THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICIES ON PERCEPTIONS AND BEHAVIORAL INTENTION OF GREEK CONSUMERS

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Abstract: During the last five years Greece has witnessed the exposure of an unprecedented number of corporate related events that had a significant impact on the public opinion (huge financial scandals, various corruption accusations, etc). These events dramatically increased the negative perception of consumers towards large companies operating in Greece. Corporate Social Responsibility (CSR) may be considered as an effective initiative that protects and strengthens the image and reputation of implementing companies, especially at a time that their status has been severely damaged by numerous distressing reports. The World Business Council for Sustainable Development (2000) defines CSR as a business commitment that supports sustainable economic development and, at the same time, contributes to the quality of life of employees, their families, the local community and society in general. Companies that implement CSR try to establish a positive business reputation and enhance the corporate brand name by taking actions that lead in the development of a competitive advantage, while at the same time contribute to the demands of various third parties. These companies shift from solely focusing on profits and tend to include financial, environmental and social goals in their core business strategies. Therefore, many researchers argue that the CSR policy is an activity mutually beneficial for both the business and society. However, several doubts about the effectiveness of these policies are being expressed. The purpose of the present study is to measure the perceptions of consumers about Greek Large Companies (GLC) and examine the influence of the implementation of CSR policies on consumers’ perception and consumers’ behavioral intention. The results of the quantitative research (N=454) highlighted the negative perceptions of Greeks towards GLC but, at the same time, revealed the statistically significant positive effect of CSR policies on consumers’ perceptions and behavioral intention.

Keywords: Corporate Social Responsibility, CSR, consumer’s perceptions, behavioral intention, Greece.

JEL Classification Codes: M14

1. INTRODUCTION

During the last decade, a significant number of news reports around the globe have severely damaged the image of large corporations. Incidents like the highly publicized financial scandals (Enron, WorldCom, etc), corruption among corporate executives (Monsanto, Exxon, etc),…
etc) and sweatshop labor by clothing and sports shoe manufacturers (Nike, Reebok, etc) have increased the publics’ negative perception for large companies.

In the Greek business context the corporate environment is not especially characterized for its transparency, social sensitivity and healthy competition. For example, despite the reduction in corporate taxes during the last years, Greek large companies continue to evade taxes in an enormous rate (Kostarelou, 2008). Stergiou (2008) calculates the percentage of Greek companies that evade taxes at 89%. Moreover, working conditions in the Greek workplace are poor, despite the fact that Greece has no heavy industry. Based on official evidence, in 2008 there were 142 fatal accidents and 113 in 2009 (To Vima, 2010). Furthermore, many companies operating in Greece have been accused of extreme profiteering. According to Theodoropoulou (2010), the price difference of milk between producer and consumer reaches approximately 400%. As a consequence, the Greek Competition Commission imposed fines in companies operating in various sectors of the economy that exceeded 100 million Euros for the year 2009.

All of the above, though not always connected with exclusively Greek-owned organizations, create negative feelings and perceptions to consumers for all domestic companies. To avoid the development of such a negative climate, companies seem increasingly eager to be seen as socially responsible and ethical (Maignan and Ferrell, 2003).

Historically, organizations felt that their sole responsibility was to provide maximum financial returns to shareholders. However, many modern theorists argue that companies have broader responsibilities. According to Carroll (1991), companies have an implied social responsibility, since it is society that allowed them to operate within the community. This responsibility requires companies to contribute financial and human resources in order to improve the quality of life in the community itself (Dean, 2004).

Corporate Social Responsibility (CSR) has been defined as the commitment of a business to contribute to sustainable economic development, while at the same time working with employees, their families, the local community and society at large to improve their quality of life (World Business Council for Sustainable Development, 2004). Carroll (1991) is credited with providing the shape of the concept, identifying four key areas in which a firm may be held responsible: economic, legal, ethical and, returning something to the community, through philanthropy, or discretionary gestures. One broad framework used to categorize CSR initiatives includes actions under the domains of employee relations and diversity programs, ethical treatment, product design, marketing programs, the environment, human rights, and corporate governance (Kinder, Lydenberg, Domini & Co. Inc., 2006).

