Environmental Corporate Social Responsibility (ECSR) as a Strategic Marketing Initiatives

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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 behavior or other marketing constructs is lacking. This concept paper explores relevant ECSR dimensions and its potential impact on customers’ mental image of the organization, and their behavioral response toward 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.

Keywords: environment; corporate social responsibility; corporate image; customer loyalty; philanthropy; community service

1. 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 modern definition of CSR was rooted in Archie B. Carroll’s Pyramid of Social Responsibility. In this Pyramid, a corporation has four types of responsibilities, where the bedrock or foundation is the economic responsibility to be profitable. The second is the legal responsibility to obey the law set forth by society. The third, which is closely linked to the second, is the ethical responsibility. The forth is philanthropic responsibility best describe by the resources contributed by

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corporations toward social, educational, recreational and cultural purposes. Other scholars have regularly adopted or cited 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; 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 (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 conceptual paper would also follow similar approach by specifically focusing on one area of CSR - namely the environmental dimension – and attempt 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; Lyon & W.Maxwell, 2008; 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, this article is an attempt to explore the conceptual foundation of ECSR, its dimensions, and to propose the possible influence it has on the customer’s perception toward the organization, their purchase preference, positive word-of-mouth or customers loyalty.

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>
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<tbody>
<tr>
<td>Leon and Moon</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>
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<td>(2007)</td>
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<tr>
<td>Guenther et al.</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>
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<td>(2007)</td>
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<td>Jose and Lee</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>
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<td>(2007)</td>
<td></td>
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<td>Punte et al.</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>
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<td>(2006)</td>
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<td>Christmann</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>
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<td>(2004)</td>
<td></td>
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<tr>
<td>Bansal and Roth</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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<td>(2000)</td>
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2. Literature Reviews

2.1 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 (Chattananon, Lawley, Supparerkchaisakul, & Leelayouthayothin, 2008; Gupta & Pirsch, 2006; Polonsky & Wood, 2001), environmental marketing (Banyte, Brazioniene, & Gadeikiene, 2010; Lyon & Maxwell, 2008; Peattie, 1995), social responsible buying (Maignan & Mcalister, 2003; Oberseder, Schlegelmilch, & Gruber, 2011) and sustainable consumptions (Dolan, 2002; Fedrigo & Hontelez, 2010; Vaaland, Heide, & Gronhaug, 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, although they did not include environmental concerns as a dimension, 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 their study, environment is identified as one of the several dimensions of CSR.

2.2 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 of a holistic organizational perspective to environmental protection or ECSR. Subsequently, 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)

Rahman and Post (2012) have made a comprehensive effort to trace relevant empirical studies and have attempted to conceptualize ECSR and eventually developed a reliable and valid measurement instrument. While concluding ECSR as 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 were not 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 business operation (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.

2.3 Dimensions of ECSR

As this is an exploratory attempt to relate ECSR to consumer attitude and behaviour, 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 overall marketing strategy. Customers must be able to relate to the ECSR initiatives that are being implemented by the organization and could form an opinion of it. Later analysis using exploratory factor analysis could uncover other dimensions relevant to the population understudy.

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 framework having unmanageable number of factors, while not compromising its significant contribution (Sekaran, 2003).

As mentioned earlier the conceptual dimensions of ECSR are adapted from existing studies where customers 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. Thus following the similar approach, we have also decided to adapt aspects of the Caroll’s CSR model in determining the dimensions of ECSR. The dimensions of ECSR are environmental customer welfare, environmental community involvement, and philanthropy. The following section will discuss these dimensions further.

**E-Customer Welfare**
An excellent customer experience is a core element foremost successful firm (Carroll, 1991; Cochran, 2007; Maimunah, 2009; Okada & Mais, 2010). Generally, e-customer welfare 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.

**E-Community Involvement**
CSR initiatives through social and community involvement is accomplished by involving members of the community in any CSR programs (Ailawadi, Luan, Neslin, & Taylor, 2011; Rahman, 2011; Sen,
Bhattacharya, & Korschun, 2006; Uddin, Hassan, & Tarique, 2008). ECSR practices to social and community among other could involve programs such as environmental education workshop, tree planting activities, organizing blood donations, walkathon to supports cancer patients or sponsoring charity events. Below are two example of e-community involvement.

November 2012. The AEON Group continued to organize various tree planting initiatives in Malaysia and in other countries, recognizing the importance of trees to our ecosystem. One such tree planting activity was carried out in conjunction with the opening of AEON Seri Manjung Shopping centre where staffs of the Company were among more than 800 participants who planted over 3,000 saplings in area adjacent to the shopping complex……

2011. At UMW Toyota Motor Sdn Bhd., we actively contribute to sustainable development of the community. The Toyota Eco Youth (TEY) program was conceived in 2001, in a joint effort between UMW Toyota Sdn Bhd and the Ministry of Education, to cultivate environmental awareness and encourage respect for the environment amongst the youth in secondary schools……

E-Philanthropy

Philanthropy is the core category of CSR activities (Carroll, 1991; Liu & Zhou, 2009; Onlaor & Rotchanakitumnuai, 2010; Peloz & 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 sources to implement those activities to enhance environmental awareness and responses among publics. Below are two example of e-philanthropy.

