The mutual relationship between customer behaviors and CSR behaviors

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Acknowledgement

Primarily, I would like to take a chance to thank for important people for making this thesis is possible. My special thanks to my supervisors, Mr. Harm Postma and Mr. Koos Held, who gave me treasure advices, guidance and feedback.

I would like to give the deepest thank for my parents for their sharing and encouragement during my time here.

I also want to thank all professors in Saxion, especially in FEM, for their support and cooperation during my study.

Last but not least, I would like to thank my close friends for their encouragement and their helping when I need a support.

I wish everyone good luck in your life.

Pham Thi Anh Tuyet

Deventer, January 2015
Executive summary

This research and advisory report examines the mutual relationship between customer behavior and CSR behaviors of companies based on stakeholder theory and business relationship between customer and company. On the one hand, the customer perception, which is built up by the received benefits from the company, contributes behaviors of customers. On the other hand, managers have to perceive the customer’s behaviors to establish an effective CSR plan for the company. Therefore, the customer’s perception and manager’s perception are the main factors, which influence on their behavior. By understanding the process of contributing customer’s behaviors, managers can determine what they should do to gain the support of customers for the company and how to enhance customer’s perception about the company as well as increasing the future profits of the company.
## Contents

1. **Introduction** ................................................................................................................................................. 5
   1.1. Research background ............................................................................................................................. 5
   1.2. Research objective ............................................................................................................................... 7
   1.3. Main and sub-questions ....................................................................................................................... 7
   1.4. Methodology ......................................................................................................................................... 8
   1.5. Literature review methodology .......................................................................................................... 9
   1.6. Structure ............................................................................................................................................... 11

2. **Theoretical framework** .............................................................................................................................. 12
   2.1. Literature ............................................................................................................................................ 12
       2.1.1. Stakeholder theory ...................................................................................................................... 12
       2.1.2. CSR .......................................................................................................................................... 13
       2.1.3. The relationship between customer, firm and CSR behavior .................................................... 15
   2.2. The model for understanding stakeholder response to CSR behavior ................................................. 16
       2.2.1. Stakeholder perceptions of the company’s CSR initiatives ...................................................... 17
       2.2.2. The return to stakeholders .......................................................................................................... 18
       2.2.3. The four main types of stakeholder-company quality relationship ................................................ 18
       2.2.4. Stakeholder behaviors .................................................................................................................. 19
   2.3. The circle relationship of customer and CSR ......................................................................................... 20
       2.3.1. CSR behaviors influence on customer’s perception by the firm’s reputation ................................. 23
       2.3.2. The influence of customer’s perception on customer’s behaviors ................................................ 26
       2.3.3. The perceiving process of managers from customer behavior .................................................... 30
       2.3.4. Manager perception influences on CSR behaviors ...................................................................... 32

3. **Conclusion and policy** ................................................................................................................................. 35
   3.1. Conclusion ............................................................................................................................................. 35
   3.2. Policy advices ....................................................................................................................................... 36

Reference .............................................................................................................................................................. 38
1. Introduction

1.1. Research background

Due to the globalisation, companies have faced with tougher competitions recently. Firstly, it is not easy for a company to make differentiations in their products or services compared to other companies while they still have to reduce their manufacturing cost as well as their product prices and their service charges. As a result, companies have to find another way to get advantages in the market. Companies are forced to provide better services, which related to these products such as logistic, guarantee and consultant services. Additionally, customers are sensitive to the product prices. They tend to choose bargain markets such as Amazon or eBay, to get a reasonable price. They also prefer branded and luxury goods. Hence, customers can widen their choices and have more market power. That means they raise heighten expectation of how the company can take care them as well as the quality and price of products.

A suggestion to solve this problem is that the company should develop a strong relationship between customers and company. Based on this relationship, the company can enhance their competitive opportunity in the market. Therefore, corporate social responsibilities (CSR) have attracted more attention from companies in terms of their competitive strategies. One reason lies in the fact that CSR is a strategic plan towards environment and society that can build up a better image in stakeholder’s mind. Hence, managers can use CSR to gain advantages in the competitive market.

The European Commission defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission, 2001).

This definition emphasizes that CSR is a voluntary concept, which covers the social and environment issues. This concept should not be separated from the business operation because it presents the interactions between enterprises and their stakeholders. CSR is not a brand-new phenomenon in business. In developed countries, McGuire (1963) supposed that CSR urged companies to assume certain responsibilities towards society which includes their economic and legal obligations. Moreover, CSR could bring both business benefits and important social outcomes for a company (Schreck, 2011).
Even though CSR caters to the desires of the shareholders, they are also influenced by the behaviors of this group. They not only receive profits from firms but also play an important role in company strategies (Quaak et al., 2007). Furthermore, they are defined as “group and individuals who can affect, or are affected by the achievement of an organization’s mission” (Freeman, Strategic management: A stakeholder approach, 1984). Dwakins and Stewart (2003) mentioned, “The Company must define, consult and engage these stakeholders in its program to ensure that its activity is seen as relevant both to the business and to its stakeholders, and some companies are of course well advanced in this process of dialogue”. There are several studies about the relationship between one firm and its stakeholders which is a key in the managements of business (Kakabadse, 2005). From Donaldson and Preston (1995) perspective, stakeholder theory is considered as a managerial theory of business, which is about “value creation, trade and how to manage a business effectively”.

A wide range of researches on stakeholder theory suggests that the stability and survival of an organization are strongly dependent on the way “to create sufficient wealth, value or satisfaction for its primary stakeholder” (Kakabadse, 2005). As a consequence, the organization should incorporate stakeholders’ needs and values into strategic and operational decision making processes (Park, Chidlow, & Choi, 2014)

Mitchell (1997) argued that stakeholders are those groups that are necessary for corporate survival. They are divided into two groups, which are the internal stakeholders (employees, shareholders) and external stakeholders (customers, suppliers) (Dwakins and Stewart, 2003). Originally, the business cannot exist without consumers, who are the lifeblood of every business (Canadian Government, 2012). Zeithamal (1988) described the customers-company relationship as “a trade-off of give and get”. They obtain benefits from products including inside and outside attributes, quality, and other obstructions while they give back monetary and non-monetary (Glyunn et al, 2009). In the supply chain management, customers have an important role in this chain. They are the final stage of material flow, which starts from suppliers to customers. In this flow, they are buyers, who directly pay money for the company’s products. Therefore, they also are profit sources of companies (Harrison, 2008).

Through the perception of CSR behaviors, customers will have contrasting attitudes including supporting or neglecting company. If a company does not receive the contribution from customers, for instance, customers do not buy products of the company, it will go bankrupt.
Secondly, the company will get profits when customers support them. Besides purchasing products, customers help companies by giving compliment that is seen as a part of “halo effect”. This action can contribute to expand company’s reputation. In order to obtain dedication of customers, companies are more likely to implement CSR activities following demands of customers; or customers are the antecedent of CSR behaviors. Hence, customers become a key to build up a good CSR strategy that brings benefits for the company, its stakeholders and society as well.

