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## **The influence of corporate ability and social responsibility on young consumers' attitudes towards the company**

### **Introduction**

Today companies spend a great sum of money to create appealing images to the public. They invest in advertising, sponsorship, marketing researches and philanthropy. All the mentioned activities are carried out because managers treat a corporate image not only as a simple marketing tool. More and more often it is considered as a strategic asset or even as a source of competitive advantage (e.g. [7]). It performs many important functions. For instance it could be an effective entry barrier in a market, it might enable a company to receive premium prices for its goods and services or improve the company's ability to introduce a new product to the market [3].

Corporate image can be created using the two major positioning strategies. The first strategy is directed at corporate ability, while the second one refers to corporate social responsibility [5]. Recently the popularity of the latter one is rising rapidly. Companies want to be seen as good corporate citizens and they conduct various socially responsible initiatives. Carrying out these initiatives means that companies devote some of their resources to charitable purposes. It is estimated that firms only in the United States spend over 9 billion dollars for social marketing per year [18]. In other countries, including Poland, such activities are also becoming more frequent. This is reflected, *inter alia*, in the so-called "good practices" gathered by the Responsible Business Forum.

A growing interest in corporate social initiatives is accompanied by the changing paradigm of social responsibility from *doing good to do good* into *doing good to do well* [25]. Social initiatives in the new paradigm are treated in

a similar way as investments, and are expected to bring economic and financial benefits for companies.

However, deriving business benefits from corporate social initiatives is not an easy matter. Studies in this field has been carried out for 30 years, with nearly hundred of works published in most prestigious journals, concerning the association between the corporate social responsibility and the financial results of enterprises [14]. Despite numerous studies, the issue of the CSR influence on the financial outcomes is still rather vague. The reasons are varied, starting with methodological weaknesses of some of the studies, and ending with the improper formulation of the subject analysed [25].

This article focuses on consumer reactions. The influence of corporate social initiatives on consumer behaviour is relatively a new study domain. First studies concerning this issue appeared in late 90's, and their number has grown considerably after 2000. The primary objective of the reference studies has been to prove that implementation of social initiatives may result in positive consumer reactions, including more favourable attitudes towards the company (e.g. [3], [15]), higher purchase intent (e.g. [11], [22]), and higher loyalty (e.g. [20], [13]).

The said studies have shown that companies' social responsibility is not the most important criteria in consumers' buying decisions. Although during opinion polls consumers declare that they choose products delivered by socially responsible companies [19], they in fact use traditional purchasing criteria including price, and quality. This observation is well studied by experimental studies. For example S. Sen and C.B. Bhattacharya have demonstrated that consumers are not willing to resign from the quality of goods and services for higher level of companies' social involvement [22]. Moreover, it has been proved that consumers do not accept higher prices for companies' community support [1].

Taking into account the increasing popularity of the issue of corporate social responsibility among Polish companies and the unclear influence of the perceived social responsibility on consumer reactions it has been chosen to examine the influence of perceived corporate ability and social responsibility on young consumers' attitudes toward the company. Examining together the impact of perceived corporate ability and social responsibility can help in demonstrating how important or not important is the issue of corporate social responsibility to consumers.

In the following sections a conceptual background is presented. Then the research methodology is exposed. Finally, the results of empirical study are demonstrated. The paper ends with the discussion of the results and propositions for future researches.

## 1. Conceptual background

Corporate image is probably one of the most frequently used labels for stakeholders' cognitive associations with a firm. However, one can easily find other allied constructs such as corporate reputation, corporate identity, mental picture or portrait of a firm. The corporate image refers to external stakeholders' perception of an organization. Corporate identity relates to internal stakeholders' perceptions, whereas corporate reputation includes views of both internal and external stakeholders [4]. Despite some differences between the mentioned above terms academics agree that there is something like the image of a company in stakeholders' minds. In this paper the term "corporate associations" is used because it seems to be the most adequate label for the cognitive picture of a company. Formally, corporate associations are defined as all information that a person holds about a company [3].

Generally, corporate associations fall into two categories: corporate ability and corporate social responsibility [15]. The perceived company's ability relates to its expertise in producing and delivering goods or services. These associations can be created by company's organizational efficiency, results of research and development activities or consumer orientation. The second group of associations – perceived corporate social responsibility – reflects company's status and activities with respect to its societal obligations. Marketers could position companies as socially responsible by highlighting the environmental friendliness, the sponsorship of cultural activities, the community involvement and so on.

