

Determination factors of CSR adoption

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Abstract:

CSR adoption is detected in a variety of fields. The holistic CSR approach is a theoretical framework providing a comprehensive classification including seven fields: marketplace, workplace, natural environment, supply chain, stakeholders, society, vision and values. We use this classification to examine whether the CSR adoption may have an impact upon efficiency, in terms of economic performance, improvement of economic indicators and costs reduction. Towards this end, we used a convenience research sample of 569 respondents which volunteer to fill in the quantitative research instrument. The research hypothesis was then tested and supported through Structural equation modeling. Consequently, it appears that CSR adoption may have an impact upon Efficiency. These results place additional evidence upon the literature of CSR Adoption, and especially, regarding the relationship between CSR and economic efficiency. The implications are that when practitioners adopt CSR in all the aforementioned seven fields, then, they may anticipate a higher efficiency.

Keywords: CSR Adoption, Perceived Benefits, Efficiency, CSR fields

1. Introduction

The modern definition of marketing contains the commitment of the business to the society, that, nowadays, is becoming a significant stakeholder of the business. The above focus is also confirmed by the adoption of the Corporate Social Responsibility (CSR) in a variety of sectors. CSR is becoming a necessity for businesses that operate in a highly competitive environment. However, CSR is not only a marketing tool, but also, a concept that is highly integrated within business culture, detected in a variety of business practices (Robin and Reidenbach, 1987). The academic literature has shown that the CSR adoption can be detected in a variety of fields of business operation: the society, the natural environment, the workplace, the stakeholders, the supply chain, etc. The field(s) that a business will choose to adopt the CSR practices is a choice that depends on the sector of economy that the business is operating, as well as its preferences. The reason that businesses usually choose specific CSR practices is because they believe that this will have higher impact in society, or/and in business terms. The question that emerges is what the business expectations from CSR adoption are.

1.1 The expected outcomes of CSR Adoption

Businesses who engage with CSR, anticipate benefits. In general, CSR is perceived as a competitive advantage, especially when market competition is intense (Kemper, Schilke, Reimann, Wang and Brettel, 2012; Long, Li, Wu and Song, 2019). Furthermore, Hitt, Ireland, Duane and Hoskisson (2007) support that CSR can pose a source of innovation at specific sectors when such practices are not so widespread, another case that competitive advantage occurs. This competitive advantage is expected to lead to a variety of benefits among literature. Among other perceived benefits, efficiency is one prevalent expected outcome within the relevant literature, in terms of economic performance, improvement of economic indicators and costs reduction (Benlemlih and Bitar, 2016; Beck, Frost and Jones 2018; Khediri, 2021; Martos-Pedrero, Cortés-García and Jiménez-Castillo, 2019).

1.2 The categories of CSR adoption

The effort to classify the adoption of CSR covers a wide range of related literature. Researchers use various models to evaluate the different aspects of CSR. The holistic CSR approach is a theoretical framework for categorizing the adoption in various fields. This approach combines the principles of CSR and the degree of their integration into the company's daily operations, its relationships with stakeholder groups, the application of quality principles and policies internally, and its applications concerning the company's participation in social activities. Although that the pertinent literature reveals dozens of studies that have categorized the scope of CSR, the holistic approach provides the most comprehensive categorization. The precursor of this approach is considered the guide issued by Ashbridge (2005), which provides a broad overview of policies and activities adopted by businesses in the context of Corporate Social Responsibility (CSR). A similar categorization also arises from ISO 26000 (2012) – the social responsibility guide. This classification includes the CSR adoption in seven fields: the marketplace, the workplace, the natural environment, the supply chain, the stakeholders, the society, the vision and values of the organization.

2. Purpose of the Research

The purpose of the research is to track the importance of CSR Adoption on the several fields, as classified from the relevant theories. The research is aiming to examine whether CSR adoption in those seven fields, may have an impact on business efficiency. Along the following literature review, we focus on the relationships that have been mostly examined, considering the determinants of CSR Adoption.

Workplace: Yosoff and Adamu (2016) demonstrate that social responsibility in the workplace proves to be more significant and powerful, compared to other domains. The research of Lee, Lau and Cheng (2013) suggests that the adoption of Corporate Social Responsibility (CSR) for employees has a multiplicative impact on the anticipated benefits to a company's reputation and financial performance. Along similar lines, Cavaco and Crifo (2014) provide evidence that the benefits of CSR on human capital are associated with fewer disputes among stakeholders and improved financial performance.