1.2. Research objective
There are many papers studying about the relationship between stakeholders and CSR behaviors of the company. However, they have not satisfied the manager’s demands because this relationship can be accessed via various aspects. Moreover, each company has different financial and organizational circumstances, thus managers need more information and a diversity of views to create and improve their CSR strategies.
Additionally, a company needs customers’ purchase to survive and gain the revenue while a lot of customers are influenced by CSR behaviors of firms. Hence, it is necessary to determine the relationship between customer and CSR. On the basis of that opinion, we will find the influences of customer’s behaviors on CSR activities and the benefits of CSR for company. The aim of this research is to give advices for managers to enhance the CSR strategy by taking a closer look at customer’s behaviors. This research also is a useful document for marketing, finance or business students, and people who are interested in business managements.

1.3. Main and sub-questions
There are a growing number of researches suggest that there is a positive relationship between firm’s CSR activities and consumer’s attitudes towards this company and its products (Brown and Dacin, 1997). It is not easy to establish a CSR plan, hence leading to the fact that managers have to gather a lot of information as well as to gain realistic experiences in order to make this plan.
Based on this statement, this paper goes to answer the following main research question:

- “How can manager learn from the mechanism of mutual influence between CSR and customers?”

However, to answer this question, it is necessary to determine clearly the relationship between customer and CSR by giving evidences to prove this relationship, hence leading to two sub-questions, that is:

- ”What is the reason to expect a relationship between customer behavior and CSR behavior by firms?”
- ”What is the evidence in the literature on the relationship between customer behavior and CSR behavior by firms?”

According to two sub-questions, the first question classifies the definition of CSR, customer behavior and the relationships between customer and CSR. The second sub-question describes the influences of customer on firm’s CSR behaviors and of CSR behaviors on CSR behaviors. All user information in this paper is taken from the literature of CSR.

1.4. Methodology

Based on this relationship, this research aims to explore the influence of customer behavior on the CSR behavior of firms. There are several theories which can be used for explaining the relationship between customers and CSR such as a multidimensional approach for CSR evaluation focusing on the stakeholder perception of Roberta Costa (2013) or the stakeholder theory of Freeman (1984). In the first theory, managers can conduct the analysis in different types of stakeholders for each dimension: employees and managers, as internal stakeholders, can better perceive the inner CSR dynamics, while customers, suppliers and community members, as external stakeholders, are likely to grant a more truthful recognition of the outer CSR conduct of the company. Moreover, this treatment provides a merit that helps identify the weaknesses of its CSR practices, both in terms of commitment and communication. Not only one facet of CSR commitment, this theory allows us to assess the different facets of the company’s CSR.

However, the second theory is the stakeholder theory concentrating on various linkages between company with stakeholders including investors, customers, employees and managers (
Paul Griseri and Nina Seppala, 2010). It focuses on addressing the question of which deserves or requires management’s attention so this theory indicates the role as well as the impacts of stakeholders in the management of the firm’s leaders. In this theory, stakeholders affect and be affected by CSR activities of the firm. He also showed that CSR is evaluated in a new path through the stakeholder’s perception. Consequently, there is a strong connection between CSR and stakeholder (Bhattacharya, 2004)

The aim of this paper is to provide the influences of CSR on customers and vice-versa so both theories can be used. However, the stakeholder theory is related to manage the relationships between the organization and its stakeholders by looking at CSR activities of the firms. This methodology also can apply to any industry and can involve internal and external stakeholders who can support by explaining the mutual influences between CSR and customer. As a result, the application of stakeholder theory can provide targets or directions for the formulation of the future CSR strategies.

Similarity, the multidimensional approach for CSR evaluation is a new theory which tends to study the perception of external stakeholders rather than external and internal stakeholders. That means this theory is not associate with the important of managing relationships and the vice-versa relationship between the company and its stakeholders. Therefore, this model is not perfect to apply in this paper.

It is possible for managers to use stakeholder theory to focus on CSR investments. Consequently, it is the most suitable method for this research.

1.5. Literature review methodology
This research will use secondary data to gather evidences through journals, books and several testified internet websites.

+ The journals providing most of the useful articles are

- Journal of business Ethics

- Journal of business research

- Academy of Management Review
- Journal of marketing

+ The books which are used include

  - Corporate Social Responsibility in Asia: Practice and Experience
  - Strategic Corporate Social Responsibility in Practice Corporate Social Responsibility, Corporate Restructuring and Firm
  - Corporate Social Responsibility and Customer Integration
  - Cannibals with Forks The Triple Bottom Line of 21st Century Business
  - Corporate Citizenship in Developing Countries: New Partnership Perspectives

+ Identification key words

In order to gain knowledge this research used several keys which are: corporate social responsibility and consumer behavior definition, Customer's perception, consumer awareness, consumer loyalty, Stakeholder theory, customer satisfaction, evaluation of consumer

+ Selection of search engines

Additionally, to avoid the high cost and the lack of time, interviews or observation methods will not be used. This will use information from trustworthy sources like:

  - Saxionbibliotheek
  - Web of science
  - Science direct
  - Google scholar
  - Google books
  - HBO Kennisbank

+ Research method for other media

There is some information which is collected from news, magazine and on the internet. This research takes from famous and trustworthy websites like www.bbc.org or www.eurocommision.org. Some primary data are taken from these sources.
1.6. Structure

In order to find the influence of customer behavior on the CSR behavior by a firm, firstly the paper introduces the relationship between customer, firm and CSR based on supply chain theory and stakeholder theory. Then we explain why they have this relationship and how they build up this linkage. After these steps, we can determine the factors and their characteristics in order to emphasize the reasons how they relate to CSR behaviors. In the next step, we indicate some merits of CSR to the company. Finally, based on researches about the characteristic of the consumer and CSR, this research can demonstrate the impacts of consumer behaviors on CSR behaviors and answer to the main question that is given in the previous part. This knowledge could be useful for managers in considering the role of consumers, in planning and doing CSR strategies. Moreover, they also help managers choose and develop a suitable CSR behavior in a particular period.

This paper is structured as follows Chapter 2 gives the theoretical framework includes Section 2: the explanation of the relationship between customer behavior and CSR behavior Customer influencing CSR. Section 3: the benefits of CSR to company. Section 4: the influence of customer behavior on CSR behavior. Chapter 3 includes conclusion and advices.
2. Theoretical framework

2.1. Literature

The upcoming chapter explores the evidence of the relationship between customer behavior and CSR behavior by firms in the literature. Hence, this paper starts classifying the definition of CSR, stakeholder theory, customer behaviors, the relationship between customer, firm and CSR. The next step is investigating how CSR behavior influences the customer behavior through customer perception. Finally, we identify the influence of customer behaviors on CSR through manager’s perception.

2.1.1. Stakeholder theory

There are a number of papers covering “Stakeholder theory” topic. From different points of view, researchers give various definitions of this theory. This paper gives a definition of stakeholder theory from Freeman (1984) and Salmones et al. (2005).

For a long time, Freeman (1984) considered the stakeholder theory as a managerial business theory, which links with relationships between the company and a range of stakeholder groups. This theory relates to the importance of stakeholder groups to a particular firm, in which it addresses the “principle of who or what really counts” and can emerge to help or oppose other company on a particular issue (Freeman, Strategic management: A stakeholder approach, 1984). Besides, Salmones et al. (2005) defined stakeholder theory as a ‘field of application sustaining the idea that firms do not have responsibilities towards society in general, but rather are affected by their activity’ (Salmones, M., Crespo, A., & Bosque, I., 2005). This theory also identifies the “moral or philosophical guidelines for the operation and management of the corporation” (Donaldson, T., & Preston, L. E., 1995).

