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# How stakeholders view stakeholders as CSR motivators

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# **Brief professional biography:**

## Caroline D Ditley-Simonsen

Caroline D Ditlev-Simonsen works as a Researcher at BI Norwegian Business School. She holds a Bachelors degree in Business Administration, a Masters degree in Energy and Environmental Studies from the US, and the topic of her BI PhD was "Five perspectives on Corporate Social Responsibility (CSR)". She has an international and comprehensive business and organizational experience in the areas of corporate responsibility, corporate citizenship and environmental and ethical issues.

Previous work experience includes Project Manager, World Industry Council for the Environment, New York; Executive Officer, Norwegian Pollution Control Authority; Advisor, Kværner ASA and Vice President, Head of Community Contact, Storebrand ASA, one of Norway's largest corporations. Ditlev-Simonsen has also a varied board experience including board member of WWF-Norway (World Wide Fund for Nature) from 2002 - 2008.

# Fred Wentøp

Fred Wenstøp graduated from the University of Oslo in 1969 as the first student to complete the new program in Cybernetics, which then was a specialization in the department of physics, probably because of the reliance on electronics in communication and control systems. The computers at that time were mostly analogue, not digital.

After graduation he joined BI which then was a very small business school, but with a keen interest in applying quantitative methods in business administration. This gave him the opportunity to apply for a Ford Foundation scholarship to pursue Ph.D. in the US, which brought him to University of California where he wrote a thesis on linguistic models of organizations based on fuzzy set theory.

Back at BI, Wenstøp teach statistics and operations research, especially decision theory, and was eventually promoted to professor. He has served several times as chair of my department, and started the development of BIs doctoral program where he was dean from 1995 to 2000.

# Acknowledgement

We would like to extend our gratitude to Professor Atle Midttun for being involved in the data collection.

# How stakeholders view stakeholders as CSR motivators

# **ABSTRACT**

# **Purpose**

This study investigates perceptions of the relative importance of different stakeholders (owners, employees, customers, NGOs and governmental authorities) as agents motivating managers to engage in CSR. The purpose was to determine which stakeholders are viewed as key motivators and which the respondents think *ought* to be key stakeholders.

# Design/methodology/approach

This is an empirical study. Three stakeholder groups – Corporate leaders, MSc business students and NGOs – were consulted through a paper survey (N=264).

# **Findings**

The findings reveal that the three stakeholder groups roughly agree that owners are the main motivators for managers to pursue CSR, followed by customers, governments, employees and NGOs, in that order. We then turned from perceptions of how things *are* to opinions about how things *ought to be*, asking who should be the main motivator. In this case, customers moved up to first place, followed by employees, owners, government and NGOs. Age, but not gender, was a significant variable. The older the respondents, the smaller the discrepancy between perceptions of what is and opinions about what ought to be.

# **Research limitations/implications**

This study was conducted in Norway and generalization is therefore limited. By replicating the study in other countries cultural differences can be investigated.

# **Practical and social implications**

The findings are applicable for evaluating different avenues for understanding and influencing managerial and stakeholder CSR behaviour.

# Originality/value

Several studies have concluded that stakeholders are of key importance in the CSR setting. However, few studies so far have compared the perceived relative "power" held by stakeholders. This type of knowledge can provide a key to understanding the development of CSR.

Key words: Corporate social responsibility (CSR), stakeholders, motivation, owners, employees, customers, government, management, NGO

# Introduction

As can be seen in Figure 1, the media's focus on corporate social responsibility (CSR) has boomed since the turn of the century, reflecting increasing expectations of corporations addressing their societal responsibility. Figure 2 shows, through increased non-financial reporting, how corporations' behaviour has developed during the same period.

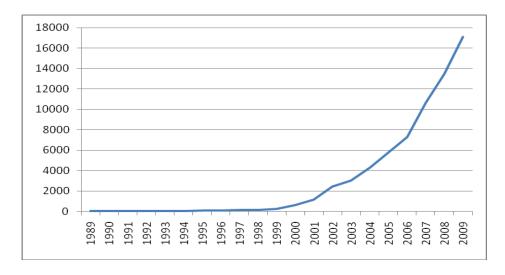


Figure 1: "Corporate Social Responsibility" hits in the media during 1989-2009. Search conducted in Factiva<sup>1</sup>

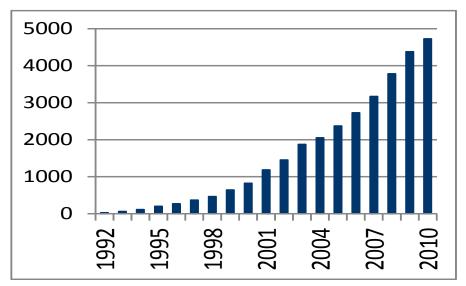


Figure 2: Growth in the number of non-financial reports issued worldwide (www.corporateregister.com)

<sup>1</sup> Factiva is a business information and research tool owned by Dow Jones & Company. Searches for all sources, companies, subjects and industries were conducted in English.

