

# Why do companies communicate with consumers about CSR? : conceptualization and empirical insights from Germany

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Objektyp: **Article**

Zeitschrift: **Studies in Communication Sciences : journal of the Swiss Association of Communication and Media Research**

Band (Jahr): **8 (2008)**

Heft 2-3

PDF erstellt am: **18.09.2024**

Persistenter Link: <https://doi.org/10.5169/seals-791030>

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## WHY DO COMPANIES COMMUNICATE WITH CONSUMERS ABOUT CSR? CONCEPTUALIZATION AND EMPIRICAL INSIGHTS FROM GERMANY

Consumers are crucial for the success of corporate social responsibility (CSR). However, since CSR is a credence quality which cannot be assessed by consumers directly, they rely on credible information to consider the social responsibility of companies in their purchasing decisions. An important communicator of CSR information are companies themselves. However, up until now the analysis of companies' CSR communications has mostly focused on non-financial reporting which could be aimed at consumers but usually focuses on stakeholders like investors or non-governmental and governmental organisations (NGOs and GOs). The present paper deals with this issue by identifying factors which determine the relevance companies give to consumer oriented CSR communications (COCCOM). Accordingly, a model of determinants is developed and tested with data from a survey of 137 German companies (food producers and energy suppliers). The analysis shows that especially those companies consider COCCOM as highly relevant, which (1) perceive it as a business case and as an opportunity to contribute to the public good, which (2) perceive few conflicts with existing processes, and which (3) show high degrees of CSR orientation and (4) market orientation. The results lead to new approaches as to how companies can be influenced by internal and external stakeholders to increase their consumer oriented CSR communications activities..

*Keywords:* Corporate Social Responsibility (CSR), business case, non-financial reporting.

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## 1. The Problem and Its Relevance

The aim of this paper is to identify and to analyze the determinants which explain why companies do or do not communicate with consumers about their corporate social responsibility (CSR) performance. Up until now, practice and especially research have widely neglected consumer oriented CSR communications (COCCOM) (Beckmann 2006; Maignan & Ferrell 2004). The analysis of CSR communications has mainly focused on non-financial reporting (e.g. Cormier et al. 2004; Hooghiemstra 2000; Kolk 2004; Llena et al. 2007; Marshall & Brown 2003; Piechocki 2004), which can target highly involved consumers but is primarily directed at stakeholders like the financial community, non-governmental and governmental organisations (NGOs and GOs) or research institutions (EU-Commission 2002; GRI 2006; SustainAbility 2004). Only few reports consider private consumers as a relevant target group.<sup>1</sup> Usually CSR reports are complex, fact oriented, and hardly related to consumers' purchasing behaviour (Reisch 2007). The recognition of consumers within this field has however increased with the development of Internet reporting, which can be better arranged according to the specific needs of different target groups (Isenmann & Lenz 2002; Wheeler & Elkington 2001). But still, only very few publications on CSR communications focus on the private consumer.

This situation stands in contrast to the relevance the consumer is supposed to have according to economic theory. Ludwig v. Mises (1949: 265) describes it in the following metaphor:

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer of the ship. A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer.

Even though the traditional model of consumer sovereignty is questionable, consumers do have a potentially high authority to guide the market

<sup>1</sup> The highly recognized Sustainable Reporting Guidelines of the Global Reporting Initiative do not mention consumers as relevant stakeholders of non-financial reporting, while they refer eleven times to shareholders/investors (GRI 2006).

by voting about corporate offers with their money at the cashier desk (Keat et al. 1994; Hansen & Schrader 1997; Brinkmann 2004). Generally, they could use this power to steer companies towards sustainable development by rewarding companies with a good CSR performance and punish, resp. ignore companies which perform badly in terms of CSR. This capacity of consumers is widely acknowledged by politicians who argue in favour of CSR and sustainable consumption (e. g. Töpfer 2005). However, to use purchasing power to support sustainability and CSR requires – among other things – the availability of adequate information. Unlike the colour or shape of a product, CSR is not a “search quality” which could be easily assessed by consumers before purchase. CSR is only to a small extent reflected in ‘experience qualities’ like durability or energy consumption which can be evaluated by consumers after use experience. To assess the CSR performance of a company consumers usually rely on credible information by the company or trustworthy third parties like consumer policy actors (e. g. McWilliams & Siegel 2001; Schuler & Cording 2006). Thus, CSR is basically a “credence quality”.<sup>2</sup>

While the usefulness of consumer policy actors to create CSR transparency is undisputed (e. g. Reisch 2004), there are also good reasons to argue that these activities have to be complemented by corporate communications. A first reason is the mere quantity of the communications budget. In Germany, e. g., companies spend about 30 billion euros a year on advertisement alone (ZAW 2006), an amount about 300 times higher than the whole annual budget of German consumer organisations. A second reason is the limited availability of basic CSR information. Consumer policy actors often have difficulty getting a full picture of corporate activities. They depend on the companies’ willingness to disclose their conduct beyond mere legal obligations. A third reason worth mentioning is corporate communications know-how. Over the years companies have developed and improved target group specific communications. They have experience in getting across their message in a time of information overload (Eppler & Mengis 2004) and in reaching consumers who are not

