficient performance (Cano et al. 2004; Qu 2009; Brik et al. 2011; Hakala 2011; Mahmoud 2016). Mitchell et al. (2010) advocated for the incorporation of macro marketing variables such as corporate social responsibility, ecological and environmental issues as additional variables into future market orientation studies. Accordingly, we argue in this study that:

P20: Integration of MO and CSR is related to employee commitment.

MO, CSR and service quality

Service quality as an outcome variable has been employed in previous market orientation and corporate social responsibility studies (*see* Matear et al. 2004; Sen et al. 2006; Garcia de los Salmones et al. 2005). Service quality in this conceptualisation means that an organisation has superior service provision relative to its competitors. It also represents improvements in the quality of service delivery relative to the competition and customers' satisfaction with service quality levels of the organisation in question. In addition, compared to competitors, word of mouth testimonies regarding service quality from customers are excellent (Matear, et al. 2004). Firms with high service quality are those that have excellent service recovery strategies in their operations (Zebal and Godwin 2011). Another feature of an organisation with excellent service quality is that consumers have a positive perception of service quality of such organisations in relation to their competitors in the same industry (Garcia de los Salmones et al. 2005).

Service quality is the major driving force for business sustainability, and in today's competitive global marketplace, it is acknowledged to be essential for the success of the firm (Ismail et al. 2006). The primary objective of service providers and marketers is identical, which is to develop and provide services that satisfy customer needs and expectations. In the service industry, the goal of the service marketer is to close or narrow the gap between expectations and perceptions of customers (Ismail et al. 2006). In the marketing literature, service quality is a distinctive element that firms should strive for (Ismail et al. 2006).

Therefore, a key strategy for customer-focused firms is to measure service quality. Customer satisfaction or dissatisfaction may result from experiencing a service and comparing that experience with the kind of quality of service that was expected (Ismail et al. 2006; Voon 2006). According to Voon (2006), service is said to be the competitive tool for differentiation that is difficult for rivals to imitate, and service quality needs to be strategically managed for competitive advantage. The literature underscores the point that market-oriented service behaviors are instrumental in delivering quality service (Camarero 2007; Lam et al. 2012; Voon 2006). Market orientation could also lead to improved service quality for service industry organisations (Agarwal et al. 2003; Camarero 2007; Lam et al. 2012).

Camarero's (2007) study shows that the market-driven financial and insurance companies are more committed to meeting or exceeding their customers' expectations and as such, to providing premium service quality for their customers. Similarly, Gounaris et al. (2003) stated that in the banking sector the market-oriented service firm is capable of understanding and meeting the needs and desires of its target markets as far as creating added value for its customers and therefore, generating marked improvements in customer perception of service quality. An empirical investigation of the relationship between market orientation, service quality and business performance in retail stock brokerage firms in Taiwan was provided by Voon (2006), who empirically tested and validated a service-driven market orientation tool and generally supported the assertion that a higher degree of market orientation correlates with improved delivery of services. Thus far, it has been argued that strong market-oriented service providers are more likely to meet or exceed their customer needs and expectations with the provision of superior quality services. Lam et al. (2012) investigated the relationship between market orientation and service quality from a developing economy perspective and reported that market orientation is significantly related to service quality.

P21: Market orientation is related to service quality.

Studies have found a link between corporate social responsibility (CSR) initiatives and service quality (SQ). Body Shop has been used as an illustration. Its use of natural ingredients and environmentally friendly practices has had positive associations with consumer perceptions of its products (see Poolthong and Mandhachitara 2009). Sen and Bhattacharya (2001) found that consumers are sensitive to the implications of CSR activities as well as to the company's ability to exceed expectations. Garcia de los Salmones et al. (2005), for example, found that consumers' perception of CSR behaviour can have direct consequences for their assessment of the service and SQ. Furthermore, the levels of engagement in certain CSR activities in which customers expect their service providers to become engaged are proposed to influence SQ.

P22: Corporate social responsibility is related to service quality.

This conceptualisation assumed that the integration of MO and CSR should result in quality service delivery, which influences the overall efficiency of service firms' operations, and hence business performance. Consequently, the integration of MO and CSR on framework must lead to service quality delivery. Thus translate into superior service quality performance relative to the competition (Narver and Slater 1990; Maignan et al. 1999; Qu 2009; Pirithiviraj and Kajendra 2010; Brik et al. 2011; Arshad et al. 2012). The integration of MO and CSR as a competitive strategic tool is key to this study. An emerging logic in marketing is that multiple approaches to strategy from both social and economic perspective is key to guarantee a certain level of business performance (Mahmoud 2016). Scholars' attention has been drawn to the fact that market orientation needs to be incorporated as a bundle into other strategic actions to achieve effective and efficient performance (Cano et al. 2004; Qu 2009; Brik et al. 2011; Hakala 2011; Mahmoud 2016). Mitchell et al. (2010) advocated for the incorporation of macro marketing variables such as corporate social responsibility, ecological and environmental issues as additional variables into future market orientation studies. Accordingly, we argue in this study that:

P23: Integration of MO and CSR is related to service quality.

MO, CSR and profitability

From conceptual and empirical perspectives, market orientation has been proven to relate positively to firm profitability. Narver and Slater (1990) discovered that market orientation is an important determinant of profitability for both commodity and non-commodity businesses. Businesses with high market orientation tend to enjoy higher profitability than less market-oriented businesses. Slater and Narver (2000) found that market orientation is positively related to business profitability, measured by return on investment (ROI). Profitability is argued to be a consequence of market orientation (Kohli and Jaworski 1990; Narver and Slater 1990). Kohli and Jaworski (1990), in a field interview, discovered that profitability is a consequence of a market orientation rather than a part of it. Accordingly, we propose that:

P24: Market orientation is related to profitability.

Theoretically, it is argued that CSR has significant implications for a firm's financial performance (Lee 2008; Wang, Choi and Li 2008). CSR is vital for competitive success (Orlitzky et al. 2003). A good name can enhance business in good times and protect it during a crisis (Smith 2007). Smith (2007) argues that the prolonged advantage of corporate social responsibility ensures sustainable economic advantage and should be a long-term objective of any organisation. Orlitzky et al. (2003), in discussing the link between corporate social performance and financial performance, have shown that there is evidence suggesting that engaging in corporate social responsibility practices result in an increase in the overall profitability of firms. Conversely, Aupperle et al. (1985) did not find any relationship between corporate social responsibility and firm profitability. According to their findings, varying levels of corporate social responsibility activities did not correlate with firm performance. Scott (2007) is of the view that ccorporate profitability is a necessary condition for corporate responsibility. Similarly, corporate social responsibility can help companies succeed and increase their profitability and overall performance (Olowokudejo et al. 2011). Having discussed previous scholarly works on CSR and organisational performance, the section that follows is devoted to CSR studies in the service industry, especially studies in the banking sector.

Vogel (2005) notes that the new world of CSR emphasizes the link between CSR and corporate financial success. Confirmation for such emphasis, Vogel (2005) states, are the many works (e.g. Dickson 2004; Laszlo 2003; Scott and Rothman 1992; Waddock et al. 2002) that promote the 'responsibility–profitability connection 'and assert that CSR leads to long-term shareholder value. He also reports that 'according to a 2002 survey by PricewaterhouseCoopers, "70 percent of global chief executives believe that CSR is vital to their companies' profitability"'. This evidence suggests that CSR is evolving into a core business function which is central to the firm's overall strategy and vital to its success. Profitability in this conceptualisation refers to an improvement in a number of performance variables relative to competitors. These include total assets, deposits, advances, return-on-equity, net interest margins, cost-to-income ratio and asset quality (Jaworski and Kohli 1993; Orlitzky et al. 2003; Smith 2007). Profitability in a firm's assets base is a positive indication relative to the competitor.

