

# Evaluating the Carroll's pyramid in Greek Businesses: a cross sectional study

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## Abstract

The business practices and the vast academic research on the field have shown that even in the years of the great economic recession, there CSR and Ethics in business environment are still on the spotlight. The current study is conducted in Greece and is a cross-sector analysis. The study aims to evaluate if the concept of Carroll's pyramid [1] is still applied nowadays. This model expresses the business priorities, admitting that the rational business prioritizes profit as the base of the pyramid, followed by a legal way of operating, followed by ethical and philanthropic responsibilities. However, the growing interest on CSR and ethical issues may set this model on question. Baden [2] has developed a critical evaluation that showing that the priorities have been changed. We employ a similar methodology to evaluate these priorities within the Greek business environment. A sample of 950 participants has been employed. The sample is consisted of various business hierarchy employees, from various Greek cities. The results show that despite the bad economic situation of the country, the economic responsibilities are not ranked on highest position: legal and ethical responsibilities are prioritized against economic responsibilities. These results confirm the findings of Baden [2] and contribute on the relevant literature considering the necessity of CSR and Ethical issues in business environment nowadays.

Keywords: CSR, Business Ethics, Carroll's pyramid

## **Aim Introduction**

The current research is being conducted at Greece, among the years of an economic recession. The aim of the research was to evaluate the application of Carroll's CSR pyramid in the specific business environment nowadays. The authors of the research try to contribute to the global discussion and debates related with the CSR application nowadays. The study was motivated by previous research [2] that is a critical evaluation of Carroll's pyramid and by the widespread opinion that during recession periods, businesses may not prioritize CSR issues.

## **Corporate Social Responsibility within business world.**

Corporate Social Responsibility (CSR) is gaining attendance during the last decades, as a necessary part of business strategy [3]. Blowfield and Frynas [4] argue that CSR covers a range of business practices such as the business' ethical responsibility of actions towards society, natural environment and other stakeholder groups beyond legal compliance. These positively perceived set of actions that businesses engage are often argued as the social contact between them and society [5]. Authors who focus on the business viewpoint of CSR, [3,6] argue about financial benefits that businesses experience from applying such initiatives, since CSR can influence consumer behaviour. The socially responsible consumer behaviour has nowadays become more than a trend with consumers showing great awareness and interest about ethical behaviour of corporations [7,8]. The socially responsible consumer usually rewards the corporations for their CSR initiatives with his buying behaviour [9,10]. Thereby, a socially responsible profile is becoming a necessity for corporations who seek for comparative advantages in the competitive business environment. However, an ongoing debate of society, business and academic world is if the socially responsible profile can be pretended from corporations in order to build a responsible image and gain benefits.

However, Corporate Social Responsibility faces criticism from those who support that CSR is often used from corporations in a malicious way. In some cases, corporations establish CSR actions not only to gain advantages but also in order to cover bad and not responsible practices and policies in other fields of their operation [11,12]. In such cases, corporations choose to use CSR as a marketing tool in order to enhance the brand image. This phenomenon became more intense given the growing interesting of the consumers and the society in general, about the CSR application. In a way, consumers demand from corporations act socially responsible in every field that they operate. The above-mentioned phenomenon is usually referred to the global literature as Greenwashing, meaning that corporations tend to "wash" their irresponsible actions with some "green" actions and policies.

## CSR disclosure and global standards

Two of the most common ways to signify CSR that are usually chosen by corporations are the advertising and the disclosure of facts within the annual and the sustainability reports. An increased CSR reporting has been highlighted [13] within the retail industry nowadays as the major retailers do their utmost to inform public about their CSR commitment. Blythman [11] highlights the importance of an overall sense of food safety the consumers have when facing advertising, mission and vision statements from retailers of the industry. Advertising is a very common way to express the socially responsible profile, however corporations usually chose to disclose vague and low-quality information, that are lacking certified data about their activity [14]. Such information can be easily memorized from consumers and subconsciously used in order to constitute a criterion for their buying behavior. Blythman [11] also supports these findings claiming that “The Big Four” of the UK food industries denied revealing details about their relationship with suppliers as a part of CSR application but reported to offer a general covering statement. On the other hand, the foods retailers with a lower market-share provided answers with details about their relationships with various types of stakeholders, partnerships and CSR application in general. Marlin and Marlin [15] observe the trends in CSR reporting and argue that the focus on advertising and annual reports has changed. Nowadays, CSR reporting is mostly based on externally certified standards that set the levels of social responsibility, from where consumers can get objective information, such as the latest guidelines from the International Organization for Standardization [16]. Furthermore, third party non-profit organizations are also certified to guarantee the CSR application within the industry. Such examples are the Sustainable distribution initiative introduced by the Institute of Grocery Distribution aiming to reduce fuel consumption and the Ethical Trading Initiative aiming to improve the working conditions worldwide. Major food retailers such as Asda, Tesco and Sainsbury’s but also the smaller retailers of the industry such as Co-operative, Waitrose, Morrisons and Somerfield are members of the Ethical Trading Initiative platform and the sustainable distribution initiative plan.

