

Measuring Levels of Skepticism Towards Corporate Social Responsibility (CSR)

Activities

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### **Abstract**

This study aims to examine how skepticism, as a personality trait, towards CSR initiatives of companies affects students' decisions to reward (support by purchasing) or punish (by boycotting) companies for their behaviour. The literature review suggests that very few studies considered skepticism as a possible determinant of consumer attitudes towards CSR. A mixed method approach was taken to ensure triangulation, including the use of both qualitative and quantitative research methods. Interviews were conducted to understand students' perceptions of CSR in general, and quantitative data was gathered to quantify the findings. A scale developed by Hurtt (2010) was adopted to assess levels of students' skepticism. Further measurements, based on Carroll's pyramid of corporate social responsibility, were used to assess student evaluations of CSR. An additional measurement was deployed to determine whether the participants were more predisposed to reward or punish companies. The research findings suggest that skepticism is not a determinant in affecting opinions about companies CSR.

### **Measuring Levels of Skepticism Towards CSR Activities**

Activities concerning Corporate Social Responsibility (CSR) are moving higher on the agenda of almost every leading company operating in the contemporary business environment. A company which invests in CSR attempts to communicate with its public by promoting a social, if not ethical, profile. The present study is only preliminary, aiming to examine whether the level of skepticism of a specific public, affects its behavior towards CSR activities, or not.

Although skepticism is a necessary trait that helps consumers deal with marketers' persuasive attempts (Moher et al., 1998), it has not been studied and applied to different disciplines such as Public Relations, for example. CSR seems to be in many cases a Public Relations tool which builds relationships through two – way communication (L'Etang, 1994). The main research stream concerning skepticism seems to focus on advertising (Obermiller & Spangenberg, 1998). As the public's put increasing emphasis on companies' social performances it is important to understand how these activities are perceived by the consumers and how consumers use skepticism to cope with persuasive CSR messages and communications. To better understand how consumers support and punish companies for their CSR activities, appropriate literature was examined (e.g. Maignan, 2001; Brown and Dacin, 1997).

The findings of this study will enable us to understand of the impact consumer skepticism has on perceptions of companies CSR activities and consumers willingness to reward or punish companies for their behaviour.

The following sections will focus on definitions of both terms (CSR and skepticism), as well as explaining how CSR is communicated and perceived by consumers. Further information about consumers' perceptions of CSR will be provided and literature on reward and punishment of companies will be reviewed.

Skepticism will be reviewed, mainly through and a summary of studies that have attempted to measure skepticism within the framework of specific marketing activities - advertising. Methodology will include a detailed overview of the adopted methods and limitations. Finally, the study will be concluded with a discussion section.

It is rather difficult to mention all of the CSR functions under one umbrella definition as the remit of the function is so vast (Campbell, 2007). This results in a different understanding of the term across the board of companies and consumers.

According to L'Etang (1996, p 5) 'Corporate social responsibility falls within the public relations portfolio because it affects a company's image and reputation'. The PR function contributes to CSR activities by surveying and examining the environment where these activities are undertaken (Heath, 2002). Without a full understanding of what each group of stakeholders wants, which is one of the main functions of Public Relations, CSR activities would be questionable. Freeman (2006) reinforces this statement since according to his research it seems that the public's have increased their demands for businesses to operate responsibly. Being seen as socially responsible is 'likely to attract sales and reputation, donors and supporters' (Moloney, 2006, p.50). Orlitzky, Schmidt and Rynes (2003 cited in Aguilera et al. 2007) support this statement by saying that socially responsible performance has a positive impact on the company's financial performance and hence maximizes the company's market value. Brown and Dacin (1997) go further and state that CSR programmes positively influence the public's perception of an organisation and its products. Pomeroy and Dolnicar (2009) state that consumers not only have high expectations of social responsibilities of businesses, but also want to be informed about the wrong and right-doings of companies. This allows consumers to transform their knowledge into behaviour (Lewis, 2003). According to Dawkins (2004) 86% of

UK respondents stated companies should actively inform people about their CSR activities, with 74% agreeing that such information would influence their purchasing behaviour. Similarly Fliess et al. (2007) found that 8 in 10 British respondents said that knowledge of companies CSR initiatives was important when forming an opinion of it. Despite the eagerness to be informed, consumers will not seek this information out purposefully (Stoll, 2002).

