Environmental Corporate Social Responsibility (ECSR): Exploring its Influence on Corporate Image
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Abstract

ECSR is a concept, where companies integrate environmental concerns in their business operations and the interaction with stakeholders, without compromising economic performance. Studies exploring this concept were limited within the area of corporate governance with organizational-level unit of analysis, while the impact of ECSR initiatives on consumer behaviour or other marketing constructs is lacking. This paper explores relevant ECSR dimensions and its potential impact on customers’ mental image of the organization. It is hoped this paper would generate interest concerning ECSR as a strategic marketing approach having long-term and positive bottom-line benefits.

Keyword: CSR, Philanthropy, Community, Customer Wellbeing, Corporate Image

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Introduction

Corporate Social Responsibility (CSR) is increasingly becoming a topic of interest among academicians and industrial experts, where it is accepted as a potentially valuable approach to building long term relationship with both internal and external stakeholders of the business entity. The grounded theory and concept of CSR was initiated by Archie B. Carroll since late 1970s. Other scholars have later adopted Carroll’s theoretical model while at the same time attempting to further explore other relevant new dimensions of CSR. From the original four dimensions by Carroll (1979), the CSR dimensions have expanded to five, six or ten (Dhanesh, 2012; S. Rahman, 2011; Turker, 2009a). Recently, there are also researchers who focus on a selected dimension of CSR, while developing its sub-dimensions and establishing its underlying philosophy (N. Rahman & Post, 2012; Wang, 2008; Williams, 2002). For example, Baughn, Bodie, & Mcintosh (2007) have highlighted the difference between Social CSR and Environmental CSR. Atan and Abdul Halim (2011) carried out an empirical study exploring the Islamic and Muslim perspectives of CSR. This study have also followed similar approach by specifically focusing on one area of CSR - namely the environmental dimension - and attempted to further explore and identify its sub-dimensions. Several studies have already specifically been carried out to explore the concept of ECSR (Bansal & Roth, 2000; P.Lyon & W.Maxwell, 2008; N. Rahman & Post, 2012), however all of these studies were carried out only within the area of corporate governance and none have so far explored the impact of the ECSR initiatives on consumer behavior or other marketing constructs (See Table 1). Through extensive literature survey and empirical data analysis, this article is an initial attempt to identify the conceptual foundation of ECSR, its dimensions, and the possible influence it has on the overall customer’s positive perception toward the organization.
Table 1: Conceptualization and Dimensions of ECSR (Adapted from Rahman and Post, 2012)

<table>
<thead>
<tr>
<th>Source</th>
<th>Conceptualization of ECSR</th>
<th>ECSR Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leon and Moon (2007)</td>
<td>Government policies pertaining to ECSR involve “pollution control methods that include market-based mechanism (e.g. emission trading), information based mechanism (e.g. toxic release inventory) and voluntary programs (e.g. Green Lights)” (p. 480)</td>
<td>Environmental performance</td>
</tr>
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<td>Guenther et al. (2007)</td>
<td>Individual aspects of ECSR include “liabilities for disposal or environmental investments as monetary information and emission into water or air as non-monetary information” (p. 9)</td>
<td>Environmental performance; Environmental spending</td>
</tr>
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<td>Jose and Lee (2007)</td>
<td>This research analyzed the content of corporate environmental disclosures with respect to the following seven areas: environmental planning consideration, top management support to the institutionalization of environmental concern, environmental structures and organizing specifics, environmental leadership activities, environmental control, external validation or certifications of environmental programs, and forms of corporate environmental disclosures. (p. 307)</td>
<td>Governance; Credibility; Environmental performance</td>
</tr>
</tbody>
</table>
Table 1: Conceptualization and Dimensions of ECSR (Adapted from Rahman and Post, 2012) (Continued)

