MASTER THESIS

CONSUMER RESPONSES TO CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

EVALUATING THE CSR STRATEGY OF CONTROVERSIAL INDUSTRY ON CONSUMER ATTITUDE AND BEHAVIOURAL INTENTIONS IN INDONESIA

Final Thesis Submitted for the degree of Master of Science in Communication Studies

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Evaluating the CSR Strategy of Controversial Industry on Consumer Attitude and Behavioural Intentions in Indonesia

Abstract

This study is aimed at evaluating the effect of CSR strategy of controversial organization on consumer attitudes and behavioural intentions and to and to observe the effect of smoking behaviour toward controversial organization. By mean of online experiments on fictitious companies, this study conducted using snowball sampling involving 274 Indonesian respondents whose is between 18 to 35 years of age. Result from this study are that CSR strategies of controversial organizations have significant impact on positive consumers’ attitudes and behavioural intentions, particularly on corporate reputations, attitudes toward company and CSR judgment. However there is no significant different impact between high and low-it CSR initiatives on consumers’ attitudes and behavioural intentions and no CSR conditions. This implies that tobacco industry as controversial organization is not perceived negatively by Indonesians. Furthermore, there is significant difference between smokers and non-smokers in perceiving tobacco industry, in which non-smokers perceived tobacco industry as less favourable. Nevertheless, this attitudes and behavioural intentions do not differ across conditions.

Keyword: CSR, CSR controversial industry, CSR tobacco Industry

INTRODUCTION

Nowadays, Corporate Social Responsibility (CSR) is increasingly becoming a corporate priority (Franklin, 2008; Vlachos & Tsamakos, 2009). As an example, the majority of fortune 500 companies are implementing social responsibility initiatives and dedicating serious efforts to report their CSR initiatives to stakeholders (Bhattacharya, Korschun & Sen, 2008). By seeing this phenomenon, scholars and managers dedicate considerable attention to the strategic effects of CSR (McWilliams, Siegel & Wright, 2006).

Research indicated that CSR has positive effects on company and consumer evaluation. Studies demonstrated that the more a company contributes to social programs, the better its reputation (Bronn & Vrioni, 2001). In addition, another study indicated that CSR initiatives are positively related to stock market returns (Luo & Bhattacharya, 2006) and the firm’s intangible value. Meanwhile, on the consumer side, it is demonstrated that CSR initiatives have a favourable impact on consumers’ evaluations towards the company and intention to purchase the products (Sen and Bhattacharya, 2001) and it is perceived that the company behaves responsibly (Ross, Patterson & Stutts, 1992; Bhattacharya, Korsun & Sen, 2006). In sum, Yoon, Gurhan-Canly and Schwarz (2006) claim that CSR initiatives are able to address consumers’ social matter, create a positive corporate image and build positive
relationships with consumers and other stakeholders. As a consequence, many social responsible initiatives have emerged (Menon & Kahn, 2003).

Subsequently, realizing the positive effects of CSR initiatives, controversial industries also require CSR particularly to improve their negative image (Yoon, Gurhan-Canly and Schwarz, 2006). In addition, they also require the best formulation to create a favourable image and inhibit suspicion. Recent research demonstrated that a high CSR fit improves the consumer attitudes toward companies and brands since they perceive the initiative as suitable (Aaker, 1990; Keller & Aaker, 1993; John et al., 1998; Mandler, 1982; Simonin & Ruth, 1998; Speed and Thompson, 200; Till & Busler, 2000; Becker-Olsen, Cudmore & Hill, 2006). Alternatively, a low-fit initiative tends to be viewed as inconsistent with previous expectations and actions which makes it difficult to incorporate the existing information (Becker-Olsen, Cudmore & Hill, 2006). This is based on the theory which assumes that consumers will always attribute positive characteristics to the company which leads to a more positive evaluation (Yoon, Gurhan-Canly, Schwarz, 2006). Nevertheless, when suspicion is involved, those character attributions may not be appropriate, hence controversial industries face such a dilemma. Although high-fit CSR initiatives are considered as more favourable, they also might remind consumers of the negative effect of the product, cause the public to be suspicious, and trigger criticisms toward the program (Fairclough, 2002; Landman, Ling & Glantz, 2002). This is contradictory to what the company had expected to accomplish (Yoon, Gurhan-Canly, Schwarz, 2006). In addition, it is also crucial to examine smokers and non-smokers and whether their perception toward CSR initiatives in tobacco industry differs significantly. Therefore, this study aims at testing which type of CSR initiatives fit and whether smoking behaviour affect consumers’ perception of a controversial industry. Using a sample of Indonesians, 18 to 35 years of age, this study will use attribution theory.