Moreover, Angelopoulos (2006) underlines that the benefits of promoting CSR are not limited to the external environment of the company (better reputation, expansion of the client base, penetration of new markets), since CSR initiatives may also have a significant impact on the internal environment (increase in employee productivity and loyalty, development of competitive advantage). Additionally, companies may become more effective in the recruitment and retention of talented employees, as people may have positive feelings when working for a socially responsible company (Cone et al., 2003; Drumwright and Murphy 2001).

However, in a Danish study, Schultz and Morsing (2003) found the use of CSR for marketing communication purposes to be distasteful to some consumers. Stuart (2004) argues that if brands over-emphasize their CSR policies, consumers may perceive the brand as self-interested, leading to the creation of negative feelings. Webb and Mohr (1998) found that consumers do their shopping based on price, quality or convenience, rather than choosing retailers because of the social causes they support. Dean (2004) argues that the actions
undertaken by companies as a part of the CSR program may be partly altruistic, but may also be employed in their own corporate interests.

Despite the above, it can not be disputed that CSR is highly correlated with customer loyalty, which is a strategic point for all enterprises (Oliver, 1999; Reichheld, 1993). According to Petrick and Sirakaya (2004), customer loyalty constitutes a critical orientation for the organization, since it helps maintaining existing customers while, at the same time, averts them from seeking cooperation with other companies.

Although there is a lot of disagreement regarding the significance of loyalty, most empirical studies focus on behavioral intention (Guenzi and Pelloni, 2004). According to Zeithaml et al. (1996), the perceived quality of a product or service is highly related to the customer’s behavioral intention. According to Bloemer and Ruyter (1998) and Oliver (1997), customer loyalty is interpreted by two basic structures, the commitment and the consequence. Zeithaml et al. (1996) claims that the favorable behavioral intention includes elements such as the recommendation of the service to others and the smaller sensitivity towards the price. These opinions are used to estimate the behavioral intention in the framework of the present study.

The purpose of the present study is dual: (a) record the perceptions of Greek consumers about Greek Large Companies (GLC) and (b) examine the influence of the application CSR policies on consumers’ perceptions and behavioral intention. The present study is empirical (it is based on primary data), explanatory (examines cause and effect relationships), deductive (tests research hypotheses) and quantitative (includes the analysis of quantitative data collected with the use of a structured questionnaire).

The following section includes the presentation of the proposed hypotheses of the present study, while in the third section the research methodology is being presented. Results and conclusions are discussed in the sections 4 and 5 respectively.

2. HYPOTHESES DEVELOPMENT

According to Tsagarestou (2001), most consumers in Greece do not perceive CSR as a genuine act of social concern from the side of the large organizations. They believe that the selfish profit motive overshadows corporate social contribution and the promotion of social work is, mostly, advertising in nature. According to Michas (2008), the corruption accusations and the numerous scandals of the last period have dramatically muddled the image of large Greek organizations in general.

Thus, we can hypothesize that:

**H1. The perceptions of Greek consumers towards Greek large companies are negative.**

The main outcomes of a coherent CSR program are expected to have an impact of the behavioral intention of consumers. More specifically, a CSR program is hypothesized to (a) increase purchase intention (Mohr and Webb, 2005), (b) create positive word of mouth (Hoeffler and Keller, 2002) and (c) make consumers develop a willingness to pay higher prices for a specific product or service (Laroche et al., 2001).

