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THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN CENTRAL JAVA EARTHQUAKE

A Preliminary Study on Consumer Belief, Attitude, and Purchase Intention

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In Indonesia, Law No. 40/2007 paragraph 74 on Limited Liability Corporation regulates corporate social responsibility (CSR). Although CSR is mandatory for Indonesian resource-based firms, only four months after its enactment, six parties have asked for a judicial review to the Constitution Court as to the mandatory implementation of CSR. They argue that the mandatory implementation of CSR might result in legal uncertainty, render businesses inefficient, decrease competitiveness, and trigger discriminative treatments. Using the cases of CSR after the earthquake in Yogyakarta, this paper aims at answering the question of whether the implementation of CSR will lead to a decrease in competitiveness. Harnessing a mixed method of qualitative and quantitative approaches, this paper examines the models of beliefs, attitudes, and purchase intentions of consumers toward a company implementing CSR. The first phase of this study used a focus group discussion (FGD) to collect data from those who had benefited from CSR, and was analyzed using the content analysis. The results of the first phase then became the basis for the second phase. In the second phase, data were collected by surveying parents of school children whose school buildings were reconstructed by CSR programs, and answers were *analyzed using the partial least squares analysis. Results show that the conjecture that the implementation of CSR will result in a decrease in competitiveness is not true. It is evident that CSR program affects the attitudes of consumers toward the firm, and that attitude fully mediates the relation between beliefs and purchase intentions toward the products of the firm implementing CSR.*

Keywords: *attitude; belief; corporate social responsibility; Law No. 40/2007; purchase intention; Yogyakarta earthquake*

Introduction

In Indonesia, Law No. 40/2007 paragraph 74 on Limited Liability Corporation regulates the corporate social responsibility (CSR). This law has undergone a long process since its proposal in the form of government draft on October 12, 2005 until its passage on July 20, 2007. Although CSR is mandatory for Indonesian resource-based firms, four months after the enactment, six parties (Chamber of Commerce and Industry, Young Indonesian Entrepreneurs Association, Women Indonesian Entrepreneurs Association, Lili Panma Ltd., Apac Centra Centertex Ltd., and Kreasi Tiga Pilar Ltd.) asked for a judicial review to the Constitution Court about the mandatory implementation of CSR. They argued that paragraph 74 of the Law of Limited Liability Corporate was contradictory to paragraphs 28D Article 1, 28I Article 2, and 33 Article 4 of Constitution 1945, in the phrase of "justified efficiency." Furthermore, the mandatory implementation of CSR might result in legal uncertainty and cause inefficient businesses, decrease competitiveness, and trigger discriminative treatments. However, on April 16, 2009, the Constitution Court declined the request for judicial review. Using the cases of CSR during the earthquake in Jogjakarta, which was before the enactment of the Law, the objective of this paper is to investigate whether CSR leads to a decrease in competitiveness. In this paper, the objective is achieved by examining the models of beliefs, attitudes, and purchase intentions of consumers toward a company implementing CSR.

On May 27, 2006, at approximately 05:59 a.m., an earthquake of 5.6 Richter scale damaged Yogyakarta and the surrounding areas. The results of the preliminary assessment on the damages and losses of an early morning earthquake in the provinces of DIY and Central Java revealed that the earthquake killed more than 5,716 people, injured 37,927 people, destroyed 240,396 houses, as well as resulted in disruption of local economic activities. The damage and loss assessment performed in the early of June 2006 indicated that there had been damages and losses of Rp29.1 trillion (US$3.1

million). The earthquake was one of the worst disasters in Indonesia and the world for the last 10 years. Two regencies, Kabupaten Bantul in Yogyakarta and Kabupaten Klaten in Central Java, were the two regions suffering the worst. Two sectors that suffered the most were housing (52% of the total damage and loss values) and production (31% of the total damage and loss values). Therefore, the main strategy and policy of recovery and rehabilitation are focused on three program components: (1) housing and settlement recovery, (2) public infrastructure recovery, and (3) public and regional economy recovery (BAPPENAS 2006). At that time, some foreign countries, foreign and domestic firms have extended charity in the program of CSR.

As mentioned above, the objective of this study is to test the models of beliefs, attitudes, and purchase intentions of consumers toward the firms and the products of the firms that implement CSR. Mixed methods are utilized in this study. The use of mixed methods in case study research usually contributes to increasing accuracy and complexity/coverage in a study more than generality (Woodside 2010).

