

ENVIRONMENTAL STEWARDSHIP AND CORPORATE SOCIAL RESPONSIBILITY: IMPLICATION FOR CONSUMERS' RESISTANCE TO NEGATIVE INFORMATION. THE CASE OF APPLE IN CHINA

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Abstract

There are several studies that have investigated the effect of corporate social responsibility (CSR) on consumer behavior. However, these studies demonstrate conflicting results on how CSR influences consumer purchasing behavior and retention; for example, in event of negative information about a firm. Therefore, the effectiveness of CSR in advancing the core business of firms remains unresolved. This research uses a qualitative approach to examine how CSR affords firms greater levels of goodwill with consumers. The study focuses on the case of Apple in China. Both primary and secondary data were collected through interviews, review of literature, newspaper reports, blogs, social media, and official websites of institutions and corporate entities. A deductive analytical approach was used to examine how consumers perceive CSR, and how that impacts on their attitude towards a firm when confronted with negative information. The study found low level of awareness of CSR in consumers. Moreover, the findings demonstrate that consumers tend to attach more importance to CSR when they identify with the problems associated with the actions or inactions of a firm. The study shows that firms can only enjoy the full benefits of CSR by creating public awareness of such endeavours**.

Keywords: Corporate Social Responsibility, Negative Information, Consumer Behavior, Consumer Retention

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1 Introduction

The proliferation of human right and environmental activist, as well as the easy accessibility to information about organizations through several electronic, print and social media has increased awareness of consumers about firms, their products and mode of operation. This information has long been established to influence the attitudes and shopping behavior of consumers either positively or negatively (Brown and Reingen, 1987; Abdeen, 1991; Daugherty, 2001; Kashyap et al., 2006; Eisingerich, 2011). However, the question of how the corporate social responsibility (CSR) of firms influence the attitude of consumers has received mixed results with some studies suggesting positive or negative association (Drumwright, 1996; Chevalier and Mayzlin 2006; Luo 2007), while others show no significant impact (McWilliams and Siegel, 2000; Mohr et al., 2001; Nelling and Webb, 2006; Ali et al., 2010). The case of Apple in China is a typical study that can throw more light on this phenomenon to highlight the perception of consumers about CSR, and how it impacts on their orientation.

Apple Computer Incorporation is an American computer technology corporation which is headquartered in Cupertino (California) with majority of its suppliers based in Asia i.e.: China, Thailand, Taiwan, Korea and Philippines etc. Although Apple does not have an exclusive publication for its corporate social responsibility (Dijk and Schipper, 2007), it highlights its commitment to socially acceptable protocols in the company's code of conduct as:

Apple is committed to ensuring the working conditions in Apple's supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. Apple's suppliers are obligated in all their activities, to operate in full compliance with laws, rules and regulations of the countries in which they operate.¹

According to Carolyn Wu, an Apple spokeswoman; "Apple is committed to driving the

¹ Apple, "Apple Supplier Code of Conduct". Version 1.0, 13 November 2005,
http://media.corporateir.net/media_files/irol/10/107357/corpGov/AppleSupplierCoc111305.pdf

highest standards of social responsibility throughout our supply base". She mentions that Apple requires its suppliers to provide safe working conditions, treat workers with dignity and respect, and use environmentally responsible manufacturing processes wherever Apple products are made².

Indeed, the company is touted as one of the leading brands in the technology industry with considerable commitment to producing green products. For example, Apple has supported a programme that allows its customers to return their old Apple products to their stores for recycling³. Moreover, a 2011 progress report on Apple's Suppliers Responsibility highlights the commitment and achievements of Apple regarding adherence to: human and labour rights, health and safety regulations, environmental rules and regulations, among others, in its operations⁴.

