# THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMER'S RELATIONSHIP INTENTION: EVIDENCE FROM MENA COUNTRIES

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# Abstract

Corporate social responsibility (CSR) raised the attention of the MENA market, given its capacity to influence consumers' purchase intention and, particularly, consumers' repurchase intention. Therefore, CSR helps to build a long-term relationship between the companies with its consumers. Following this new trend, our work contributes to the understanding of how CSR contributes to a long-term relationship with consumers. To achieve that, we considered the four dimensions of CSR (philanthropic, legal, organisation, and ethics) and used those constructs to evaluate the consumers' relationship intention with companies. Our research was performed in MENA countries by interviewing 1632 consumers. Our findings showed that the philanthropic, legal, and ethical dimensions played a relevant role in determining a long-term relationship between the companies and consumers. This research results differ from the results gained by other researchers in previous studies. Therefore, to establish a long-term relationship with consumers, MENA countries' companies should focus on philanthropy, legal, and ethics. This study extends, as well as contributes to the extant corporate social responsibility literature by offering new evidence on the impact of corporate social responsibility on consumer relationship intention. The findings will help regulators and policy-makers in evaluating the adequacy of the current corporate social responsibility reforms to prevent management misconduct and scandals.

**Keywords:** Corporate Social Responsibility, MENA Countries, Philanthropy, Legal, Ethics, Relationship Intention

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# 1. INTRODUCTION

Corporate social responsibility (CSR) consists of the notion that every company, firm, or business should contribute to the development of social and environmental goals (Gjølberg, 2010). CSR goes beyond regulatory compliance; it demands that firms act to attend the social and environmental needs. According to Jermsittiparsert, Siam, Issa, Ahmed, and Pahi (2019), CSR plays a crucial role in increasing customer satisfaction. However, whether or not CSR influences consumer purchase intention



still needs to be explored. According to Becker-Olsen, Cudmore, and Hill (2006), organisations use corporate social responsibility (CSR) as a strategy to differentiate their services and products, and, ultimately, influence the choice of consumers. However, CSR is a complex topic and hard to conceptualise. At first glance, CSR relates to the voluntary initiatives taken by the companies on social and environmental well-being. However, CSR could also be considered as a companies' ethical conduct, especially regarding the socially responsible enterprise. In that context, Carroll (1991) emphasises that, for getting a better understanding of CSR, we need to account for its four dimensions: economic, legal, ethical, and philanthropic.

For the case of MENA countries' market, previous studies already provided evidence on the quantitative aspects of CSR (Ferreira, Avila, & de Faria, 2010; Islam et al., 2021). Those previous studies suggested that surveyed consumers agreed to pay 15% more for a product if they perceive it as more beneficial and from a socially responsible company. Therefore, the topic is relevant to the MENA countries context. However, the previous studies gave little emphasis to the effects on consumer's behaviour when an organisation adopts CSR. Previous studies also focused on short-term effects such as purchase intention and brand image (Cuesta-Valiño, Rodríguez, & Núñez-Barriopedro, 2019), and lacked an understanding of long-term effects. Therefore, the novelty in our study consists of investigating how the four dimensions of CSR influences the intention of consumers to establish a long-term relationship with the companies. Particularly, we focused on identifying which of the CSR dimensions has the most substantial influence on the establishment of long-term relationships between companies and consumers.

The current study is also relevant to the context of developed countries, where few studies have been performed (Sharma, 2019). Thus, we expand the knowledge on the consumers' perceptions of the dimensions that compose CSR. Altogether, we seek to subside the companies' decisions in developing an effective marketing strategy to gain consumer loyalty. To achieve that, we focused on the intention of purchase and repurchase, recommendation, and proximity, as variables that represent the relationship between a consumer and the company. With that, we evaluated the connection between CSR with those variables. Our study consisted of field research that interviewed 1632 consumers to identify the CSR dimensions that are more strongly related to the purchase intentions. We took advantage of the structural modelling approach to build the constructs and test our hypotheses. In conclusion, our results revealed that the philanthropic, legal, and ethical dimensions influenced the consumer's relationship intention with a socially responsible company.