<sup>2</sup> The differentiation between search qualities and experience qualities goes back to Nelson (1970). Darby & Karni (1973) complemented the typology with credence qualities.



willing to actively seek information. And the fourth reason is that – as we will show below – responsible companies neglect a valuable competitive advantage if they do not engage in COCCOM. Thus, despite reservations about the credibility of corporate communications (Morsing & Schultz 2006; Schuler & Cording 2006), companies can play a crucial role in enabling consumers to consider CSR in their purchasing decisions. For actors interested in supporting companies' COCCOM activities the knowledge of what determines corporate activity in this field is a key point of departure.<sup>3</sup>

In the next section, the term COCCOM is defined and illustrated. We will then identify determinants of COCCOM and develop hypotheses on how they influence the relevance of COCCOM. The hypotheses have been tested by using data from an online-survey of German companies. Method, sample and measures will be described before the results are presented. In the end, we draw conclusions for relevant actors and identify open questions for further research.

## 2. Consumer Oriented CSR Communications of Companies

The definition of COCCOM rests in turn on the definition of CSR. The concept has a long history and various definitions have been discussed (e.g. Carroll 1999; Maignan & Ferrell 2004; Matten & Crane 2005; Schrader & Sandström 2006; Valor 2005; Wood 1991). For the purpose of this study, we follow the EU-Commission (2002: 3) which defines CSR as “a concept whereby companies integrate social and environmental concerns into their business operations and the interaction with their stakeholders on a voluntary basis.” This definition focuses on social and environmental aspects but fails to treat the economic dimension as an integral part of CSR.

Strictly speaking, CSR refers to the corporate level, e.g. to environmental and social management or to corporate philanthropy – whereas in a broader sense, CSR manifests itself also in specific products and their

<sup>3</sup> Based on this consideration the research presented in this paper has been financially supported by the German Federal Ministry for Nutrition, Agriculture and Consumer Protection.

Table 1: Examples of Different Types of COCCOM

		Point of reference	
		Company	Products/value chains
Consumer focus	Among others	<ul style="list-style-type: none"> <li>– Non-financial reports 1</li> <li>– Company related CSR communication on the Internet</li> <li>– Company related press releases about CSR</li> <li>– Company related stakeholder dialogues</li> </ul>	<ul style="list-style-type: none"> <li>– Product related CSR communication on the Internet 3</li> <li>– Product related press releases about CSR</li> <li>– Product related stakeholder dialogues</li> </ul>
	Specific	<ul style="list-style-type: none"> <li>– Corporate advertisements 2</li> <li>– Participation in CSR-ratings/tests of consumer organisations</li> </ul>	<ul style="list-style-type: none"> <li>– Eco-/Social labels 4</li> <li>– Product advertisements</li> <li>– Packaging declarations</li> </ul>

corresponding value chains. Consumer oriented CSR communication tools can either specifically focus on consumers or consider them one target group among others. This leads to the following definition:

Consumer oriented CSR communications of companies (COCCOM) comprise all communication activities which are specifically or among others targeted at consumers and which deal with corporate social and/or ecological responsibility. In a *narrow sense* COCCOM is restricted to communications on the corporate level, in a *broad sense* it also includes communications on the level of products or value chains.

The following four-field matrix, integrating the two dimensions of this definition, may serve to illustrate what kinds of instruments are covered by our understanding of COCCOM (see Table 1).

As mentioned before, classic CSR communications on the company level address consumers only among others (*field 1*). Common examples are non-financial reports, company related CSR communication on the Internet or company related press releases about CSR. These monological means of communication have lately been complemented by stakeholder dialogues which involve consumers or their representatives (Morsing & Schultz 2006). The use of company level instruments to communicate

CSR specifically to consumers (*field 2*) is a recent development. In recent years, companies like BP or General Electric have started consumer oriented corporate advertising campaigns on CSR issues. An additional development in this category is the implementation of CSR tests to complement traditional product testing (Schoenheit 2005; Brinkmann 2005; Young & Welford 2002).<sup>4</sup> The tests provide consumers with a comparative evaluation of corporate social and ecological behaviour and thereby allow them to consider these aspects in their purchasing decisions. Although the tests are conducted and communicated by consumer policy actors, they depend on the companies' willingness to disclose necessary information. In this case, COCCOM of companies mostly equals filling in and forwarding questionnaires about a range of CSR aspects. Although this type of CSR communication addresses a third party in the first place, its final addressee is the consumer.

CSR communications on a product level which target consumers among others (*field 3*) can be identified in product related Internet communication, press releases or stakeholder dialogues. Traditionally, CSR communication on a product or value chain level is more focused specifically on consumers (*field 4*). This category comprises the established instrument of labelling (Karstens & Belz 2006; Rubik & Frankl 2005; Thøgersen 2000), e.g. eco-labels like the EU flower or social labels like the trans-fair logo, product advertisements which address social or ecological features of production and packaging declarations which voluntarily include social or environmental issues.

