



Product Quality as a Responsibility Measure - Ethical Consumerism

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Summary

As the global trends of corporate responsibility are spreading around the world, the progressive enhancement of global social awareness is rising. The result of such changes is an increasing demand on the supply and consumption of responsible products. The problematic matter is however, what a responsible product could be defined as. For each person it would have a different meaning due to an individual attitude and various personal expectations connected with said product. The crucial role falls not only to the so-called green products, i.e. environmentally friendly with improved possibility of recycling, reduced packaging, greater durability and with high recycled material content if possible. The true “product responsibility” is also being able to deliver the result to the society itself. It is not only responsible but reasonable as well, since in the end, the producer seeks profit and that can only be obtained with the help of the market.

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Introduction

As the global trends of corporate responsibility are spreading around the world, the progressive enhancement of global social awareness is rising. The result of such changes is an increasing demand on the supply and consumption of responsible products. The problematic matter is, however, what a responsible product could be defined as.

For each person it would have a different meaning due to an individual attitude and various personal expectations connected with said product. The crucial role falls not only to the so-called green products, i.e. environmentally friendly with improved possibility of recycling, reduced packaging, greater durability and with high recycled material content if possible, but also to those products and services, which quality is constantly improved.

A great advantage for the society, environment and users, for the producer quality is also a cost. Creating, developing and manufacturing high-quality products bears much more costs than launching a low-end, generic product which quality may well be questioned. Depending on the product itself, we should distinguish several groups of costs, connected with planning, development, production and quality management (i.e. maintaining high constant level of standards) in the company. To create a “responsible” product, we will need to hire very good specialists for planning and development phases, finance the research which will be safe on one side, but will bring reliable results on another, manage the production phase quality and maintain high standards within the organization, which is inevitably connected with additional incentive costs, courses, trainings and other spendings. Add some more costs related to general social responsibility like not testing new cosmetics or medicines on animals, not wasting rainforests seeking for wood-pulp (paper), not dumping toxic materials straight into rivers, not using child labor and so on and so forth.

The result is a high-quality, but also high-cost product a company has to go into the market with. The question is, will it sell? Will the consumers prefer a product's quality over its cost, or will they buy cheap, not bothering too much about other factors? Buying quality products costs naturally more than their low-end counterparts, due to higher costs as mentioned before and their higher social appeal. The highest quality products may be so expensive that they will face limited or very

limited market interest. A question arises: are these really “responsible” products? They are produced using the highest standards, they produce very little or no impact on the environment, they can be recycled... and yet they will not be widely used and their positive impact will be hampered by their low popularity.

What will the consumer prefer, then? Will they buy a high quality yet expensive product, or will they choose cheaper counterparts of questionable quality, not caring too much about their process of production and forgetting the basic rule that “if you buy cheap, you buy twice”, or finally, will they seek a reasonable price performance, i.e. quality to cost ratio?

The true “product responsibility” should have a broader definition then. It’s not only about being environmentally friendly and fair to the workforce and suppliers, but also being able to deliver the result to the society itself. It is not only responsible but reasonable as well, since in the end, the producer seeks profit and that can only be obtained with the help of the market.

1. Basic rules of conduct in the production process

During the past few years, corporate leaders have recognized that the success of their brands is tied to whether their business is conducted in a manner acceptable to those affected by it. In an effort to respond to the growing number of social and environmental concerns and to protect their brands, firms have adopted programs that reflect support for international norms and promote sustainability. In fact, the continuing success of these firms suggests that there have been business benefits from adopting these programs. It is becoming clear that the application of such standards can bring benefits to suppliers, in addition to the benefit of a continuing contract with their multinational buyer. These benefits can derive from suppliers distinguishing themselves within the local marketplace as responsible firms to do business with, and they can also relate to productivity and quality gains.

