

## Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior

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### ABSTRACT

Corporate social responsibility (CSR) is one of the important factors to increase the customer satisfaction. It is part of the economic, legal and moral exercises of a business element guided towards enhancing the business and societal desires. However, companies are facing various issues while adopting CSR practices, particularly Indonesian logistics companies. Challenges in the way of CSR practices affect adversely on customer satisfaction. Therefore, the objective of the present study is to highlight the role of CSR in customer satisfaction among Indonesian logistics firms. In this study, opinions of logistics customers were gathered through survey questionnaires. All the responses were analyzed through structural equation modeling technique. The findings of the study suggest that logistics companies should focus on two CSR practices, 1) environmental contribution and, 2) human resources. Environmental contribution and human resource promote community development which lead towards higher customer satisfaction.

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## 1. Introduction

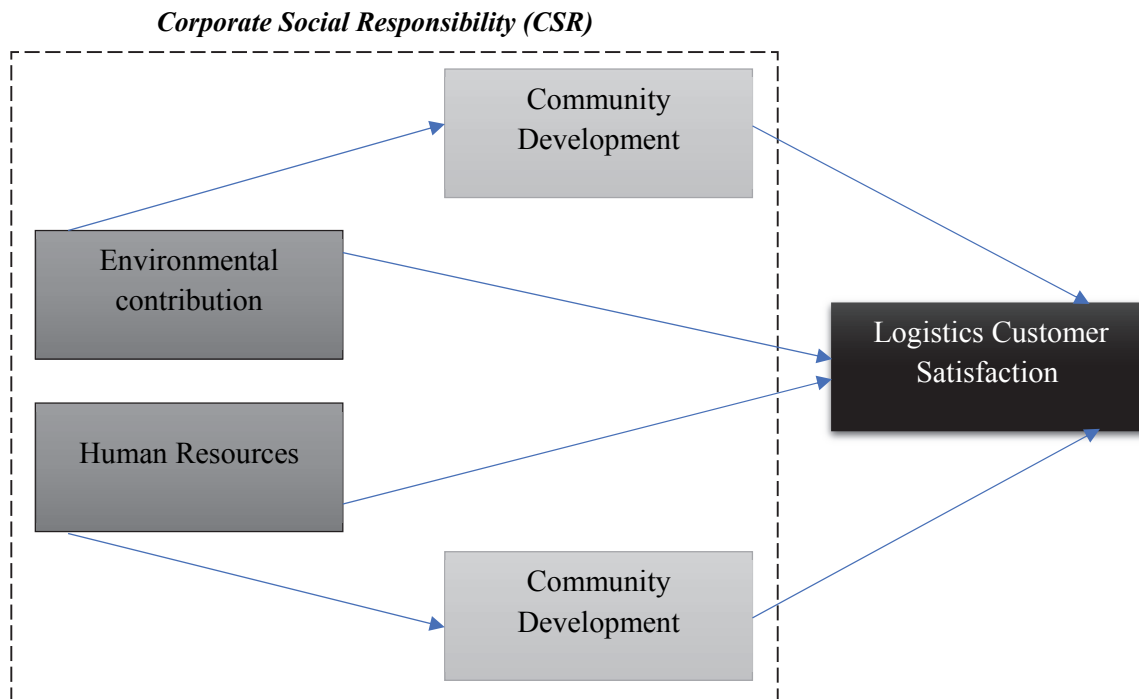
The major objective of every organization is the delivery of value to their stakeholders (Dembek et al., 2018; Mendes & Dias, 2018). Profit-oriented companies are not charitable companies, even though their interests are occasionally directed towards subsidizing charitable practices. From time to time, it is useful for companies to focus on charitable practices that should be commenced by government, however they are not government interventions. These charitable practices are viewed as corporate social responsibilities (CSR) (Mohamed & Sawandi, 2007; Chidoko & Mashavira, 2014; Salvioni & Gennari, 2014; Razek, 2014; Eshiet, 2017; Mejdoub & Arab, 2017; Oitsile et al., 2018; Chang'ach, 2018). CSR is a part of the economic, legal and moral exercises of a business element guided towards enhancing the business and societal desires (Joyner et al., 2002). Richardson et al. (1999) viewed CSR as a progressing emphasis and commitment of corporate organization to the moral components of their

