USE OF DIFFERENT CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES AS A CRISIS MITIGATION STRATEGY

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ABSTRACT
There is a growing body of academic research on the importance of corporate social responsibility (CSR) initiatives in promoting positive consumer reactions. However, research on whether these initiatives mitigate negative consumer reactions to a company crisis is almost non-existent. In addition, no research appears to have compared the effectiveness of different CSR initiatives. Using attribution theory, I contend that in a product-harm crisis, different initiatives may differentially impact consumer attributions, emotions, attitudes and behavioural intents. I further apply the construct of involvement to CSR research, contending that higher consumer involvement with the initiative would result in a more positive crisis outcome.

INTRODUCTION
Companies are pouring millions of dollars into corporate social responsibility (CSR) measures in the race to be seen to be actively “doing good” in the eyes of the community and consumers. CSR has irreversibly become part of the corporate fabric (Pearce & Doh, 2005), with the web sites of more than 80% of the Fortune 500 companies addressing CSR issues (Bhattacharya & Sen, 2004). In 2003, corporations and corporate foundations in the USA gave US$13.46 billion in both cash and in-kind donations to non-profit organisations, up from the 2002 figure of $12.92 billion (U.S. Charitable Giving, 2005).

The Cone/Roper 2004 Corporate Citizenship Study conducted by strategic marketing firm, Cone Inc., found that 80% of the 1,000 USA adults surveyed indicated that corporate support of causes wins their trust in a company, with 86% likely to switch to a brand associated with a cause, and 85% considering a company’s commitment to a social issue when deciding to do business in their local community (First time research finds, 2005). While consumer reactions to CSR are not as straightforward as the polls suggest, a growing body of academic research attests to the mostly positive influence of CSR initiatives on consumers’ company evaluations, product purchase intentions (Bhattacharya & Sen, 2004), and brand and product evaluations (Klein & Dawar, 2004).

The success of individual CSR initiatives on consumer reactions has been investigated in a number of studies. Cause marketing in the form of an alliance with a non-profit organization enhanced attitudes towards the brand, no matter whether the cause was familiar or unfamiliar (Lafferty & Goldsmith, 2005). Those aware of an actual corporate philanthropy initiative had more positive attitudes to, and stronger identification with, the company, higher brand purchase
and investment intent and greater intent to seek employment with the company than those unaware of any initiative (Sen, Bhattacharya & Korschun, 2006). In the retail environment, CSR either in the form of support for a non-profit organization or as positive ethical practices (use of non-sweat shop labour) led to store loyalty, emotional attachment to the store and store interest, which then impacted customer behaviour in the form of the percentage of shopping done at the store and the amount of purchases (Lichtenstein, Drumwright, & Braig, 2004).

Other studies examined the combined impact of multiple CSR initiatives. Brown and Dacin (1997) tested the combined influence of corporate giving to worthy causes, community involvement and environmental concern, finding that CSR associations influenced product attitudes through their influence on overall company evaluations. Murray and Vogel (1997) investigated the effect of combined initiatives of socially responsible business practices (energy conservation, an employee training program to assist senior citizens in need of social services), cause promotions (a latchkey children’s program), community volunteering (employee volunteer program), corporate social marketing (electric safety education for school children), as well as pro-active economic factors (participation in the economic development of the region) and consumer protection (consumer panel program). These initiatives resulted in improved attitudes towards the firm, including beliefs about the company’s honesty, customer- and consumer-responsiveness, truth in advertising, pro-environmental and pro-employee attitudes, and increased support for the firm in labour or government disputes, and for recommending a job application to a friend (Murray & Vogel, 1997). A company’s efforts in multiple CSR domains (corporate giving, community involvement, and its position on issues involving women, ethnic minorities, gays and lesbians, and disabled minorities) had a direct effect on the attractiveness of the company’s products and a positive effect on company evaluations (Sen & Bhattacharya, 2001).

As marketplace polls and studies attest to the positive effects of CSR on consumer behaviour, more companies support CSR initiatives (Sen & Bhattacharya, 2001). However, the diverse conceptualisations of CSR have promoted different operationalisations of the construct (Klein & Dawar, 2004). Resultantly, there is no clear-cut consensus on the scope of activities that comprise CSR initiatives. In addition, while the effectiveness of individual or combined CSR initiatives has been investigated, no research appears to have compared the effectiveness of each different initiative. Taking a marketing stance, I propose that Kotler and Lee’s (2005) taxonomy of six CSR initiatives provides a suitable framework to compare the effectiveness of each different initiative.