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<tr>
<td>Punte et al. (2006)</td>
<td>ECSR is referred to as resource and energy efficiency. For example, the Gas Emission Reduction from Industry in Asia Project (GERIAP) helps companies to assess what steps they can take to use energy and resource efficiently. (p. 42)</td>
<td>Environmental performance</td>
</tr>
<tr>
<td>Christmann (2004)</td>
<td>“Studies of determinants of environmental conduct have operationally been defined as a unidimensional construct, using variables such as environmental commitment, overall environmental strategy, or adoption of voluntary environmental initiatives such as the ISO 14001 EMS” (p. 748)</td>
<td>Vision and strategy claims; Credibility</td>
</tr>
<tr>
<td>Bansal and Roth (2000)</td>
<td>Corporate ecological responsiveness is a set of initiatives aimed at mitigating a firm’s impact on the natural environment. The initiatives can include changes to the firm’s products, processes, and policies, such as reducing energy consumption and waste generation, using ecological sustainable resources, and implementing an environment management system. The concept of corporate ecological responsiveness refers not to what a firm should do, but to the initiatives that reduced the firm’s ecological footprint. (p. 717)</td>
<td>Environmental performance; Credibility</td>
</tr>
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Literature Reviews

CSR and Consumer Behavior

There are numerous studies about CSR that can be found in established marketing journals. These literatures included those conducted in the area of societal marketing (Daub & Ergenzinger, 2005), cause related marketing issues (Chattananon, Lawley, Supparerkchaisakul, & Leelayouthayothin, 2008; Gupta & Pirsch, 2006; Polonsky & Wood, 2001), environmental marketing (Banyte, Brazioniene, & Gadeikiene, 2010; P.Lyon & W.Maxwell, 2008; Peattie, 1995), social responsible buying (Maignan & Mcalister, 2003; Oberseder, Schlegelmilch, & Gruber, 2011) and sustainable consumptions (Dolan, 2002; Fedrigo & Hontelez, 2010; Vaaland, Heide, & Grnhaug, 2008). There were also articles specifically associating CSR to consumer behavior that have also been explored by previous researchers. Studies by Liu and Zhou (2009) and Onlaor and Rotchanakitumnuai (2010) adopted the four dimensions of the Carroll’s Model, and explore its role as predictors to customer loyalty. Another study by Mandhachitara and Poolthong (2011) also demonstrated that CSR initiatives could influence service quality perceptions, brand effect and customer affective attitudes. In this study, environment is identified as one of the several dimensions of CSR.

ECSR

After witnessing an increase in environmental catastrophes that was contributed by the unscrupulous business interest and human careless attitude (Banyte, et al., 2010), business organizations is turning to CSR as its payback tool. Companies would actively seek to integrate environmental consideration into their operation and activities. These includes promoting the advantages of eco - friendly products (Jansson, 2010; Pickett - Baker, 2008; Ramayah, Lee, & Mohamad, 2010), encouraging eco - tourism; (Chiutsi, Mukoroverwa, Karigambe, & Mudzengi, 2011; Stronza & Gordillo, 2008;
Weaver & Lawton, 2007), developing environment friendly behaviour through workplace climate (Nik Ramli, 2007; Nik Ramli & Naja, 2011) and many more. These studies have then become the empirical foundation to the development a holistic organizational perspective to environmental protection or ECSR. Williamson et al. (2006) have regarded ECSR as:

“...a concept about companies extra effort integrating environment concerns in their business operations and in their interaction with their stakeholders. It is viewed as the contribution that firms make to sustainable development by balancing and improving environment impacts without damaging economic performance” (p. 317)

Meanwhile, Rahman and Post (2012) have made a comprehensive effort to trace empirical studies that have attempted to conceptualize ECSR and eventually developed a reliable and valid measurement instrument. While concluding that ECSR is a multidimensional construct, most of the dimensions cited in their study are more relevant to corporate governance issues and organizational performance as the unit of analysis (See Table 1). Studies associating the implementation of ECSR with external stakeholders, especially its customers have not been extensively explored. An important justification for attempting to explore the environmental dimension of CSR lies in the fundamental idea around which the “green business organization” is built. An organization that truly embraced environmental protection and sustainability has to have a holistic and consistent strategic management approach (Velasquez - Manoff, 2009). Its organizational members are expected to hold shared assumptions and beliefs about the importance of balancing economic efficiency, social equity and environmental accountability (Bertels, Papania & Papania, 2010). Peattie’s STEP Framework also illustrated the need for a balanced and comprehensive view that takes into account the Social, Technological, Economic and Physical aspects of business operations
(Peattie, 1995). This holistic worldview acknowledges that only through the appreciation of “whole entities” and positive interaction among all stakeholders (which includes customers, shareholders, competitors, citizens, and government and legal institutions), will the organization be successful (See Figure 1 and Figure 2). The organizations need to show enduring consistency in its commitment to every aspect of environmental protection and sustainability challenges. The motivation to be consistent when implementing an environmentally sustainable approach in every aspect of the CSR initiatives is an outcome of this holistic organizational worldview.