The purpose of the stakeholder theory is to answer “whether and why corporations attend to the interests of stakeholders along with their own immediate corporate interest” (Oberseder, M., Schlegelmich, B., & Murphy, P, 2013) and who have responsibility for marketing strategies in a corporation. They are necessary for corporate survival (Mitchell, R. K., Agle, B. R., & Wood, D. J., 1997). Stakeholders are divided into two groups including internal (employee, managers, shareholders and external (customers, investors, suppliers). However, an individual can be a
member of more than one stakeholder group (Freeman, Strategic management: A stakeholder approach, 1984).

Moreover, based on the strategic environments, stakeholders are categorized into three groups, namely the core (investors, employees and customers), the competitive environment (business partners, unions, competitors and regulatory bodies) and the external environment (social and political actors) (Post J.E., Preston L.E. & Sachs S., 2002). In the core group, customers are essential for the survival of the company. They are consumers or distributors, who directly contribute to the company’s profits. In the downstream business view from the company to consumers, they consume or receive products or services. In the upstream view, they establish requirements for products, services because these products only can be sold if the product functions are suitable for the demands of customers. Hence, they properly add money to the upstream view.

Stakeholder theory can be used to explain the interaction between customer behaviors and CSR behaviors. Stakeholders can affect CSR performance of the firm and in turn it also be affected by CSR behavior (Beckmann, 2007). Campbell also suggested that companies “must not knowingly do anything that could harm their stakeholders and if corporations do cause harm to their stakeholders, they must then rectify it whenever the harm is discovered and brought to their attention”. Stakeholders also evaluate the company as well as products by commitment to CSR actions, which influence directly on stakeholder’s perceptions. As a result, stakeholders have a significant influence on CSR behaviors of the firm.

2.1.2 CSR

In order to know the relationship between customer behaviors and CSR behaviors, we have to know what the CSR is and how CSR influences company’s behaviors. Therefore, in this part, we introduce the definition of CSR and its components, namely economic responsibility, legal responsibility, ethical responsibility, and philanthropy responsibility.

CSR is defined as “a concept according to which companies voluntarily decide to contribute to the attainment of a better society and a cleaner environment “ (Commission, 2001). CSR is also considered as a marketing strategy to gain reputation, legitimacy and offering limited capital to contribute sustainability for the company (Gray, 2010). In addition, CSR attempts to achieve
business purposes in ways which respect society and ethical value (Bhattacharya, 2004). From these points of view, CSR is associated with voluntary activities of company following the social and ethical perspective that contribute to sustainable development of the company (Hartmann, 2011). Several researches have proven the effectiveness of CSR to the company such as creating a better image, gaining customer loyalty, building organizational commitment, establishing the positive business climate and employee motivation (C. B. Bhattacharya et al., 2009). These positive effects enhance financial performance, attract ethically minded investors and customers, achieve competitive advantages (Pouliopoulos Leonidas et al., 2012). Hence, CSR has direct positive effects for a company (Sen, Sankar and C.B. Bhattacharya, 2001). Carroll (1979) suggested that businesses have to fulfil four main responsibilities: economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility.

Carroll (1979) stated “The first and foremost social responsibility of businesses is economic in nature. Economic responsibilities designate the obligations for businesses to be productive and profitable”. This responsibility is expressed by providing goods and services with reasonable prices meeting social needs or providing long-term profits for shareholders.

Legal responsibility is a “social contract between corporations and society which is performed in a manner that is consistent with the expectations of governments and laws complying with the various federal, state, and local regulations” (Carroll, 1979). Hence, there is a significant increase in the effects of laws on monitoring and controlling business behavior.

Ethical responsibility includes those activities and practices expected by society that expand beyond the limitations of legal responsibilities. This responsibility is standards and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights. This responsibility requires that businesses abide by established norms defining appropriate behavior.

Philanthropic responsibility relates to the voluntary and the discretionary dimension of corporate responsibility that gives back to the community product or service donations (Carroll A. B., 1979). It is used as a form of public relations, enhancing a company’s image through
philanthropic activities such as charity, or sponsoring (Michael E. Porter and Mark R. Kramer, 2002). Philanthropic responsibilities reflect the common desire to see businesses get actively involved in the betterment of society.

2.1.3 The relationship between customer, firm and CSR behavior

a. The relationship of customer in product and service firms

Looking at the supply chain of company, there are two main streams, which flow in the company, namely upstream and downstream. The downstream is a material flow from suppliers to end-customers while the upstream is an information flow of demand data from end-customers back to suppliers. In one facet, they consume products and services, which bring profits for the company. In another facet, these products are set up following the value information, which are feedbacks from customers (Alan Harrison & Remko Van Hoek, 2008). In another way, products move from suppliers to customers while customers give valuable information back to suppliers.

b. The relationship between customer and CSR behavior.

In the downstream process, CSR behaviors have a positive influence on their consumer perception since CSR actions tend to improve the quality of community in its local business by increasing in the quality of products or participating social activities. Numerous stakeholders will support companies that engage in CSR activity (Sen, Sankar and C.B. Bhattacharya, 2001). Brown and Dacin’s research (1997) suggested that customers prefer for a new product through their evaluations for the company itself. Therefore, the CSR annual report of the company, which record the social company activities, affects a consumer’s evaluation of the company positively. By doing CSR activities, companies can build up a better image in the customer’s mind and gain the trust, loyalty from customers (Patricia Martínez and Ignacio Rodríguez del Bosque, 2013). Moreover, CSR behaviors may also be against consumer boycotts and recover a market crisis, a willingness of paying higher prices for the products and the switch of purchasing products (Du, S., Bhattacharya, C. B., and Sen, S., 2007) (Klein, J., and Dawar, N., 2004).

In the upstream process, CSR behaviors are created following customer’s expectation and satisfaction. Customers are considered as the main target of the company in the market, therefore, what customers needs as well as what customers care in social life are valuable
information for the company. Moreover, customer prefer to a company’s product while their perception of that company’s ethical activities exceeds their expectations (Creyer, Elizabeth H. and William T. Ross, 1997). In order to gain future profits, the company has to satisfy the customer’s expectations about products as well as company’s actions. Subsequently, customer’s demands are the requirements for CSR strategies.

2.2. The model for understanding stakeholder response to CSR behavior
CSR actions get a considerable attention from society and its stakeholders as well. It is a notion that CSR has positive effects for the company. For instance, “increased sales and market share; strengthened brand positioning; enhanced corporate image and clout; increased ability to attract, motivate, and retain employees; decreased operating costs; increased appeal to investors and financial analysts.” (Philip Kotler and Nancy Lee, 2005). Thus, CSR can provide a number of profits for the company. However, in order to understand the different types of benefits from CSR activities and its impacts on stakeholder-company relationship, it is necessary to investigate how to contribute the stakeholder-company relationship. This diagram below will be described to prove one way relationship between CSR activity and stakeholder’s actions.

Figure 1: A model for understanding stakeholder responses to CSR (C. B. Bhattacharya et al, 2009)
In stakeholder theory, stakeholders are essential for successful functioning of the firm because they are voluntarily or involuntarily contributors to wealth-creating of the firms, and also are potential beneficiaries or risk bearers. However, in marketing perspective, relationship marketing is classified as all marketing activities that establish, develop, and maintain the success of relational exchanges. All these exchanged partners are contributed based on the relationship benefit, which are the foundation of the quality relationship between seller and buyers and ultimately to meaningful behavioral outcomes (Palmatier, R. W., R. P. Dant, D. Grewal and K. R. Evans, 2006).