P25: Corporate social responsibility is related to profitability.

The integration of MO and CSR on profitability is depicted in the model. The proposition here is that integrating economic and social strategies must result in profitable operations of firms. The integration of MO and CSR as a competitive strategic tool is key to this study. An emerging logic in marketing is that multiple approaches to strategy from both social and economic perspective is key to guarantee a certain level of business performance (Mahmoud 2016). Scholars' attention has been drawn to the fact that market orientation needs to be incorporated as a bundle into other strategic actions to achieve effective and efficient performance (Cano et al. 2004; Qu 2009; Brik et al. 2011; Hakala 2011; Mahmoud 2016). Mitchell et al. (2010) advocated for the incorporation of macro marketing variables such as corporate social responsibility, ecological and environmental issues as additional variables into future market orientation studies. Accordingly, we argue in this study that:

P26: Integration of MO and CSR is related to profitability.

Control variables

Narver and Slater (1990) show that the marketing strategy literature places considerable emphasis on eight situational variables that may affect business performance. The control variables are potential variables that are capable of influencing firm performance, rather than the identified variables. For instance, technology and organisational size are potential factors that can influence firm performance, other than MO and CSR. As with other studies in the strategic marketing literature, these situational variables are controlled in analyzing the effects of the interaction of market orientation and corporate social responsibility on business performance in this conceptualisation. The study posits that apart from the interactive effects of MO and CSR, there are other variables that can impact on an organisation's performance. The control variables considered in this study are broken into two main groups: market-related control variables and firm-level control variables (Narver and Slater 1990). Some of the market-related control variables considered in this study, as shown in the conceptual framework, are technology, the general economy, competitive intensity, and market turbulence and buyer power. The firm-level control variables include ownership, age, assets and size of the firm. With the components of the conceptual framework having been presented and explained above, the next section provides the discussions and managerial implications of the conceptualised model.

Discussions and implications

Prior researchers have largely not focused on how management factors, interdepartmental dynamics, and organisational systems impact on MO and CSR simultaneously (Aguinis and Glavas 2012). Aguinis and Glavas (2012) and Kuada and Hinson (2012) opined that the investigation into the predictors or antecedents on corporate social responsibility is scanty. This calls for scholars in marketing to research into the factors that can influence MO and CSR simultaneously in an organisational setting. In this competitive era firms cannot survive on a single strategy (Grinstein 2008; Brik et al. 2011; Mitchell et al. 2010; Blankson et al. 2013; Han et al. 2013). This phenomenon is encouraging firms to integrate economic and social strategies in contemporary times in the business environment. Drawing from resource-based perspectives both market orientation and corporate social responsibility have been viewed as corporate resources for business performance (Morgan et al. 2009). In this sense, in an industry where the level of market orientation and corporate social responsibility are low, firms that are market-oriented and socially responsible should experience high business performance than rival firms in such industries (Qu and Ennew 2007).

Managers' skills in initiating and implementing market orientation and corporate social responsibility initiatives could serve as intangible resources that propel the performance of their organisations. Moreover, if these initiatives are valued by the target market, as part of the conceptualisation theoretical contributions a model of significant factors determining market orientation and corporate social responsibility was developed. The unique feature of this model is the common predictors of both market orientation and corporate social responsibility in an organisation. This claim needs to be further interrogated by future researchers. For practitioners, these findings suggest that organisations ought to view corporate social responsibility and market orientation as a complementary strategic choice by managers rather than as two separate strategies that compete for organisational resources. These findings are particularly important in the context of a developing economy in which practitioners might be skeptical in implementing western theories in their businesses (Osuagwu 2006; Appiah-Adu 1998). This assertion is based on the assumption that CSR hitherto was regarded as incompatible with market strategies like market orientation developing economies because of the absence of strong institutional support for CSR and the presence of weak and ineffective laws to guard against unethical practices (Atuguba and Dowuona-Hammond 2008). Foo (2007) is of the view that CSR activities may put service firms at a competitive disadvantage vis-a-vis their competitors and as they might resist its adoption.

Also, implementation of firm market orientation and corporate social responsibility is a critical issue requiring much more attention from practitioners (Voola and O'Cass 2010). Management inaction in integrating economic and social strategy into the corporate strategy could be harmful to the competitiveness of service firms. Management knowledge about their target market perceptions regarding their economic, social, ethics, philanthropic, and environmental performance are important for firms in the marketplace (Jaworski and Kohli 1993: Carroll 1991). Inadequate knowledge is detrimental to firm operations. Corporate reputation is derived from stakeholders' perception of firm performance in the economic and social strategies they pursue. Affection for firms' products and services, as a result of it, is prudent economic and social strategies which then translate into more patronage for its services. In terms of social strategy, firms that are perceived to fulfill stakeholders' demands, for example, paying shareholders dividends, settling tax obligations to the central government, donating to the community in terms of their needs are in a better position of gaining competitive advantage over their rivals. Firms that do well economically, socially, ethically, and legally, are likely to enjoy profits in the long-run. Conceptually, firms are better of with high CSR and MO initiatives relative to low MO and CSR. It is important to note that, the level of economic and social strategies exhibited by firms will indicate where the firm will be in terms of these interventions and their relationship to performance (Porter and Kramer 2006; Qu 2009; Brik et al. 2011).

Conclusions and direction for future research

This conceptualisation has contributed to the limited studies in the scholarly literature on the integration of market orientation and corporate social responsibility (Qu 2009; Brik et al. 2011; Mahmoud and Hinson 2012a, b, Hinson and Mahmoud 2011). The study has conceptualised a theoretical link on the integration of MO, CSR and business performance. This framework could be applied by firms to enhance their business performance or competitiveness. The conceptualisation has also suggested predictor variables of corporate social responsibility similar to that of market orientation. These measures depart from the use of traditional measures of size, income, origin of firms and external pressure as factors of engagement in CSR activities (Kuada and Hinson 2012). This study offers an opportunity for appropriate strategic marketing development in the several industries and enables managers of these institutions to identify the appropriate blend of market orientation and corporate responsibility for superior business performance.

Haugland et al. (2007) encouraged researchers to elaborate on the role of market orientation and other strategic orientations. The literature on market orientation and corporate social responsibility in developing economies is now growing and therefore this conceptualisation will aid in building and enhancing the literature on predictors and integration of market orientation, corporate social responsibility and organisational performance.-While this study supports the integration of market orientation and corporate social responsibility for superior business performance, other strategic variables might be appropriate than the two constructs proposed in the framework. This paper provides an opportunity for future inquiry into other variables.

Marketing scholars are recommended to explore further the integration of MO and CSR in both the private and public by adopting/adapting the conceptualised and the hypotheses presented in this study. This will best help inform policy direction for the businesses economic and social interventions. Either single-industry or multiple - industry study could be employed to maximise the generalisability of the integration of MO and CSR. The study provides an opportunity for further studies to consider examining the common factors driving market orientation and corporate social responsibility simultaneously in different industry settings. Changes in the market characteristics, our understanding of competitive behaviour and advances in management theory and conceptualization development can limit the applicability of the proposed conceptualization and hypotheses (Darroch, et. al 2004). Despite these shortcomings, it is the conviction of the researchers that the conceptualisation puts forward will stimulate a conversation among marketing scholars about the potential hazards of strategy myopia and the benefits of strategy integration for the marketing discipline (Davis et al. 2013).