Notwithstanding the claims by Apple as being environmentally and socially responsible, the company has been indicted by several environmental NGOs in China for engaging the services of suppliers who have bad environmental records and/or human right abuse. According to a report by the Institute of Public and Environmental Affairs in Beijing, air pollution from two electronic companies identified as Apple suppliers has forced residents in Kunshan city to send their children to faraway schools. The report also indicates that, residents notice increased cancer cases since the two factories were established⁵. In addition to this, the report identifies that most workers in Foxconn factories (a supplier of Apple) were made to work overtime without commensurate compensation which is in contravention with recommendations of the Fair Labour Association's code, and the Chinese labour law. They also accuse Apple of taking advantage of the loopholes in developing countries' environmental management systems⁶ to make huge profits at the expense of the environment and the rights of their labour force.

In line with these indictment, a research by Dijk and Schipper (2007) also reveals violation of workers' rights by some suppliers of Apple including: "...degrading and abusive working conditions, excessive working hours and forced overtime, illegally low wages and unpaid overtime, denial of the right to strike, discrimination in employment, extensive use of contract labour and trainees, workers without a contract, and lack of freedom of association and unionisation". These accusations leveled against

Apple have flooded the media in recent times; in so doing, tainting the image of the company in the eyes of the public. The extent to which this negative information about Apple influences the perception and shopping behavior of its consumers, against the backdrop of the socially responsible values the company upholds, is what this paper seeks to unravel.

The study shall highlight the arguments for and against CSR as presented by various scholars. It shall attempt to address calls for further research on how CSR influences consumers' resistance to negative information (Luo and Bhattacharya, 2009; Eisingerich et al., 2011). It is expected that the overall outcome of this study shall contribute to the literature on CSR and consumer resistance to negative information; and also give some directions on how firms could leverage CSR to promote their core business.

2 Defining corporate social responsibility

There is no consensus on the definition of corporate social responsibility in the literature. As a result, the concept has received multiple interpretations and terminologies (Swaen, 2003; Ali et al., 2010). McGuire et al. (1988), argue that CSR postulates the idea that corporations have responsibilities to society that transcend their economic and legal obligations. Expounding on this, Sethi (1975), notes that CSR merges corporate aspirations with societal norms and expectations. In other words, CSR is conceived as a dual responsibility of managers to protect and improve the interest of their organizations and the welfare of society as a whole (Davis and Blomstrom, 1975).

In line with these arguments, Swaen (2003) identifies two common features underscoring CSR conceptualization: (a) companies have social obligations in addition to economic responsibilities; and (b) a socially responsible firm has the duty to address the concerns and demands of its main stakeholders - employees, shareholders, customers, suppliers, and regulators etc. Accordingly, Maignan et al. (1999), note that socially responsible companies are expected to: (a) be profitable -fulfill their economic responsibility; (b) obey the laws of the countries they operate in -honour their legal obligations; (c) observe codes of conduct deemed morally right -meet their ethical responsibility; and (d) contribute to the welfare of the communities in which they operate -fulfill their philanthropic responsibility.

This paper adopts the definition of CSR by the European Commission which is consistent with the various interpretations suggested by scholars in the literature. The European

Commission defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment."⁷

² See: Hook, Leslie and Kathrin Hille, "Apple attacked over pollution in China" online posting, 31 Aug. 2011. WEB. 05 July 2012 < <http://www.ft.com/intl/cms/s/2/e7cad0f4-d381-11e0-9d6a-00144feab49a.html>

³ See: <http://www.reuters.com/finance/stocks/companyNews?symbol=AAPL.O
Yahoo Finance>

⁴ http://images.apple.com/supplierresponsibility/pdf/Apple_SR_2011_Progress_Report.pdf

⁵ <http://www.socialfunds.com/news/article.cgi/3489.html>

⁶ <http://www.ft.com/cms/s/2/e7cad0f4-d381-11e0-9d6a-00144feab49a.html#ixzz1uLNJRs8W>

⁷ See: A renewed EU strategy 2011-14 for Corporate Social Responsibility. Available at: <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>

2.1 CSR and consumer resistance to negative information

Consumers are key stakeholders in every organization. They are identified as the life-line of business without which companies would cease to exist. Drucker argues that the only reason companies exist is to create and serve consumers. Accordingly, without consumers there is no need for employees, investors, suppliers, regulators, or any other stakeholders⁸. Hence, for companies to sustain their core business objectives, much priority should be placed on the interest and demands of consumers. CSR is seen as one of the tools corporate entities could use to ameliorate their relationship with their consumers (Abdeen, 1991; Daugherty, 2001; Chevalier and Mayzlin 2006; Luo 2007).

