

## Corporate Social Responsibility: Perceived Performance & Importance across Industries and Countries

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**Abstract:** The focus of this study was to explore the degree to which different cultures perceive the performance and importance of corporate socially responsible (CSR) initiatives differently throughout a broad range of industries. Using Hofstede's cultural dimensions as a framework for our implications, the study attempts to examine CSR perceptions in, Italy, Spain, and the United States, in terms of their national culture. We then explored correlations within Hofstede's dimensions that appear to connect national culture to the perceived aspects of CSR.

**Key words:** corporate; social; responsibility; CSR; countries; culture; industry; Hofstede

**JEL codes:** F2, F5, F00

### 1. Introduction

Over the past two decades, there has been a rapid increase of concern regarding how businesses should act both ethically and socially (Zhou, Yanfeng, & Poon, 2002). This concern has spread throughout the world and has commonly been referred to as a company's corporate social responsibility. Corporate social responsibility (CSR) is now being asked of successful companies in order to make customers, employees, local communities, and stockholders happy. To gain a better understanding for this demand, our motivation for this study is to explore the perceptions of university business students in three countries regarding the importance and practices of industry with regards to CSR.

Corporate social responsibility (CSR) focuses on the social, environmental, and financial success of the company with the aim to achieve social development. Therefore, it becomes important to examine and distinguish between different types of CSR performers (Sandhu S. & Kapoor S., 2010). Not all firms throughout the world practice effective CSR initiatives and, on occasion, firms are still able to perform well without having a high level of CSR performance. As a result, it becomes evident that business success directly relates to meeting the expectation of the targeted culture. In other words, it becomes the culture's level of acceptance that determines how well the business operates in the particular area. In some cultures, a business is expected to create wealth, supply market, generate employment, innovate and produce a sufficient surplus to sustain its activities, and improve its competitiveness, while also contributing to the maintenance of community in which it operates (Sandhu S. & Kapoor S., 2010). In other cultures, the society itself is expected to be the only contributors to the

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community, and none of the companies within the area are obligated to help maintain or improve the community's sustainability. Knowing what the community expects of businesses can greatly improve a company's chance of success in its newly established area.

In order to understand what factors determine each culture's expectations of companies, this study attempts to explore answers to the following research questions:

- Research Q1: *To what degree do university business students from different countries perceive the importance of corporate social responsibility to be by industry?*
- Research Q2: *To what degree do university business students from different countries perceive CSR performance to be by industry?*

## **2. Literature Review**

### **2.1 Corporate Social Responsibility**

First, what is corporate social responsibility? Over the past several years, this term has been subject to a wide range of interpretation. For the purpose of this study, CSR will be defined according to businessdictionary.com as, "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs, and (3) by earning adequate returns on the employed resources" (Business Dictionary, 2014). How people view a company as socially responsible or not has been a focus of many case studies in recent years. With the exponential increase of technology and the availability of information in this day and age, more and more people have now incorporated CSR as one of their personal checks when making career or purchase decisions. Because of this consumer demand for companies to become more socially responsible, many companies have invested serious amounts of money to make their company more charitable and contributive economically to their surrounding communities. This level of social responsibility has varied between countries, states and even neighboring cities. With this wide spectrum of distances involved with corporate acceptance, it becomes a question of what kind of determinants actually create CSR demand and initiatives.

There are major differences in the practices of corporate social responsibility reporting in different countries all around the world. Some countries require high levels of reporting while others require low or none at all. For example, the level of reporting in Poland is said to be low and the issue of CSR reporting is not well-known. CSR reporting is not obligatory in Poland. Thus, exploring and analyzing the CSR in Poland, as well as many other countries is important (Katarzyna H., & Hawrysz L., 2012). Many companies do not publish such reports in Poland since they do not see the need or necessity of gathering information. In addition, some societies expect that companies will take into account their fundamental needs and expectations before taking action. Having such consideration for a culture's ethical and moral laws can ultimately affect the success of a newly established company (Katarzyna H., & Hawrysz L., 2012). Moreover, a motivator of activities for people is improvement in their quality of life, which determines development and progress of societies, and thus enables the evolution and transformation of the enterprise (Katarzyna H., & Hawrysz L., 2012). A rapid increase of the number of CSR reports in other countries is expected in the future (Katarzyna H., & Hawrysz L., 2012). Therefore, companies need to be aware of this future change.

