"From CSR implementation to market impact: The managers' vision in an emerging economy"

Abstract

Society in general and the market in particular are increasingly sensitive to the principles of CSR and sustainability. In this sense, the literature is very prolific and has addressed a very broad spectrum of studies ranging from CSR meaning, implementation process, engines and brakes, or impact on certain variables of interest to business management. However, only a few set of studies has addressed this phenomenon in the context of emerging economies.

Due to the growing interest of these countries in terms of population and market, as well as the potential impact that cross-country features can have. This study aims to expand the vision of managers of large companies of an emerging economy in the context of LATAM.

We use a grounded theory approach. Data were collected through a set of 9 semi-structured interviews with managers of 9 firms in Peru. Results suggest similarities and differences with the literature in terms of meaning, intensity and implementation process, perceived benefits and consumer behavior. The final part of this paper discusses the main theoretical and practical implications of the study.

Keywords: CSR, brand image, reputation, buying behavior, emerging economies.

1.-Introduction

Corporate social responsibility (CSR) currently represents a basic concept to understand the positioning of firms (e.g., Araujo et al., 2023; López-Pérez et al., 2017a). Its triple perspective, economic, social and environmental, is perfectly aligned with the Sustainable Development Goals proposed by the United Nations and progressively affect the different stakeholders' perceptions (e.g., consumers, workers, shareholders, general partnership) (Fonseca et al., 2023; Kharabsheh et al., 2023; Costa et al., 2021).

Several studies confirm that the CSR contributes to differentiate a brand from its competitors (e.g., Eisenherich et al., 2023; López-Pérez et al., 2017), so that both the brand image and the reputation of the company are positively reinforced (Abugre and Anlesinya, 2020; López-Pérez et al., 2017b). Indeed, research conducted in the context of developed Western economies shows that there is a growing segment of consumers who are even willing to pay a higher price for socially responsible products (Fraj-Andrés et al., 2021; Torres et al., 2012). These elements contribute to increase the financial value of companies (Bahadori et al., 2021; Nair and Battacharyya, 2019), creating a virtuous circle that links CSR, brand image, reputation and value of the company, which has important implications both from the commercial perspective and from the business strategy (López-Pérez et al., 2017a, b).

However, few studies have focused on emerging economies. The works of Bhattacharyya (2019) and Nair and Battacharyya (2019) in India, of Damoah et al., (2019) in Ghana, or of Kobrossi et al. (2022) in Lebanon are some minority examples. In this sense, the literature (e.g., Kharabsheh et al., 2023; Boubakri et al. 2021; Arditto et al. 2020; Herstein et al., 2017) clearly indicates that business strategies in general, and marketing in particular, proposed in developed Western economies need not necessarily be effective in other socio-economic contexts. In fact, in a conceptual paper, Voyer et al. (2017) highlight the need to collect more empirical evidence considering the possible cross-cultural effect, because this could possibly lead to different results depending on the country of reference. We are responding to this call. Therefore, we can justify the interest of developing this research in the Peruvian context, as an example of LATAM emerging economy.

Thus, in this context, this study takes as a reference the point of view of the managers of a group of representative companies in Peru regarding the possible impact that the CSR may have on the Peruvian consumers. As specific objectives it is intended to know i) what CSR means for Peruvian firms, ii) what are their experiences regarding the response of Peruvian consumers to the strategies and actions of CSR, iii) how the CSR can impact the brand image and reputation of the company. The results of this study will allow adjusting both the overall strategies of CSR and communication of firms.

2.-Literature review. CSR, brand image and corporate reputation: a brief outline

The concept of CSR has evolved from its origin to the present day. The works of Carroll (1999) and Porter and Kramer (2006, 2011) become key references to understand current meaning, recognizing the obligations of economic prosperity, social cohesion and environmental sustainability, to which is added a fourth dimension: philanthropy. The concept assumes that actions are voluntary, are directly related to business ethics and go beyond current legislation.