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Understanding the dynamics of CSR requires knowledge of the drivers of the process. We ask, therefore: What are the forces that motivate managers to pursue CSR? Moreover: Is the corporate world perceived as being on the right track? Are the forces in action the forces that ought to be in action as this dynamic process develops?

Corporate stakeholders such as customers, employees, governments and NGOs are important drivers for CSR engagement. Several studies have addressed the impact of these different stakeholders, especially NGOs, in developing corporations' CSR activities (Spar and La Mure 2003, Teegen et al. 2004, Doh and Guay 2006). Greenpeace's pressuring Shell to avoid dumping the Brent Spar in the Atlantic is a good example of the impact of NGO engagement (Porter and Kramer 2007).

We know little about the relative importance of these key stakeholders as drivers, however. This is where the present study seeks to contribute. By surveying the perceptions of three key stakeholder groups (board members, MSc business students and NGOs) as to the relative importance of key stakeholders (owners, employees, customers, NGOs and governments), we discovered how stakeholders view themselves and other stakeholders in the CSR field. While board members and NGOs are obvious stakeholders, considering students as stakeholders might not be as obvious. Since business students think of themselves as future managers, though, we find it natural to consider them CSR stakeholders in this context. Bhattacharya et al., in their article "Using Corporate Social Responsibility to Win the War for Talent", also argue that students are key motivators and stakeholders in corporate CSR engagement (Bhattacharya et al. 2008).

Perceptions of CSR drivers are only one side of the coin, however; the other side is opinions of who ought to drive the process. This study investigates which stakeholders are perceived to be CSR drivers especially with respect to which ones the respondents think ought to motivate managers to pursue CSR. Do the two sides of the coin agree, or do the respondents view the process as being on the wrong track?

This paper is organized as follows. First, it provides an overview of stakeholder theory and its role in the CSR field. Here, the relevance of the research questions will emerge. Next, methods and data collection are described in more detail, followed by a presentation of the results. The final section discusses the findings and presents conclusions.

# Stakeholder theory and CSR

Originally, corporations were perceived as having only one stakeholder: the owners. The goal was to maximize return on equity. In the 1980s Edward Freeman argued that corporations should extend their mission to include stakeholder groups beyond shareholders – that is, to enlarge the circle of stakeholders (Freeman 1984). This idea was not new: Corporations have always considered customer preferences and employees' well-being when producing products. However, the notion of balancing these and other stakeholders' interests in a broader, more conscious organizational strategy was new. "The central idea is that an organization's success is dependent on how well it manages the relationship with key groups, such as customers, employees, suppliers, communities, financiers, and others that can effect the realization of its purpose" (Freeman and Philips 2002: page 333).

Stakeholder theory builds on several disciplines, including ethics, strategy, law, economics and theory of organization, and is central in CSR research (Doh and Guay 2006, Enquist et al. 2006, Morsing and Schultz 2006, Freeman and Liedtka 1991). There are different opinions as to who can be called a "stakeholder". Several studies have asked the question, "To whom is the organization responsible?" (Vos 2003: page 143).

The WBCSD, for example, lists employees, customers, suppliers, governments and their agencies, the public, NGOs, investors and lenders as stakeholders (WBCSD 2002: page 18). Harrison and St. John list customers, suppliers, competitors, government agencies/administrators, local communities/governments, activist groups and unions, and argue that "[p]ersons, groups, neighbourhoods, organizations, institutions, societies, and even the natural environment are generally thought to qualify as actual or potential stakeholders" (Mitchell et al. 1997: page 855). Some studies have focused more on evaluating and categorizing different types of stakeholders. Identifying primary and secondary stakeholders is one approach, voluntary and involuntary stakeholders another. A qualitative class approach divides stakeholders according to Urgency, Power and Legitimacy (Mitchell et al. 1997) (Vos 2003). Whereas these studies have investigated how managers deal with the complex problem of identifying stakeholders and deciding which they should take into account, the present study investigates the perceptions of people outside the corporation with respect to which stakeholders actually motivate managers to pursue CSR.