**Figure 1:** Environmental Marketing and Management

**Source:** Adapted from Peattie, 1995

**Dimensions of ECSR**

As this is an exploratory attempt to relate ECSR to positive consumer attitude, we have decided to refer to established studies about CSR in attempting to identify its dimensions. The choice of dimensions has to take into consideration two important factors. Firstly, the ECSR dimensions have to be potentially relevant to customer - level response in order to integrate it into the organization’s overall marketing strategy. Customers must be able to relate to the ECSR initiatives that are being implemented by the organization before they could form an opinion of it.
Secondly, the choice of the initial dimensions of ECSR is made based on parsimonious considerations. As an important principle of scientific research, researchers should avoid complex research framework having unmanageable number of factors, while not compromising the research significant contribution (Sekaran, 2003).

As mentioned earlier the conceptual dimensions of ECSR are adapted from existing studies where consumers could relate to the organization’s CSR initiative. There are consumer behaviour related studies that approached CSR as a unidimensional construct (Pivato, Misani and Tencati, 2008; Becker - Olsen, Cudmore and Hill, 2006; Lee and Heo, 2009), while others approach it as having multi - dimensions (Swaen & Chumpitaz, 2008; Abd Rahim, Jalaludin & Tajuddin, 2011; Mandhacitara & Poolthong, 2011). While almost all of the mentioned studies seem to refer to the well established Caroll’s model (1979), the model itself ironically did not specifically mentioned environmental protection as a dimension of CSR. As such, the dimensions of ECSR for this study are environmental philanthropy,
Environmental community involvement, and environmental customer wellbeing. The following section will discuss these dimensions further.

**E - Philanthropy**

Philanthropy is the core category of CSR activities (Carroll, 1991; Liu & Zhou, 2009; Onlaor & Rotchanakitumnuai, 2010; Peloza & Shang, 2011). Philanthropy is stated as the organization’s desire to promote the welfare of others, expressed especially by generous donation of money to good causes. In ECSR context, philanthropy could be seen through providing financial resources to implement those activities to enhance environmental awareness and responses among publics.

**E - Community Involvement**

CSR initiatives through social and community involvement been accomplished with involving members of community in any CSR programs (Ailawadi, Luan, Neslin, & Taylor, 2011; S. Rahman, 2011; Sen, Bhattacharya, & Korschun, 2006; Uddin, Hassan, & Tarique, 2008). Conventional CSR practices to social and community usually would involve programs such as organizing blood donations, walkathon to supports cancer patients or sponsoring charity events.

**E - Customer Wellbeing**

An excellent customer experience is a core element foremost successful firm (Carroll, 1991; Cochran, 2007; Maimunah, 2009; Okada & Mais, 2010). Generally, E-Customer initiatives are intended to create and deliver the best product for customers, complete product information, or provide safety product to them (Turker, 2009a, 2009b). This also includes providing eco friendly product to customers and ensuring the product condition offered to customers is not harmful to the environment.
Development of Theoretical Framework

The development of the theoretical framework is based on existing empirical studies in the field of consumer behavior. Well established social - psychological theories underpinned the operationalization of the constructs and the expected relationship between them. Three underpinning theories also provide justifications and offers greater generalization of the research framework.

A general overview behind the motivation of firms to invest in ECSR programs comes from the stakeholder theory. Stakeholder theory suggests that organisational survival and success is contingent on satisfying both its economic (e.g., profit maximisation) and noneconomic (e.g., corporate social performance) objectives by meeting the needs of the company’s various stakeholders (Pirsch, Gupta, & Grau, 2007). Stakeholder theory suggests that firms are motivated to broaden their objectives to include other goals in addition to profit maximisation. Based on this theory, companies that embraced the ECSR program as a way to promote socially responsible actions and policies is in a better position to respond effectively to the stakeholder demands (Maignan & Farrell, 2004).