# 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

CSR is a topic discussed in Europe and the United States since the 1960s, particularly in the areas of education, solidarity, environment, and employees' respect. At first, the studies focused on the impact

on a company's profit and on how investing in CSR would impact the shareholders' return on investment. However, the situation changed, and socioeconomic view expanded the current concept of CSR to cover the role of organisations in the issues of social well-being. This change in posture was raised when the marketing strategy began to incorporate CSR to achieve more market visibility and corporate image when compared with the company's competitors. In that scenario, Carroll developed a theoretical model in 1979 to address the CSR practices, a model that was later improved and revised. Then, the CSR pyramid emerged that comprises the four dimensions of CSR: economic, legal, ethical, and philanthropic.

The economic dimension forms the basis of the pyramid. This represents that the major goal of companies is to obtain profits and returns to investors by delivering goods and services to society. Then, we have the legal dimension to represent the companies' compliance with the laws established by the government and then meeting the regulatory standards for responsible conduct. These laws regulate the competition between companies, but also the protection of the environment and consumers, and the favour of safety and equity. Above the legal dimension, we have the ethical dimension to cover the companies' attitudes that goes beyond the required by the law dimension (e.g., integrity, social justice, and moral rights). Finally, on the top of the pyramid, we have the philanthropic dimension, which represents the company's actions towards improving the quality of life by making financial and human resources available to society. The philanthropic dimension requires attitudes such as preservation of the environment, donations, and investments in education.

To maximise the effect of CSR, a company needs to know the impact of their attitudes on the consumer's behaviour. Therefore, we need to know which dimensions play a significant role in determining the consumer's relationship with MENA countries' companies, and how CSR shapes the consumer's opinions on the products. MENA countries are a particularly exciting place to evaluate the effects of CSR because it is an emerging country with specific norms, cultures, values, and beliefs, where CSR may play a different role than in the other developed countries.

Therefore, to evaluate the influence of CSR in consumer's behaviour, we adopted the scale developed by Turker (2009) that relates three dimensions of Carroll's pyramid to the concepts of stakeholders' theory. This theory emerged as a good approach to understand the relationship of companies with CSR. In his approach, Turker (2009) does not account for the economic dimension because he does not consider it as a responsibility towards society.

To better understand the purchase behaviour, we followed the stimulus-response model. The stimulus is influenced by the actions performed by the companies, including socially responsible attitudes. Under that approach, the act of purchasing involves more than satisfying consumers' necessities. The consumer wants to feel good about the product it purchases because the product also contributes to improving the life's quality of other people.

Besides, several aspects influence the consumer's decision in purchasing a product. We focus on the social aspects since CSR practices influence them. A previous study performed by Öberseder, Schlegelmilch, and Gruber (2011) revealed that for CSR is not sufficient for the consumers to know about the CSR, it is also needed that this information is more positive, especially for those consumers more strongly impacted by negative information. Then, those consumers will be able to evaluate the companies' behaviour in relation to their conception of social responsibility.

If the consumers' perception of the companies influences the consumers' intention to purchase, then we need to know the level of social responsibility that could maximise the gain in consumers' purchase. With that information, companies can draw strategies to increase the effectiveness of CSR in developing a credible relationship with consumers. Then, since positive information is so crucial in the recommendation of companies or products, word of mouth plays an essential role because people that identify socially responsible companies tend to speak well of the products and services (Bhattacharya & Sen, 2004; Islam et al., 2021). To account for that and measure the consumers' intention to interact with socially responsible companies, in our study, we adopted the scale developed by Wang, Lo, Chi, and Yang (2004).

To expand their CSR strategies, MENA countries' organisations prepared and disseminated reports and internal audits related to social balance, the environment, working conditions, and consumers' rights (Griesse, 2007), corresponding to the ethical dimensions in the CSR pyramid. However, beyond their ethical principles, companies need to comply with the rules already established by the people to be able to implement attitudes about socially responsible enterprises. Without it, companies run the risk of being predisposed to negative attitudes (Golodner, 2016; Wang, 2008).

In that context, Ferreira et al. (2010) observed the MENA countries' consumers would be willing to spend 15% more on a product that they perceive as coming from a socially responsible company. Their findings also suggested that social activities that directly impact the consumer's daily life increase the motivation of consumers to purchase a product. Other studies performed by Rodrigues and Borges (2015) and Castro-González, Bande, and Kimura (2018) also suggested that purchase increased in consumers that are aware of the CSR dimensions and actions performed by the companies. Based on that, we propose the following hypothesis:

H1: The ethical dimension positively influences the consumer's relationship intention with the company.

