



Institute for Market-Oriented Management

Competence in Research & Management

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IMU Research Insights

005

Corporate Social Responsibility in Business-to-Business Markets

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<p>Relevance of Study</p> <ul style="list-style-type: none"> Corporate social responsibility (CSR) has gained momentum and is now a strategic imperative for many B2B-firms Research on CSR's influence on organizational business relationships is scarce Does CSR have an impact on organizational buying behavior and customer loyalty? 	<p>Key Contributions</p> <ul style="list-style-type: none"> Suppliers should be aware of the fact that CSR matters: Their customers' CSR perceptions influence customer loyalty Business process CSR engagement – CSR activities within a supplier's core business operations – has a positive impact on customer loyalty by increasing customer's trust towards the supplier. It signals positive company characteristics. Non-business process CSR engagement – CSR activities outside a supplier's core business operations – has a positive impact on loyalty by strengthening customer's identification with the supplier. It can differentiate a firm from its competitors. 	<p>Sample & Method</p> <ul style="list-style-type: none"> 200 supplier and customer surveys as matched supplier-customer dyads (total of 400 surveys) Executive employees in marketing/sales (supplier; e.g. head of sales) and purchasing (customer; e.g. head of purchasing) or management Descriptive statistical analysis using SPSS and structural equation modeling with latent interactions (moderation) using MPLus
<p>Investigated Industries</p> <ul style="list-style-type: none"> Machine Building, Printing, Chemicals, Electronics, Automotive, Building, Food and Stimulants, Media, Logistics, Communication, Software, Utilities, Financial Services 		
<p>Findings</p> <ul style="list-style-type: none"> The study participants attribute growing importance to CSR issues in supplier-customer relationships and B2B purchasing decisions CSR in B2B-markets can be viewed as a two-dimensional concept: Business process CSR and non-business process CSR A firm's CSR engagement leads to increased customer loyalty via a dual mechanism strengthening customers' trust and identification A positive business process CSR reputation drives customers' trust whereas a positive non-business process CSR reputation strengthens the customers' identification. The impact of the two CSR dimensions on trust and customer-company-identification is context-specific The media industry has the highest reputation regarding business process CSR engagement; the building and construction industry the lowest Non-business process CSR activities from suppliers in the media, printing & paper, and financial services industry are perceived as most positive The future importance of CSR issues is highest for customers in the chemical, logistic, food & stimulants and financial services industry 		

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- Topic Relevance and Key Questions
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- Study Characteristics
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- Study Results
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- Managerial Implications
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- Contact and Further Information
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“CSR has emerged as an inescapable priority for business leaders”

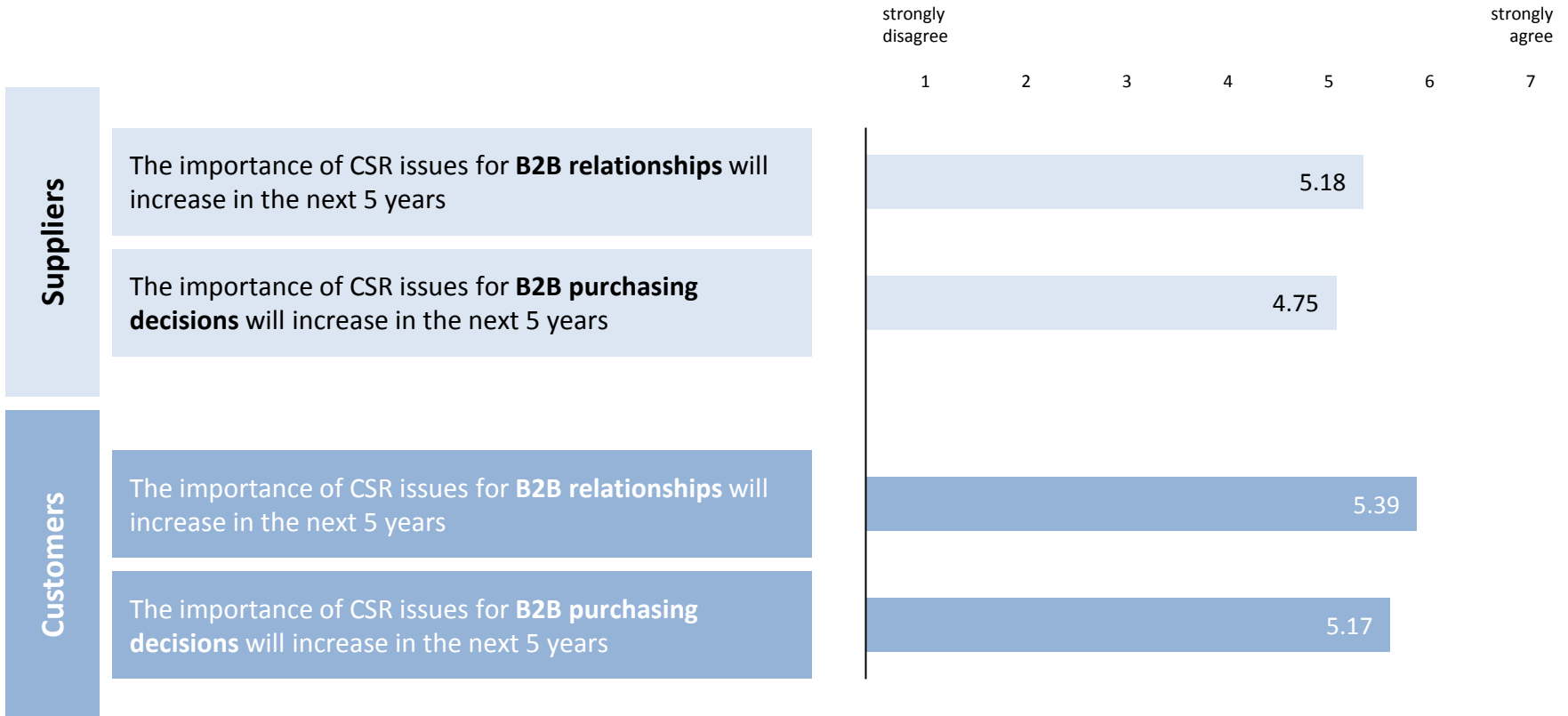
(Michael Porter 2006)

