The University of Newcastle

CSR, Ethical Corporate Behaviour, and Purchase Intentions in Hong Kong

Submitted to

Graduate School of Business
in Partial Fulfilment of the Requirements
for the Degree of Doctor of Business Administration

by

Francis S Y Leung
BBA (Hons), MBA

February, 2013
Statement of Originality

The thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to the final version of my thesis being made available worldwide when deposited in the University’s Digital Repository**, subject to the provisions of the Copyright Act 1968.

**Unless an Embargo has been approved for a determined period.

_________________________
Francis S Y Leung
I hereby certify that the work embodied in this Dissertation Project is the result of original research and has not been submitted for a higher degree to any other University or Institution.

Francis S Y Leung
ACKNOWLEDGEMENTS

I would like to express my gratitude to my dissertation supervisor, Prof. Guilherme Pires and Dr. Philip Rosenberger, who provided me guidance throughout the whole research. Their continuous motivation and guidance were critical to enable me complete a qualified work. My acknowledgement also extends to other instructors of the DBA Program of The University of Newcastle. Their enlightenments on research methodology and CSR helped me to develop the research framework and the actual implementation of the research.

I would like to thank my wife and my two sons who have always been my staunch supporters. Their encouragements and cheerful faces are my biggest driving forces. Finally, I would like to extend my appreciation to all research participants who made this dissertation happen.
# TABLE OF CONTENTS

ACKNOWLEDGEMENTS ...................................................................................... iv

TABLE OF CONTENTS ...................................................................................v

ABSTRACT ...........................................................................................................xii