However, communicating CSR initiatives may be problematic (Pomering and Dolnicar, 2009). Consumers do not trust overly positive claims (Goldberg and Hartwick 1990 cited in Koslow 2000) and tend to be skeptical of companies using advertising to promote their 'good deeds' (Pomering and Dolnicar, 2009; Drumwright, 1994). In addition, a hostile reaction from the media and other stakeholders (Dawkins, 2004) due to controversial morality of such communications (Stoll, 2002) is possible.

Sobczak *et al.* (2006) in their study of French business student attitudes towards CSR practice of companies found that student attitudes towards CSR are skeptical. They conducted an electronic survey in different French educational institutions focusing on how studying in different environments impacted students' attitudes towards companies' CSR. According to the results of the survey the students were skeptical towards companies CSR. Sobczak *et al.* (2006) defined skepticism as a negative predisposition to disbelieve companies' motives. On the contrary Nan and Heo (2007) concluded that students were most likely to perceive companies CSR favourably after viewing advertisements with an embedded CSR message. O'Connor *et al.* (2008) looking at CSR perceptions of active female parents in America found that contrary to other studies they did not perceive CSR as a deceitful tool, used to maximize profits.

Carroll (1991), in her pyramid of corporate social responsibility, outlined four main factors as key for evaluation of companies CSR activities: (a) economical performance, (b) legal responsibilities, (c) ethical responsibilities and (d) philanthropic actions. According to Carroll (1991, p.4) “CSR should be framed in such a way that entire business responsibilities are embraced’ in order to be accepted by companies and business-people.

Although studies have focused on general evaluation and perceptions of CSR, very few studies have focused on consumers’ decision to reward or punish companies for their behaviour. Creyer and Ross (1997) examined the extent to which consumers are ready to reward (purchase products) and punish (not purchase products) companies based on their levels of social responsibility, and found a direct relationship between positive CSR activity and positive customer attitudes.

However, it is important to note that disparities often occur between consumers’ attitudes and behaviour. Grande (2007 cited in Piercy and Lane 2009) suggests that although consumers’ claim they are prepared to pay a premium price for ethical products, the market share of these products in practice is tiny. Bhattacharya and Sen (2004) conclude that there is significant heterogeneity in consumer reactions to CSR – what resonates with one consumer will not resonate with the other.

This study will focus on investigating if students are willing to reward or punish companies for their behaviour and how skepticism, as a personality trait, impacts this decision. This study will contribute to the understanding of how companies CSR activities impact consumer behaviour and build on current knowledge of impact skepticism has on consumers.

Skepticism in marketing has been studied mainly in terms of general attitude towards the specific discipline (Obermiller and Spangenberg, 1998) and in terms of

skepticism towards advertising (Obermiller and Spangenberg, 1998; Obermiller et al., 2005; Hardesty et al., 2002; Mangelburg and Bristol, 1998; Boush et al., 1994). A lack of studies was observed when it came to measuring the impact of skepticism, as a personality trait, on purchasing intentions or ceasing purchasing.

Skepticism is one possible cognitive response to marketing tactics. Obermiller and Spangenberg (1998) defined skepticism towards advertising as a tendency to disbelieve advertising claims. An individual may be skeptical of the motives of the advertiser, the importance of the presented information or the appropriateness of advertising for specific audiences or specific products (Obermiller and Spangenberg, 1998; Boush et al., 1994 ).

According to Koslow (2000) consumer skepticism of advertising claims protects the consumer from advertisers' deceitfulness, since it is a tool consumers use to cope with marketers persuasive attempts (Obermiller et al., 2005; Mohr et al., 1998) and helps make informed purchase decisions (Mangleburg and Bristol, 1998). However, Pollay and Mittal (1993, cited in Pomeroy and Johnson, 2009) argue that it 'impedes advertising credibility and reduces marketplace efficiencies'.

Several studies have attempted to measure levels of skepticism towards advertising. Obermiller and Spangenberg (1998) developed and validated a nine item scale (SKEP) to measure consumers' skepticism towards advertising. The SKEP scale items focus on positive statements about advertising such as 'Advertising is truth well told'. Eroglu and Ellen (1998) developed a four item scale to measure consumer Skepticism towards environmental advertising claims. Obermiller et al., (2005) used the SKEP scale to develop additional analyses of effects of consumer skepticism on attitudes towards advertising and concluded that highly skeptical consumers like advertising less and vice versa.