Given that the agendas of different stakeholders vary, one would assume that corporations are influenced in different ways depending on which stakeholders' opinions they give the most

weight. In this study, we investigated perceptions as to which stakeholder groups corporate managers actually listen to in CSR matters. Our respondents were stakeholders as well: board members, NGOs and business students. We also wanted to explore discrepancies between a descriptive and normative view, and for this reason also asked which stakeholder group ought to be most influential. The study thus compares perceptions with respect to CSR drivers with normative opinions.

We have chosen to focus on the five stakeholder groups described in this study – owners, employees, customers, NGOs and governments – because they have all received attention in the literature as CSR drivers.

*Owners* include shareholders. Our study asks: is it the owners who drive a manager to pursue CSR? According to corporate governance literature, the shareholders bear the primary responsibility for the conduct of the corporation and have, through the general assembly, power to instruct the board.

Alternatively, is it the *employees* who motivate managers to pursue CSR? This would agree with the World Economic Forum CEO survey on Global Corporate Citizenship, which reported that employees "receive top ranking as stakeholders" (World Economic Forum 2003: page 3).

Another report argues that *Customers* are a key motivator for CSR, since they want socially responsible products and can exercise power through their buying behaviour (MORI/CSR Europe 2000).

The role of *NGOs* as pressure groups towards managers has been discussed in several studies (Spar and La Mure 2003, Teegen et al. 2004, Doh and Guay 2006). Examples of this are boycotts of products and the resulting embarrassment, such as in scandals like Shell, Nike and Nestlé (Crane and Matten 2007). NGOs are stakeholders that, in cooperation with media and other social networks (internet), may have the power to change corporate reputation and therefore customer behaviour. In this manner NGOs may create carrots (boast positive CSR engagement) or sticks (initiate boycott and negative media coverage). NGOs range from preservers to scrutinizers, and accordingly several different forms of interaction exists between corporations and NGOs (Ählström and Sjöström 2005).

Governments are important stakeholders as they can change existing laws and regulations or make new ones. Sometimes even the threat of governmental action is sufficient for corporations to go beyond the law in taking on social responsibility. Such initiatives can also result in governments inviting corporations to formulate regulations in the CSR field (Departementer 2010).

# **Method and Data Collection**

This study is part of a larger program investigating corporate motivation for CSR. Another study examined managerial motivation for CSR in the context of 10 business theories (reference blanked out for review anonymity) and found that stakeholders are an important factor. This study uses data from the same respondents but pursues the question further by investigating the relative impact of specific stakeholders.

The frame of our study is perceptions and opinions among Norwegian stakeholders regarding CSR drivers of large Norwegian corporations generally, without allusion to specific societal or corporate events.

# Respondents

The empirical basis for the analysis is a survey of the participants in three panels: a board member's panel, a business student's panel and an NGO panel. All participants were guaranteed 100% anonymity.

The *board panel* consisted of participants at the Board Member Conference (Styredagen 2007) held at BI - Norwegian School of Management in September 2007. A majority of the respondents were board members; some were CEOs, corporate lawyers or consultants. The survey was distributed at the conference, filled out during a break and collected at the exit. Sixty-two responses were received from the 210 participants, implying a response rate of about 30%.

The *student panel* consisted of Master of Science business students taking a mandatory CSR course in the fall of 2007 with an enrolment of 300. The survey was distributed at the end of a class and the students had 10 minutes to fill it out. Approximately 200 students attended the class that day, of whom about 158 (79 %) answered the stakeholder questions.

*The NGO panel* consisted of the employees of two of Norway's largest NGOs: the environmental organization WWF Norway and the human rights organization Amnesty Norway. The two organizations employ 65 people, 44 of whom (68 %) responded to the survey.

# The survey

The questionnaire consisted of two pages. One page asked the respondent to rank the five types of stakeholders – owners, employees, customers, NGOs and governmental authorities – reading: "Which of the following stakeholders are the key motivators for senior managers? (put 1 after the main motivator, 2 after the second motivator etc.)". The second page asked, "Which of the following stakeholders should be the key motivator for senior managers? (put 1 after the main motivator, 2 after the second motivator etc.)".