The regional particularities in MENA countries, their historical and political aspects resulted in a lack of basic services. Then, the inclusion of philanthropic actions as part of the CSR strategy could strongly impact consumers' behaviour. However, as previously stated by Becker-Olsen et al. (2006), the companies' philanthropic attitudes must have a direct relationship and consistency with the business organisations and objectives. Without

this consistency, the confidence of consumers will break, and CSR will become a liability for the company. Then for the philanthropic dimension, the company must carefully choose the initiative to foster; otherwise, this will compromise the consumer's motivation to purchase. In that context, we developed the following hypothesis:

H2: The philanthropic dimension positively influences the consumer's relationship intention with the company.

Beyond social commitment, the compliance to rules and regulations imposed by the government (legal dimension) also plays a strong role in the consumers' behaviour. Thus, it should be included as a vital activity for CSR strategy. In a previous study, Mohammed (2015) highlighted the importance of compliance to avoid companies being seen as incompetent. Another study, performed by Arli and Tjiptono (2014), showed that Indonesian consumers support companies with CSR that incorporate the legal philanthropic dimensions. For German and French consumers, Maignan (2001) identified the legal dimension as the most important for the purchasing of socially responsible products. Therefore, we hypothesised that:

H3: The legal dimension positively influences the consumer's relationship intention with the company.

Beyond the three dimensions, it is also important to consider the organisational dimension (welfare of employees) because it increases the motivation of the team. Vives (2006) performed with owners and managers study 1330 companies located in eight Latin American countries (Chile, Argentina, Colombia, El Salvador, Mexico, Peru, and Venezuela) and identified that CSR practices for employees are more relevant in small- and medium-sized enterprises. Additionally, Beckman, Colwell, and Cunningham (2009) showed that socially responsible companies in Chile are considered to be obliged to care for and develop the quality of life for their employee. Consequently, by identifying the sustainable practices that promote the self-image of the employees will result in more engagement and job satisfaction, more organisational commitments, and citizenship behaviour. Altogether might produce a positive impact on the company's client. Based on that, we considered the organisational dimension in our study and proposed the following hypothesis:

H4: The organisational dimension positively influences the consumer's relationship intention with the company.

In summary, consumers become more and more interested in company values rather than the products' price and quality. Therefore, the process of purchasing a product or service is the outcome of balancing the perceived benefits with the perceived sacrifices. The challenges begin when not all consumers perceive the same benefits. Therefore, it is necessary to know the consumers' intention to purchase, repurchase, recommend, and maintain a long-term relationship with the company (Wang et al., 2004). It is at that stage that a good CSR strategy will bring maximum benefits by increasing the consumer perception of benefits leading to a long-term relationship with the company.

#### 3. RESEARCH METHODOLOGY

This paper is distinguished by cross-sectional descriptive and quantitative analysis that has been carried out by primary data collection. Diverse customers make up the study population and the sampling methodology is non-probabilistic by usability, with a final survey of 1632 interviewees from eight MENA countries. An organised questionnaire is the tool of data collection. Among the different constructs already used to measure CSR (Luchs, Phipps, & Hill, 2015; Luo & Bhattacharya, 2006; Öberseder, Schlegelmilch, Murphy, & Gruber 2014), we chose Turker's (2009) four scale constructs, which checked and validated Carroll's (1991) measurements. With 21 questions, split into two sections, we organised the questionnaire. The first part consists of five constructs. The first construct is based on the relationship the customer with the organisation, which involves purchasing, feedbacks, and customers' loyalty. The second construct deals with philanthropy and accepted environmental affirmations and future generations. The third construct measures organisational issues, particularly challenges related to employees' needs and well-being. The fourth construct follows ethics and addresses issues related to consumer rights, product information,

and customer satisfaction. Lastly, the construct related to the legal issues such as compliance with deadlines, taxes, and payments. The scale used in the questionnaire contains five levels starting from "strongly disagree" to "strongly agree". We used structural equation modeling with a partial least square estimation in comparison to the data analysis methods, since the method is used to determine concomitant relations between the variables. By using a set of statistical data related to the variables that are not explicitly interpreted, the technique can measure the relations between variables (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014).

# 4. RESEARCH RESULTS AND DESCRIPTIVE ANALYSIS

Initially, the validation of the structural model of this report consisted of validating the data by means of confirmatory factor analysis, checking factor loads, convergent validity, and discriminant validity. By examining the factor loadings in each construct, as seen in Table 1, we interpreted that in their latent variables, the affirmatives obtained higher factor loadings, i.e., the factor loads were greater in their own construct than in other constructs, suggesting the convergent validity of the data (Hair et al., 2014).