As a result, both stakeholder theory and relationship marketing indicate that the quality of stakeholder-company relationships is commensurate with the benefits stakeholders receive from their interactions with the company.

2.2.1. Stakeholder perceptions of the company’s CSR initiatives

In Sen et al (2009) model, stakeholder perception is the most important key in the evaluation of CSR activities.

There are two sides of these perceptions. First, CSR activities are evaluated based on the degree of success in improving the lives of the intended beneficiaries. Customers will support or buy products of the company, which improve the quality of lives of beneficiaries such as customers or employees.

The second side of stakeholder perceptions is the attributions that are created on the basis of what stakeholders contribute to the company’s involvement in social responsibility initiatives. There are two motivations for these attributions include the extrinsic and the intrinsic motivation. Companies attempt to increase their profits with the extrinsic motivations (Batson, 1998) while the intrinsic motives company for concerning to focal issues (Lichtenstein, D. R., M. E. Drumwright and B. M. Braig, 2004). Stakeholders accept the extrinsic motives as long as CSR activities that contribute to intrinsic motives (Sen, S., C. B. Bhattacharya and D. Korschun, 2006).
2.2.2. The return to stakeholders

There are three benefits, which affect purchasing behavior of customers, namely functional, psychosocial and value benefits. The functional benefits are directly related to the features of products or service by improving and changing the functions of products to meet the customer’s demands. It drives the psychosocial benefits. The second benefit - the psychosocial benefits are feelings that are created by perceiving the functional benefits of stakeholders. Hence, it directly influences customer perception. The valuable benefits express what stakeholders got from the psychosocial benefits. Stakeholders can gain personal benefits through their involvement in the company’s CSR activities or the knowledge of these actions regarding their perceptions of this product. For instance, through the perception of these CSR activities, consumers can gain psychosocial benefits by their purchase productions from this company, which in turn happy and contented feelings when helping someone. The three benefits are measured by identification and trust which are two levels of the stakeholder-company relationship.

2.2.3. The four main types of stakeholder-company quality relationship

Palmatier et al (2006) defined the quality of the relationship as the “overall assessment of the strength of a relationship, conceptualized as a composite or multidimensional construct capturing the different but related facets of a relationship”. The stakeholder-company relationship depends on the received benefits from CSR actions. There are four main types of relationship quality (from the strongest degree to the weakness) including:

*Identification* can bring benefits to companies such as advocacy and product purchase. The more stakeholders receive benefits from CSR initiatives, the more their identification is enhanced (Maignan, I. and O. C. Ferrell, 2004).

*Trust* reflects the expectation of what the company said, and the perceived benevolence of the company in their stakeholder’s eyes. As a result, the company can build up the trust from stakeholders by showing their care to their stakeholders (Morgan, R. M. and S. D. Hunt, 1994).

Satisfaction is the full gamut of experiences that stakeholders have with the company (Garbarino, E. and M. S. Johnson, 1999). Garbarino and Johnson (1999) indicated that stakeholders would be satisfied to extend their overall experience in relationship with the company, which has provided adequate value such as benefits (Crosby, L. A., K. A. Evans and D. Colwes, 1990).

2.2.4. Stakeholder behaviors

It is not clear to see how the stakeholder-company quality relationship influences on stakeholder behaviors. However, in response to CSR, stakeholder behaviors, which are partly depend on trust, identification, satisfaction and commitment of stakeholder, maybe toward one or more to the company, the cause organization and other stakeholders (Bhattacharya, 2004)

a. Company-directed behaviors

Stakeholders who are satisfied with the company’s CSR initiatives, feelings of trust, commitment or satisfaction will support the company’s objectives such as purchasing products (Brown, T. J. and P. A. Dacin, 1997) increasing job seeking employment (Greening, D. W. and D. B. Turban, 2000) and investing in company stock (Smith, 2003).

b. Cause-directed behaviors

The outcomes of corporate social responsibility actions will change the stakeholder-company relationship quality and influence the perception of stakeholder, thus leading to the change of the stakeholder behaviors. Furthermore, it also changes the quality of the relationship

c. Other-stakeholder-directed behaviors

A number of evidences indicate that when a stakeholder develops a high quality relationship with a company, their behaviors also are beneficial to other stakeholders because they perceive other stakeholders who also share the similar value with them. However, stakeholders in systematic biases act in favor of company member and against non-members. The reason is that they want to identify strongly with the company and differentiate them from other comparison groups.

As a result, when a stakeholder develops a strong relationship with the company following CSR benefits, their behaviors will be engaged with other stakeholder in cooperation activities.
In conclusion, this model aims to extend the understanding of the strategic effectiveness of CSR by explaining the psychological mechanism that determines how individual stakeholder responds to CSR activities. The types of received benefits (functional, psychosocial and value) influence the quality of stakeholder-company relationship. By describing the response process of stakeholders to CSR behaviors, the model of Sen et al. (2009) explains how and when CSR activity affects corporate performance. Therefore, this model is used as antecedent model to recount the mutual relationship between customer behaviors and CSR behaviors in this paper.

This model is an interesting science research topic, but it is not easy to apply in the real business. The model is too extensive for the objective of this research. Therefore, we will try to simplify the concepts of Sen et al to make it more workable. Sen et al (2009) provided a huge amount of knowledge in this model. It describes details about the stakeholder’s benefits, the stakeholder perception, the quality of stakeholder-company relationships and the stakeholder actions. More specifically, Sen et al. (2009) indicates three benefits from CSR actions, two aspects of the stakeholder perception, four types of stakeholder-company relationships and three re-actions of stakeholders. This knowledge is not easy to understand for people who are not educated in CSR. Hence, readers easily get confused with such a complex model.

Moreover, this model cannot apply for all companies because it requires a lot of time as well as money to apply this model. It is not suitable for small and new companies which do not focus on the development of CSR as well as the sustainability of the firm. Each company has different financial and operating conditions, thus they have different investments for CSR strategies. Big companies can make a detail CSR plan following the model of Sen et al. (2009) while small and medium companies might not have enough resources to chase it.

2.3. The circle relationship of customer and CSR

The model of Sen et al. (2009) is a great model for studying the relationship between stakeholders and CSR activities in the firm. The concept of model explains how CSR provides numerous benefits for individual stakeholders and the influences of CSR’s benefits on the level of stakeholder-company quality.

However, there is a mutual influence between CSR behaviors and stakeholder behaviors. Not only CSR behavior affects customer’s behaviors, but their behaviors also contribute to set up a CSR plan. Hence, based on the structure of Sen et al. (2009) model, this paper sets up a new
simpler model which not only presents the influences of CSR activities on the stakeholder behavior, but also illustrates the influences of stakeholder behavior on CSR behavior companies.

Figure 2: The circle relationship of customer and CSR (by author)

On the one hand, CSR activities are the company’s behaviors. They are related to social responsibility actions such as charity, improve the life quality of employees. CSR actions capture benefits which are from monetary to psychological for the company and its stakeholder. These actions impact directly on stakeholder perception and from that, stakeholders will respond to the CSR actions of firms by purchasing products or boycott.