## Carroll's pyramid

Academics and researchers all over the world use a wide number of models and classifications in order to evaluate different aspects of CSR. One of the most influential models of Corporate Social Responsibility research is the “Carroll's pyramid of CSR”, stated by Carroll [1] in order to argue how the organizations should meet their responsibilities. The responsibilities of the organizations are classified into four dimensions: the economic, the legal, the ethical and the philanthropic responsibilities. The key principals of the model are that every organization that operates in a rational environment in the business world will prioritize profit, will comply with the legislation and will respect the ethical issues of the society. The four types of responsibilities are allocated in a pyramid model that explains the priorities of organizations within the business environment. According to Carroll's theory, the priority of all responsibilities is the economic ones since every rational organization has profit as purpose of existence. This is the reason that economic responsibilities are placed on the bottom of the pyramid, as the most important. The legal obligations are perceived as the next more significant responsibilities. They include a variety of legal, lawful and regulatory responses that the organization has towards its stakeholder groups, such as the labor legislation, the safety and standards for the products, the workforce and the facilities. The third significant group of responsibilities after the economical and the legal are the ethical responses of the company. They include a variety of business ethics and moral standards, mostly policies and issues that the society demands from the company, above the economic and legal expectations. Such issues are often not included in the law, regulatory and legal system, however they are complementary to them. Last group of responsibilities, according to Carroll's theory [1] the least important compared to the rest, are the philanthropic. They are placed on the top of the pyramid, depicting the last step of the company responses towards the society and its stakeholders. Such responsibilities are expected to be carried out by the company while operating. They mostly concern actions that include donations to charities and causes, helping the community and the local society they operate.

The early 90s when Carroll developed the CSR pyramid theory was a period that CSR concept was both undeveloped in business world and understudied in

academic world. However, the CSR concept has developed until nowadays and academics have presented a variety of models that evaluate the CSR activity of a business. Authors also present theories about how the CSR actions that a business applies in daily basis can be classified in fields of CSR application. Such models usually classify the CSR activities in more than 4 fields that Carroll [1] defined, because businesses nowadays apply CSR in a variety of fields. One such example is the classification of the Danish Commerce and Companies Agency [17] that sets a model of seven fields of CSR application, including every action and policy of the organisation. However, since Carroll's theory, no model has ever been developed and commonly accepted that prioritizes the most and less significant responsibilities of CSR application. Nowadays that CSR has become something more than a policy and a set of certain actions; the question related with the pyramid of Carroll exists: does profit still comes before legal and ethical responsibilities?

The current study attempts to access the above question in a relatively under-researched environment: an environment that the recession has dominated the business world, in Greece that relatively low research materials has been published about the CSR application.

## **Methodology of the study**

### **Measures**

The relevant academic literature has been used in order to test the research hypothesis considering the CSR measurement in order to formulate the variables of the research. The Carroll's theory was concluded to a four-dimensional model in order to evaluate the the concept of CSR. Additionally, the research has been based on the results of a qualitative research, in which 20 marketing executives participated and expressed their personal opinion regarding the issue under study. The marketing executives expressed several concerns regarding CSR issues on the fields that Carroll appoints as significant for the CSR performance of the organisation. The findings of both the desk research and the qualitative research through personal interviews resulted in the formation of the quantitative research of our main study. Our research has been based on the four types of responsibilities that a company has, according to Carroll. The questionnaire that we use as a research tool of the current study has been

used by Baden [2] for a relevant research in the UK with similar purposes. Before the experimental part of the study, we asked and was granted a permission of the author. The research aim was to evaluate how the consumers rank the four responsibility dimensions of a company, as set by Carroll [1], according to their perceived significance. For achieving the above aim, we use daily life examples as statements, asking the sample to mark their opinions. Each dimension has five examples that are connected with business world practices and each of them is measured on a 5-point Likert scale.

