

Corporate Social Responsibility: Taking an Economic, Psychological, and Data-Oriented Approach to Understanding Its Value

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-----ABSTRACT-----

Research in the past has identified several frameworks associated with Corporate Social Responsibility (CSR) and suggested that there may be a correlation between a corporation's CSR activities and consumer behavior. This paper explores the concept of CSR through an economic and psychological lens by diving deeper into the theoretical aspects of CSR and conducting case studies of global companies across various industries. Economic graphs are first drawn to explain how CSR revolves around the concept of externalities and deadweight loss. By developing a 3-step psychological framework, the paper highlights how CSR can influence customer perception of a brand in both the short and long term. Using company annual reports, it is analyzed how a company's growth could've been impacted by the implementation of CSR policies – these efforts are connected back to economic and psychology theory. In the case studies, the specific activities led by companies are further elaborated on, so readers can develop a well-rounded understanding of what CSR can look like globally. Additionally, a survey is conducted to collect primary data regarding CSR influence on Generation Z customers. The results are analyzed in this research, again taking into account both psychological and economic perspectives. The author analyzed that CSR can be looked at as an opportunity for organizations to “internalize their externalities” as well as a way to gain the attention of a target market. It was also discovered that Gen Z may not have a clear understanding of what CSR truly is; as a result, businesses should discuss their CSR activities in depth in order to attract Gen Z. This paper can serve as a resource for decision-making for organizations who are involved or intend to participate in CSR efforts.

Key Words

Corporate Social Responsibility (CSR), Customer Perception, Negative Externalities, Green GDP, Gen Z

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I. Introduction

Corporate Social Responsibility (CSR) involves the actions, policies, and values a firm follows to benefit society as a whole. Although the term CSR was first introduced in the 1970s, it has only begun to take a large role in a business's strategic plan in recent years. Younger generations, especially Gen Z, have been known to prefer and recommend socially responsible brands. This paper explores how CSR influences customer perception about an organization and analyzes multinational companies to see whether there is a link, or correlation, between increasing CSR efforts and positive customer behavior, particularly among Gen Z.

Corporate Social Responsibility

CSR involves the actions, policies, and values an organization follows to benefit society as a whole. Companies that incorporate CSR into their strategies are not focused on making a profit, but are rather motivated to make the world a better place in some way. These firms want to satisfy all their stakeholders, whether it is the government, the public, or their customers, in some way (Reckmann). At the end of the day, CSR efforts are geared toward building a more sustainable Earth through economic, social, or environmental initiatives.

Customer Perception

Customer perception refers to how a customer views (his/her beliefs and opinions) an organization as a whole, taking into account the organization's values, actions, reviews, and brand identity (logo, slogan, etc.). The customer's experiences with the company (ex. product quality, customer service, etc.) also influence customer perception (“What is Customer Perception”). Firms want customers to have a positive perception of their brand because it increases customer loyalty (not to mention customer lifetime value) and improves brand reputation (eventually resulting in higher WOM).

Negative Externalities

Negative externalities occur when the production or consumption of something leads to an “unnecessary” cost for a third party (spillover effect). Looking at it from an economic perspective, the marginal private cost for the organization plus the external cost (the result of the negative externality) leads to a marginal social cost (the impact on everyone) — the externality also causes deadweight loss, and thus inefficiencies result in the market. Most times the government has to use taxation to reduce these externalities; however, the key ideology behind CSR is to minimize these negative externalities in the long run.

Green GDP

Green Gross Domestic Product is an index for economic growth that takes into account a country’s environmental factors in addition to the regular GDP. To put it simply, green GDP involves the standard GDP of a country with regard to the environmental damage done. It is a global indicator of how sustainable, or eco-friendly, a country is and a good measure to see how a country is growing in terms of environmental protection. One of the benefits of having organizations involved in CSR activities in a country is the increase in Green GDP; by minimizing these negative environment-related externalities (pollution, deforestation, etc.), CSR activities improve Green GDP.

Gen Z

Gen Z is a group of people who were born between 1997 and 2012 (Meuola).

With over 68 million Gen Z currently in the US, Gen Z represents an integral part of the current and future US. They are known for being digital-savvy and being inclined towards companies that follow CSR practices – they like institutions with well-defined purposes (eco-friendly, community support, etc.). Simply, Gen Z considers how a firm functions for more than making a profit.