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Authors' contributions

Authors contributed equally to the development of this manuscript. All authors read and approved the final manuscript.

Competing interest

The authors declare that they have no competing interests.

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Renewing and improving the business model toward sustainability in theory and practice

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Abstract

The paper aims to analyse and discuss the evolution towards a sustainable business model and to focus on the motivations and the implications on the mission, the governance and the accountability of companies. Moreover, the theoretical framework of values-based, ethical and sustainable leadership has been used as interpretative key for the case-study analysis. After presenting the literature review, the second part of the work is based on the inductive approach applied to the analysis of the experience of an Italian medium-sized company (SGR Group) belonging to the energy sector (oil & gas). Recently this company has started a new project aimed at renewing its business model and deepening its sustainability orientation, which has already been experienced for years. The project is finalized at identifying and assessing vices and virtues which affect the governance and the leadership model, as well as the company's stakeholders engagement processes. The case exemplifies a resilience capability derived from a sustainable business model activated through relationships among internal and external stakeholders and supported by an ethical-based transformational leadership model which, in turn, derives from and nurtures the coherence among the mission-governance and accountability model.

Specifically, the analysis confirms the propositions drawn from the literature review relative to the fact that the coherence among mission, governance and accountability is a key driver for effective business model and that sustainable business models derive from and are characterized by sustainable leadership models, which include transformational, ethical-based and values-virtues-driven leadership.

Keywords: Business model, Sustainability, Sustainable business model, Sustainable leadership, Values-based leadership, Mission, Governance, Accountability

Introduction

Before analyzing as a company's business model "should be", this paper focuses on the "sense" of the business model (BM) and the needs of modern times. We briefly present some guidelines that underline a new way of understanding the market and the company within the same market. These guidelines emphasize the importance of individuals/entities, who/which have the propensity to very strong partnerships. This propensity is not only aimed to an economic return but is intended to build deeply personal relationships. This tendency becomes a fundamental element to make the functioning of the market effective (Bruni & Zamagni, 2007; Bruni, 2008). Even the re-reading of some business and economic paradigms, underlines this need of the existence of this type of inclination. That is, without companies characterized by a propensity to always cooperate, the market would crash, because it would lack the "lubricant" that makes possible its process.

Moving from the logic of the market which is passing from a set of contracts to a set of relations (Bruni 2008), a profound rethinking of the business models is required. This is because the previous paradigms showed a lot of problems not easily remediable, such as: the culture of the reject instead of that of inclusion; the development of pure philanthropy and the race to sustainability without a real project, that is oriented to develop strategies to enable future generations to really take advantage

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of a more equitable world, both from an ecological and social justice point of view (Baldarelli, 2005). Moreover, there is the need for a new vocabulary, that focuses on the person inside of the market instead of goods. This process requires a long and difficult reflection but It cannot be delayed if we want that the enterprises should be able to produce wealth using positive and virtuous structures and not “vicious” structures, such as the exploitation of human and natural resources.

The concept of sustainability adopted in this paper is a concept of strong sustainability (Del Baldo et al., 2015) that is based on gratuity and reciprocity aspects (Bruni, 2008), in which the “intentions” are important in a first phase, but more important are actions concretely implemented. In the sustainability development process that are pursuing particularly the so-called “rich” countries, we want to understand how enterprises are implementing their business models using good praxis and not only general declarations of intents. There are some enterprises that implemented new sustainable business models, such as: ethics finance, fair trade and economy of communion (Baldarelli, 2005; Baldarelli et al., 2015). But we can also find some essay of business model, which applies these aspects in enterprises, which implement the logic of reciprocity also based on gratuity (Bruni 2008).

Starting from these premises the paper aims to analyze and discuss the evolution toward a sustainable-driven business model (BM) and to focus on the motivations and the implications on the mission, the governance and the accountability of a company (Matacena, 2010).

Moreover, since the business culture is based on values and principles which drive business strategies, policies and actions (Gray et al., 1997; Broadbent 1998 and 2015), the theoretical framework of values-based, ethical and sustainable-driven leadership will be presented and used as interpretative key for the analysis of a single-case study (Malloch, 2009; Capaldi, 2013; Ruisi, 2010; Hoivik von Weltzien, & Melé, 2009; Hoivik von Weltzien, 2014).

Accordingly, after introducing the literature review, the second part of the work is based on the inductive approach (namely, the action research approach; Benbasat et al., 1987; Sankaran et al., 2003; Contrafatto, 2011 Spence & Gray, 2008; Bebbington et al., 2009) applied to the analysis of the “evolutionary” experience of an Italian medium-sized company (SGR Group) belonging to the energy sector oil & gas. Recently, this multi-utility company has started a new project aimed at renewing its business model and deepening its sustainability orientation, which has already been experienced for years (Baldarelli et al., 2014). Notably, the project (which primarily involves the top management is finalized at identifying and assessing vices and virtues which affect the governance and the leadership model, as well as the company’s stakeholders engagement processes.

The study presents and discusses the first findings obtained through the aforementioned empirical analysis, which is still in a preliminary stage of development. Despite the limitations related to the use of a qualitative approach, based on a single case study, and to the fact the research is still in progress, the works have implications both on the scientific and managerial/operational level. In fact previous studies did not address this topic using twofold interpretive keys (sustainability business model and virtues-based/ethical based and sustainable leadership); at the same time, the research project contributes to improve the learning of the sustainability-oriented process and sustainable leadership in the real business context, thus opening new trajectories for the fruitful convergence between theory and practice.

Theoretical framework

Sustainable business models

A business model (BM) can be defined in many ways because literature presents various perspectives on this topic and a shared framework has not yet been established (Timmers, 1998; Teece, 2010; Zott & Amit, 2010; Zott et al., 2011; Morris et al., 2013; Brougham, 2012; Leisenring et al., 2012; Page, 2014; Singleton-Green, 2014; Penman 2007). For instance Magretta’s (2002), Zott and Amit (2010) and Beattie and Smith (2013) define business models as a holistic description on ‘how a firm does business’ while Stewart & Zhao, 2000 consider BM as a description (Applegate, 2000; Weill & Vitale, 2001) or, alternatively as: a representation (Morris, Schindehutte, & Allen, 2005; Shafer, Smith, & Linder, 2005); an architecture (Dubosson-Torbay, Osterwalder & Pigneur, 2002; Timmers, 1998); a conceptual tool or model (George & Bock, 2009; Osterwalder, Pigneur, & Tucci, 2005); a structural template (Amit & Zott, 2001); a method (Afuah & Tucci, 2000); a framework (Afuah, 2004); a pattern (Brousseau & Penard, 2007), and a set (Seelos & Mair, 2007). Teece (2010) claims that a BM articulates how the company will convert resources and capabilities into economic value. Richardson (2008) proposes a consolidated view of the components of a business models, as: the value proposition (i.e. the offer and the target customer segment), the value creation and delivery system, and the value capture system. Adopting an activity based perspective, Zott and Amit (2010) includes the selection of activities (‘what’), the activity system structure (‘how’), and who performs the activities (‘who’). The conceptual construct used in this study considers a BM as “the rationale of how an organisation creates, delivers and captures value” or, in other words, as “the organisation’s core logic for creating value” (Linder & Cantrell, 2000: 12). Value is intended as sustainable value, thus expressed in terms of economic, social, ethical environmental performances.