Brown and Reingen (1987), suggest that consumers' attitude to firms, and their shopping and risk taking behaviour towards a firm's product are highly influenced by the type of information they receive about the firm (as cited by Eisingerich et al., 2011). This influences their thought processes and general orientation about the firm. Therefore, negative information will be detrimental to a consumer-firm relationship thereby adversely impacting on the general output of the firm. Invariably, negative information is generally more influential than positive information (Wangenheim, 2005). For this reason, consumers are more likely to share their dissatisfaction with a firm than their positive experiences⁹.

Chevalier and Mayzlin (2006) highlight the damaging effect of negative information on the reputation of firms. They argue that negative information decreases sales due to withdrawal of patronage by disgruntled consumers. This finding is echoed by Luo (2007) who suggests that negative information adversely affects future productivity and returns of firms. With the advent of several social media such as QQ, Whatsapp, Twitter, Facebook, YouTube, blogs, and various online discussion forums, Ward and Ostrom (2006) posit that there is a proliferation of information in general and negative information in particular. In this regard, consumers are more likely to receive information about firms now than ever before, and consequently respond to them positively or negatively.

Practically, it may be beyond the capacity of firms to prevent negative information from reaching their consumers. However, firms can put in place measures to insulate them from potential damage of the negative information. Findings of a survey conducted by Eisingerich et al. (2011) indicate that

firms that engage in more CSR than their competitors benefit from *insurance-like protection* against scrutiny and negative information. Expounding on this, Luo and Bhattacharya (2009) find that CSR minimizes undesirable firm idiosyncratic risks.

Aside from CSR, Eisingerich et al. (2011) identify other traditional marketing measures that can influence consumer-firm relationship in event of negative information about the firm. They outline customer orientation¹⁰, service quality orientation¹¹, and consumer expertise¹² as key variables that can also impact on how consumers perceive a firm when they receive negative information about the firm. Their findings reveal that neither CSR nor other traditional marketing measures may be able to exclusively protect firms against all potential negative information. Therefore, firms should invest in both CSR and service quality to insulate them against negative information about their social responsibilities, and the quality of their products or services respectively.

Eisingerich et al. also draw attention to the various categories of consumers a firm may deal with, and how each category responds to CSR and negative information. On the one hand, they identify that consumers with high level of expertise are less influenced by CSR relative to the quality of service the firm provides. On the other hand, consumers with low level of expertise tend to be influenced more by the CSR of firms they identify with. Hence, firms with consumer base of experts should focus more on service quality orientation than CSR. Alternatively, firms with consumer base of novices can engage more in CSR to strengthen their relationship with their consumers.

3 Theoretical framework

There are contrasting views on the relevance of CSR to gaining competitive position in the marketplace; and whether it is prudent for organizations to prioritize CSR as part of their core business. Branco and Rodrigues (2007), identify two divergent perspectives on CSR premised on the neoclassical economic theory (Lantos, 2001), and the stakeholder theory (Clarke, 1998).

On the one hand, Lantos (2001) argues that the primary responsibility of business is to maximize profit for its shareholders but not to dabble in social activities which may constrain the execution of their core mandate and undermine efficient allocation of resources. Hence, organizations are supposed to make use of the resources available to them to engage in

⁸ See: <http://businesscasestudies.co.uk/business-theory/marketing/why-customers-areimportant.html#ixzz1zfKv049R>

⁹ See: Richins, Marsha L., "Negative Word-of-Mouth by Dissatisfied Consumers: A Pilot Study. Available at: http://onemvweb.com/sources/sources/Negative_WOW.pdf

¹⁰ Customer orientation as the extent to which a firm is viewed as being caring and attentive to customer needs (as cited in Donovan, Brown, and Mowen 128-146).