According to the organizational identification theory, a person who value the noble efforts undertook by an organization will feel prouder about his or her organizational membership, which in turn increases their organizational identification and promotes the associated responses (Jones, 2010). Hong, Yang and Rim (2010) provides further empirical evidence insupport of this theory and concluded that when customers perceive a company to be socially responsible they are more likely to engage in positive behavior with that company. This result complements another earlier study on corporate social responsibility that suggests when companies are socially responsible, customers would engage in relational behaviors that are helpful and supportive of these companies (e.g., loyalty and advocacy).
(Du, Bhattacharya, & Sen, 2007). Du et al.’s (2007) also suggest that when individuals identify with the company they become “psychologically attached to and care about the company and its products” (p. 227). These studies seem to suggest that consumers’ perceptions of the company’s corporate social responsibility enhance their identification with the company. When companies engage in corporate social responsibility initiatives, consumers are likely to assume that these companies have desirable characteristics that “resonate with their sense of self” which form the basis of identification (Lichtenstein, Drumwright, & Braig, 2004, p. 17). Furthermore, consumers are more likely to appreciate companies that are socially responsible and attend to the needs of the community and the society, and as a consequence, a feeling of connection may emerge which fosters customer - company identification (Maignan & Ferrell, 2004).

The systems theory approach to management is based on the assumptions and ideas that an organization needs to functions as a system consisting of an interrelated set of elements functioning as a whole. The implication of systems theory for managers is that understanding the nature of the organization begins with a knowledge of the various factors that impinge on organizational life. Workers, technology, leaders, values, goals, and motivations do not exist in a vacuum; all these factors are integrated and affect each other (Katz & Kahn, 1978). The glue binding these organizational elements is the super - ordinate goals reflected in the organization’s core value and belief system (Waterman, Peters & Phillips, 1980). An organization that is committed to environmental protection and sustainability, will translate this into every aspect of its operation including its interaction with all external stakeholders. The same will also be expected in the approach to all aspects of their ECSR initiatives.
Methodology

Population and Sampling Method

The population for this study consist of the customers of major hypermarkets located in Klang Valley (Kuala Lumpur, Petaling Jaya, Shah Alam and Subang Jaya). Due to the complex and fluid nature of the population elements and the difficulties in obtaining a representative sampling frame, a convenience sampling method was chosen. However, in order to ensure some degree of randomness, a well-structured mall-intercept data collection method proposed by Sudman (1980) was adopted. This data collection technique will incorporate a sampling interval based on such criteria which include “eligibility, location of respondent entrance and time sampling” (Chen, Marmorstein, Tsiros, & Rao, 2012; Khare, 2013; Patel & Sharma, 2009). Respondents were then allowed enough time to self-administer the questionnaire. However, out of the 400 questionnaires that were finally collected, only 362 were usable for further analysis.
Measurement Scale

Six items used to measure the dependent variable (corporate image) were adapted from Nguyen and LeBlanc (2001). While the measurement for the three dimensions of ECSR were adapted from Turker (2009b) guided by the theoretical assumptions as discussed in the prior section. After the data was collected, test for goodness of measure were conducted. The reliability score (Cronbach’s alpha) ranges between 0.74 and 0.89. An exploratory factor analysis (EFA) that was carried out confirms the dimensions of ECSR and corporate image, with acceptable value for the Kaiser - Meyer - Olkin measures of sample adequacy (KMO) and a significant Barlett’s Test of sphericity.

