

# The Influence of Economic, Environmental, and Social Factors on Corporate Social Responsibility Participation in Retail Businesses in San Jose



Image by Sustainability (n.d)

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## INTRODUCTION

### Background

With the advent of the industrial revolution, capitalist markets and global consumerism have become a rooted social institution and a way of life for many (Working with our environment: an introduction, n.d.). Advances in technology and the discovery of efficient fuel sources has enabled corporations and businesses to produce goods for the masses. The rise of mass production has bred irresponsible practices, with the goal of obtaining incredible short term profits. Over the past two centuries, corporate activity has triggered (but is not limited to) pollution, resource overexploitation, habitat loss, and climate change exacerbation (Working with our environment: an introduction, n.d.). As a result, corporations have played an incredibly large part in anthropogenic climate change and environmental degradation, but yet, are disproportionately responsible for their operations. For instance, BP's deepwater oil spill of 2010 was estimated at some 62 billion USD, yet they only paid 20 billion USD in their settlement (Bomey, 2016). Driven by a capitalist market, corporations may neglect environmental concerns to pursue profits -- maximize revenue, and minimize costs.

Yet in the face of pressing economic bottom lines, there has been a steady rise in corporate social responsibility (CSR) (Ioannou & Serafeim, 2010). CSR's formal definition describes a corporation's initiative in assuming responsibility for its effects on people (the social aspect) and the environment. Mounting social pressures, like public perception of corporate image, are influencing (in part) the way corporations consider and adopt CSR (Medarevic, 2012). Even when presented with the growing weight of CSR, many corporations are a long way from sustainable operations. It can perhaps be attributed to the fact that there are challenging barriers

that complicate approaches to CSR strategies. CSR barriers are unique to their respective industries and business, perhaps explaining why many corporations still struggle to implement an effective working plan (Yuen & Lim, 2016). Despite the obstacles, it seems that an increasing number of corporations are acknowledging the benefits that CSR could garner in profitability and moral standing when considering competition within their respective industries.

Scholars have studied drivers of CSR and found that they are incredibly complex, extending beyond the confines of profitability and legislative restrictions (Ioannou & Serafeim, 2010). Certain institutional structures (legal and political systems), have been found to be influential in determining the strength of CSR (Ioannou & Serafeim, 2010). For example, in the macrocosm of a political institution in which a corporation may be founded in, the presence of a leftist party/ideals can influence a corporation's decision in becoming sustainable (Ioannou & Serafeim, 2010). Other components like legal systems, composition of the labor market (and type) also play some role in driving or regressing CSR presence (Ioannou & Serafeim, 2010). While these determinants are known, the extent of each factor's influence on CSR is not well known.

Despite the prevalence of scholarly interest in CSR, there is a lack of effort and knowledge that conjoins both empirical and theoretical conclusions regarding the increasing trend of CSR. If empirical and theoretical knowledge regarding corporate behavior and CSR could be synthesized, more effective and less costly sustainability strategies could be produced and implemented.

## LITERATURE REVIEW

In regards to CSR, the term consumers will be used to describe the “public” in a way that is relevant to the topic of CSR. CSR came about with the inception of sustainable development. Sustainable development, as defined by the Report of Brundtland Commission in 1987, means development that addresses only the needs of the current generation and not the needs of future generations (Deustch & Berényi, 2018). The foundations (more formally referred to as pillars) of sustainable development are social, economics, and environment. The “environmental” pillar, or sphere, has steadily gained recognition since then, as evident in the amount of large and small businesses acting on their responsibility to the planet. The CSR model seeks to mold responsibility into profitability rather than being a monetary burden (Barnett, 2011). Although acting responsibly and sustainably comes with a financial cost. This cost can deter businesses from implementing sustainable measures or continuing them due to failed experiments (Papagiannakis, Voudouris, & Liokas, 2014). Disheartened companies may cease, or scale down on CSR operations. Research is indicating that just implementing CSR may be not enough. Effective communication of a company’s image or brand name affects how consumers react to the presence of CSR (Turkel, Uzunoglu, Kaplan, & Vurnal, 2016). Furthermore, studies have revealed that companies acting responsibly may be able to capitalize off consumers’ heightened willingness-to-pay (WTP) in regards to environmentally responsible products and practices (Choi & Parsa, 2008).

Demographics within acting companies and the general public also play a role in CSR activity. Studies suggest that different groups of people (socioeconomic status, or ethnicity for instance) generally have different attitudes when it comes to the environment (Ciocirlan &

Petterson, 2012). An example of the aforementioned attitude is a pro-environmental attitude, where for instance, an individual may feel like they should be more conscious of their actions in relation to the environment (Prati, Albanesi, Pietrantonio, 2015). Such attitudes may be especially important in employees, as the demographic of a company can be pivotal in enacting or ignoring decisions to proceed with CSR related activities especially when there is a lack of regulating pressures like government legislation or a large stakeholder base (Papagiannakis & Lioukas, 2012).