### 3. Determinants of Consumer Oriented CSR Communications of Companies

In general, voluntary activities are the more relevant, the more opportunities they offer and the fewer problems they cause. When it comes to COCCOM, opportunities and problems are not a matter of fact but of perception and they differ according to specific characteristics of a company. Thus, as pre-analytical categories of COCCOM's determinants

<sup>4</sup> Origins of these social-ecological company assessments go back to the 1980s when the American Council on Economic Priorities (CEP) started to publish their consumer guides "Shopping for a better World" (e.g. Corson et al. 1988).

we distinguish between perceived opportunities, perceived problems, and supporting company characteristics.

In order to find the relevant variables within these groups of determinants, we did an extensive review of literature on CSR in general and CSR communications in particular on the one hand while we conducted 27 expert interviews in Germany with representatives of the business community and experts on consumer policy and related research on the other. Our results are reflected in the hypotheses we present in this section.

### *3.1. Perceived Opportunities*

In many publications, both from business and academia, CSR is described as a business case, because it has the potential to enhance a company's ability to reach its economic aims (e. g. EU Commission 2002; Smith 2003; World Economic Forum 2002). Usually, reputation is considered the key factor in this context (e. g. Fombrun 1997; Fombrun et al. 2000; Piechocki 2004; Schwaiger 2004; Wiedmann & Buxel 2005): CSR has the potential to improve and/or stabilize a company's reputation, which will have a positive influence on the company's various stakeholder relationships. To realize this potential, CSR activities have to be made transparent to the relevant stakeholders (Hooghiemstra 2000; McWilliams & Siegel 2001; Maignan & Ferrell 2004; Schuler & Cording 2006). In the case of COCCOM, the primary target is the consumer who the communicating company can become more attractive to. This does not necessarily mean that COCCOM have a substantial direct effect on consumers' purchasing decisions. However they positively influence relationship quality dimensions like trust or commitment (e. g. Becker-Olsen et al. 2006; Ellen et al. 2006; Luo & Bhattacharya 2006; Maignan et al. 1999; Mohr et al. 2001; Sen & Bhattacharya 2001). In addition, public CSR communications with consumers always have second audiences and are recognized by other primary stakeholders.<sup>5</sup> Thus, COCCOM can also promote possible CSR effects vis-à-vis employees (like employee satisfaction, motivation and retention; see e. g. Fombrun et al. 2000; Riordan et al. 1997; Turban & Greening 1996) or the financial

<sup>5</sup> For a distinction between primary and secondary stakeholders see Clarkson (1995) and Buysse and Verbeke (2003).

community (like admission to sustainability funds and indexes; see e. g. Hummels & Timmer 2004; Koellner et al. 2005; Michelson et al. 2004). All these impacts are elements of the potential business case of COCCOM. Their perception influences the relevance of COCCOM in a company.

*H1: The more COCCOM are assessed as conducive to the business case, the higher is their overall relevance in a company.*

Although most research concentrates on supporting the business case, company surveys (e. g. Maaß & Clemens 2002; TCCC-BC & USCC-CCC 2004), contents analysis of corporate websites (Maignan & Ralston 2002) and our expert interviews reveal that an additional motivation for managers to engage in CSR is the opportunity to do something morally right and to contribute to the public good. Partially, these might be interpreted as socially desirable statements. However, they are plausible since generally people strive to achieve congruence among their values in the different roles they fulfil. They appreciate the opportunity to live up to their private values in professional life (Ulrich 1999). This is in line with Abraham Lincoln's famous motto "When I do good, I feel good; when I do bad, I feel bad, and that is my religion." In addition, different authors refer to the apparent paradox that often precisely the CSR activities of those companies are a business success which consider the public good an aim in its own right and not only a means to make profits (e. g. Becker-Olsen et al. 2006; Hansen 1988; Schrader & Sandström 2006). COCCOM can contribute to the public good by providing motivation and the information required for sustainable consumption (Hansen & Schrader 1997; Thøgersen 2006). Therefore, it is not only communication about CSR, but can be considered part and expression of a company's social responsibility. Companies that identify the promotion of sustainable consumption via corporate communications a relevant and achievable task are more likely to engage in COCCOM.

*H2: The more COCCOM are assessed as conducive to the public good, the higher is their overall relevance in a company.*

### *3.2. Perceived Problems*

Although company surveys usually show a high degree of agreement about the opportunities engendered by CSR activities (e. g. Maaß & Clemens



2002; TCCC-BC & USCC-CCC 2004), their implementation is still limited. This is specifically true for COCCOM (Whitehouse 2006). Significant problems block greater relevance. High expenses is the most crucial since COCCOM cause costs and require efforts.

A precondition for all CSR communications is the generation of relevant information. Strictly speaking, this starts with the actual CSR activities, since all credible information relies on the existence of activities worthwhile to communicate about (McWilliams & Siegel 2001). In addition, information has to be gathered and processed. In today's long and complex global supply chains even disclosure oriented companies sometimes have difficulty providing information on all relevant social and ecological effects caused by them, their suppliers, and sub-suppliers (Koplin et al. 2007; Mamic 2005). It takes time and money to implement the systems to deliver the necessary information. As to COCCOM specifics, the actual communication activities are especially expensive, since the "one size fits all"-approach of traditional non-financial reporting is no longer applicable. The different COCCOM instruments mentioned in the previous section have to be produced and distributed according to the different needs of the consumer target groups. Companies which perceive these expenses as too high (would) refrain from COCCOM.