Beurden and Gossling (2008), Frederick (1994), and Griffin (2000) inform that there has not been any consensus as to what activities could be categorized as CSR. Most firms in Indonesia implement CSR in the form of donation (Hendarto 2008). Abidin et al. (2003) suggest that the habit of firms to give donation is basically not as popular as the habit of individuals who are owners or hold the positions executives to give donation. This sometimes makes it difficult to differentiate whether the given donation is intentional and planned in firm policies or it is because of the motivation of the individuals holding the positions of owners or executives. Hence, to answer the research questions, it is necessary that mixed methods be used. Bryman (1988) suggests three main approaches to the mixed methods: (1) qualitative method which facilitates quantitative method, (2) quantitative method which facilitates qualitative method, and (3) qualitative and quantitative methods that share an equal emphasis. In accordance with Bryman's (1988) suggestion, this study finds it necessary to use a mixed method in which qualitative method (phase 1) facilitates quantitative method (phase 2). In the phase 1 of this study, data are collected using Focus Group Discussion (FGD) and analyzed using the content analysis (qualitative). The results are then used to develop the items of questions and develop hypotheses for phase 2.

Literature Review

Pro-social and Attribution Theory

To identify the motivation of altruism, whether it is selfless or selfish, to a particular extent is difficult since most human beings misjudge why people have such behavior (Mashoedi

2009). Altruism is an attitude of helping without any pretentive motivation for own profits or benefits. Sears et al. (1985) define altruism as a voluntary action performed by an individual or a group to help other people without any expectation of rewards (except the feeling of having done goodness). Faturochman (2006) argues that such a condition is difficult to be found in the real world. Even if it exists, the possibility and frequency will be very low. Most people want to earn benefits for their own, even if the amount is small and immaterial. Therefore, when talking about helping others, pro-social attitude is more appropriate than altruism. Baron and Byrne (2003) studied the steps of giving help. There are five stages that an individual goes through before making a decision to give help: (1) realizing the existence of emergency condition since people will not give any help unless there is nobody who needs help; (2) interpreting a condition as the emergency condition; (3) assuming that the condition is personal responsibility or the responsibility of observer; (4) knowing what has to be done (for instance, we can help someone drowning only when we know how to swim and how to pull the drowning person out); and (5) making a decision to help.

However, someone who gets help gives either negative or positive responses. Baron and Byrne (2003) show that some studies find that a negative response may result from the feeling that the help decreases self-esteem, and that he or she (the helpee) lacks competency (see also DePaulo et al. 1981; Fisher et al. 1982). On the other hand, when a person feels that the help he or she gets is sincere, there will be an ego support (Sears et al. 1985). In the same study, it is shown that previous research (Fisher et al. 1982; Tessler and Schwartz 1972) concludes that people tend to ask for help when they can relate the problem to a difficult condition and not because of incompetency. It is also concluded that the help is more easily accepted when the person in need does not have to explicitly request for it.

Roediger et al. (1984) and Hervey et al. (1976) reveal that the attribution theory was initially introduced by Fritz Heider in 1958. Heider assumes that in principal everybody is a naive scientist, meaning that when faced with a difficult situation or event, he or she tends to analyze the causalities although his or her knowledge of the event is inadequate. Sears et al. (1985) writes that according to Heider, everybody, and not only the psychologists, seeks an explanation for other people's behavior. He names it naive psychology, which is a general theory about human behavior adopted by a lay person. The basic assumption of the theory is that humans as social beings always make attributes to evaluate other people and events related with interpersonal matters. Shaw and Custanzo (1982) say that attribution process is the process in which a person undergoes an event related with his or her interests, thoughts, and comprehension and understanding. The event or something being the attribution object can be other people's actions, or his or her own actions, or impacts resulting from the event.

