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## International Business Review

journal homepage: [www.elsevier.com/locate/ibusrev](http://www.elsevier.com/locate/ibusrev)

# The social, economic and environmental dimensions of corporate social responsibility: The role played by consumers and potential entrepreneurs



M. Rosario González-Rodríguez<sup>a,\*</sup>, M. Carmen Díaz-Fernández<sup>a</sup>, Biagio Simonetti<sup>b</sup>

<sup>a</sup> University of Seville, Seville, Spain

<sup>b</sup> University of Sannio, Benevento, Italy

## ARTICLE INFO

## Article history:

Received 2 May 2014

Received in revised form 3 March 2015

Accepted 7 March 2015

Available online 1 April 2015

## Keywords:

Corporate social responsibility

Human values

CSR perception

European countries

Consumers and entrepreneurs

## ABSTRACT

Based on Schwartz's human values theory and the stimulus–response and balance theory this paper develops a research model to examine the drivers which influence consumers' and entrepreneurs' perceptions of corporate social responsibility (CSR). The model was estimated by the partial least squares technique, using a multicultural sample from three European countries. The three CSR dimensions referred to as the triple bottom line approach (financial, social and environmental) have been considered. The results show that human values influence human perceptions of CSR, consumer perceptions of CSR mediate the relationship between human values and entrepreneurs' perceptions of CSR and significant differences can be found in consumers' and entrepreneurs' perceptions of CSR with respect to the cultural environment. Hence, regarding the specific social and economic environment, the findings suggest that different managerial actions should guide a firm's CSR strategies. This knowledge can be very useful to firms in order to achieve vital social goals such as a good reputation or prestige and, thereby, economic advantages linked to performance, survival or growth.

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## 1. Introduction

Since the 1990s the discourse on CSR has been increasingly more prominent within companies, governments and society (Bryane, 2003). Socially responsible tasks have frequently led firm managerial practices to improve the general opinion of their brand image, making it appear as an essential element of their identity (Malsch, 2013). However, entrepreneurial scandals regarding the wrong implementation of these practices have provoked the emergence of cooperative initiatives by the stakeholders (politicians, entrepreneurs, consumers) in order to establish a common pattern for social responsibility practices (Sahlin-Andersson, 2006; Kolka & van Tulder, 2010).

In addition, the current economic situation has required the emergence and proliferation of “good entrepreneurs” as business founders and managers who are involved in firms and society. This goal was recently remarked by Hunter (2010), who emphasised

that this is an important phenomenon worthy of being widely recognised. Entrepreneurs play a vital role both inside and outside the firm, developing very different, essential and complex tasks to start and manage businesses, and lead projects and human teams. Contrary to the general, common belief, entrepreneurial tasks not only focus on earning profits but also shape corporate cultures and place importance on human values and ethical attitudes (Fassin, Rossem, & Buelens, 2011).

In the management literature, the business ethic orientation as a main theme of interest for entrepreneurs and researchers is not something new. Over the past several decades, the ethics of entrepreneurship have attracted increasing attention (Hannafey, 2003; Harris, Sapienza, & Bowie, 2009), as can be seen from a wide and diverse range of studies. While earlier works focus on the entrepreneurs' ethical attitudes concerning problematic behaviour (Reidenbach & Robin, 1993; Hornsby, Naffziger, Kuratko, & Montagnano, 1993) and the ethical differences between entrepreneurs and non-entrepreneurs (Humphreys, Robin, Reidenbach, & Moak, 1993; Teal & Carroll, 1999), more recent papers pay greater attention to other possible relations between ethical issues and other managerial variables concerning the role played by entrepreneurs (Hornsby, Kuratko, Shepherd, & Bott, 2009). According to this,

\* Corresponding author. Tel.: +34954557488.

E-mail addresses: [rosaglez@us.es](mailto:rosaglez@us.es) (M.R. González-Rodríguez), [cardiaz@us.es](mailto:cardiaz@us.es) (M.C. Díaz-Fernández), [simonetti@unisannio.it](mailto:simonetti@unisannio.it) (B. Simonetti).

the literature highlights the ethics and decision making of entrepreneurs (Chau & Siu, 2000; Buchholz & Rosenthal, 2005), ethics and dilemmas in entrepreneurship (Kuratko & Goldsby, 2004; Payne & Joyner, 2006), ethics and technological change and innovation (Hall & Rosson, 2006; Brenkert, 2009), ethics and training (Schminke, Ambrose, & Neubaum, 2005), and, latterly, the stakeholder theory of entrepreneurship (Dew & Sarasvathy, 2007), and the relationship between social responsibility philosophies and the practices of entrepreneurs (Peterson & Jun, 2009). In this sense, in the management literature a wide field of study focused since the 1990s on the relevance of the topic called corporate social responsibility (CSR) has been important not only for firms but also for society (Michael, 2003; Anderson & Bieniaszewska, 2005). This has been achieved by bringing ethics closer to business (Swanson, 1995).