Corporate image and its impact on consumer beliefs and behaviours is an active topic in marketing and other related research fields like management or consumer psychology. A seminal paper in this area was written by T. Brown and P. Dacin. They have found that corporate associations can influence a new product response. Particularly, it has been proved that consumers can use the corporate ability associations to draw inferences about the missing product attributes like the level of quality. Corporate social responsibility associations do not affect consumer intention to purchase a new product, but they have been found along with corporate ability associations to influence how consumers feel overall about the company. Reviewing the results obtained by T. Brown and P. Dacin is important to point out that the impact of perceived corporate social responsibility on companies evaluation has been more than two times lower than the influence of company's ability [3].

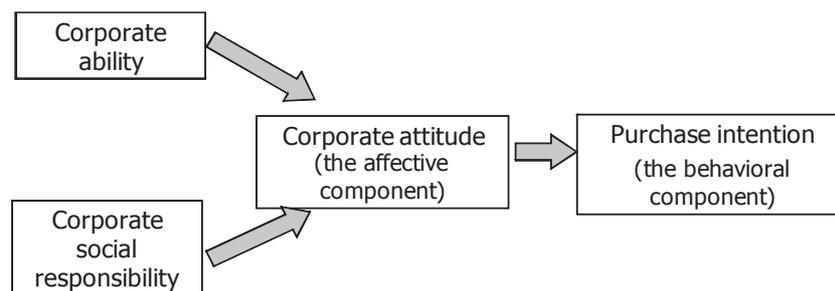
A few years later a similar study was carried out by Spanish academics L. Marin and S. Ruiz. They investigated how perceived corporate ability and social responsibility influence the company evaluation and the identity attractiveness. The research conducted on a sample of Spanish consumers in the banking industry has demonstrated that both kinds of associations significantly affect consumer attitude towards the company. However, again the impact of corporate

ability on company evaluation was a few times higher than the influence of corporate social responsibility associations [15].

Although the issue of social responsibility is very popular among national companies, there are only a few Polish studies that investigate relationship between companies' social involvement and consumer opinions and behaviours. They indicate that consumers prefer goods and services provided by socially responsible companies (e.g. [28]). However, the majority of the mentioned studies have only declarative character, and they seem to overestimate the significance of social responsibility to consumers. In-depth Polish studies show that deriving business benefits from socially responsible initiatives is not as easy as opinion polls suggest, and it is even possible that conducting socially responsible initiatives could hurt company's reputation [17]. Moreover, there isn't any Polish paper that tries to compare the impact of perceived corporate social responsibility on consumer responses in the context of corporate ability.

Considering the importance of corporate image in a competitive economy and a limited number of national studies in this field has been chosen to examine the influence of perceived corporate ability and social responsibility on young consumers' attitudes towards the company.

To fulfil the objective of this study an attempt was made to develop and test a model reflecting the impact of perceived corporate ability and social responsibility on consumer attitudes towards the company. The dependent variables under instigation include affective and behavioural components of attitudes. The affective component reflects respondents' feelings and emotions towards the company. The mentioned above dimension of attitudes is often simply called as a corporate attitude and that label is also used in this article. The second component of attitudes refers to stakeholders intended behaviours. In this paper the consumers' purchase intention is employed to the model as the most important behaviour for companies. The postulated research model is presented in figure 1.



**Figure 1.** The research model.

It was expected that perceived corporate ability as well as corporate social responsibility would affect consumers' attitude towards the company, which in

turn shapes the purchase intention. Based on the said expectations, the following research hypotheses have been formulated:

- H. 1. The perceived corporate ability has a positive impact on consumer attitude towards the company.*
- H. 2. The perceived consumer attitude has a positive impact on consumer attitude towards the company.*
- H. 3. The consumer attitude towards a company influences the purchase intention.*

A better understanding of the influence of corporate ability and social responsibility will help to better understand what is the role of corporate associations in creating favourable consumer attitudes towards companies.

## **2. Research methodology**

In order to verify the research hypotheses, a survey was conducted on a group of young consumers. The subjects were asked to answer a set of questions about a company operating in food industry. The reason for selecting food industry was that a vast majority of Polish consumers are driven by social objectives while purchasing food products [8]. The company chosen is one of the most renowned manufacturers of dairy products countrywide, also famous for its involvement in a variety of charity actions.

### **2.1. Sample**

The survey was conducted on a sample of students from two cities. The number of survey participants amounted to 127. Women accounted for 57% of all respondents, and men for the remaining 43%. As regards the age of respondents, the youngest one was 19 while the oldest 26, an average respondent was around 22.

### **2.2. Procedure**

The survey activities were carried out during classes according to a uniform scheme. Firstly, the surveyor briefed the respondents on the research, not revealing its specific objectives. After that, they were asked to fill the questionnaire that included measures of the attitude towards the company, perceived corporate abilities and social responsibilities as well as the purchase intent. The entire survey lasted about 10 minutes.