CHAPTER 1 OVERVIEW OF THE STUDY .........................................................1

1.1 Motivation for the Study .............................................................................1

1.1.1 The Conceptual Ambiguity of CSR ......................................................5

1.1.2 The Influence of CSR on Consumers’ Purchase Intentions...............9

1.2 Research Purpose and Method .................................................................11

1.2.1 Significance of the Hong Kong Market ..............................................13

1.3 Research Scope and Contribution ............................................................16

1.4 Research Questions and Hypotheses .......................................................17

1.5 Structure of the Dissertation ................................................................. 19

CHAPTER 2 LITERATURE REVIEW .................................................................21

2.1 CSR – Conceptual Issues .......................................................................22

2.1.1 Carroll’s Conceptualization of CSR .................................................24

2.1.2 The Stakeholder Norms Perspective of CSR .................................32

2.1.3 The Cause-Related Perspective of CSR .........................................34

2.1.4 Cultural Differences in CSR Perceptions ....................................37

2.2 Distinguishing Ethics from CSR ..........................................................39
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
<td>Theoretical Framework</td>
<td>42</td>
</tr>
<tr>
<td>2.4</td>
<td>Purchase Intentions</td>
<td>44</td>
</tr>
<tr>
<td>2.4.1</td>
<td>Purchase Intentions and Brands</td>
<td>48</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Factors Influencing CSR and Purchase Intentions</td>
<td>50</td>
</tr>
<tr>
<td>2.4.3</td>
<td>Increasing Importance of CSR and Ethics for Purchase Intentions</td>
<td>52</td>
</tr>
<tr>
<td>2.5</td>
<td>CSR Factors and Purchase Intentions</td>
<td>54</td>
</tr>
<tr>
<td>2.5.1</td>
<td>Consumer Awareness of CSR</td>
<td>54</td>
</tr>
<tr>
<td>2.5.1.1</td>
<td>CSR Awareness for Different Industries and Products</td>
<td>57</td>
</tr>
<tr>
<td>2.5.2</td>
<td>Consumer Trust in CSR</td>
<td>58</td>
</tr>
<tr>
<td>2.5.3</td>
<td>Consumer Perception of CSR</td>
<td>61</td>
</tr>
<tr>
<td>2.5.4</td>
<td>Expectations of Ethical Business Practices</td>
<td>63</td>
</tr>
<tr>
<td>2.6</td>
<td>The Research Model for CSR, Ethics, and Purchase Intentions</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>CHAPTER 3 RESEARCH METHODOLOGY</td>
<td>68</td>
</tr>
<tr>
<td>3.1</td>
<td>Research Approach</td>
<td>68</td>
</tr>
<tr>
<td>3.2</td>
<td>Research Design</td>
<td>71</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Factorial Design and Vignette-Based Experimental Treatments</td>
<td>73</td>
</tr>
<tr>
<td>3.2.2</td>
<td>Questionnaire Design</td>
<td>85</td>
</tr>
<tr>
<td>3.2.3</td>
<td>Pilot Test</td>
<td>91</td>
</tr>
</tbody>
</table>
3.3 Sample Selection.................................................................93
  3.3.1 Appropriateness of a Student Sample...............................97
  3.3.2 Participant Recruitment...............................................98
3.4 Data Analysis.................................................................99
  3.4.1 Data Screening and Cleaning.........................................99
  3.4.2 Two-way ANOVA......................................................100
  3.4.3 Multiple Regression...............................................102
3.5 Reliability and Validity Issues........................................103
  3.5.1 Reliability...............................................................104
  3.5.2 Content Validity......................................................105
  3.5.3 Construct Validity....................................................106
  3.5.4 Experimental Validity.............................................107
3.6 Chapter Summary............................................................110

CHAPTER 4 DATA ANALYSIS AND RESULTS.............................113
4.1 Sample Profile..............................................................113
4.2 Preliminary Analysis and Assumption Checking.....................115
  4.2.1 Reliability...............................................................115
  4.2.2 Construct Validity....................................................117
  4.2.3 Factor Analysis......................................................118
4.2.4 Normality………………………………………………………………121
4.2.5 Two-way ANOVA Assumptions..............................................123
4.2.6 Multiple Regression Assumptions............................................124
4.3 Analysis Results........................................................................130
4.3.1 Regression Results.................................................................132
4.4 Discussion.................................................................................139
4.5 Summary ................................................................................154

CHAPTER 5 CONCLUSION, LIMITATIONS, AND FUTURE DIRECTIONS...157
5.1 CSR Portrayal did not Influence Purchase Intentions.....................157
5.2 Ethics Portrayal Affect Purchase Intentions....................................161
5.2.1 Marketing Implications.............................................................162
5.3 Consumer Awareness of CSR and Purchase Intentions..................163
5.3.1 Marketing Implications.............................................................163
5.4 Trust in CSR and Purchase Intentions..........................................164
5.4.1 Marketing Implications.............................................................165
5.5 Consumer Perceptions of CSR and Purchase Intentions................166
5.5.1 Marketing Implications.............................................................166
5.6 Culture and Ethical Expectations..................................................167
5.6.1 Marketing Implications.............................................................168
5.7 Limitations .................................................................................. 169

5.8 Future directions ........................................................................ 171

BIBLIOGRAPHY .................................................................................. 175

APPENDIX ......................................................................................... 204
FIGURES AND TABLES

Figure 2.1  Research Model for CSR, Ethical Behaviour, and Purchase Intentions……………………………………………………………..66

Table 2.1  The Corporate Social Ratings Monitor………………………………..28

Table 2.2  Standards for Fair Trade Products………………………………………..30

Table 3.1  Summary of the Vignettes in the 2 x 2 Factorial Design……………..75

Table 3.2  Nestlé Brands Available in Hong Kong………………………………80

Table 3.3  Construct Items………………………………………………………89

Table 3.4  Construct Overview…………………………………………………91

Table 4.1  Internal consistency (reliability) results ……………………………117

Table 4.2  Normality Assessment of Variables………………………………….122

Table 4.3  Correlation Matrix for variables in the Model……………………127

Table 4.4  Two-way ANOVA Treatment Means for Purchase Intentions……132

Table 4.5  Two-way ANOVA Results………………………………………….132

Table 4.6  Multiple Regression Results………………………………………..135

Table 4.7  Summary of Hypothesis Outcomes…………………………………139
APPENDICIES

Appendix 1A Questionnaire Scenario 1..........................................................204