*H3: The more COCCOM are assessed as expensive, the lower is their overall relevance in a company.*

In addition, COCCOM can cause conflicts with established processes within a company (Sen & Bhattacharya 2001). While communications departments in many companies traditionally have little contact with CSR issues, departments dealing with them, such as environmental or human resource management, are no experts in communications. Thus, new patterns of co-operation within the company are required. This can be difficult, if employees lack the qualifications necessary for COCCOM, even more so as their previous workload may not be reduced but extended. Thus, time to manage this additional task is scarce and often only made available once the traditional core business activities have been taken care of. The awareness of these conflicts can be an obstacle to COCCOM.

*H4: The more COCCOM are assessed as conflicting with established organisational processes, the lower is their overall relevance in a company.*



While expenses and conflicts will materialize immediately and with certainty, the expected effects are uncertain and will often only be felt on a long-term basis. Various studies show that consumers' positive reaction towards CSR is not a matter of course but depends on specific determinants (e. g. Becker-Olsen et al. 2006; Luo & Bhattacharya 2006). A company cannot easily assess actual consumer interest in COCCOM and consumer reaction. This can result in scepticism and consequently in limited COCCOM efforts.

*H5: The more uncertain the effects of COCCOM on consumers are, the lower is their overall relevance in a company.*

### *3.3. Supporting Organisational Characteristics*

Different organisational characteristics influence perceived opportunities and problems and thus the relevance of COCCOM. Among the factors identified in previous studies as relevant determinants of CSR in general, size is most often mentioned (González-Benito & González-Benito 2006). There are manifold reasons for a possible correlation between size and engagement in CSR in general and COCCOM in particular. On the one hand, big corporations, which often own strong brands, are subject to intense public exposure (e. g. Logan 1998; Marsden & Andriof 1998; Matten & Crane 2005; Scherer & Smid 2000). A variety of stakeholders explicitly urge them to assume social responsibility. Hence, they face exceptional risks if they refrain from using COCCOM to enhance their reputation and stabilize it for times of crisis. On the other hand, size often makes it easier to overcome or live with the obstacles to COCCOM and to provide the necessary resources. In contrast to most SMEs, bigger companies have the opportunity to invest in specialized departments for CSR and CSR communications (Marshall & Brown 2003). They can hire specially qualified personnel to carry out additional tasks (TCCC-BC & USCC-CCC 2004), and they realise economies of scale in establishing and using their communication systems (McWilliams & Siegel 2001). Thus, concerning COCCOM size can make a difference.

*H6: The bigger a company, the higher is the relevance of COCCOM in that company.*

We expect CSR orientation of a company, i.e. the relevance of social and ecological aims within the company to be another characteristic to

determine COCCOM relevance. We assume that the relevance of CSR activities increases alongside the CSR orientation of a company. This relates to the general discussion on the micro-level about the pro-social orientation of managers being a determinant of their ethical behaviour (Singhapakdi et al. 1996). In the context of COCCOM a great amount of interesting CSR activities is likely to stimulate the readiness to talk about them (Kohn 2004) since their disclosure will increase business case opportunities. In addition, corporations with a serious CSR orientation can be expected to have a mission they are eager to communicate to their stakeholders in general and their consumers in particular. Both, business case oriented disclosure and the will to publicise a mission, will increase COCCOM relevance.

*H7: The stronger the CSR orientation of a company, the higher is the relevance of COCCOM in that company.*

The third supporting characteristic we consider is market orientation. Although Maignan & Ferrell (2004) describe market orientation as a relevant determinant for the organizational impact of CSR issues in general and despite its importance in marketing theory and practice (Kohli et al. 1993; Matsuno et al. 2000), the construct has been widely neglected in CSR literature. According to Kohli & Jaworski (1990: 6) market orientation describes “the organizationwide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organizationwide *responsiveness* to it.”

Thus, high market orientation means that customers' demands and market trends are intensively monitored and recognized in corporate strategy and actions. We expect market orientation to be a relevant determinant of COCCOM, since many studies have shown a significant interest of consumers in CSR topics (e. g. Becker-Olsen et al. 2006; Ellen et al. 2006; Luo & Bhattacharya 2006; Maignan et al. 1999; Mohr et al. 2001; Sen & Bhattacharya 2001) and generally a growing relevance CSR. If these studies are valid, managers who refer to the lack of customer interest to justify low CSR engagement are – at least sometimes – ill-informed. In many cases strong market orientation would promote CSR in general and COCCOM in particular.