From a strategic perspective, one long-term objective of CSR is to create stakeholder support for the company (Murray & Vogel, 1997). More managers now believe that, by being a better corporate citizen, a firm faces fewer business risks, is in a better position to attract and retain committed employees and loyal customers, and will be more likely to avoid consumer boycotts (Vogel, 2005).
Maignan and Ferrell (2004) suggested that the trend towards companies openly promoting themselves as socially responsible has been cultivated from a climate of defiance towards business generated by the anti-globalization movement, shareholder activism and corporate governance reform. Consumers’ anti-corporate backlash has also been spawned by multiple high-profile corporate crises in recent years, many of which harmed consumers. For example, in 2004, pharmaceutical company, Merck, withdrew the anti-arthritis drug, Vioxx, after a Food and Drug Administration study report revealed the drug could have caused up to 140,000 cases of coronary heart disease in the USA since 1999 (Arthritis drug heart claim, 2005). James Hardie, for decades Australia’s largest asbestos manufacturer, faced a class action over their range of asbestos products, which were estimated to have already killed 27,000 Australians via asbestos cancers, with a further 27,000 deaths expected by 2020 (A dynasty waits, 2004). In 2004, Bridgestone/Firestone’s Steeltex tyres were linked to sport utility vehicle (SUV) crashes that killed five people (490,000 Steeltex Tires Recalled, 2004). Such product-harm crises may generate substantial negative publicity and consumer ill-will, costing companies million of dollars in lost sales, eroded market share, reputation damage and reduced share prices, while potentially exposing the company to future class actions.

It is commonly accepted maxim in public relations teaching and practice that a company actively “seen to be doing good” in the community will better withstand a company crisis as CSR initiatives act to mitigate negative consumer reactions. However, research on this area is virtually non-existent. Klein and Dawar (2004) tested the impact of a good environmental record on consumer perceptions of a company in crisis, demonstrating that CSR positively affected reactions, acting to mitigate a product-harm crisis. Using Weiner’s (1986, 1995, 2000) attribution theory and Kotler and Lee’s (2005) taxonomy of CSR initiatives, I contend that in a product-harm crisis, different initiatives may differentially impact consumer attributions, emotions, attitudes and behavioural intents. I further apply the construct of involvement to CSR research, contending that higher consumer involvement with the initiative results in more positive crisis outcomes.

Operationalisation of CSR
Despite the increase in CSR investigations, no single conceptualization of CSR has dominated past research, either in the fields of marketing or management (Maignan & Ferrell, 2004). One of the best known CSR models is Carroll’s (1991) CSR pyramid with company responsibilities comprising economic, legal, ethical and philanthropic. Thus a business is expected to be profitable, obey the law, be ethical and be a good corporate citizen (Carroll, 1991). Some researchers define CSR in respect to the general community or society. For example, Brown and Dacin (1997) define CSR as the organisation’s status and activities in respect to its perceived societal obligations. Similarly, Kotler and Lee (2005) view CSR as a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources. Others researchers restrict their audience for CSR to corporate stakeholders, including affected local
communities. For example, Maignan and Ferrell (2004) and Craig Smith (2003) incorporated stakeholder theory to suggest that CSR designates the duty of an organisation to meet or exceed the norms of diverse stakeholders, which then dictates desirable organizational behaviours. However, there is substantial agreement that CSR is concerned with societal obligations, although the nature and scope of these obligations is not certain (Craig Smith, 2003). This general definition of CSR, as Klein and Dawar (2004) noted, allows for many different operationalisations of the construct. Past studies have not yielded an encompassing view of CSR that enables examination of various social responsibility initiatives (Maignan & Ferrell, 2004). The lack of definitive categories of initiatives has meant that no comparison of the effectiveness of different CSR initiatives appears to have been conducted. However, two categories of CSR initiatives have emerged, one developed by KLD Research, and the other by Kotler and Lee (2005).

