

Study on the Structural Relationship among CSR Motivations, CSR Activities, Trust and Loyalty: Focused on Korea Retailing Sector

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Abstract

Consumers, nowadays, keep their eyes not only on what companies are selling, but also on what companies are doing for the society where the customers are sharing their lives. With these changes of customers' point of view, companies couldn't help but develop various strategies to attract customers. Thus, retailers are allocating great amount of budget under the name of a corporate social responsibility (CSR).

The activities, however, do not reach the acceptable level in the consumers' side, inevitably leading to unsatisfied results from intended CSR purposes. Many previous management theses have attempted to adopt CSR issues as their main research points in various academic areas. In most of the empirical studies, however, factors of CSR motivations and CSR activities have been single-dimensional, which couldn't properly explain or examine the impact and influences of factors related to CSR motivations and activities [1].

Hereby, this study is aiming to identify measures in reasoning motivations and activities of corporate social responsibility contributing on consumers' attitude formation, by overcoming the limitation of a single-dimensional factor research model that has been conducted in the previous studies.

Keywords: Corporate Social Responsibility (CSR), CSR motivation, CSR activities, customer trust, customer loyalty

1. Introduction

Corporate Social Responsibility (CSR) activity is a form of ethical activities toward society and community with self-regulation, added to a value of its fundamental activity of creating profitability [2]. The progress of the corporate social responsibility (CSR) concept has received attention from both scholars and practitioners. Prior research has identified a variety of benefits for companies to engage in CSR activities, including but

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not limited to, positive consumer attitudes (Bhattacharya and Sen, 2001; Folkes and Kamins, 1999), increased customer trust, and enhanced customer loyalty (Berens et al., 2005; Mandhachitara and Poolthong, 2011). CSR issues in management section are also a research topic which has active attempt while crossing a lot of academic areas. This is the core theme of a long-term relationship with CSR stakeholders.

The concept of CSR has received much research attention in recent years. Previous empirical research has focused primarily on CSR activities, trust, and loyalty as the key ingredients for successful long-term customer relationships. In this sense, this paper aims to extend this line of research to consider CSR motivations, activities, customer trust, and customer loyalty.

In this study, to figure out the relationship among CSR motivations, activities, and customers' attitude formation, the author divided the factors of CSR motivations into value driven motivation, stakeholder-driven motivation, egoistic-driven motivation, and strategic driven motivation, while the factors of CSR activities were divided into social welfare activities, employee welfare activities, and profitable activities. As above, four kinds of multi-dimensional motivation concept were scaled, which would reveal specific factors influencing consumers' attitude formation by mediating the CSR activities factors as mentioned above.

2. Literature Review and Hypothesis Development

Looking at the previous research, the motivation to carry out social contribution activities of the company are divided into two types; one motivation is a member of the society to create a good society by carrying out social contribution activities and another one is the image improvement of company through social contribution (Forehand and Grier, 2003; Becker-Olsen and Hill, 2006).

On the other hand, the consumer is based on the attribution theory of the case, its inferred motive affects the formation of consumer attitudes psychology to guess the motives of the social activity of the company.

Recent research finds that consumer responses to CSR are more complex than once believed, and consumers differentiate four types of motives (Ellen *et al.* 2006). Kim [3] and Chae [4]'s CSR activities model was used as a foundation for this study, as it contains factors considering not only the stakeholders of customers, investors, or employees, but also focusing on the stakeholders in complex environment of retail business market.

2.1. CSR Motivation

Looking at the existing research, consumers are now aware of CSR and how to motivate it, which can be seen in the influence on attitudes to the company (Becker-Olsen and Hill, 2006; Brown and Dacin, 1997; Dean, 2004; Yoon *et al.*, 2006). In particular, several factors have been suggested as a variable that summed separated by selfish motives and altruistic motives against the social contribution activities of the company.

In this study, based on the results of prior empirical research, consumers are forming beliefs and motives for CSR activities of certain companies, was assumed to be also a different attitude formation paths according to the types of motivation. The motivation types are squeezed into four types; value-driven motivation, stakeholder-driven motivation, egoistic-driven motivation, and strategic driven motivation.