Findings and Discussions

The multiple regression analysis a rigorous statistical technique that is used to show how well a set of variables is able to predict a particular outcome. The foundation of the multiple regression analysis is the strong theoretical or conceptual underpinning of the study, as well as the other statistical assumptions about the data that has been collected. As such before running the analysis (using SPSS ver. 21), assumptions and rules regarding the data such as, sample size, multicollinearity, outliers, normality, and homoscedasticity is ascertain as not been violated (Tabachnick & Fidell, 2001). The summary of the multiple regression analysis is shown in Table 2.
Table 2: Relationship between Environmental - CSR and Corporate Image

<table>
<thead>
<tr>
<th>Dimensions of ECSR (predictor variables)</th>
<th>Standardized $\beta$ coefficient</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Philanthropy</td>
<td>0.190</td>
<td>3.921</td>
<td>0.000</td>
</tr>
<tr>
<td>Environmental Social / Community Involvement</td>
<td>0.103</td>
<td>2.133</td>
<td>0.034</td>
</tr>
<tr>
<td>Environmental Customer Wellbeing</td>
<td>0.507</td>
<td>11.212</td>
<td>0.000</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.402</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F statistics</td>
<td>75.208</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent variable: Corporate Image</td>
<td></td>
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The table above showed that three dimensions of ECSR namely philanthropy, social / community involvement and customer wellbeing has positive influence on corporate image. The regression model shows that the three dimensions of ECSR explain 40.20 % ($R^2$: 0.402) of the variance in corporate image. This is quite a respectable result when compared to similar studies discuss in the literature reviews. Looking at the Standardized Coefficient (Beta), we could observe that e - Customer Wellbeing ($\beta$: 0.507) has the strongest influence on the dependent variable, followed by e - Philanthropy ($\beta$: 0.190) and e - Social / Community Involvement ($\beta$: 0.103) respectively.

Conclusions

Corporate image is the consumer’s response to the organization’s total offering and is the sum of beliefs, ideas, and impressions that a public has of an organisation (Kotler et al., 1996). Corporate image has its roots in corporate communication, the effort to construct a positive image that is carried out in a systematic manner. Image is not limited to highlighting the virtuous aspects of its social contribution, but also the lofty values that are
embraced by the organization, and certainly its leaders and employees too. Positive corporate image is proven to contribute and enhance customer’s trust toward the firm’s products or services (Nikbin, Ismail, Marimuthu & Jalalkamali, 2010). A recent study by Nik Ramli and Nor Irwani (2013) indicated that acts of philanthropy toward a certain humanitarian cause, health, education and participation in other community building programs have shown to ignite sense of identification and loyalty among customers. Corporate image is also closely related to brand equity (Caruana and Chircop, 2000) and is considered an asset which gives the organization a chance to differentiate itself aiming to maximize their market share, profits, attracting new customers, retaining existing ones, neutralizing the competitors’ actions and above all their success and survival in the market (Fombrun and Shanley, 1990; Bravo et al., 2009; Sarstedt et al., 2012).

While the above discussions shows the relevance of corporate image to organizational performance, the emperical findings of this study also provide some answers as to how or what could positively contribute to its formation. ECSR is proposed as a holistic and strategic approach to organizational actions to address the issue of ever growing environmental catastrophe facing the global society. Although the environment has been identified as one aspect of CSR (Caroll, 1979), the introduction of the concept of ECSR has added an intense focus on the comprehensive and pervasive nature of the global environmental protection agenda. Ailawadi et al. (2011), found that companies which cares about the wellbeing of society as well as environmental protection is perceived more favourably in comparison to a company which does not.

Three ECSR dimensions are identified in this study. Although all dimensions has a positive and significant relationship on corporate image, e - Customer Wellbeing is undoubtly the most influential. This interesting finding shows that consumer reaction is stronger when CSR is seen to
relate directly to benefiting themselves. Scholar in the area of CSR have consistently confirmed that excellent customer experience is a core element foremost successful firm (Carroll, 1991; Cochran, 2007; Maimunah, 2009; Okada & Mais, 2010). This is translated into initiatives that are intended to create and deliver the best product for customers, complete product information, or provide safety product to them (Turker, 2009a, 2009b). This also includes providing eco-friendly product to customers and ensuring the product condition offered to customers is not harmful to the environment. The emergence of green product (Dolan, 2002), ecotourism (Gadenne, Kennedy, & McKeiver, 2009) and green purchase behaviour (Jansson, 2010) have also been used as determinants in forming a positive corporate image.

References