Value-Expectancy and Hierarchy of Effect Models

The relationships among thought, feeling, and action have become the subject of study since Aristotle, Descrates, and Plato (Copley 1988). Every researcher proposes different models to elaborate on why people behave in a particular way and what they will do. One of the dominant models is Fishbein and Ajzen's model. Fishbein and Ajzen (1980) propose a "value expectancy model" of attitude formation, postulating that the sum of strength of our beliefs and their concurrent and affective evaluations of the beliefs combine to determine the attitude toward performance of an action. The attitude then influences our intention to perform the act, and the intention has a direct influence on our behavior. This model has three steps. *First*, the model begins from predicting one's behavior from the intention. When an employee of tax office says that he or she has a purely dedicative and "clean" intention to work, he or she is more likely to do it than the situation where the employee does not have such an intention. *Second*, intention can be predicted by two main variables of attitude toward behavior: (1) does the employee think that becoming a "clean" employee is good and expected? and (2) what are other people's (for instances, superiors, religious leaders, or relatives) perceptions on what should be done? *Third*, the attitude toward behavior is predicted by value-expectancy theory. In Sears et al. (1985), this theory suggests that decision is made on the basis of: (1) the value of possibly made decisions and (2) the degree of expectation about the results of the decision. This theory is frequently harnessed to examine persuasion. Persuasion is defined as an explicit attempt to influence belief, attitude, and behavior (Mowen and Minor 2001). Peter and Olson (1996) suggest that persuasion is the changes in belief, attitude, and behavior resulting from marketing communications.

The concepts of belief, attitude, and behavior are closely related to the general knowledge of consumer attitude formation, which is usually used to define the study of relations among belief, attitude, and behavior (Mowen and Minor 2001). The hierarchy of effect model (HOE) was popularized in 1961 by Lavidge and Steiner although according to Barry (1987), this theory had existed since the beginning of the 20th century. Barry (1987) informs that the history of HOE model development can be classified into three phases: (1) early development, which started from the latest years before the 20th century to 1960s; (2) modern development, which began in 1960s until mid-1970s; and (3) challenges and defenses, which started from mid-1970s to present time and is characterized by the development of involvement concept.

This model suggests that someone's behavior, since receiving marketing communications until making a purchase decision and consuming a product, undergoes a series of processes or phases. Shimp (2000) provides evidence that in order for marketing information to be successful, it has to move consumers from one goal to another, just like stepping up the staircases toward the top. Barry (1987) says that there are some models of HOE that have been formulated. All of them are based on the idea that marketing communications move people from the phase in which people are not aware of a particular brand to the phase where they finally buy the brand.

Phase I

In line with the purposes of the study, the research objective for phase 1 is to understand whether the donated fund given during the recovery after earthquake is a part of CSR. This is performed by identifying the motivation of the firm in implementing CSR through the participants of FGD. The sub-questions in the phase 1 are: (1) the knowledge and perception of CSR program recipients of the firms; (2) the evaluation made by CSR program recipients of the firms; and (3) the tendency of CSR program recipients to behave in the firms. The results of sub-question analysis are then used to select (either add or reduce) question items asked to the respondents in phase 2.

Method

At this phase, qualitative approach is utilized. Data are collected using Focus Group Discussion (FGD). Malhotra (2004) reveals that FGD is an interview made by a moderator in a natural and unstructured way to a limited group of respondents. Some scholars support the use of FGD. According to Churchill (2001), FGD in marketing research is known to be productive because: (1) it results in hypotheses that can further be tested qualitatively, (2) it results in information useful to develop questionnaires, (3) it gives basic information about product category, and (4) it secures impressions about the concepts of new products. Meanwhile, Steward and Shamdasani (1990) write that FGD gives data closer to the emic side of the continuum. Furthermore, Krueger (1994) argues that FGD is a procedure useful when we want to identify people's perceptions toward an experience, idea, thought, or event. FGD is more natural since the informant both influences and is influenced by one another, just like the real life setting.

Malhotra (2004) also suggests some advantages of FGD: (1) synergy, meaning that it unifies a group of people to provide information, perspectives, and ideas in a larger spectrum than individual responses in a personal interview; (2) snowball effect, meaning that the effect works in a group interview in which the answer of a participant will trigger a series of reactions from other participants; (3) stimulation, meaning that after the period of introduction, respondents are willing to express their ideas and feelings in line with the feelings of the group similar to the topic discussed; (4) security, meaning that participants' feelings are similar to the feelings of other members in the group such that they feel comfortable and are thus willing to express their feelings and ideas; (5) spontaneity, meaning that since the participants are not required to answer questions specifically, their responses may be spontaneous and unusual, and therefore we have to obtain the appropriate ideas from their perspectives; (6) coincidence, implying that it is likely that unexpected ideas may be expressed in a group interview than in a personal interview; (7) structure, meaning that FGD gives flexibility of topic and depth of treatment; (8) speed, meaning that because people are interviewed at the same time, the collection and analysis of data may be relatively fast.