THEORETICAL FRAMEWORK

The issue tested in this study is the best CSR formulation for a controversial industry. Therefore, this theoretical framework focuses on three topics: (1) CSR fit, (2) attribution and suspicion, (3) possible effect of CSR. The following is an explanation of each instrument.

CSR Fit

CSR fit or congruency is defined as perceived link between the cause’s needs and its constituents and the company’s product line, brand image, brand positioning, or target market (Varadarajan and Menon, 1988). Fit is high when the brand and the social cause share a similar value (Nan & Heo, 2007). For example, the herbal product brand sponsors the protection of rain forests (Menon and Kahn, 2003). Corporate social responsibility fit/congruence is crucial as it affects stakeholders’ CSR attributions (Menon & Kahn, 2003; Simmons and Becker-Olsen, 2006; Du, Sen, Bhattacharya, 2010). CSR fit can also strengthen what stakeholders believe is principal, enduring and distinctive about the company (Albert and Whetten, 1985) and enhance the effect of CSR activity on CSR evaluations (Bhattacharya, korschun & Sen, 2008).
Most research indicated that high-fit CSR initiatives lead to a more favourable evaluation. It is suggested by Hoeffler & Keller (2002) that high fit CSR initiatives lead to more a favourable perception since consumers perceive the company as more competent. In addition, consumers also may perceive the firm that concerns itself with the products it produces or sells as more appropriate (Ellen, Webb, Mohr, 2000) and less sceptical towards the pro-social campaigns (Drumwright, 1996; Gray, 2000) prompting a positive product evaluation (Friestad and Wright, 1994; Menon & Kahn, 2003; Chan, Su & He, 2013). High-fit initiatives also represent the perceived consistency with prior expectations and actions between firms and causes, strengthening market position (Keller, 1993; Erdem & Swait, 1998a,b; Park et al, 1986; Becker-Olsen, Cudmore, Hill, 2006). Clear market positions are important to help consumers understand company’s product and position in the market markets, to increase the purchase intentions (Brown & Dacin, 1997; Becker-Olsen, Cudmore & Hill, 2006).

On the contrary, research demonstrated that low-fit CSR initiatives have reduced attitudes toward the company and the initiatives because the initiatives are perceived as inconsistent with prior expectations and actions, resulting in more difficult integration with the existing memory (Forehand and Grier, 2003; Menon and Kahn, 2003). Additionally, the low CSR initiatives diminishes the clarity of a company’s market position, triggers scepticism and prompts negative attitudes (Boush et al., 1994; Folkes, 1999; Ford et al., 1990; Becker-Olsen, Cudmore, Hill, 2006).

Nevertheless, CSR in controversial industries face a dilemma. The public is often suspicious of companies from controversial industries which harm the CSR evaluation (Bhattacharya, Korschun & Sen, 2008). In addition, although it is indicated that high CSR initiatives result in a more favourable evaluation, it may also backfire. It is suggested that high-fit CSR initiatives remind consumers to the adverse effects of the controversial industry’s product which hurt the company (Yoon, Gurhan-Canly & Schwarz, 2006). For example, an attempt to fight cancer may disturb the perceived sincerity of the company’s motives because smoking causes cancer. Another CSR program such as youth smoking prevention campaigns also raised criticism toward the CSR campaign (Fairclough, 2002; Ling & Glantz, 2002) and was evaluated more unfavourably than no CSR initiatives(Yoon, Gurhan-Canly & Schwarz, 2006). It is further stated that if the companies truly care about these cases, they should change their core business.

**Attribution and Suspicion**

Attribution theory discusses the process by which individuals evaluate the motives of others and explains how perceived motives affect further attitudes and behaviour (Forehand & Grier, 2003). Attributions are crucial as they establish the foundation of improvement of enduring and central consumer consideration (Folkes, 1988). According to Gilbert and Malone (1995), consumers may care more about why a company is doing something than what a company is doing. In fact, in evaluating a company, consumers might use CSR to make conclusions about the company’s motives by implementing the conceptual framework for categorizing behavioural attributions (Kruglanski, 1975) whether the company is
extrinsically or intrinsically motivated in pro social initiatives (Bendapudi, Singh, and Bendapudi, 1996; Piliavin and Charng, 1990; Sherry, 1983; Ellen, Webb, Mohr, 2000). Extrinsic motives can be perceived as egoistic or self-interested which aim to obtain an external reward. On the contrary, intrinsic motives can be viewed as altruistic or other-interested which aim to improve the welfare of others and the behaviour as it is intrinsically beneficial (Bendapudi, Singh, and Bendapudi, 1996; Piliavin and Chamg, 1990; Sherry, 1983; Ellen, Webb, Mohr, 2000). Companies are perceived as self-interested for obtaining extrinsic rewards for its profit association. Whereas, companies can be perceived with altruistic motives when the offers are perceived as sacrificing its best benefit (Ellen, Webb, Mohr, 2000).