First, value-driven motivation is a concept related to the call offer benevolence, consumer about CSR, and how much perceptions on whether motivated perception vary the sincerity or call benevolence (Ellen. *et al.*, 2006). Therefore, value-driven motivation can be seen as a judgment on whether the consumer has CSR activities performed by how well their intentions are (Dean, 2004; Becker-Olsen and Hill, 2006).

Second, Stakeholder-driven motivation is the motivation associated with social public activities and support due to pressure from stakeholders ((Ellen. *et al.*, 2006).

Stakeholder-driven motivations are different from the value-driven motivation, and CSR activities since it is an involuntary act to implement, and it's according to consumer's motives which may have different perceptions (Vlachos *et al.*, 2008).

Third, egoistic-driven motivation is not a helpful act for the public interest, a concept related to the exploitation or abuse of the public interest (Ellen *et al.*, 2006; Vlachos *et al.*, 2008). When consumers perceive a company's CSR activities as an act performed by egoistic-driven motivation, it is difficult to assess favorably.

Fourth, strategic driven motivation is the profit motive which includes a concept relating to accomplish business goals, market share growth, customer acquisition and retentions (Ellen *et al.*, 2006; Vlachos *et al.*, 2008). The retail sector, because the corporate evaluation of CSR activities are ethical motivation and charity factors can have a positive impact rather than economic motivation (Choi and Moon, 2008). In this study, we conducted a study of CSR motivation classification of Lim and Park (2012).

In this study based on the results of previous studies, assuming that different type of CSR activities would be affected from different type of CSR motivations, the following hypotheses were established:

H1a: Value-driven motivation will have a positive effect on Employee welfare activities.

H1b: Value-driven motivation will have a positive effect on Social welfare activities.

H2a: Stakeholder-driven motivation will have a positive effect on Profitable activities.

H2b: Egoistic-driven motivation will have a positive effect on Profitable activities.

H2c: Strategic driven motivation will have a positive effect on Profitable activities

2.2. CSR Activities, Customer Trust, Customer Loyalty

Corporate Social Responsibility (CSR) is the aim of expanding business ethics corporate management in the basic purpose of realizing profit of the company's existence to the desired activity (Kwon *al.*, 2009). The most common model used in the measurement model relating to CSR activities is Carroll (1991) model of CSR activities classified as economic, legal, ethical and charitable responsibility activities. However, this model is difficult since it has four kinds of social responsibility activities. There are clearly separated by charity, responsibility and economic responsibility which have a personality around the results of the assessment of CSR activities. In addition, ethical responsibility and legal liability, it is difficult to clearly classify as activities related to the implementation process of CSR activity (chaiy, 2011).

In a study of overcoming these limitations Choi and Moon (2011), internal factor for CSR activities (product / service, employee well-being) and CSR external environmental factors (community development activities/Equal Opportunity and environmental protection activities). It was determined by dividing the impact of relationships and performance. For retail businesses, the majority of CSR effectiveness studies have been conducted focusing on only one relationship of understanding complex relationships, such as to consider more consumers, investors, or employees altogether. In order to overcome these limitations, this study considers a variety of interest sides surrounding the retailer at the same time, by adopting the CSR activity classification model of Kim (2010), Chaiyl (2011) was used in the study. Customer trust has been recognized as a mediating variable in many disciplines, including social psychology, management, marketing, and the service evaluation literature shows accumulating evidence for the mediating role of trust in the satisfaction-loyalty link (Kim, 2010; Vlachos *et al.*, 2008; Chaiyl, 2011). Customer trust is based on "the expectation of ethically justifiable behavior" (Hosmer, 1995). In addition, trust is at the core of the value that a strong brand provides to its consumers since it enables them to understand the offering and to face the perceived risk associated with buying and consuming the product. Thus, positive perceptions about CSR activities can be transferred to the trust and loyalty or influence the formation.

Goldsmith *et al.* [5] suggested that customers' evaluation on companies' CSR activities would affect customers' attitude formation. In terms of a fact that a company's brand could be presented through the CSR activities of a company [6]. Moreover, sustainable CSR activities would positively influence on customers' trust and attitude formation [7]. From the result of the proceeding studies, therefore, customers' positive perception on companies' CSR activities will affect on customers' attitude formation. Therefore, we propose the hypotheses below:

H3a: Employee welfare activities will have a positive effect on customers' trust.