This practice has come to be known as corporate social responsibility (CSR), and focuses on a wide range of issues, including workers' rights (particularly child labor, freedom of association, forced labor, and freedom from discrimination), health and safety issues, environmental concerns, compensation, migrant labor issues, human rights, security arrangements, community engagement, ethical conduct, good governance, and rule of law. To address these CSR issues effectively, firms are adopting a series of new tools. These include human rights and environmental risk assessments, monitoring systems, management standards, and the engagement of external stakeholders in dialogue and decision-making processes. The tools that have been most widespread, however, are the adoption of CSR codes of conduct by many firms, as well as the compliance and monitoring schemes used to implement and enforce those codes once they have been established. Codes of conduct stipulate the human rights, environmental, social and ethical requirements for suppliers.

The World Bank estimates that there may now be an estimated 1,000 codes in existence today, developed by individual multinational firms on a voluntary basis, depending on firms' business needs. They play a complementary role to national

legislation, helping firms implement standards beyond those that are typically enforced locally.¹

According to the study by Élodie Béthoux, Claude Didry and Arnaud Mias, French researchers, in case of large multinational companies, greater importance is attached to questions related to work and to workers/employees than to the environmental issues. The focus on work has two different aspects: declarations of workers' rights on the one hand, and the assertion of managerial hierarchy that places them at the disposal of the company on the other.

The authors also present the second observation from the research: declarations of principle always take into consideration what might be described as the main corporate objective, that is the maintenance of profitability through the production and marketing of goods or services and the use of wage labor. From this point of view, the codes reflect specific problems faced by companies operating in different areas and sectors. It leads to a broad presentation of a company's activities in the texts of the codes, including the effects of using subcontracting or the difficulty of controlling geographically distant supply chains. Finally, what is revealed here is the very substance of the company itself, in particular regarding what it sees as its core assets. Thus, codes of conduct represent a heuristic tool through which companies enter into a discourse about themselves.

A thematic plurality emerges in the codes: they are based on a distinction between the assertion of general principles which are compatible with shareholders' interests on the one hand, and the use of hierarchical controls to ensure that the provisions of codes are implemented on the other. This plurality of perspectives makes it possible to identify the distinguishing features of each company. In so far as they reveal the core characteristics of each company, the codes of conduct are taken as signs of a reflexive dimension to "corporate governance" (Lenoble, 2003). By enacting new obligations not only for the company, but also for its employees, codes also call into question the idea of workers' subordination to managerial control.²

¹ Smith Gare, Feldman Dan; "Company codes of conduct and international standards: an analytical comparison. Part I of II. Apparel, Footwear and Light Manufacturing, Agribusiness, Tourism."; The World Bank Group, Corporate Social Responsibility Practice Group, October 2003, p. 1-2.

² Béthoux Élodie, Didry Claude, Mias Arnaud; „What Codes of Conduct Tell Us: corporate social responsibility and the nature of the multinational corporation."; Volume 15 Number 1, January 2007, Journal compilation © 2007 Blackwell Publishing Ltd, 9600 Garsington Road, Oxford, OX4 2DQ, UK, p. 1-4.

Based on their own research Élodie Béthoux, Claude Didry and Arnaud Mias stated that analysis of corporate codes of conduct reveals that CSR is based on a notion of „commercial” responsibility that is linked to the marketing of products and to the necessity of meeting consumers’ expectations. This gives rise to commitments in terms of product quality, productive efficiency and environmental protection. ILO principles are present in a majority of codes, but with a marginal position as regards the larger set of principles that are set out. Work and workers first appear as elements of hierarchical control over company activities, through a form of self-control which is aimed at ensuring the implementation of the code itself. The company’s employees are defined both as those potentially guilty of infringing the code, and as the first line of monitors of its effectiveness. A pure form of hierarchy emerges from these categories. It is linked to the threat either of accidents or of personal fault in a perspective that is close to the analysis of the firm–market boundary in transaction cost economics (Williamson, 1975).