- Corporate Social Responsibility (CSR) is defined 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 of the European Communities 2001)
- The notion of CSR has gained momentum in today's business practice due to several global developments (e.g., more critical public & customers, CSR rankings, socially responsible investments)
- B2B-companies are often at the forefront of engaging in CSR (Levy 2010)

BUT:

- „Whereas CSR is an issue in relation to all business partners, the empirical studies focus on consumer marketing and consumer responses, thereby excluding business-to-business marketing” (Vaaland/Heide/Gronhaug 2008, p. 947)
- Hence, research of CSR's influence on organizational business relationships is non-existent, despite the high relevance of CSR in today's business practice

The study participants attribute increasing importance to CSR in supplier-customer relationships and B2B purchasing decisions



This study addresses four central questions

- 1** What constitutes CSR in supplier-customer relationships?
- 2** Does a supplier's CSR engagement lead to positive customer outcomes in supplier-customer relationships?
- 3** What factors influence the effectiveness of CSR activities in supplier-customer relationships?
- 4** What are the managerial implications of the study results?

To answer the questions a large-scale survey was conducted resulting in 200 matched supplier-customer dyads

Method

- Mail Survey
- Open and closed questions
- Length: ~ 30 minutes
- Cooperation with market research institute

Sample

Unit of analysis:

- Supplier-Customer relationships

Target group:

- Supplier and customer firms in business relationships
- Executive employees in marketing/sales (supplier; e.g. head of sales) and purchasing (customer; e.g. head of purchasing) or management