Relevance of the topic

As the incorporation of CSR activities grows in the upcoming years globally (when Gen Z becomes an even bigger portion of the population), it is critical to understand whether CSR activities truly affect how Gen Z views a company. Although most organizations assume that there is a link between CSR policies and positive consumer behavior, not much research has been done on this topic, especially post-covid. There is also limited research that has been conducted on how the economic concept of negative externalities influences CSR efforts. As businesses begin to think from an economic standpoint, they must consider the notion of negative externalities and analyze what “side-effects” their operations have on their local communities. Green GDP – a critical measurement tool for CSR – has also not been thoroughly researched, especially in a business context; as governments and organizations advocate for cleaner, eco-friendly societies, it is important that they consider Green GDP.

II. Literature Review

Lindgreen, A.tal (2009) explores various CSR frameworks in the paper “Designing and Implementing Corporate Social Responsibility: An Integrative Framework Grounded in Theory & Practice,” with an emphasis on stakeholders and CSR development/implementation. The paper revolves around how certain frameworks look at CSR definition, CSR integration, and CSR relevance to stakeholders. The authors formulate their own 9-step framework, with a particular focus on assessment, definition, and stakeholder satisfaction. They conclude by discussing how organizations can apply their framework in business strategies.

Sen, S. A.tal (2001) explores how consumers react (in terms of consumer perception of a company and consumer willingness to buy a product) after the incorporation of CSR efforts in the paper “Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility.” The authors discuss how researchers in the past have focused only on the positive association between CSR efforts and brand appeal; but now, research (like this study) is being done to see the behavioral effects of CSR on consumers and employers. They share a framework with a key element of C-C identification. Based on the results of the study, the authors conclude that CSR has a positive effect for the most part, but also shockingly find that, under certain conditions, CSR efforts can decrease customer intentions of buying a company’s products.

Matten, D. A.tal (2008) explores the concepts of explicit and implicit CSR efforts, along with the key differences (and causes for those differences) between the CSR efforts of organizations in the USA and Europe in the paper “ “Implicit” and “Explicit” CSR: A Conceptual Framework for a Comparative Understanding to Corporate Social Responsibility.” They discuss theoretical approaches to CSR, with a focus on market management; then, the topic shifts to the differences between implicit and explicit CSR, in addition to why the Europe CSR effort was more implicit initially. The authors elaborate on why CSR is working and how explicit CSR is expanding to Europe (and internationally).

Mackey, A. A. et al. (2007) explores the relationships between investors, market value, and CSR in the paper “Corporate Social Responsibility and Firm Performance: Investor Preferences and Corporate Strategies.” They discuss the concepts of firm performance, CSR, cash flow, and market efficiency. Then, the authors focus on the difference between wealth-maximizing investors and socially conscious investors by formulating multiple equations. They then elaborate on CSR supply and demand and how investing is impacted. They conclude that when demand for CSR is greater than supply, a firm can gain economic value for CSR activities; however, if the supply for CSR exceeds demand, then CSR can also reduce the market share in the long run.

Lichtenstein, D. et al. (2004) explores the associations between CSR, corporate benefits, and third-party (nonprofit) benefits in the paper “The Effect of Corporate Social Responsibility on Customer Donations to Corporate-Supported Nonprofits.” They discuss the growth of CSR and their hypotheses (CSR results in higher C-C identification, which in turn leads to higher customer support for the company, and then higher support for the supporting nonprofits). They conduct research and studies, coming to the conclusion that CSR does lead to increased corporate benefits, and sometimes leads to increased nonprofit donations; however, when companies have weaker CSR policies, customers feel more “inclined” to donate (they have the motivation because they desire better CSR efforts).

Brown, T. A. et al. (1997) explores the influence of corporate association (CSR and Corporate Ability) efforts on corporation and product evaluations in the paper “The Company and the Product: Corporate Associations and Consumer Product Responses.” They discuss how research in the past has left marketing managers confused, and that CA involves how well a product/service is made/delivered while CSR focuses on a more social responsibility angle. They share the logistics of three studies and conclude that CSR does improve a corporation's perception in customers and customer responses to new products. In the long run, it is emphasized that CSR will build brand image, thus product image, and eventually increase revenue (then profits).

Lacey, R. A. et al. (2010) explores how CSR efforts play a role in customer relationships, particularly in commitment, trust, and relationship intensity/magnitude in the paper “Longitudinal effects of corporate social responsibility on customer relationships.” They discuss their hypotheses, including how CSR will strengthen trust, and that trust will intensify over time, which will strengthen commitment, which will also intensify over time – finally, customer purchase behavior will intensify and the customer will follow the firm's performance. Based on the studies conducted, the authors conclude that CSR's influence strengthens in a positive way over time. Finally, they assert that CSR should be looked at as a corporate strategy and not as a separate entity.

Objectives

Based on the review of the literature, it is evident that although there is some research suggesting that CSR policies result in positive consumer behavior, there has not been much research done on how CSR in multinational companies affect Gen Z.