Nevertheless, the true identity of the company only appears when its ownership is at stake. As a collection of assets whose security must be respected, the company is presented as an organization based on the centralization of ownership. This is what makes it possible to limit workers’ hold over the information and knowledge they produce. In high-tech companies, work implies a sharing of the fruits of innovation, raising the issue of property rights in discoveries and inventions, and focuses attention on the precise nature of the link between the worker and their company. Codes of conduct resolve this problem by stating that discoveries and inventions should be integrated into the company’s own pool of assets. By doing so codes appear as specific tools for the governance of network companies (Zingales, 2000).

Codes of conduct anticipate a period in which companies will become more aware of the transnational dimension of their responsibilities. The codes give expression to the values of hierarchy rather than those of citizenship. But at the same time, they could open up a new sphere of collective action for worker representatives. In particular, they point to a reconsideration of the role of managerial prerogative and a redefinition of the space in which workers could act collectively to further the values of economic democracy.

2. Ethical consumerism

Nowadays, it is more and more important for business to give consideration to consumers' interests and gain their confidence when the freedom of their economic activities is extended. Codes of conduct help to obtain greater consumer confidence and to ensure the protection and the promotion of consumer interests.

Additionally, codes of conduct urges business to more positively disclose to consumers information about their management policy, consumer strategies, and their organizations, regarded this as their responsibility, which will in turn allow consumers to evaluate and choose business more easily and, through consumers' selection behavior of products and services, to encourage business to adopt more consumer-oriented management attitudes. Business have also their own benefits: they are able to make their organizations more transparent and get more accurate consumers' evaluations of their honesty and morality.

Formerly, the relation between the consumers and the businesses often tended to be regarded as opposition party where one party's interests were to the other's disadvantage, and both sides had a deep-rooted subconscious awareness of such opposition. This may have been a byproduct of the mass-production and mass-consumption era. But, at present, the economic and social structure has changed towards flexible and efficient manufacturing systems or selectivity systems, and confidence is now an important keyword both for the business and for the consumer.

Gaining "consumer confidence" is the source of profits for the business, and it is no exaggeration to say that business can only survive by doing so.

One effective method of acquiring and maintaining consumer confidence is for business to make and keep "promises" earnestly according to a clearly defined ideal and policy. Consumers are generally not in a position to get sufficient information as to which business sincerely take actions for them and what systems they have to fulfill their promises, even if such an information is essential to consumers' choice.

On the other hand, even though business carry out their activities sincerely, they are not evaluated fairly by consumers or by society in many cases unless consumers know the facts. To rectify this situation (so-called "asymmetry of information"), business themselves should take measures to positively disclose information and hence enable the consumers to properly assess them, because it is difficult for consumers to get such information on their own efforts.

As regulatory reform is carried out in consumer policy, there arises the need for not merely traditional measures protecting the consumers (who are regarded as “weak”) through regulation before providing goods and services, but also for policies making market rules clearer and for truly protecting and increasing consumer interests through the positive efforts of both the consumer and the business. It is crucial to introduce some new methods for achieving the goal. Also, as sales strategies diversify and new products and services appear in the market as a result of technical development and regulatory reforms, the consumers' scope for the choice of goods and services is expanding, and at the same time new sorts of dispute are breaking out.

In this situation, it is getting more and more difficult to control improper practices in business with only specific laws and ordinances, because legislative measures require some time to be introduced.

Moreover, the progress of Information Technology and other technologies is very rapid, and it is not easy to establish new rules for these technologies on a timely basis. Hence, flexible measures are required in many more fields.³

Looking at this particular issue from the consumer's point of view the consumers also have the feeling they are socially responsible when it comes to buying food, clothing, office supplies, and the like. The problem is, their noble sentiments are not often reflected in their actions at the end of day. In fact, a number of corporations have seen their efforts to sell socially responsible products fall flat because consumers failed to buy them in any significant numbers. There are, however, a variety of strategies that corporations can take to increase their odds of success.

Not long ago, in January 2006, one of the most high-powered attempts ever undertaken to stitch together consumer shopping with social responsibility was launched. The effort – dubbed Product Red – was unveiled at the annual gathering of the rich and powerful at the World Economic Forum in Davos, Switzerland, by no less than U2's Bono.