This approach is still valid (López-Pérez et al., 2018; Bernal-Conesa et al., 2017), betting on a holistic vision of the concept and highlighting the sustainability component linked to any of the actions developed by the organization; ensuring a responsible use of resources that does not limit the activity of future generations. In parallel, the study of the concept is extended to the impact CSR generates on other relevant variables to understand the success of firms, such as brand image (Fraj-Andrés et al., 2012, Abugre and Anlesinya, 2020), consumer behavior (López-Pérez et al., 2017a) and financial value of the company (Flores-Hernández et al., 2020; López-Pérez et al., 2017b).

CSR may be understood as an element if brand image (e.g, Fraj-Andrés et al., 2012; Flores-Hernández et al., 2020). The concept of brand image is based on the pioneering works of Aaker (1991) and Keller (1993). These authors outline the necessity of developing a brand identity, which is a unique set of brand associations representing what the brand stands for and offers to customers an aspiring brand image. In this sense, brand image reflects "*associations to the brand held in consumer memory*" (Flores-Hernandez et al., 2020, p. 937), creating a level of utility or added value that the brand brings to a product (Hur, Kim, & Woo, 201). Business image has an impact on customer perceptions regarding company operations (Kang & James, 2004) and can create different levels of connection between brand and consumers (Harrigan, et al., 2018; Ming-Tan, et al., 2018). Literature (e.g., Park et al., 2010) indicates that this connection with the brand is a fundamental element to understand the success of a brand positioning, starting from the way in which consumers establish a sense of uniqueness with the brand. From an eminently practical point of view, in these cases we can presuppose very favorable attitudes towards that brand in terms of differentiation, satisfaction, loyalty and strength.

In addition, reference authors (e.g., Wai-Lai, 2019; Velotsou and Moutinho, 2009; Park et al., 1986) indicate that reputation is a consequence of the brand image. Although both constructs are considered intangible assets of difficult imitation and that affect the perception that the stakeholders have about an individual or organization, while the brand image presents a profile more immediate, the reputation is to construct that a company earns over a long time (Veloutsou and Moutninho, 2009; Cretu and Brodie, 2007). Reputation is formed, therefore, from a set of actions that have happened in the past and are happening in the present, in the form of an accumulation of signals over time (Martínez & Rodríguez del Bosque, 2016; Fombrun, 2001; Fombrun and Shaley, 1990). Reputation becomes a solid construct that allows anticipating future behaviors (Janney and Gove, 2011; Roberts and Dowling, 2002). Reputation becomes a very solid guarantor of the trust in a brand or organization in the long term; that is, reputation would represent for a company a higher stage than the simple brand image.

Besides, firms´ financial value represents a key concern for shareholders. This is in line with the classical assumption in business management, which assumes that one of the fundamental objectives in business is to maximize profits (López-Pérez et al., 2017a; p. 988). From a practical perspective, firm´s value makes reference not only to objective measures, but also to perceptions in terms of market share, sales increasing, or returns on investments (Torugsa et al., 2012), which may be stimulated by CSR actions (López-Pérez et al., 2017a).

Therefore, based on the main ideas from literature, in the context of our study we assume that CSR contributes to create a positive brand image and a favorable attitude of consumers towards the products offered by a firm (Fraj-Andrés et al., 2012; Torres et al., 2012; Sen and Bhattacharya, 2001). Moreover, a solid reputation based on a consistent brand image and consistent CSR actions over time can become a very important source

of sustainable advantage for companies (Orlitzky et al., 2011), increasing firms´ financial value (Flores-Hernández et al., 2020; López-Pérez et al., 2017a).