Population and Sample

The population of this study is those benefited by the CSR program. Churchill (2001) reveals that the main focus of exploratory research, such as FGD, is to identify ideas and inputs. Moreover, an exploratory study seldom uses detailed questionnaires or probability sampling plans. Therefore, the sampling technique used in this study is judgmental/ purposive sampling. Judgmental sampling is a form of convenience sampling whose elements are selected on the basis of judgment of the researcher or based on particular criteria. The criteria in this study are: (1) they have directly benefited from a firm's CSR program and (2) they are willing to be involved in the study.

Elaboration of Required Data

In FGD, the size of participants is an important factor to be considered. Dawson et al. in Irwanto (2006) suggest that the ideal number of participants is 7-11 persons. When it is too small, there will be no interesting variation, but if it is too large it will reduce the opportunity of each participant to contribute in-depth thoughts and ideas. Meanwhile, Malhotra (2004) and Churchill (2001) suggest that the ideal size is 8 to12 people. When the group is too small, it may be easily dominated by one or two members, but when it is too large, some members may get frustrated and bored because it will take much time for them to get a turn to be involved. Krueger (1994) argues that the optimal size is 7 to10 people whereas Stewart and Shamdasani (1990) find that the optimal size of participants in FGD is 6 to12 people. According to Wicaksono (2005), there are two models in FGD: (1) partial model and (2) confrontative model. In the partial model, the participants of FGD are people who have similar ideas, thoughts, and interests. It means that there is no confrontative or contrast interests among the participants. The objective of this model is to avoid severe conflicts of interest among the participants, and shun the tendency of blaming each other or reciprocal defense, that may obscure or obstruct the objective of the FGD. On the contrary, in the confrontative model, emotional character, idea, material mastery, cultural and social background deserve careful attention in selecting participants. In the confrontative model, the facilitator plays the role of a coach and referee when the discussion becomes 'heated' as the participants reciprocally blaming each other in the discussion.

In line with the objective, the study uses partial FGD. The sample (informants) involved in the FGD is presented in Appendix 1.

Data Analysis

The dialogue was recorded in an audiovisual instrument. It was then transcribed and analyzed using the content analysis. Berelson (1952) finds that in most cases validity does not seem to be a major problem in the content analysis. With careful operational definition and accurate and correct indicator selection, the coding sheet is assumed to measure what it should measure. Kassarjian (1977) adds that in the content analysis it is enough to use content validity or face validity.

Malhotra (2004) suggests that one of the weaknesses of FGD is misjudgment since FGD is prone to client and researcher bias. To avoid this problem, reliability analysis is employed. Reliability testing in this study is conducted using the method of inter-coder reliability. This testing purports to ensure the objectivity of the data to be analyzed and the reliability of analysis techniques in drawing conclusions from the FGD. In this study, the reliability is examined using Holsti's coefficient of reliability (1963).

$$\boxed{R = \frac{2(C_{1,2})}{C_1 + C_2}}$$

where,

$C_{1,2}$ = the number of category assignments on which all coders agree

C_1, C_2 = the sum of all category assignments by all coders

After the validity and reliability tests, the transcribed data were descriptively analyzed. Descriptive analysis was performed by contextualizing the transcribed data while contextualization was conducted by coding the consensus and differences among the informants, and presenting the statements of the informants involved in the FGD to strengthen arguments.

Results

The development of coding sheet had been consulted in advance with a researcher at the Center for Cultural and Popular Media Research. The objective of the consultation was to have a validity test in the coding sheet. In order to assess the face validity of the coding sheet, I submitted the coding sheet and a letter introducing my research objectives to researchers at the Center for Cultural and Popular Media Research. These respondents then provided feedback and qualitative comments on the coding sheet in general. As a result of this procedure, we reworded some operational definitions and indicators to integrate terminologies currently used by professionals (see Appendices 1 and 2). Afterwards, with the assistance of a researcher at the Institute of Research and Community Services, Gadjah Mada University, the reliability was tested.

There is a difference in determining the cutoff of reliability coefficient acceptance. Krippendoff (1980) reports that the lower limit of acceptance of reliability coefficient is 0.8, Scott (1955) puts it over 0.75, while Berelson (1952) argues that the coefficient should be between 0.79 and 0.96. The reliability at this phase is 0.88 or above the scores proposed by Krippendoff and Scott, and in the range suggested by Barelson (see Appendix 6).

As discussed above, this study uses partial FGD as the appropriate approach. During the session of approximately 90 minutes, there were six participants who gave opinions. The results of the FGD analysis, after being coded, are presented in quoted statements containing similarities (consensus) and differences.