From the above it can be hypothesized that:

**H2. The perceptions of Greek consumers towards Greek large companies have a positive impact on behavioral intention.**

Academic research suggests that consumers expect companies to go beyond delivering economic outcomes and contribute to society’s welfare and sustainability by being socially-responsible; and will support them if they do so (Sen and Bhattacharya, 2001). A survey by
the Institute of Communications (2010) showed that 52.6% of Greek consumers have rewarded a socially responsible company (either by buying a product or through positive comments made about the company) or have thought to do so. The same survey showed that 66.7% of Greek consumers have “punished” a socially not responsible company or have thought to do so. It is quite interesting to build on these findings, exploring a causal relationship.

Thus, it is hypothesized that:

H3. The application of a CSR policy has a positive impact on the perceptions of Greek consumers towards Greek large companies.

3. RESEARCH METHODOLOGY

3.1 Sample and measurement

The sample of the present study is constituted by 454 Greeks consumers. 48.5% are males, and 51.5% females. The age mean is about 37 years (M=36.52, S.D =12.47). 89% of the respondents are of moderate or good economic status, while 64% had graduated from university.

The measurement instrument is a structured questionnaire consisting of 55 statements (items), categorized in four conceptual sections. In the first section 24 statements (items) are used to determine the perceptions of the Greek consumers towards Greek large companies. These items were developed after an extensive review of the relevant literature. The answers were given in a 7-point Likert scale, where 1 means ‘absolutely negative perception’ and 7 ‘absolutely positive perception’.

The second section consisted of 3 statements (items) which are used to measure the ‘behavioral intension’ construct. These statements were adapted from the work of Zeithaml et al. (1996). They measure (a) the intention of re-supplying a service in the future, (b) the intention to suggest a service to others and (c) the sensitivity of the price. The statements were evaluated with a use of a 7-point Likert scale, where 1 means ‘absolutely negative intention’ and 7 means ‘absolutely positive intention’.

The third section is constituted by the same 24 statements (items) as the first one. The only difference is that before filling out the third section, responders were informed that their answers should concern a company which had recently provided 3% of its net profits for social purposes. The answers were given in the same 7-point Likert scale as the ones in the first section.

Finally, the fourth section of the questionnaire is constituted by 4 questions referring to the demographic data of the respondents (gender, age, economic situation and level of education).

3.2 Scale reliability and validity

Several tests were performed to establish the content validity, the construct validity and the reliability of the questionnaire. These tests are needed in order to ensure the appropriateness of the research instrument.

Content validity refers to the extent in which a measurement reflects the specific intended domain of content (Carmines and Zeller, 1991). In the present study, content validity was ensured thought an extensive review of the relevant literature. Moreover, the questionnaire was pilot tested with the use of a panel of experts (academics and professionals).
before taking its final form. All the variables used are adopted from various previous studies and are considered to be valid and reliable.

After ensuring content validity, the next step was the control for the construct validity and the reliability of the questionnaire. Construct validity seeks an agreement between a theoretical concept and a specific measuring device or procedure. Reliability is one of the most important criteria for evaluating research instruments (Chu and Murrmann, 2006) and refers to the extent to which a variable, or a set of variables, is consistent in what it is intended to measure (Hair et al., 1995).

Exploratory Factor Analysis (EFA) was used for ensuring construct validity, since items from various different studies were incorporated and the structure of the factor model was not known or defined beforehand. For the appropriate statistical analysis, the following measures have been examined (Sharma, 1996; Hair et al., 1995; Nunnaly, 1978):

- For the extraction of factors the method of ‘Principal Component Analysis’, using the varimax method of orthogonal rotation was used. According to Sharma (1996) and Hair et al. (1995), the varimax rotation is one of the most reliable and popular methods of rotation.
- For determining the appropriateness of the factor analysis the following measures were examined: (a) the correlations of the entry table, (b) the ‘Bartlett’s test of Sphericity’ (it should be statistically significant at the 0.05 level), (c) the statistical test of ‘Kaiser-Mayer-Olkin’ (KMO) (values over 0.8 are satisfactory, while values over 0.6 are acceptable).
- For determining the number of the extracted factors the criterion of ‘eigenvalue’ was used. Factors whose ‘eigenvalue’ is over one are selected.