The key objectives of this study are:

- Using economic and behavioral theory, be able to establish a clear definition and explain the origins of CSR.
- Analyzing the CSR efforts of multinational companies, each in different industries, to see how growth was impacted, if it was, after CSR implementation (in various countries).
- Using primary and secondary data, conclude whether there is an association between CSR efforts and customer perception among Gen Z in multinational companies

Based on the key objectives, the guiding research question is: *What is the association, if any, between CSR activities in multinational corporations and consumer perception among Gen Z?*

III. Methodology

First, we start by analyzing economic and psychological theory to determine both the economic nuances and the psychological frameworks necessary to understanding the foundational aspects of Corporate Social Responsibility. We look at an economic graph and expose ourselves to common consumer behavior – or psychology – terms that are relevant in this research.

Next, using company annual reports, as well as research online, we conduct case studies of four multinational companies and their CSR efforts in various countries. We conduct some quantitative analysis to determine the change in profit, sales, and growth over years.

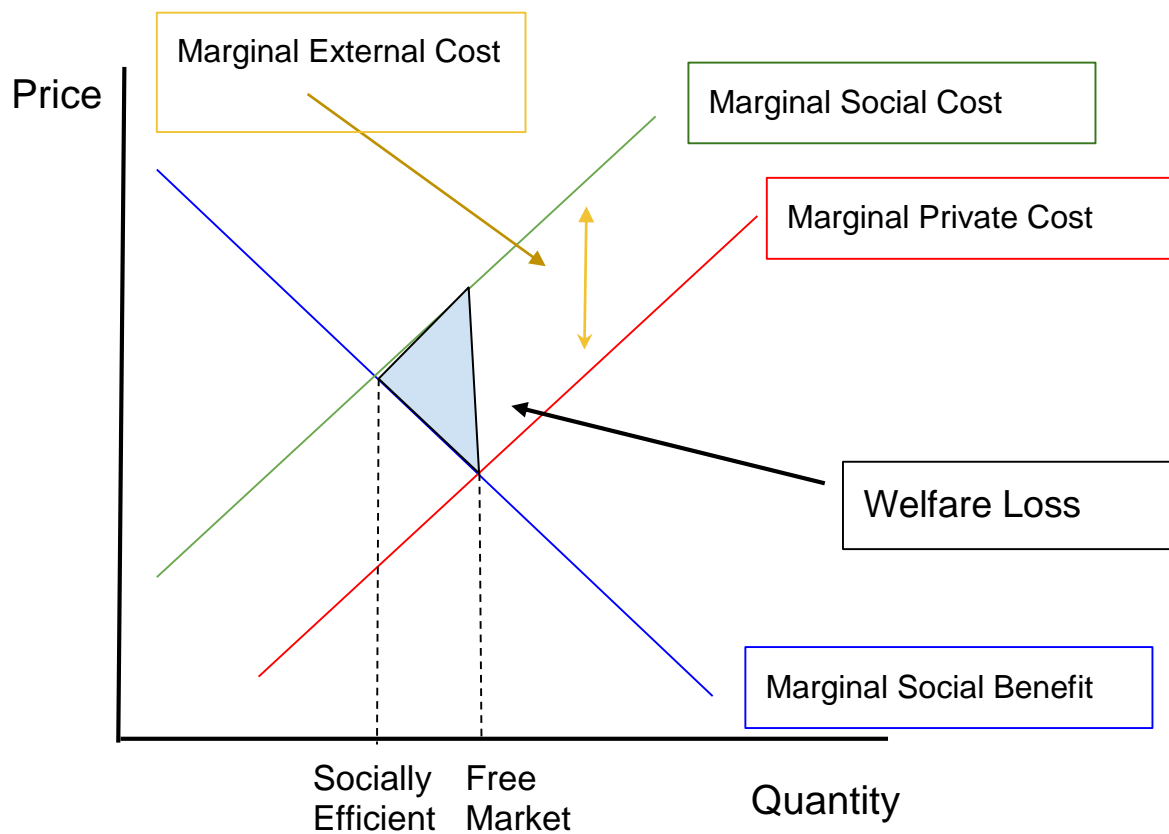
Lastly, we use a survey sent out to Gen Z participants to conduct data analysis of both Gen Z's knowledge of CSR, as well as how they can be influenced by CSR efforts. The data was collected with the consent of the surveyors and their responses remained anonymous. We utilize both quantitative and qualitative data in our analysis.