### 2.3. Measures

#### *Attitude towards a company*

The attitude towards a company was measured using the instrument developed by analogy to the measure introduced in the study by B. Lafferty, R. Goldsmith and G. Hult . It consisted of two eleven-point semantic differential scales. These scales were anchored with the following words: *good = 10 / bad = 10, positive = 0 / negative = 10* (cf. [12]). The task of the respondent was to indicate two figures in each line which best reflected their attitude towards the company. The internal consistency of these scales, measured with the Cronbach's Alpha coefficient, amounted to 0,96.

#### *Purchase intention*

The purchase intention was measured in a similar way as presented in the study by S. Sen, C. Bhattachary and D. Korchun. Respondents were asked to answer the following question: *Are you planning to purchase any products manufactured by firm X next week?* and to indicate a figure from 0 to 10, where 10 meant *I will certainly purchase some*, and 1 *I will not purchase any* (cf. [23]).

#### *Perceived corporate ability and social responsibility*

The perceived companies ability and social responsibility were measured in a similar way as presented in the article by Brown and Dacin. Seven seven-point Likert-type scales were employed, three of which referred to the corporate ability, and the other four to the perceived corporate social responsibility. The scales were anchored with the following figures 7 = *I strongly agree*, and 1 = *I strongly disagree*. The task of the respondent was to specify to what extent they agreed or disagreed with the statements given. As regards the corporate ability, respondents were asked to take a standpoint on the following statements: *the company produces high quality goods; the company produces modern goods; the company produces healthy goods*. To measure the perceived corporate social responsibility, the following statements were included: *the company helps to solve the undernourishment problem among children; the company produces natural environment friendly goods; the company supports local communities, the company promotes healthy lifestyle* (cf. [3]). A *Cronbach's coefficient alpha* for items measuring perceived corporate ability amounted to 0,82 and was slightly higher than the internal consistency for perceived corporate social responsibility (*Cronbach's alpha* = 0,77).

## 3. Results

The postulated model was verified using the structural equation modelling technique. Path coefficients were calculated in the standardised version, which allowed for comparing the strength of the relationships between the variables,

despite the fact that measurement were taken on various sensitivity scales. All the calculations were performed using the SEPATH module of Statistica 8,0.

Prior to the parameter estimation, it was verified whether the assumption of multidimensional normal distribution, required in the application of the maximum likelihood method, was fulfilled (e.g. [2]).

The analysis of multivariate normality started with assessing the normality of distribution of particular variables, since the existence of univariate normality is the prerequisite to the multivariate normal distribution (e.g. [6]). The compliance of variables distribution with normal distribution was assessed using the coefficients of skewness and kurtosis. The said measures have revealed that the statistically significant deviations from the normal distribution occur in all reference cases. Detailed results of normality analysis are provided in table 2.

Failure to fulfil the assumption of univariate normality translated into slight deviations from multivariate normality. This found confirmation in the Mardia's coefficient of multidimensional kurtosis, amounting to  $-0,696$  and the value of relative multivariate kurtosis at  $0,971$ .

**Table 2.** Tests of univariate normality

Variable	Skewness		Kurtosis	
	Value	Standard deviation	Value	Standard deviation
Purchase intention	-0,198	0,215	-0,991	0,427
Company attitude	-0,946	0,216	1,275	0,428
Perceived corporate ability	-0,781	0,218	0,915	0,433
Perceived corporate social responsibility	-0,142	0,219	-0,221	0,435

However, in most cases apart from *the purchase intention*, the absolute values of both kurtosis and skewness were lower than 1. Such data are commonly found in social sciences and often researches consider them to be approximately normal in shape [10]. Even in the case of *the company attitude*, the absolute value of kurtosis amounted to  $-1,275$  and was remarkably lower than 7, considered to be the boundary value of moderate deviations from normal distribution when applying the maximum likelihood method [5].

Due to the negligible deviations from normal distribution, the maximum likelihood method was employed to estimate the model parameters. Structural models were developed for the observable variables. Because no measures were developed in the study, no measurement model was constructed. We limited ourselves to adjusting the existing solutions. The input data for the analysis was prepared in the form of a correlation matrix as presented in table 3.

**Table 3.** Means, standard deviations and correlations

Variable	Mean	Standard deviation	Purchase intention	Company attitude	Perceived corporate ability	Perceived corporate social responsibility
Purchase intention	5,98	2,870	1,000	0,630	0,508	0,443
Company attitude	14,97	3,770	0,630	1,000	0,731	0,577
Perceived corporate ability	16,12	3,219	0,508	0,731	1,000	0,756
Perceived corporate social responsibility	18,34	4,387	0,443	0,577	0,756	1,000

The estimation results revealed that two of three path coefficients were statistically significant, which seemed to confirm some of the assumptions stated. No confirmation was found for the relationship between perceived corporate social responsibility and the consumer attitudes towards the company. The parameter estimates for the path coefficient in the reference case was statistically insignificant, and close to zero. Detailed results of the estimation are presented in table 4.