Many studies have focused on the analysis of business cases based on unique and successful BMs (Magretta, 2002; Morris, Schindehutte & Allen, 2005). If one considers the BM as a reflection of the strategy implemented by a company (Shafer et al., 2005; Casadeus-Masanell & Ricart, 2010) and the "how" an organization tailors its business model and strategy to respond to the external environment (and the relative risks and opportunities it faces) it becomes then important to understand how the BM is bound and it is linked to the mission, governance and the accountability and to what extent it is resilient. The elements of the trinomial mission-corporate governance-accountability model are in fact tied by reciprocal relations, since in every enterprise there exists an explicit and coherent coordination between mission, governance and accountability (Matacena, 2010). Mission is intended a synthesis of the company aims; corporate governance as the command structure and of the government present in the company; accountability as the company's informative responsibility (to take into account and to give account to) of the company.

Drawing from the aforementioned literature, it can be assumed that the sustainable business model is characterized by the consistency among the three elements of the company: mission, governance and accountability. Therefore, our first proposition is that "the coherence among mission, governance and accountability is a key driver for effective BM".

Moreover, the capacity of the BM to adapt to changes (e.g., in the availability, quality and affordability of inputs) affects the organization's longer term viability (Walker & Salt, 2006; Walker, 2015). Consequently we assume that this resilience capability characterizes sustainable business model (SBMs).

"The world needs a comprehensive reassessment of our understanding of value – its parameters and its effects – to restore trust in economic and business decision-making, and achieve investment that contributes towards financial stability and sustainable development. We must ensure that business models sing to the tune of a value creation model fit for the 21^{st} Century" (Jonathan Labrey, Chief Strategy Office, International Integrated Reporting Council -IIRC, Paris, 6 May, 2015) (IIRC, 2013; IIRC, 2013b). The need for developing SBMs and their implementation in practice has been pointed out since many approaches towards CSR have been predominantly inward-oriented and not capable of linking firms' social responsibilities to the core business and the value creation processes (Visser, 2011). Consequently more outward-oriented conceptions of CSR are necessary through SBMs that take firms' value creation processes as a starting point and escape the more narrow concept of CSR (see Bocken et al., 2014; Schaltegger et al., 2012; Looser & Wehrmeyer, 2015; Del Baldo, 2014 and 2016b).

A SBM is a model where sustainability concepts (to create value for various stakeholders and the natural environment) shape the driving force of the firm and its decision making (Abdelkafi, & Täusher, 2015). Specifically it encompasses a wide range of change within the organization, as well as in its external network, than traditional business models. Necessary steps are: developing company culture toward sustainability; framing company values and translating them into principles or/and business practices; implementing sustainable strategy: a vision and mission linked to all activities of the organization; acquiring appropriate skills and knowledge across the value chain through external resources and internal training; (create green business cases): green business model must be financially sustainable; involve customer to better understand their needs and expectations of a sustainable company (Boons, Lüdeke-Freund 2013).

Comparable conceptual notions of SBMs do not exist today (Lüdeke Freund, 2009; Schaltegger et al., 2016) because sustainable development denotes a process where ecological, economic and social values are balanced in continuous action (Lélé, 1991), that is a process that involves inter-organizational networks formed by different stakeholder (firms, public institutions, banks, entrepreneurial and civic associations, etc.) and wider societal systems (Del Baldo, 2016a).

SBMs archetypes are introduced and categorized to develop a common language that can be used to accelerate the development of SBMs in research and practice, such as: maximise material and energy efficiency; create value from 'waste'; substitute with renewable and natural processes; deliver functionality rather than ownership; adopt a stewardship role; encourage sufficiency; re-purpose the business for society/environment; and develop scale-up solutions (Bocken, et al., 2014).

Within the literature strands on sustainable entrepreneurship and corporate sustainability management severel connections to corporate sustainability, including sustainable innovation, can be found (Boons and Lüdeke-Freund 2013; Schaltegger et al., 2012).

For achieving sustainability a firm has to transform its entire business logic; a BMS is built upon the creation of value to the customers, the value captured by the firm, and the value to the natural environment (Abdelkafi, & Täusher, 2015). The BM perspective helps to better explore and understand how different types of sustainable innovations (technological innovation; see Wells, 2008; organizational innovation Birkin, Cashman, et al. 2009a; 2009b) can be developed (Lovins et al., 1999; Burritt & Schaltegger, 2010; Charter et al., 2008; Wells, 2008). Since societal and cultural demands of sustainable development evolve outside the economic sphere, organizational change in business enterprises (Birkin et al., 2009a, 2009b) they rest on structural or cultural BM's attributes or are derived from the external socio-economic environment or internal organizational capabilities (Stubbs & Cocklin, 2008).

A research agenda on SBMs is provided by Boons & Lüdeke-Freund (2013) who point out that the empirical research helps to shed some light on the state-of-the-art of corporate sustainability management, sustainable organizational development and sustainable innovation in daily business (Tukker et al., 2008; Stubbs & Cocklin, 2008), to inquire the extent to which BMs allow, or hamper, specific types of innovations (Johnson, 2010) and to demonstrate how to translate social and environmental value creation into economic profit and competitive advantage to build the 'business case for sustainability' (Dyllick & Hockerts, 2002; Salzmann et al., 2005; Schaltegger et al., 2012). Through the empirical analysis focused on case studies Stubbs & Cockin (2008) verify that organizations adopting a SBM must develop internal (structural and cultural) capabilities to achieve firm-level sustainability and collaborate with key stakeholders to achieve sustainability for the socio-economic and environmental system they belong to.

The new BMs for sustainability are fashioned through the interactions between individuals and groups inside and outside companies (Roome & Louche, 2016). Basing their research on case studies, authors show the elements that contributed to a complex process (based on identifying, translating, embedding, and sharing of transformation) toward SBMs which requires the building of networks and collaborative practices for learning and action around a new vision.

Finally, a further stream of literature deals with BMs related to social value creation (Seelos & Mair, 2005, 2006; Johnson, 2010). Organizational innovations are a form of corporate self-reflection and corporate social innovations are providing solutions to alleviate others/ urgent social problems. Changing the focus of value creation is thus the primary purpose of BM management and innovation (Seelos & Mair, 2005). The premise is to develop self-sustaining instead of profit maximizing businesses, giving space to entrepreneurs and managers to focus their BMs on social and environmental issues and to create value for the wide spectrum of stakeholders.

Sustainable business models and sustainable leadership

The way in which SBMs are constructed by actors involved in value creation is an important topic for research (Boons & Mendoza, 2010) which has not yet been sufficiently investigated. With this respect, the sustainable leadership model is strictly linked to SBMs since entrepreneurial and managerial leadership play a key role in developing an authentic sustainability-oriented strategy (Del Baldo, 2016a forthcoming). Leadership has a crucial role in shaping ethical organisational culture through leaders' moral behaviour, corporate mission, vision and values, ethical criteria for recruiting/selection/ promotions, evaluation processes and monitoring, ethical training programs, applying ethical values to decision making, everyday routine and in intra-organisation procedures and structures (Melé, 2012).