Additionally, it is beneficial for corporations to feel passionate about positively altering university business

students' perceptions on the corporate social responsibility and performance of industries. University students are not only students, they are also consumers. Therefore, there is a severe importance in positively affecting the way consumers perceive all industries. According to the Journal of Consumer Marketing, corporate social responsibility is said to "provide three forms of value to consumers: emotional, social and functional. Each of these enhances or diminishes the overall value proposition for consumers." Furthermore, value created by one form of CSR can either enhance or diminish other product attributes" (Green T. & Peloza J., 2011). Ultimately, industries should be concerned about how both students and consumers perceive the importance for companies to be socially responsible, and how well these industries actually perform in being socially responsible.

Other previous international research into the perceived importance of CSR mainly focused on specific cultural values that influenced CSR perceptions the most (Yungwook K., & Soo-Yeon K., 2010). The results of this research revealed that in South Korea "social traditionalism values had more explanatory power than cultural dimensions in explaining CSR attitudes" (Yungwook K., & Soo-Yeon K., 2010). The findings from studies such as this shed some light on what factors influence CSR perceptions in Asian cultures, but our research yielded very little information about whether this theory regarding cultural traditions also explained CSR perceptions within Europe and the United States. With the lack of information on the subject, this study aims to answer our two research questions in the affirmative. Having such unanswered questions about the topic, this study looked toward national culture as a possible explanation.

## 2.2 Culture

Culture has the potential to impact perceptions and behaviors within individuals. As a possible explanation for our results, this study will utilize national cultural tools and definitions supplied by renowned cultural researcher Professor Geert Hofstede. Through his studies, Hofstede has come to define culture as "the collective programming of the mind distinguishing the members of one group or category of people from others" (The Hofstede Centre, 2014). In order to distinguish the characters that make up a particular group or category, he has created six cultural dimensions that define the national culture of a country. These cultural dimensions are power distance index, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance index, long term vs. short term normative orientation, and indulgence vs. restraint.

Power distance index (PDI) is "the degree to which the less powerful members of a society accept and expect that power is distributed unequally" (The Hofstede Centre, 2014). Individualism vs. collectivism (IDV) is the level to which a culture prefers an individualistic or collectivist lifestyle. For the purpose of this dimension, individualism is defined as "a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families" (The Hofstede Centre, 2014). Collectivism is defined as a "tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty". The next cultural dimension is masculinity vs. femininity. Masculinity is defined as the "preference in society for achievement, heroism, assertiveness and material rewards for success" and femininity "stands for a preference for cooperation, modesty, caring for the weak, and quality of life" (The Hofstede Centre, 2014). Uncertainty avoidance index is "the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity" (The Hofstede Centre, 2014). Long term vs. short term normative orientation is the importance societies place on either futuristic concerns or past/present concerns (The Hofstede Centre, 2014). The last and most recent dimension created is indulgence vs. restraint. For the dimension, indulgence "stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun" and restraint "stands for a society that suppresses gratification of needs and

regulates it by means of strict social norms” (The Hofstede Centre, 2014). These cultural dimensions along with their aggregated national scores will serve as a possible reasoning for our results later in this academic paper.

### **3. Methodology**

#### **3.1 Samples and Data Collection Procedures**

To analyze the factors that influence the perceived importance of corporate social responsibility, we distributed a questionnaire to university business students. The survey instrument was developed using the same measures from the published source “Corporate Social Responsibility Branding Survey” (Penn Schoen Berland, 2010) and was translated into each culture’s native language. Surveys were then translated back unbiasedly to ultimately determine that the wording was relatively equal in meaning after translation. In order to ensure consistency across samples in all three countries, surveys were administered in a classroom setting. A total of 230 students participated in this study: 67 from Italy, 76 from Spain and 87 from the United States, of which 51% of the participants were female and 49% were male. The respondents were business students from a university located in the respective country from which the participants were citizens. The average age of respondents was 20 years of age, and the age of subjects varied in large part due to the differing education systems in the three countries. In the three countries, all subjects included in this study were citizens of their designated countries. The usable subjects that completed the surveys were all undergraduate college students.