3.-Methodology

The methodological bases of this study represent an adaptation of the strategy followed by Centeno et al. (2019) for a branding study among managers in Mexico. We therefore use a grounded theory approach (Strauss and Corbin, 1990) to explore how managers understand CSR and how they perceive customers value CSR in terms of branding in the context of Peru. Grounded theory is recognized as a practical method for conducting research that focuses on the interpretive process by analyzing the production of the meanings and concepts social actors use in real settings (Gephart, 2004; Glaser and Strauss, 1967). The processes of grounded theory are designed to develop a well-integrated set of concepts that provide a thorough theoretical explanation of a social phenomenon, explaining, describing and also importing some degree of predictability but only with regard to specific conditions (Corbin and Strauss, 1990). The aim of our approach is to develop new insights into the well-documented phenomena of CSR and branding in Western-developed economies, but still little researched in the context of emerging economies.

Following recommendations made by Gibson and Hartman (2014), the empirical research is guided by the research questions that remain open throughout the examination to generate new insights about the phenomenon of reference, not on justifying pre-existing notions. The research process is responsive, iterative, and consisting of data coding and interpretative stages.

Data for the study were drawn mainly from 9 semi-structured interviews with managers of 9 Peruvian firms (Appendix I shows the main descriptors of firms). Interviews averaged between 45 and 70 minutes. Semi-structured interviews provided a framework to keep the discussion on topic while allowing the flexibility to incorporate appropriate deviations and explore the phenomenon further (Centeno et al., 2019; Miles and Huberman, 1994). This method helped us to structure individual findings by interview as well as overall findings and patterns derived from the set of 9 interviews. This process allowed us to conclusion-draw and verification (Miles and Huberman, 1994). The main writing tools were research memos created for each of the transcripts and in/ out-group comparison. All the database and memos guided the emergence and development of the main themes identified in the research (Gummesson, 2005). Section 4 shows the main insights arisen from the fieldworks and data analysis.

4.-Results and implications

The analysis of the data is articulated around large conceptual blocks. The aim is knowing better the meaning of CSR in the business context of Peru, as well as in the expected response from consumers. The data reveals four main blocks of insights: meaning of CS; implementation and usefulness of CSR in companies; the expected response of consumers; and links between CSR, brand image and corporate reputation. Appendix II shows the table with the main insights resulting from the study, as well as the most representative verbatims of the set of interviews.

The aim of this study was to find out to what extent CSR is embedded in the business setting of an emerging economy and how it is perceived and valued by

consumers, that is, to what extent CSR can affect their behavior. We indicated in the introduction that CSR-related literature is at a mature stage in the context of Western and developed economies. However, more studies are needed to address the emerging economies framework (Flores-Hernández et al. 2020). In this sense, comments made by Athanasopoulou (2009) recognizing the need of considering possible differences related to the cross-cultural context of countries are also very interesting. In other words, the results of studies carried out in developed economies that tend to be generalized do not have to be fulfilled exactly the same in other economic, social and cultural contexts.

In terms of implications of the study, we can highlight that the environmental aspect is the one that seems to have the greatest role. This finding can be justified by the cultural link that indigenous societies maintain with nature, but also by a lower maturity of the market that tends to associate CSR and sustainability with the environment and to forget the economic and social outlines. It is also striking that not all managers interviewed have a strategic vision of the CSR. For a minority group sustainability is seen as long-term oriented, compared to a set of CSR actions focused on short-term objectives for others. In this sense, an obvious recommendation is to dedicate resources in management training and education so that consumers are aware of the importance of the other two dimensions. However, problems linked to social inequalities, as well as the subsistence challenges faced by part of the Peruvian population and its short-term vision arise.

Secondly, regarding the presence and implementation of CSR in the business fabric, we note that large companies have long been working under the prism of CSR and sustainability, in many cases due to the training of managers, the presence of international capital in the shareholding or the interest that CSR has for some segments of consumers. These elements have already been identified in the specialized literature, both for developed economies (e.g., López-Perez et al., 2017a, Torres et al., 2012), and for emerging countries (e.g., Cambra-Fierro et al., 2020; Hernández-Flores et al., 2020) and therefore do not imply context-related differences. Nevertheless, where we perceive differences is in the role that managers allocate to the State and other public and private institutions. The regulatory framework determines the minimum threshold for economic, social and environmental policies from which the voluntary profile of CSR actions that go beyond this regulatory and legal framework can be assessed. However, in the case of Peru, both the managers interviewed and the news related to the political situation of the country talk about instability, problems of legal certainty and high rates of corruption. This framework makes it very difficult both having a more favorable context and having concerns about improving the knowledge and training of the general population regarding CSR and sustainability.