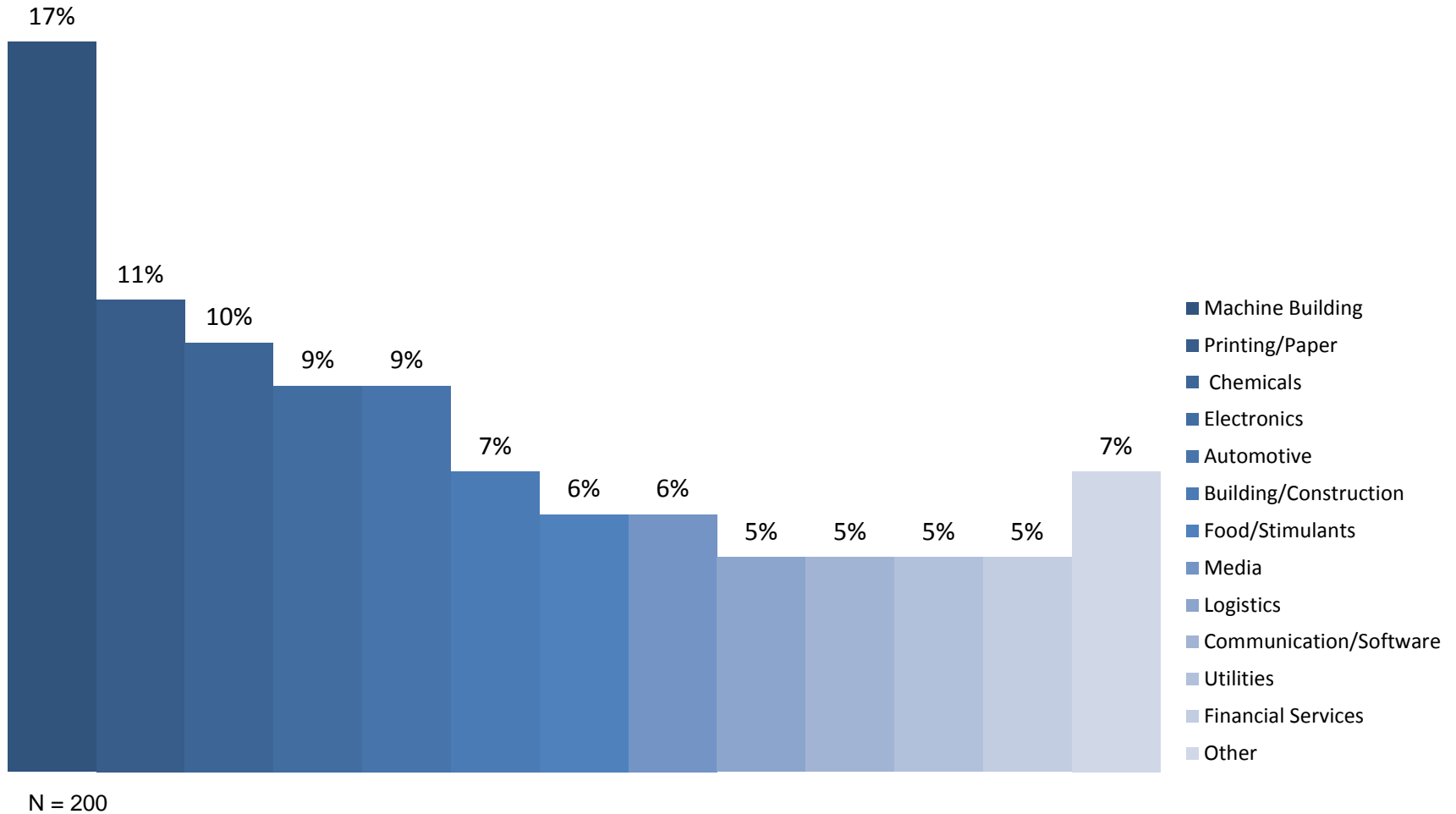
Observed industries:

- Cross-industry study: machine building, logistics, electronics, chemicals, software, utilities, etc.
- Sample: 200 supplier and customer surveys (total of 400 surveys)

Data Characteristics:

- Average work experience of the supplier (customer) representatives is 20.8 (22.6) years

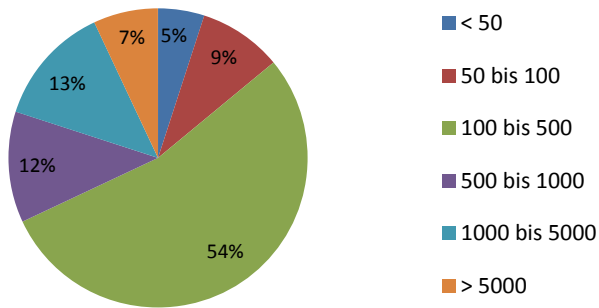
The sample consists of central supplier industries



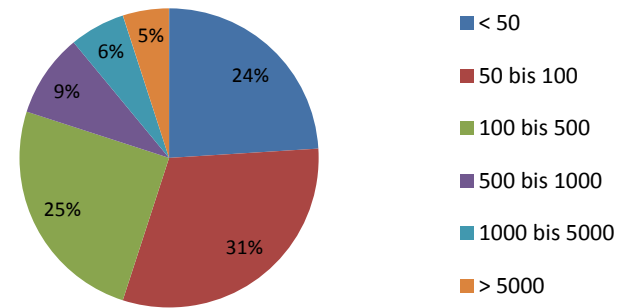
Supplier

Customer

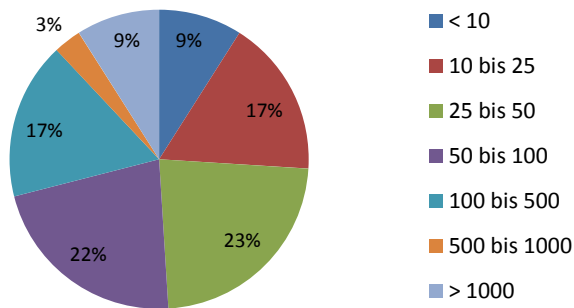
Number of Employees



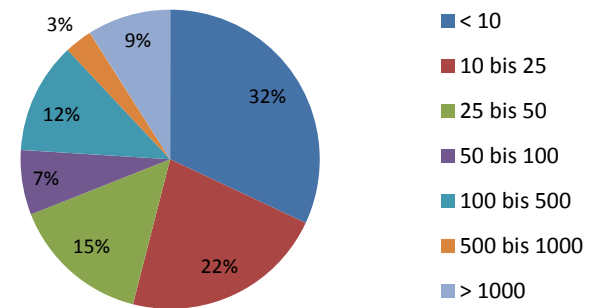
Number of Employees



Sales (Mio. €)