As the aim of this study is to measure levels of skepticism towards CSR initiatives a generic skepticism scale was used and not any of the aforementioned. Hurtt (2010) developed such a scale after reviewing philosophical and psychological literature. Bunge (1991, p.76) draws a clear distinction between two types of skepticism – methodological and systematic – indicating that ‘methodological skepticism urges us to investigate, while systematic skepticism blocks research’. Similar to Hurtt (2010) this study will be concerned with methodological skepticism.

Hurtt identified six dimensions of skepticism – curiosity (quest for knowledge), questioning nature, a desire to understand people, low acceptance, self-confidence, and a tendency to form judgments slowly.

Curiosity is a basic cognition that helps us comprehend claims and search for supporting evidence; it is also the main characteristic of methodological skepticism (Bunge, 1991). The doubting nature of a person concerns the justifying of statements and events to prove their truthfulness. A skeptic is ‘one who questions’ (Hurtt, 2010). Desire to understand people is evoked by disbelief of the information source, it also allows sceptics to acknowledge that different people will have different opinions (Hurtt, 2010). Low acceptance of others’ highlights how difficult it is for sceptics to accept claims without searching for supporting evidence. In addition, to be able to challenge others and present valid counter arguments sceptics must have high-self esteem. Sceptics also form their judgments slowly as they are predisposed to doubt. Bunge (1991) states that sceptics need to see evidence before believing something which slows down the process of forming judgements.

Kim (2004, p.78) describes Skepticism in psychology as a tendency to ‘suspend judgments while searching for more evidence, which increases resistance to others claims by using doubting and questioning on the basis of confidence’. Hume (1975

cited in Hurtt, 2010), describes general skepticism being closer to watchfulness rather than suspicion of others claims and actions, contrary to the view of skepticism towards advertising (Obermiller and Spangenberg, 1994).

In the current study a two part conceptual framework was developed. Framework one (Figure 1) outlines how different levels of CSR evaluation by consumers and different measures of skepticism impact the decision to reward a company. A consumer can reward a company for its responsible behaviour by purchasing its products, good word of mouth etc.

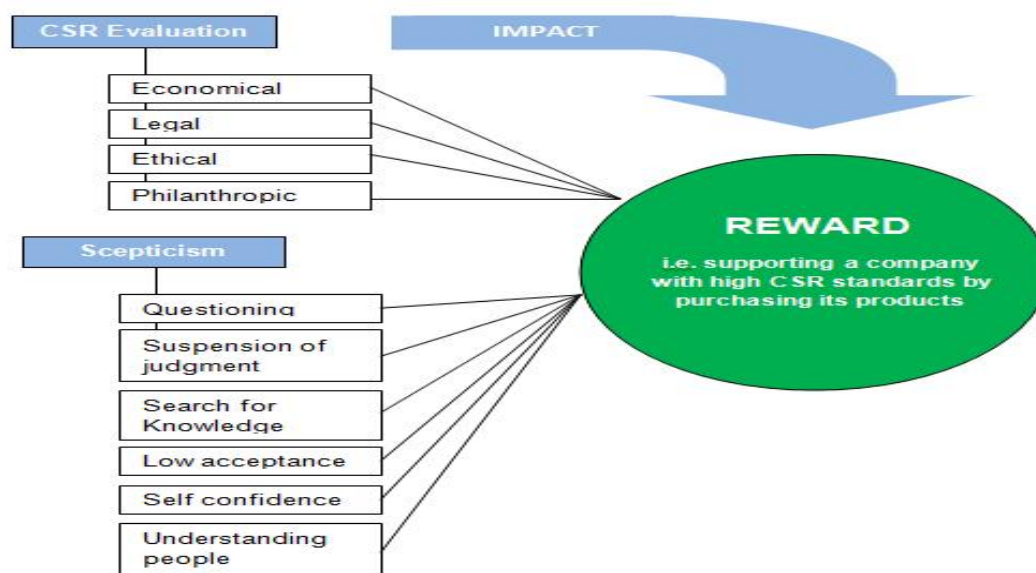


Figure 1 – Conceptual framework – Reward

Framework two (Figure 2) outlines how measures of CSR evaluation of consumers perceptions and consumer skepticism impacts their decision to punish a company. A company can be punished by boycotting its products, spreading negative WOM, etc. This approach will help determine not only the overall impact of elevated levels of skepticism and CSR perceptions on consumer attitudes, but will also allow to see how individual elements of deployed measures influence consumer behaviour.