3 October 2012. To inspire and encourage organizations like Forest Research Institute Malaysia (FRIM), to conserve carbon stocks, Bumi Armada Berhad agreed to provide RM107000 to protect Field 11 – 5 hectares of prime forest in FRIM for a period of 5 years. This translates into 3938.6 tones of CO2 equivalent being sequested by this plot of land…..

11 August 2009. Charitable organizations received donations of RM150,000 in total from DiGi Telecommunications Sdn Bhd under its “Love to Save” campaign. The 14 charity partners are from three categories, namely nature, health and social causes. The charity partners which benefited from the campaign are SPCA Selangor, Malaysian Nature Society, Borneo Conservation Trust and Global Environment Centre under the nature category which received a collective sum of RM47060….

2.4 ECSR and Customer Loyalty

Loyalty increases the action of repeat purchase by customer, thus increases the profitability of the organization for the long term period (Wang, Chen & Chu, 2009; Smith & Wright, 2004). Customer loyalty is frequently said to be the crucial driver in determining business growth (Clottey, Collier & Stodnick, 2008; Evanschitzky, 2011; Gee, Cotes & Nicholson, 2008). Some scholars have even suggested that loyalty is much more needed than customers’ satisfaction (Heal, 2004; Taylor, Celuch & Goodwin, 2004). Kandampully & Suhartanto (2000) agreed that loyalty could be an effective business strategy to survive in the saturated market. Descriptions of customer loyalty includes, being an unofficial spokesperson to near relatives and friend, recommending them to buy and consume the product or spread positive news about experience of consuming the same product (Taylor et al., 2004; Mahmoud, Twebeoaah & Danku, 2011; Mei-Lien, 2011) or positive word-of-mouth (Duffy, 2003). Several predictor variable of customer loyalty include service quality (Santouridis & Trivellas, 2010); effectiveness of loyalty programs (Saili, Mingli & Zhichao, 2012); consumer trust DeWitt, Nguyen & Marshall, (2007); brand personality (Farhat & Khan, 2011), among others. There are also are studies suggesting positive relationship between CSR and customer loyalty (Mandhachitara & Poothtong, 2011; Liu & Zhou, 2009).

On the other hand consumers research have also shown that consumers are more willing to purchase from companies that show higher commitment to environmental protection. Some would demonstrate their environmental commitment by their willingness to purchase quality green products, even at slightly higher prices [Carroll, 1991; Cochran, 2007; Rahman & Post, 2012; Sen, Bhattacharya & Korschun, 2006]. However, we believe that being concern for the environment does not just mean selling environment friendly product, but it would encompass the
underlying corporate culture, policy and practices that are unpinned by the holistic concern for the environment (ie. ECSR).

2.5 ECSR and Corporate Image

Pomering & Dolnicar (2009) defined corporate image as “the totality of a stakeholder’s perceptions of the way an organization presents itself, either deliberately or accidentally” (p. 396). 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 identification and loyalty among customers. Their study also concluded that this influence could only be stronger if it contributes to the positive image of the business organization. Similar mediating consequence is also expected between the dimensions of ECSR and customer loyalty.

2.6 Development of the Conceptual Framework

The development of the conceptual 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. These 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 initiatives 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 initiatives 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).

Another justification for ECSR initiatives is derived from the Systems Theory. According to this theory, the 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 the 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, policies, 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 is expected to translate this core-value into every aspect of its operation including its interaction with all external stakeholders.

The second stage of the framework relate to the role of corporate image as a mediator. 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 in support 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 (e.g., loyalty and advocacy) of these companies (Du, Bhattacharya, & Sen, 2007). Du et al. (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).

2.7 Corporate Image as Mediator

A study by Nguyen and LeBlanc (1998) revealed corporate image has become instrumental in representing the overall impression of the business and acts to validate the promises made to customers by the firm. Their study also confirmed that positive corporate image had affected repeat patronage. While corporate image does play the role of a mediator between service quality and repeat patronage, it also has a significant influence to both variables.

Another study by Minkiewicz et al, (2011) further confirms the strong influence that corporate image has as a mediator in enhancing the relationship between customer satisfaction and service experience. Boonpattarakan (2012) also included corporate image as mediator between service quality, marketing capabilities and management capabilities (as independent variables) with firm performance. While his findings revealed that service quality, marketing capabilities and management capabilities significantly contribute to the firm’s corporate image; it also has a mediating role in determining firm performance. Boonpattarakan (2012) also found that strong corporate image would have significant impact to both internal and external stakeholders of the firms. The findings from these studies, together with the underpinning theories discussed earlier would give strong justification for the role of corporate image as a mediator between ECSR dimensions and customer loyalty.

3. Conclusion

This study presents a conceptual framework that includes ECSR as predictors to positive corporate image and customer loyalty. ECSR has been identified as having three dimensions which consist of e-customer welfare, e-community involvement and e-philanthropic. This study also postulates that customer perception toward the organization’s ECSR commitments would also enhance their positive mental image of the organization and act as a pre-requisite (mediator) to their enduring loyalty. It is hope that this study would solidify the notion that being committed to environment and sustainability issues is not just a PR exercise, but having long-term and positive bottom-line benefits.
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