Leadership ethics tend to emphasise the leaders' behavior and their values (Liu, 2007; Kaptein, 2009; Lloyd & Mey, 2010; Bouckaert, 2011; Hoivik von Weltzien, 2014). Moral leadership is inspired by constitutive moral elements: innovation, intuition and imagination (Hoivik, 2014). Moral imagination entails perceiving norms, social roles, and relationships entwined in managerial decision-making. Moreover, it involves the ability to envision and evaluate new models that create new possibilities to reframe problems and create new solutions in ways that are economically viable and morally justifiable (Werhane, 1999). Moral creativity fosters dynamic and innovative CSR strategies and actions and is linked to responsible and sustainable leadership (Visser, 2011; Von Ahsen, 2015). The organisational culture imbued with moral leadership enjoys several benefits: understanding of the interdependence between stakeholders; learning environment; respect and trust; cooperation; responsibility and accountability (Hoivik & Melé, 2009; Del Baldo, 2016 – forthcoming).

The ability to "walk the talk of morals" is emphasised when maintaining trustworthiness and model attractiveness (Bass & Steidlmeier, 1999; Simons, 1999; Choi & Mai-Dalton, 1998) and is positively related to charismatic and transformational leadership (Choi, 2006; Liu, 2007; Olsen, 2010; Brown, 2011; Palshikar, 2007). Charismatic leaders are capable of turning problems into opportunities and resources thanks to their ability "to see the world" differently (Bruni & Sena, 2013; Baldarelli, 2013). They build an energetic and positive attitude in others and inspire them to do their very best by creating a common sense of purpose (Shamir et al., 1993; Cardona, 2000).

The theoretical construct of responsible leadership is characterised by a multilevel approach that places the leader, his/her behaviour, attitudes and choices at the core of the management of a company, a division or a team (Magni & Pennarola, 2015). Theories on responsible leadership thus emphasise the importance of approaching leadership in the context of stakeholder theory (Bass & Steidlmeier, 1999; Avery & Bergsteiner, 2011). Responsible leadership requires leaders to also engage in involving stakeholders with virtue and integrity to build the best community and workplace (Jones, 2014). Therefore, it enables the integration of the leaders within the stakeholder community. The competencies of responsible leadership are centered on communication, involvement of people and creating a corporate culture based on values and moral convictions (Magni & Pennarola, 2015).

The responsible leadership model rests on five pillars: stakeholder consideration and ethical climate; integrity and justice; role modeling and empowerment; climate geared toward diversity and inclusion and long term orientation. Through this model, the responsible leader triggers a resilience path that guides the company toward sustainable development (Magni & Pennarola, 2015). Accordingly, key factors of leadership style are the people strategy (the human resources management), the culture (which enhances the basic values, such as accountability and transparency). The people strategy is based on the enterprise conceived as a community of people. Therefore, its value is measured based on the commitment in bringing out the skills of employees and this leads to the virtue of humility (Seligman, 2004). Responsible leadership may be widespread within businesses, affecting the different levels: individual (favoring the passage from "me to us" through collaboration and shared responsibility); team (through the development of mutual relations of trust and open communication); organisation (structuring a coherent vision and a mission). It rests on the idea that the responsible person must have flexible thinking (i.e., strategic and systematic) which includes the dimensions of logic (to sort, select, plan), ethics (foresight, transparency and perseverance) and aesthetics. Therefore, it requires specific cardinal virtues, such as prudence and courage (Sansone, 2014; Melé, 2009) which are relevant in the business context both at the individual and organizational level (Baldarelli, 2005; Ruisi, 2010; Del Baldo, 2013).

These virtues are cardinal because they are related to the human faculties that determine the structure from which decisions are made. In this sense, fortitude (courage) is competence for operating decisions; prudence (practical wisdom) is competence for predicting; temperance (moderation) (the habit of self-control) is competence for evaluation and justice (friendship) is integrity for action (Bastons, 2008).

Finally, the theoretical construct of sustainable leadership stresses the leadership role in creating a social capital (Avery & Bergsteiner, 2011) through cultivating a way of being and acting immersed in sustainability values and a dynamic, inclusive and collaborative process. Therefore, the leader's role does not rest in guiding others, but in guiding with the others (Burns, Vaught, Bauman 2015) as a result of sharing the values of sustainability inside and outside of the company.

Drawing from these literature frameworks, we then derive the second proposition: "sustainable business models derives from sustainable leadership models, which encompasses transformational, responsible, ethical/moral and values/virtues-driven leadership".

Sustainable business model through sustainable and virtues-driven leadership: The SGR experience

Methodology

As mentioned in the introduction, the research design has been developed through a deductive and inductive approach. The first one was based on the analysis of the literature contributions on BM, SMB and sustainable leadership, while the inductive method is based on the analysis of significant research cases (Yin, 2003; Eisenhardt, 1989; Naumes & Naumes, 2006) which is presented in the following sections. The case is related to the SGR Group, an Italian company which has been selected for its excellence in the CSR and sustainability-oriented strategies and actions (Baldarelli & Del Baldo 2013; Baldarelli et al., 2014). As mentioned in the previous sections the empirical research helps to understand the state-of-the-art of corporate sustainability management (Tukker et al., 2008; Stubbs & Cocklin, 2008), to inquire the extent to which the SBM drives change (Johnson, 2010) and to demonstrate how to translate social and environmental value creation into economic profit and competitive advantage (Dyllick & Hockerts, 2002; Salzmann et al., 2005; Schaltegger et al., 2012).

The study of the case follows the action research approach (Benbasat et al., 1987) which is considered particularly useful to improve knowledge in the field of social and environmental research (Contrafatto, 2011; Spence & Gray, 2008; Bebbington et al., 2009) by addressing attention to corporate characteristics (size, industry, profit or financial performance), contextual factors (country of origin and relative variety of social, political and legal factors, social and political change, economic cycles, cultural, specific events, media pressure, stakeholders power) and internal organizational factors (i.e., company chair and board of directors' orientation, corporate structure and governance procedures; stakeholder involvement; perceived costs and benefits) which influence managers' decisions to adopt sustainability strategies and reporting (Adams, 2002). The action researcher does not stand as an independent observer, but he/she becomes a participant; accordingly, the process of change becomes the object of research (Bensasat et al., 1987). This circumstance is particularly useful in the construction of theory in complex situations (Westbrook, 1994) such us the business contexts (Argyris, 1985; Sankaran & Tay, 2003) and the organizational change (Kotnour, 2001).

Starting from 2010 the researchers (belonging to two different Italian university) have been involved in the SGR implementation of the sustainability report and in research projects aimed at analysing: the stakeholder engagement process of the Group; how CSR and sustainability orientation affected/affects the organizational culture and climate; how it modified/modifies the mission and the governance system and, recently, how it affects the leadership style and the BM (this research path is still ongoing).

Accordingly, different tools have been used to gather data: semi-structured interviews addressed to the president (Mrs. M. Dionigi) and the management team (i.e. the Chief Financial Officer and CSR manager) and more than 10 managers (responsible of the different business areas and departments) and 30 internal collaborators directly or indirectly involved in CSR and environmental strategies during monthly company visits (from 2009 till 2016, August); the consultation of corporate websites; document analysis (board of directors minutes, sustainability reports, corporate history books, leaflets relating to sustainability initiatives and projects promoted) and the direct observation and informal conversations among people involved in focus groups workshops, seminars, round table and congress focused on the CSR and sustainability issues in which we participated during the planning and execution stages. In total, more than 600 h of interviews and direct encounters have been carried out. Information has been transcripted, validated and subject to a coding process.