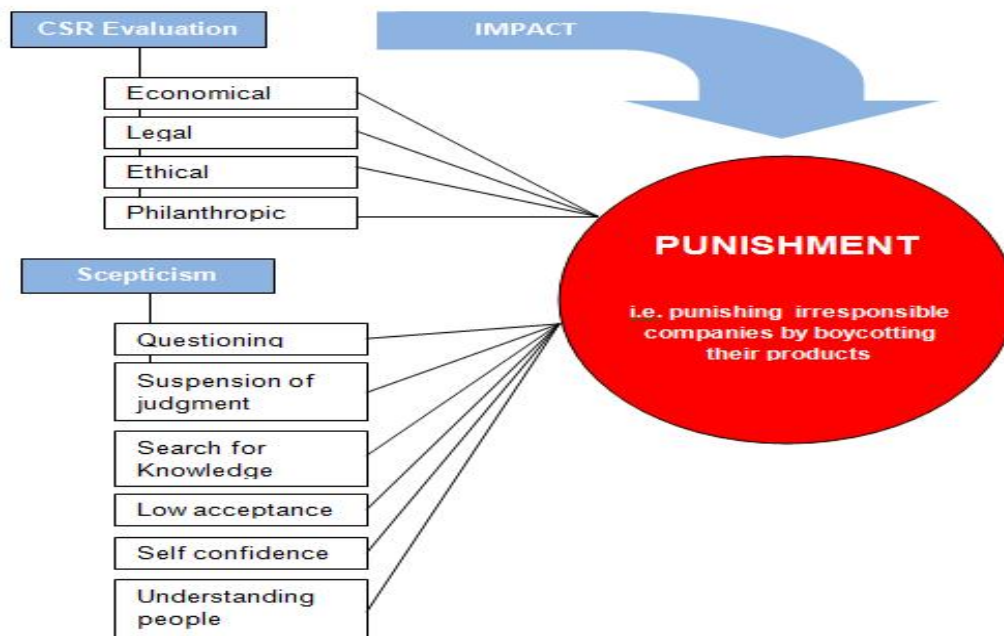


Figure 2 – Conceptual framework – Punishment

## Method

### Participants

Several researchers have supported the use of a student sample for consumer research (Sherman et al., 1999) as they are a more homogenous group than non-students (Krauss, 1995). The number of students in the UK grows yearly. In the academic year 05/06, there were 1.3 million undergraduate students in UK institutions, an increase of 90% since the early 90's (Mintel, 2008). Mintel (2008) also notes that students are not only important consumers of the present they are also the opinion formers of the future. The current study also uses a student sample since the authors firmly believe that students are (or at least should be) a group of skeptical individuals. A total of 89 females and 41 males completed the questionnaire, with over 60% aged 21 or older.

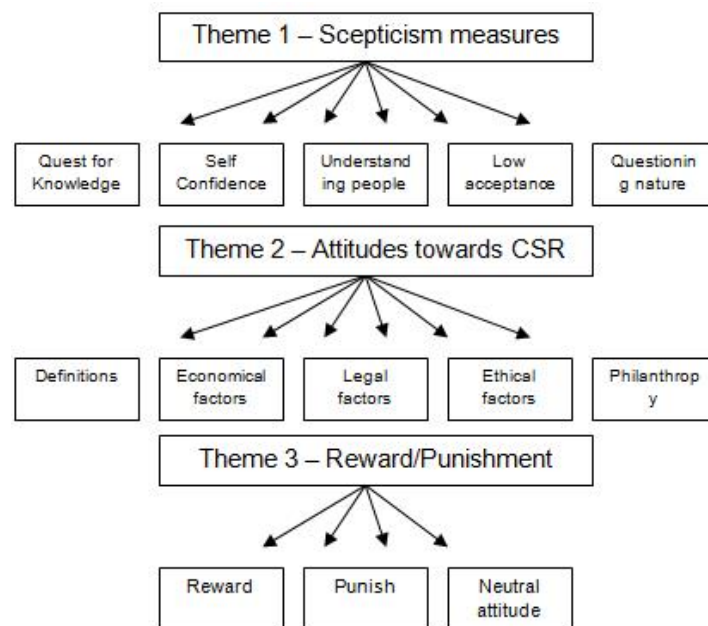
## **Procedure**

This study employed a mixed method research approach as this allowed a more in-depth view into human behavior. In-depth interviews were carried out first followed by distribution of questionnaires, a practice which ensured triangulation