On the other hand, stakeholder behaviors influence on company’s behaviors by impacting on manager perception. Managers perceive indirectly customer behaviors by interpretation reports such as marketing reports, sales figures or social surveys. However, culture, working experiences and the knowledge of managers also impact on manager perception and their decision for the future company’s strategies.

Generally, customer perception is created directly after evaluating company’s actions, while manager perception is established from different factors such as customer behaviors, culture and others.
This simple model only describes four relationships:

1. Customer perceiving company behaviors

CSR includes four elements economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. These four responsibilities exert positive influences on the reputation of the company which impacts directly on customer perception. The more customers know about the good side of the company, the more they support this company.

2. The influence of customer’s perception on customer’s behaviors

Customer perception of CSR is considered as an evaluation of customers for CSR activities of the company. Three kinds of perception, namely a give-and-take relationship, an interrelated relationship, and a marketing ploy not only influence customer behaviors but also contribute to the stakeholder-company quality relationship such as customer satisfaction and trust.

3. The perception of managers about customer’s behaviors

There are a significant number of factors affecting the customer purchasing behaviors such as price, location, education level, or income. CSR nowadays is considered as one of the most effective factors of product choice. Customers tend to give a favour for the company which has better CSR activities than other companies. Hence, managers need to gather information from and compare customer reactions with the previous CSR strategies to make a new efficient CSR strategy.

4. The influences of manager perception on CSR behaviors

After accumulating useful information from the particular channels related to customer behaviors, managers need to consider, discuss and exchange their experiences to create the most efficient CSR strategy in the future. CSR is not only their reputation but also is a tool to gain company’s profits.

This paper will present theory so as to illustrate the interaction between customer behaviors and CSR behaviors.
2.3.1 CSR behaviors influence on customer’s perception by the firm’s reputation.

It is undeniable that the CSR activities, which contribute a better life to our society, are positive actions of firms. These actions are considered as useful tools in the competitive market because they achieve reputation for the company by affecting directly on the customer’s perception. The more customers know about the positive reputation of the company, the more they are willing to buy this company’s products.

Reputation presents an intangible asset for a corporation. It takes a long time to create company’s fame by a diversity of the firm’s actions, especially CSR activities “Corporate reputation is the end result of consumers’ accumulation of perceptions regarding how well an organization met their demand and expectations” (Abratt, R., & Kleyn, N, 2012). Moreover, Craig Smith et al. (2006) indicated that the perceptions of customers would be influenced by its CSR actions (Craig Smith, Daniel Read and Sofía López-Rodríguez, 2010) which are also a core element of reputation and can be used to help establish trust and goodwill among stakeholders (Carroll A. B., 1979). The more customers know about the company’s brand, the more opportunity this company has to sell their products. In other words, the reputation of the firm influences the customer’s purchasing behaviors by increasing the perception of the firm on the customer’s mind. As Olson & Haddock (1971) showed that “customers often use corporate reputation to assess products, with positive reputation resulting in higher perceptions of product/service quality” (Olson & Haddock, 1971; Shapiro, 1983). Hence, by doing the CSR activities, companies can expand their reputation as well as the customer’s perception about this firm. CSR consist of four components, namely economic responsibility, legal responsibility, philanthropy responsibility, and ethical responsibility which create the firm’s reputation and the customer’s perception as well. In the next section, this paper will discover how these elements can build up the firm’s reputation and create the perception in the customer’s mind.

In the first factor, economic responsibility enhances the reputation (Charles J. Fombrun, 1996).

a. Economic responsibility

The economic responsibility attributes have the most significant impact on the consumer buying behavior, represented by philanthropic responsibility, ethical responsibility and finally, legal responsibility. According to Carroll’s model (1991), the economy is a priority responsibility
because they have to be profitable before doing any responsibilities. Thus, the first mission for the company is to make profit. If a company does not gain money, they cannot pay salary for employees and expenses. As a result, the company does not have enough money to pay for their demand and doing its social responsibilities as well. Contrarily, when the company has sufficient abilities to ensure interest for shareholders and paying well for its employees, they will receive a positive reputation. As Rahizah et al (2001) said that corporations in turn could benefit from the consumer support, which has the reciprocal effect of an increase in reputation and brand image and an increase in the ability to attract institutional investors (Rahizah Abd Rahim, Farah Waheeda Jalaludin and Kasmah Tajuddin, 2001).

b. Legal responsibility

Law is adopted in order to create a fair society in which everyone is equal in human right, business, and others. In CSR, legal responsibility is presented by obeying the laws in this local society (Carroll A. B., 1991). There is a relationship between legal responsibilities and reputation. For decades ago, there was a series of corporations' scandals which were related to legal responsibility such as Enron, and Arthur Anderson. These corporate wrongdoings results in the death of one prominent corporation. It is explicit that the illegal corporate behaviors negatively influence consumers' attitudes towards a company (Elkins, 1976). In addition, Baucus and Baucus (1997) found that when companies were convicted of illegal activities, their sales growth would become considerably lower than those of innocent ones because the corporate wrongdoings can deliver serious impact on the corporate reputation (Melissa S. Baucus and David A. Baucus, Feb., 1997).

c. Ethical responsibility

In 2004, Carrigan said that there are a growing number of consumers have considered ethical and social issues when buying products and avoiding companies have insincere in their CSR activities (Carrigan, M., Szmigin, I., & Wright, J., 2004). It becomes an increasingly mainstream phenomenon and the preserve of niche market segments (e.g. Engardio, 2007). According to Trude and Cotte (2009), some consumers will pay a premium for ethical product attributes, but they will also be penalized because of unethical behaviors. (Trudel, Remi and June Cotte, 2009). Furthermore, Creyer and Ross (1997) indicated that consumers regard
ethical behavior as an important factor during making the purchase decision (Creyer, E. H., & Ross, W. T., 1997). It also means that consumers’ preference for products which is deemed ethical/sustainable is expected to encourage firms to be more socially responsible. It is one of the positive impacts on corporate reputations (Bendixen, M., Abratt, R. & Jones, P., 2007).

d. Philanthropy responsibility

Philanthropy is a strategic tool for managing to improve profits, customer loyalty, enhancing employees’ spirit and building community relations. It can connect a corporation with the communities in which it operates and creates an internal culture that improves recruiting and retention. Thus, the customers possibly get a feeling that a corporation cares about them more than simply fulfilling its legal obligations and making as much as profit as possible (Wayne Visser, Dirk Matten, Manfred Pohl and Nick Tolhurst, 2010). Most consumers do not directly benefit from corporate philanthropic activities, but the majority of them probably choose the firms that commit their financial and other resources to the betterment of society (Marquina, P., & Morales, C. E, 2012). Therefore, when the firm participates in corporate philanthropy, consumers likely conclude that it is genuinely concerned with society's wellbeing – over and above its desire to earn profits – and when this happens, social benevolence trust is built (Jongchul Park, Hanjoon Lee and Chankon Kim, 2014). Consequently, philanthropic activities have a positive influence on its reputation and enhance consumers’ attitudes towards the corporation, thereby strengthening its competitive advantage (Brown, T. J. and P. A. Dacin, 1997).