CSR – Basic Theory

Economic Theory

Corporate social responsibility is derived from the basic microeconomic concept of *negative externalities* (as defined earlier). When multinational companies similar to the ones we will be analyzing in our case studies expand to developing countries, they tend to “exploit” the cheap labor force and focus on building a reputation/profit maximization; at least in the initial stages, these companies rarely consider the negative externalities they are imposing upon the people, environment, and socioeconomic culture (for example, the production of a factory might bring the negative externality of pollution to people who live nearby). These negative externalities constitute an external cost that moves the supply curve (or marginal private cost curve) to the left, which results in a *market failure* (along with a *welfare loss*) because the firm does not produce at the *socially optimal* point where marginal private cost equals marginal private benefit, but rather at the point where marginal *social* cost equals marginal private benefit (as seen in the figure below).

Negative Externalities - Graphical Representation



Usually, in the beginning, customers do not notice the negative externalities being omitted as they are focused on trying out the products (the initial “excitement”). However, over time, customers start thinking about how a company is affecting their surroundings and that is where the concept of CSR comes in. The “ultimate motive” of CSR activities is to minimize and control the effects of negative externalities.

Customer Behavior Theory

Understanding the key elements of customer behavior is essential in analyzing why a firm participates in CSR efforts. There is very little published psychological research conducted on whether being active in CSR activities causes consumers to gain a positive perception of a company – that is what we will attempt to uncover by analyzing the correlation between CSR and consumer perception.

Firms use *publicity and PR* to inform stakeholders regarding CSR policies; the end goal is to articulate the efforts so that stakeholders view the company as ethical and humanitarian (“we aren’t here for money; rather, we want to make the world better for each of you”). Customer perception involves three stages: exposure,

attention, interpretation. When customers are *exposed* to a company’s CSR efforts (especially if it relates to an issue they are passionate about), their *attention* is caught; then, they *interpret* the efforts on their own, thinking about whether they believe in the cause and how impactful the firm’s activities are. Perception also revolves around the utilization of the human senses – when customers *hear* about CSR activities, *see* CSR activities, and participate (*touch*) in CSR activities, they are “building” an image of the brand in their minds.

At the end of the day, a company is attempting to build value and gain commitment from clients – if CSR activities can help do these two things, then it makes sense for firms to be CSR-proactive, right?

Case Studies

Nike

Nike, a global sports shoes and apparel brand, is well-known for its mission to “bring inspiration and innovation to every athlete in the world” and its slogan “Just do it.” Nike’s brand identity and its clever, unique, changing designs give it a competitive edge that is difficult to beat. With over 1,000 stores across 170 countries, Nike is truly one of the leading multinational firms in the clothing industry.

In 2019, Nike launched a “Boundless Girls” initiative as a part of their CSR strategy to promote sports participation among women in China. The goal is to break down the barriers for women to play the sports they love – working with the China Youth Development Foundation and reaching over 20,000 girls over the course of two years, Nike has found success with this CSR effort while even benefitting the Chinese people (NIKE, Inc.).

The benefits of these CSR efforts extended into Nike’s growth and earnings. In Greater China, from 2018 to 2019, Nike’s earnings grew by over 30%, with over a 25% increase in footwear revenue. This increase was much higher than in the past; between 2017 and 2018,

Nike’s earnings only grew by 20%, and between 2016 and 2017, the increase was only 10% (NIKE, Inc.). It can be inferred that the “hype” around the CSR efforts must have been one of the factors that contributed to the drastic increase in Nike’s China earnings in 2019.

Years	Earning Growth
2016-2017	10%
2017-2018	20%
2018-2019	31%

Nike partnered with several recognized Chinese women athletes to bring *publicity* to this initiative; for instance, they worked with Cecilia Yeung, a high jumper from Hong Kong, who brought awareness to this cause (Atkin) . When women in China would have been *exposed* to this effort by Nike through these influencers, their *attention* would most likely have been caught – this cause is relatable to them. After researching, or *interpreting*, about this initiative, Chinese women would feel encouraged to play sports – not to mention that the first company they would think of when buying sports apparel is Nike.