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administration and organizational structure. CSR depicts the enthusiasm of the firm by appearing past exercises of the enterprise in satisfying the corporate targets to guarantee that the companies produce goods and assume a noteworthy job in adding to community development (Tilt, 1994; Ali et al., 2016; Adewale, 2016; Omodero & Ogbonnaya, 2018). Most organizations are now focusing on CSR and CSR is one of the important factors to satisfy the ultimate customers (Lee et al., 2018; Mohammed & Rashid, 2018). Increases in CSR activities increases the customers' confidence. That is the reason most companies are focusing on CSR for customer satisfaction. Companies are also facing difficulties to adopt CSR practices. Particularly, Indonesian logistics companies are facing different problems in CSR, which leads to low customer satisfaction and ultimately decreases the performance level among logistics companies. Various issues in Indonesian logistics industry has adverse effect on the performance of organizations ( Romli & Ismail, 2014; Ekpung, 2014; Sarwar & Mubarik, 2014; Okon & Monday, 2017; Kimengsi & Gwan, 2017; Erna et al., 2019; Widodo et al., 2018). Therefore, companies should focus on various strategies to overcome the issues of customer satisfaction through CSR activities. Customer satisfaction directly affects overall performance (Chavez et al., 2016; Gajewska & Grigoroudis, 2017) and a certain level of performance is essential to achieve for every organisation for survival (Nadeem et al., 2018). Customer satisfaction and performance can be increased with the help of various CSR activities such as environmental contribution by the organization and through human resources (Olagoke, 2015; Khan et al., 2017; Bollazzi & Risalvato, 2018).

As the environmental contribution leads towards higher performance (Chung et al., 2015; Zhang et al., 2011). Moreover, human resources have the ability to boost customer satisfaction. As work satisfaction by employees leads to customer satisfaction (Homburg & Stock, 2005) and satisfaction always leads towards better performance (Shah et al., 2018). Both environmental contribution and human resources are CSR practices. Therefore, the present study highlights the role of CSR in customer satisfaction among Indonesian logistic companies. Both environmental contribution and human resources also lead towards community development which satisfy the society as shown in Fig. 1.



**Fig. 1.** Theoretical framework of the proposed study

## 2. Literature Review

The notion of CSR is not a new concept (Spence, 2011). For more than two decades, different methods have been investigated by which organizations can go beyond regulatory compliance, particularly in regard with environmental effects because of their operational exercises, i.e. CSR. In any case, as social responsibility idea goes beyond just environmental issues yet to the non-environmental issues. Consequently, the reaction of the NGOs is required, by giving careful consideration to the human privileges of the network. In this way, numerous organizations both local and worldwide react to the pressure from social, political and legislation more responsible to the community (Prakash & Griffin, 2012). This pressure is more in logistics industry as it has more issues related to environment which affect community. With businesses concentrating on creating benefits, worldwide firms have understood that being a decent citizen universally is not sufficient, but in addition a good citizen to the neighbourhood condition by taking care of the nearby issues such as environmental issues (Husted & Allen, 2006; Prakash & Griffin, 2012). In the present era of globalization, worldwide enterprises and nearby business organization cannot lead damaging and deceptive practices anymore without the fascination of negative response from the whole public. Within the sight of expanded media, pressure from the non-legislative organizations and the quick rate of data offering to the worldwide, the common society has progressively been popular of a sustainable business. Therefore, environmental contribution from corporations is more important. Environmental issues are more threatening in logistics firms (Centobelli et al., 2017; Demirel, 2017; Juan et al., 2016). Carbon from logistics transportation damage environment and affect the customer satisfaction and performance. Here the human resources have important role to handle these issues. Both environmental contribution and human resources play significant role in community development. In the context of the current study, CSR is shown in Fig. 2. CSR revolves around environment, human resources and community.