¹¹ Service quality orientation as the extent to which a firm is viewed to focus on outcome-related aspects of the service (qtd. in Parasuraman, Berry, and Zeithaml 420-450).

¹² The extent to which consumers are knowledgeable about a firm and its products or services.

activities designed to increase their profits so long as they stay within the laws of the countries they operate in. Under this view, Friedman (2001) opines that shareholders are the owners of a company; therefore, the profits belong to them. Thus, it will be unethical to require managers to pursue social activities, since that will require the latter to spend monies that may not directly bring any economic gains to the shareholders.

In furtherance of this perspective, Barry (2000) criticizes CSR as a form of *rent-seeking* by managers to cover up some deficiencies that may be inherent in their organizations. Levitt (1958) notes that companies should focus on improving production and maximizing profits and that social issues should be the responsibility of the state (as cited by Branco and Rodrigues, 2007). Noticeably, consensus among critics of CSR points to the fact that the latter brings additional cost to an organization without necessarily facilitating the realization of the organization's core objective which is maximization of profit. Albeit, it is compelling to note that not all CSR activities come with cost without commensurate economic gains. In this regard, McWilliams and Siegel (2000), suggest that decisions regarding CSR should be treated by managers *precisely as they treat all investment decisions*.

Contrary to opinions held by advocates of the neoclassical viewpoint, proponents of stakeholder theory identify CSR as an obligation corporations should observe since their actions or inactions can affect their stakeholders directly or indirectly. Stakeholder theory is premised on the belief that aside from shareholders, there are several agents with an interest in the actions and decisions of companies (Branco and Rodrigues, 2007). In this respect, Werhane and Freeman (1999) posit that ... *the goal of any company is or should be the flourishing of the company and all its principal stakeholders*. Moreover, Porter and Kramer (2002) note that the dichotomy perceived to exist between economic and social objectives of organizations is a false one because the latter do not function in isolation from the society in which they operate. Therefore, in addition to maximizing profits, firms should also take into account the concerns of their workers, consumers, and the communities within which they operate.

Clarkson (1995) identifies two main categories of stakeholders i.e. primary and secondary stakeholders. Firstly, primary stakeholders are individuals or entities corporations depend upon to survive. This category of stakeholders include: shareholders, investors, employees, customers, suppliers, governments and communities. Secondary stakeholders, on the other hand, are those who are not essential for a company's survival. In this regard, Mitchell et al. (1997) suggest that companies should only invest in activities that promote their relationship with their primary stakeholders to secure long-term benefits to the company.

In addition to this, Branco and Rodrigues (2007) note that arguments in favour of CSR can be ethical or instrumental. On the one hand, *ethical arguments are derived from religious principles, philosophical references or prevailing social norms*. It postulates that companies should behave in a socially responsible manner because it is ethically right to do so. On the other hand, instrumental arguments believe that it is imperative for companies to engage in CSR because of the medium or long term economic and social gains companies stand to enjoy from it.

Regardless of how one perceives the relevance of CSR in relation to the core objectives of firms, it is imperative to note that the actions or inactions of firms directly or indirectly affect the interest of their prospective consumers positively or negatively. Therefore, it will be counterproductive for firms to write-off such concerns. In this context, one can safely argue that it is in the interest of firms to uphold good ethical values to appeal to all spectrums of consumers.

This research seeks to examine how consumers perceive CSR, and how this perception influences their resistance to negative information with particular reference to the case of Apple in China. The study shall draw attention to the awareness level of CSR in consumers, the importance they attach to it, and how this influences their inclination towards a firm in event of negative information. Research on the impact of CSR is mostly directed at managers of firms (Maignan, Ferrell and Hult, 1999; Maignan and Ferrell, 2001). This research shall contribute to existing literature by bringing, to the limelight, the perspective of consumers which is limited in the literature (Luo and Bhattacharya, 2009; Eisingerich et al., 2011).