³ Building up Consumer Confidence in Business: Guidelines for Corporate Codes of Conduct; Interim Report; April 22, 2002; The Consumer Policy Committee of the Quality-of-Life Policy Council; p. 5-6.

Figure 1. Red products from Product Red campaign



Source: <http://davidreport.com/blog/200612/the-world-is-turning-red/>

The idea behind Product Red is simple – line up major international consumer brands like GAP, Giorgio Armani, and American Express, and get them to donate a portion of the profits from the sale of Red-branded products to Global Fund, which uses the money to fight HIV/AIDS, malaria, and tuberculosis. It is a win-win program: Consumers are given a way to express their social desires, while companies get to display their social credentials. “Red is a 21st-century idea,” said Bono at the launch. “I think doing the Red thing, doing good, will turn out to be good business for (the business sponsors).” Unfortunately, the early results of Product Red are not so encouraging. Stephan Shakespeare, CEO of YouGov, a British market research firm, notes that this exercise in social responsibility hasn’t been supported by consumers. “The scores are as flat as a pancake and the British public hasn’t reacted in the manner that these companies, at least in private, would have hoped for,” he says.

Apparently, there is a level of consumer apathy about Product Red that “even Bono can’t overcome.” Although corporations and policymakers are bombarded with international surveys purporting to show that average consumers do care about ethical issues, the results at the checkout are not always so encouraging. The less-than-stellar success of Product Red and other high-profile campaigns has caused

many company executives to express in private their uncertainty about the financial efficacy of ethical consumerism.

What is missing from many of the CSR campaigns is the critical role played by the everyday consumer who has to buy the products. Too often, businesses and social activists simply take consumer surveys at face value, believing that if people say they would like to purchase socially responsible goods, they will follow through when it comes time to make the purchase. In practice, that has not often been the case. To understand why, it is necessary to focus on answering three fundamental questions about ethical consumerism: Are consumers socially responsible? If they are, how much are they willing to pay for socially responsible products? And if they are not, why is there a discrepancy between expressed beliefs and marketplace behavior? ⁴

The answers to these basic questions would not only help social activists and NGOs align themselves with market interests and engage consumers. They would also help managers develop a more proactive approach to what we call “the other CSR”: consumer social responsibility (CnSR) and more overall view on consumerism named “ethical consumerism”. Let’s start with the second concept.

Ethical consumerism is a growing phenomenon. It is a major driver of a diverse range of ethical approaches to trade. Alternative approaches such as fair-trade, conservation-driven trade and the trade in organic produce began as market niches but are making their presence felt in the commercial mainstream. Social, environmental and animal welfare issues are also being addressed by the mainstream itself with the adoption of a plethora of standards by major retailers and producers of fresh produce, timber, apparel, beverages, fish and other every-day consumer items.

Who is the ethical consumer, and what do they mean by ethical consumption? These questions are important for companies wishing to project an ethical dimension to their business operations. They are also important to international development practitioners who want to see trade have more positive outcomes for developing countries, especially with respect to targeting the poor.

Consumerism in general is being used by some stakeholders as a force for social change, based on the theory that companies make decisions on the basis of

⁴ Devinney T., Auger P., Eckhardt G., Birtchnell T.; „The Other CSR”, Stanford Social Innovation Review Fall 2006; Leland Stanford Jr. University, 2006.

consumer demand. This logic is evidently constrained by the huge power of large companies which influence, if not create, consumer demand through advertising and branding. However, consumer power may be used to ensure that companies are accountable to society: ordinary citizens in their role as consumers can make companies accountable.

The corporate accountability may be considered too abstract a concept to capture the attention of the majority of the public. In contrast, it can be relatively easy to articulate dissatisfaction with the goods one purchases. Smith talks about “ethical purchase behavior” mostly in the negative sense of boycotting certain products.