To answer the research questions, we asked university business students from all three samples the following questions: “How important it is it for companies in this industry to be socially responsible?” and “How well have each of the following industries performed in being socially responsible in the last five years?” The list of industries we had them compare were healthcare, energy, food, automotive, financial services, consumer goods, media, retailers, technology/electronics, technology/computer software and hardware, beverages, technology/online services, telecom services, and apparel.

For all three samples, participants indicated a score based on a scale from 1 “little or no importance” to 5 “high importance. We averaged the total score from each industry in order to get a more concise measure of how important the participants perceived corporate social responsibility to be.

#### **3.2 Descriptive Statistics**

We wanted to test significance and see if there were any significant differences in means. We looked at the standard deviation and standard error for each country and then compared them to see if there was any significance between the three countries. Although most of the differences between countries were significant, there were some insignificant outliers. A level of  $p < .05$  was used to establish significance in this paper. See Tables 2 & 5 for calculated significance confirmation.

#### **3.3 Multiple Comparison (Turkey)**

When determining the results for our research questions, we used the Tukey method of multiple comparisons. This test is useful only when significant differences have been found. Significant differences were found to be at a level of 0.000 between the three countries, which allowed us to dive deeper into the implications of the results using other testing methods such as Tukey’s HSD test. According to Damon Verial, the Tukey’s HSD test is a post-hoc test, meaning that it is performed after an analysis of variance (ANOVA) test (Verial D., 2014). According to Damon Verial, ANOVA can tell the researcher whether groups in the sample differ, however it cannot tell the researcher which groups differ (Verial D., 2014). Therefore, we used Tukey’s HSD test because it

allowed us to determine which groups in the sample differ. See Tables 3 & 6 for more information.

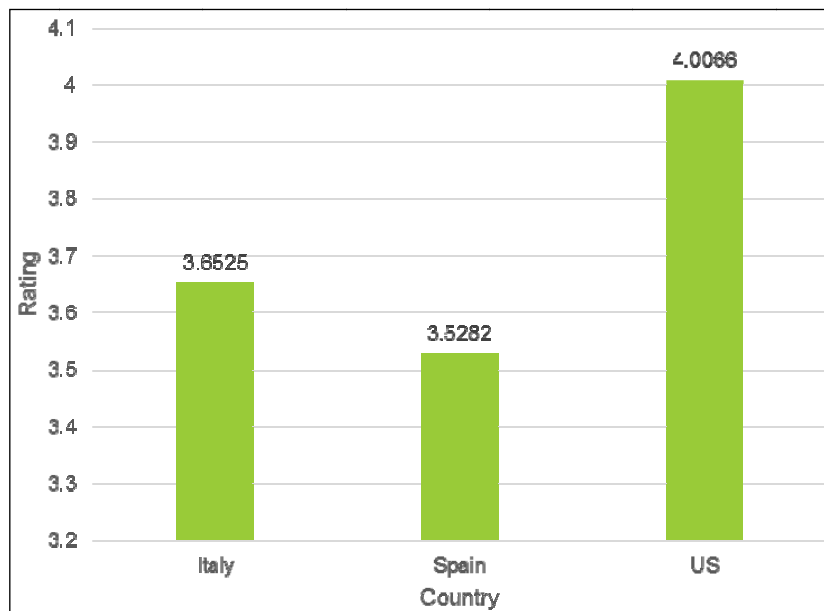
### 3.4 Calculations

Calculations were made by averaging across the industries’ responses from the two underlining questions: “How important is it for companies in this industry to be socially responsible?” and “In the last five years, how well have each of the following industries performed in being socially responsible?” Using the program SPSS, the mean score for each of the two questions were calculated and grouped by country. Afterwards, each numerical response for each industry was totaled and divided by the amount of industries. Once each survey had the average for the two questions, the overall mean was then calculated and sorted by country.