Sales (Mio. €)



Corporate social responsibility in business-to-business markets can be viewed as a two-dimensional concept

Corporate social responsibility consists of several aspects – we distinguish between a supplier's business process CSR engagement and non-business process CSR engagement

Business process CSR

Business process CSR involves activities within a firm's core business operations and targets its primary stakeholders, e.g., customers and employees

Operationalization (supplier/customer perspective)

- Our company/Company X follows employee-friendly rules and policies.
- Our company/Company X provides working conditions that safeguard the health and safety of its employees.
- Our company/Company X provides full and accurate information to all its customers.
- Our company/Company X follows high ethical standards in its business operations.
- Our company/Company X respects customer rights beyond the legal requirements.

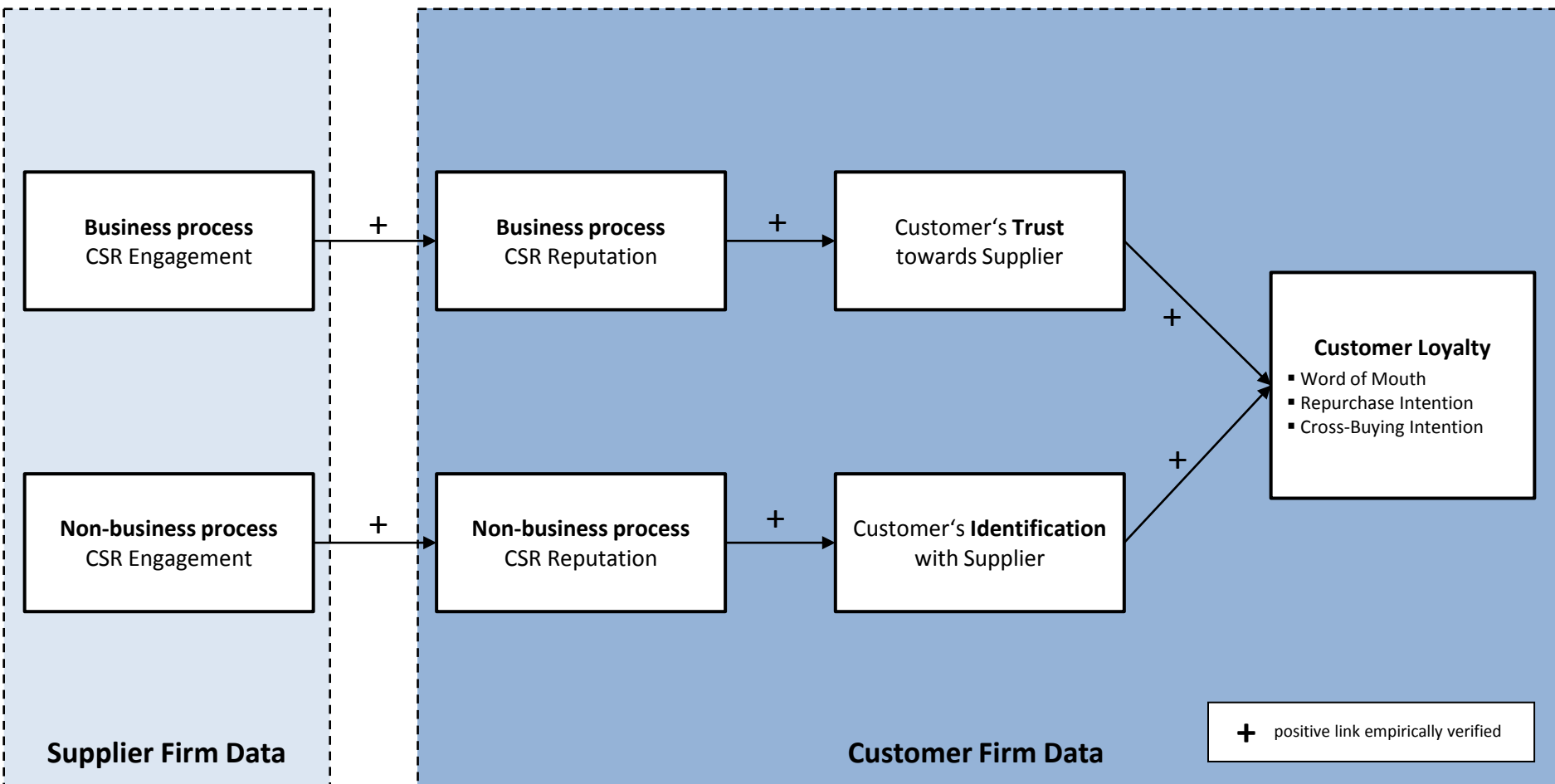
Non-business process CSR

Non-business process CSR refers to activities outside a firm's core business operations and involves its secondary stakeholders, e.g., the community