However, there is an increasing opportunity for positive ethical purchase behavior, i.e. purchase of goods with ethical attributes (see below). Some authors discuss ethical consumerism in a wider sense of “consumer action”, i.e. activities other than purchasing, such as dialogue with retailers and manufacturers or lobbying of government.⁵ For example, Bendell (1998) suggests that ethical consumerism has a “citizen” as well as consumerist element (see Figure 2).⁶

Ethical consumerism may be seen as an evolution from earlier consumerism movements. Lang and Hines (1993) identify three waves of consumerism. The first wave of the consumer movement focuses on value for money, basic product information and labeling (what the product does and how) and consumer choice. The second wave was heralded by investigations into product safety and has been associated with broader questions of corporate accountability.⁷

The third wave is described as “a marriage of environmentalism and citizenship.” Lang and Hines (1993: 111) suggest that it has two distinct forms: environmental and ethical, Smith (1990: 286), however, suggests that environmental and ethical consumption are essentially the same and that environmental consumerism is just one form of ethical consumerism where the link between “what is consumed and the social problem is more direct.” Similarly, Murphy and Bendell’s (1997) investigation into third wave environmentalism brings together environmental and social values.

⁵ These latter activities may be considered conventional campaigning activities, but here are part of (ethical) consumerism because the campaigners may emphasize their role as consumers.

⁶ Tallontire A., Rentsendorj E., Blowfield M.; „Ethical consumers and ethical Trade: A review of current literature”; Social and Economic Development Department, NRI; Natural Resources Institute University of Greenwich 2001.

⁷ Organizations associated with the second wave include Charles Medawar’s Social Audit Ltd, the Consumers Association, the government funded National Consumers Council and the international umbrella organization, International Organization of Consumer Unions.

Figure 2. Three types of ethical consumerism



Source: Tallontire A., Rentsendorj E., Blowfield M.; „Ethical consumers and ethical Trade: A review of current literature”; Social and Economic Development Department, NRI; Natural Resources Institute University of Greenwich 2001.

Ethical consumerism in its most radical formulations seriously looks at how consumption may be reduced.⁸ The third wave of consumerism – ethical consumerism – has three main components: (a) animal welfare; (b) the environment; and (c) human rights/working conditions and fair-trade. Each of the three headings has positive and negative aspects: those products and practices which are upheld and promoted and those which are deplored and avoided/ boycotted.

There has been a further development from ethical consumerism – sustainable consumption. Initiatives to explore the potential for sustainable consumption practices, i.e. going further than the consumption of certain niche products to “understanding and then managing demand so that social, economic and environmental goals are achieved” recognizing that “many policies continue to subsidize unsustainable practices and neither consumers or producers face the full environmental costs of consumption” (Robins and Roberts, 1998). The challenge of developing sustainable consumption policies is critical to sustainable development, but the focus here is to understand the ethical consumer in niche and mainstream markets.

Is CnSR different anyhow from ethical consumerism? In its broadest form, CnSR can be defined as „the conscious and deliberate choice to make certain consumption choices based on personal and moral beliefs”. It includes two basic

⁸ New Economics and Ethical Consumer’s discussions of ‘downshifting’, both June 1997, and Nicholson-Lord (1994).

components: an ethical one relating to the underlying importance of the social aspects of a company's products and business processes; and a consumerism component that implies that the preferences and desires of consumer segments are partially responsible for the increasing influence of ethical or social factors.

CnSR shows up in two ways: as expressed „activity” in terms of purchasing or non-purchasing behavior; and as expressed „opinions” in surveys or other forms of market research. In many situations „activity” is low, as demonstrated by the low levels of purchasing of ethical goods.

Although consumer activism and pressure from NGOs led Starbucks to promote and sell fair-trade coffee, the sales levels have been much lower than expected and demand has remained relatively flat since it was introduced in 2001.⁹

Despite the enthusiasm shown for fair-trade activities, such products rarely account for more than a miniscule percentage of the market, normally 1 to 2 percent.¹⁰ The lack of ethical behavior by consumers is further highlighted by the increasingly high levels of counterfeit goods purchased around the world – a seemingly “victimless” crime that reveals consumers’ willingness to transgress social rules of ownership. „The Economist” recently reported that the sale of pirated DVDs in China deprived U.S. filmmakers of approximately \$2.7 billion last year – a massive amount compared to the approximately \$250 million in total box-office receipts in the country.