*H8: The stronger the market orientation of a company, the higher is the relevance of COCCOM in that company.*

## 4. The Study

### 4.1. Method and Sample

To test our hypotheses we conducted a standardized online-survey of German companies. This survey was part of an extensive project on COCCOM as a precondition for sustainable consumption, which focused on nutrition and energy supply. These two industries were selected because they account for the highest share of indirect ecological effects of consumption in developed countries (e. g. The Worldwatch Institute 2004). In addition, they represent two very different kinds of offers: while food comprises heterogeneous material products provided by a wide range of small, medium and large enterprises, energy supply is a service of homogeneous invisible products predominantly provided by large companies in – at least in Germany – a highly concentrated market. By way of personalized e-mails we asked CSR and communications managers to participate in the online-survey. In total we wrote personalized e-mails to representatives of 165 energy suppliers and 812 food producers, which were selected to give a representative picture of the industries. 43 questionnaires were completed by energy suppliers and 94 by food producers, which equals a response rate of 26 %, 12 % resp. Thus, the response rates are within the usual limits of company surveys. The higher response rate of energy suppliers might be interpreted as an indicator of a greater relevance of the topic in that industry, an assumption supported by the answers. Overall, the moderate response rate presumably results in a self-selection biased sample. On average, the companies which participated in the survey are probably not typical representatives of their industries but tend to have a particular special interest in CSR.<sup>6</sup> However, for our analysis this is less of a problem since we do not intend to describe the absolute level of COCCOM and views on opportunities and problems but analyze instead the determinants of COCCOM relevance. For this purpose, a sample of companies with at least some experience in COCCOM is required. In the following analysis we treat all participants as one sample; differences between industries will be discussed in the end.

<sup>6</sup> The non-response bias is reflected in a significant correlation between earliness of response and relevance of COCCOM, with the laggards (which are most likely to resemble the non-participants) rating lowest.

#### 4.2. Measures

The variables mentioned in the hypotheses are mostly measured by multi-item scales. These scales were composed of statements which had to be graded by the respondents on a five-point scale running from 1 = "totally agree" to 5 "totally disagree." Since COCCOM is a new field for empirical investigation, all scales had to be newly developed except for the market orientation scale. The scale development was based on theoretical considerations and expert interviews. The resulting multi-item scales are documented in the appendix. Before we confronted the respondents with these scales, we presented them with our understanding of COCCOM as described in the second section of this paper.

The dependent variable *relevance of COCCOM* was measured as an overall assessment with the single item "At present consumer oriented CSR communications are of high relevance in our company." It represents the respondent's subjective perception of the emphasis the company puts on this topic. Earlier considerations to combine the subjective overall assessment with more concrete and objective measures were rejected as statements on the percentage of communication activities which include CSR arguments are misleading, since small companies that only use very few instruments like e. g. one company brochure will indicate higher percentages than big companies with a more differentiated use of instruments without putting necessarily more emphasis on the topic. A similar argument applies to using the assessed relevance of different COCCOM instruments as indicators of their overall relevance. It is not necessarily the case that a company which uses the whole range of COCCOM instruments considers these activities more important than a company which concentrates on a limited but intensely used number of communication instruments. Therefore, the dependent variable is measured as a subjective overall assessment.

The perceived opportunity to realize the *business case* of COCCOM was measured by means of a five-item-scale concerning the opportunities to increase and stabilize corporate reputation in general, to increase the attractiveness to consumers as the primary receivers of COCCOM, and to increase the attractiveness to employees and financiers as second audiences of COCCOM.

The three items which measured the perceived opportunity to promote *the public good* beyond the business case cover the general intention to do something good and serve common welfare and the specific intention to support sustainable consumption.

In contrast to our research design, a factor analysis revealed that the respondents assessed both areas of *opportunities as one factor*.<sup>7</sup> Obviously, managers who believe that CSR communication is a business case simultaneously see it as a contribution to the public good and vice versa (see also Lantos 2002). This result shows that persons in charge of CSR communication are usually neither cynics who further the business case without believing that this contributes to the public good, nor charitable benefactors who promote the public good regardless of the effects on the company. To them, instrumental and moral reasoning are linked and constitute one single factor. Despite its wide scope, the reliability of the resulting eight-item scale is high with an alpha of 0.87.

*Expenses* as the first dimension of perceived problems were measured by means of a four-item scale which includes costs of information generation and communication, obtainability of necessary information and existence of CSR activities to communicate about. With an alpha of 0.83 the scale reliability is high.

*Conflicts with established processes* were measured with another four-item scale. These items cover the importance of other tasks, time constraints and competence of present employees and problems of coordination between the departments involved. An alpha of 0.75 indicates satisfactory scale reliability.

The last factor of problems we investigated were the *uncertain effects* of COCCOM which we measured by two items: lack of consumer interest in COCCOM and COCCOM's lack of influence on purchasing decisions. This scale has a satisfactory alpha of 0.78.

The factor analysis confirmed the anticipated three-factor solution for perceived problems, with all items clearly loading strongest on the factor previously expected.

<sup>7</sup> Using principle component analysis the factor analysis provides a one-factor solution with factor loadings ranging from 0.84 to 0.62.



We measured *size* as the first supporting organisational characteristic by using the available data on employees worldwide. This figure is more adequate for our purpose than the number of employees in Germany, which for international companies hardly determines public exposure and corporate resources. Turnover as another frequently used estimate for company size was only disclosed in a small number of questionnaires and has therefore been excluded from our analysis.