## 4. Results

*First Research Question Results:* To what degree do university business students from different counties perceive the importance of corporate social responsibility to be by industry?

On average, the US perceived CSR to be more of an important entity within all industries than the average responses we received from Italy and Spain. On a 1 to 5 scale (1 being little/no importance & 5 being very important), Italy scored a 3.65, Spain scored a 3.53 and the U.S scored a 4.01 (As shown in Figure 1). An ANOVA test shown in Table 1 indicated that these results were significant at 0.000 amongst all three countries, but additional analyses through Tukey was conducted to determine if there were significance between each individual country.



**Figure 1 Students Average CSR Importance Rating**  
(Scaled: 1 being little/no importance to 5 being very important)

**Table 1 ANOVA to “How Important Is It for Companies to Be Socially Responsible?”**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.099	2	5.049	13.616	0.000
Within Groups	84.180	227	0.371		
Total	94.278	229			

Looking at Table 2 below, we used Multiple Comparisons to assess the significance level in the answered question, “How important is it for companies to be socially responsible?” A level of  $p < 0.05$  was used to establish significance in this paper. Through Tukey, we discovered the following; Italy is not significantly different from Spain because it has a significant difference of 0.444. The United States is significantly different from Italy because it has a significant difference of 0.001. The United States is significantly different from Spain because it has a significant difference of 0.000.

**Table 2 Multiple Comparisons to “How Important Is It for Companies to Be Socially Responsible?”**

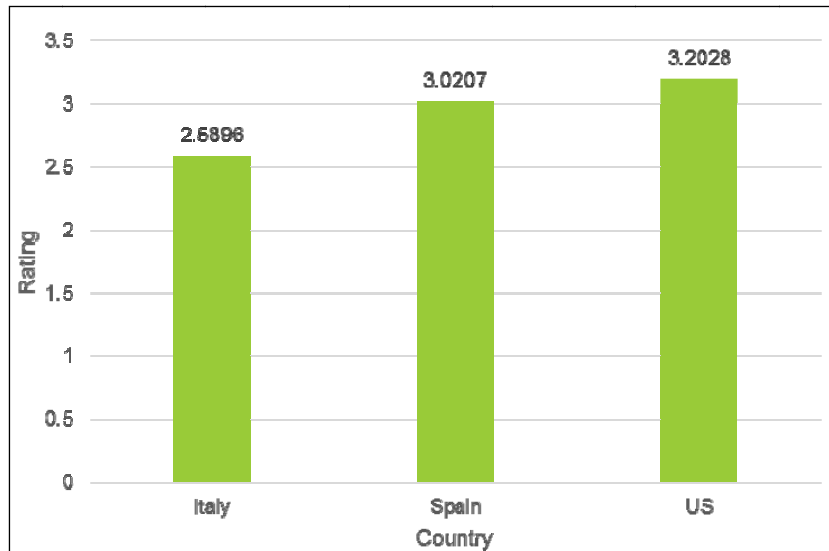
Tukey HSD

(I) Country	(J) Country Mean Importance: Italy 3.65, Spain 3.53, U.S. 4.01	Mean Difference (I-J)	Std. Error	Sig.
Italy<	Spain	0.12426	0.10205	0.444
	U.S.	-0.35412*	0.09898	0.001
Spain<	Italy	-0.12426	0.10205	0.444
	U.S.	-0.47837*	0.09561	0.000
U.S.<	Italy	0.35412*	0.09898	0.001
	Spain	0.47837*	0.09561	0.000

Note: \*. The mean difference is significant at the 0.05 level.

*Second Research Question Results:* To what degree do university business students from different countries perceive CSR performance to be by industry?

On average, United States business students perceived industries as performing at a higher degree of socially responsible practices than the average responses we received from Italy and Spain. On a 1 to 5 scale (1 being very low CSR performance & 5 being very high CSR performance), Italy scored a 2.58, Spain scored a 3.02 and the U.S scored a 3.20. (As shown in Figure 2) An ANOVA test shown in Table 3 indicated that these results were significant at 0.000 amongst all three countries, but additional analyses through Turkey was conducted to determine if there were significance between each individual country.