Expressed „opinion” is the most common, and perhaps the most dubious, means by which CnSR is measured. Recent studies on ethical consumerism suggest that consumers are giving increasing consideration to the ethical status of products and business processes and that these concerns have financial implications for the businesses involved. A 2005 poll by Global Markets Institute across a wide range of countries including the U.S., U.K., India, Australia, and Canada, as well as countries throughout Europe, found that 54 percent of consumers would be prepared to pay more for organic, environmentally friendly, or fair-trade products. A large-scale survey by Market & Opinion Research International suggested that the potential for ethical consumer products could be as high as 30 percent in the U.K.¹¹

⁹ Argenti, P.A. “Collaborating With Activists: How Starbucks Works With NGOs,” *California Management Review* 47 (2004), p. 91-116.

¹⁰ Krier, J.M. „Fair Trade in Europe 2005”; „Facts and Figures on Fair Trade in 25 European Countries”; Brussels: Fair Trade Advocacy Office, 2006.

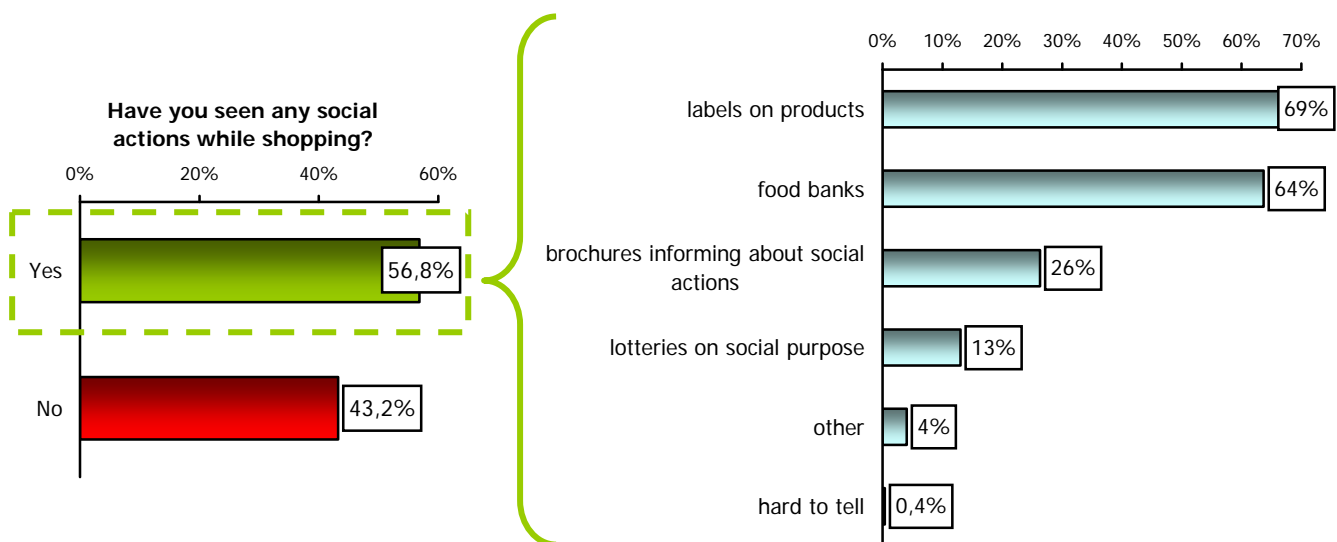
¹¹ Mason, T. “The Importance of Being Ethical”; *Marketing* 26, Oct. 27, 2000.