The questions were posed as statements about motivators of senior managers; the respondents were asked to think of senior managers in Norway's 20 largest companies when answering them. A list of company names was included in a footnote to remind the respondents which are the 20 largest companies in Norway. No definition of CSR was provided in the survey as we wanted the respondents to apply their own understanding of the concept.

The responses were recorded manually with Confirmit (www.confirmit.com). The statistical analysis was performed with Excel and SPSS.

# **Findings**

# Average ranks

Table 1 shows the average ranks for each respondent group, revealing that the three groups (MSc students, corporate leaders and NGOs) roughly agree on the ranking of the five stakeholders. Owners are perceived to be the main motivators. Customers were ranked the second most influential, followed by government, employees and, least, NGOs. Board members differ slightly in that they perceive employees to be more important than government.

Table 1: Ranking of perceptions of key stakeholders as CSR motivators. The table gives the average rank numbers as well as the rank of the average in parentheses. Rank 1 means most important.

Owner Employees Customer NGO Government \* Respondent

		-			_			
Respondent group		Owner	Employees	Customer	NGO	Government		
Student	(Rank) Mean	(1) 2.27	(4) 3.49	(1) 2.27	(5) 4.03	(3) 2.94		
Board	(Rank) Mean	(1) 2.02	(3) 2.95	(2) 2.13	(5) 4.39	(4) 3.52		
NGO	(Rank) Mean	(1) 1.84	(4) 3.74	(2) 2.19	(5) 4.09	(3) 3.02		
Total	(Rank) Mean	(1) 2.14	(4) 3.40	(2) 2.23	(5) 4.12	(3) 3.09		

Table 2: Ranking of opinions of which stakeholders should be CSR motivators

Sh\_Owner Sh\_Employees Sh\_Customer Sh\_NGO Sh\_Gov \* Respondent

Respondent Group		Sh_Owner	Sh_Empl.	Sh_Cust.	Sh_NGO	Sh_Gov
Student	(Rank) Mean	(3) 2.73	(2) 2.49	(1) 2.20	(5) 4.07	(4) 3.51
Board	(Rank) Mean	(1) 1.90	(3) 2.65	(2) 2.18	(5) 4.58	(4) 3.69
NGO	(Rank) Mean	(3) 3.12	(2) 2.71	(1) 2.32	(5) 3.57	(4) 3.15
Total	(Rank) Mean	(3) 2.59	(2) 2.56	(1) 2.21	(5) 4.12	(4) 3.49

The average rank opinions of which stakeholder *should* motivate CSR is shown for each respondent group in Table 2. There is a clear agreement between the groups that government and NGOs should have little influence, as well as a preference for the customer as the main motivator. Again however, board members differ slightly, believing that owners ought to be the main motivator.

# Differences between respondent groups

Behind the averaged numbers in Tables 1 and 2 there is of course considerable variation, and a more detailed analysis has been performed to identify possible significant differences between the respondent groups. Three pair wise *t*-tests for independent samples reveal the following (two-tailed *p*-values in parentheses, equal variances not assumed):

### Board members versus students

There is considerable disagreement concerning the actual impact of Employees (.001), NGOs (.026) and Government (.003) on CSR. The perceptions of board members and students are significantly different regarding these three stakeholders. Further, there is considerable disagreement as to whether owners (.000) and NGOs (.000) should motivate CSR. Not surprisingly, board members prefer Owners while students prefer NGOs.

## NGOs versus students

There are no significant differences in perceptions of the actual impact of any stakeholder on CSR, but there is considerable disagreement as to whether NGOs should motivate CSR, with the NGO respondent group naturally preferring the NGO stakeholder (.036).

### Board members versus NGOs

There is significant disagreement concerning the actual impact on CSR of Employees (.000) and Government (.043), with NGOs attributing greater impact to Employees than do board

members and vice versa for Government. There is significant disagreement as to whether Owners (.000), NGOs (.000) and Government (.044) should motivate CSR. Again, not surprisingly, the board members prefer Owners while NGOs prefer NGOs.

# Individual perception of the present situation and opinion of what ought to be

The Spearman rank correlation coefficient, which measures the agreement between two rank orders, was computed for each respondent in this study. A positive coefficient for an individual therefore means there is agreement between how he perceives the situation now regarding CSR drivers, and how he feels it ought to be. If it is zero, there is no correlation; if it is negative, the respondent believes the situation should be the opposite of how he perceives it to be.

Table 3. The means of Spearman rank correlation coefficients for each respondent group.