It is decided that semi-structured interviews were the appropriate method in order to examine the participants levels of skepticism. Easterby-Smith et al. (1991 cited in Bryman 1992) suggest that interviews are a suitable method ‘when an interviewee may be reluctant to tell the truth about an issue other than confidentially in a one-to-one situation’. The semi-structured interview approach was also chosen for its flexibility, giving the researcher an opportunity to ask the desired questions, but also allowing the interviewees to trail off and express deeper opinions.

The development of the interview framework was based on Bryman’s (2008) outline of main steps in qualitative research. The first section of the interview was dedicated to demographical questions of age, gender and course. The second part consisted of items from Hurtt’s (2010) skepticism scale and questions related to it. The final part asked participants questions about their perceptions of CSR and focused on how interviewees have rewarded or punished companies for their behaviour. The interviewer also offered two definitions of CSR to those participants who did not know what it was.

A total of five interviews were conducted. The interviews were carried out in a semi-structured manner with an interview guide. The interview themes are presented in Figure 3:



*Figure 3 – Interview Themes*

The atmosphere of the interview was friendly and relaxed. Sarantakos (2005) suggested that the interview atmosphere contributes greatly to the quality of interviewee responses. Damon and Holloway (2002) suggest that qualitative methods are associated with close relationships with the participants which allow for more in-depth information to be retrieved.

In order to measure skepticism a scale developed by Hurtt (2010) was used in the questionnaire. Hurtt's (2010) scale focuses on skepticism as a personality trait rather than a state which suited this study.

Maignan (2001) in her cross cultural study of consumer's perceptions of CSR developed and tested two sets of scales to measure consumers' support of socially responsible businesses. Maignan (2001) based her study on Carroll's (1979) work on the pyramid of corporate social responsibility and developed a 16 item scale to measure what respondents thought of CSR activities of companies. This measurement followed Carroll's (1979) four categories of CSR: Economical, Legal, Ethical and

Philanthropic. Moreover four items developed by Maignan (2001) were supplemented by further four items by Creyer and Ross (1997), who examined the extent to which consumers are prepared to reward and punish ethical companies.

The questionnaires were distributed via the university e-mail survey mailing list after conducting the in-depth interviews and a pilot study. A total of 219 questionnaires were returned, with 130 being fully completed and suitable for examination. Convenience sampling was adopted as it allowed a quick and cost effective method to reach participants. The process lasted for three weeks.

### **Results**

Factor analysis was applied to the adopted scales in order to define the number of factors. Field (2009, p.628) describes factor analysis as the 'technique for identifying groups or clusters of variables'. The loadings of each one of the thirteen factors that emerged and their descriptions are presented in Appendix (A):

According to Hair et al (1998) loadings between 0.6 and 0.4 are satisfactory. All loadings for the specific study (with only one exception which was 0.554) were over 0.6.

A reliability test of the items was carried out by means of measuring the Cronbach alpha coefficient. Field (2009) suggest that Cronbach alpha values between 0.7 and 0.8 are acceptable. However, Davis (1964) suggests that depending on the size of the sample values as low as 0.5 are also acceptable (Appendix B).

Investigating the existence or not of a correlation between the eleven independent factors and "reward" it occurred that there is a moderate correlation ( $=0.478$ ) between students decision to reward and the ethical behaviour of the company

There is also a correlation of similar magnitude ( $=0.407$ ) between the decision to reward and companies philanthropic activity. This is possibly due to the close

relationship between ethical and philanthropic activities in CSR and their interpretation by the audience.

No significant correlation was observed between the eleven independent factors and “punishment”.