Attribution processes sometimes raise suspicion (Fein 1996; Vlachos Tshamacos, 2009). Suspicion is defined as “a dynamic state in which the individual actively entertains multiple, plausible rival hypotheses about the motives or genuineness of a person’s behaviour” (Fein, 1996; Bae & Cameron, 2006). It is suggested that in a controversial industry, high-fit between companies and the CSR initiatives leads to the increasing of perceived extrinsic motives (Forehand & Grier, 2003). Stakeholders may create negative inferences about corporate identity when suspecting ulterior, self-serving motives (Fein & Hilton, 1994; Du, Sen & Bhattacharya, 2010). Furthermore, the perceived extrinsic motives and suspicion may cause CSR initiatives to backfire (Ellen, Webb, Mohr, 2000). Therefore, when considering prior research that certain attributions can influence consumers’ behavioural intentions, attitude, and purchase intentions (Ellen et al., 2006; Walker et al., 2010; Goza, Pronschinke and Walker, 2011), it is crucial to examine which type of CSR initiatives are best suited with the controversial industries.

Effects of CSR initiatives

CSR initiatives are expected to influence consumers’ attitudes and behavioural intentions. In the following parts, possible effects of CSR regarding attitude towards the brand, purchase intentions, CSR judgment, attitude towards company and corporate reputation will be described.

Attitude towards the brand

Attitude towards the brand is defined as an individual’s internal evaluation of the brand (Mitchell and Olson, 1981; Spears and Singh, 2004). The individual is likely to use information beyond product association when existing information is inadequate to make the product judgment (Feldman & Lynch, 1988; Klein & Dawar, 2004). Thus, consumers may use CSR information. It is suggested that CSR association has been indicated to benefit product, brand evaluation (Klein & Dawar, 2004) and differentiate a brand from its competitors (Brown and Dacin 1997). Several prior studies demonstrated the relationship between CSR and attitude towards the brand. Research by Smith and Alcorny (1991) indicated that consumers would switch brands to companies that made donations to non-profit organizations and purchase products because they support social causes (Yoon, Canly, Schwarz, 2006). In addition, it is also indicated that more than 50% of Americans stated that they are willing to switch to a brand which has a good CSR initiative when the price and
quality are similar (Nararatwong et al., 2013). Other research also mentioned the effect of CSR on attitude towards brands such as, brand evaluations, brand choice, and brand recommendations (Brown & Dacin, 1997; Drumwright, 1994; Handelman & Arnold, 1999; Osterhus, 1997; Sen & Bhattacharya, 2001; Kein & Dawar, 2004; Creyer and Ross 1997; Ellen, Mohr, and Webb 2000).

**Purchase intentions**

Purchase intention is defined as an individual’s conscious plan to make an effort to purchase a brand (Spears & Singh, 2004). It is used as common and effective measure and often used to predict a behavioural response (Li, Daugherty, Biocca, 2012). There has been a considerable amount of research which demonstrated the relationship between CSR and purchase intentions. David, Kline & Dai (2005) summarize previous research which indicated that CSR can have a positive influence on corporate image, which influenced purchase intentions, and eventually led to purchase behaviour. Research by Sen, Bhattacharya and Korschun (2006) suggested that consumers’ intention to purchase a company’s product is correlated with the awareness of the company’s CSR initiatives. In addition, research by Murray & Vogel (1997) indicated that customers are more willing to consume products from a company after being exposed to information of its CSR effort. In fact, consumers are willing to give incentives to socially responsible companies (Brown & Dacin, 1997; Creyer & Ross, 1997; Ellen, Mohr & Webb, 2000; Murray & Vogel, 1997; Nelson, 2004; Sen & Bhattacharya, 2001; Yoon, Canly, Schwarz, 2006). This means that consumers consider the ethicality of a firm’s behaviour (such as conducting CSR) when purchasing certain products (Creyer & Ross, 1997). From those studies, it is concluded that there is a positive relationship between CSR and purchase intentions.

**CSR Judgment**

Prior studies demonstrated that tobacco CSR initiatives could improve the company’s image. Research from Barraclough and Morrow (2008) demonstrated that CSR in tobacco companies contributes to a favourable company image, distracts from criticism and establishes a good relationship with policy makers. However, whether CSR initiatives successfully create positive CSR associations is also crucial. Negative CSR associations might harm overall product evaluations (Brown and Dacin, 1997). Meanwhile, positive CSR associations may strengthen product evaluations (Brown and Dacin, 1997), and lead to high purchase intentions and financial performance (Pava & Krausz, 1996; Marin et al, 2009; smith & Alcrorn, 1991; Nan & Heo, 2007). It is still not clear which CSR initiatives affect consumers’ evaluation. Several research studies demonstrated that high level of fit of CSR initiatives are perceived as more favourable (Nan & Heo, 2007). However, in the case of controversial industries, prior research indicated that tobacco-related prevention initiatives did not have a positive effect on smoking cessation (Farrel et al., 2002; Landman et al., 2002). In fact, it makes adolescents more interested in smoking (Farelly et al., 2002). On the contrary, the low-fit CSR initiatives may cause consumers to be less suspicious (Yoon, Gurhan-Canly & Schwarz, 2006) causing the program to be evaluated more positively.
Attitude towards the company