Respondent	Mean	N	Std. Deviation
Student	.3477	155	.53940
Board	.6017	60	.44740
NGO	.2500	40	.54444
Total	.3922	255	.53213

Table 3 shows, first, that all of the groups are generally satisfied with the situation as it is, as the averages are well above zero. The board members are the most satisfied; the NGOs, the least. A One-way ANOVA test shows that the difference between the groups is very significant (p = 0.001).

Table 4 shows the difference between male and female respondents; the men tend to be more satisfied with the present situation, but this difference is not significant at the 0.05 level (p = 0.08).

Table 4. The means of Spearman rank correlation coefficients for men and women

	Gender	N	Mean	Std. Deviation	Std. Error Mean
SpearmanCorr	male	148	.4209	.54352	.04468
	female	102	.3343	.51771	.05126

We also wanted to determine whether satisfaction with the present situation is dependent on age. This was made difficult by co-linearity, however: Students are much younger than board members, as shown in Table 5.

*Table 5. Age distribution in the respondent groups – Year of birth* 

Respondent	Mean	N	Std. Deviation
Student	1982	192	4
Board	1957	73	11
NGO	1966	41	9
Total	1974	306	13

Running a linear regression analysis with only NGOs and board members as respondents gives us the results shown in Table 6.

Table 6. The impact of age on satisfaction. Backward regression analysis. Students are excluded (a).

		Unstandardized Coefficients		Standardized Coefficients		
Model		В	Std. Error	Beta	t	Sig.
1	(Constant)	18.271	10.411		1.755	.083
	Yr_of_birth	009	.005	184	-1.680	.096
	Gender	096	.112	089	864	.390
	NGO_respondent	274	.115	258	-2.391	.019
2	(Constant)	20.349	10.115		2.012	.047
	Yr_of_birth	010	.005	208	-1.952	.054
	NGO_respondent	290	.113	273	-2.568	.012

a. Dependent Variable: SpearmanCorr (satisfaction with the present situation)

Table 6 shows that gender is not significant. Year of birth is almost significant, though, at the 0.05 level: Older people are more satisfied with current situation. Furthermore, as we have seen before, NGOs are significantly less satisfied than board members.

# Discussion and conclusion

# Premeditation

The respondents were asked two simple questions: To rank five stakeholders according to who they think *is* the main motivator for managers, and according to who they think *should be* the main motivator for managers. While the first question inquires about perceptions of what is going on, the second inquires about normative views. Normative views depend on ethical outlook, which we did not ask about. We must bear this in mind when discussing the findings. The basic ethical bifurcation is between principles and consequences and both of these may come into play at the same time and in the same context. For example, one might think that owners should induce the managers to pursue CSR because it is their duty to society (principles), because it will be profitable (consequences), or both.

Another ambiguity concerns who the respondent considers an actor: the management or the stakeholder. Should the owners be the main CSR driver because they ought to exert governance, because the managers are obliged to implement the owners' directions, or both? All of these factors may consciously or unconsciously influence a respondent's ranking of the stakeholders according to who should be strong CSR motivators. Some are likely to dominate, though. Let us therefore list several premeditated reasons to keep in mind when discussing the findings.

**Owners** have a duty to society and should exert governance. They want to maximise return on equity, which is probably the strongest motivation for driving CSR. The management should oblige the owners.

**Employees** associate themselves with their employer, and management have a duty to listen to them. Also, because employees are knowledgeable, listening to them may increase profit. Finally, many believe that employees have a duty to voice their concerns.

**Customers** are concerned about health and environment as well as quality and price, and should influence the corporation through product selection. It is therefore profitable for management to listen to customers.

**NGOs** have special competencies, and it is useful for management to take advantage of these. Not listening to NGOs is presumably risky as it may lead to bad press, which hurts corporate image, or even to boycotts, which hurt the corporation financially. The purpose of an NGO is to advocate its mission, even though not everybody necessarily agrees with their opinion.

**Governmental** authorities have a duty to make rules and regulations that govern CSR, and management must obey.

# Interpretation of findings

In the traditional business model, shareholders are the key stakeholders. However, according to MSc students and NGOs, this is not the way it ought to be when it comes to CSR.

It is interesting to note that all respondent groups perceive owners, i.e. shareholders, as the de facto key motivators for CSR (see Table 1). According to our premeditation, owners' CSR engagement may be perceived mainly as a means to increase profit. The image of corporate CSR thus appears rather instrumental – that is, it boils down to making money. Turning now to the normative questions of who should drive CSR (Table 2), we see that in the board members' opinion, the owners should continue to top managers' priority list. This conflicts with the two other groups, who believe the costumers should be the main drivers, and signals that they (the board members) perceive themselves as more important stakeholders than students and NGOs view them. In the normative setting, students and NGOs put owners in third place.