Bhattacharya and Sen (2004) and Sen and Bhattacharya (2001) referred to six different CSR initiatives from Socrates, the corporate social ratings monitor published by KLD Research. This database describes and rates more than 600 companies in terms of their CSR records (Sen & Bhattacharya, 2001). According to Bhattacharya and Sen (2004), these domains are employee diversity (e.g., gender, disability, race), employee support (e.g., union relations, concern for safety), environment (e.g., environmentally friendly products, pollution control), non-US operations (e.g., overseas labour practices such as sweat shops), product (e.g., R & D innovation, product safety) and community support (e.g., support of arts programmes, housing initiatives for the disadvantaged). However, KLD’s operationalisation views CSR initiatives as mainly concerning internal corporate practices and operations, predominantly impacting internal stakeholders. Those initiatives (e.g. corporate philanthropy and cause marketing) that impact external stakeholders are subsumed under the dimension, “community support”.

Taking a marketing, rather than managerial focus, Kotler and Lee (2005) developed a taxonomy of six CSR initiatives, defining these as major activities undertaken by corporations to support social causes and to fulfil commitments to corporate social responsibility. As such, these comprise predominantly societally-oriented practices mainly impacting stakeholders external to the organisation, with internal corporate activities subsumed under the category of “socially responsible business practices”. Kotler and Lee’s (2005) CSR initiatives are cause promotions, cause marketing, corporate social marketing, corporate philanthropy, community volunteering and socially responsible business practices.

Cause promotions refer to a company providing funds, in-kind contributions or other resources to increase concern about a social cause or to support fundraising for a cause (Kotler & Lee, 2005). Cause marketing refers to a company donating a percentage of revenue based on product sales for a specific time to a to a specific cause (Gourville & Rangan, 2004; Kotler & Lee, 2005). Corporate social marketing is defined as a company’s support of a behaviour change campaign
intended to improve public health, safety, the environment or community well-being (Kotler & Lee, 2005). Corporate philanthropy occurs when a company makes a direct contribution to a charity or cause, most often in the form of cash grants, donations or in-kind services (Kotler & Lee, 2005). Community volunteering refers to a company’s support and encouragement of employees, retail partners and/or franchise members to volunteer their time to support local community organizations and causes (Kotler & Lee, 2005). Socially responsible business practices cover a company’s support and conduct of discretionary business practices and investments that support social causes to improve community well-being and protect the environment (Kotler & Lee, 2005).

No comparison of the effectiveness of Kotler and Lee’s (2005) six different CSR initiatives appears to have been examined. It is contended that each of the initiatives (cause promotions, cause marketing, corporate social marketing, corporate philanthropy, community volunteering and socially responsible business practices) may differentially impact consumers’ reactions.

**CSR initiatives and company crises**

CSR activities impact resilience to negative company information (Bhattacharya & Sen, 2004), with consumers’ CSR perceptions protecting a company against negative attributions about the company (Lichtenstein et al., 2004). In the public relations domain, CSR initiatives have been long considered to build up a bank of stakeholder goodwill that companies can draw against in a crisis. Indeed, Klein and Dawar (2004) found that CSR acted as a company insurance policy in a product-harm crisis (engine lubricant tied to severe engine trouble in a motor vehicle). Klein and Dawar (2004) used Weiner’s (1980) attribution model, which conceptualises attributions along three causal dimensions leading to a judgment of responsibility or blame.