Prior research has demonstrated the positive influence of corporate social initiatives on attitude toward the company (Bae & Cameron, 2006; Brown & Dacin, 1997; Sen & Bhattacharya, 2001). This positive attitude towards the company eventually leads to consumer loyalty. Companies engaged in social initiatives will create a positive corporate association (Brown & Dacin, 1997). This corporate association can be a strategic asset for the company, (Dowling, 1993; Weigelt & Camerer, 1988; Brown & Dacin, 1997) such as a positive company evaluation. Subsequently, the positive company evaluation through its relationship with attitude towards company and product evaluation will result in consumer loyalty (Marin et al 2009). This implies the urgency of having CSR initiatives in companies.

Corporate reputation

Corporate reputation is defined as a stakeholder’s overall evaluation of a company over time (Gotsi and Wilson, 2001). This evaluation is based on the stakeholder’s direct experience with the company, any type of communication and symbolism that provides information about the firm’s actions and/or a comparison with the actions of other leading rivals. Corporate reputation and CSR have a close relationship. CSR is frequently used as a standard in measuring corporate reputation (Ellen, Webb & Mohr, 2006). It is also suggested by Fombrun and Shanely (1990) that CSR initiatives are tools for a corporation to obtain a positive reputation. Similarly, Polonsky and Speed (2001) also found that CSR creates many outcomes such as firm’s image or reputation (Nan & Heo, 2007). This is probably the reason why 90 % of fortune companies already possess CSR initiatives (Luo & Bhattacharya, 2006). Hence, it is concluded that CSR initiatives tend to create a better reputation (Lii & Lee, 2012).

Research Model
**Research Questions**

To pursue the goal of this research, research questions have been formulated:

1. What does the effect of CSR strategy of controversial organization on consumer attitude and behavioural intentions?
2. What does the effect of smoking behaviour on consumers’ attitudes and behavioural intentions toward controversial organization?

**METHOD**

The method and measures that were used in this study are presented in this section to explain how the research was conducted. The research question was investigated by means of an online experiment in which respondents were asked to rate their opinion regarding the experimental scenario. The following is the explanation of the research design, procedure, measures, and the data analysis.

**Research Design**

An online experiment was administered to a random sample of Indonesians. The use of a fictitious tobacco company in the experiment was to eliminate the possibility of contamination of the manipulation by pre-existing associations. To provide contexts, two conditions for each CSR and two fictitious companies were used: (1) Surya company 4 (related prevention CSR) X 4 (related curing CSR) X 4 (unrelated CSR) X 2 (which received no CSR initiative/ control group); (2) Wijaya company 4 (related prevention CSR) X 4 (related curing CSR) X 4 (unrelated CSR) X 2 (which received no CSR initiative/ control group). A description of the CSR initiatives and the different company profile manipulations are provided in the Appendix. In this study, each company contributed to a high-fit (youth smoking prevention, pregnant women smoking prevention, lung disease curing and cancer disease curing) or low-fit (scholarship award and disaster relief) case or no CSR initiatives/ control group; therefore, a total of 14 conditions/8 conditions for the two companies were created. Below is the percentage of participants in each condition.
Table 1

*Cross Tabulation of Respondents Characters of Experimental Conditions for Company A (Surya Company)*

<table>
<thead>
<tr>
<th>Experimental Conditions</th>
<th>Condition 1 (Related curing)</th>
<th>Condition 2 (Related prevention)</th>
<th>Condition 3 (Unrelated)</th>
<th>Condition 4 (No CSR/control)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>60%</td>
<td>47%</td>
<td>56%</td>
<td>40%</td>
</tr>
<tr>
<td>Females</td>
<td>40%</td>
<td>53%</td>
<td>44%</td>
<td>60%</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School &amp; Bachelor degree</td>
<td>12.1%</td>
<td>25.6%</td>
<td>34.6%</td>
<td>38.9%</td>
</tr>
<tr>
<td>Master/ doctor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smokers</td>
<td>88%</td>
<td>74.4%</td>
<td>65.4%</td>
<td>61.1%</td>
</tr>
<tr>
<td>Non smokers</td>
<td>68.4%</td>
<td>78.6%</td>
<td>76.6%</td>
<td>85%</td>
</tr>
</tbody>
</table>