In order to investigate whether or not skepticism as a personality trait (7 factors) and/or attitudes towards CSR (4 factors) are significant predictors of a company’s “reward” or “punishment”, the study proceeded with a regression analysis. Two tests were undertaken. The first aimed to investigate how the independent variables affect the public’s decision to reward a company. The second aimed to investigate how the independent variables affect the public’s decision to punish a company.

For the first regression (reward) the adjusted  $R^2$  is 0.209, which indicates that a fifth of the variation in “reward” is explained by the model. Based on the VIF and Tolerance rates no collinearity is indicated. The only significant predictor for the decision to reward companies is their ethical behavior (CSR Evaluation – Ethical) with  $p = .003$  and a coefficient of  $b = 0.42$ . This finding may be considered quite important if one takes into consideration that by giving a quantified interpretation it means that if there is an increase of 1 in their “ethical behavior” (CSR Evaluation – Ethical) scale is associated with an increase of 0.42 on the dependent scale (Reward).

For the second regression (punishment) the adjusted  $R^2$  is 0.289, which indicates that 28,9% of the variation in “punishment” is explained by the model. According to the output of the regression there are no significant determinants from the used variables that affect students’ decision to punish companies Based on the VIF and Tolerance rates no collinearity is indicated.

## Discussion

This study set out to examine how skepticism as a personality trait, impacted students' decisions to reward or punish a company for their behaviour.

Sobczak *et al.* (2006) in their study of French students found that students as a group were skeptical towards companies CSR. Contrary to this, the present study discovered that skepticism had no impact on students' evaluations of companies' responsibilities and did not impact their decision to reward or punish a company. As suggested by Friestad and Wright (1994) skepticism is closely linked to persuasion knowledge that helps consumers cope with persuasive attempts of marketers. This knowledge increases throughout one's life span, suggesting that the students surveyed within the remit of this study will become more skeptical as they get older. This finding is supported by Mangelburg and Bristol (1998) who found that adolescents learn how to be skeptical towards advertising through socialization. It is possible that students did not pose skeptical predispositions towards CSR due to the current socio-political environment where being socially responsible is seen as a necessity for both companies and consumers.

To achieve the objectives set out in this study both qualitative and quantitative methods were used, more specifically self-completion questionnaires and in-depth interviews. Although both methods presented invaluable and unique information, there were some discrepancies in the results.

Most notably the participants of the questionnaire stated that all four dimensions of companies' responsibilities (as identified by Carroll, 1979) were an equally important obligation of businesses, however interviewees only mentioned the economical, legal and ethical factors of business, highlighting the economic responsibilities as the most important, contrary to Maignan's (2001) findings. Maignan (2001) concluded that

French and German consumers deemed the economic responsibilities as least important compared to the other three responsibilities. This may be explained by the way the interview was structured, as there were no direct questions inquiring about participants opinions of all four dimensions of responsibilities.

Differences also occurred whilst exploring if participants of both the interviews and the questionnaires were prepared to reward or punish a company.

The questionnaire statistics revealed that participants were more prepared to reward than punish companies, however the interviewees seemed more passionate about punishing companies by boycotting their products, and struggled to name a company that they knew was particularly responsible. Although participants expressed strong opinions about brands they deemed as unethical and demonstrated that they were prepared to punish those companies, they did not go out of their way to support those companies that produced their goods responsibly.

SPSS v.17 was used throughout the analysis. Through the analysis of data it became evident that the decision to reward a company is governed by the ethicality of a company's behaviour, a finding which agreed with the findings of Creyer and Ross (1997). There were no significant correlations between the decision to reward or punish, and participants' age, gender and year of study, although some scholars suggest that women are more inclined to be favourable of companies CSR (O'Connor et al., 2008). Two regression analyses were performed to examine what were the factors that affected students' decision to reward and punish. It was concluded that the decision to punish was not affected by participants' levels of skepticism, their attitudes towards CSR nor any demographic factors. As for the factors which could predict the students' behavior to reward a company, a finding which agreed with the

to findings of Maignan (2001) and Trudel and Cotte (2009) it is shown that the decision to reward was affected by the ethical behaviour of a company.

This study has some important limitations. As the sample was not representative of the whole student population of the UK, results cannot be generalised. The study used convenience sampling, while the small response rate will introduce bias.