The implementation of CSR has varied results on different business scenarios. Different product types may affect the efficacy of CSR. For instance, for certain luxury goods, CSR did not improve or degrade consumer opinion of a luxury brand (Young-Ju, Suk-Chul Park, & Jae-Woong, 2017). As well, industry type can prove to be an obstacle to sustainable performance. The energy sector struggles more so with issues of CSR due to its industry nature (Patari, Arminen, Tuppurä & Jantunen, 2014).

Institutional structures have been found to be a key factor in shaping both CSR and consumers (Ioannou & Serafeim, 2010). The significance of institutional structures seems to be consistent throughout different studies conducted on the same topic albeit at different scales, such as a country or a state (Ioannou & Serafeim, 2010; Papagiannakis, Voudouris, & Lioukas, 2014). (Deutsch & Berényi, 2018). Examples of institutional structures are legal systems, government types, and economic systems. (Ioannou & Serafeim, 2010). In regards to macro-level drivers of corporate social responsibility, there appears to be a consensus on the

importance of country-level factors in influencing how certain demographic groups perceive CSR (Deustch & Berényi, 2018; Ioannou & Serafeim, 2010).

CSR has become a growing solution to the singular, and circular nature of classical economic models. Studies regarding the topic have attempted to dissect and understand the role of CSR in the modern world. While a lot of research has been conducted on the big picture of CSR, smaller details seem to be amiss. The lack of knowledge regarding the degree of influence in relation to institutional pressures on smaller businesses should be addressed in future studies. (Testa, Gusmerottia, Corsini, Psssetti, & Iraldo, 2016). This research proposal will attempt to fill the gap on a smaller scale. It will seek to identify prevailing factors (i.e, economic, environmental, social) that drive corporate social responsibility in retail businesses.

## **METHODS**

### **Hypotheses/Research Questions**

To what extent do economic, environmental, and social factors drive Corporate Social Responsibility participation?

### **Study Area and/or Study Population/Unit of Analysis**

The study area will reside within the city of San Jose. The population of San Jose remains just a little over a million as of 2010 (City of San Jose Race/Ethnic Group Majority\*, by Census Tract\*\*, n.d.). Approximately 33.2% are hispanic, 31.7% are Asian, and 28.1% are Caucasian (QuickFacts, n.d.).

### **Study Design**

The field research for this study will be conducted early March this year. The data collection period will span two weeks. The independent variables are economic, social, and environmental factors. The dependent variable is corporate social responsibility participation. Corporate social responsibility participation will be measured by its qualitative frequency in data analysis. The study will employ purposive sampling. Ten businesses with a retail storefront will be sampled within the designated study area. Purposive sampling enables a homogenous sample pool (similar business types, modes of sale). While random sampling may include businesses that value corporate social responsibility to a different extent (far more or not at all).

### **Data Collection Procedures**

10 in-person interviews will be conducted with business owners or managers, each lasting 30 minutes. The interviews will have a semi-structured format (Mzembe, Lindgreen, Maon, & Vanhamme, 2016). The interviewees will be briefed with the purpose and background of the study before the questions are asked (Mzembe, Lindgreen, Maon, & Vanhamme, 2016). Open-ended questions will be issued to allow the interviewees freedom of response regarding the topic (Mzembe, Lindgreen, Maon, & Vanhamme, 2016). For instance, what motivates your company to practice CSR? Or, what do you think are the benefits to CSR?

### **Data Analysis**

Qualitative data analysis method(s) will be used to make sense of the information gleaned from the interviews. A grounded-theory-type analysis will be employed in order to develop a theory or explanation of the relationships and occurrences in the study (Sauro, 2015).

Specifically, open and axial coding techniques will help organize patterns and themes from the interviews (Mzembe, Lindgreen, Maon, & Vanhamme, 2016).

## Results

Interview question 1: What motivates you to practice CSR?

Open Code	Properties	Quotes
Moral obligation to others	<ul style="list-style-type: none"> <li>-Doing the right thing means doing good for others</li> <li>-Practicing environmental, social consciousness</li> <li>-Feeling the need to translate moral value into action</li> </ul>	<p>“I guess it’s based on each individual business owner’s own sense of what is morally necessary, I’m sure there’s plenty of people that feel that there’s no impulse to give back to anyone else”</p> <p>“We do it because it’s the right thing to do. We source from fair trade, think of best quality, and the environment.”</p>
Building relationships	<ul style="list-style-type: none"> <li>-Community involvement, volunteering self/business in some way</li> <li>-Building rapport with customers, taking pride in it</li> </ul>	<p>“My wife is involved in community service, so that inspired me to give back as well.”</p> <p>“Longevity, purpose, and not only drive sales but help out local community”</p> <p>“That’s one thing I take great pride in, is the relationships I build with my customers”.</p> <p>“I majored in zoology, so I know all about eco, env, so I’m all for using green products and sustainable things when we’re able to”</p>



Interview question 2: What are the benefits to CSR?