Company profile

SGR (Società Gas Rimini) Group is a multi-utility and family-owned company, unlisted, based in Italy, with a long experience in gas distribution (Rimondini, 2009). It was founded in 1956 by A. Domeniconi as the first company in the Emilia Romagna Region dedicated to the distribution of gas for heating and household use with the most innovative plants in Europe. In 1970 these plants were connected to the national methane gas pipeline SNAM.

In over 50 years of business activity, SGR Rimini has grown steadily through acquisitions, the winning of tenders, and strategies for sector diversification. The Group includes several companies and serves respectively 46 municipalities in Italy and 39 in Bulgaria; it has more than 215,000 and 1,351 clients in Italy and Bulgaria. In 2014, SGR Group reached a turnover of over 216 million Euro, had 358 employees and obtained a ROI (Return of Investment) rate of 11.60% and a ROE (Return on Equity) rate of 12.13%.

Since 1998 the Group has adopted the 9001 system for quality certification (upgraded to Vision 2000 and ISO 9001 standard in the following years). In 2010 it obtained the ISO 14001 (Environmental Management System) and the BS OHSAS 18001 (Occupational Health and Safety Management System) certifications. Its business areas include: sale and distribution of natural gas and electric energy; energy service and assistance in Italy and abroad; assembly and maintenance of solar and conditioning plants and sources of renewable energy; utilities technology and a congress centre.

In 2005 (through an international tender adjudication) begin to construct a gas network for domestic and industrial use in Bulgaria. During its first years the subsidiary City-gas Bulgaria won prestigious awards for its contribution to sustainability in the energy sector. In 2010 SGR acquired the company Technoterm Bulgaria and was funded for the Trakia Project by EBRD/BERS – European Bank for Reconstruction and Development - and Banca Intesa San Paolo. In 2006 SGR Group won the “Milano Finanza Creatori di Valore” award. Recently, the Group started to distribute methane gas in the Italian isles of Sardinia and started a partnership with the leading Russian methane gas company GasProm.

SGR’s mission, governance and accountability

The SGR Group has always considered corporate social responsibility and sustainability an integral part of its mission, values, and core strategies. Since 2008, it has implemented processes, tools and procedures which represent pieces of a single mosaic of responsible and sustainable business management. The choice of drawing up a sustainability report (the first one was adopted in 2011) is part of an evolving process addressed to responsibility and sustainability started years ago and based on a multiplicity of tools (such as the management and control model for the prevention of corporate crimes – Italian D.lgs 231/01; the ethical code introduced in 2008; the balanced scorecard approach, the business process reengineering) aimed at improving the commitment to stakeholders, enriching the stakeholders dialogue, rethinking the company’s aims by pursuing a balance among economic, social, environmental and ethical performance and renewing its business model.

The *mission* of SGR states: “We are known as an innovative and dynamic multi-utilities company, respectful of the environment which is greatly tied to the territory and the community”. The mission is structured around the following “milestones”: a) the values profile of the founders and the top management team; and b) an attention to CSR, taking care of the surrounding area, the local community and the environment, the development of human resources, service, transparency and social relations, and the centrality of dialogue with the stakeholders.

As gathered from the interviews and meetings with the top management and various employees and collaborators, it emerges that SGR puts ideas, strategies and actions before two questions: “Are we dealing with an effective answer with regards the evident or latent expectations of one or more categories of stakeholder?” It “wants to be the company of trust for its clients and the best place in which to work”.

The SGR Group’s *governance* is composed of the Board of Directors, that involves 5 members. In the daily activity the decision-making process is orientated by the President (a woman) and the General Director (a man). A specific working group promoted a path of stakeholders dialogue and stakeholders engagement which constitute the essential traits of “SGR’s way of being”. To respond to and contemporise the stakeholders interests, in the last years SGR has implemented a stakeholders engagement plan, which includes diverse tools of consultation and communication. Mention can be made of Intranet, accessible at all corporate levels; an internal blog; a newsletter; employee satisfaction questionnaires; informative brochures; company notice boards; plenary meetings (once or twice a year) and monthly meetings. Democratic nature, trust and a relational logic are founding principles that have been put into motion in governing the SGR Group. The CSR Manager, introduced since 2010, represents a “corporate presidium” of sustainability, a sort of “relational engine” for the stakeholders engagement and dialogue, who collaborates and interacts on a daily basis with the President and other offices.

Accordingly, with reference to the accountability, the sustainability report (GRI, 2013 -G4) is a driver aimed to support a progressive process which incorporates shared principles, actions and practices of management and sustainable corporate governance.

A summary of commitments to the projects used to internally and externally implement sustainability among collaboration with stakeholders is summed up in the following table (Table 1) with reference to the categories of employees, clients and suppliers, the environment, and institutions and the community.

Finally, among the several projects addressed to client, supplier, employees, local and international community and environment (Baldarelli et al., 2014) one should remark a wide range of activities and in particular: the educational projects addressed to the new generations, developed in collaboration with the local schools and aimed to create and reinforce the students’ environmental and responsible education[1]; the conciliation projects of work-life time (i.e. the “enteprise butler”; the summer camps for the children of employees; the “babies in the office”); the market at km zero for domestic spending of employees; the time flexibility and the corporate wellness projects.

Improving SGR’s sustainable business model

Recently (during 2016) the Group started a project aimed at assessing the virtues anchor of its values among the middle and top management (first step) and within all employees (second step). The project - promoted by a group formed by the CFO, the CSR officer, the President and the university researchers - is being developed as a “play” based on sharing common reflection using a model which is represented as a wheel with three concentric circles. In the outer one there are the Group’s areas (finance, communications, operations, organization, strategy, planning and control, innovations, human resources management and informative system) and their subdivisions, while in the central one seven virtues (Prudence, Fortitude, Justice, Temperance, Faith, Hope, Charity) and seven vices (ride, avarice, envy, lust, gluttony, wrath and sloth) are included. This “simple” tool is used to capture the leading virtues and values that affect the personal and organization behaviors in the daily activities within the different business area, to bring them out and, by a process of dialogue based on personal relationship and meetings, to share and improve individual and company’s virtues and “combat” vices (Fig. 1).

Specifically, its implementation over the next months (but taking into account a medium-long perspective) will drive changes in the way of working and doing business.

In the following part some statements derived from interviews and informal conversations with the SGR CFO and the CSR officer, summarize the main aspects of the evolution over time of the SGR’s business models.

> “*We chose to adopt a different business model, namely a patient business model. Over the years we have favored investments that will bear fruits (in terms of economic, social and environmental performances) in the medium to long term, beyond more than 3 years, such as the awareness-raising and environmental education projects addressed to schools and the research projects with local universities, or the several initiatives that we share with local stakeholders through a plurality of networks in which we took part. Another example of this approach is the new company – Sherden – aimed to introduce the methane gas in Sardinia or the agreement with GazProm allowing us to participate in an international table and to think of a start-up in the chemical sector to introduce sustainable innovation (“the chemical that works”) through a project on the bacteria contained in natural gas. This investment did not start on the basis of a budget, but on the basis of a shared idea* (SGR Group CFO, March 3rd, 2016).