3. Ethical consumerism in Poland

The situation looks quite different in Poland. According to the research conducted by IQS and QUANT Group, a Polish Research Agency, only 21,3% of respondents declared they would be able to pay more for goods produced ethically (see Chart 1).¹² As the sample is representative, the results of the research could be extrapolated to the whole population of Poland. Almost 50% of consumers admitted they do not pay attention to the way of producing products and only 18% Polish respondents consider the country of origin while purchasing.

What is interesting, when we asked about the visibility of any social campaign taking place in supermarkets, over a half of introduced people noticed such event (56,8%), which is a lot. The most often form of social actions in retail chains noticed by respondents are products with a „social” labeling. The social label means that a part of profits gained from this product’s sale is donated for chosen organization - 68,8% (see Chart 2).

Chart 2. Social actions noticed by respondents shopping in supermarkets



Source: Brdulak A., IQS and QUANT Group...op.cit.

The research shows that consumers have not fully understood and articulated the concept of CSR. Their consciousness of being responsible and active

¹² Brdulak A., IQS and QUANT Group; research conducted in May, 2007 on a representative sample of Poles, 15-75 y.o. - Omnibus research; Warsaw 2007.

participation in „consumer life” is on a low level. The majority of Polish consumers buy products without any consideration about its origin, however they pay attention to social actions.

In 2005, The World Bank conducted research about the Poles’ expectations concerning CSR, including consumers behaviors. The conclusions were that the Polish consumers showed a diverse and somewhat limited view of what constituted responsible corporate behavior. They concentrated on internal aspects of corporate operations that were often more important for them as employees than as consumers.

Most likely these results are directly linked to the current situation on the labor market, especially to the high level of unemployment. It is possible to predict, based on results from similar surveys conducted in “old” EU member countries, that with improvement in the labor market, consumers will start paying more attention to externalities related to companies’ operations.

Concerning public choices, it is possible to identify a group of people who pay attention to the social and environmental performance of companies. Compared to the public as a whole, this group is more likely to be comprised of people in the young and middle-age range (18 - 44 years), educated to degree level and above, having a relatively good financial situation, and living in urban areas. However social and environmental expectations also exist in other social groups.

It seems that in order to use consumer purchasing power to influence corporate behavior, there is a substantial need for both the government agencies and consumer organizations to implement educational and awareness-raising programs that explain to the public the main conceptual principles of CSR and the benefits for consumers, local communities, and the environment. Initiatives endorsed by the government seem to have the biggest potential to address these issues.

Such initiatives might in turn raise demand for products produced or sold by CSR practicing entrepreneurs, which would reinforce efforts on the supply side and spur companies to adopt more CSR policies and practices.¹³

¹³ “Public Expectations for Corporate Social Responsibility in Poland”, The World Bank Development Communication Division and the World Bank Warsaw Country Office, 2005.