**Figure 2 Students Average Current CSR Performance Rating**  
(Scaled: 1 being very low CSR performance to 5 being very high CSR Performance)

**Table 3 ANOVA to “In the Last Five Years, How Well Have Industries Performed in Being Socially Responsible?”**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14.599	2	7.300	19.329	0.000
Within Groups	85.725	227	0.378		
Total	100.324	229			

Looking at Table 4 below, we used Multiple Comparisons to assess the significance level in the answered question “In the last five years, how well have industries performed in being socially responsible?” A level of  $p < 0.05$  was used to establish significance in this paper. Using average responses, we discovered Italy was significantly different from Spain and the United States because it has a significant difference of .000. However, the United States was not significantly different from Spain because it has a significant difference of 0.145.

**Table 4 Multiple Comparisons to “In the Last Five Years, How Well Have Industries Performed in Being Socially Responsible?”**

Tukey HSD

(I) Country	(J) Country Mean Performance: Italy 2.58, Spain 3.02, U.S. 3.20	Mean Difference (I-J)	Std. Error	Sig.
Italy<	Spain	-0.43112*	0.10298	0.000
	U.S.	-0.61324*	0.09989	0.000
Spain<	Italy	0.43112*	0.10298	0.000
	U.S.	-0.18211	0.09649	0.145
U.S.<	Italy	0.61324*	0.09989	0.000
	Spain	0.18211	0.09649	0.145

Note: \*. The mean difference is significant at the 0.05 level.

## 5. Discussion

The objective of this study was to examine the degree to which university business students from different countries perceive the importance for companies in certain industries to be socially responsible. Additionally, the purpose was to examine the degree to which university business students from different countries perceive CSR performance to be by industry. After performing the study, we found that students perceive the importance and performance of CSR initiatives differently between cultures.

The results of this study suggest that business students in the United States believe industries should perform socially responsible practices to a greater degree than the business students from Spain and Italy. In an effort to explain this finding, we examined Hofstede’s cultural dimension scores for the three countries. In Figure 3, we noticed that there were some similarities between our mean results and the cultural dimension scores of the countries. We observed that the uncertainty avoidance level of a country had an indirect correlation between each country’s perceived levels of CSR importance within the industries. Uncertainty avoidance is defined as “the degree of expression to which the members of a society feel uncomfortable with uncertainty and ambiguity” (The Hofstede Centre, 2014). As such, a low uncertainty avoidance score indicated a high degree of perceived CSR importance, and a high uncertainty avoidance score indicated a low degree of perceived CSR importance. A visual representation of the comparison is shown below in Figure 3.

Having these results, we took a deeper dive into how significantly Hofstede rates the uncertainty avoidance level between the three countries. We found that in regards to uncertainty avoidance:

- Italy appears to have a significantly lower score (75) than Spain (86)

- Italy appears to have a significantly higher score (75) than US (46)
- Spain appears to have a significantly higher score (86) than US (75) (The Hofstede Centre, 2014)

As a group, we determined that although these implications could be promising, a larger study involving more significantly different countries is needed to make these findings more conclusive.



Figure 3 Uncertainty Avoidance to CSR Importance Rating

The results from answering the second research question, “What do university business students from different countries perceive CSR performance to be by industry?” yielded a small, but noticeable difference between countries. Looking at these results through the lens of Hofstede’s cultural dimension scores, we discovered that there could potentially be a direct link between our mean industry results and the level of country indulgence. Indulgence “stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun” (The Hofstede Centre, 2014). As such, a low indulgence score indicated a lower degree of perceived CSR performance across the industries, and a high indulgence score indicated a higher degree of perceived CSR performance across the industry. A visual representation of the comparison is shown below in Figure 4.

On the surface, this relationship would make sense. The more a society views its surrounding companies as being beneficial assets to themselves or the community, the more likely the culture within that society is to indulge and purchase from them. Having these results, we took a deeper dive into how significantly Hofstede rates the indulgence level between the three sampled countries. We found that in regards to indulgence:

- Italy appears to have a significantly lower score (30) than Spain (44)
- Italy appears to have a significantly lower score (30) than US (68)
- Spain appears to have a significantly lower score (44) than US (68) (The Hofstede Centre, 2014)

Like in the previous testing of the first research question, we found that the three countries were not all significantly different between one another. In order for the implications of this research to carry more weight, a larger study involving more significantly different countries is needed.