H3b: Social welfare activities will have a positive effect on customers' trust.

H3c: Profitable activities will have a positive effect on customers' trust.

H4a: Employee welfare activities will have a positive effect on customers' loyalty.

H4b: Social welfare activities will have a positive effect on customers' loyalty.

H4c: Profitable activities will have a positive effect on customers' loyalty.

H5: Corporate trust will have a positive effect on customers' loyalty.

In Figure 1 as shown below, each construct in the model is discussed, as well as the development of the research hypotheses.

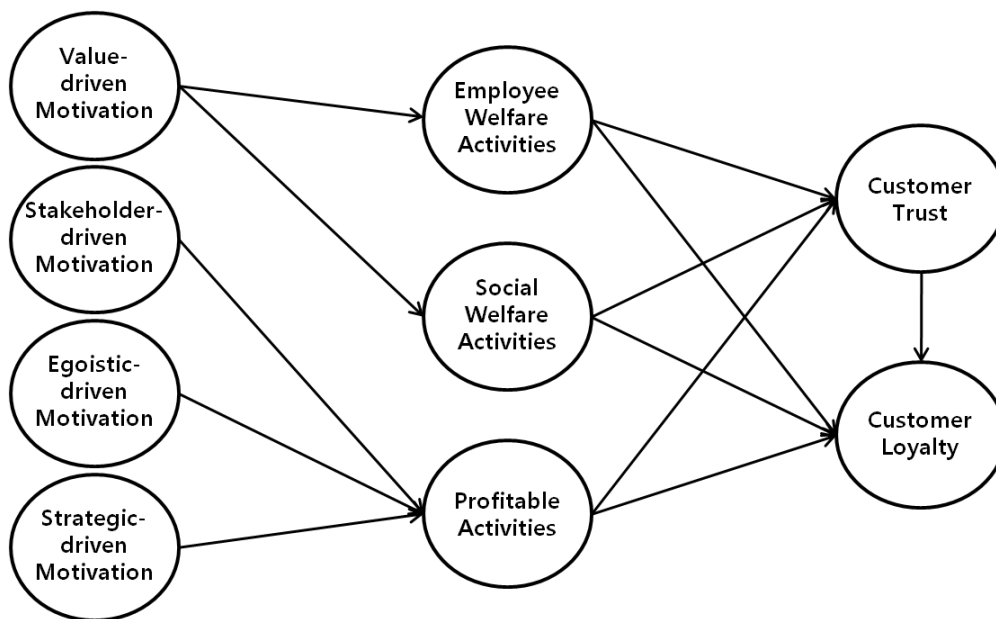


Figure 1. Research Model

3. Research Methodology

3.1. Data Collection and Sample

For the purpose of accurate empirical study, pre-test was conducted to university students from October 20 to 27, 2014. 179 questionnaires used for analysis of pre-test. From the result of pre-test, 4 items were modified due to the low eigen-value and factor loading in the factor analysis. Moreover, S-retail company was chosen for survey, which was shown most frequently among the retail companies in the pre-test.

This survey was carried out from November 26 to December 24, 2014. A total of 364 questionnaires returned within the period. After eliminating 28 questionnaires with missing values and irrelevant responses, the analysis was performed with an effective

sample size of 336 with 44% of male and 56% of female. 55% of the respondents were in the 20s, with 7% of 10s, 23% of 30s, 38% of 40s, and 14% of 50s.

The constructs in the study were measured by multi-item scales mostly adapted from the existing literature. All involved constructs were measured using seven-point Likert scales (1 = strongly disagree, 7 = strongly agree).

3.2. Measures

The constructs in the study were measured using multi-item scales mostly adapted from the existing literature. All constructs were measured using five-point Likert scales (1 = strongly disagree, 5 = strongly agree). The survey questions are presented in the Table 1.