Table 1 SGR sustainability-driven paths

Commitment	Actions
Increase interviews with people *Increase the training and awareness of employees regarding the themes of safety* *Implement the training scheme and apply it to all members of the companies* *Increase internal communication* *Develop activities to reconcile Life and Work* *Diffusion of the culture of Sustainability and a corporate atmosphere based on shared values*	2005. Introduction of a survey on the internal climate and a questionnaire to assess satisfaction 2010. Increasing total number of training hours (internal and external training) 2011. Restyling company intranet and provision of an area dedicated to sustainability, which allows members to send suggestions and advice about improving corporate sustainability. 2010. Area and plenary meetings to discuss the results of the survey and plan actions for improvement 2011. The Mia Voce Project: dedicated to employees' messages and suggestions. Each month, in agreement with the management, a theme is proposed and selected to start new project aimed at life and work reconciliation 2011. Initiatives regarding information and awareness about sustainability aimed at internal and external members of the Group.
Environment	
Adopt new guidelines and procedures relative to environmental management	2010. ISO 14001 System of Environmental Management BS OHSAS 18001 Health and Safety Management Systems
Increase the activity of awareness about energy saving use	2011. "M'illumino di meno". National initiative aimed at making people aware of an intelligent use of electric energy 2011. Relations with schools, public institutions and universities were strengthened through the organisation and promotion of the theme of energy efficiency (i.e. through the project "Renewable Energy and Emission Reduction", promoted by the Municipality of Rimini).
Rationalize energy consumption in Bulgaria	2011. Citygas becomes the official representative in the Bulgaria in raising awareness on energy saving and energy efficiency.
Community and Institutions	
Make channels of communication coherent and transparent, drawing inspiration from the values of Sustainable Development and the participation demands of all interlocutors (clients, suppliers, employees and territory) *Promotion of a dialogue with local, national and international institutions* *Management of plants in the territory and protection of the biodiversity of the landscape* *Support to the community* *Partnership with local, national and international actors*	2011. New SGR Services website, company profile, sales leaflets, Calendar and Diary; New layout of Clients' Offices 2011. Energy Efficiency Project in Bulgaria with the EBRD- European Bank for Reconstruction and Development and the Ministry of Bulgaria Project "Natura 2000" http://www.natura.org/ Contribution in favour of the Health Authority of Rimini; Collaborations and partnership with schools, universities (Bologna, Rimini, Milano-Bocconi), local research centers and other educational bodies in work-related learning projects. Support to many cultural, civic, sport organisation, onlus, national and international ONG (donations, funds, free usage of company's structure and time and skills of the employees
Customer/Supplier	
Define systems of periodic surveys to assess the degree of client satisfaction *Maintain and develop the activity of information aimed at saving Energy, protecting the environment and safety.* *Promotion of Energy Efficiency in the final uses* *Promoting respect from suppliers for the principles which have inspired the Organizational Model of the SGR Group.* *Support the development of eco-sustainability purchasing processes* *Define and promote supplier assessment systems*	2010. Half-yearly interviews conducted by the Authorities for Electric Energy and Gas. Internal interviews has been launched and carried out to clients who have had recent dealings with the companies of the SGR Group 2010. Distribution of Water Conservation Kits to clients 2010. Making end users aware of responsible energy consumption. 2011. Requested adhesion to the Group's principles Electronic negotiation tools to replace traditional paper-based processes 2011. The launch of the development of a project for *supplier assessment*

People (employees)

"*With the project "cultural innovation and leadership: vices and virtues in corporate governance" SGR questions to understand what are its virtues and its vices, to identify critical points and strengths. The idea is to use this model to improve the governance and leadership and renew the business model. We want to match this model with the Swot analysis, not by reasoning more in terms of sectors of a matrix, but using a flexible tool, based on dialogue and personal relationships, on the involvement of every employee, to activate a thoughtful reflections circuit that gives support to the follow-up and that enables us to improve the business model by identifying the hidden drivers that generate sustainable value (social economic and environmental value) from the ethical foundations, namely the "soft skills". We believe that leadership is crucial with respect to the governance and determines a strong pattern and an effective*

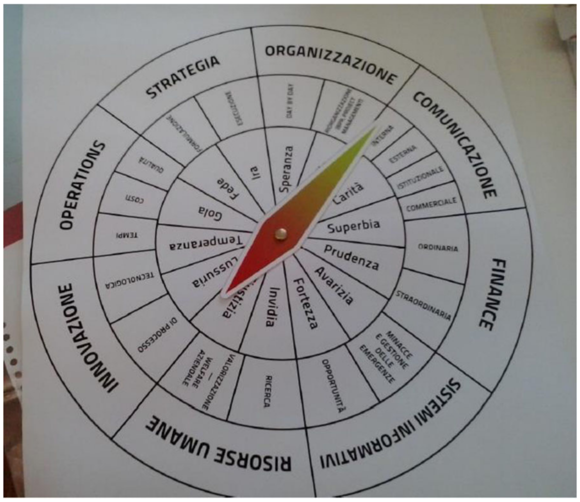

Fig. 1 SGR's virtues and vicious in management perspective

business model. Governance guides the strategy, which in turn guides the operations (marketing, technology, etc.)" (CFO SGR Group, May 17th, 2016).

"*We want to leave a little more for all the future from today: this is the declination of the virtue of prudence, which we share, as well as sloth or apathy is interpreted as resistance to change and justice (in top down, bottom up and cross relations) is understood as the recognition and appreciation of each other's work and working together. Still, temperance in the relationship means to us the most appropriate way to correct the choices and actions of collaborators; charity as care for each other in the extent of the resources used and through a real dialogue; avarice as the absence of generosity; envy as inability to share the good of others; the throat as the inability to gain satisfaction from current achievements and sloth as difficulty in questioning and abandon one's comfort zones*" (SGR CSR Officer, May 17th, 2016).

"*We want to reward the virtues, not only through monetary awards, but also in terms of valuation and esteem. This project and the model upon which it is found help us to rediscover daily work as a responsible and sustainable game. The model also becomes a gaming tool to create interaction with schools. At the end of the project a reframe of the companies values and virtues will be made through a questionnaire aimed at understanding what virtues are shared, which are present or absent in the company, which stimuli were developed, and what has changed in the daily behavior of each person and in the corporate culture*" (SGR Group CEO, May 17th, 2016).

After the presentation of the case, in the next paragraph we are going to discuss the most relevant findings drawn from the analysis.

Discussion

In SGR the core values (reciprocity, transparency, integrity, coherence, efficiency; sustainability, personal responsibility, respect and valuing people, quality of suppliers) constitute the first level in orienting towards CSR and sustainability, fostering social cohesion and favouring a pathway of social innovation (Martin & Osberg, 2007; Miller et al., 2012; Nicholls & Murdock, 2012; EU-Commission, 2012); shared by stakeholders (local public institutions, non profit and civic organizations, schools and universities, etc.) which is summed up in the sustainability report (Baldarelli et al., 2014).

The interviews addressed to the company heads stress how these values (professionalism, dedication to work, simplicity in colleague relations and reliability, which are firstly experienced by the owners, the president (a woman) and the top management - are spread throughout the entire organization, thus reinforcing SGR's corporate culture. Furthermore, they are shared and embedded in the relationships between employees and external stakeholders.