### **Sampling**

For the purpose of our research, we accessed Greek and multinational companies that operate in Greece and involve with the concept of CSR, having activities and policies that are connected with Corporate Social Responsibility. In order to access a wide sample with variety of industries, regions and work levels we assign the data collection to University Postgraduate students as semester assignment. The assignment was given to students who during the vacation period visited their homes, parents, relatives and friends who work in businesses that may practice CSR in several ways. In this way, the researchers had the opportunity to access a wide network of people who work in socially responsible businesses. Each student had as a task to survey more than 5 people who work in such businesses. The researchers gave specific guidelines to students for every step of the research process. Moreover, the researchers took measures in order to secure the validity and the integrity of the research. Respondents provided their e-mail address as well as the name of the student that interviewed them so the researchers could validate the results. The respondents did not experience any form of bias or harass through the interview process since students were given specific guidelines concerning the ethical issues of the research. The final sample is consisted of participants that come from various levels and positions in the hierarchy of a company.

## Results

### Sample demographics

The research conducted to 950 participants. However, the final sample is consisted of 890 respondents due to lacking major data in the 7% of the sample. The final sample is consisted of 55% male and 45% female respondents. Considering the sector of the economy that the participants work, the majority of them (57%) work on the service industry. A major (31,8%) part also works on the trade and the 10% works on the secondary sector. Lastly, a minor part works on the primary sector (1,2%). The age range of the participants varies from 18 to 60 years old. The 28,1% of the participants are from 18 to 25 years old, the 25,8% from 26 to 35, the 18% from 36 to 45 and the 28,1% from 46 and above. Finally, the researchers asked the participants to mention their grade of work within the company. The respondents chose between three grades: the “owner of the company or self-employed”, the “employee” and the “manager, supervisor, CEO or Director of the company”. The majority of the participants of the study are employees (53,4%). A large number of participants are managers, supervisors, directors, and CEOs (26,3%) and a smaller portion work as self-employed or are owners of the company (20,4%). The above statistics are shown on the following table.

**Table 1 Sample demographics**

Sex		Industry		Age group		Business role	
Male	55%	Primary	1,2%	18-25	28,1%	Owner	20,4%
Female	45%	Secondary	10%	26-35	25,8%	Manager	26,3%
		Services	57%	36-45	18%	Employee	53,4%
		Trade	31,8%	46 +	28,1%		



## Reliability of data

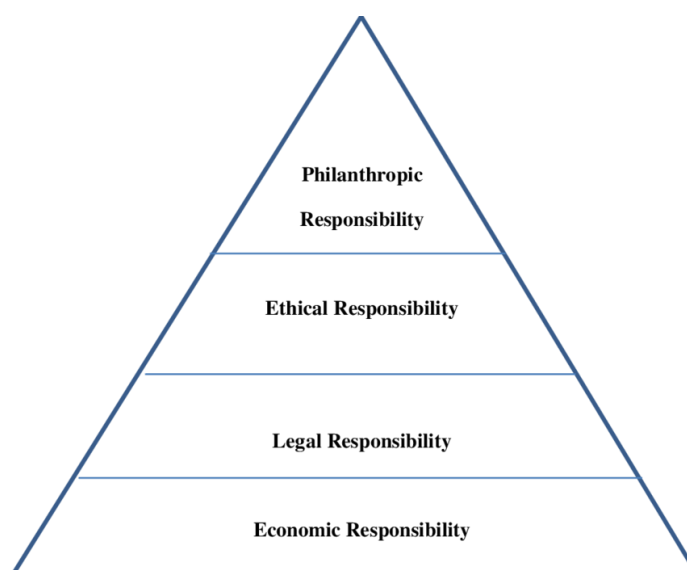
Before the statistical analysis of the collected data, we proceeded to the reliability analysis in order to evaluate how reliable are the collected data we collected. One of the most common indexes used in the relevant literature is the Cronbach's alpha ( $\alpha$ ), measuring the responses' consistency to a set of questions. The values that an alpha index can take are between 0 and 1. The highest values represent a most reliable scale. Our results indicate reliable scales in the four dimensions of the responsibilities according to the model that has been used. Researchers of the relevant literature expresses doubt to scores under the 0,7 [18], while scores above 0,7 considered as acceptable for an academic research.