Table 1

*Cross Tabulation of Respondents Characters of Experimental Conditions for Company B (Wijaya Company)*

<table>
<thead>
<tr>
<th>Experimental Conditions</th>
<th>Condition 5 (Related curing)</th>
<th>Condition 6 (Related prevention)</th>
<th>Condition 7 (Unrelated)</th>
<th>Condition 8 (No CSR/control)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>55%</td>
<td>65%</td>
<td>69%</td>
<td>50%</td>
</tr>
<tr>
<td>Females</td>
<td>45%</td>
<td>35%</td>
<td>31%</td>
<td>50%</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School &amp; Bachelor degree</td>
<td>46.7%</td>
<td>25.6%</td>
<td>27.8%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Master/ doctor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smokers</td>
<td>53.4%</td>
<td>74.4%</td>
<td>72.2%</td>
<td>62.5%</td>
</tr>
<tr>
<td>Non smokers</td>
<td>25%</td>
<td>29.3%</td>
<td>24.5%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

Smokers | 53.4% | 74.4% | 72.2% | 62.5% |
Procedure

An online experiment was distributed to a random sample of Indonesians through social media, such as: Facebook, whatsapp and twitter. Each participant received one randomly assigned experimental company and CSR scenario, followed by a series of questions. An introduction was written to engage recipients in the research project by explaining the objectives of the research, emphasizing the credibility of the researchers and the university, using a fictitious company for the research and guaranteeing the anonymity of respondents. In the introduction part, there was also an announcement for winning a prize for those who wanted to participate by sharing the questionnaire with friends.

Respondents started the first section by reading the random company profile and CSR initiative. Subsequently, they were asked to (1) Rate their attitude towards the brand and their willingness to purchase the product, (2) Rate their attitude about the experimental firm and the social initiatives (corporate reputation, attitude towards the company and judgment towards CSR initiatives), (3) Fill the demographics. When filling in the questionnaire, they were not allowed to look back to the previous page. Lastly, participants who wanted to participate to obtain the reward were asked to name their contact person and mention the number of people they would share the questionnaire with. The data collection was administered via Qualtrics from November 10 to November 20, 2014.

Participants

An online experiment was shared with a sample of 489 Indonesians from the age of 18 to 35 using the snowball method. Of those respondents, only 389 completed the questions. Subsequently, those who spent too long and too short (longer than 30 minutes and shorter than two minutes) of a time were excluded, leaving 274 participants to be taken into account. The participants were between 18 – 38 years old, with the average age being 25 years old (SD=4.70). Of those respondents, 157 (57.3 %) were male and 117 (42.7%) were female. When asked about the level of education, 4 (1.5%) respondents reported that their level of education were junior high school, 66 (24%) were senior high school, 167 (60.9%) were undergraduate degree, and master/doctor were 37 (13.5%). Subsequently on smoking behaviour, it is reported that 43 people (15.7%) were currently everyday smokers, 23 people (8.4%) were currently occasional smokers, 35 people (12.8%) were former smokers and 173 people (63.1%) stated that they never smoked.

Measures

Prior to the actual research, a pilot test was conducted to improve the reliability of the questionnaire. The questionnaire was translated into Bahasa Indonesia. There were 6 participants who read the questionnaire and answered each question. After filling out the questionnaire, participants gave feedback. The result of the first pilot test suggested that the questionnaire was understandable, but there were several technical issues that should be
addressed. In addition, one question was replaced for the more understandable meaning in Bahasa Indonesia. In the end, all items were sufficient in terms of the reliability test.

**Dependent Variables**

**Attitude towards the brand.** The variable of attitude towards the brand was measured using a seven point scale (1=strongly disagree to 7= strongly agree), on the items (appealing, good, distinctive, strong) adopted from the study by Maheswaran and Sternthal (1990) and Rossi (2007) \((M=3.37, SD = 1.67, \alpha = .934)\). Initially, the variables were five. Subsequently, as a result of factor analysis, one item question was removed, leaving four items to be taken into account.

**Purchase intentions.** To measure purchase intentions, six question items were adapted from Putrevu and Lord (1994) using a seven point scale (1=strongly disagree to 7= strongly agree). This is the scale used by Coyle and Thorson (2001) in their previous study. The items were originally used to measure the degree to which a consumer will try a specified brand in the future. In this study, questions were modified to see respondents response towards the products soon after they read the information about the company and its CSR initiative \((M = 2.51, SD = 1.63, \alpha = .948)\). A sample item is, “I would like to try this brand”. Initially, there were seven question items but then three questions were removed leaving four question items in this dependent variable.