**Fig. 2.** Corporate social responsibility (CSR)

### 2.1 Hypotheses Development

Community development is the activity embraced by a community joining forces with external organizations or corporations towards enabling and making arrangement for the required needs of the community in getting their necessities from the environment. The centralizations of the skills are based on utilizing assets as well as building political power through formation of social gatherings endeavouring to accomplish a typical plan. There must be an understanding between the community

designers and every person in the community on the best way to adequately use individual in the general public to build up the community (Ismail, 2009). The principle approach towards building up a community is a specific type of organizing and constructing the social framework at an area. However, this methodology is just appropriate under a circumstances where all the members of the community possess a presence of solidarity. As indicated by the United Country (1971), a composed individual methodology towards reducing the community issues with least help from the outside the organizations. Community development is a community work which revolves around the dynamic contribution of individuals in the developmental exercises of the community with external organizations (Ismail, 2009). In view of the above clarification of what community development is involved, it is certain that the complications of CSR on community development are numerous which has influence on customer satisfaction (Ali & Haseeb, 2019; Haseeb et al., 2018; Suryanto et al., 2018). CSR plays various roles on community development: (1) sharing the negative outcome on the community because of industrialization, (2) make a closer connection between the community and the organizations, (3) help in finding ability inside the networks, and (4) help in shielding the networks from environmental consequences (Ismail, 2009). Various studies found that CSR has contribution in community development and customer satisfaction (Alam & Rubel, 2014; Eweje, 2006; Ismail, 2009; Shin & Thai, 2015). As HR is critical factor of business process, it is additionally positioned to upgrade the process of CSR (Strandberg, 2009). The human resources (HR) responsibility is to critically evaluate CSR by making CSR turn into efficient way. HR is an essential partner that guarantees that the expression of the organization is openly in-accordance with the manner in which individuals and the community are treated by the corporate organization (Strandberg, 2009). HR is in the attractive position of giving the suitable devices as well as structure that can be utilized by the official group and CEO in combining CSR ethic and culture into the vital system and the organizational brand name. In this way, it is the main capacity that impacts over the whole venture for the whole 'lifecycle' of the representatives working in the organization. In this way it affects the customer satisfaction different ways. Thus, whenever dealt with accurately, its impact is extensive, and it is so vital for CSR practices (Strandberg, 2009) and customer satisfaction.

The financial and the non-performance companies are expanded to reach an ideal environmental through CSR activities (Gil et al., 2001). Products, procedures and the board frameworks that are environmentally well disposed improve funds in firms (Mishra & Suar, 2010). Firms enjoy decreased expenses emerging from wastages of crude materials, environmental emergencies, and wasteful generation perform well when they put resources into environmental administration frameworks (Allen, 1992). Selection of unrivalled environmental principles fundamentally builds firms' market value by getting ready firms to go to the right direction versus the competitors (Barrett, 1992; Mishra & Suar, 2010) which influence significantly on customer satisfaction level. Therefore, CSR has significant relationship with community development. Community development has significant influence on logistics customer satisfaction. Increase in CSR practices increases the community development with the help of contribution in environment and human resources which increases the customer satisfactory level. Customer satisfaction is a vital part of logistics activities. As various studies provided there are some evidences that CSR has positive impact on customer satisfaction (Lee & Heo, 2009; Saeidi et al., 2015; Walsh & Bartikowski, 2013).