**Table 2 Reliability of Scales**

<b>Dimension</b>	<b>Items</b>	<b>Alpha</b>
Philanthropic responsibilities	5	0,788
Ethical responsibilities	5	0,752
Legal responsibilities	5	0,777
Economical responsibilities	5	0,768

## Responsibilities ranking

The first findings of the research concern the perceived significance of responsibilities. The perceived significance results are counted as the mean scores of responsibilities. According to Carroll's theory, the economic responsibilities are perceived as the most important, followed by the legal, then the ethical and finally the philanthropic responsibilities. The Carroll's pyramid is depicted at the following figure.

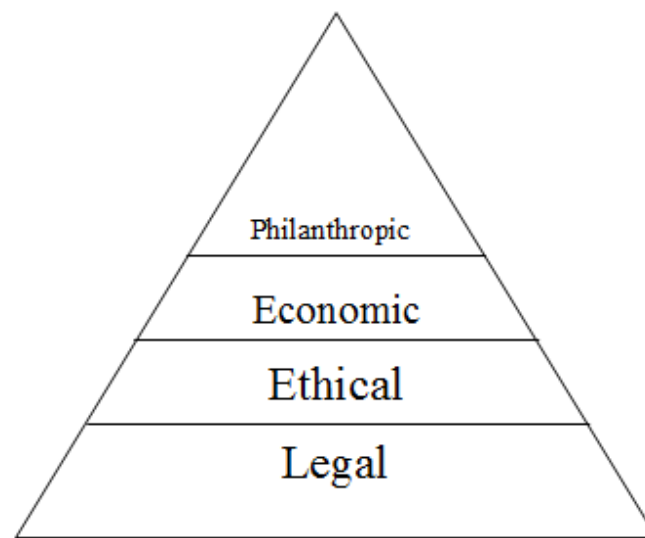


*Figure 1 Depicts the business responsibilities according to Carroll's pyramid*

However, our research evaluates that the perceived significance of the responsibilities is different in our case: Legal responsibilities are rated as being the most important for our sample. The second most important responsibilities are the ethical, followed by the economic, followed by the philanthropic responsibilities. Comparing our research with Carroll's theory, we see major differences at the three first most important responsibilities while the top of the pyramid – the least important responsibilities are the same, the philanthropic ones. The following table shows the mean scores of perceived significances of the responsibilities.

**Table 3 Mean ranking of Responsibilities**

<b>Responsibilities</b>	<b>Mean</b>	<b>SD</b>
Legal responsibilities	4,135	0,768
Ethical responsibilities	4,092	0,739
Economic responsibilities	4,073	0,731
Philanthropic responsibilities	3,514	0,866



*Figure 2 shows the Responsibilities pyramid according to the findings of our research*

The reconstructed pyramid of CSR significance based on the study findings is depicted at the Figure 2 that can be easily compared with the previous one that depicts the Carroll's theory. The findings of our research are similar to the findings of Baden [1] and have a main difference compared to the Carroll's pyramid: legal and ethical responsibilities are perceived as more important than economic ones, while philanthropic responsibilities are remained on the top of the pyramid. The above findings concern the whole sample, while the analysis that is hereby presented is conducted in order to evaluate potential differences at the perceived significance between business characteristics and between demographics.

## Significant differences

### Demographics

The two demographic variables that have entered at the questionnaire were the age and the sex of the participants. The demographic variables are scheduled to constitute the independent variables for the tests implemented to detect statistically significant differences between groups of our sample with similar characteristics. The female group (n=395) was slightly smaller than the male group (n=482) of the sample. The age groups were six: the 18-25 group with 247 respondents, the 26-35 group with 227 respondents, the 36-45 group with 159 respondents and the 46+ group with 247 respondents. However, the results of these tests show that the demographics have no significant interaction with the perceived significance of the responsibilities. This means that the different age groups and sexes perceive equally the importance of responsibilities.

### Business environment characteristics

Moreover, the authors inserted four variables relevant to the business environment of the company that the respondents work. In contrast to the demographics, the results from business environment variables show that such variables may have a significant impact on the evaluation of the responsibilities perceived significance and ranking.