Environment: Angelia and Suryaningsih (2015) indicate that the adoption of CSR actions for the natural environment significantly impacts economic indicators. According to Santos (2011), CSR initiatives for the natural environment are considerably more critical for smaller companies, as they can become more acceptable to the consumer audience, which will reward them with their purchasing behavior. In addition, Chuang and Huang (2018) assert that businesses adopting CSR in the environmental sector, experience significant benefits. Moreover, environmental CSR initiatives can lead to cost savings. The adoption of eco-friendly measures such as energy conservation, waste reduction, and water conservation, can decrease operating costs (Dixon-Fowler, Slater and Johnson, 2013). Furthermore, CSR initiatives focused on the natural environment can also enhance a company's brand image, leading to increased customer loyalty and higher revenues (Luo and Bhattacharya, 2006), employee motivation and productivity (Raineri and Paillé, 2016), as well as, to innovation (Nidumolu, Prahalad and Rangaswami 2009).

Local community: The adoption of CSR in the local community field is the most significant field for smaller businesses (Santos, 2011). Cho, Chung and Lee. (2019) estimate that the most crucial CSR domain for a company's financial performance is the adoption of responsible actions for society and the local community. The society initiatives can also enhance a company's reputation and increase customer loyalty, leading to higher revenues (Du, Bhattacharya and Sen, 2010). Society CSR adoption may also enhance employee motivation, satisfaction and productivity (Glavas, 2016), as well as it may help businesses mitigate risk and enhance long-term sustainability (Godfrey, Merrill and Hansen, 2009).

Marketplace: Van Kessel, Semeijn, Schenkel and Ghijsen (2014) state that the most significant role in consumer acceptance of CSR practices is played by practices related to product safety, quality and the company's responsible actions in the marketplace. Moreover, Cavaco and Crifo (2014) report that the adoption of CSR towards a company's customers results in stronger financial performance.

Stakeholder engagement: Pan, Sha, Zhang and Ke (2014) indicate that the adoption of CSR for shareholders and stakeholders may influence a business across all its financial dimensions (ROA, ROE, profits, net assets). Indeed, an empirical study of Mahrani and Soewarno (2018) demonstrates that the adoption of CSR during corporate governance for all stakeholder groups may positively affect the company's financial performance. Likewise, the research by Rhou, Signal and Koh (2016) reveal that the sensitization of stakeholder groups positively influences the company's economic gains.

Supply chain: Subramaniam, Iranmanesh, Kumar and Foroughi (2020) demonstrate that the adoption of CSR for suppliers and the supply chain has a positive impact on performance and, consequently, on the financial performance of businesses. Concurrently, the research by Pan et al. (2014) shows that the adoption of CSR in suppliers may significantly affect a company's profits. Similarly, Cavaco and Crifo (2014) provide evidence that the adoption of CSR practices among suppliers is associated with fewer disputes among stakeholders and stronger financial performance.

Vision and Values: The adoption of CSR in a company's ethical standards and value system appears to have a positive impact on its financial performance: Transparency, codes of conduct, adherence by employees and executives, and business ethics are all relevant factors. Concurrently, socially responsible leadership among executives is mentioned in several studies as being positively related to financial performance (Cho and Lee, 2019; Javed, Rashid, Hussain and Ali, 2020; Wu, Kwan, Yim, Chiu and He, 2015). Thereinafter, companies that utilize CSR as an internal code of ethics to achieve fair treatment of stakeholders while pursuing long-term gains, may experience reduced risk of irresponsible decision-making (Armstrong and Green, 2013).

3. Research method

The above literature implied that the adoption of Corporate Social Responsibility may have a significant impact on economic efficiency. Our hypothesis, considering the relationship between the two constructs of the study are depicted on the conceptual model (Figure 1). In order to test the model, we based upon quantitative research, and primary data collection from a convenience research sample of 569 respondents, which volunteered to fill in the pertinent electronic research instrument, over the Internet. This convenience sampling method is an appropriate method in business ethics research (Randall and Gibson, 1990). The majority of participants were male (58,1%) and cited to have completed University education (68,7%).

3.1 Presentation of the conceptual research model

The research conceptual model, along with the study’s hypothesis, is presented on Figure 1.