While *CSR orientation* was measured with one item “Ecological and social compatibility of our business is an aim of top significance for us”, we had the opportunity to refer to established multi-item scales in the case of *market orientation*. We took six items from the MARKOR scale (Kohli et al. 1993), which are also used in refinements of the scale (Matsuno et al. 2000). These six cover the three dimensions addressed in the 32 items of the original scale, i. e. generation and dissemination of and responsiveness to market intelligence. With an additional seventh item we also included the aspect of surveying non- and lost customers. In contrast to previous research, explorative factor analysis revealed a one dimensional structure of market orientation, since all items loaded on one factor. The generated seven-item-scale shows sufficient reliability with an alpha of 0.72.

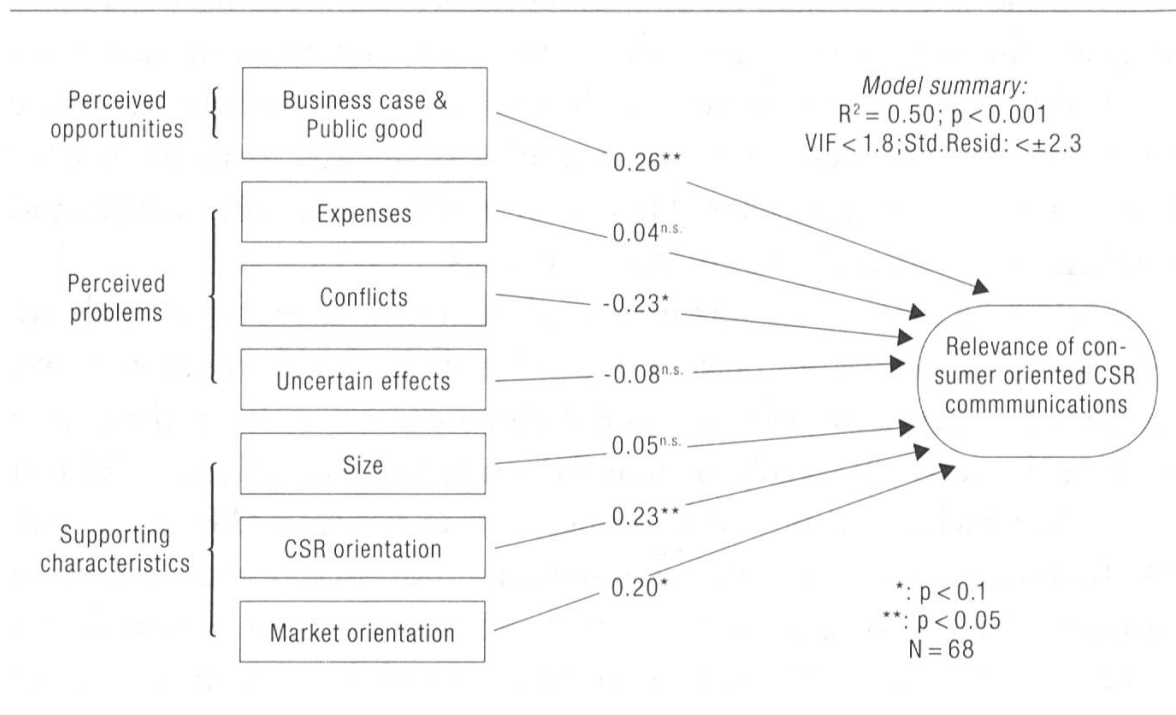
## 5. Results and Discussion

We applied regression analysis to test our hypotheses (see Figure 1). The analysis shows that the previously proposed determinants explain 50% of the variance of COCCOM relevance, which is a highly significant, satisfactory result. Significant impacts have been identified for the opportunities to promote the business case and the public good, for the problem of conflicts with established processes and for both CSR orientation and market orientation as supporting characteristics. According to this analysis, the assessment of the expenses and uncertain effects of COCCOM as well as company size only have insignificant regression coefficients.

Among the significant determinants, the perception of opportunities has the strongest influence on COCCOM relevance, followed by the perception of conflicts and CSR orientation. It is worth noting that the relevance of determinants is not necessarily reflected in their direct evaluation by the respondents. When assessed directly, perceived expenses are



Figure 1: Regression Analysis of Determinants of COCCOM Relevance<sup>8</sup>



rated as the most important obstacle to COCCOM (see means in appendix); however, what actually impedes COCCOM are rather conflicts with existing processes. Market orientation as the fourth important determinant is of particular interest since it has not yet been empirically analysed in connection with CSR and CSR communications. Our results confirm that market orientation and social orientation are not opposites but can complement each other.

It would be misleading to conclude from our regression analysis that the non-significant regressors have no influence at all on COCCOM relevance. Although the VIF of 1.8 indicates the absence of unacceptable multicollinearity in the model, the deduction of the hypotheses has already made quite clear that the determinants are not independent from one another. In arguing for the relevance of supporting characteristics, we hold, that they may well influence the perception of opportunities and problems. Additionally, there are interdependencies within the opportu-

<sup>8</sup> Since we only included respondents in the regression analysis who had no missing values in their questionnaires the number of participants here is lower than the total number of respondents mentioned above.