Table 1. Exploratory Factor Analysis and Reliability Analysis

<table>
<thead>
<tr>
<th>Factors and Variables</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1: Interest towards community and employees ($\alpha = 0.908$)</td>
<td></td>
</tr>
<tr>
<td>1 Greek Large Companies (GLC) protect the health of the consumers.</td>
<td>0.655</td>
</tr>
<tr>
<td>2 GLC do not pollute the environment with their operations.</td>
<td>0.683</td>
</tr>
<tr>
<td>3 GLC consistently pay their debts to pension funds.</td>
<td>0.560</td>
</tr>
<tr>
<td>4 GLC do not evade taxes.</td>
<td>0.480</td>
</tr>
<tr>
<td>5 GLC are interested in improving social life.</td>
<td>0.542</td>
</tr>
<tr>
<td>6 GLC pay attention to consumers’ safety.</td>
<td>0.693</td>
</tr>
<tr>
<td>7 GLC take actions to protect the environment.</td>
<td>0.732</td>
</tr>
<tr>
<td>8 GLC recompense satisfactorily their employees.</td>
<td>0.603</td>
</tr>
<tr>
<td>9 GLC look after the safety of employees.</td>
<td>0.677</td>
</tr>
<tr>
<td>10 GLC are interested in improving citizens’ quality of life.</td>
<td>0.699</td>
</tr>
<tr>
<td>Factor 2: Honesty and transparency ($\alpha = 0.874$)</td>
<td></td>
</tr>
<tr>
<td>11 GLC do not gain outrage profits at the expense of consumers.</td>
<td>0.565</td>
</tr>
<tr>
<td>12 GLC do not overprice their goods or services.</td>
<td>0.586</td>
</tr>
<tr>
<td>13 GLC do not intertwine with the political power.</td>
<td>0.806</td>
</tr>
<tr>
<td>14 GLC do not delude the consumers.</td>
<td>0.601</td>
</tr>
<tr>
<td>15 GLC do not affect the political developments of the country.</td>
<td>0.767</td>
</tr>
<tr>
<td>16 GLC are not involved in politics.</td>
<td>0.787</td>
</tr>
<tr>
<td>Factor 3: Contribution to economic prosperity ($\alpha = 0.806$)</td>
<td></td>
</tr>
<tr>
<td>17 GLC reduce unemployment in the country.</td>
<td>0.781</td>
</tr>
<tr>
<td>18 GLC contribute to the prosperity of citizens.</td>
<td>0.676</td>
</tr>
<tr>
<td>19 GLC contribute to the economic development of the country.</td>
<td>0.707</td>
</tr>
<tr>
<td>Factor 4: Behavioral intention ($\alpha = 0.897$)</td>
<td></td>
</tr>
<tr>
<td>20 I intend to become a future customer of this company.</td>
<td>0.840</td>
</tr>
<tr>
<td>21 I intend to recommend the products or services of this company to my acquaintances.</td>
<td>0.836</td>
</tr>
<tr>
<td>22 I intend to buy products or services of this company, even though they are slightly more expensive than those of its competitors.</td>
<td>0.839</td>
</tr>
</tbody>
</table>

- For testing the significance of the variables (items), their factor loadings were used. For a sample size of more than 150 observations a loading over 0.45 is considered to be significant.
For testing the reliability (internal consistency) of the constructs the ‘Cronbach’s Alpha’ measure was used. Values greater than 0.7 are considered to be valid.

The Exploratory Factor Analysis (EFA) for the 27 items of the first two sections of the questionnaire produced four distinctive factors. Five items included in the first section of the questionnaire were deleted because of their factor loading (less than 0.45).

The second EFA, consisting of 22 items, also produced a four factor solution that explained 64.87% of the variance. The KMO with a value of 0.930 and the significance of the Bartlett’s test (0.000) indicated a good fit of the data. The four factors were named (a) “Interest towards community and employees”, (b) “Honesty and transparency”, (c) “Contribution to economic prosperity” and (d) “Behavioral intention”.