4 Why the case of Apple in China?

The case of Apple in China has been selected for this study for three main reasons. First of all, due to Apple's growing popularity among Chinese consumers. Secondly, Apple's green product ambition and claims of building environmental responsibility into their products and processes as well as protecting the interest of workers in their supply chain. Finally, because of the plethora of accusations leveled against Apple for being insensitive to the human right abuse and environmental degradation caused by its suppliers in China.

China, as the world's largest smartphone using country has attracted a number of technology base industries like Apple which, recently, reached a marketing agreement with China Mobile (the world's largest carrier with over 700 million customers) to boost the market share of the company¹³. In addition, Apple has integrated Baidu and Sina's services with Chinese characteristics into their operating system to

¹³ BBC Report, see: <http://www.bbc.com/news/business-25489430>

make the product more user-friendly¹⁴. A survey carried out on computer sales in China, for example, points out that while consumer inclination towards China-based Lenovo is declining (from 31% to 23%); preference for Apple's MacBook Pro is rising considerably (from 5% to 21%¹⁵). In the light of this development, Apple CEO Tim Cook notes that China will soon take over from US as Apples biggest market in the world.

As noted earlier, Apple claims utmost commitment to environmentally responsible investment and respect for human right among its workforce. Accordingly, Apple is undertaking an educational empowerment programme to help workers throughout their supply chain to learn new skills and better understand their right. Moreover, the company is espousing responsible sourcing of minerals, and also accounting publicly for smelters and refiners to allow for public scrutiny and transparency. In an attempt to enforce environmentally responsible practices in its supply chain, Apple claims to *work with industry experts to identify high-risk facilities, conduct audits focused on environmental issues, and develop methods to lessen environmental impact* of their operations. Additionally, Apple is supporting sustainable use of water by reusing and recycling water within its production process¹⁶. Though not explicitly reported¹⁷, these endeavours form the core of Apple's commitment to CSR.

Notwithstanding the growing popularity of Apple in China, and the company's purported commitment to upholding environmental regulations of host countries and respect for human rights, Apple has suffered several accusations from the media and environmental organizations in China for alleged human right abuse and environmental infractions in its supply chain. Apple is indicted for turning a blind eye to the environmental pollution and human right violation caused by some of its suppliers in China. For example, a report by the Institute of Public and Environmental Affairs alleged that 27 suspected Apple suppliers caused serious pollution to the environment ranging from toxic gases to heavy metal sludge. It also noted that some villages which were at the receiving end of this massive pollution experienced phenomenal increase in cancer cases¹⁸. Another reported events that draw Apple's name in the mud is the water pollution caused by Riteng Computer Accessory (Apple's supplier) in a nearby river in

Shanghai, and the *notorious* human right abuse and mass-suicide by employees at Foxconn (Apple's supplier).

Apparently, there appears to be some discrepancies in Apple's claims of ensuring respect for the rights of workers in its supply chain and building environmental responsibility into its operations, and the reported events of human right violation and environmental infractions unfolding in its supply chain. How do consumers in China perceive Apple's claims of upholding good environmental and ethical values? How does the myriad of reported cases of human right abuse and environmental degradation caused by Apple's suppliers in China influence their inclination towards the firm? Are consumers only interested in the quality of products they enjoy from Apple? Or are they also concerned about the environmental and social challenges associated with the production of such product? It is questions like these that inform the motivation for this research.

5 Research methodology

This study adopts a qualitative research (exploratory) approach to examine how consumers perceive CSR, and how this impacts on their inclination towards a firm in event of negative information. Qualitative research is noted for its flexibility and responsiveness to local situations to describe, in rich detail, phenomena as they present themselves in a naturalistic setting. It lends itself to an iterative approach of eliciting and categorizing responses to questions to ensure consistency in research objectives, literature, data collection and analysis (Morse et al., 2002). Indeed, qualitative inquiry helps researchers to understand a phenomenon from the point of view of respondents which is what this study seeks to achieve.

5.1 Sampling

The population selected for this study was students of Beijing Normal University who use Apple products. This was done to identify research participants who best represent and have knowledge of the research topic to achieve optimum quality data and minimum dross.