The number of negative publicity incidents involving business' unethical behaviours is increasing in the current social media age. Public relations as well as marketing are the major external functions of the firm in order to satisfy outside groups (Kotler & Mindak, 1978). Entrepreneurs are viewed by their target market – the consumers or clients – as endorsers of their companies (Zhu and Chang, 2013). Therefore, the behaviour and attitudes of the former being considered by the latter as unethical and unsuitable can negatively affect the firm, harming its image and prestige, and decreasing the sales and performance. This has recently happened in many cases. As Amos, Holmes, and Strutton (2008) manifest, negative information has the most influence on endorser effectiveness. Therefore, a positive-information publicity of endorsers has received considerable attention (Money, Shimp, & Sakano, 2006). Hence, it is necessary to examine the effects of negative publicity concerning an entrepreneur's unethical behaviour on their companies and their repercussion on consumers' perceptions of CSR. Accordingly, Dean (2004) underscored how negative information often threatens corporate image and, contrariwise, Fombrun (1996) showed how a firm's good reputation is closely related to a positive corporate image, giving the company a distinct competitive advantage. In line with the previous arguments, it is important for firms to determine which negative elements and factors related to the corporate image may cause their consumers to have a negative impression and perception, and thus influence their behaviour (Kotler & Mindak, 1978).

The study of the two issues above is rooted in the literature along with another psychological topic: human values (Schwartz, 1992, 1993; Hechter, Nadel, & Michod, 1993; Hechter, Kim, & Baer, 2005). Values are an important building block for many organisational issues in the academic literature, such as the theories of organisational culture (i.e., Schein, 1985, 1999), appearing to be linked to polemics and controversies. It is necessary to go further into research avenues, since the knowledge on these topics and their effects focused on entrepreneurs and companies is very limited (Zhu and Chang, 2013). In fact, despite the favourable arguments on CSR admitted by practitioners and researchers, there has been surprisingly little empirical literature on personal values in connection with organisational behaviour and there is a paucity of studies analysing the relationship between values and CSR (Koivula, 2008). Furthermore, CSR dimensions have only recently been clearly identified and studied (Wang & Juslin, 2012; Wong, Long, & Elankumaran, 2010; Koivula, 2008).

Wang and Juslin (2011, 2012) suggest that value cultivation is a good way to develop ethical behaviour and responsibility, which in turn affect the development of CSR. Therefore, the present research establishes a theoretical model to measure how a firm's CSR is influenced by human values. It also tests to what extent consumers' perceptions of CSR act as a predictor of entrepreneurs' perceptions of CSR.

The findings are obtained from a cross-cultural environment concerning values and consumers' and entrepreneurs' perceptions of CSR, supported by a sample of 1600 potential top managers from three European Countries. The analysis, applying PLS Techniques, reveals that significant differences in consumers' and entrepreneurs' perceptions of CSR can be found via our cross-cultural approach. These results can be explained by the legal and institutional frameworks, as well as by the corporate communication and business ethics or CSR modules implemented in the High Education Institutions of the European countries involved.

The country-focused data also suggest variations across the three dimensions of CSR analysed, following the triple bottom line – financial, social and environmental – from the two CSR points of view: that of the entrepreneur and that of the consumer. Taking into consideration these three CSR dimensions allows firms to reinforce their financial performance, thus supporting their corporate strategy and increasing their competitive advantage (Gold, Hahn, & Seuring, 2013).

The results may have relevant implications for firms and their different stakeholders. First, for entrepreneurs, in order for them to know the consequences of the image that their firm's attitude and behaviour have on consumer perceptions of CSR and to what extent their perceptions of CSR as entrepreneurs are determined by their CSR perception as consumers. Second, for companies, so that they may effectively manage their relations between entrepreneurs and outside groups, allowing them to lead business projects and human teams aimed at improving the economic and non-economic ratios. In addition, the knowledge of consumers' perceptions of CSR can be also very favourable for the firm to improve and increase the ratios and their consequences. Third, for researchers, shedding light on a relevant field of study whose importance is widely recognised but the results of which remain scarce and very limited.

The structure of the paper is as follows. First, the conceptual framework and hypotheses that support the research model are developed, focusing on values as determinants of the perceptions of CSR by considering two different points of view: that of entrepreneurs and that of consumers. Second, the data and quantitative research method applied are detailed. Third, the empirical findings are provided. Then, the discussion and implications of these goals are indicated for future research on CSR and entrepreneurs and consumers from different countries. Finally, the conclusions, limitations and future research lines are set out.

## 2. Conceptual framework, research model and hypotheses

### 2.1. Conceptual framework

The stimulus-response theory argues that the complexity of human behaviour may be split into two parts: the stimulus and the response, the latter being this human behaviour subject to stimulation (Zhu and Chang, 2013). According to this, Li and Lee (2011) tested consumer responses to CSR. However, Weinberger and Lepkowska-White (2000) suggest in earlier studies that there is a great variety of factors that may affect consumer reactions. In this paper, the stimulus is human values and the response is through perceptions of CSR, concretely consumers' perceptions of CSR and entrepreneurs' perceptions of CSR.

In addition, the balance theory establishes that the consistency motive is a driver towards psychological balance (Heider, 1946), explaining the fact that people tend to maintain consistency in patterns of their liking and disliking of one another and of inanimate objects. In other words, when patterns of liking and disliking become unbalanced, structures become unstable and pressures to restore the balance emerge (Munroe, 2007). Based on the balance theory, this study proposes that consumer responses

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