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Corporate Social Responsibility and its Impact on Consumer Behavior

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Abstract
Corporate Social Responsibility (CSR) strongly shapes consumer behavior by driving brand trust, loyalty, and purchasing preferences. Key impacts include increased brand loyalty, preference for eco-friendly goods, and readiness to boycott unethical firms.

Keywords: corporate, responsibility, consumer, social, behavior

Introduction

Trust and Loyalty

Stronger connections: Shoppers feel a personal bond with purpose-driven brands, boosting repeat purchases.
Credibility matters: Honest and transparent CSR actions build long-term brand value.
Brand defense: Loyal buyers tend to forgive minor issues if they respect the company's social mission.
Purchasing Choices
Eco-preferences: Buyers actively pick earth-friendly, sustainable, and ethically sourced items.
Boycotts: People can stop buying or speak out against firms linked to social harm or bad environmental practices.
Forbes
Authenticity check: Low-fit or fake green washing campaigns fail because consumers spot insincere motives. [1,2,3]
Of late, corporate social responsibility (CSR) has become the edict for most businesses. However, there is no thorough measurement available on the impact of CSR initiatives on business performance yet, CSR is believed to have a positive relationship with a company's goodwill and thereby have a positive impact on consumer's behaviour. This empirical exploration embarks on investigating the influence of CSR practices on a company's image and reputation with special reference to fast moving consumer goods (FMCG) companies and, in turn, on public opinion relating to the business.
Corporate social responsibility (CSR) refers to companies conducting their core operations in a responsible and sustainable way to create a positive corporate social impact. It is a form of international private business self-regulation,[1] which aims to contribute to societal and environmental goals by reducing harm. For instance, by reducing a company's carbon footprint or increasing positive outcomes for all stakeholders.[2] It is related to the company's commitment to be ethical in its production, employment, and investment practices.[3][4]

While CSR often takes the form of a philanthropic, activist, or charitable nature by supporting volunteering through pro bono programs, community development, and by administering monetary grants to non-profit organizations for the public benefit, corporations have been seen shifting to a holistic and strategic approach.[5] Strategic CSR is a long-term approach to creating a net positive social impact based on brand alignment, stakeholder integration, and ethical behaviour.[6] Moreover, some scholars and firms are using the term "creating shared value",[7] an extension of CSR which allows for social obligations to be met while the company reaps a profit.[8]

For publicly listed companies, CSR often takes the form of environmental, social, and governance (ESG) practices and reports, but many companies have pledged to go beyond that.[9] In some countries, companies are mandated or incentivized by governments to measure and report their impact on society, the community, and/or the environment. In addition, national and international standards, laws, and business models have been developed to facilitate and incentivize this phenomenon. Various organizations have used their authority to push it beyond individual or industry-wide initiatives. Further, CSR has been considered a form of corporate self-regulation,[10] shifting from voluntary decisions at the level of individual organizations to mandatory schemes at regional, national, and international levels.

When focusing on corporate environmental responsibility, most firms use the term "sustainability" to explore the effort the company makes to reduce environmental harm such as by reducing waste and emissions, or by making a contribution through climate action and climate activism. Other companies focus more on their social impact, activism, or corporate citizenship. It is, therefore, important to know that CSR reports can take any of these names.

Discussion

Businesses engage in CSR for strategic, ethical, or instrumental reasons. From a strategic perspective, CSR can contribute to firm performance, particularly when CSR is embedded strategically in the company, aligned with its brand, and occurs when the company utilizes its market position to create impact.[6] Doing so, could lead to higher levels of financial and employee performance.[11] These benefits accrue by increasing positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.[12] From an ethical perspective, some businesses will adopt CSR policies and practices because of the ethical beliefs of senior management: for example, the CEO of outdoor-apparel company Patagonia, Inc. argues that harming the environment is ethically objectionable.[13][4,5,6,7]

Proponents argue that corporations increase long-term profits by operating with a CSR perspective, while critics argue that CSR distracts from businesses' economic role. A 2000 study compared existing econometric studies of the relationship between social and financial performance, concluding that the contradictory results of previous studies reporting positive, negative, and neutral financial impact were due to flawed empirical analysis and claimed when the study is properly specified, CSR has a neutral impact on financial outcomes.[14] Critics[15][16] have questioned the "lofty" and sometimes "unrealistic expectations" of CSR,[17] or observed that CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. In line with this critical perspective, political and sociological institutionalists became interested in CSR in the context of theories of globalization, neoliberalism, and late capitalism.

Results

In competitive markets, the cost-benefit analysis of CSR initiatives can be examined using a resource-based view (RBV). According to Barney (1990), "formulation of the RBV, sustainable competitive advantage requires that resources be valuable (V), rare (R), inimitable (I) and non-substitutable (S)".[53][54] A firm introducing a CSR-based strategy might only sustain high returns on their investment if their CSR-based strategy could not be copied (I). However, should competitors imitate such a strategy that might increase overall social benefits? Firms that choose CSR for strategic financial gain are also acting responsibly.