**H1:** Environmental contributions influence community development.

**H2:** Human resources influence community development.

**H3:** Community development influences logistics customer satisfaction.

**H4:** Environmental contribution influences logistics customer satisfaction.

**H5:** Human resources influence logistics customer satisfaction.

**H6:** Community development mediates the relationship between environmental contribution and customer satisfaction.

**H7:** Community development mediates the relationship between human resources and customer satisfaction.

### 3. Research Method

This study has preferred to use cross-sectional research design rather than longitudinal based on various limitations (Sekaran & Bougie, 2010; Zikmund et al., 2009). The current study has applied quantitative research approach for determining the structural relationship between various latent variables. This procedure was followed by data analysis and statistical identifications while making inferences associated with the population. As per Hair et al. (2006) the measure of the sample relies on the number of items produced for some characteristics. It was recommended that each item needs to be represented by utilizing 5 items. Since, this study expects to utilize 35 items, therefore, sample size should be 175. Thus, this study utilized 175 questionnaires to collect the data. Moreover, Comrey and Lee (1992) recommended that 200 sample size is satisfactory to conduct a research study. Data were collected from logistics customers. Likert scale was used to carry out the present survey. This scale is most reliable scale from disagree to agree. In this study seven-point scale has been used. The reason to use seven-point scale was that, it is one of the most appropriate scales to get responses. Moreover, cluster sampling was used because it was suitable if the population spreads on a wide area. From total 200 distributed questionnaires, 149 were returned. After data collection, preliminary analysis was carried out to fulfil the requirements before data analysis through PLS-SEM. In this process, missing values and outliers were examined. Moreover, normality of data was also examined. All the preliminary analysis is shown below in Table 1.

**Table 1**  
Preliminary Analysis

	No.	Missing	Mean	Median	Min	Max	SD	Excess Kurtosis	Skewness
EC1	1	0	5.329	6	1	7	1.708	0.578	-1.144
EC2	2	0	5.664	6	1	7	1.608	0.713	-1.25
EC3	3	0	5.611	6	1	7	1.658	1.63	-1.496
EC4	4	0	5.389	6	1	7	1.694	0.478	-1.139
EC5	5	0	5.396	6	1	7	1.714	0.507	-1.11
EC6	6	0	5.309	6	1	7	1.584	0.004	-0.898
EC7	7	0	5.087	6	1	7	1.911	-0.574	-0.785
EC8	8	0	5.168	6	1	7	1.72	0.131	-0.991
HR1	9	0	5.107	5	1	7	1.703	-0.452	-0.614
HR2	10	0	5.315	6	1	7	1.765	-0.056	-0.896
HR3	11	0	5.141	6	1	7	1.715	-0.578	-0.609
HR4	12	0	5.483	6	1	7	1.657	1.171	-1.32
HR5	13	0	5.423	6	1	7	1.631	0.17	-0.977
HR6	14	0	5.342	6	1	7	1.666	0.887	-1.216
HR7	15	0	5.369	6	1	7	1.652	0.703	-1.174
HR8	16	0	5.154	6	1	7	1.633	0.206	-0.952
HR9	17	0	4.007	4	1	7	1.971	-1.308	0.15
CD1	18	0	5.49	6	1	7	1.717	1.148	-1.361
CD2	19	0	5.557	6	1	7	1.68	0.853	-1.249
CD3	20	0	5.45	6	1	7	1.759	0.9	-1.299
CD4	21	0	5.564	6	1	7	1.627	0.852	-1.262
CD5	22	0	5.43	6	1	7	1.769	0.771	-1.259
CD6	23	0	5.477	6	1	7	1.677	0.849	-1.23
CD7	24	0	5.255	6	1	7	1.738	0.301	-1.049
CD8	25	0	3.953	4	1	7	1.891	-1.149	0.104
CD9	26	0	5.168	6	1	7	1.873	-0.508	-0.717
LCS1	27	0	5.523	6	1	7	1.673	0.639	-1.179
LCS2	28	0	5.107	6	1	7	1.784	-0.409	-0.722
LCS3	29	0	4.06	4	1	7	1.836	-1.232	0.009
LCS4	30	0	5.242	6	1	7	1.737	0.079	-0.945
LCS5	31	0	5.208	6	1	7	1.72	-0.217	-0.823
LCS6	32	0	5.228	6	1	7	1.788	-0.055	-0.918
LCS7	33	0	5.242	6	1	7	1.801	-0.127	-0.876
LCS8	34	0	5.376	6	1	7	1.763	0.182	-1.032
LCS9	35	0	5.174	6	1	7	1.816	-0.079	-0.949

#### 4. Results

Advanced techniques in data analysis provide accurate results with minimum error rate. Researchers are working on advanced research tools to bring more accuracy in data analysis. From various research tools, partial least square (PLS) is also one of the advanced research techniques used in the analysis. It is based on structural equation modeling. Most of the researchers recommend to use PLS-SEM techniques for data analysis (Henseler et al., 2015; Ringle et al., 2012). That is the reason this study employed PLS-SEM for data analysis. Factor analysis is given in Table 2 and Fig. 3.