The first three factors measure the perceptions of the Greek consumers towards large organizations, while the fourth factor measures the dependent variable of the study used for the control of the second hypothesis (behavioral intention).

The results of the second EFA are presented in Table 1 above.

4. RESULTS
For testing the first hypothesis of the study, the mean scores and the standard deviation of the three factors that are used to measure the ‘perceptions of Greek consumers toward Greek Large Organizations (GLC)’ were calculated (see Table 2 below).

Table 2. The perceptions of Greek consumers towards Greek Large Companies (GLC)

<table>
<thead>
<tr>
<th>Factors</th>
<th>M</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Interest towards community and employees</td>
<td>2.870</td>
<td>1.053</td>
</tr>
<tr>
<td>2 Honesty and transparency</td>
<td>2.538</td>
<td>1.158</td>
</tr>
<tr>
<td>3 Contribution to economic prosperity</td>
<td>3.730</td>
<td>1.285</td>
</tr>
</tbody>
</table>

Given that perceptions were measured on a 7-point Likert scale, the results reveal that the Greek consumers do not think very highly of GLC’s. Actually, their perceptions are rather negative, as indicated by the mean of each of the three factors (2.870, 2.538 and 3.730 respectively).

Therefore, the first hypothesis is fully supported by the empirical data.

The second hypothesis was tested with the use of ‘Multiple Regression Analysis’ (Stepwise method). ‘Behavioral intention’ was the dependent variable and ‘interest towards community and employees’, ‘honesty and transparency’ and ‘contribution to economic prosperity’ were the independent (predictor) variables. The results are presented in Table 3 below.

Table 3. The relationship between perceptions and behavioral intention

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent variables</th>
<th>β</th>
<th>t</th>
<th>Sig. t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioral intention</td>
<td>Interest towards community and employees</td>
<td>0.549</td>
<td>12.220</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Honesty and transparency</td>
<td>0.028</td>
<td>1.244</td>
<td>0.145</td>
</tr>
<tr>
<td></td>
<td>Contribution to economic prosperity</td>
<td>0.128</td>
<td>2.848</td>
<td>0.005</td>
</tr>
</tbody>
</table>

\[ R^2 = 0.401, F = 150.758, \text{Sig.} F = 0.000 \]

Firstly, it should be underlined that the statistical analysis displayed the appropriateness of the empirical data for regression analysis, since the F-statistic is significant. Moreover, results indicated that only the beta coefficients of the first and third factor are statistically significant at the 0.05 level.
The variable that has the higher positive impact on ‘behavioral intention’ is the one measuring the ‘interest towards community and employees’ ($\beta=0.549$ and Sig.$=0.000$), while ‘contribution to economic prosperity’ had a smaller positive impact ($\beta= 0.128$ and Sig.$=0.005$) on ‘behavioral intention’.

Thus, the second hypothesis is partially supported by the empirical data.

For testing the third hypothesis of the study, an Analysis of Variance (ANOVA) was performed. The three dimensions measuring the perceptions of the Greek consumers towards Greek large companies (interest towards community and employees, honesty and transparency, contribution to economic prosperity) were used as pairs for the comparison. As mentioned in paragraph 3.1., consumers were asked to answer the same set of questions twice; during the second time they were informed that the company for which their answers were expressed had recently provided 3% of its net profits for social purposes.

The results of the analysis are presented in Table 4 below.

<table>
<thead>
<tr>
<th>Pairs</th>
<th>Factors</th>
<th>M</th>
<th>S.D.</th>
<th>t</th>
<th>df</th>
<th>Sig. 2-tailed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td>Interest towards community and</td>
<td>-0.169</td>
<td>0.701</td>
<td>-5.151</td>
<td>453</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>employees (Before-After)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pair 2</td>
<td>Honesty and transparency (Before-</td>
<td>-0.149</td>
<td>0.810</td>
<td>-3.913</td>
<td>453</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>After)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pair 3</td>
<td>Contribution to economic prosperity</td>
<td>0.187</td>
<td>1.431</td>
<td>2.778</td>
<td>453</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>(Before-After)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results indicate that the perceptions toward Greek Large Companies after the implementation of a CSR policy were improved for two out of the three dimensions (interested towards community and employees, honesty and transparency) (sig.<0.05). On the contrary, perceptions for the third dimension (contribution to economic prosperity) were worsened (sig.<0.05).