Respondents were also selected from different countries and continents to understand how consumers of Apple from different parts of the world living in China appreciate the subject matter. In this regard, respondents from the following continents and countries were selected: Asia (China, Philippines, and Pakistan); Africa (Lesotho, Cape Verde, and Botswana); North America (U.S.A), Europe (France); and the Pacific (Australia).

The researcher used two main sampling approaches. In the first place, purposive sampling was done to identify students who use Apple product(s), and who come from different continents and countries. Subsequent to this, a chain referral (snowball)

¹⁴ See a report by Zhang Rui at http://www.china.org.cn/business/2014-10/24/content_33861969.htm

¹⁵ See: <http://www.cultofmac.com/129137/apple-popular-with-21-of-chinese-consumers-if-only-they-couldafford-the-brand/>

¹⁶ Available at Apple's website: <https://www.apple.com/supplier-responsibility/>

¹⁷ Apple does not have an exclusive publication for its corporate social responsibilities. These are noted on the company's official website. See: <https://www.apple.com/supplier-responsibility>

¹⁸ Find report at the Institute of Public and Environmental Affairs' website at: www.ipe.org.cn

sampling was carried out by asking selected respondents identified in the first stage of sampling to refer researcher to their friends or course mates who fit the sampling criteria. A total of 20 respondents were selected for this study. The researcher was able to identify 70 per cent of respondents through purposive sampling, and 30 per cent through snowball sampling.

5.2 Data collection

Semi-structured interviews were conducted to seek respondents' views on the subject matter. A semi-structured interview is noted to encourage interviewees to freely discuss the phenomenon being studied, and also allow researcher to probe the thoughts of respondents where necessary¹⁹. A good use of probing questions is identified as a major contributor to the quality of data collected and the analysis conducted (Morse et al., 2002). Out of a total of 20 respondents identified, a total of 13 participated in the research representing 65 per cent turnout. The interviews were kept unanimous to minimize social desirability effect. In this regard, the researcher identified respondents by codes (i.e. 01-13) and their countries of origin.

Prior to the interviews, the researcher explained to respondents the goals of the research and their rights and responsibility in the course of the interview. For example, interviewees were made to understand that they had the right to withdraw at any stage of the interview without any consequences. They were also made to understand their right to answer or not to answer any question(s) they found uncomfortable to discuss during the interview. Respondents' were informed about the subject matter ahead of time to help them prepare adequately for the interview. This helped respondents to organize their thought to allow for meaningful discussions during the interview. Data was collected by taking field notes and audio recordings where necessary with respondent's consent. Audio recordings were transcribed accordingly to aid analysis.

Unlike quantitative research which assesses research credibility and rigor based on reliability and validity, rigor in qualitative study is, arguably, defined by the trustworthiness of the research (Lincoln & Guba, 1985 as cited by Morse et al., 2002; Golafshani, 2003). To establish trustworthiness of this study, a careful verification of data was carried out by way of identifying and correcting errors in the course of the interviews to avoid subverted analysis and challenges associated with post hoc assessments of qualitative research (Morse et al., 2002). In this regard, a conscious attempt was made, during the data collection stage, to resolve any anomalies and inconsistencies observed in the responses of the research participants.

¹⁹ See: Russel Bernard, "Research Methods in Cultural Anthropology, Newbury Park, CA: Sage Publications

The interviews were conducted in two phases. In the first phase, the researcher sought to get the general impression of respondents about the services, CSR and modus operandi of Apple. Based on this, the researcher was able to form an idea about the depth of knowledge each respondent had on the topic. The second phase of the interview presented to respondents some more details about Apple, in terms of their CSR and the alleged social and environmental problems associated with their supply chain. The rationale behind adopting a two-phase approach was to help the researcher understand how respondents perceive Apple in general, and how the introduction of negative information about Apple influences their initial perception.