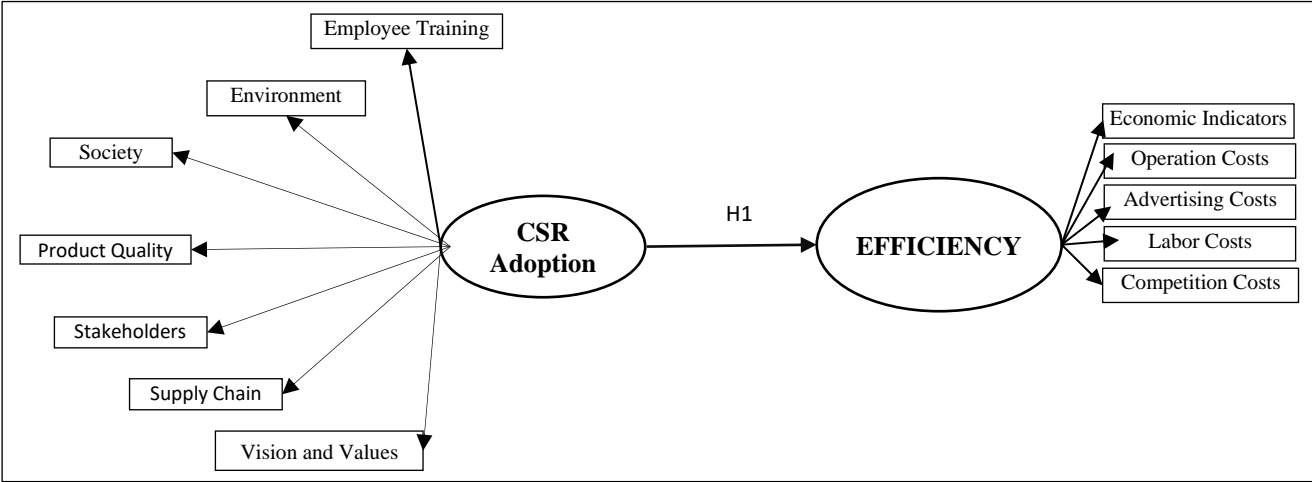


Figure 1. Conceptual model

3.2 Presentation of the research tool

The above conceptual research model has two main constructs: CSR Adoption and Efficiency. The efficiency measure was tapped by five items that are depicted by the relevant literature (Loosemore and Lim, 2018; Santos, 2011; Zlatanović, 2015). Specifically, efficiency was measured in terms of profit increase, competitive advantage, costs reduction and productivity raising. For the CSR Adoption measure, we used two main studies that classify adoption in seven different fields (ISO 26000, 2016; Ashbridge, 2005), as well as, we used questions from other studies in the pertinent literature that use similar classifications (Abaeian, Khong, Kyid-Yeoh and McCabe, 2019; Zlatanović, 2015; Arevalo and Aravind, 2011). Consequently, CSR Adoption for Employees (Employee Training) is tapped by two items, Environmental Responsibility is captured by six items, Local Society Responsibility is measured by three statements, Product Quality responsibility is evaluated with three statements, the Stakeholder Engagement is evaluated by four statements, Supply Chain Responsibility is evaluated by three statements, and, finally, CSR Vision and Values were tapped by five statements. All items were measured on five-point Likert scales, ranging from 1= completely disagree, to 5= completely agree.

4. Major Results

Confirmatory Factor Analysis (CFA), using the IBM SPSS and AMOS statistical packages, was conducted simultaneously for all the variables of the study. The results of CFA are presented on Table 1, together with the acceptable model fit statistics (CFI > 0,9; TLI > 0,9; RMSEA < 0,07; PCLOSE > 0,05), the internal consistency (Construct Reliability > 0,6), convergent validity (AVE > 0,5), and the discriminant validity (AVE > MSV for all constructs) levels. As shown on Table 1, all statistics were deemed satisfactory, according to Hair, Black, Babin and Anderson (2014).