Moreover attitudes towards CSR are constantly evolving and the findings of this study will potentially become obsolete in the nearest future.

Furthermore, Hurtt's (2010) scale of measuring skepticism has never been tested before by other researchers, which limits the possibilities of comparing results and revealing more crucial information.

It is recommended that similar research is undertaken across the whole of UK with a more representative sample of students to gain further insight of the topic.

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**Appendix A – Results of Factor analysis**

## Factor 1 – Quest for Knowledge

	Component
	1
I like searching for knowledge	.783
I enjoy learning	.900
The prospect of learning excites me	.898
Discovering new information is fun	.885
I think that learning is exciting	.898
I like learning more about many situations	.710

## Factor 2 – Self Confidence

	Component
	1
I feel good about myself	.855
I have confidence in myself	.954
I am self-assured	.947
I am confident of my abilities	.896

## Factor 3 – Understanding People

	Component
	1
The actions people take and the reasons for those actions are fascinating	.923
I like to understand the reason of other people's behaviour	.858
I am interested in what causes people to behave the way they do	.908

## Factor 4 and 5 – Low Acceptance 1 and Low acceptance 2

	Component	
	1	2
Most often I agree to what others in my group think	.442	.695
I usually accept things I read, hear or see at face value	.618	.330
I usually notice inconsistencies in explanations	-.428	.686
I often accept other people's explanations without further thought	.843	-.095
It is easy for other people to convince me	.776	-.079
I tend to immediately accept what others tell me	.864	-.088

## Factor 6 – Suspension of Judgements

	Component
	1
I like to ensure that I've considered most available information before making a decision	.821
I take my time when making decisions	.885
I dislike having to make decision quickly	.554
I wait to decide on issues until I can get more information	.892
I don't like to decide until I have looked at all the readily available information	.925

## Factor 7 – Questioning nature

	Component
	1
I frequently question things that I see or hear	.872
My friends tell me that I often question things that I see or hear	.837
I often reject statements unless I have proof they are true	.815

## Factor 8 – Reward

	Component
	1
I would pay more to buy products from a socially responsible company	.887
I consider the ethical reputation of businesses when I shop	.872
I would pay more to buy the products of a company that shows caring for the well-being of our society	.862
I would go several miles out of my way to buy from a store that I knew to be extremely ethical	.747

## Factor 9 – Punishment

	Component
	1
I avoid buying products from companies that have engaged in immoral actions	.816
Given a choice between two firms, one unethical and the other not especially so, I would never choose to buy from the unethical firm	.792
I would go several miles out of my way not to buy from a store that I knew to be extremely unethical	.694

I would pay considerably less money for a product from a firm that I knew to be extremely unethical	.606
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## Factor 10 – CSR Evaluation: Economical

	Component
	1
Plan for their long term success	.877
Always improve economic performance	.862
Control their production costs strictly	.840
Maximize profits	.828

## Factor 11 – CSR Evaluation: Legal

	Component
	1
Refrain from bending the law even it this helps improve performance	.871
Always submit to the principles defined by the regulatory system	.857
Ensure that their employees act within the standards defined by the law	.823
Refrain from putting aside their contractual obligations	.821

## Factor 12 – CSR Evaluation: Ethical

	Component
	1
Be committed to well-defined ethics principles	.923
Ensure that the respect of ethical principles has priority over economic performance	.884
Avoid compromising ethical standards	.843
Permit ethical concerns to negatively affect economic performance	.629

## Factor 13 – CSR Evaluation: Philanthropic

	Component
	1
Allocate some of their resources to philanthropic activities	.868
Help solve social problems	.858
Play a role in our society that goes beyond the mere generation of profits	.842
Participate in the management of public affairs	.751

**Appendix B – Table of reliability test**

Cronbach's Alpha value	Factor
.920	Factor 1 – Quest for Knowledge
.934	Factor 2 – Self Confidence
.877	Factor 3 – Understanding people
.604	Factor 4 and 5 – Low Acceptance
.867	Factor 6 – Suspension of Judgment
.794	Factor 7 – Questioning nature
.863	Factor 8 – Reward
.705	Factor 9 - Punishment
.863	Factor 10 – Economical
.867	Factor 11 - Legal
.835	Factor 12 - Ethical
.847	Factor 13 - Philanthropic