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# **The Impact of Corporate Social Responsibility on the Emotional vs. Ethical Decision-Making Process - A Norwegian Case Study**

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## **Abstract**

The climate for business is changing. In today's competitive market environment, corporate social responsibility (CSR) represents a high-profile notion that has strategic importance to many companies. CSR can be much more than a cost, a constraint, or a charitable deed. It can be a source of opportunity, innovation, and competitive advantage. To make CSR a competitive advantage it is essential to understand how CSR influences consumer decision-making process. This paper has attempted to distinguish perspectives on CSR between emotional and rational purchase decisions within Norwegian consumers.

The methodology utilised two organisational interviews and two focus groups, all conducted in Stavanger, Norway, aimed at understanding actual behaviour. The findings of this paper suggested some advantages of CSR efforts to be brand attitude, purchase intentions, differentiation strategy, financial performance, and employee's motivation. Furthermore, the findings suggested that emotional products are more likely to have a higher direct effect on consumers purchase behaviour in correlation to companies' CSR efforts. This is a result of consumer perception of rational and high involvement products being too important to be influenced by external factors, in this case CSR efforts.

## **Introduction**

In the 1970s it was attempted to put CSR on the agenda as a result of increasing focus on the global environment. In recent years environmental issues have received much attention, reflecting rising public concern and awareness of environmental problems. There is evidence that most western markets have been affected by environmental awareness of consumers (Wagner, 2005). CSR involves voluntary integration of social and environmental aspects when conducting business (Isusi, 2002). Companies today are not just measured on their financial performance but also by their social performance.

For the last ten years research has begun to focus on the effects of CSR, the reactions of specific stakeholder groups such as employees and customers (Brown and Dacin, 1997), and preference for a new product occurs throughout consumers' overall evaluation of the company itself. There have been extensive discussions of the benefits to companies being social responsible including financial performance, building a connection with consumers (Porter and Kramer, 2005) and benefits such as increasing employee commitment and employee turnover. Furthermore, there have been strategic changes, from CSR being a peripheral consideration to becoming part of company's core business activity (Bhattacharya et al, 2004; Enquist et al, 2006). The implantation of socially responsible brands is not straightforward. Because of CSR complexity, firms promoting their efforts need to understand all aspects of CSR if they are to integrate CSR efforts into their brand. Despite increasing emphasis on CSR in the marketplace, little is known about the direct effects of CSR related to emotional versus rational purchasing decisions or a universal CSR model (Shaw, 2006). However, research suggests that there is a positive relationship between a company's CSR actions and consumer attitude toward that company and its products (Brown and Dacin, 1997).

To explore how companies can use CSR for competitive advantage and how it influences consumer decision-making process, this paper has distinguished between emotional and rational decisions when examining the effects of CSR policies on consumers. According to Doyle and Stern (2006) a decision is rational if the choice is based on the perceived functionality of the product. Furthermore they argue "irrational" (emotional) decisions are those made on the basis of taste, feelings or image. This paper aims to develop a deeper understanding of CSR's effect on consumer purchase behaviour by investigating its connection with consumer decision-making process. Chernatony and McDonald (2003) mention buyers make decisions influenced on rational (objectives) issues and emotional (subjective) factors. The question is, if buyers are more receptive for CSR efforts when they make decision based on emotional factors then when they make decision based on rational factors. Earlier research on CSR has only focused on ethical consumers vs. rational consumer's link with CSR, not different product groups and how this could influence the decision-making process. This paper will refer to products which is more likely to have a higher influence by emotional factors during decision making process as emotional products, and product that most likely will be based on a more rational focus during the decision making process as rational products. Typically examples are thought to be children and pet supplies as emotional products, and property and investment as typical rational products, as they all are high involvement products it might be easier establishing the connection.

## **Methodology**

To best answer the research question the data were collected through two face to face semi-structured interviews with two Norwegian managers from one typical emotional industry (pet

equipment), and one from a real-estate firm (rational industry). Furthermore, the data were collected through two focus groups, with six Norwegian participants in each group. The purpose of this research was to investigate the knowledge and opinions of consumers relating to CSR and how it affects the decision making process. The first part of the questions had a retrospective focus, where the participants were asked about their memories of certain issues from the past. The second part incorporated hypothetical questions about future behaviour, kept to a minimum because of the risk of hypothetical answers and an intention-behaviour gap. The questions were mostly open-ended, allowing the participants and interviewees to focus on issues they found important with CSR. The final question was open and asked if they had anything to add about their thoughts or experience with CSR. In the last part the interviewees and participants were asked to place different products in the diagram (Figure 1) to examine the participant's opinions, and how they would define them being emotional vs. rational and high involvement vs. low involvement.

All the participants were recruited from Stavanger, Norway's fourth biggest city with a population of 120,000 inhabitants ([www.stavanger.kommune.no](http://www.stavanger.kommune.no)). There were two focus groups, with twelve participants together, which is within the recommended rule of thumb for theoretical sampling (Wilson, 2006) and is sufficient to make analytical generalisations and identify patterns (Yin 1989, cited in Wagner 1997).