Relationship Philanthropic Organisational No. Factor loadings Ethical Legal intention Consumer rights 0.81 0.30 0.39 0.47 Information on the product 0.24 0.85 0.32 0.50 0.42 Customer satisfaction 0.70 0.24 0.37 0.28 0.17 Environmental protection 0.28 0.78 0.25 0.42 0.61 Living conditions for future generations 0.82 0.17 0.45 0.63 0.51 0.28 0.81 0.25 0.45 Programs for the natural environment Sustainable growth for future generations 0.85 0.26 0.42 0.56 Non-governmental organisations and social problems 0.26 0.68 0.25 0.41 0.42 0.26 Promotion of social welfare 0.53 Voluntary activities 0.37 0.73 0.40 0.50 0.49 Importance of social responsibility 0.33 0.81 0.35 0.51 0.56 Compliance with deadlines, taxes, and payments 0.43 0.31 0.91 0.38 0.22 Compliance with legal issues 0.34 0.94 Skills and careers 0.36 0.57 0.32 0.77 0.40 Employees' needs
Employees' well-being 0.35 0.45 0.28 0.81 0.39 0.43 0.50 0.36 0.85 0.40 Fairness with employees 0.36 0.31 0.28 0.68 0.23 0.29 Additional education 0.42 0.35 0.35 0.70 Purchase and repurchase 0.20 0.86 0.57 0.21 0.38 20 Recommendation 0.25 0.25 0.65 0.42 0.91 21 Long-term relationship 0.26 0.59 0.22 0.39 0.84

**Table 1.** Factor loadings matrix

In this report, we examined the relationships proposed. Through the hypotheses test (Table 3), we were able to verify that the philanthropic, legal, and ethical dimensions attained significance, at the 1% level, to affect the intent of customer

relationships with CSR firms. According to the structural model, the organisational dimension-related structures did not have a significant impact on the purpose of the customer partnership with CSR-practicing firms. Thus, *H4* was rejected.

Table 2. Pearson's and Spearman's correlation matrices of the variables associated with CSR

Variable	Ethical	Philanthropic	Legal	Organisational	Relationship intention
Ethical		0.45**	0.20**	0.33*	0.28*
Philanthropic	0.38**		0.26**	0.61**	0.43**
Legal	0.55**	0.37*		0.31	0.33**
Organisational	0.52**	0.61**	0.42**		0.72**
Relationship intention	0.29**	0.71**	0.28**	0.48**	

Note: \*\*\*, \*\* and \* denote p-value is significant at the 1%, 5% and 10% level, respectively.

From these findings, we recognise that the rise in the knowledge that illustrates or confirms the good behaviour of MENA countries' firms, does impact the intention of customers to respond to firms that improve CSR by concentrating on the ethical factor (HI). This will suggest that investing, as a marketing move in this area will have the desired impact on the customer.

**Table 3.** Results of CSR on consumer's relationship intention

	Dependent variable		
	CRI	VIF	
Adjusted R <sup>2</sup>	42.3%	=	
Standard error	0.04	-	
Durbin-Watson	1.194	-	
F-value	7.263***	=	
No. of observations	1632	=	
Constant	2.791***	-	
Independent variables			
Ethical-relationship intention	11.421***	1.195	
Philanthropic- relationship intention	12.174***	2.598	
Legal-relationship intention	12.643***	1.515	
Organisational- relationship intention	2.724	1.387	

Note: \*\*\*, \*\* and \* denote p-value is significant at the 1%, 5% and 10% level, respectively.

This finding showed that also the philanthropic component is strongly correlated with the intention of the customer relationship with socially responsible companies that support H2. This finding confirms the research by Mahmood and Humphrey (2013) in which customers perceive various dimensions as they refer to socially responsible firms. This phenomenon can emerge because of political, economic, social, and cultural characteristics, such as the Kazakhstan study, where the philanthropic component was considered to be the most significant due to institutional and cultural peculiarities. Due to the cultural and social circumstances of the region, the findings of this study with customers in MENA countries can be supported because philanthropy has been present since the early 1940s through religious culture. Another explanation for considering the effect of the philanthropic, legal, and ethical dimensions factors on the decision of customers to have a business partnership is that customers prefer to support firms that develop activities relevant to these dimensions. The findings of this study point to the philanthropic, legal, and ethical dimensions components as means for businesses to build strategies. As a competitive advantage, they pursue The suggestion for firms is therefore to invest time and money on marketing strategies activities marketing that strengthen the philanthropic, legal, and ethical dimensions components, as they have been observed that these components seem to have a significant effect on the desire of the customer to respond to the firm.