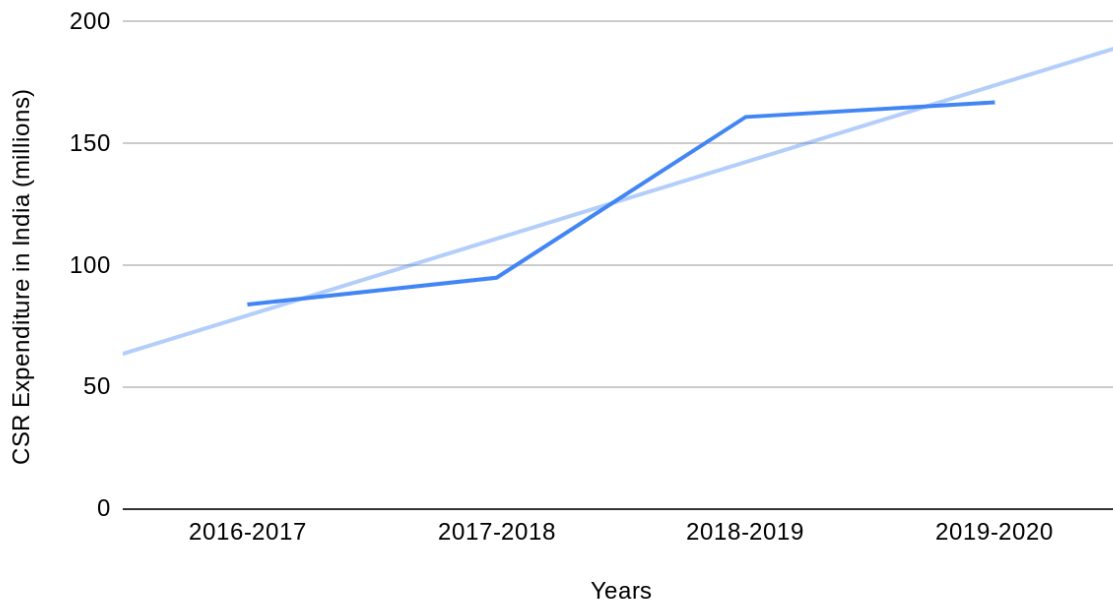
Apple

Apple – most known for its iPhone and iMac – is an international technology company that completely disrupted the technology market in the 1980s when it launched the Apple I. With its recent launches of the Apple Watch and the Apple Tag, Apple is slowly taking over the technology sector, especially in the United States. Apple’s slogan – “think different” – reflects how the company focuses on differentiating itself from other brands.

In India, Apple, at least until 2020 focused its CSR efforts on supporting Barefoot College by providing electricity through sustainable solar energy, promoting child education, and unlocking women’s potential. Apple expanded this effort to over 10 Indian cities. Additionally,

Apple assisted the Akanksha Foundation in helping provide low-income communities with education; they provided financial support and resources to teachers and schools to empower academic excellence. It is also important to note that, over the course of 2016-2020, Apple increased its expenditures on CSR efforts in India from INR 84,000,000 to 95,000,000 to 161,000,000 to 167,000,000 (Apple India Private Limited).

CSR Expenditure in India (millions) vs. Years



The benefits of supporting these nonprofit organizations and the investment of more capital into Indian society grew into Apple's net profit in India. The average net profit for FY 2014-15, FY 2015-16, and FY 2016-17 was INR 3,351,114,435. Two years later, the average net profit for FY 2015-16, FY 2016-17, FY 2017-18 almost tripled to INR 8,062,682,932 (Apple India Private Limited). Again, although there is no direct evidence to suggest that the CSR efforts are what *caused* this change in profit, it can be inferred that the news of Apple's CSR efforts most likely was one of the factors that influenced an Indian customer's perception of the company, thus positively impacting profit.

Not only did these efforts help Apple financially, but they also raised brand awareness of the company in India. For instance, Apple had their Vice President Lisa Jackson visit the Barefoot College; such an influential member of Apple visiting India meant a lot to the Indian people, and the news spread (Miller). The initiative was *publicized* and Apple gained the *attention* of the Indian population. When people are *exposed* to such projects, word-of-mouth spreads quickly. Moreover, although Apple was helping the rural community (aka the Barefoot College), it created several long-term customers and a new segment market; the kids who will eventually pass school from the Barefoot College and go on to study in college (and then work) will most likely use Apple products; they have been *exposed* to the brand and have been helped by it as well (therefore gaining a positive perception of it).

H&M

Hennes & Mauritz, more popularly known as H&M, is a Swedish clothing company recognized across the globe. With a presence in over 70 geographic markets and 4000+ stores, H&M is a leading company in the fashion world. H&M revolves around the idea of "fast fashion," meaning that it loves to mass-produce the most trendy clothes.

In early January of 2018, H&M made a grave mistake by featuring a black child who was wearing a hoodie that had the slogan "Coolest monkey in the jungle." Consumers erupted in anger, along with celebrities and influencers; everyone was disappointed and shocked at H&M's racial advertising. For example, Canadian Singer The Weeknd noted that he would not continue working with H&M (Thomas). H&M apologized on social media and their crisis management team did attempt to resolve the issue by discontinuing its sales in the US. Shortly later, they hired a "Global Leader for Diversity and Inclusiveness" to reiterate their commitment to combating racism; they wanted to let everyone know that they had committed a mistake and were taking action to make sure it did not occur again. Additionally, H&M started a new training program for its employees called "Layers," where teams come together and discuss different biases and perspectives to gain appreciation and understanding of the concept of diversity and inclusion (Asare).