## **Findings**

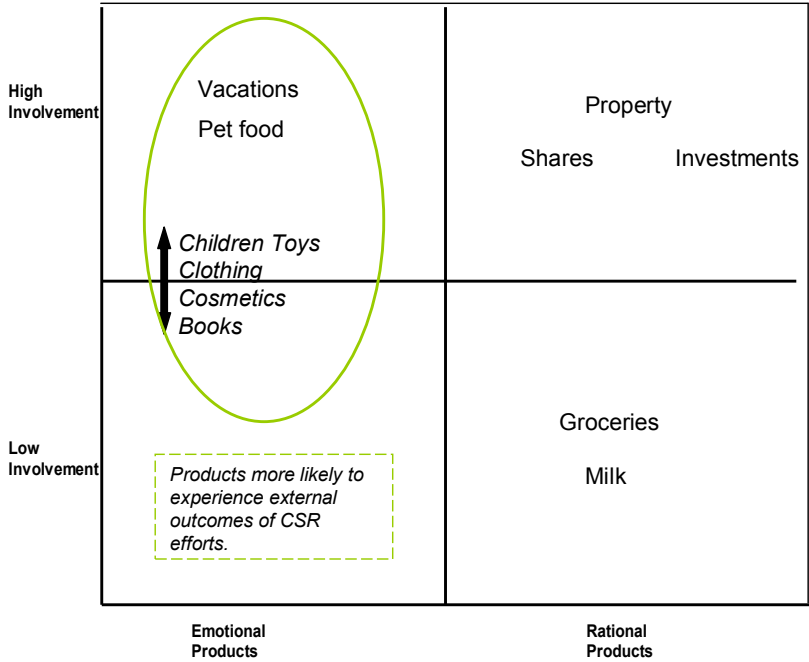
The participants of the focus groups were split in two groups, an "experienced group", and a "not experienced" group to measure if behaviour, opinions and knowledge of CSR would influence consumers' decision making process. This paper attempted to increase the external validity by using these two focus groups for comparison. The two interviews were conducted to compare and establish if there was consistency between the findings from the focus groups and the experience from the companies. One of the limitations of this empirical research was the primary data were based on a comparatively small sample, and not representative for the population. Secondly, the research was specific for Stavanger city; therefore research results may not be replicated if carried out in other cities.

First the participants were asked if emotions control some purchases to a higher extent than rational reasons, then if CSR would affect these products differently. This question was intended to explore if participants found some products to be rational vs. emotional, what their thoughts would be about this characterisation, and how CSR efforts would influence their decision making process on these different products classification. All the participants of both groups found that different products aroused different feelings in their decision making process. Furthermore, all the participants of both groups agreed that CSR would most likely have a higher influence when they were purchasing emotional products. Four participants of the experienced group stated if they first have decided to buy a product, CSR effort would not make them change their mind. In situations where they had determined which product to buy, CSR could be the decisive factor, because in cases like this they were more open for external influences. Rational products such as properties were found to be important to be influenced by emotions or external factors such as CSR. They also argued strongly for the support of local companies, to make sure the local community had viable development.

As a final task the participants were asked to categorise different products by emotional vs. rational and high involvement vs. low involvement products, by filling out a diagram. The reason for this task was to explore if it was possible to generalise different products by

emotional and rational products, and if all the participants despite the different background and experience would have a similar perception of what could be defined as emotional products and what could be rational products.

**Figure 1: Categorization of Products**



The majority (83%) found product such as milk and other groceries were low involvement and rational products. Children toys, clothing, makeup, books where found to be emotional products by 58%, but they could be both low or high involvement depending on the product itself, and the different participants. Products such as vacations and pet food where by 50% found to be emotional and high involvement products. The most significant unanimity was that 100% of the participants found property, shares and investment to be high involvement and rational products. Both groups found it to be hard to identify products they would characterize as low involvement and emotional products, but 50% found that in certain cases clothes, and meat products could be characterized low involvement but emotional.

**Interview Findings**

It was chosen to conduct two interviews with SMEs in Norway, selected both because CSR research so far has primary focused on MNE and because so many Norwegian companies are SMEs. It was decided to conduct one interview with a company which was thought to be a typical emotional product to consumers; pet equipment (Lagerzoo). The other company chosen was Eiendomsdrift; a real-estate firm, which was thought to be a typical rational product for the consumers. Eiendomsdrift is a local real estate firm in Stavanger. The company develops property, and rent out property to the B2B and the B2C market. Today the have approximately twenty employees and have a annual turnover on thirty million kroner

(£2.5 million). Lagerzoo has a turnover of ten million kroner (£1 million). The interview was with Erik H. Abel – Lunde, who is both the owner and the managing director of the company.