The implications of this research could give light to how companies make decisions regarding expansion into other countries. By examining a culture’s uncertainty avoidance or indulgence level, one could make a smarter business decision. Although this research does not necessarily imply that companies who follow the idea behind



this research will be financially rewarded, it does give promise to how a culture might respond to a company's decision to perform at a higher or lower level of CSR. By understanding the importance of being socially responsible, companies can then more likely be able to attract better talent, more loyal customers, and a better corporate image (Smith A., 2011).

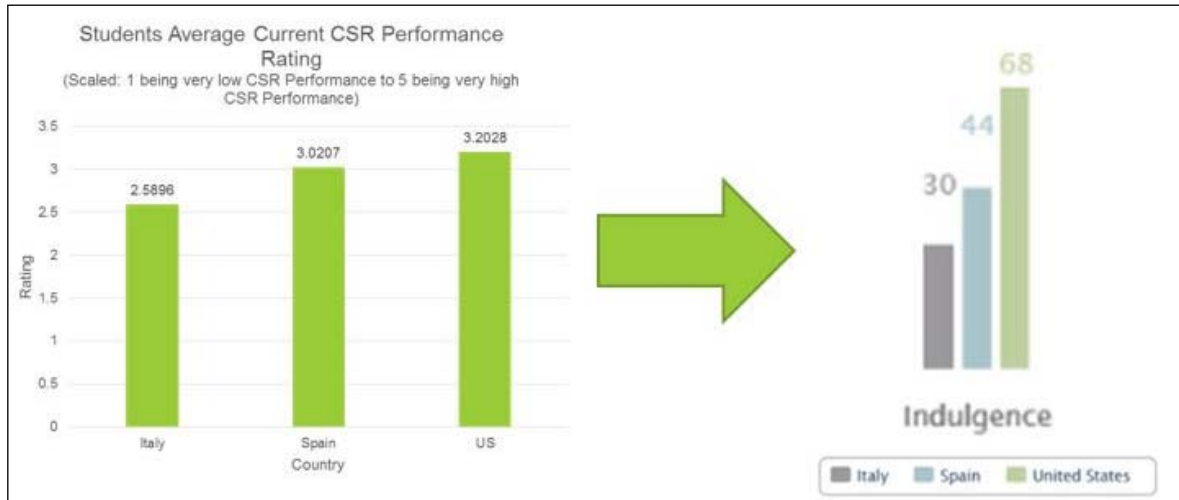


Figure 4 Level of Indulgence to CSR Performance Rating

## 6. Limitations

Using all of the possible resources at our disposal during the course of this study, we attempted to minimize the amount of limitations that could affect the results of the experiment. However, due to the limited amount of resources and time, this study does possess several limitations. Limitations of this study include:

- Amount of Countries Sampled: Study was only conducted within three countries.
- Small Sampling Size: Study may have benefited from a larger sample size from each of the different countries. Having such a small sample of business students from one university each to represent the views of an entire nation leaves this study open to sampling error.
- Small Focus Group: Instead of focusing on just business students, we could have researched into other majors who might have had different perceptions of CSR.
- Industries Were Not Looked at Individually: To obtain a better average of CSR efforts within the three countries, we decided to look at all the industries as a whole. Because of this decision, the study did not focus or highlight exceptional or minimal socially efforts within each individual industry, leaving the study open to averaging errors.
- Limited Explanations: Sample of the subject may have different characteristics than the aggregated national score that were used to explain these results. Therefore, different explanations for the results may have been found.
- Poor Understanding: Different subjects in different countries may have had a different understanding or definition of CSR. If a more standardized understanding of CSR was established with a description prior to the survey, the results of the study may have been changed (If the study was repeated, a precise definition of CSR should be incorporated into the survey).

Future research should address the limitations above.

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