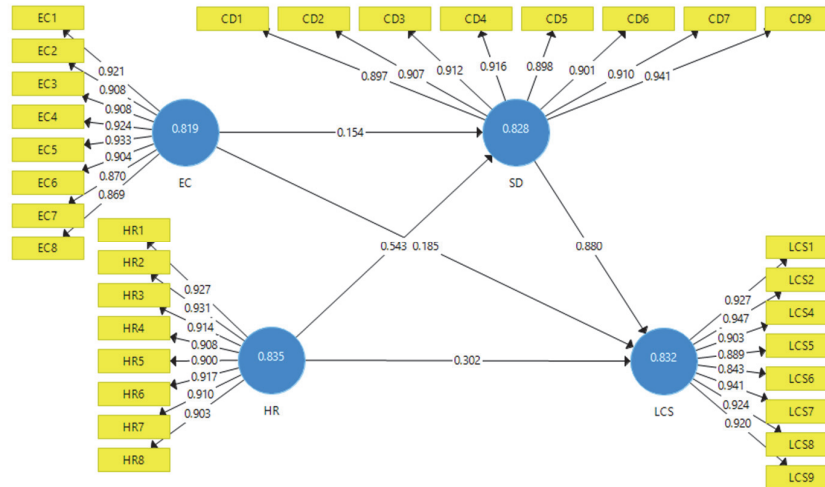


Fig. 3. Confirmatory Factor Analysis

**Table 2**  
Factor Loadings

	EC	HR	LCS	SD
CD1				0.897
CD2				0.907
CD3				0.912
CD4				0.916
CD5				0.898
CD6				0.901
CD7				0.91
CD9				0.941
EC1	0.921			
EC2	0.908			
EC3	0.908			
EC4	0.924			
EC5	0.933			
EC6	0.904			
EC7	0.87			
EC8	0.869			
HR1		0.927		
HR2		0.931		
HR3		0.914		
HR4		0.908		
HR5		0.9		
HR6		0.917		
HR7		0.91		
HR8		0.903		
LCS1			0.927	
LCS2			0.947	
LCS4			0.903	
LCS5			0.889	
LCS6			0.843	
LCS7			0.941	
LCS8			0.924	
LCS9			0.92	

Note: EC = Environmental contribution, HR = Human Resource, SD = Community Development, LCS = Logistic Customer Satisfaction

All the factor loadings have values above 0.5 which confirm the internal item reliability. From Table 3, it is highlighted that the reliability is also above 0.7 which is a minimum level considered in this study. By following Hair Jr et al. (2016), convergent validity has been achieved by attaining the AVE value above 0.5. Finally, discriminant validity was confirmed with the help of AVE square root shown in Table 4.