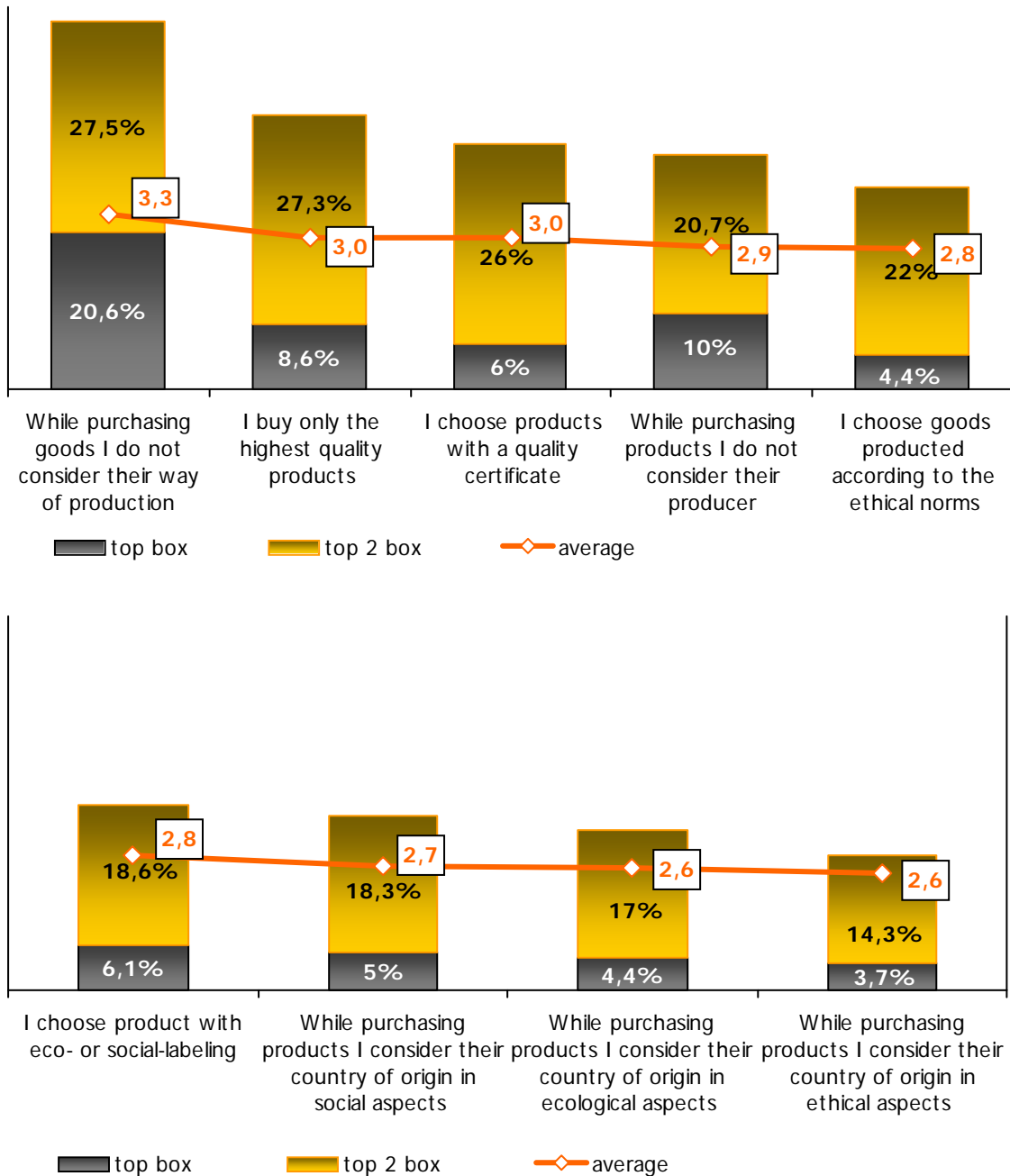
Conclusions

The value of a company's reputation is a major argument for businesses complying with anti-bribery and unethical codes. When the customers are becoming more engaged, it is in the corporations' best interests not only to be clean, but to be seen as such as well. Corporations know this: every multinational now has a section of its website labeled 'corporate social responsibility', and what is more important, more and more often companies pay attention to the high quality of products on every stage of their production. The manufacturers comply with ethical code rules so that the consumers on the very end of production chain could choose the products consciously and wisely, however such goods are more expensive.

Nonetheless, what the recent research shows, in Poland, the fact whether product is made ethically is not being considered while purchasing goods. It could be a result of the current economic situation with high unemployment rate and low awareness of CSR as a concept in general. If there is no possibility to buy „ethical” products in – for example – rural areas and moreover, the people's incomes are low, it can be hard to talk seriously about responsible purchasing. From my point of view, the changes should be made firstly in people's mentality, only later could the whole concept of CSR be introduced to the society.

Appendix

Chart 1. Ethical consumerism in Poland



Scale: Definitely not (1), Rather not (2), Neither not, nor yes (3), Rather yes (4), Definitely yes (5)

Source: Brdulak A., IQS and QUANT Group; research conducted in May, 2007 on a representative sample of Poles - Omnibus research; Warsaw 2007.

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