H&M did initially suffer financially from the crisis, but their CSR efforts after the incident did help them recover. Between the end of the fiscal years in 2016 and 2017 respectively, H&M increased sales in the US by 8% SEK. However, in the fiscal years between 2017 and 2018 (the incident occurred in this period), H&M was only able to increase sales in the US by 7% SEK. Then, in the fiscal years between 2018 and 2019, H&M increased sales in the US by 14% SEK and then 28% SEK in the fiscal years between 2020 and 2021 (H&M Hennes & Mauritz AB). Therefore, although there is no clear evidence to suggest that the incident *caused* a decrease in growth and that the CSR activities following it *caused* an increase in growth, it can be said that this crisis could have played a role in these financial “shifts.”

In this case, H&M did somewhat cause a negative externality – they were indirectly spreading awareness for a racist cause. Although negative externalities typically refer to tangible things, such as deforestation, this incident was also a form of such externality. People were hurt and it was an (unnecessary) negative move. It clearly did change people’s *perception* towards the company for some time, as evident through major influencers dropping out of their contracts and the outrage on social media. H&M had to rebuild itself by *publicizing* its apologies and actions being taken; it had to regain *attention* (good attention) and had to *expose* people to its efforts.

SafariCom

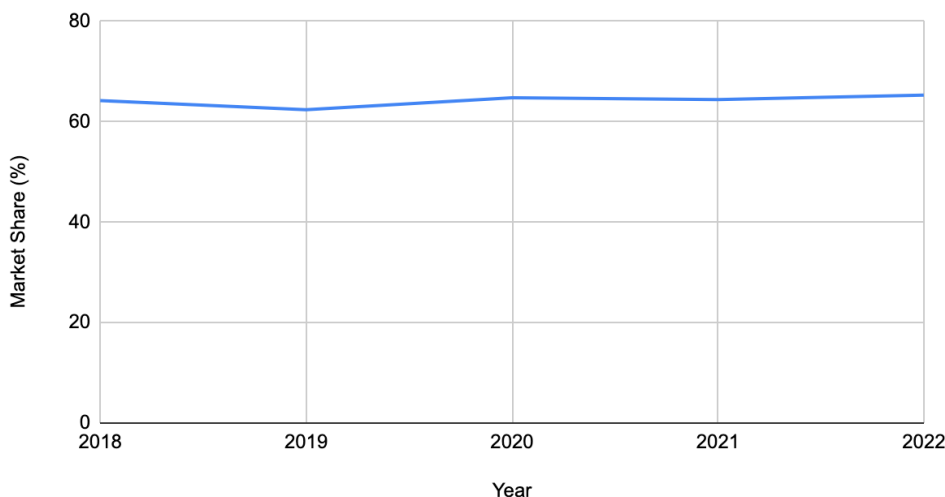
SafariCom is a top-tier telecommunications company based in Kenya, Africa. Officially launched in 2000, this company is reputed for its purpose “Transforming Lives.” With a one-of-a-kind commitment to sustainability, community service, and innovation, SafariCom has seen immense growth and capture of market share in the past years. They have innovated world-class bank transfer machines and have been one of the first 5G providers in East Africa.

From day one, SafariCom has been a strong CSR practitioner. They have expanded their CSR efforts as they have grown. For example, in 2018, they had a 47-in-1 initiative to help sponsor computer labs in several schools across Kenya; similarly, they had a chapa dimba na Safaricom Football Tournament that gave the chance for young and talented football players to compete for prizes and training opportunities. Keeping CSR at the forefront, in 2020, they built a solution with M-GAS which gives low-income households the opportunity to buy petrol on a prepaid basis, using micro-payments on M-PESA. They also partnered with DigiFarm, through which they can help smallholding farmers with access to information regarding markets/prices, micro-finance advice, and discounted farm inputs (SafariCom). Clearly, the company revolves around CSR.

These CSR efforts may have helped with the stability and power SafariCom has in the Kenyan telecommunications industry. From 2018-2022, SafariCom has captured (and maintained) more than 60% of the market share (in terms of % subscribers - shown below). Capturing 60% of the market is a big deal and quite difficult to maintain in today’s competitive markets (SafariCom). Although no direct correlation can be guaranteed between these CSR activities and SafariCom’s stability, it is quite possible that SafariCom’s social efforts are helping it gain a competitive edge in the market.