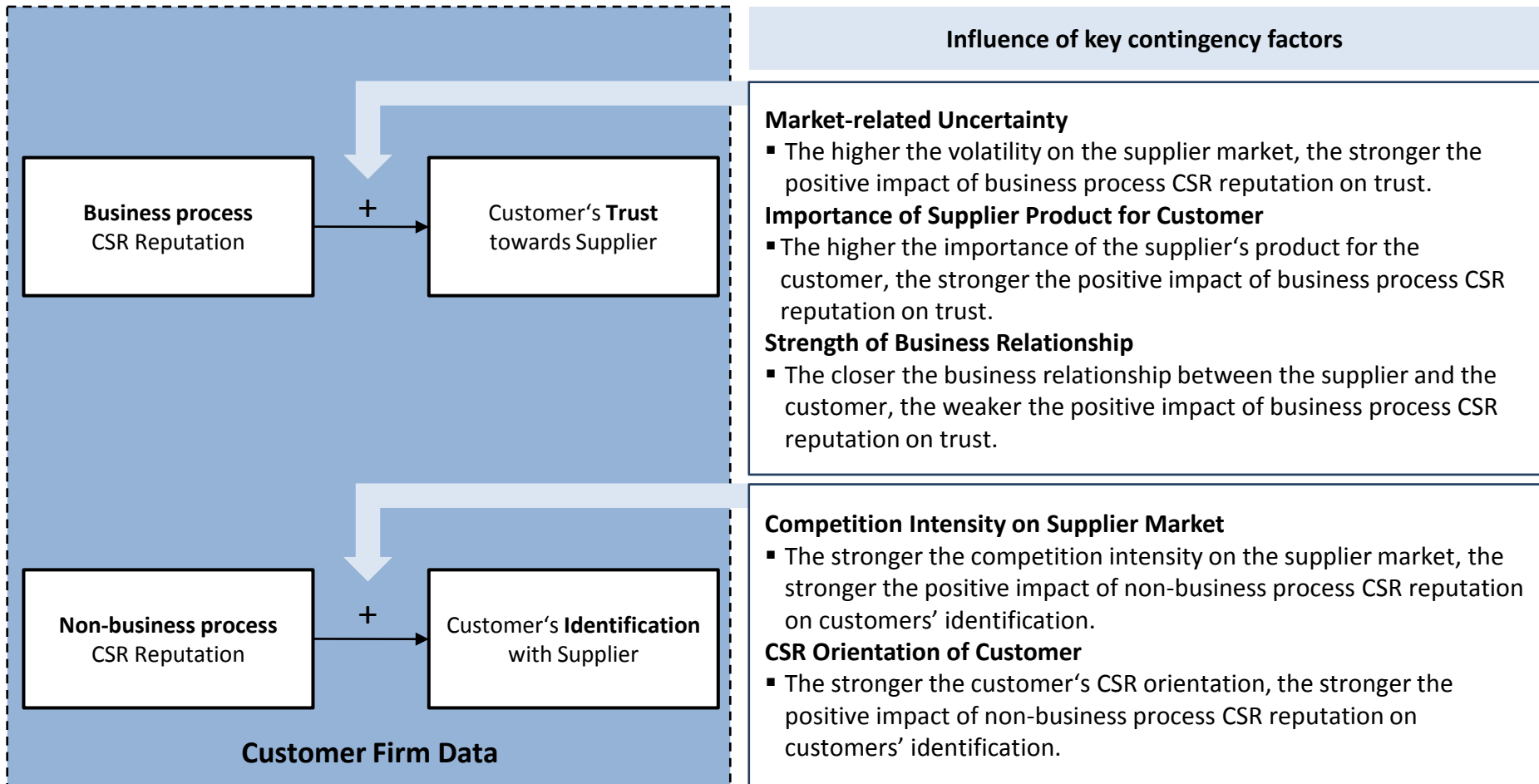
Operationalization (supplier/customer perspective)

- Our company/Company X gives back to the communities in which it does business.
- Our company/Company X integrates charitable contributions into its business activities.
- Local nonprofits benefit from our company's/company X's contributions.
- Our company/Company X is involved in corporate giving.