Briefly, four responsibilities of CSR have positive impacts on the reputation of the company and customer perception as well. The economic, legal and ethical responsibility are not only social responsibilities of the firm, but they are also compulsory conditions for running a business. Philanthropy responsibility becomes a competitive factor in the expansion reputation of the firm. Even though customers are not received directly the benefits from philanthropy responsibility, they still support for the company which cares about society. By creating a positive image of the firm, CSR activities indirectly give merits for the firm in the competitive market through enhancing customer perception of this firm.
2.3.2 The influence of customer’s perception on customer’s behaviors

Other researchers also indicated that customer’s perception of corporate social responsibility also influences customer’s behaviors, attitudes towards products, identification with a particular company (Vlachos, P. A., Tsamakos, A., Vrechopoulos, A. P., & Avramidis, P. K., 2009). CSR not only affect brand image, firm’s economic performance, but also build up the company reputation (Swaen, V., & Chumpitaz, R. C, 2008). The more positive reputation the company has, the higher perception of customers about the company’s product/service quality is (Jacoby, J., Olson, J. C., & Haddock, R. A., 1971)

In order to know the influence of the customer’s perception on customer’s behaviors, it is necessary to understand what customer perception is. Prior studies have also reported that perception is a process of receiving, organizing and assigning meaning to information or stimuli by the customer’s five sense (Jooster, CJ and Cant, MC, 2000). Perception is also considered as a total judgment about the different facets of CSR (Swaen, 2002).

Magdalena Öberseder et al. (2013) implied that customer perception of CSR relates to different stakeholder domains. Customers reflect three kinds of underlying perceptions which link several CSR domains, that is a give-and-take relationship, an interrelated relationship and a marketing ploy (Oberseder, M., Schlegelmich,B., & Murphy,P, 2013). A give-and-take relationship requires an implicit expectation of fairness, while an interconnected relationship implies that companies should not abuse their positions, but rather treat stakeholders equitably.

Firstly, a give and take relationship is the relationship between a company and its stakeholders with an exchange of resources. Companies take resources from stakeholders but at the same time, they also try to give something back in exchange for these resources. For example, companies take money (or capital) from investors, but after doing business, these companies will give money and interest back for their investors. Additionally, a main core of this relationship is that the company has to treat its whole stakeholders equally. In order to do that, firstly, they have to take and give the equivalent resources among stakeholder groups. Secondly, the company should not prefer any stakeholder group. These two cores are created by the dialog between company and stakeholder. Hence, a socially responsible company should notice stakeholder’s voice and try to do the best expectations and meet the need of the various stakeholders.
The second relationship, an interrelated relationship, has impacts on the other stakeholders and on society since it contributes to the functioning of society. For instance, when a shareholder receives a high return, they can have a better life when they can reinvest to this company and contribute to the local community. This perception is concerned as a cycle of responsibilities between the company and its stakeholders. It builds a positive image as well as reputation for the company that promotes purchase behaviors of customers.

The last type of perception, a marketing ploy, has three main characteristics. Firstly, companies use CSR as a marketing tool for the reputation of this company. For an example, companies spend a lot of money advertising their CSR activities on newspapers or on media channels. However, customers think companies should do well instead of talking about doing well. They care about what company can do more than what they talk. Secondly, companies use CSR as a useful key to excuse for achieving more profits or to sidetrack their problem. For example, tobacco companies donate a huge amount of money to charity organizations, but their products also harm people’s health. The last one, CSR is considered as a marketing ploy which makes their CSR activities become not creditable. The marketing actions present the conflict between CSR’s activities and the core company. For an example, tobacco companies spend thousands of dollars for lung cancer organizations. Therefore, if CSR is a marketing ploy, it will not get the support from customers (Oberseder, M., Schlegelmich, B., & Murphy, P., 2013).

To sum up, these three perceptions have particular impacts on the customer purchasing behaviors as well as the stakeholder-company relationships including commitment, satisfaction, trust, and identification (C. B. Bhattacharya et al, 2009).

In another way, the customer perception contributes to the quality of relationship between stakeholder and company. In the next part, this paper presents how the customer perception can result in the two different levels of the stakeholder-company quality relationships, namely satisfaction and trust. They are essential factors for a successful business relationship, especially buyer and seller (Dan J. Kim et al, 2009).

a. Customer satisfaction
The term “customer satisfaction” is used frequently in marketing. Keller (2009) notes that satisfaction is a person’s feeling, which are pleasure or disappointment, after comparing
product’s perceived performance to expectations (Kotler, P., Keller, K., 2009) while Verhoef (2003) shows that customer satisfaction is expressed by re-purchasing its products or services and finally results in customers’ loyalty that exhibits strong customer goodwill. Generally, companies have tried to get the entire customer satisfaction because “the high satisfaction leads to high customer loyalty” (Anderson, E. W., C. Fornell and D. R. Lehmann, 1994).

Anderson (1994) found that customer satisfaction is evaluated based on “the total purchase and consumption experience with a good or service over time”. Moreover, satisfaction is not created by the product or services itself; it is formed based on how consumers perceive about the attributes of product or services (Boshoff and B. Gray, 2004). Hence, different consumers possibly have dissimilar levels of satisfaction from the same service (Ueltzschy, M. Laroche, A. Eggert, and U. Bindl., 2007). Besides, satisfaction, which exists in the customer perception of the CSR activities, can influence indirectly the customer’s purchase behaviors. Customers tend to give favour for the company when the received CSR is greater than the expected CSR (Swaen, 2002). Therefore, the perception of CSR affects positively customer’s satisfaction.

b. Customer trust

Follow Crosby, consumer trust is a belief on which the product or service provider can rely to behave, such as a manner that the long-term interest of the consumers will be served (Crosby, L.A., K.R. Evans & D. Cowles, 1990). Sirdesmukh et al. (2002) indicated trust is divided into performance or credibility trust and benevolence trust (Sirdeshmukh, D., Singh, J. and Sabol, B, 2002) while Mayer et al. (1995) classified trust into expertise, integrity and social benevolence.

Expertise trust is created based on the belief of customers on the competence as well as the technical company in producing and delivering services. Managers can manage these skills in order to improve features and enhance the quality of these products. As a result, the company probably meets customer’s needs. The economic responsibility exerts an effect on building up consumer’s expertise in the company. In other words, the perception of customers about the economic responsibility contribute customer’s trust for the company (Park, Lee, & Kim, 2014).

Integrity trust is a “consumers’ belief that a company demonstrates consistency between their values and behavior; and adheres to the moral principle of fairness” (Park, Lee, & Kim, 2014).
It is expressed through ethical and legal responsibilities. Normally, a company has to abide by laws and comply with pertinent regulations which are compulsory conditions for company. A company is more likely to be evaluated untrustworthy when it has not fulfilled its legal responsibilities (Elkins, 1976). Ethical responsibilities require business acts to follow the moral rules of society. Hence, if an organization conducts its business with moral rules and make morally right decisions, it will be perceived to be trustworthy (Cadwell, C., & Clapham, S. E., 2003).

Social benevolence trust is formed when customers believe that the company concerns the preservation and enhancement of the welfare of society, although they do not get directly benefits from the corporate benevolence behaviors (Park, Lee, & Kim, 2014). It is performed under philanthropy responsibility activities, which is associated with society wellbeing. Hence, it can build up benevolence trust. Trust is not only the expectation of what the company promised, but also "the perceived benevolence of the company in the eyes of the stakeholder" (C. B. Bhattacharya et al, 2009).

There are many evidences that support the mechanisms of perception that are fed by indirect relations such as the recall actions of Toyota or the melamine scandal in China.