Data collected through interview notes and transcripts were edited, sorted and organized into common themes to allow for easy analysis. Burnard et al., (2008) identify two main approaches to analyzing qualitative data ie: deductive approach and inductive approach. They explain that deductive approach uses a predetermined framework to analyze data. In this regard, the researcher juxtaposes the research findings with established theories to analyze data. On the other hand, inductive approach uses the research data to derive a theory or the structure of the analysis. Inductive approach is suitable for exploring grey areas in research while deductive approach helps to illuminate subjects that have previously received some attention in the literature. Since studies on CSR and consumer resistance to negative information presents mixed results with no clear direction in the literature, this study seeks to use a deductive approach to throw more light on this phenomenon from the point of view of consumers. Hence, the research findings will be triangulated with existing theories and literature as a means of validating my observations.

6 Results

6.1 Familiarity and general satisfaction with Apple

The length of time respondents have patronized Apple's products and services were sought to understand their familiarity with the company. In general, the period of patronage ranged between 6 months and 4 years which represents a fair acquaintance with the firm. Asked why they patronized Apple in lieu of other brands, majority of respondents alluded to service quality while others indicated that they patronized Apple products to examine how it compares with other brands in terms of quality, user-friendliness, and durability. None of the respondents was familiar with Apple's CSR policies or activities. They noted that such information was not readily available to them. This finding is consistent with studies by Mohr et al. (2001) which find that awareness level of consumers about the CSR of firms is generally low.

Furthermore, respondents were generally satisfied with Apple. Their satisfaction was mainly drawn from the quality of service provided by Apple. It was obvious that most of the respondents paid little or no attention to other engagements of Apple (such as their corporate social responsibility, adherence to environmental regulations and labour laws in host countries of their suppliers) aside from the personal benefits they were deriving from the company. Asked how concerned they were about Apple's mode of operation, majority of respondents explained that they are only interested in the services they are receiving from the company; and that issues that have to do with enforcement of environmental regulations and respect for human right should be the responsibility of the government. A few respondents who showed interest in Apple's operations and the reported misdemeanours in its supply chain indicated that they could only sympathize with the victims of such acts because they had no power to reverse the situation. They stressed the role of government and civil society to bring pressure to bear on companies to be responsible in their operations.

6.2 Consumer perception of CSR

This section of the study sought to find out the importance consumers attach to CSR, and how non-compliance to environmental regulations and social values by firms influence their inclination towards the firm(s). In general, respondents were supportive of the concept of CSR for two main reasons. On one breadth, some respondents noted that firms have moral obligation to their workers, consumers and the general public to behave in a socially responsible manner. In relation to workers, some respondents were of the opinion that creating conducive working conditions for employees will help them deliver better on their responsibilities as *happy people make a better product*. Making specific reference to China, some respondents argued that China's tremendous economic growth, without proper recourse to environmental considerations, has come with its traits serious environmental challenges which are threatening China's sustainable development. Therefore, companies like Apple should assume the responsibility to build sustainability into their operations.

In addition to the above, other respondents opined that it is in the interest of firms to invest in CSR as that will bring some economic benefits to the firms at least in the long term. They suggested that CSR makes companies look good in the eyes of the public which may go a long way to build consumer confidence in the firm. In this regard, some respondents argued that given two rival companies producing the same products or services, the company that adheres to environmental regulations and social values stands to be favoured more by the public than the one which does not, *ceteris paribus*. The two

schools of thought expressed by respondents are consistent with the ethical and instrumental paradigm suggested by Branco and Rodrigues (2007).

6.3 Impact of CSR on consumer resistance to negative information

This stage of the research aimed to understand how respondents perceive Apple's corporate social contributions, and how that influences their attitude towards the alleged environmental degradation and human right abuse in Apple's supply chain. In other words, I sought to find out how CSR provides immunity to firms in event of negative information. To begin with, respondents were given detailed outline of Apple's code of conduct, sustainability policies and social contributions as published on the company's official website. All the research participants acknowledged their lack of knowledge of Apple's social policies but commended the company for putting such measures in place. However, they lamented that such policies should be seen in practice and also made available to the general public.