Besides, the increased role of the CSR is hampered by the relative immaturity of the market. The scarce literature focused on emerging economies already identified this idea (e.g., Bhattacharyya, 2019; Damoah et al., 2019; Kobrossi et al., 2022). In addition, we note that many consumers have little information about the CSR, even of almost no interest. This situation is typical of highly segmented societies, with large differences between social classes that Hofstede (2023) defines as "*high power difference*". To the extent that a large proportion of the population does not have long-term objectives and that they focus on a vision of near-subsistence immediacy, it will be very difficult for them to assess elements linked to CSR. However, the existence of economically more prosperous segments with a certain size and a purchase volume would have a positive effect. This seems to be the case in Peru, with segments of medium and high purchasing power that gradually value actions related to CSR and sustainability. These segments are

mostly found in certain districts of Metropolitan Lima and other major cities of the country. In practical terms, the immediate recommendation would be to invest in consumer communication and training. But the challenge seems really complicated given the social differences and political instability that exist today. The real hope, therefore, is to let market forces act in such a way that, if there are gradually more consumers who demand certain management approaches from companies, then they will necessarily have to implement them. Obviously, those that have already started in advance will be in a clear position of competitive advantage, in terms of know-how and market.

Third, looking at the benefits associated with CSR, the data highlight a block of productive nature factors: less use of inputs and reuse, energy savings, and worker motivation, which has also been identified by the classical literature (López-Pérez et al., 2018; Fraj-Andrés et al., 2012). Moreover, from a commercial point of view there is also an increase in sales and, surprisingly, the existence of segments of consumers willing to pay higher prices than usual. This idea was pointed out by Torres et al. (2012), but in the case of Peru it only occurs in those segments with a clear high purchasing power, compared to a middle class that is identified in the works developed in other developed economies. Therefore, once again, differential features arise linked to the sociodemographic profile of the country under study.

The importance of the link between CSR and brand image and corporate reputation is also evident in this case. These results are in line with previous works (e.g., Fraj-Andrés et al., 2012, Abugre and Anlesinya, 2020; Hernández-Flores et al., 2020). Interviewees recognize that through CSR actions they are able to generate connection between the brand and consumers. This link with the brand is essential to understand the positioning of a brand and the generation of very favorable attitudes towards that company in terms of differentiation, satisfaction and loyalty. In terms of consumer behavior, this has a clear positive attitude towards the brand, preference for its products and willingness to buy them. Therefore, the recommendation for managers is that after a proper implementation of the CSR they carry out campaigns and communication actions to show what their companies do, in what they differentiate and what positive externalities they generate in society. These actions are even more important given that many of the managers interviewed recognize shortcomings in communication actions.

In short, this study has confirmed that some of the ideas generally accepted by the specialized literature have validity in the context studied. However, as Athanasopoulou (2009) indicates, we must be cautious when extrapolating the conclusions to other contexts with a different cross-cultural profile. In this sense, we have contributed to both CSR literature and cross-cultural studies.

Despite the relevance of the findings and implications, we must recognize some limitations. This research takes the case of large companies in Peru as a representative example of the LATAM context. Other countries, because of their socio-demographic and political differences, may have different results. Results could be even different if we extend the scope of study to other emerging countries in Africa or Asia where aspects such as religion increase possible cross-cultural differences. The fact of having taken as a reference a group of 9 large companies representative of the country means that we cannot generalize the results to the entire business ecosystem. Smaller companies may have fewer resources or lack of training of managers, and this will generate additional differences. Secondly, the qualitative nature of the study means that there may be some biases related to the interpretation of data. In this respect, we must say that we have followed the scheme of Centeno et al. (2019) for a study focused on Mexico, based on the general guidelines of Miles and Huberman (1994). All the information has been