Toyota is a big world company that built up its reputation based on quality, excellence design, manufacturing (Fan, David; Geddes, David; Flory, Felix, 2013). In 2009, this company faced with a financial crisis and reputation crisis when their products have quality problems that can threat their customer’ lives. Hence, to retain customers’ confidence, Toyota recalled vehicles back to company. They recalled approximately 16 million vehicles from 2009 to 2010 (Rechtin, 2014). This action reduced a large amount of this company’s net revenue. In 2008, Toyota’s net revenue was at the peak more than 26,2 billion Japanese yen. It decreased significantly to 20,5 billion in 2009 when the re-call crisis started, and gradually went to 18,5 billion Japanese yen in 2012 (The Statistics Portal, 2015). The problem about quality total effected in customers’ mind or customer trust-expertise trust, which influences on customer behavior.

For another example, in 2008, China witnessed the milk crisis when more than 50000 babies had kidney problem after drinking the milk power that had been produced by Sanlu Dairy
Company. This crisis made Chinese customers more concern about the quality of milk and food products in the market. Food scandals raised the disappointed and unbelief in Chinese food companies (Bai, Ma, Gong, & Yang, 2007). As a result, the issues related to ethical responsibilities or CSR are becoming more and more popular in the worldwide. Companies do not only focus on their profits, but they also need to take care customer’s life as well.

Instead of consuming dairy domestic products, Chinese imported dairy products from Western countries, namely Russia, Germany, the Netherlands. China imported “884,000 tons of milk powder” (Meyer, 2015) from January to November in 2014. It is true to say that Chinese food companies lost Chinese customer’s trust in the market when Sanlu company showed their unethical actions in producing milk for children.

Trust is considered as a perception of “confidence in the exchange partner’s reliability and integrity” (Morgan and Hunt, 1994). It also is the perceived benevolence of the company in customer’s mind. Trust is enhanced when the firm indicates that it cares about its stakeholders as well as society. Besides, CSR is company’s activities following the ethical and social value. Hence, the perceived benefits from the four responsibilities of CSR have particular effects on customer’s behavior.

### 2.3.3 The perceiving process of managers from customer behavior.

In order to know the influence of customer behaviors to manager’s perception, it is necessary to know what customer behaviors are and how they influence on the company. As the customer definition in previous part, customers are consumers and contributors of the company. They consume or use products and add money or useful information to the company in return.

Customer behaviors are considered as consumer behaviors. Researchers give several definitions about consumer behaviors such as Kotler and Keller (2011), Solomon et al (1995) and Blackwell et al(2006). Kotler and Keller (2011) state consumer behavior as buying behavior, which is the way of buying and using of goods, ideas, services or experiences by the individual, group and organization to satisfy what they want (Kotler, P. & Keller, K., 2011). Having the same idea, Schiffman (2007) defines consumer behaviors as “the behavior that consumer display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs” (Schiffman, L., Hansen H. & Kanuk L, 2007).
Subsequently, customer’s demands directly set up requirements for the manufacturing of the company.

A major number of customers do not think that they impact the company’s CSR activities while a small group believes that the company’s CSR behaviors are affected by their behavior. They are aware of social issues and the behaviors of specific firms and they realize their role in changing CSR strategies of companies. This small group uses CSR as a factor which influences their purchasing decision. Therefore, customer behaviors have significant effects on CSR strategies of the companies.

Customer behaviors not only influence on manufacturing activities, but it also influences on CSR activities of the company. Following Hemingway (2004) shows that personal value impacts CSR policies of the company. Moreover, CSR is defined as the result of individual values and management actions, which is decided based on the perception of managers (Wang, 2011). As a result, manager perception becomes the key in doing CSR activities of the company.

Managers do not perceive the acts of customers directly. They perceive customer behaviors by interpretation of sales figures, public opinion, social pressure groups. Many entrepreneurs made mistakes when they did not make researches about what customers want and what customers think. They merely do what they want so they cannot gain the support from customers. Managers need to know the answers for what are customer expectations? and what do they satisfy with products as well as company’s activities?

In order to figure out what customers really want, managers need to make “market research”. It is the process of collecting valuable information to help you find out customer’s demands, how they choose a product, or what are their reflections with products and company’s activities. Managers formulate, implement, and evaluate effective CSR strategies are based on these gathered information. These factors will affect manager’s perception. These researches can be done in different places and time such as supermarket, school or public places. After finishing making researches, the gathered information will be transferred to become detail reports and managers can use these.
Moreover, managers have to understand stakeholder behaviors by constructing “theories of stakeholder behaviors” and explain how a stakeholder might act. It requires managers to put themselves in the stakeholder’s position in order to comprehend their feelings and to capture the world from stakeholder’s view. In other words, managers can put the stakeholder in the central and draw its possible relationships. From this point of view, managers can see the external forces and pressures of the stakeholder group. Through this way, managers can understand fully the reasons of stakeholder behaviors and interpret these behaviors (Freeman, Strategic Management: A Stakeholder Approach, 2010).

From this information, the company can identify what the customer is buying and which features are the most important to him. It also determines factors that impact on customers’ purchasing behaviors. Additionally, these useful information can let managers know opportunities, threats or problems. It is also used to create, improve and monitor marketing performance (Proctor, 2005).

Moreover, by comparing to CSR recently strategy to customer reflecting behavior, managers will perceive whether their CSR strategy effective or not. Then, based on that result, managers can remake or create a new CSR strategy following right way to attract the support of customers.

In brief, managers do not perceive directly customer behaviors. These actions are interpreted to reports such as marketing research, sales reports or customer survey. The result of these reports is transferred to useful information that can be considered in implementing CSR of managers.

2.3.4 Manager perception influences on CSR behaviors

It is not easy to set up a competitive strategy in the market when the price and quality factors are relatively similar among companies. Managers need to find a new way to attract customers to their company as well as their products. CSR, which is used as a marketing tool to highlight the company’s image in stakeholder as well as the customer’s perception, become more popular than other methods. CSR is set up following many factors such as the core of the company, financial fund or human resources (especially manager). Besides, Schaltegger and Burritt (2010) indicated that CSR is accompanied by strategic uncertainly due to its risks and opportunities which must be managed (Schaltegger, S.,Burritt, R.L., 2010). Therefore, there is a
connection between management behaviors and CSR behaviors (Hemingway, 2004). Managers have an important role in creating and implementing CSR strategies (Waldman et al, 2006).

Additionally, the company can determine the importance of stakeholders based on three attributes including their power, legitimacy, and urgency. However, these attributes depend on how they are perceived by managers (Paul Griseri and Nina Seppala, 2010). Furthermore, CSR is also a response to the competitive environment and the demands on managers from various stakeholder groups (Menon, A. and A. Menon, 1997). Hence, managers directly take part in the development of CSR activities. They have to take responsibility for identifying and accommodating the interest of those affected by the organization’s actions (Maclagan, 1998).

Besides, CSR is social activities which positively contribute to customer perceptions about the company’s image. These activities show the care of company about society and customers’ lives. As a result, CSR’s actions are made followed by the customer’s expectation and satisfaction. Companies will try to satisfy customer’s requirements and expectation about products as well as CSR activities. It is clear that there are comparisons between what they are received and their expectations about CSR behaviors of firms. Customer’s feelings are improved when their personal experiences with companies and their expectations are treated fairly (Karen L. Becker-Olsen et al, 2006). They will give a favor for companies when the received benefits of CSR is greater than the expected one. Therefore, managers need to consider customer behavior in implementation of CSR. However, there are other factors that also influence on manager perceptions such as personal value and ethical value. While the personal values influence on ethical decision-making, individual ethical values significantly contribute to CSR performance (Wang, 2011).