A firm's CSR engagement leads to increased customer loyalty via a dual mechanism strengthening customer's trust and identification



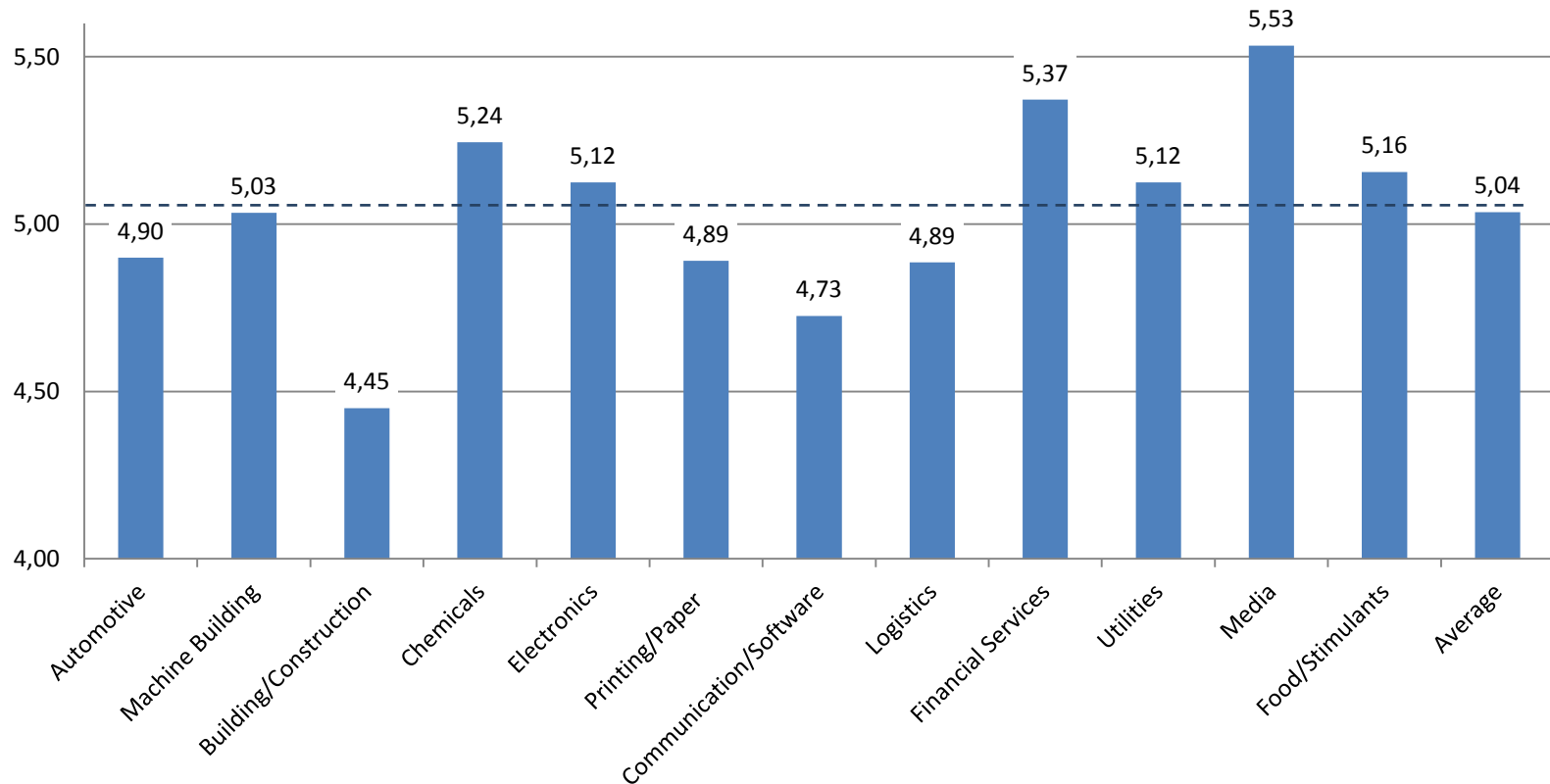
The impact of the two CSR dimensions on customer's trust and identification is accentuated and dampened by several factors



The media industry has the highest reputation regarding business process CSR engagement; the building and construction industry the lowest