Board members are, furthermore, the most satisfied with the current situation (Table 3). People tend to justify their own activities. Therefore, because board members represent the owners, they think corporate managers should listen to them with regard to CSR activities.

The fact that students and NGOs think customers *ought to be* the primary driver for CSR (Table 2) is quite interesting. Collaboration with customers about CSR is not common. It is much more common to collaborate with NGOs to develop a corporate CSR program, and this type of cooperation and partnership has received considerable attention – both in research and among corporations (Spar and La Mure 2003, Teegen et al. 2004, Doh and Guay 2006). Customers are more commonly consulted to test products. Our findings suggest that businesses should involve customers to a greater degree in their CSR pursuits.

Still another interpretation of customers being at the top of the normative list and NGOs at the bottom is that students and NGOs see themselves to some degree as consumers and therefore put this stakeholder at the top of the list. A majority of people want companies to take broader social responsibility (Mbare 2007), but this attitude is not reflected in consumers' purchasing patterns. This is a disturbing fact. When shopping, it is the wallet that decides (Devinney et al. 2006). We tend to buy the least expensive products, irrespective of the potential environmental or societal impacts.

All three of the groups perceive NGOs as the least important driver for CSR, and all of them, even NGOs themselves, think they should remain so. This is surprising, given the corporate risk associated with NGO boycotts and stories about unacceptable corporate behaviour being leaked to the media. Can we interpret this as students, leaders and even NGOs not seeing NGOs as a great threat to corporations? A common human attitude is to perceive ourselves as more important than other people perceive us (Banaji et al. 2003), but this does not seem to be the case with the NGOs. They perceive themselves as at the bottom of the motivator hierarchy, and think they should remain there (although NGOs do have significantly higher regard of themselves). This is surprising, and may be interpreted in several ways. One possibility is that NGOs are professional, and therefore realistic, with regard to CSR. Another involves the role they assume in society: They are saviours who must to speak up even if few listen. Still another is that NGO employees see themselves more as customers than NGO employees and therefore rank NGOs as such at the bottom of the stakeholder priority list.

All three stakeholder groups rank government in third place in the CSR motivator list, and agree that it ought to be even less important -i.e., in fourth place.

A rather standard belief in the CSR literature is, "Because business organizations and governments share a number of common goals, many organizations form alliances with government agencies and officials to pursue a wide variety of objectives" (Harrison and St. John 1996: page 55). Our findings do not support this, however. Rather, students, board members and NGOs believe that managers are more motivated by government than they actually should be. Does this reflect less trust in government, or a "more power to the customer" attitude? Isn't government supposed to represent an impartial stakeholder pursuing the common good? Our respondents obviously do not perceive it this way; they see it as the contrary. Furthermore, the findings reflect that the respondents have less trust in government than they think corporate managers have.

# Employees should be paid more attention

On average, all of the respondent groups ranked employees fourth, while their opinion is that employees should be in second place. Again, the board members group disagrees slightly: They perceive employees as in third place and think they should remain there. The findings signalling to managers that they should listen more to employees is supported even more strongly by students and NGOs. These two groups believe that employees are more important than owners.

# Gender similarities and differences

Other studies have identified differences with regard to gender. For example, job satisfaction was more closely connected to voluntary work among female employees than among male employees (Peterson 2004, Brammer et al. 2007). In this study, however, we do not find any significant gender differences. Does this have something to do with the strong focus on gender equality in Norway (Huse 2010)?

# Concluding remark

This study takes a first step in providing a priority list of different stakeholders as perceived by people outside corporations. Its main contribution is to explore the relative importance of stakeholders in CSR decisions, from the point of view of those people outside corporations. However, the study is limited to testing the relative importance of five different stakeholders. Extending the list of stakeholders to cover others, including suppliers, lenders, unions, media, etc, could be an interesting next step. Also, consulting additional stakeholders, such as government officers, journalists and investors, would provide an even better understanding of the field.

Finally, conducting such a study in another country or culture would be valuable. We know that different cultures interpret CSR in different ways (Maitland 2005). Testing and comparing attitudes in different countries could help to improve our understanding of the complex picture of CSR in a global setting.

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