Table 1 . Confirmatory Factor Analysis

EMPLOYEE TRAINING	CFA	CR	AVE	KMO	R²
CSR_AD1	0,86				
CSR_AD2	0,80	0,6	0,65	0,5	84%
ENVIRONMENT RESPONSIBILITY	CFA	CR	AVE	KMO	R²
CSR_AD3	0,77				
CSR_AD4	0,71				
CSR_AD5	0,84				
CSR_AD6	0,81	0,912	0,63	0,893	69%
CSR_AD7	0,84				
CSR_AD8	0,78				
SOCIETY RESPONSIBILITY	CFA	CR	AVE	KMO	R²
CSR_AD9	0,73				
CSR_AD10	0,67	0,82	0,54	0,795	66%
CSR_AD11	0,82				
PRODUCT QUALITY	CFA	CR	AVE	KMO	R²
CSR_AD12	0,70				
CSR_AD13	0,67	0,840	0,51	0,701	69%

CSR_AD14	0,81					
STAKEHOLDER ENGAGEMENT	CFA	CR	AVE	KMO	R²	
CSR_AD15	0,89					
CSR_AD16	0,84	0,874	0,58	0,783	73%	
CSR_AD17	0,79					
CSR_AD18	0,68					
SUPPLY CHAIN RESPONSIBILITY	CFA	CR	AVE	KMO	R²	
CSR_AD19	0,76					
CSR_AD20	0,81	0,843	0,64	0,729	76%	
CSR_AD21	0,82					
CSR VISION AND VALUES	CFA	CR	AVE	KMO	R²	
CSR_AD22	0,88					
CSR_AD23	0,89					
CSR_AD24	0,87	0,930	0,7	0,873	80%	
CSR_AD25	0,88					
CSR_AD26	0,84					
EFFICIENCY	CFA	CR	AVE	KMO	R²	
EFF1	0,64					
EFF2	0,80					
EFF3	0,72	0,922	0,6	0,853	62%	
EFF4	0,72					
EFF5	0,70					

Notes: (1) CFA Fit Statistics: CMIN/DF = 2,425; CFI = 0,944; TLI = 0,939; RMSEA = 0.050; PCLOSE = 0,478 (2) AVE and CR stand for Average Variance Extracted and Composite Reliability respectively, and they are used as measures of convergent and discriminant validity.

Table 2 cites the mean scores and the standard deviation for all the study variables. The results suggest that CSR adoption in Supply Chain and Product Quality received higher mean scores = 3,8 and 3,77 respectively). On the other hand, the CSR adoption in Natural Environment and Society received the lowest scores (mean scores = 3,17 and 3,25 respectively). However, the standard deviation levels imply that all measures are reliable.

Table 2 . Descriptive Statistics

Variables	Mean	Std. Dev.
CSR Adoption in Employee Training	3,52	1,09
CSR Adoption in Natural Environment	3,17	1,17
CSR Adoption for Society	3,25	1,12
CSR Adoption in Product Quality	3,77	0,97
CSR Adoption for Stakeholders	3,58	1,01
CSR Adoption in Supply Chain	3,80	0,89
CSR Adoption in Vision and Values	3,70	1,03
Efficiency	3,48	0,85

Notes: (1) n =569; (2) Respondents rated each item on a scale from 1 (completely disagree) to 5 (completely agree).

The Spearman's Bivariate correlation analysis among study variables is showing significant positive correlation coefficients among all variables examined (Table 3). Moreover, the relationships between Efficiency and CSR Adoption variables were all significant.

Table 3 . Bivariate Correlations

Variables	ET	ER	SOC	PQ	ST	SC	VV	EFF
ET	1	0,45**	0,48**	0,46**	0,44**	0,33**	0,49**	0,22**
ER		1	0,47**	0,57**	0,51**	0,33**	0,46**	0,16**
SOC			1	0,41**	0,56**	0,30**	0,50**	0,19**
PQ				1	0,44**	0,48**	0,50**	0,27**
ST					1	0,36**	0,54**	0,24**
SC						1	0,59**	0,42**
VV							1	0,39**
EFF								1

Notes: (1) n =569; (2) Spearman's rho was employed to accommodate for the inclusion of ordinal variables (i.e., internet usage frequency) and the deviation from normal data distribution; (3) **. Correlation is significant at the 0.01 level (2-tailed); (4) ET: Employee Training, ER: Environment Responsibility, SOC: Society, PR: Product Quality, ST: Stakeholders, SC: Supply Chain, VV: Vision and Values, EFF: Efficiency.