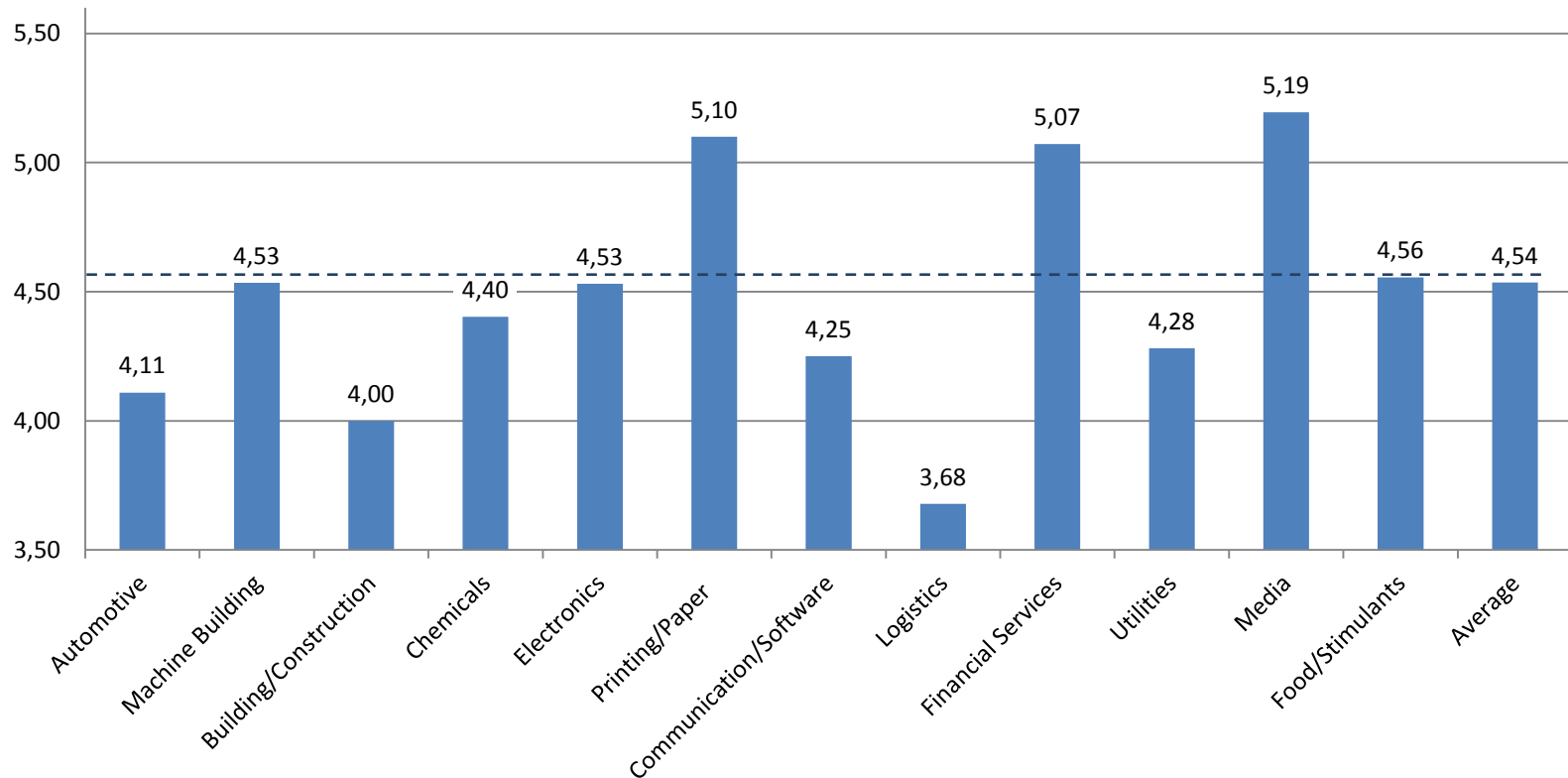
Perception of a supplier's business process CSR engagement (= Business process CSR reputation) by the customer (scale 1-7).



Non-business process CSR activities from suppliers in the media, printing and paper and financial services industry are perceived as most positive