organized in a complete database; interviews have been grouped to make analyses by groups of firms, comparing perceptions and insights between in-group firms and out-groups findings identifying common ideas and patterns. Finally, the research team has triangulated all information and results. This increases the soundness, validity and reliability of the research. As the main proposal for future research, we suggest increasing the study to the case of small and medium-sized companies in Peru, in order to observe possible differences linked to size. We also propose to analyze this phenomenon in other countries with different cross-cultural profiles to confirm similar patterns of behavior and possible differences that serve as a guide for making managerial decisions appropriate to the context under study.

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Appendix I: Main descriptors of firms

COMPANIES	CARGO	MAIN CHARACTERISTICS
Firm A	CSR and sustainability manager	Bottling in Peru of the world's leading soft drinks brand. Annual turnover of 750 million dollars.
Firm B	Communications and sustainability manager	National producer of snacks, reference in the supermarket segment.
Firm C	CEO	Company with international presence in the bakery, pastry and chocolate industries. Annual turnover of 20 million dollars.
Firm D	Human resources manager	Craft company with national and international market presence. Annual turnover > 20 million dollars.
Firm E	Business manager	Departmental store. Presence in 7 LATAM countries and in China. In Peru they have > 8,000 workers and have an annual turnover of 1,200 million dollars.
Firm F	CEO	Retail of construction materials and hardware. Annual turnover of 200 million dollars.
Firm G	CEO	Business association that articulates the principles of sustainability and CSR in Peru, based on the SDGs. It coordinates public, private, academic and civil society actions.
Firm H	Corporate and sustainable development manager	Food company, home care and personal care. It operates directly in eight countries, and has 150 own brands that are exported to more than 30 countries. Annual turnover of $4 billion.
Firm I	Service and sustainability manager	Leading consulting and auditing services company (big4).

Appendix IIA: Main insights resulting from the study

1.-Meaning of CSR

Theoretical meaning of the concept: triple bottom line (economic, social, environmental responsibility). In some cases differences between CSR and sustainability.

Environmental approach prevails (indigenous society strongly linked to nature).

Lower relevance of economic and social aspects (lower level of economic development, short-term vision, avoiding uncertainty, social differences).

2.-Implementation of CSR in companies

Progressive implementation: international training of managers, foreign capital in the shareholding structure of companies, interest of certain market segments (metropolitan Lima, segments of higher economic and educational level).

Importance of the role of the state and other public institutions: problems of legal insecurity, corruption... that make the context difficult.

Immature market in terms of CSR and sustainability. Few informed consumers.

Need to improve internal and external communication on CSR issues and corporate sustainability.

3.-Associated benefits

Improvements in productive efficiency: less use of inputs and reuse, energy savings, motivation of workers.

Best brand image and corporate reputation reinforcement (4.-)

Increased sales, segments of consumers willing to pay a somewhat higher price than usual.

Market differentiation, trust and loyalty

Appendix IIB: Representative verbatims of the interviews

1.-Meaning of CSR	*"It's already going a little further to talk about how we do so that within companies can create value for all stakeholders... taking into account the triple economic, social and environmental perspective... We can talk later about philanthropy, because for me, although I am aware that I can generate a positive brand image in the Peruvian consumer through philanthropy actions, the essence of the CSR is in this triple perspective. Philanthropy is a nice extra element, but an extra".*
	"The State has not always regulated well, but I believe that there must be a policy that caresses and gives continuity to all this sustainability... because the Peruvian is creative enough to find a way to get the play out of the law... so if we all really believe in social responsibility and sustainability we are all responsible, or co-responsible... Or do only companies have to comply? Let's set minimum benchmarks and see where the market takes us".
	"In life we are all fulfilling a role, but those who have to ensure compliance with the rules are the authorities, even go beyond, guiding, educating".