By limiting its *negative externalities* and providing its community with *positive externalities*, SafariCom is most likely building a reputable, recognized brand. When customers are *exposed* to these efforts, whether they see it live or are part of it, their *perception* of the company changes for the better. SafariCom’s stable, but strong market share could possibly be attributed to how its customers *interpret* the company’s values; they see the firm’s vision as inspirational and positive to their community.

SafariCom Year Vs Market Share



Data Collection

For primary data collection, an online questionnaire was formed and circulated amongst the target audience – Gen Zers in between the ages of 15-20 years old – to further analyze how CSR activities influence customer decision-making. 100% of survey participants were students and had minimal to no monthly incomes.

The table below displays the results:

Question	Percent that said “yes”	Percent that said “no”
Do you know what corporate social responsibility is?	62.9%	37.1%
Do you usually research whether a company is socially responsible before buying a product/service?	17.1%	74.3%
Is your decision to make a purchase influenced by "Corporate Social Responsibility" efforts?	28.6%	60%
Imagine you need to buy a pair of shoes. There is company A, that is involved in your community by supporting the local food bank and by using eco-friendly materials. However, a pair of shoes is \$24.99. There is a company B, that does not do these "community" activities, but is selling the shoes for \$20.99. What company do you buy from?	50.3% (Company A)	37.1% (Company B)
Have you ever participated/attended a company's corporate social responsibility event?	20%	68.6%

*Kapoor, Palash: “What Do You Think? A Quick Survey.”

Based on this data, it appears that most Gen Zers know the basic definition of CSR. When asked to “describe in a few words what a “corporate social responsibility” effort looks like to you,” some of the common answers included phrases such as:

“Ensuring fair treatment to the workers of the company, its subsidiaries, and suppliers. Fair trade policies. Efforts to host volunteer events, food drives, charity work, etc.”
“Something that a company does to be more eco-friendly, sustainable and/or being supportive and inclusive of different communities”
“Donations with purchases, inclusion/diversity, helping the environment with reduced impact or such.”
“Working for something greater than just making money... working to help society as a whole.”
“Not just valuing achieving the bottom line but the double bottom line in most/all ventures they pursue. Basically not prioritizing profit over the well-being of other people and the environment.”

*Kapoor, Palash: “What Do You Think? A Quick Survey.”

However, the data reveals that these Gen Z students do not research or get influenced by CSR efforts – it doesn’t seem to be too important in their decision-making process. Although a small portion does consider CSR, the majority doesn’t factor it much into their purchasing decisions.

Notably, 67% of those who answered “yes” to researching a company’s CSR efforts also said “yes” to the question regarding whether their purchasing decisions are influenced by CSR. Conversely, 73% who said they don’t research CSR efforts noted that their purchasing decisions were not influenced by CSR.

Evidently, there is a correlation between researching CSR efforts and utilizing them in your purchase decisions. This result appears to be intuitive and logical from a psychological perspective; those whose perception of a brand is affected by CSR will conduct such research and incorporate it into their decisions.

Similarly, it seems that most Gen Zers have not been involved in a company’s CSR event, perhaps because they haven’t had the opportunity to do so or possibly because they have not been made aware of any such experiences. Importantly, 32% of those who knew what CSR was had participated in a company’s CSR event;

although we can't determine a cause-effect relationship, it can be said that going to a CSR event could help develop an understanding of what CSR is.

Only 43% of those who were involved in a company's CSR event shared that their decisions were influenced by CSR. It is possible that students have attended CSR events because of their parents' work or through volunteer organizations they are involved in, but still don't prioritize CSR in their research process.

Perhaps because many students are on relatively low incomes, they might be prioritizing "prices" when it comes to making a purchase – their main priority may be finding the cheapest price possible when comparing several products.

Interestingly, when students were given a hypothetical scenario in which they had to choose between Company A – which was involved in CSR activities but had a higher price – vs Company B – which wasn't involved in such efforts but had a lower price – more participants chose Company A.

This result could be attributed to a phenomenon called "Psychology of choices." Perhaps the participants felt that – when given these options – the "better" answer would be to choose company A (there might even be some response bias involved). They may have quickly skimmed over the question and been "overwhelmed" by the options, and thus chose the one that seemed more "socially acceptable" (in contrast to their other responses, which didn't have these hypothetical element).

On the other hand, it may have been possible that students "knew" in their subconscious minds that they want to support companies that help communities, but don't truly understand the true definition of CSR or what it looks like. It is difficult to make a judgment in this case.

Conclusion

Through the use of a plethora of psychological and economic frameworks, we were able to develop an economically justifiable and coherent definition of Corporate Social responsibility.