Thus, the 3rd hypothesis is partially supported from the empirical data.

5. CONCLUSIONS

The aim of the present study was to determine the perceptions of Greek consumers towards Greek large companies and examine the effect of the application of CSR policies on consumers’ perceptions and behavioral intention. A structured questionnaire was administrated to Greek consumers and 454 valid were returned. Before conducting the appropriate statistical analysis, the questionnaire was thoroughly controlled for its content and construct validity.

The empirical results indicate that the perceptions of Greek consumers are negative for all three dimensions of perceptions that were measured in the questionnaire of the study (interest towards community and employees, honesty and transparency, contribution to economic prosperity). One can argue that these results are quite expected and should be considered as normal, since large companies in Greece are consistently accused, especially during the last five years, for profiteering, tax evasion, corruption, poor labor conditions etc. In alignment with Michas (2008), the present study concludes that the recent corruption accusations and economic scandals significantly tarnish the image of big Greek companies. Despite that, it should be noted that the less negative perceptions of the three dimensions were presented in the dimension measuring the companies’ contribution to the economic prosperity of the country.
Secondly, the results of the statistical analysis indicate that when consumers believe that a company has a genuine interest for the community and its employees and consistently makes affords to contribute in the economic prosperity of the country, a positive intention towards buying products from that company is established. Hence, CSR policies may positively affect behavioural intention. Despite that, the empirical results failed to establish any relationship between the dimension of honesty and transparency and consumers’ behavioural intention.

These findings are in the same line with Hill (2000), who argues that corporate initiatives that support and promote social prosperity may lead to an increase in the added value of the existing products. Moreover, previous studies conducted in Greece, also found a positive correlation between social responsibility and the intention to become customer of a company (Institute of Communications, 2010). However, it is strange and difficult to interpret the inability of the present study to establish any significant statistical relationship between “honesty and transparency” and “behavioral intention”.

Thirdly, the empirical results indicate that the implementation of CSR policies improves the perceptions of Greek consumers toward large companies in two of the three dimensions, namely “interest towards community and employees” and “honesty and transparency”. However, despite the considerable improvement, perceptions still remain negative (below 4 on a 7-point Likert scale). These results are in line with Nikolaou (2006), who argues that despite the significant increase in Greek citizens who positively evaluate responsible corporate actions, the majority is not, still, convinced that large companies work in the right direction to build a better society.

On the other hand, the negative relation between the implementation of CSR policies and the third dimension of consumers’ perceptions (contribution to economic prosperity) is quite noteworthy. As the empirical data indicated, Greek consumers believe that when a company implements a CSR policy contributes less in the economic prosperity of the country. Perhaps, Greeks feel that the costs for the application of social responsibility policies are passed on consumers and, therefore, negatively affect economic prosperity. This view is in line with Tsakarestou (2001), who argues that the selfish profit motive overshadows corporate social contribution and the promotion of social work is often perceived as advertising.

In general, results indicate that Greek consumers will react positively towards companies which implement social responsibility policies. However, it seems that consumers should firstly be convinced about the sincerity of the companies’ intentions. Obviously, they will not appreciate a social responsibility policy of a company, if at the same time the company is charged with tax evasion, interweaving, profiteering, poor treatment of workers.

It seems that in a business environment such as the one in Greece (not particularly distinguished for its honesty and transparency), the shift in the perceptions of the consumers requires not only good communication policies, but an effort to consolidate the philosophy and the practices of most companies.

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