Table 1. Survey Questions

Construct	Measurement item	Researcher
Value-Driven Motivation	“00 company” is..... to feel morally obligated to help to have a long-terms interest in the community to trying to give back something to the community	Ellen <i>et al.</i> (2006), Vlachos <i>et al.</i> (2008)
Stakeholders-Driven Motivation	“00 company” feel their employees expect it feel their customers expect it feel their stockholders expect it feel society in general expects it	Ellen <i>et al.</i> (2006), Vlachos <i>et al.</i> (2008)
Egoistic-Driven Motivation	“00 company” is..... to want it as a tax write-off taking advantage of the nonprofit organization to help their own business taking advantage of the cause to help their own business	Ellen <i>et al.</i> (2006), Vlachos <i>et al.</i> (2008)
Strategic Driven Motivation	“00 company” will keep more customer by making this offer will get more customer by making this offer hope to increase profits by making this offer	Ellen <i>et al.</i> (2006), Vlachos <i>et al.</i> (2008)
Employee Welfare Activities	“00 company has..... a good welfare system. the effort to stabilize employment. a fair competition and promotion system. excellent work environment.	Goldsmith <i>et al.</i> (2000), Carroll(1991), Kim(2010)
Social Welfare Activities	sponsoring cultural and artistic industries. has the donations. actively participate in the public interest, linkage activities. trying to improve social welfare.	Goldsmith <i>et al.</i> (2000), Carroll(1991), Kim(2010)
Profitable Activities	“00 company” is..... the profit-generating activities developing a variety of products improved economic performance the profit activities	Goldsmith <i>et al.</i> (2000), Carroll(1991), Kim(2010)
Customer Trust	Very undependable/Very dependable Very incompetent/Very competent Of very low integrity’/ Of very high integrity “00 company” is generally honest and trustworthy	Vlachos <i>et al.</i> (2008), Ellen <i>et al.</i> (2006),

Customer Loyalty	The likelihood of saying positive things about“00 company” to other people is The likelihood of doing more business with “00 company” is The likelihood of doing more product with “00 company” is The likelihood of revisiting the “00 company” is	Vlachos <i>et al.</i> (2008), Kim(2010)
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4. Results

4.1. Reliability and Validity of Measures

For the reliability and validity test, the analysis started with conducting an EFA (exploratory factor analysis). As in Table 2, all the values of factor loadings and Cronbach's α exceeded the minimum criteria, and higher than 0.7. This result reveals that individual constructs are treated as a separate constructs, which also shows in further studies, indicating that the items are highly reliable for measuring each construct.

Table 2. Result of Exploratory Factor Analysis

Constructs	Items	Factor loading	Eigen-value	Cronbach's α
Value-Driven Motivation	VdM1	.817	2.702 (10.433)	.768
	VdM2	.707		
	VdM3	.793		
Stakeholders-Driven Motivation	SdM1	.730	2.503 (7.187)	.751
	SdM2	.726		
	SdM3	.836		
Egoistic-Driven Motivation	EdM1	.829	2.268 (5.815)	.725
	EdM2	.718		
	EdM3	.700		
Strategic Driven Motivation	SdM1	.874	4.759 (14.767)	.902
	SdM2	.870		
	SdM3	.865		
	SdM4	.792		
Employee Welfare Activities	EwA1	.785	2.827 (4.686)	.720
	EwA2	.764		
	EwA3	.609		
	EwA4	.793		
Social Welfare Activities	SwA1	.761	3.528 (6.341)	.864
	SwA2	.978		
	SwA3	.778		
	SwA4	.759		
Profitable Activities	PA1	.897	3.447 (8.839)	.907
	PA2	.887		
	PA3	.857		
	PA4	.828		
Customer Trust	CT1	.677	2.432 (11.580)	.860
	CT2	.622		

	CT3	.766		
	CT4	.625		
Customer Loyalty	CL1	.790	3.282 (15.630)	.912
	CL2	.800		
	CL3	.793		
	CL4	.781		

The analysis started with conducting a CFA (confirmatory factor analysis). CFA was used AMOS 18.0 with maximum likelihood estimation to assess the measurement model. Overall fit indices demonstrated a good fit with the data (χ^2 /d.f.= 1.718, p = 0.000, GFI = 0.878, AGFI = 0.866, RMR= 0.060, TLI = 0.896, CFI = 0.935, RMSEA = 0.063).