From an economic standpoint, we were able to understand how CSR efforts help in the "internalization of externalities." In several cases, CSR can take care of deadweight loss caused by negative externalities (we drew an economic graph to highlight this idea). CSR can be taken in another context as well – it can promote positive externalities (ex. Higher education), instead of reducing negative externalities (ex. pollution). By bridging the gap between such externalities, organizations can take advantage of the over or under-allocation of resources.

Considering the psychological aspect, we saw how CSR can create publicity and generate positive awareness among consumers – we dove deeper into this notion by analyzing a 3-tenet framework (exposure, attention, interpretation).

Next, we analyzed case studies from four different companies, looking at CSR efforts across different countries and industries. By forming a psychological or economic basis for their CSR activities, we were able to see the potential opportunities for growth in these companies due to CSR. Although we didn't discover any cause-effect relationships, we did notice some correlation between CSR efforts and financial growth in a business. We exposed ourselves to a myriad of regions and industries, helping us form a more coherent judgment of the impact of CSR activities – on a larger scale.

Lastly, we conducted a survey, collecting primary data, regarding how Gen Z perceives companies that partake in CSR activities. We found that Gen Z may not be 100% familiar with the different ways that CSR can take place (such as discounts to marginalized communities, etc.). They had a broad idea of what CSR was, but couldn't really understand the influence CSR had on them – we had some self-contradicting results. It's important that organizations explain and discuss their CSR activities deeply, so Gen Z can understand the broader context and be able to connect the dots. Overall, Gen Z does seem influenced by a company's CSR work, but it is not clear to what extent.

IV. Suggestions

Overall, it is critical that businesses consider the effect their Corporate Social Responsibility efforts can have on customer perception of their brand. In addition, organizations need to take the time to consider the negative externalities they may have on society, whether it is something basic such as contributing to pollution, or something more complex, such as reinforcing stereotypes – and decide whether they'd like to reduce these externalities or "make up" for them.

It is recommended that companies collect data specific to their target markets to determine whether CSR is relevant – both in terms of actions and marketing – to their overall goals. Market segmentation may reveal that some demographics, geographics, or psychographics have different views on CSR work versus others; therefore, assessing and conducting market research is essential when developing a successful marketing strategy.

Through the theories explored in this paper, it is clear that leveraging and optimizing *publicity* tools to have a target audience gain exposure to an organization's CSR efforts can be extremely beneficial in the long run (attention → interpretation → hearing, seeing, sensing). Having a marketing team dedicated to showcasing CSR efforts could potentially help consumers develop a sense of trust in a corporation.

A business with locations globally can implement CSR efforts particularly geared towards a specific region to develop rapport there – as evident through the case studies analyzed. Organizations can conduct SWOT analyses, and locate where CSR activities would be logical, feasible, and effective in helping reach goals.

As discussed in the “data collection” portion of the paper, it is important that organizations take time to assess how CSR could impact Gen Z’s perspectives of a brand; Gen Z may be a target market for some companies currently, but over time, they will become critical markets for others. Gen Z appears to prioritize price over whether a business has CSR efforts, but having the right balance seems to be the best method of success.

The industry an organization is associated with should also be considered when making such decisions, as customer perceptions change across industries.

A business’s crisis management teams should take the time to become familiar with these ideas – during times of crisis, incorporating and marketing CSR efforts to an audience can help regain trust and rebrand a company. By taking the time to make an impact, customers may feel that the organization is aware of its mistakes, and is taking a proactive approach.

Green GDP is also an essential component that governments and businesses should factor into their analyses – looking at Green GDP vs nominal/real GDP can help an organization understand how their allocation of time and resources impacted their environment, and not just from an economic standpoint. It brings in a broader scope and allows a deeper comprehension of the negative externalities being imposed on society.

V. Limitations

There are some limitations to the ideas outlined in this paper. First, as a high school student, it is possible that I haven’t been exposed to some theoretical aspects of CSR, which could build upon this argument.

Additionally, the data collected was limited to Gen Z/students, so it is possible that CSR perceptions differ across other demographics. There was also a limited sample size. Further research can be done on these other markets to determine correlations between CSR and decision-making processes.

This research did not determine cause-and-effect relationships; it was merely an analysis and exploration of several factors, case studies, and other aspects – and their impact on CSR.

Further research can be employed on more of the economic side of CSR – for example, how corporations should make CSR-focused financial decisions of CSR (and how those decisions are affected by a country’s economy), and how in turn, how CSR decisions impact a country’s economy.

This research also didn’t particularly dive into one specific “portion” of CSR – it exposed the reader to a plethora of different CSR efforts, but didn’t do deep into each one; it was surface-level for the most part.

As a result, more specific research can be done on particular aspects of CSR – such as diversity initiatives, crisis-management activities, or ESG tenets – and their marketing implications.

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