Subsequent to this, respondents were asked about their awareness of the alleged environmental infractions and human right abuse caused by Apple's suppliers in China. Interestingly, although respondents portrayed very little knowledge on the positive social contributions of Apple, almost all the respondents were privy to one or more cases of accusations leveled against Apple in China. They noted that such information was readily available in the electronic, print and social media. This reinforces suggestion by Fiske (1980) that negative information is far-reaching and processed more carefully by consumers than positive information (as cited by Eisingerich et al., 2011). Majority of respondents noted their disappointed in Apple's reluctance to enforce its code of ethics in its supply chain. Some opined that Apple had the leeway to extricate itself of its oversight responsibility because of the porousness of the environmental regulations in China compared to, for instance, the US where the company is headquartered. Others argued that companies are profit driven; therefore, they tend to take advantage of regulatory loopholes to maximize profit. Hence, Apple is not the only bad nut in the bunch.

There were mixed reactions from respondents in terms of their judgment of Apple's claims of being socially responsible, and the reported cases of environmental and human right abuse in Apple's supply chain. Although respondents agreed that Apple should take responsibility for such misconducts, majority of them noted that they were indifferent while a few expressed their willingness to boycott Apple's products if such violations exacerbated. Disaggregating these responses by the nationalities of respondents, it became obvious that respondents from foreign countries showed little or no concern while those with Chinese nationality expressed much

interest and solidarity towards victims of such violations. It stands to reason, therefore, that since the case under review was in China, interviewees from China felt more emotionally attached to the issue than respondents from other countries. Simulating the case of Apple in the respective countries of foreign respondents, majority reacted differently and threatened to switch to other brands while a few showed no change in attitude towards the firm on the grounds that every company has its good and bad sides.

7 Discussion

Generally, respondents were in favour of CSR as a good corporate practice that has the potential of building a healthy relationship between companies, their workers, consumers and the general public. However, consumers tend to know very little about the corporate social contributions of firms as a result of the latter's inability to promote their CSR initiatives. Moreover, the study finds that negative information about firms reaches consumers more rapidly than positive information. Indeed, bad news sells faster than good news. Therefore, as suggested by McWilliams and Siegel (2000), firms can only benefit from their corporate prosocial activities by creating more public awareness of such endeavours.

The study also reveals that where consumer awareness of the corporate social contributions of a firm is low, the benefits identified to be associated with CSR such as consumer purchase retention (Mohr et al., 2001), lower firm idiosyncratic risk (Luo and Bhattacharya, 2009), and insurance-like protection against negative information (Eisingerich et al., 2011) become elusive. This is reinforced by studies by Ali et al., (2010) which identified no relationship between CSR activities and consumer purchase intentions as a result of low awareness level in consumers regarding CSR actions. For this reason, it is equally important for firms to promote their CSR initiatives as it is for them to uphold good corporate social values in order to realize the benefits of engaging in CSR.

8 Conclusion

This study examined the role of CSR in building consumer resistance to negative information. The study was conducted with particular reference to the case of Apple in China. Specifically, the study sought to identify consumer awareness of the corporate social contributions of Apple and how that influences their inclination towards the firm in the mist of the alleged environmental and human right violation associated with Apple's production process. The study found very low level of consumer awareness of Apple's CSR initiative. Hence, CSR had no impact on consumer resistance to negative information. Moreover, the study identified that consumers were more sensitive to CSR when they suffered directly from the actions or

inactions of a firm. The findings of this study are useful for firms who want to engage in CSR to win the confidence of their workers, consumers and the general public; as it highlights awareness creation as a major tool for making CSR meaningful to the public.

The study has some limitations. In the first place, since Apple is a US based company, it goes without saying that their CSR initiatives will be more popular in the US than in China where it is only out-sourcing its manufacturing duties to some Chinese companies. This may account for the low level of awareness in consumers in China about Apple's CSR commitments. Secondly, the selection of only university students, as a result of limited resources, is not representative of the diverse customer base of Apple in China. An insight from other consumers other than students will be useful in shedding more light on the subject. In addition, future research could consider firms that have their origin in the country of study to examine how higher level of awareness of CSR influences consumers' inclination towards a firm in event of negative information.

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