Appendix 1B Questionnaire Scenario 2..........................................................205

Appendix 1C Questionnaire Scenario 3..........................................................206

Appendix 1D Questionnaire Scenario 4..........................................................207

Appendix 1E The Questionnaire Content.........................................................208

Appendix 2 Age and Profession Distribution....................................................211

Appendix 3 Mediation Analysis.................................................................219

Appendix 4 One-sample t-tests..................................................................230
ABSTRACT

This research establishes a framework to study the influence of corporate social responsibility (CSR) and ethical corporate behaviour on purchase intentions in Hong Kong. Hong Kong is an interesting testing case, because it has a strong market-based economy and a mix of Confucian and Western culture. This study distinguishes between CSR (defined as positive, but optional activities, such as donating to charity) and ethical behaviour (baseline expectations of conduct, often codified by law, which companies are expected to meet and violations of which are met with consumer outrage).

Consumers are influenced by many factors before they form an intention to purchase a product. This study focuses firstly on two important factors that influence purchase intentions: CSR and ethical corporate behaviour. Secondly, CSR activities may influence consumers’ purchase intentions once they are known to consumers (awareness), are judged as coming from honest intentions (trust), or when they have built a positive CSR image for consumers (perception), which are also investigated.

Adopting a positivist approach, a between-subjects, 2 x 2 factorial, laboratory experiment involving self-administered questionnaires was used to evaluate the influence of consumer perceptions of CSR and ethical corporate behaviour on
purchase intentions. Vignettes (scenarios) were developed to represent the four
treatment combinations of CSR and ethical corporate behaviour: (1) positive CSR,
positive ethics, (2) positive CSR, negative ethics, (3) negative CSR, positive ethics,
and (4) negative CSR, negative ethics. To enhance external validity, the vignettes
were about Nestlé, a well-known fast-moving consumer goods (FMCG) company that
has many milk, cereal, and soft drink products in the Hong Kong market. This study
also assessed the relationships between CSR awareness, CSR trust, CSR perceptions,
and consumers’ expectations of ethical corporate behaviour on purchase intentions.

Participants were 216 full-time and part-time students in their final year of a
bachelor’s business administration program in Hong Kong. The sample was mostly
female (68%), and the age of respondents ranged from under 20 to over 36 (mode =
26-30 years of age) with an average age of 23.8 years. Participants were judged as
having reasonable exposure and knowledge about CSR and ethics because the topic is
included in their courses or work experience.

The results of a two-way ANOVA identified a significant interaction between CSR
and ethical performance, such that: (1) CSR had a strong effect when ethical corporate
behaviour was poor and (2) ethical corporate behaviour had a strong effect when CSR
was negative. Multiple regression revealed that CSR trust, CSR perceptions, and
expectations of ethical corporate behaviour all influenced purchase intentions. However, CSR awareness was not related to purchase intentions, although it was found that CSR trust mediated the relationship between CSR awareness and purchase intentions.

The findings lead to four main implications. First, the results of this study suggest that companies should avoid negative CSR and negative ethical behaviour. Second, the interaction between CSR performance and ethical corporate behaviour suggests that, given negative CSR, positive ethical behaviour may help reverse the damage (and vice versa). This suggests that, given a setback in CSR, companies can focus their efforts on building perceptions of ethical behaviour (and vice versa). Third, managers should work to build consumer trust in their CSR programs, including attributions of sincerity and the balance between perceptions of the company’s social and economic motives for CSR efforts. Finally, the replication of prior CSR findings in Hong Kong suggests that companies should focus on CSR globally, not just in Western nations.