In an interview with the President of the Group – a charismatic leader and reference point for the company - supported by the CFO's transformational style of leadership - values emerge which have been inherited from the founders and interpreted by the actual leader in coherence with the changed internal and external environmental context. She started working in the company from the bottom and thanks to her passion, humility, spirit of sacrifice and a great capacity for listening and interacting, she became the President. Her relational approach has been translated into the principle of the "door being open" to each collaborator. As she said: "I acted as a friend" now "it is the company which acts as a friend". Before (but even now) we were and are still a family". The centrality of relations lies in the centrality of the person: "Over the years the organization has become less hierarchical and increasingly more orientated towards team work, aiming to seek a dynamic balance between singular dimension and plural dimension" (SGR President, 2013).

Accordingly, the words of the chief operating and financial executive officer testify to an exciting corporate development taking place over the years (Rimondini, 2009) thanks to great entrepreneurial skills, and the charisma and dynamism of the founder and his successor (the actual female President).

The responsibility and sustainability orientation influence the micro-organizational processes, the SGR external relationships and its way to generate value trough a business model based on a participative process and fair relationships with stakeholders. Through to the relationship-based approach driven by the female president and shared by the CFO, SGR has a strong closeness to its clients and to all stakeholders; it is able to listen, interpret and provide a reply to their respective expectations. Moreover, due to the centrality of values and relationships, and the rootedness, the Group can be appreciated as a company "of the territory" (Del Baldo, 2010) which spreads the culture of sustainability and the common good within the socio-economic fabric through a wide variety of initiatives and new projects.

The leadership does not drive the company in the face of short-term results but casts his gaze away to business development in the long run (Rhode, 2006). Furthermore, it emphasizes mutual trust and growth based on transparency and corporate reputation. SGR "wants to be the company you trust to its customers and the best place to work" (SGR Groups President, May 2015).

Conclusion

One central goal for companies nowadays is to create shared value (Porter & Kramer, 2011). Scholars increasingly recognise that business contributions to sustainable development are founded in new business models (Roome & Louche 2016). Literature identifies many SBMs whose common elements are: the importance of achieving partnership with local organizations, the focus on pre-existent skills of the company, the value creation process in the value constellation, the development of innovative distribution models. Moreover, different contributions point out the need for social innovation and the fact that CSR suffers from a lack of radical innovation.

Accordingly, the question if and to what degree today's companies are already implementing SBMs becomes more and more relevant, as well as how do firms connect the elements of a BM to their innovation attempts. With respect to these priorities, attention on how sustainability is constructed by actors involved in value creation and on how can they encourage changes in the way companies operate to ensure greater sustainability represent an important topic for research (Boons & Mendoza, 2010) that has been addressed under the theoretical and empirical perspective through this work.

Specifically, the case-analysis confirms the validity of the propositions emerged from the literature review:

> Prop. 1: "the coherence among mission, governance and accountability is a key driver for effective business models". (Matacena, 2010).

> Prop 2: "sustainable business models derive from and are characterized by sustainable leadership models, which encompassed transformational, responsible, ethical/moral and values-virtues driven leadership" that are concretely implemented and not only theorized" (Bastons, 2008; Magni & Pennarola, 2015).

The SGR case exemplifies a resilience capability derived from a sustainable business model (SBMs) where innovation and the improvement of the BM is activated through relationships among internal and external stakeholders and are supported by an ethical-based transformational leadership model which, in turn, derives from and nurtures the coherence among the mission-governance and accountability model.

In SGR sustainability orientation is the answer to a background of social responsibility and possible intrinsic motivation. Key distinctive aspects of the Group (and strengths) are the authentic and continuous engagement with stakeholders, and in particular with local communities, networks, schools and universities and the sustainable, transformational and ethical-based model of leadership. SGR a leading actor within the local (but also national and international) socio-economic fabric it belongs to and it drives the evolution and innovation of many actors. SGR wishes to be the leading actor in the improvement of the quality of life of a community. The relation-based and values/virtues based approach promoted by the leadership facilitates the growth of the company and the sustainability-driven process, reinforce the intrinsic motivations and favors changes over time (Bastons, 2008).

Accordingly, it can be said that the SGR Group is a sustainable company, based on a sustainable business models, thanks to the leadership model, who has inspired a variety of CSR and sustainability-oriented projects during the years and has firmly desired to implement the sustainability report. In other words, the leadership model is a transformational one and is directed to a virtues-based and sustainable leadership model which support the renewing and improving of the business model toward sustainability (Simons, 1999).

Despite the limitations related to the use of a qualitative approach, based on a single case study, and to the fact the research is still in progress, the works have implications both on the scientific and managerial/operational level. In fact previous studies did not address this topic using twofold interpretive keys (sustainability business model and virtues-based/ethical based and sustainable leadership); at the same time, the research project contributes to improve the learning of the sustainability-oriented process and sustainable leadership in the real business context, thus opening new trajectories, we hope, for the fruitful convergence between theory and practice.

Endnotes

[1]We can cite projects for kindergartens, elementary and middle children which involved more than 5,000 students aimed at educating to eco-energy, nutrition, civic sense, the creative and artistic development.

Authors' contributions
Please note that this paper represents the work of a common research project. However, DBM wrote sections: 2. Theoretical Framework (2.1Sustainable business models and 2.2.Sustainable business models and sustainable leadership), 3.1. (Methodology), 3.4. (Improving SGR's sustainable business model) and 5. (Conclusion) while BMG wrote sections: 1. Introduction; 3.2 (Company profile), 3.3 (SGR's Mission, Governance and Accountability) and 4. (Discussion). Both authors read and approved the final manuscript.

Competing interests
The authors declare that they have no competing interests.
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The contributors of this book come from diverse backgrounds, making this book a truly international effort. This book will bring forth new frontiers with its revolutionizing research information and detailed analysis of the nascent developments around the world.

We would like to thank all the contributing authors for lending their expertise to make the book truly unique. They have played a crucial role in the development of this book. Without their invaluable contributions this book wouldn't have been possible. They have made vital efforts to compile up to date information on the varied aspects of this subject to make this book a valuable addition to the collection of many professionals and students.

This book was conceptualized with the vision of imparting up-to-date information and advanced data in this field. To ensure the same, a matchless editorial board was set up. Every individual on the board went through rigorous rounds of assessment to prove their worth. After which they invested a large part of their time researching and compiling the most relevant data for our readers.

The editorial board has been involved in producing this book since its inception. They have spent rigorous hours researching and exploring the diverse topics which have resulted in the successful publishing of this book. They have passed on their knowledge of decades through this book. To expedite this challenging task, the publisher supported the team at every step. A small team of assistant editors was also appointed to further simplify the editing procedure and attain best results for the readers.

Apart from the editorial board, the designing team has also invested a significant amount of their time in understanding the subject and creating the most relevant covers. They scrutinized every image to scout for the most suitable representation of the subject and create an appropriate cover for the book.

The publishing team has been an ardent support to the editorial, designing and production team. Their endless efforts to recruit the best for this project, has resulted in the accomplishment of this book. They are a veteran in the field of academics and their pool of knowledge is as vast as their experience in printing. Their expertise and guidance has proved useful at every step. Their uncompromising quality standards have made this book an exceptional effort. Their encouragement from time to time has been an inspiration for everyone.

The publisher and the editorial board hope that this book will prove to be a valuable piece of knowledge for researchers, students, practitioners and scholars across the globe.

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