### Sector of economy

The respondents were asked to mention the sector of the economy that their company operates. However, no statistically significance differences on the perceived significance of responsibilities were observed between groups of different sectors of economy.

### Role in work

Considering the business role of the respondents, a few significant differences were observed in how the different business roles rank the responsibilities. The respondents divided into three sub-groups: the employees, the managers (managers, supervisors, directors and CEOs) and the owners (owners and self-employed) of a business. The sub-group of employees is rating ethical responsibilities significantly less important than the rest, while the managers tend to assess the legal and the

economical responsibilities significantly more important than the rest business roles (employees and owners). However, the general ranking of responsibilities according to the pyramid model demonstrates little differences. The following table depicts the most and the less perceived important responsibilities according to the business role. The unique differentiation refers to the owners who assess the ethical higher than the legal responsibilities.

**Table 4 Perceived importance according to business role**

Importance / Business size	Owners		Employees		Managers	
	Mean	SD	Mean	SD	Mean	SD
Legal responsibilities	4,16	0,76	4,05**	0,77	4,27	0,76
Ethical responsibilities	4,17	0,7	4,00**	0,75	4,20	0,70
Economical responsibilities	4,12	0,68	3,99**	0,70	4,18	0,75
Philanthropic responsibilities	3,46	0,84	3,46	0,90	3,65*	0,79

## Discussion

The concept of Corporate Social Responsibility and the Business Ethics have well integrated within the business world. The individuals and the corporations of the 21<sup>st</sup> century seem having ethical priorities and moral standards that were not considered in the past. Furthermore, the consumers, the corporations' customers demand from them behaving in an ethical way and according to standards. These demands are often expressed with their buying behavior, pro or against. The fact that in the modern business world, the corporations consider more the ethical and legal issues than in past, has resulted in prioritizing these responsibilities before the economic ones. Similar findings are confirmed from Baden [2] at a recent research that also reflects the situation of the business world nowadays. The first common finding is that ethical and legal issues are considered more important than the economic ones. Baden [2] reports that ethical issues are the priorities while the current research results in the legal issues as the most significant responsibilities. However, they both seem to be prioritized beyond profits.

The current research is conducted in Greece, within a socioeconomic environment characterized by a recession. The effect of the recession on ethical issues and corporate social responsibility of businesses is an open debate within the relevant

literature. Some researchers support the opinion that within the recession, CSR is not on the spotlight and seems unnecessary for a business to engage. At an intense and demanding business environment, firms focus on their profit maximization, while their customers prioritize features such as the price of a product: price and quantity of a product have a larger effect on consumer behavior than the firm's ethical behavior. At the same time, other researchers support that CSR is not affected by the economic environment and conditions since consumers are still rewarding the responsible and ethical businesses regardless other features of their products. The outcomes of the research confirm the viewpoint that CSR application and appreciation is not affected by the economic situation of a society, since the ethical and legal responsibilities are reported to be more significant than the financial ones. Therefore, the recession effect on CSR and ethical issues seems to be limited. Furthermore, the fact that the ethical issues are prioritized is opposed to a theory that the financial crisis is often implied to a crisis in values and ethics in businesses and individuals. On the contrary, within the recession, consumers are more demanding from businesses in order to keep the standards and behave like them. Nowadays, firms and organizations are more and more conceived as having aspects of human behavior.

The study reveals findings that are similar to the global research: CSR and ethics are prioritized within the modern business environment that is characterized by the intense competition. CSR and ethics are not only emerging at this context but also becoming an integral aspect of business operation, a priority for them. The Carroll's pyramid is in a question. Similar findings are reported on Baden's research [2]: Ethical and Legal issues are coming before the economic issues. This fact shapes and reconstructs the levels of the pyramid, the priorities of the businesses. Additionally, looking the managers' and CEOs' priorities it's understandable that this shape is coming from the top of the businesses and from the leading group of the organization. However, a big question is about the reasons that drive businesses do this. Do the priorities have changed in a point that CSR have become a necessity for businesses, a notion that is well integrated within their culture or they just do it for marketing reasons and because of market demand? What are the motives of businesses behind the CSR application? Are the businesses being driven to apply CSR and ethics by market demand or it is based on their will and decision. Motives behind strategic decisions are a key issue at CSR and Ethics Research.

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