RBV presumes that firms are bundles of heterogeneous resources and capabilities that are imperfectly mobile across firms. This imperfect mobility can produce competitive advantages for firms that acquire immobile resources. McWilliams and Siegel (2001) examined CSR activities and attributes as a differentiation strategy. They concluded that managers could determine the appropriate level of investment in CSR by conducting a cost-benefit analysis in the same way they analyze other investments. Reinhardt (1998) found that a firm engaging in a CSR-based strategy could only sustain an abnormal return if it could prevent competitors from imitating it.[55]

Moreover, regarding cost-benefit analysis, one should look at Waddock and Graves (1997), who showed that corporate social performance was positively linked to financial performance, meaning that the benefits of being socially responsible outweigh the costs. McWilliams and Siegel (2000) noted that Waddock and Graves had not considered innovation, that companies that incorporated CSR were also very innovative, and that the innovation drove financial performance, not CSR. Hull and Rothenberg (2007) then found that when companies are not innovative, a history of CSR does help financial performance[8,9,10,11]
The relationship between corporate social responsibility and a firm's corporate financial performance is a phenomenon that is being explored in a variety of research studies that are being conducted across the world. Based on these research studies, including those undertaken by Sang Jun Cho, Chune Young Chung, and Jason Young, a positive relationship exists between a firm's corporate social responsibility policies and corporate financial performance. To investigate this relationship, the researchers conducted a regression analysis and preceded the analysis with the provision of several measures that they utilized to serve as proxies for key financial performance indicators (i.e. return on assets serves as a proxy for profitability).
Initially, CSR emphasized the official behaviour of individual firms. Later, it expanded to include supplier behaviour, the uses to which products were put, and how articles were disposed of after they lost value. Malcolm McIntosh notes also that focussing on the identifiable behaviour of individual businesses risks not including what he calls "unincorporated market behaviour" within the scope of CSR - actions attributable to market processes, and also calls for other factors including "brand citizenship" and "illegitimate, informal or illegal activity" to be considered as part of a more complete picture.[58]

The term "brand citizenship" has been put forward because the public perception of an organisation may be associated with its branding rather than its corporate identity: McIntosh uses Virgin as an example.[58]

Similarly, Anne Bahr Thompson uses the same term and observes that companies adopting socially responsible behaviours are primarily investing in their reputations

Corporate social irresponsibility in the supply chain has greatly affected the reputation of companies, leading to many costs to solve the problems. For instance, incidents like the 2013 Savar building collapse, which killed over 1000 people, pushed companies to consider the impacts of their operations on society and the environment. The horsemeat scandal of 2013 in Europe affected many food retailers, including Tesco, the largest retailer in the United Kingdom,[61] leading to the dismissal of the supplier. Corporate social irresponsibility from suppliers and retailers has greatly affected the stakeholders who lost trust in the affected business entities. Although sometimes it is not directly undertaken by the companies, they become accountable to the stakeholders. These surrounding issues have prompted supply chain management to consider the corporate social responsibility context. Wieland and Handfield (2013) suggested that companies must include social responsibility in their reviews of component quality. They highlighted the use of technology to improve visibility across the supply chain.

Corporate social responsibility includes six types of corporate social initiatives:[3]

Corporate philanthropy: company donations to charity, including cash, goods, and services, sometimes via a corporate foundation

Community volunteering: company-organized volunteer activities, sometimes while an employee receives pay for pro-bono work on behalf of a non-profit organization

Socially-responsible business practices: ethically produced products that appeal to a customer segment [12,13,14,15]

Cause promotions and activism: company-funded advocacy campaigns

Cause-related marketing: donations to charity based on product sales

Corporate social marketing: company-funded behavior-change campaigns

All six of the corporate initiatives are forms of corporate citizenship. However, only some of these CSR activities rise to the level of cause marketing, defined as "a type of corporate social responsibility (CSR) in which a company's promotional campaign has the dual purpose of increasing profitability while bettering society."[63]

Companies generally do not have a profit motive when participating in corporate philanthropy and community volunteering. The remaining corporate social initiatives can be examples of cause marketing, in which there is both a societal interest and a profit motive. [16,17,18]

Conclusion

CSR is known for impacting employee turnover. Several executives suggest that employees are their most valuable asset and that the ability to retain them leads to organizational success. Socially responsible activities promote fairness, which in turn generates lower employee turnover. Recent research using employee reviews of S&P 500 firms has found that stronger ESG performance is associated with higher employee satisfaction, partly through employees' perceptions of organizational justice.[125] On the other hand, if a firm demonstrates irresponsible behavior, employees may view this behavior as negative. Proponents argue that treating employees well with competitive pay and good benefits is seen as socially responsible behavior and, therefore, reduces employee turnover.[126] Executives have a strong desire for building a positive work context that benefits CSR and the company as a whole. This interest is driven particularly by the realization that a positive work environment can result in desirable outcomes such as more favorable job attitudes and increased work performance. [19,20]

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