The results of the SEM suggest that the latent CSR Adoption was related to all the reflecting Adoption determinants. As expected, CSR Adoption is significantly reflected by all its indicators, i.e., CSR in Workplace, CSR in Environment, CSR in Society, CSR in Marketplace, CSR for Stakeholders, CSR in Supply Chain and CSR in Vision and Values, as citing sufficient loadings ranging between 0,54 and 0,78 ($p < 0,05$). At the same time, Efficiency is reflected by all its indicators, as citing sufficient loadings, ranging between 0,61 and 0,81 ($p < 0,05$). Consequently, CSR Adoption, as reflected by its seven fields, was found to have a significant impact on Efficiency (0,35, $p < 0,05$) and therefore H1 was supported. Figure 2 presents the empirical model of the study.

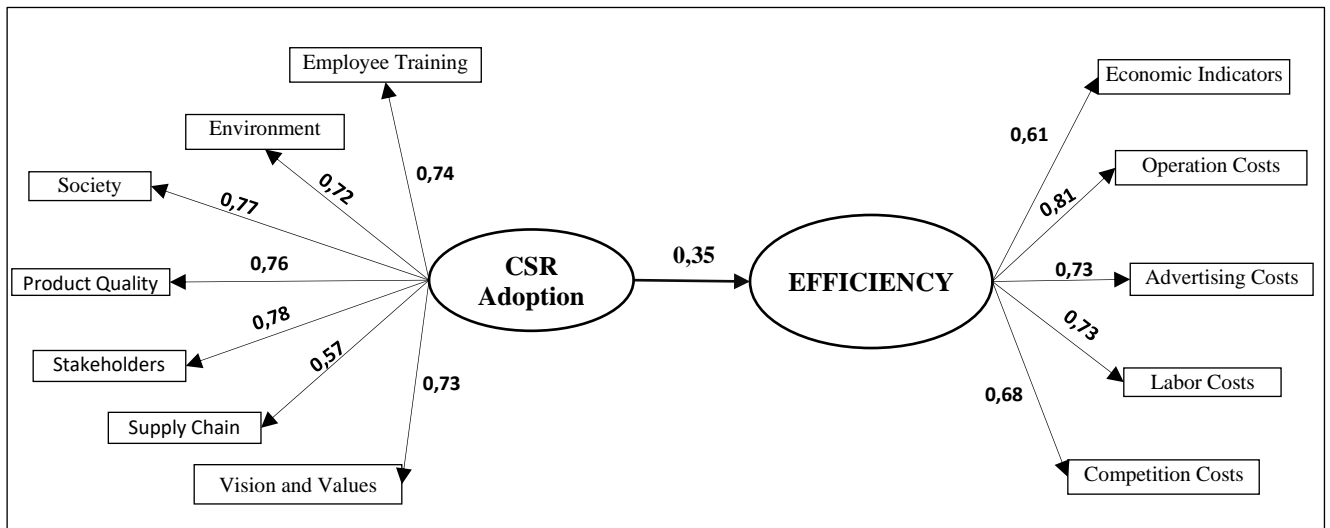


Figure 2. Empirical model

5. Discussion and Implications

The current research is evaluating the components of CSR adoption in the seven fields as stated in the relevant literature. We aim to contribute to the literature of CSR adoption with this framework that classifies the adoption into these fields. With this study, we suggest a comprehensive model for the evaluation of CSR adoption. Although the effects of CSR adoption have been widely discussed within the relevant literature, there is a lack of empirical evidence showing that CSR Adoption in all fields may influence efficiency. Considering the significance of fields of CSR Adoption, the study places additional evidence on the pertinent literature. For example, Zhao, Meng, He and Gu (2018) in a similar approach evaluate the CSR in five significant fields and conclude that CSR Adoption leads in having a competitive advantage. On the other hand, Martos-Pedrero et al. (2019) used a similar methodological approach and showed that the financial improvement is not as significant benefit, as the corporate image empowerment and stakeholder satisfaction, which were found to be the most prevalent perceived benefits. Our results imply the significant impact of CSR upon Economic Efficiency, which is an enabler of profit maximization and overall business performance. Consequently, when practitioners adopt CSR in all its seven fields, then they may anticipate higher levels of efficiency. Thus, CSR adoption in every field of business activity is vital. According to the results, CSR may not be perceived as a set of activities, but as an integrated framework that may surround every institutional activity.

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