Open Code	Properties	Quotes
Forming a unique business brand	<ul style="list-style-type: none"> <li>-Creating an attractive business model</li> <li>-Wanting to convey one's values, beliefs, culture through trade</li> <li>-Desiring to be acknowledged in a certain way</li> </ul>	<p>"When I first created the concept, it was more of an either you get it or you don't. When you walk into pizza my heart, you don't feel a connection. ... I wanted to, kind of like have a venue in which we felt like this is San Jose, this is the culture".</p> <p>"With small businesses, there's less eyes, less obligation to do these things, but it really comes down to the business owner's vision of their brand and how they want it to be perceived by the public"</p>
Supporting employee well-being	<ul style="list-style-type: none"> <li>- Paying a living wage</li> <li>- Treating employees with respect</li> <li>- Less turn over</li> <li>- Happy employees translate to happy customers</li> </ul>	<p>"If we are making a living making coffee, then we want our employees to be able to make a living making coffee too"</p> <p>"Everyone here is family, the old dudes and the young. It doesn't feel like a corporation because we treat our employees like family."</p> <p>"We take good care of our employees."</p>

Interview question 3: What are challenges to CSR?

Open Code	Properties	Quotes
Opting for environmental benefits over economic benefits	<ul style="list-style-type: none"> <li>-Externalizing packaging costs</li> <li>-Seeking long-term sustainability</li> <li>-Being ok with lessened economic gains</li> </ul>	<p>"The compostables cost twice as much, but we decided to get into it anyway"... "we want to eventually get to zero waste by the end of this year"</p>

		<p>“It’s triple the price of using plastic, but that’s something we’re ok with. In the long run, we want to continue using it, but prices might go up in the future to absorb that cost”</p> <p>“We just raised the price and adjusted it accordingly. It’s the law, and it’s environmental”.”</p>
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### **Limitations**

Due to time restraints, only a small number of samples can be taken for the study. Grounded theory studies generally require 20-60 samples (Sauro, 2015). The study will only involve 10 samples, so certain relationships or patterns that arise may not be as reliable or strong. Any conclusion drawn in regards to this data will have to take the small sample size into consideration.

As well, it may be hard to avoid bias in formatting the semi-structured interviews. By giving the purpose and background of the study, interviewees may feel obligated to relate their answers to the topic, or alter their responses to inform the study (consciously or unconsciously). The questions itself will have to be worded carefully to avoid leading the interviewees, but this may be unavoidable for certain questions.

The study only pertains to businesses with a retail storefront. There are also businesses that operate without a retail storefront, such as online retailers. Businesses with a retail storefront may have differing obstacles as compared to online businesses. It would be difficult to make a

generalization regarding corporate social responsibility for all businesses using only data taken from corporations with a physical selling location.

## **Conclusion**

While socioeconomic or ethnic backgrounds may play some role in determining people's environmental attitudes, it is the nature of their upbringings that may be most influential in driving sustainability advocacy. Every individual's upbringing is infinitely unique, no amalgamation of education, relationships, culture, and experiences ever being identical. Despite this, there are resounding similarities that many small business owners appear to share with each other; a strong sense of morality, community-orientation, and a burning desire to convey individuality. We should seek to understand how despite having different backgrounds, people can come to have the same desire to put forth their best foot to champion their community and the environment.

## **Recommendations for future research**

Future studies should invest more in an interdisciplinary approach to research. Reach beyond traditional environmental studies subjects like economics, and statistics. Consider anthropology and psychology, to better understand the human perspective in the relationship between the environment and humankind.

As well, those interested in the effect of social institutions on environmental behaviors and attitudes should scale down. Explore factors that craft a pro-environmental attitude at the personal level -- understand narratives of diverse groups of people to form theories on why they do what they do. In particular, understanding how upbringings influences the extent to which an

individual cares about the environment and people has great implications on improving sustainability outreach campaigns in the future.

## APPENDICES

### Timeline

	January	February	March	April	May
Project Idea and Background					
Conduct Literature Review					
Expert Interview					
Draft Research Methods					
Research Methods Proposal					
Data Collection (Interviews)					
Data Analysis					
Final Research Proposal					

### Budget

Item description	Quantity	Cost (USD)
Transportation (personal vehicle)	100mi	\$60.00
Microsoft Excel	1	\$0
Microsoft Word	1	\$0.00
Clipper Card	1	\$25

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