Eiendomsdrift found CSR has been beneficial for the company because it contributed to letting people know who they were. The fact they contributed to the local community, resulted in people getting a good image of them, claimed Johanessen. “Judging from my experience CSR will have a positive affect on awareness and attitude of customers. One example that I have experienced lately, was a person having doubts of which company to choose, CSR was one of the vital factors that made them choose us” (Hege Johanessen, 2007). Lagerzoo also found CSR to be beneficial; for them it was obvious that “donations” was cheap advertising: “People have expressed that they tell their friends about our service and the staff’s friendliness, this would not have been the case if we did not have content employees” (Erik H. Abel – Lunde, 2007). Eiendomsdrift found CSR to be more appealing for consumers when the consumer supported the issue central to the company’s CSR efforts. This was thought to be because in such cases the customers notice the CSR effort. Johanessen reflected that people are overwhelmed with all the information they get every day, the advertising people are exposed to daily is enormous, therefore people need to be selective of what they notice according to Johanessen. She stated that when people care about something it’s was easier to notice a companies CSR efforts. Also Lagerzoo had the same experience with CSR and customer appeal. However, Abel- Lunde specified it was hard to measure the exact effect. Furthermore, he reflected that it could be divided into a direct and indirect effect. The direct effect was new customers which had seen their name on sponsor/ “thank you” board of different events, and a indirect effect was when people connected the name with to a good cause which could later result in purchase intentions.

## **Conclusions**

Sen and Bhattacharya’s (2004) found the impact of CSR initiatives to affect the “internal” outcomes of consumer (awareness, attitudes, and attributions) is significantly greater and more easily assessable than its impact on the “external” or visible outcomes (purchase behaviour, word of- mouth). The findings from the focus groups revealed that the impact of internal outcomes such as attitude was greater then purchase behaviour. Almost sixty percent stated that CSR efforts would have a positive effect on their purchase intentions. However, all the participants claimed it would have a positive effect on their evaluation of the company. The findings from the data collected are consistent with the findings from earlier research. An explanation of why CSR has greater internal effect could be as a result of unwillingness to compromise on core attributes such as price, therefore resulting in a positive company attitude, not greater purchase behaviour. Another explanation could be the behaviour-gap bias mentioned in the methodology. Shuler and Cording (2006) suggest that a key aspect of CSR and CFP is driven by how a stakeholder’s moral values interact with information about a firm’s CSP, and how consumer consider the information about a company’s social performance might influence the decisions of a stakeholder to engage in either sympathetic or deleterious behaviour that will affects the firm’s financial performance.

It was not attempted to measure the moral value of the participants and compare with their attitudes and beliefs because the scope of such a task would have required. However, findings from the interviews based on the companies experience are consistent with Shuler and Cording (2006) suggestions. Mrs Johanessen was confident that consumer’s moral values affected their purchase intentions in response to CSR. Mr Abel – Lunde also found

consumer's moral values to have an effect on their purchase intentions in response to CSR. Additionally, he was confident that consumers expect companies to behave ethically. He found it a necessity for companies to behave ethically as people are becoming more aware of these issues, and the enormous media focus these issues have received.

It is suggested there is a positive link between CSR and Norwegian consumers purchase behaviour, as 60% would choose a product that supported a good cause. However, some contingent conditions needed to be satisfied at the same time. These conditions included, the consumer supported the issue central to the company's CSR efforts, the product itself was of high quality, and when the consumer was not asked to pay a premium for social responsibility. It was reflected that CSR would have been a bonus for the customers, not the "product" itself. Interestingly and unexpectedly, it was discovered that a high customer-company identification of companies engaging in CSR efforts, where a hundred percent identified a product based on the company's CSR efforts. This supported Brown and Dacin (1997) suggestions, that CSR affect either directly or indirectly, consumer product responses and customer-company identification. This confirms the enormous possibility for a company to make CSR a competitive advantage by differentiating itself from its competitors through CSR efforts. A company's existence is dependent on their stakeholders accepting their actions; the social acceptance will therefore legitimate a company's actions.

This paper identified some of the advantages of CSR efforts, such as brand attitude, purchase intentions, differentiation strategy, financial performance, employee's motivation. However, to make CSR a competitive advantage requires extensive knowledge since CSR is such a complex area. Furthermore, developing CSR requires intensive corporate commitment, and needs to be embraced by the management. This means it will require considerable effort for companies to explore what their customers appreciate and expect from them. However, certain industries might find it easier to find a cause supported by the customers, such as pet shops and children toys. They have an advantage since customers all have one thing in common, the welfare of animals and children. Such companies might experience a higher purchase intention as a direct effect of CSR efforts, this is because they have one enormous advantage of segmenting their customers, and thereby reinforcing their CSR efforts. However, most companies do not have this advantage, in such cases CSR efforts that should be selected are those that enjoy the most widespread support of customers. Furthermore, it should also be considered that a part of the effort should be to the local community, as the research indicated the importance of this issue for the consumers.

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