The decisions of the individual manager’s organization are driven by personal value and interest.”… The perception is not reality, but it is the viewing of the reality which differs from person to person according to their respective characteristics…” (Mishra, 2001). It is understandable that the manager’s personality influences on the perception of the objects, which significant impact on the business of the company (Quazi, 2003). Hemingway & Maclagan (2004) mentioned that CSR can be achieved by managers following to their personal values and beliefs, in spite of the risks occurs. As the key of an individual’s acknowledgment, personal values are considered as the process of identifying and re-identifying of individual and
enhancing self-esteem (Wang, 2011). Personal values not only influence on individual’s behaviors (England, 1967), but they also are the criteria for behaviors (Feather, 1988). There are two kinds of personal values, including altruistic values and egoistic values. While the altruistic values with higher levels of moral awareness contributes positively to ethical decision-making and CSR. The egoistic values with lower of moral awareness makes a negative contribution to ethical decision making and CSR. Subsequently, the corporate social entrepreneurship is motivated by personal values (Wang, 2011).

Generally, before involving ethical and responsible behavior, managers need to perceive the importance of ethics and CSR, which affect their perception (Wang, 2011). A manager Rohweder (2004) indicated that individual ethical values are determined based on perceiving of individual what is right and what is wrong, and created based on the feeling of justice and duty towards others and the environment. This ethical value influences on CSR behaviors when it impacts directly on corporate ethical value through management style (Argandona, 1998). The function of corporate values is external adaptation and internal integration, which set up the organization’s philosophy, process and goal. The changing in individual ethical values leads to changes in corporate ethical value, which causes changes in corporate policies and strategies. It also changes business behaviors with respect to CSR (Wang, 2011).

It is noticeable that managers, whose actions affect the company, play an important role in understanding how and why consumers respond to CSR initiatives. The more companies understand consumer’s reactions to CSR, the more they can optimize the benefits from CSR strategies (Bhattacharya, 2004).

Managers have a responsibility in making decisions for the company. Their perception is driven by a variety factors such customer behaviors, age, education, attitude (Marz, J. W., Powers, T. L., & Queisser, T., 2003). Beside the influences of customer behaviors, CSR also is contributed based on personal values and ethical values of managers. While customer behavior is a vital aspect to optimize the benefits from CSR strategies, personal values and ethical values of managers decide how CSR can be done.
3. Conclusion and policy

3.1. Conclusion

CSR is considered as socially and environmentally responsible actions which give back either the companies’ ethical values to society or their stakeholders throughout the organizations’ activities to enhance long-term values. While companies earn profit from nature and society, they also have to take responsibilities to their local society. By this way, they can both build up a positive reputation and enhance stakeholder perception.

Stakeholder theory is not only used in Sen et al. (2009) model, but it also is used in the circle model of the relationship between CSR and customer stakeholders are mainly divided into external and internal group. These groups have significant influences on the business operation as they contribute capital or resources for the company and consume the firm’s products. Taking a closer look at external stakeholder groups, customers express clearly the role of stakeholder in business processes. In the downstream production process, customers consume products while in the upstream process, they give requirements or useful information for this company.

CSR activities influence customer behaviors through affecting directly and indirectly on customer perception. Firstly, CSR behaviors affect customer perception by gaining the customers’ trust and satisfactions on the company, as well as an increasing reputation for the company. CSR behaviors are categorized according to four elements: economic responsibility, legal responsibility, ethical responsibility and philanthropy responsibility. Economic, legal and ethical responsibilities are compulsory conditions for doing a business which present obeying legal, do the right things and ensure profits for the company as well as its stakeholders. However, philanthropy responsibility is recognized as a main aspect to create a better image for the company. Philanthropy, especially, is considered as a useful tool in completing the market. The reason is that consumers will give a favor for company which do the right thing and take care society life. Hence, the more customers notice about good CSR activities of a firm, the more opportunity that the company will get. It is true to say that the reputation has a positive impact on customer perception of the firm.
Secondly, customer perception establishes customer behaviors. Customer perception is considered as the result of customer’s observation for CSR actions along with the evaluations of price or the quality of products. Satisfaction and trust are two types of the stakeholder-company relationships that are influenced by the customer perception of the firms. The more CSR benefits are perceived from the company, the more customers satisfy and believe in the company.

Finally, in order to transfer customer’s attitudes into CSR behavior, the managers of company have to understand customer behaviors or they need to perceive what the reaction of the customer with their previous CSR strategy is. Besides the influence of customer behaviors, personal values and ethical values also effect on manager perception that decides CSR actions of the company.

This paper has a several limitations that are opportunities for further researches. Secondly although other antecedents of the firm’s success consist of quality, value and customer services, which affect strongly the customers’ attitudes, are not mentioned in this paper. Moreover, this research did not concentrate on a specific company, thus leading to the lack of data and figures in this paper.

3.2. Policy advices

A company cannot exist without customers. Customers bring profits and “resources” for the development of the company by purchasing firm’s products and services. Going bankrupt is evitable for a company if it does not receive customer support sufficiently. In another way, customers influence strongly the survival and development of a company. Therefore, one of the most vital roles of managers is to gain the support of customers in order to push a company’s profit. A rising question is that how managers can attract customers in the competitive market. This paper suggests that managers should focus on enhancing the perception of customers about company activities and the perception of managers about customer behaviors. The reason is that it is a simple circumstance when human’s actions are created from their mind, thus effecting on the perception of customers and managers will lead to the change in their behaviors.
In order to improve customer’s perception, managers should let customers know the positive sides of the company by doing CSR activities.

Firstly, in economic aspects, the companies should pay a suitable salary for employees, ensure the interest of shareholders, and give a reasonable price for products/services. “A suitable salary” means that employees’ salary commensurate with their efforts for the company. The more effective in working, the higher salary they can get. Besides, the companies should show they care about employees’ lives, such as giving high payment for retirement or organizing education funds for helping employees’ children. This payment will make employees feel more satisfied, resulting in more contributions to the company.

Secondly, companies should not get involved in illegal actions. They need to abide by the laws in local society. Each company should have a law department with professional lawyers to guide company’s activities following federal or local laws. The business of the company cannot be involved with criminals, drugs or exhibited products.

Thirdly, ethical and philanthropic activities are fundamental to expand the good reputation of the company. Consequently, companies should pay more attention to do social activities, following by ethical value such as doing charity, giving presents or scholars for exceptional students, establishing charity classes for poor students.

By carrying out efficiently four elements of CSR, managers can expand the positive reputation as well as the perception of customers. Additionally, improving the quality and function of products/services is also the most important key to satisfy customers.

Moreover, managers also need to concern the demands of customers, customer behaviors, their expectations for the company and their received value from the company’s actions. Customers meet their satisfaction as they are received value that is equal or more than their expectations. Thus, customers are more willing to support the company, which can satisfy them. Besides, customer behaviors, especially purchasing behaviors, also can be transferred into useful information for managers regarding gaining customers’ support process. Managers can learn which way they should change the new products/services and what they should do to improve the effectiveness of their business plan as well as CSR strategy.
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