In table 3, significant t-values of each item's estimated path coefficient on its posited latent construct and high squared multiple correlations for the individual items indicated convergent validity (Luschn and Brown, 1996). Also, the results of the composite reliability test showed that the values of all twelve constructs used in this study exceeded the minimum requirement (all above 0.70), indicating that multiple measurement items were highly reliable for measuring each construct (Hair *et al.*, 2010).

Table 3. Convergent Validity and Reliability

Construct	Variable	Estimate	Std. estimate	C.R.	p-value	Composite Reliability	AVE
Value-Driven Motivation	VDM1*	1.000	0.814	-		0.811	0.589
	VDM2	0.98	0.774	4.863	***		
	VDM3	0.88	0.697	4.610	***		
Stakeholders-Driven Motivation	SHDM1	0.826	0.680	4.354	***	0.790	0.508
	SHDM2*	1.000	0.779	-			
	SHDM3	0.889	0.709	4.721	***		
Egoistic-Driven Motivation	EDM1*	1.000	0.750	-		0.715	0.540
	EDM2	0.955	0.708	6.686	***		
	EDM3	0.968	0.746	6.991	***		
Strategic Driven Motivation	SDM3*	1.000	0.709	-		0.801	0.691
	SDM2	1.054	0.749	6.918	***		
	SDM1	1.018	0.729	7.126	***		
	SDM4	0.871	0.692	5.821	***		
Employee Welfare Activities	EWA1*	1.000	0.883	-		0.839	0.678
	EWA2	0.939	0.844	12.052	***		
	EWA3	1.082	0.862	11.681	***		
	EWA4	0.872	0.708	8.555	***		
Social Welfare Activities	SWA1*	1.000	0.795	-		0.892	0.642
	SWA2	1.012	0.807	9.063	***		
	SWA3	0.967	0.787	7.942	***		
	SWA4	1.119	0.816	8.914	***		
Profitable	PA1*	1	0.768	-		0.933	0.809

Activities	PA2	1.204	0.782	10.921	***		
	PA3	1.022	0.732	10.277	***		
	PA4	1.255	0.763	10.744	***		

Notes: χ^2 /d.f.= 1.718, p = 0.000, GFI = 0.878, AGFI = 0.866, RMR= 0.060, TLI = 0.896, CFI = 0.935, RMSEA = 0.063; *: Reference variable

Furthermore, in order to test discriminant validity, Hair *et al.* (2010) suggested that the square root of AVE (average variance extracted) should be greater than the correlation between every construct. Table 4 shows that all AVEs exceeded the minimum criteria (above 0.5) suggested by Bagozzi and Yi (1988), and all AVEs are higher than squared inter-construct correlations. This result provides evidence of discriminant validity. Therefore, all constructs are treated as separate constructs in further analysis.

Table 4. Correlations and Squared of AVE

Construct	AVE	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Value-Driven Motivation	0.589	1.000						
2. Stakeholders-Driven Motivation	0.508	0.469	1.000					
3. Egoistic-Driven Motivation	0.540	-0.005	0.012	1.000				
4. Strategic Driven Motivation	0.691	0.006	0.054	0.334	1.000			
5. Employee Welfare Activities	0.678	0.173	0.130	-0.060	-0.056	1.000		
6. Social Welfare Activities	0.642	0.087	0.046	-0.001	-0.034	0.289	1.000	
7. Profitable Activities	0.809	-0.007	-0.091	0.006	-0.002	0.039	0.233	1.000

4.2. Structural Analysis and Hypothesis Testing

The structural model created indicated acceptable goodness-of-fit-measures (χ^2 /d.f.= 1.183, p= 0.000, GFI = 0.889, AGFI = 0.869, RMR = 0.049, TLI = 0.991, CFI = 0.988, RMSEA = 0.031).

Table 5 and Figure 2 show the results of hypotheses in this study. Value driven motivation has the strongest effect on employee welfare activities and social welfare activities supporting H1a and H1b. Furthermore, strategic driven motivation also has a significant positive effect on profitable activities supporting H2c. However, the linkage from stakeholder driven motivation and egoistic driven motivation to profitable activities is not significant and therefore H2a and H2b is rejected.

The linkage between employee welfare activities and customer trust is not significant and therefore H3a is rejected. In addition, employee welfare activities, social welfare activities and profitable activities does not have an effect on customer loyalty. Thus, H4a, H4b, and H4c are rejected.