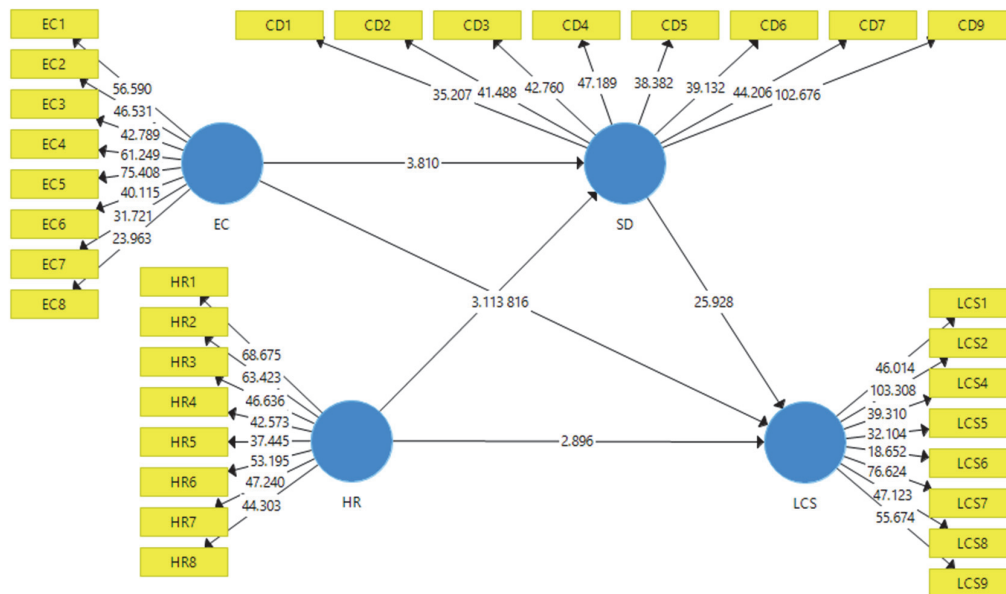
**Table 3**  
Reliability and Validity

	$\alpha$	rho A	CR	(AVE)
EC	0.968	0.97	0.973	0.819
HR	0.972	0.973	0.976	0.835
LCS	0.971	0.972	0.975	0.832
SD	0.97	0.971	0.975	0.828

**Table 4**  
Square Root of AVE

	EC	HR	LCS	SD
EC	0.905			
HR	0.859	0.914		
LCS	0.7	0.734	0.912	
SD	0.676	0.691	0.865	0.81

Structural model or hypotheses testing are given in Fig. 4. It is highlighted that t-value is above 1.96 for all relationship. T-value above 1.96 is the minimum level to accept hypotheses. T-value is shown in Fig. 4 and Table 5. Table 5 also shows the whole results for direct effects without mediating variable. These results supported all direct hypotheses as the t-value is above 1.96 and p-value is below 0.05. Moreover, indirect effect through mediating variable, namely; community development is also significant for both cases. Community development is a mediating variable between environmental contribution and logistics customer satisfaction. It is also a mediating variable between human resources and logistics customer satisfaction which supported indirect hypotheses. In this study, r-square value is 0.55, which shows moderate strength. Additionally, predicative relevance is above zero which shows the quality of model (Chin, 1998; Henseler et al., 2009).



**Fig. 4.** Structural Model

**Table 5**

Direct effect

	( $\beta$ )	(M)	(STDEV)	T Statistics	P Values
EC → LCS	0.185	0.18	0.05	3.816	0.07
EC → SD	0.154	0.146	0.04	3.81	0
HR → LCS	0.302	0.304	0.104	2.896	0.004
HR → SD	0.543	0.555	0.175	3.113	0.002
SD → LCS	0.88	0.875	0.034	25.928	0

**Table 6**

Indirect effect

	( $\beta$ )	(M)	(STDEV)	T Statistics	P Values
EC → SD → LCS	0.136	0.126	0.066	2.011	0.035
HR → SD → LCS	0.478	0.486	0.154	3.103	0.002

**Table 7**Predictive Relevance ( $Q^2$ )

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Logistic Customer Satisfaction	1,192.00	331.613	0.722
Community Development	1,192.00	759.864	0.363

## 5. Discussion and Conclusion

This study has highlighted the role of CSR in customer satisfaction among Indonesian logistics companies. Opinions of logistics customers were gathered through survey questionnaires. Therefore, the present study has focused on logistics companies of Indonesia. Findings of the study have investigated that CSR is important in logistics companies. It has major contribution to logistics customer satisfaction. Better CSR practices promote community development which ultimately increases logistics customer satisfaction.

It has found that environmental contribution of logistics companies had important role to promote community development. The previous studies have also shown that environmental contribution had a relationship with community development (Olagoke, 2015; Schmitz et al., 2010). The relationship between human resources and community development was also found significant and positive. Therefore, both CSR practices, namely; environmental contribution and human resources had the ability to enhance community development.

Moreover, environmental contribution and human resources also had a positive effect on customer satisfaction. The results are consistent with other studies in the literature (Anastasiou, 2015; Kumari et al., 2013; Moynihan et al., 2002). Therefore, increases in environmental contribution and human resources increases the logistics customers' satisfaction level.

Finally, it was investigated that community development had significant role in logistic customers' satisfaction. Improvement in community development has shown positive effect on customer satisfaction. These findings are consistent with other studies (Olagoke, 2015). Therefore, it is proved that CSR is one of the important instruments to enhance logistics performance through customer satisfaction. Thus, Indonesian logistics companies should develop a good CSR framework.

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