**Table 4.** Maximum likelihood estimates for the model

Path	Standard coefficient	Standard error	t – value	p – value
[Perceived corporate ability] → [Company attitude]	0,689	0,087	7,955	0,000
[Perceived corporate social responsibility] → [Company attitude]	0,085	0,144	0,590	0,555
[Company attitude] → [Purchase intention]	0,630	0,056	11,336	0,000
Goodness of fit indices				
$\chi^2$ (2)=1,926 p = 0,382 GFI = 0,992 AGFI = 0,096 RMSEA = 0,000 SRMR = 0,029				

The goodness of fit indices showed that the postulated model was acceptable. The value of empirical probability of the Chi-square statistic was higher than 0,05 which meant that the observed and estimated variance – covariance matrices do not differ significantly [21]. The sufficient fit of the model to the input data was reflected also in other parameters. The goodness of fit index (GFI) indicated that 99% of the actual covariances could be explained using the model developed. A similar value was also shown by the Adjusted GFI. The Root Mean Square Error of Approximation (RMSEA) amounted to 0,000 and the standardized root – mean – square residual (SRMR) also was below the accept-

able level of 0,1 [10]. Goodness of fit indices for the postulated model are reported in table 4.

## **Discussion**

The results of the research support hypothesis about the influence of perceived corporate ability on consumer attitude. It means that what consumers know about a company's ability (e.g. the quality of goods and services provided by the firm, its innovativeness or organizational efficiency) impose a significant, positive impact on their feelings towards the company. Then consumers' emotions regarding the company could affect other responses like the purchase intention.

The supported hypothesis has also some practical implications. It suggests that companies delivering goods to young consumers can improve their images by exposing ability, for instance, through advertising or other forms of communication.

Unfortunately, the hypothesis concerning the relationship between perceived corporate social responsibility and consumer attitude towards the company has not been confirmed. The mentioned observation is a bit surprising in comparison to the previous studies that used to report social responsibility as a significant predictor of favourable audience's attitude towards companies. So here arises a question that why respondents' knowledge about companies' socially responsible initiatives has not influenced their feelings towards the company? In other words why company's good deeds haven't had any significant impact on young consumer attitudes?

There are at least three possible explanations for the reported insignificant relationship. Firstly, it may stem from the fact that young consumers hold self-enhancement values such as power, achievement, and simply philanthropic activities are less important for them than for other people. Secondly, the survey was carried out on a specific sample. Subjects were business students who hadn't had any course in business ethics or corporate responsibility before. That is why they probably didn't have knowledge about employing philanthropy into business and as prospective managers they evaluate the company only against pure economic criteria like the quality of goods, innovativeness or organisational efficiency. Thirdly, in the Polish society there is a low level of trust [e.g. (27)]. Generally people have a tendency to not believe what others say, including politicians, companies' spokesmen, advertisements and so on. Moreover, companies similar to the firm in question that widely communicate their socially responsible activities also focus critical attention of journalists, think tank representatives and other stakeholders [16]. In such situation stakeholders look for other motives behind companies' initiatives than the altruistic help. Perceived motives behind corporate social initiatives are strong predictors of consumer responses to so-

cially responsible projects. When respondents attribute only promotional – image motives to the company involved in socially responsible projects, such activities could even hurt its reputation [26]. It is possible that similar situation have happened during the reported research, and because of perceived motives behind company's initiatives socially responsible associations haven't affected consumer attitudes towards the company.

To examine the mentioned above possible reasons for the insignificant relationship between corporate social responsibility associations and consumer attitude towards the company additional researches are needed. They could be carried out on other kinds of participants (e.g. students of humanities). In addition, the future studies should measure the perceived motives behind company's socially responsible activities.

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## Streszczenie

### **Oddziaływanie kompetencji oraz społecznej odpowiedzialności przedsiębiorstwa na postawę młodych konsumentów wobec firmy**

Celem opracowania jest zbadanie relacji między wizerunkiem firmy a postawami wobec niej młodych konsumentów. Wyodrębnione w wizerunku wymiary to postrzegane kompetencje oraz społeczna odpowiedzialność. Badanie zostało przeprowadzone na próbie studentów z dwóch polskich miast. Wyniki wskazują, że postrzegana społeczna odpowiedzialność firmy może być istotnym czynnikiem kreującym przychylne postawy konsumentów wobec takiej jednostki. Jakkolwiek, oddziaływanie kompetencji przedsiębiorstwa na postawy konsumentów wydaje się znacznie silniejsze niż wpływ społecznej odpowiedzialności.