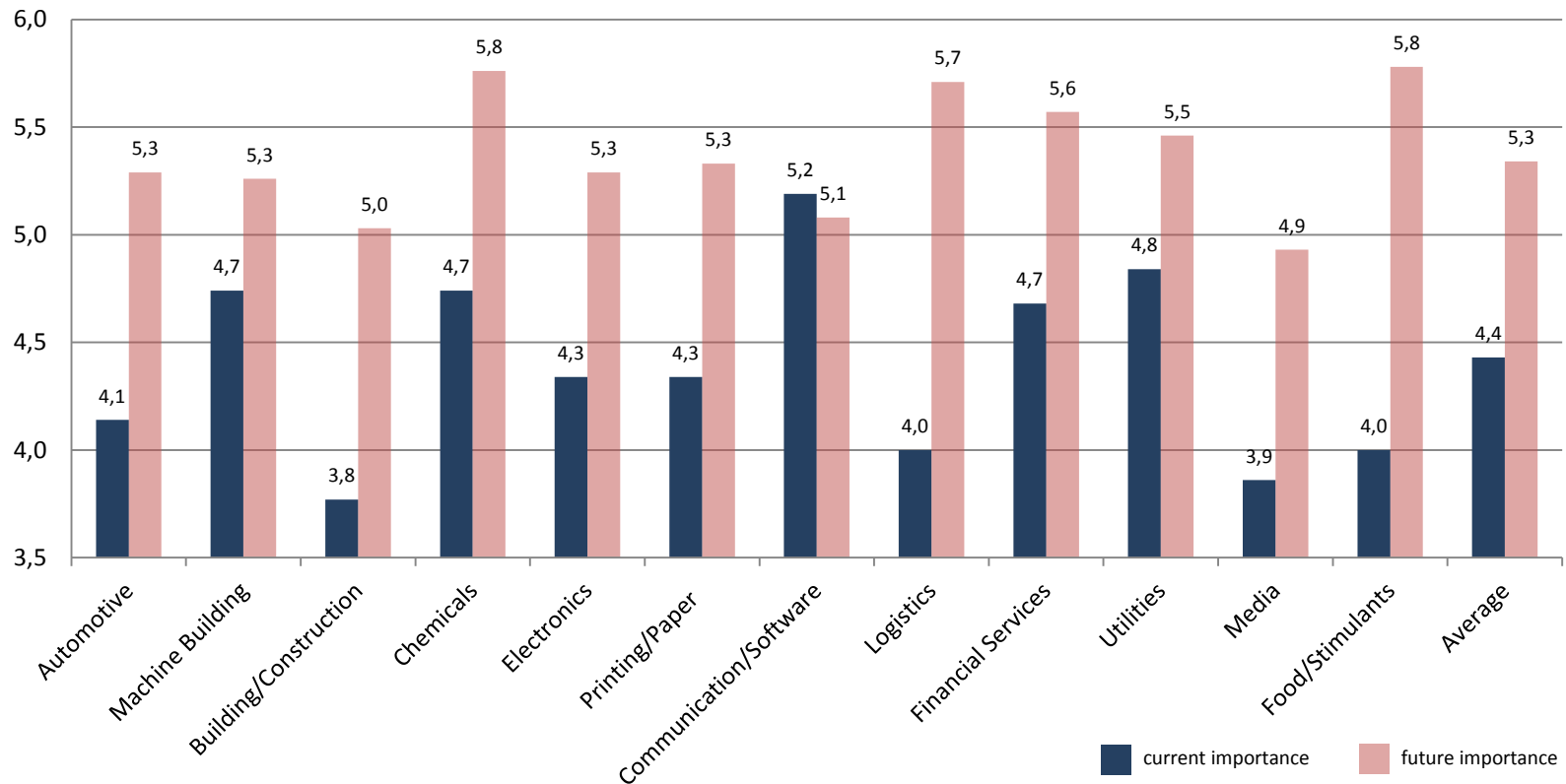


Perception of a supplier's non-business process CSR engagement (= Non-business process CSR reputation) by the customer (scale 1-7).



For customers in most industries, CSR issues are significantly gaining importance regarding their business relationships and purchasing decisions

Current and future importance of CSR issues for B2B relationships and B2B purchasing decisions perceived by the customer (scale 1-7).



The study results lead to several managerial implications

1

Suppliers in B2B-markets should be aware of the fact that CSR matters: Their customers' CSR perceptions influence customer loyalty and hence their business success. The importance of CSR issues for organizational purchasing decisions will further increase in the future.

2

Suppliers should take into account that customers perceive CSR along two dimensions: Business process CSR addressing primary stakeholders (e.g., customers, employees) and non-business process CSR addressing secondary stakeholders (e.g., community).

3

The two CSR dimensions increase customer loyalty via separate routes: Business process CSR reputation drives customers' trust towards the supplier; non-business process CSR reputation drives customers' identification with the supplier. Trust and identification both increase customer loyalty.

4

Suppliers should make sure that their customers are aware of their CSR efforts. Likewise, suppliers should only communicate what they verifiably can achieve.

5

If suppliers act in a highly volatile market and/or if the suppliers' products are of high importance for their customers, they should focus on business process CSR activities. These activities signal positive company characteristics. In these cases, the positive impact of business process CSR on customers' trust is accentuated.

6

If suppliers act in highly competitive markets and/or their customers are highly CSR oriented, they should focus on non-business process CSR activities. These activities can differentiate suppliers from their competitors. In these cases, the positive impact of non-business process CSR on customers' identification is accentuated.

7

Suppliers should analyze the current and future importance of CSR issues for their customers and other stakeholders and compare the results with their own CSR reputation and that of competitors. Based on this analysis, they should develop a coherent and pro-active CSR strategy.

Contact and Further Information: Institute for Market-Oriented Management at the University of Mannheim



The **Institute for Market-Oriented Management (IMU)** at the University of Mannheim (Germany) considers itself to be a forum for dialogue between scientific theory and practice. The high scientific and academic standard is guaranteed by the close networking of the IMU with the three Chairs of Marketing at the University of Mannheim, which are highly renowned on a national and international level. The Academic Directors of the IMU are Prof. Dr. Hans H. Bauer, Prof. Dr. Dr. h.c. mult. Christian Homburg and Prof. Dr. Sabine Kuester.

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