#### 5. CONCLUSION

The aim of this study is to test the relationship between the dimensions of CSR and the MENA countries' consumer's intention to engage with corporate social responsibility. Via the modeling of structural equations, we find that the philanthropic, Legal, and ethical dimensions are positively related to the intended relationship construct.

The findings, therefore, indicate that issues preservation. associated with environmental improved economic circumstances, sustainable prosperity for future generations, the promotion of non-governmental organisations, the advancement of social equality, volunteer initiatives, and the diffusion of social obligation to society can be seen as affecting the interest of customers through CSR businesses. Part of this outcomes can be explained by the fact that philanthropy has been a common phenomenon in MENA countries for more than 60 years, because a variety of institutions, such as religious institutions, have already operated to address the social needs of the people because their role has not always been played by the governments. Thus, it is acknowledged that the view of the customer to socially responsible corporations will be influenced by learning about the philanthropic activities established by organisations, and that it is perceived by customers to be an alternative to the solution to social issues, which the governments do not addresses. Furthermore, we find that the customers surveyed appear to support businesses that contribute to CSR programs that can give them privileges or fulfill their personal interests, including initiatives aimed at enhancing the quality of living and protecting the environment in which they work. In another context, the customer may feel confident to recognise that they can contribute to the development of other people's well-being and improved quality of life when associated with businesses that establish philanthropic characteristic actions of the dimension. Finally, this study finds that even with a sample composed mostly of professionals who supposedly have experience of the subjects discussed, they apparently believe that they relate only to companies who establish philanthropic activities and do not consider other activities as something that can expand the consumer's interaction with the business.

Theoretically, this research contributed to the enhancement of the discussion raised by Ferreira et al. (2010) on the impact of CSR on customer purchase decisions and highlighted which CSR dimension is relevant in the purpose of the consumer's relationship with corporate social responsibility.

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## **APPENDIX**

Table A.1. CSR tested areas

Dimensions	Constructs	Subject	Indicators
Relationship	Relationship intention	Purchase recommendation long-term relationship	I will purchase more from socially responsible firms. I would suggest a socially responsible firm to my colleagues. I would like to maintain a close relationship with socially responsible firms for a longer period of time.
Corporate social responsibility	Philanthropic	Environmental protection	I prefer firms that engage in initiatives supporting and pursuing the preservation of the natural environment.
		Living conditions for future generations	I prefer firms that invest and look for opportunities for future generations to construct improved living conditions.
		Programs for the natural environment	To mitigate the unfavourable effect on the natural environment, I support firms that manage and enforce specialised programmes.
		Sustainable growth for future generations	I prefer firms that, for future generations, strive for sustainable development.
		Nongovernmental organisations and social problems	I recommend firms that support NGOs and act in areas of social issues with an emphasis on them.
		Promotion of social welfare	I recommend firms that commit to social welfare development initiatives and initiatives.
		Volunteer activities	I prefer firms that encourage employees to engage in voluntary services.
		Importance of social responsibility	I support firms that recognise the significance to society of social responsibility.
	Organisational	Skills and careers	I prefer firms that enable their employees to improve their skills and professions.
		Employee needs	I support firms where management is specifically concerned with their employees' needs.
		Employees' well-being	To encourage the well-being of and among their staff, I prefer firms that enforce flexible human resources policies.
		Justice with employees	I prefer firms that make their management decisions with their employees based on mutual respect.
		Additional education	I prefer companies where employees are supported to acquire additional education.
	Ethical	Consumer rights	I support firms that value and recognise that consumer regulation is beyond the product.
		Product information	I support firms that encourage and explicitly disclose to customers all details about their products.
		Customer satisfaction	As the most significant objective, I support firms that provide customer satisfaction.
	Legal	Compliance with deadlines, taxes, and payments	I prefer firms that usually meet their deadlines, taxes, and pay on time.
		Compliance with legal matters	I prefer firms that recognise compliance to both ethical and legal issues.