**Corporate reputations.** To measure this variable, three question items measuring a company’s reputation were adapted and modified from Becker, Olsen, Cudmore & Hill (2005) using a seven point scale (1=strongly disagree to 7= strongly agree). The scales of a company’s reputation were originally used to measure the corporate credibility. In this study, several other questions were also added to measure respondents’ perception \((M = 4.39, SD = 1.40, \alpha = .872)\). As result of factor analysis, several question items were also removed, thus, there were three question items left on this variable. Some example statements in this study are, “This company is positive, and this company is responsive”.

**Judgments toward CSR initiative and attitude towards the company.** To measure this construct, a seven point scale (1=strongly disagree to 7= strongly agree) was used. Subsequently, as a result of factor analysis, judgements toward CSR initiatives and attitude towards the company became one component/variable. Judgments toward CSR initiative items were adopted from Becker, Olsen, Cudmor and Hill (2005) and modified for this research. As a result of factor analysis, three items of judgment of social initiatives were excluded leaving seven question items. Furthermore, five items of attitude towards the company were adapted from Maheswaran & Sternthal (1990). Two question items were excluded as result of factor analysis. Therefore the reliability for this construct/variable is \((M =4.25, SD = 1.37, \alpha = .952)\). A sample statement is: “The company conducts business with good ethics, and the company cares more about public, social life and environment than profit”.

Data Analysis

The collected data from Qualtrics were imported to SPSS. Afterwards, several negative questions were recoded. Secondly, an exploratory factor analysis (EFA) was conducted on the 33 items with varimax rotation. The Kaiser-Meyer-Olkin measure verified the sampling adequacy for the analysis, KMO = .94 (‘superb’ according to Field, 2009) and all KMO values for individual items were > .62 which is well above the acceptable limit of .5 (Field, 2009). The Bartlett test of sphericity \( \chi^2 \) (210) = 5527.856, p < .001, indicated that correlations between items were sufficiently large for principal component analysis. An initial analysis was run to obtain eigenvalues for each component in the data. Three components had eigenvalues over Jolliffe’s criterion of 0.7 and in combination explained 78.08% of the variance resulting four components that were retained in the final analysis. Items that cluster on the same components suggest that component 1 represents CSR judgment and attitude toward the company, component 2 purchase intentions, component 3 attitude towards brand, and component 4 corporate reputations.

Thirdly, as result of factor analysis, question items were grouped into each component/dependent variable: CSR judgment and attitude towards the company, purchase intention, attitude towards the brand and corporate reputations. Additionally, CSR conditions from were grouped into four conditions (related curing, related prevention, unrelated and no CSR). CSR conditions were also grouped into two conditions (CSR in Company 1 and CSR in Company 2). Variable of educational background was recoded into dummy variable, junior high school, senior high school and bachelor degree were grouped into group one, while master or doctor was grouped into group two. In addition, variable of smoking behaviour were also recoded into dummy variable in which active smokers and occasional smokers were grouped into group one, representing the smokers group. Meanwhile, former smokers and never smoking group were recoded into group 2 representing non-smokers. Subsequently, age was also recoded.

Fourthly, to test the hypothesis, the multivariate (MANOVA) test was performed. MANOVA is designed to look at several dependent variables (outcomes) continuously. By using MANOVA, all dependent variables can be included in the same analysis (Field, 2009) because MANOVA takes into account the relationship between outcome variables by including all dependent variables in the same analysis. In addition, MANOVA also has the power to detect if groups differ along a combination of dimensions. To get more valid data, several answers were removed because the times used to finish the questionnaire were either too long or too short (longer than 30 minutes and shorter than two minutes).

RESULTS

For this study, the multivariate test was used to test between subject effects. Result of the multivariate test indicated whether independent variables (CSR conditions: related curing, related prevention, unrelated and no CSR) have a significant effect on the dependent variables (brand attitude, purchase intentions, CSR judgment, company attitude and company reputation).
Multivariate Test

Table 2 presents the results of interaction effects between CSR conditions, company conditions, smoking behaviour and educational background towards the dependent variables (purchase intentions, attitude towards brand, corporate reputation, CSR judgment and attitude towards company).