Table 2: Correlation Matrix of COCCOM Relevance and Its Determinants

	Relevance of COCCOM	Busi. case & public good	Expenses	Conflicts	Uncertain effects	Size	CSR orientation	Market orientation
Relevance of COCCOM	1.00	.58**	-.35**	-.50**	-.29**	.23**	.51**	.48**
Business case & public good	.58**	1.00	-.34**	-.40**	-.22**	.31**	.51**	.43**
Expenses	-.35**	-.34**	1.00	.51**	.29**	-.35**	-.36**	-.31**
Conflicts	-.50**	-.40**	.51**	1.00	.32**	-.23**	-.33**	-.39**
Uncertain effects	-.29**	-.22**	.29**	.32**	1.00	.15 n.s.	-.32**	-.13 n.s.
Size	.23**	.31**	-.35**	-.23**	.15 n.s.	1.00	.09 n.s.	.25**
CSR orientation	.51**	.51**	-.36**	-.33**	-.32**	.09 n.s.	1.00	.26**
Market orientation	.48**	.43**	-.31**	-.39**	-.13 n.s.	.25**	.26**	1.00

nities and problems categories. This is shown in the correlation matrix (see Table 2).

All isolated correlations between the proposed determinants and COCCOM relevance are significant. The above-mentioned assessments of expenses and uncertain effects as insignificant show strong correlations with the view of conflicts with established processes as the only significant regressor among the problems perceived. Size has an influence on COCCOM relevance because it shows strong correlations with the assessments of opportunities and expenses.

However, the correlation matrix is unable to identify the exact nature of the influences between the various determinants. This would require structural equation modelling (SEM) which was not applied here due to the limited size of the sample.

As indicated above, the results generally apply to both industries considered. Only in three cases the coefficients for the correlations between the determinants proposed and COCCOM relevance are lower than

0.20 in individual sub-sample analyses. In the energy sample, expenses ( $r = -0.15$ ) and CSR orientation ( $r = 0.16$ ) show only weak correlations with COCCOM relevance which might be due to industry specific legal factors. Since 2005, energy suppliers in Germany have been obliged to disclose their sources of power generation (e. g. nuclear, carbon, renewable) in their annual invoices. This type of information is an example of COCCOM independent of CSR orientation. Since the new regulations are especially challenging and sometimes expensive for companies without a specific CSR orientation, they might cause an increase in the subjective relevance of COCCOM which lessens the hypothesized relationship. The exception in the food sample is size ( $r = 0.14$ ). The weakness of the influence of size in this industry can be explained by the fact that among the “dark green” corporations specializing in organic foods the proportion of small companies is high. These companies often intensively communicate with their customers. Thus, we find outstanding COCCOM activities on both extremes of the size spectrum.

## 6. Conclusions and Outlook

The results have shown that four determinants particularly influence COCCOM relevance: (1) the opportunity to promote the business case and the public good, (2) conflicts with established processes, (3) CSR orientation, and (4) market orientation. Consequently, actors eager to promote corporate COCCOM should take special care that the opportunities are perceived, that conflicts with established processes are reduced, that a general CSR orientation does exist and that market orientation is implemented. Supporting actors in this direction may be stakeholders from outside the company, especially GOs and NGOs with a consumer focus, but also managers from within the company.

Giving priority to the determinants which were identified in the regression analysis as having the strongest influence on the importance of COCCOM should not be misinterpreted as indicating that the other determinants are irrelevant. As the correlation analysis has shown, all determinants considered show strong and significant correlations with COCCOM relevance and with other determinants. Therefore, all determinants should be taken into account to foster COCCOM.

To support business case *opportunities* GOs and NGOs could identify, promote, and award best practice examples, which on the one hand might have direct effects on consumers and the reputation of the award-winning company while on the other hand providing benchmarks for other companies and motivating them to make a similar commitment. Greater awareness of opportunities beyond the business case could arise from the development of instruments to operationalize and measure the “social case” (Baker 2002) of CSR and COCCOM. Additionally, intensive co-operation and dialogues between companies and NGOs (e.g. McIntosh et al. 2003) offer opportunities to learn more about pressing problems and possible solutions and thus help to optimize opportunities in this field.

Chances to reduce the *problem* of high expenses could derive from further co-operation between companies. One such example is an initiative of nearly all big German clothes retailers which participate in collective action to regulate their sourcing by jointly auditing and training their suppliers in developing countries and thus getting important information on CSR (AVE 2003). However, these collective approaches decrease the opportunities for individual companies to create competitive advantages.

Another opportunity to save costs refers to the information dissemination side of COCCOM. Instead of concentrating on corporate publications an alternative philosophy is based more or less on the modified saying “do good and *let others* talk about it.” Press releases, public appearances of corporate representatives, or the above-mentioned participation in CSR tests of consumer organisations e.g. can establish credible and thus influential indirect communication with consumers (Schoenheit 2005).

Support is needed to reduce conflicts with established processes, especially during the implementation phase of systematic COCCOM. Therefore, experience of companies which have already succeeded in implementing such processes is helpful. The German mail order company OTTO has turned this idea into a business model: they hived off *Systain* (<http://www.systain.com>), a consultancy which helps other companies to learn from OTTO’s long-term and extensive experience in the field of CSR and CSR communications. In some cases, public financial support of pilot implementation processes might be necessary.