Causal dimensions refer to the causal structure underlying the almost endless list of possible attributions for an event (Kent & Martinko, 1995). While Weiner's work involved up to five dimensions (Davies, 1992; Kent & Martinko, 1995), locus, controllability and stability have proven to be the most powerful and more widely employed (Davies, 1992). Locus referred to either an internal or external cause (Davies, 1992). Thus the cause of a crisis such as a processed food product causing poisoning could be internal to the company (e.g., machine error in manufacturing) or external (e.g., poor handling by retailers). Controllability referred to the volitional control of those involved. For example, the food poisoning cause could be controllable by the company (e.g., manufacturer not maintaining equipment or strict hygiene controls) or uncontrollable (e.g., retail sabotage). Stability referred to whether the cause varied over time (Kent & Martinko, 1995), or whether it was a stable, permanent feature (Davies, 1992). While stability may be a feature of a product or service (e.g., occasional delayed flights are a stable feature of an airline service), it is less likely to be a crisis feature because the company is forced by regulatory authorities or stakeholders to address the problem.
Klein and Dawar (2004) found that CSR associations in the form of a positive environmental record prior to the crisis impacted consumers’ brand evaluations both directly and indirectly through a CSR halo, which affected consumers’ attributions regarding the cause of, and blame for, the crisis. Specifically, where there was a good environmental record, the cause of the product-harm crisis was judged as more external to the company, less controllable and less stable (that is, less likely to recur), the company was attributed less blame, and consumers had higher brand evaluations and purchase intentions (Klein & Dawar, 2004). With a negative environmental record, the crisis cause was judged as more internal to the company, more controllable and more stable, the company was attributed more blame, and there were lower brand evaluations and purchase intentions (Klein & Dawar, 2004). Thus the CSR initiative shifted the attributions to those that were more external, less stable and less controllable, acting to mitigate consumer reactions to the crisis.

Company crises and attribution theory
While Klein and Dawar (2004) focused their investigation of CSR’s impact on consumer’s attributions and blame, researchers investigating consumer responses to company crises used Weiner’s (1986) attribution theory (WAT). Weiner’s (1986, 1995, 2000) theory posited that, following an unexpected negative event, observers make a cognitive appraisal of the cause of the event along various causal dimension continua, which in turn affects judgments of responsibility, emotions, behaviour and attitude.

Three crisis studies (Jorgensen, 1994, 1996; Kaman Lee, 2004) demonstrated that internal controllable crises resulted in worse consumer reactions than external uncontrollable crises. Using vignettes of a fatal airline crash, Jorgensen (1994) found that the external uncontrollable cause (bad weather) resulted in less anger and blame, greater sympathy and higher purchase intentions and attitude than the internal controllable cause (poor aircraft maintenance). Using vignettes of a fatal airliner crash and a drug poisoning, Jorgensen (1996) found that the more internal and controllable a crisis was, the more responsible the company was considered to be, and the higher the anger, leading to negative behaviour intents. Using airline crash vignettes (fatal and non-fatal), Kaman Lee (2004) found that the internal controllable crisis (crash cause was fire due to outdated equipment) led to higher responsibility and negative impressions of the company, while the external uncontrollable crisis (fire caused by bad weather) led to greater sympathy and higher trust in the company.

Using Weiner’s (1986, 1995, 2000) attribution theory and incorporating Klein and Dawar’s (2004) findings with those from the crisis studies, the following proposition is made: that, following an internal controllable product-harm crisis, CSR initiatives mitigate the impact on consumer attributions, responsibility, emotions, attitude and behaviour more than for a company using no CSR initiatives. Congruent with the argument made earlier, these initiatives may differentially mitigate consumer reactions to a company crisis.
Moderating effect: Importance of the initiative to consumers

Bhattacharya and Sen (2004), Lichtenstein et al. (2005), and Klein and Dawar (2004) noted that consumer reactions to CSR activities are dependent upon their importance to consumers. One way that CSR initiatives create benefits for companies is by increasing consumers’ identification with the company (Dutton, Dukerich & Harquail, 1994, in Lichtenstein et al., 2005). This “customer-corporate identification” refers to the degree of overlap in a consumer’s self-perceptions and their perception of the organisation (Lichtenstein et al., 2005).

Lichtenstein et al. (2005) found that CSR perceptions were related to customer-corporate identification, with consumer reactions predicated by the degree of importance of a store’s CSR activity to consumers. Higher identification with the store was related to perceptual corporate benefits (store loyalty, emotional attachment and store interest). These benefits, in turn, were related to perceived corporate benefits (percentage of shopping done at the store and year-to-date purchases) (Lichtenstein et al., 2005). Sen and Bhattacharya (2001) found that the more supportive consumers were of the initiatives, the more positive the outcomes (Bhattacharya & Sen, 2004). CSR support also moderated the effect of the CSR record on purchase intentions (Bhattacharya & Sen, 2004). Klein and Dawar (2004) reported that, in a company crisis, the effects of the CSR measure were more pronounced for those consumers who identified CSR as being important to their decisions. While CSR predicted brand evaluations and purchase intentions via blame, importance directly impacted attributions about the crisis cause (Klein & Dawar, 2004). Thus, CSR initiatives that were important and supported positively impacted consumer outcomes.