	"I see sustainability as this more strategic, long-term systemic approach linked to the core of the business, while I recognize concrete actions related to the triple-bottom-line... and yes I make a lot of this difference".
	"It highlights the importance of thinking in the community and recognizing a generational responsibility".
2.-Implementation of CSR in companies	*"In my case, I studied in Europe... and the company is jointly owned with national and international capital... the shareholders have driven the commitment to a sustainable business model, and I was the one chosen to develop this route throughout the organization."*
	"We have long felt interest from some consumers... we were asked through the suggestions box, web, social networks about the origin of some raw materials, about the conditions of our workers... First it was a minority, but gradually it is increasing, we do not think about the entire Peruvian market, but if we see trend... and when operating also in other countries where the average consumer is more mature, is more informed, because then we are already before a fact that we cannot ignore."
	"As a business model, we play an important role in water, and also have specific goals of collecting and replenishing the water we use."
	"Please notice that there are many raw materials that we do not buy in Peru itself for a simple reason... It is very difficult for many Peruvian suppliers to have all their production legal, much less sustainable, even though we are a country rich in natural resources ... So, we do not want any risk, we bet on a sustainable company image with a consolidated reputation. For example, we don't sell products made with Peruvian wood, even though we could do it because we have huge forests."
3.-Associated benefits	*"We were skeptical at first, but by betting on a cleaner process we have seen that we can do the same with less energy, less raw material, we are able to reuse, we have installed solar panels to produce our own energy... the numbers tell us that we are in vain on the right path."*
	"We are more efficient, part of the market values us better... what more can we ask for?"
	"Only very few consumers are really looking for information".
(4.-) Best brand image and corporate reputation reinforcement	*"The Peruvian consumer is not yet so immersed in getting informed, still more moved at this juncture the price, the price to choose their products. We do not yet see a level of sophistication in which we have consumers who want or would pay more for products".*
	"We have promoted all available tools to value what we do, and also, to make it known, because still in many companies we do not count so much what we do, and many times in Peru we do not count well... Not only to consumers, but also within companies or other interest groups... or is that we directly do things well and do not count them... this should not be so, and I do not think about large expensive actions... Currently there are many effective and inexpensive tools, but you must want to do it and know how to do it well."
	"We have to be creative also to tell it differently, because now not only the press, television, mass emails... I mean, we can't go on as usual."
	"In relation to image and reputation... I think the best strategy is to be able to communicate what some are really doing to the main audiences that companies have."
	"We share it directly with our clients through personalized communications, meetings, events... we are thinking of doing so also through a public relations department, have it covered in media and thus be able to improve our corporate reputation."
	"I remember a campaign we did a few years ago thinking about the Amazon region... the reaction of many of our customers was totally unfavorable. We are geographically far away and have similar problems close... we understood very well that isolated actions, far from our core activity and market have no sense... now we meditate more, in line with the thoughts of our customers, as if it were a long-term coordinated strategy, with actions less expensive, sustained over time and with a much higher performance... Yes, we learned our lesson by force, with sticks".

	"Consumers know who we are, what we do and what we will do in the future... you can be sure about our performance, the one you see and the one you don't... we have a very solid reputation, and this makes us responsible for all areas of our business and have a very solid commitment to our customers".
	"After many years of effort to differentiate ourselves and transmit the foundations of our business culture to all stakeholders we will not fail... we are different, we do different things, we want to be perceived as different, and therefore we do not neglect any aspect that can affect our reputation... Years ago betting on a holistic vision of CSR has made us better, more efficient and enjoy the advantages of being and seeing us different... our customers value it and we will not let them down".
	"This reputation as a responsible and sustainable company generates trust, helps us to retain customers and, ultimately, to be a more profitable company... but it hasn't been easy, the road has been long and it's not over yet... We must improve, communicate, and teach so that the principles of social responsibility and sustainability are valued more... As a big company we consider ourselves co-responsible, not only for image and reputation, but for the future".