Table 2. 
Multivariate test results for CSR conditions on dependent variables

<table>
<thead>
<tr>
<th>variables</th>
<th>Wilks’ λ</th>
<th>F</th>
<th>df</th>
<th>p</th>
<th>η²</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR conditions</td>
<td>.941</td>
<td>1.31</td>
<td>3</td>
<td>p = .203</td>
<td></td>
</tr>
<tr>
<td>Company conditions</td>
<td>.982</td>
<td>1.174</td>
<td>1</td>
<td>p = .323</td>
<td></td>
</tr>
<tr>
<td>Smoking behaviour</td>
<td>.649</td>
<td>34.496</td>
<td>1</td>
<td>p &lt; .05**</td>
<td>.35</td>
</tr>
<tr>
<td>CSR conditions * Company conditions</td>
<td>.957</td>
<td>.950</td>
<td>3</td>
<td>p = .496</td>
<td></td>
</tr>
<tr>
<td>CSR conditions * smoking behaviour</td>
<td>.969</td>
<td>.677</td>
<td>3</td>
<td>p = .774</td>
<td></td>
</tr>
<tr>
<td>CSR conditions * Company conditions * Smoking behaviour</td>
<td>.956</td>
<td>.961</td>
<td>3</td>
<td>p = .485</td>
<td></td>
</tr>
</tbody>
</table>

*p < .05, **p < .01

As can be seen in table 2, there was no a significant effect on CSR conditions on consumers’ attitudes and behavioural intentions $F (3.258) = 1.31, p = .203$. However, there was a significant effect of smoking behaviour on consumers’ attitudes and behavioural intentions $F (1.258) = .649, p < .05$. The η² was considerably high and referred to meaningful effect. In addition, although the difference between CSR conditions was not significant, still CSR initiatives were shown to affect the consumers. The effect can be seen from the table below.

Table 4
Mean of the effect CSR initiatives on Consumers’ attitude and behavioural intentions

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>CSR conditions</th>
<th>Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Intentions</td>
<td>Related curing CSR initiatives(1)</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>Related prevention CSR initiatives(2)</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Unrelated CSR initiatives (3)</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>No CSR initiatives (4)</td>
<td>2.7</td>
</tr>
<tr>
<td>Attitudes toward the brand</td>
<td>Related curing CSR initiatives(1)</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td>Related prevention CSR initiatives(2)</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td>Unrelated CSR initiatives (3)</td>
<td>3.6</td>
</tr>
</tbody>
</table>
Table 4 presents the mean score of each CSR condition and no CSR on consumers’ attitudes and behavioural intentions. As seen in the mean score, despite the finding which shows that people are less inclined to purchase the tobacco products and perceive the brand as less favourable, CSR initiatives are shown to positively affect consumers’ attitudes and behavioural intentions particularly creating more favourable perception on corporate reputations, attitudes toward company and judgments toward CSR initiatives. However, the difference between the presence of CSR conditions and no CSR conditions was not significant. Therefore, these findings underlined that, although consumers did not intend to purchase the tobacco products and perceived the brand as less favourable, their perception towards corporate reputations and attitudes toward company as well as CSR judgments are relatively favourable whether the tobacco companies conduct CSR initiatives or not.

**Univariate Test on Smoking Behaviour**

Table 5 presented the univariate test of smoking behaviour toward consumers’ attitudes and behavioural intentions. Although there was no significant interaction effect between smoking behaviour and CSR conditions, the results show that smoking behaviour were significant on consumers’ attitudes and behavioural intentions toward the tobacco industry. This result implied that whether someone smokes or does not smoke significantly affects their attitudes and behavioural intentions. From the high eta squared ($\eta^2$) of the purchasing intentions ($\eta^2 = .34$) and attitudes toward the brand ($\eta^2 = .11$) it can be inferred that smokers and non-smokers are differ significantly on their intentions to purchase tobacco products and their attitudes toward the brand. Subsequently, those who smoked and did not smoke also showed significant difference on corporate reputations ($\eta^2 = .03$) and attitudes toward the company and CSR judgments ($\eta^2 = .07$) although the effect was low. These results underline that smokers and non-smokers were different in their perception of tobacco companies. Those who smoke perceived tobacco companies as more favourable and those who do not smoke perceived tobacco companies as less favourable.
Table 5

Univariate test results for the smoking behaviour

<table>
<thead>
<tr>
<th>Purchase intentions</th>
<th>$F$</th>
<th>$df$</th>
<th>$p$</th>
<th>$\eta^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>137.822</td>
<td>1</td>
<td>$p &lt; .05$</td>
<td>.34</td>
</tr>
<tr>
<td>Attitudes toward the brand</td>
<td>34.444</td>
<td>1</td>
<td>$p &lt; .05$</td>
<td>.11</td>
</tr>
<tr>
<td>Corporate reputations</td>
<td>8.789</td>
<td>1</td>
<td>$p &lt; .05$</td>
<td>.03</td>
</tr>
<tr>
<td>Attitudes toward the company &amp; CSR judgments</td>
<td>20.679</td>
<td>1</td>
<td>$p &lt; .05$</td>
<td>.07</td>
</tr>
</tbody>
</table>

**DISCUSSION**

The study reported in this article is an evaluation of the effect of CSR strategy of controversial organizations on consumer attitudes and behavioural intentions and to know the effect of smoking behaviour on consumer attitudes and behavioural intentions toward controversial companies. Below is the summary of the main findings and how they relate to literature. Subsequently, it will be followed by discussion on the theoretical and practical implications of this study. Next, limitations of this study will be discussed, followed by several directions for future research. This section will finish with a conclusion.