While customer-corporate identification is used as a measure of consumer importance of the CSR initiative, over the past 30 years a considerable body of evidence has supported the construct of involvement as a measure of consumer importance of products and issues. Antil (1984) defined involvement as the level of perceived personal importance and/or interest evoked by a stimulus within a specific situation. This definition was expanded by Zaichkowsky (1985) to include consumer needs and values, and by Celsi and Olson (1988) to refer to factors instrumental in achieving the consumer’s goals. While involvement is usually applied to products and brands, consumers may be involved with issues (Peter & Olson, 1990), such as CSR initiatives. Although this construct does not appear to have been applied previously to the CSR domain, it is contended that the stronger the consumer’s involvement with a company’s CSR initiative, the stronger will be the impact on consumer reactions to a product-harm crisis.

Other factors impacting consumer outcomes

A company’s reputation influences consumer outcomes, both in a crisis, and when using CSR initiatives. Crisis researchers (e.g. Siomkos & Kurzbard, 1994) reported that a high-reputation company is regarded more favourably and has more favourable outcomes than a less reputable company. Bhattacharya and Sen (2004) found CSR enhances positive reputations, although for companies with
extremely positive reputations, additional CSR activities did not contribute much to more positive outcomes, perhaps due to ceiling effects. Therefore, in any testing of company crisis and CSR initiatives, establishing the level of company reputation is important.

According to Bhattacharya and Sen’s (2004) findings, CSR initiatives had positive outcomes in certain conditions: when they were perceived to fit well with the company’s overall positioning or marketing strategy, when the initiatives in multiple domains cohered into a sensible whole, and when consumers supported the CSR issues. In addition, consumers were more likely to make positive attributions and have positive attitudes when the company was small, local and privately owned than when the company was big, national and an impersonal conglomerate. Thus, in any manipulation, these factors require consideration.

**FUTURE RESEARCH**
As this investigation was conceptual, the next step would be to examine the research propositions empirically. This review pinpointed two main research questions that can help companies evaluate the importance of different CSR initiatives and the way that each of these may mitigate consumer reactions to a company crisis.

**Proposition 1:** Following a product-harm crisis, different CSR initiatives may differentially impact consumer attributions, responsibility, emotions, attitude and behaviour intentions.

**Proposition 2:** In a product-harm crisis, the stronger the involvement of the consumer with the CSR initiative, the less negative the impact on consumer attributions, responsibility, emotions, attitudes and behaviour intentions towards the company and its products.

Using one type of product-harm crisis (internal controllable), it is intended to comparatively test six positive CSR initiatives and a control condition using no CSR initiative on consumer attributions, emotions, attitude and behaviour. The moderating effect of involvement (high/low) will be tested. A starting point for this type of analysis is a MANOVA, with regression analyses.

**SUMMARY**
The rise of consumerism in the western world in the 1960s heralded a growing wave of consumer disenchantment with business, marking the start of a long deterioration of trust in institutions. This has been exacerbated by a plethora of high-profile company crises, many causing considerable consumer harm. Crises collectively cost companies billions of dollars in lost sales, damaged reputations, eroded market share, and have resulted in corporate bankruptcies, class action law suits, employee job loss, and, in some cases, even cost thousands of lives. While there are few tools under organisational control that can influence the crisis outcome and maintain consumer confidence during a crisis outbreak, a company’s
positive CSR policy can develop a bank of consumer goodwill towards a company, acting to alleviate the crisis’ negative impact on consumers. However, research on CSR’s impact as a crisis mitigation strategy is almost non-existent. In addition, while a small number of CSR initiatives have been investigated, no research has compared the impact of different initiatives on consumer reactions. Therefore, it was contended that different CSR initiatives may differentially impact consumer reactions to a company crisis. In addition, while the importance of the CSR initiative has been found to influence consumer outcomes, the more widely developed construct of involvement has not previously been applied to consumer reactions to CSR initiatives. From this, it was contended that the more involved consumers are with a positive CSR initiative, the more positive the outcome for companies in crisis.

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