Using Corporate Social Responsibility to Strengthen Employee and Customer Relationships

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ABSTRACT

Corporate social responsibility (CSR) is increasingly gaining attention as a means by which companies can improve customer-company relationships, yet prior research has tended to ignore a central contributor to these relationships: the “internal customer” (i.e., the employee). A two-part study seeks to extend the CSR literature by investigating the effectiveness of CSR as a marketing lever for both employees and consumers. We draw on the CSR, social identity theory and internal marketing literatures to show that, contingent upon a number of factors, CSR can strengthen relationships (1) between employees and the company, and (2) between employees and customers. Subsequently, CSR is demonstrated to be an additional means by which companies can work toward close customer-company relationships in the retail and hospitality industries provided employees in the retail and hospitality industries provided 64 Advances in Consumer Research (Volume VIII), © 2009

The fundamental implication of the research is that CSR has the potential both to reduce the costs of attracting and retaining a talented workforce and motivate employees to enhance customer satisfaction.

EXTENDED ABSTRACT

Corporate social responsibility (CSR), or “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources” (Kotler and Lee 2004, p.3), is increasingly gaining attention as a means by which companies can improve customer-company relationships. A large and growing body of evidence indicates that, under the right circumstances, customers respond quite favorably (from the standpoint of the company sponsoring such initiatives) to CSR activity.

In contrast, there has been very little research on employee responses to CSR (Bartel 2001; Berger, Cunningham, and Drumwright 2006; Bhattacharya, Sen, and Korschun 2007) and no research at all on how CSR impacts the link between employees and customers. This is somewhat surprising, especially given that employees are an important audience of CSR who often play a central role in delivering and communicating value to customers.

The present research examines employee responses to CSR from two equally important perspectives: (1) as “internal” consumers of CSR, and (2) as initiators of strong relationships with customers through their role as a frontline employee. The two part study consists of first, a series of focus groups and in-depth interviews, and second, a quantitative field survey of frontline service employees.

The research extends a growing literature which examines how CSR fosters close customer-company relationships in the form of identification with the company. The main theoretical contribution of the research is that it describes the psychological mechanisms behind responses to CSR for an important, yet rarely studied audience of CSR, employees. Findings show that, given employee-specific contingency factors, CSR fosters employee identification both with the company and its customers, ultimately leading to enhanced job satisfaction, reduced intentions to quit, and heightened customer orientation on the part of employees. The fundamental implication of the research is that CSR has the potential both to reduce the costs of attracting and retaining a talented workforce and motivate employees to enhance customer satisfaction.

Study 1

Background

The first study sought to understand employee responses to CSR initiatives, especially with respect to their relationship with their employer. The study consisted of focus groups and in-depth interviews with employees of various roles and responsibilities (e.g., manager, non-manager, sales, manufacturing, IT). Focus groups were conducted with employees at multiple locations in the United States and Europe at a large consumer goods company; in-depth interviews were conducted with employees across multiple industries in the northeastern United States.

Findings

We find that contingent upon how CSR initiatives are implemented, CSR can represent a highly effective internal marketing lever, alongside more traditional approaches to human resource and sales force management (i.e., reward system, supervisor support, etc.). Thus, our research framework adopts a contingent approach in understanding how employees benefit from a company’s engagement in CSR initiatives and whether and how these employee benefits translate to favorable company outcomes. The framework illustrates how employees derive numerous benefits from a company’s CSR initiatives, creating opportunities for self-enhancement, improving work-life integration, building a bridge to the company, and providing a reputational shield that deflects criticism from hostile external stakeholders. These benefits are derived and lead to employee-company identification depending upon employee proximity to CSR initiatives (e.g., participation in volunteer programs), company characteristics (e.g., reputation of the company), and employee characteristics (e.g., location of employment relative to corporate headquarters). The above mentioned benefits of CSR and subsequent identification with the company lead to important company-favoring outcomes that may be either internal or external in nature (Bhattacharya and Sen 2004). Outcomes that are internal to the employee include pride in the company, job satisfaction, and commitment to remain employed at the company; external, or behavioral outcomes, include productivity, reduced absenteeism, and helping behaviors towards work colleagues.

Study 2

Background

While the initial study found evidence that employee performance is enhanced when the employee is aware and an active participant in CSR, the second study sought to understand whether and how CSR drives a special case of workplace performance, the customer orientation of frontline employees. Customer orientation is conceptualized as the degree to which frontline employees “practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs” (Saxe and Weitz 1982, p. 344). Customer oriented employees seek ways to benefit customers over the long-term, rather than sacrificing the welfare of the customer in the interest of making an immediate sale.

The quantitative study was conducted using a panel of full-time employees in the retail and hospitality industries provided...
by a leading marketing research provider; the survey instrument was delivered as a programmed questionnaire over the Internet.

**Findings**

The central finding of this study is that the relationship between CSR activity and customer orientation is mediated by two distinct yet related processes whereby employees: (1) socially identify with customers, and (2) derive job-related benefits from the CSR initiatives. Furthermore, the study identifies three antecedents to this mediated process. First, when employees believe there to be congruence between their perceptions of the company’s CSR initiatives and customers perceptions of these programs they will identify with customers. This is because the aforementioned CSR-related congruence signals an overlap in values between themselves and customers. Second, we find that the perceived efficacy of CSR initiatives, that is, the extent to which initiatives are perceived to favorably impact the focal issue, provides job related benefits and leads to employee-customer identification. This is because effective CSR programs underscore the relational aspect of frontline job-roles (Grant 2007; Sluss and Ashforth 2007) and affirm an overlap of values which enables work-life balance. Finally, consistent with our findings in the first study, participation in CSR initiatives, whether through donations, volunteering, or other means, provides employees with self-esteem and work-life balance because through participation, employees are enabled to co-create initiatives so that they maximally fulfill their personal needs.

**Implications**

The present research brings together the fields of internal marketing and CSR, demonstrating that CSR can be an important component of the “job-product” that companies can configure to attract, motivate, and retain talented employees. The research has at least two scholarly and managerially relevant implications. First, it shows that employees represent an “internal” audience for CSR initiatives with important implications for corporate performance. Subsequently, the research reveals that CSR can enhance customer relationships not only through consumers’ direct exposure to the activity but also through indirect effects on employees’ behaviors. Second, the research empirically studies the process by which employees interpret CSR activity in order to define themselves socially, both with respect to the company and also consumers. Thus, it extends prior research by illuminating how employees navigate a complex social landscape at work and how this affects their desire to serve long-term consumer needs.

Overall, the present research shows that CSR represents an additional marketing lever by which companies can practice the marketing concept among two of its primary stakeholder audiences, employees and consumers.

**REFERENCES**


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