**Main Findings**

The findings indicate that CSR strategy of controversial organizations, particularly in the tobacco industry in Indonesia has a significant impact on favourable attitudes toward company, corporate reputations and CSR judgment. However, this conditions does not differ significantly with no CSR initiatives condition. Therefore, although results from this experiment show that consumers are less inclined to purchase tobacco products and perceive the brand as less favourable, it does not matter whether tobacco industry undertakes high or low-fit CSR initiatives and whether it has no CSR initiatives, Indonesian consumers perceive its reputation as relatively favourable and show positive attitudes toward the company. Generally this result can explain that the tobacco industry is not perceived negatively by Indonesians. Perhaps Indonesians considered that tobacco industry has become part of daily life, and there are many people who smoke and therefore people are used to it and this industry is accepted in society.

Subsequently, there is a difference between those who smoke and who do not smoke in their attitudes and behavioural intentions toward the tobacco industry. Those who smoke perceive the tobacco industry as more favourable while the non-smokers perceive the tobacco industry as less favourable. Non-smokers are more suspicious (Fein, 199; Vlacohos
attributed the extrinsic motives of any actions performed by the tobacco industry and perceived tobacco industry negatively. However, this negative perception does not differ across conditions. These findings imply that in some parts of the world, particularly in developing countries, tobacco companies are recognized as acceptable, even positively, no matter what the industry does. This results also explain the high proportion of smokers in developing countries particularly Indonesia. People in developing countries are more vulnerable from the tobacco industry and tobacco industry may undertake any types of CSR initiatives and in fact, without CSR initiatives, tobacco industry is already considered as favourable.

**Theoretical Implication.** This study contributes several inputs to the existing literature of CSR in a controversial industry (particularly tobacco companies): firstly, not all controversial companies are perceived suspiciously by consumers. This study shows that corporate reputations, the attitudes toward company and CSR judgment are relatively favourable. Secondly, although do not differ significantly from no CSR initiatives, any type of CSR initiatives (including high-fit and low-fit CSR initiatives) conducted by tobacco industry have created favourable corporate reputations and attitudes toward the company as well as CSR judgment. Thirdly, there is a significant difference between smokers and non-smokers on their perception toward tobacco industry. Non-smokers perceived tobacco industry as less favourable however perception does not differ across conditions.

**Implication for Managerial level.** This research provides input for the manager of controversial industry in Indonesia that no matter what this industry does (whether conducting CSR initiatives or no), tobacco industry is perceived as relatively favourable by the consumers (particularly on corporate reputations, attitudes toward company and CSR judgments). Nevertheless, consumers are likely to be more selective on purchasing products because they usually have their own favourite brands already. In addition, non-smokers perceive this industry as relatively negative, therefore an attempt should be done to obtain their favourable perceptions.

**Limitations of the Study.** There are several limitations of this study. The first limitation is that this study relies on the scenario-based experiments in which respondents were asked to imagine a certain company which had CSR initiative. It seems that the real company would make a more real impact to the respondents particularly on purchase intentions and attitudes toward the brand. The second limitation is that the respondents read the descriptions immediately before starting to evaluate the company and CSR initiatives. Therefore, those reasons might increase the probability of making mistakes in understanding the message.

**Directions for future research.** Several ideas for further research are described as follows: Firstly, company perceived motive or suspicions can be considered as moderating factor, as it is possible that this variable will make the result different. Secondly, using real companies in the study can also be considered. It is possible that using existing companies and measure prior company reputation before the study can make respondents more involved in the research. Thirdly, using another type of CSR, for instance, harm reduction and support for local governments can also be used for the future research. Finally, it is also possible to
use other participants in evaluating the program, such as employees, or people who receive the assistance or are the target of the CSR initiatives by tobacco companies.

**Conclusion**

The objectives of the study are to discover the effect of CSR strategy of controversial organization on consumer attitudes and behavioural intentions and to observe the effect of smoking behaviour toward controversial organization. The results showed that CSR strategies of controversial organizations have significant impact on positive consumers’ attitudes and behavioural intentions, particularly on corporate reputations, attitudes toward company and CSR judgment. However there is no significant different impact between high and low-it CSR initiatives on consumers’ attitudes and behavioural intentions. In additions, the impact of CSR strategy is also not significantly different with no CSR condition. This implies that tobacco industry as controversial organization is not perceived negatively by Indonesians. Next, there is significant difference between smokers and non-smokers in perceiving tobacco industry, in which non-smokers perceived tobacco industry as less favourable. Nevertheless, it does not differ across conditions.
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