On the other hand, employee welfare activities and social welfare activities have influences on customer trust. Thus, H3b and H3c are supported. Furthermore, the path between customer trust and loyalty is strongly significant and therefore H5 is supported.

Table 5. Result of Path Analysis

Hypothesis	Path	Std. Estimate	C. R.	p-value	result
H1a	value-driven motivation → employee welfare activities	0.536	0.039	4.867***	Supported
H1b	value-driven motivation → social welfare activities	0.294	0.089	3.849**	Supported
H2a	stakeholder-driven motivation → profitable activities	-0.064	0.068	-1.732	Rejected
H2b	egoistic-driven motivation → profitable activities	-0.002	0.117	-0.017	Rejected
H2c	strategic-driven motivation → profitable activities	0.185	0.042	2.373**	Supported
H3a	employee welfare activities → customer' trust	0.308	0.071	1.172	Rejected
H3b	social welfare activities → customer' trust	0.377	0.065	3.887**	Supported
H3c	profitable activities → customer' trust	-0.127	0.062	2.520**	Supported
H4a	employee welfare activities → customer' loyalty	0.103	0.111	1.735	Rejected
H4b	social welfare activities → customer' loyalty	0.053	0.136	0.388	Rejected
H4c	profitable activities → customer' loyalty	0.122	0.137	1.610	Rejected
H5	customer' trust → customer' loyalty	0.357	0.060	5.541***	Supported

Notes: χ^2 /d.f.= 1.183, p= 0.000, GFI = 0.889, AGFI = 0.869, RMR = 0.049, TLI = 0.991, CFI = 0.988, RMSEA = 0.031, ** p<0.05, *** p<0.01

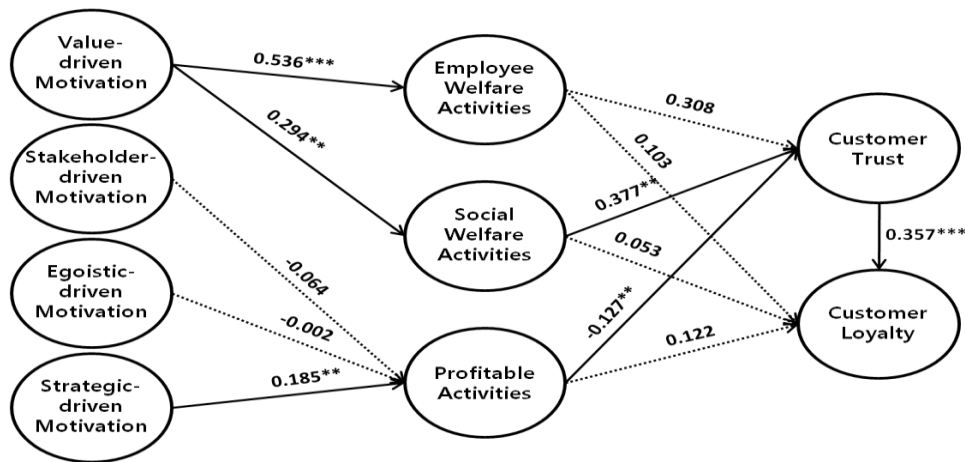


Figure 2. Structural Model

5. Conclusions

The main purpose of the study is to find out the linkages between CSR motivation factors and CSR activity factors. Firstly, the linkage between value-driven motivation and CSR welfare activities (employee welfare, social welfare activities) was supported. Second, it was found that if the consumer does not have a corporate-oriented motivation, the act itself and the motivation have even higher impacts on consumer attitudes formed suitability for CSR activities of the retail companies. Third, the activities that affect customer trust in corporate CSR activities were profitable activities and social welfare

activities. On the other hand, employee welfare activities do not affect the customer trust. Fourth, all the activities in CSR do not affect the customer loyalty.

These findings are considered to be the result of a distinctive feature of retailing companies' CSR. In other words, since retailers on the distribution channels are more likely and easier to contact consumers, social welfare activities and profitable activities showed more impacts on customer trust than CSR activities such as internal customer management and employee welfare activities. These findings are expected to be able to give practical implications on the future of CSR strategies to retailers.

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