The third problem, the uncertain communication effects on consumers, is directly connected to market orientation and the intensity of market intelligence use. CSR communication strategy does not guarantee market success, however, this is not a CSR specific problem. Marketing effects are – ex ante – always insecure. With regards to more traditional communication topics marketing managers have learned to deal with insecurity and to limit it by applying sophisticated marketing research methods. Up to date, many companies still do not include CSR issues in their ordinary marketing research instruments. Thus, it is inevitable that they are unclear about the effects of CSR communication.

Regarding *supporting characteristics* the study has shown that SMEs need special support in their CSR communication activities. The above-mentioned strategies of cost reduction are particularly important for them. Another aspect is the relevance of a company's social-ecological orientation, which highlights that COCCOM cannot be separated from actual CSR performance, the basis for all CSR communications (Kohn 2004). Finally, the great importance of market orientation could encourage different stakeholders to urge companies to intensify market research activities with a special focus on CSR.

Despite the clear and highly relevant results of our survey, many key questions in the field of COCCOM remain open. Future studies have to show if our results can be replicated with samples which are both representative and include more industries and other countries. Furthermore, it needs to be emphasized that we only analyzed conditions for superordinated aims. High relevance of COCCOM is only a necessary but not a sufficient condition for actual COCCOM. COCCOM in turn is only one necessary condition for transparency towards consumers. Quality of information is more important than its quantity to make CSR transparent for consumers, and we have not analysed qualitative communications aspects. COCCOM only enhance transparency for consumers if they provide a valid picture of the real CSR situation. Studies, however, indicate that there is a huge gap between CSR rhetoric and reality at this point (e. g. Saha & Darnton 2005). Finally, transparency concerning CSR clearly is no guarantee of sustainable consumption. Nevertheless, it is a necessary condition which deserves increased attention of both practitioners and researchers.



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## Appendix: Measures

All items were rated on a 5-point Likert-scale, ranging from 1: “totally applies” to 5: “does not apply at all.”

Relevance of COCCOM	Mean	Std. Dev.
At present consumer oriented CSR communications are of high relevance in our company.	2.27	1.04

Perceived opportunities: Business case (1–5) & Public good (6–8) (alpha 0.87)	Mean	Std. Dev.
Consumer-oriented CSR communications offer our company the opportunity to ...		
(1) ... increase our reputation in general.	1.92	0.78
(2) ... stabilize our reputation in times of crisis.	2.21	0.86
(3) ... increase our attractiveness for consumers.	1.98	0.80
(4) ... increase our attractiveness for employees.	2.23	0.88
(5) ... increase our attractiveness for financiers.	2.96	1.09
(6) ... do something morally right – no matter if economically successful.	2.23	0.91
(7) ... to serve common welfare.	2.23	0.86
(8) ... steer consumers towards sustainable consumption.	2.42	0.99
<i>Overall</i>	<i>2,27</i>	<i>0,65</i>

Perceived problems: Expenses (alpha 0.83)	Mean	Std. Dev.
(1) Communication costs are very high.	2.63	0.96
(2) Costs of information generation are very high.	2.95	0.96
(3) For us, necessary information is very difficult to obtain.	3.29	0.95
(4) We do not have enough relevant activities to communicate about.	3.32	1.07
<i>Overall</i>	<i>3.05</i>	<i>0.80</i>



Perceived problems: Conflicts with established processes (alpha 0.75)	Mean	Std. Dev.
(1) Other tasks are more important to us.	2.61	0.97
(2) Our employees do not have enough time for that.	2.86	1.05
(3) Our employees do not have the necessary competence for that.	3.47	0.89
(4) It causes coordination problems between the departments involved.	3.48	0.91
<i>Overall</i>	<i>3.13</i>	<i>0.71</i>

Perceived problems: Uncertain effects (alpha 0.78)	Mean	Std. Dev.
(1) Consumers have little interest in CSR-information.	3.18	0.92
(2) CSR-information does not influence purchasing decisions of consumers.	3.09	0.95
<i>Overall</i>	<i>3.13</i>	<i>0.85</i>

Supporting organisational characteristics: Market orientation (alpha 0.72)	Mean	Std. Dev.
(1) We poll end users at least once a year to assess the quality of our products and services.	2.63	1.20
(2) We poll former customers and non-customers to assess the reasons underlying their decisions.*	3.06	1.10
(3) Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.	2.19	0.88
(4) Data on customer satisfaction is disseminated at all levels in this business unit on a regular basis.	2.54	1.07
(5) For one reason or another, we tend to ignore changes in our customers' product or service needs.**	4.18	0.84
(6) The product lines we sell depend more on internal politics than real market needs.**	3.99	0.90
(7) If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.	2.21	0.84
<i>Overall</i>	<i>2.36</i>	<i>0.60</i>

Source: Kohli et al., (1993); \* new item; \*\* reversed item



Supporting organisational characteristics: CSR orientation	Mean	Std. Dev.
Ecological and social compatibility of our business is an aim of top significance for us.	2.24	0.89

### Acknowledgements

We are grateful to two anonymous reviewers for helpful comments on earlier versions of this paper and to the German Federal Ministry for Nutrition, Agriculture and Consumer Protection for the financial support of the presented study.