From the question "whether the firm's CSR program is beneficial"

"From SGM. Supports for my kindergarten are in the form of facilities and infrastructure. My kindergarten was built by SGM. Most employees of SGM in Kemudo are the local people of Kemudo. When they have to attend tests, and two applicants have an equal score (let's suppose that the applicant from the Kemudo village has the score of 90 and so does the applicant from another village), the firm gives a priority to the person from Kemudo. Furthermore, when the houses of employees are damaged or destroyed, SGM reconstruct them. Then the roads from Sari Husada to the village hall of Kemudo have been asphalted by SGM. Subsequently, the local 'posyandu' (integrated maternity service) receives milk every month. SGM provides milk to schools too, and even this is extended to other schools beyond Kemudo, especially those located in the valley of SGM. Of equal importance, on the anniversary of SGM they give special attention to poor people by distributing staple goods."

".. I tell you what, when there was an earthquake, the supports and supplies from the government came late. If there were no firm reconstructing the buildings, when would it be reconstructed, Sir?"

"The benefit is the establishment of belief to the PUSKESMAS (primary health care); the belief is represented by an increase in visit."

"... especially related to employment opportunity. About the employment, there are about 1,500 employees, with the basic wage of Rp20,200 daily."

”... sometimes my neighbors come to me when they have school assignments, for examples on literature, or economics, or other fields. They usually get articles from me…”

”... since 2004 the price of rice has been Rp3,000 and soybean ketchup Rp3,500, and we have enjoyed convenience. Therefore, we were very happy at that time. Why? We were given explanations, and more interestingly, we were recorded in a video and accordingly became more enthusiastic. We were in a video shot, ate tempe with soybean ketchup, and used banana leaves as the plate; we indeed were very glad. Then we were presented with gifts. The presents were ketchup Bango, toothpaste, and soap (as products from Unilever).”

From the question ‘whether they request for CSR’

“… initially it commenced from the socialization made by Professor Widiastudi of UGM to cooperate with ketchup Bango. Then we agreed, and thus recommended this program to my members...”

“… when the earthquake happened, when the school buildings were totally damaged and no shelter was available, children had to study under trees. Then came the firm to help. If no firm had helped reconstruct the schools and education, I could not imagine what it would have been like ...”

“… (SGM) had an idle building, someone wanted to rent it for more than Rp150 million, but the request was declined. If the PKK could be gathered, perhaps this building could be used for other purposes. Then SGM contacted us, and wondered about establishing a playgroup. It needed much money, but he said, “no problem…”

From the question ‘whether the firm’s CSR has an impact on the informant’

“Indeed, when I was on TV advertising ketchup Bango, I felt so nervous.”

“… unless there is attention, the mischievous people, particularly the youths who consume liquor, may go on protesting, right Sir? But with the program (CSR), the people are grateful.”

“If we go to a supermarket to buy daily needs and I see the products of Sari Husada being displayed there, I feel happy because the company is my sponsor”

“If I watch TV and see the advertisements of Honda, I will presume that the brand is superior since when the earthquake stroke I got charity from the firm. I still remember that the firm reconstructed my school building.”

From the question ‘whether the informant has a tendency to use the products of the firm that has helped him’

"… The vehicles of the teachers are Honda, and the transportation means of our family, by chance, are all Honda."

"... To me, I just want ketchup Bango. So if I buy a product, the ketchup must be ketchup Bango. If you go to my house, you will find ketchup Bango. I buy in the form of plastic container, and then I refill it into a bottle. The quantity is the same, but the ketchup in plastic container is cheaper. And if I want to make peyek, remember, the ketchup is ketchup Bango as it is tightly attached to my heart."

From the question 'whether CSR is a firm strategy'

"... in my opinion, it is not only for social motivation."

"... They (Honda) gave pictures to schools and to the rooms too. It is renowned as the school of Honda, that's it, Sir... and based on our experiences in the past, in a new academic year, some students living in distant locations would go to that school. When I asked why they went to the (distant) school, they cried and said that they just wanted to go to the school of Honda…"

From the aforementioned testimonies of respondents, there are several important facts: (1) CSR program beneficiaries believe that the CSR program benefits them and the society, (2) CSR beneficiaries have good attitudes toward the firm, (3) since it is initiated by the firm, the program beneficiaries do not think that the CSR is a threat to their self-esteem and competencies, and (4) they also think that the firm's CSR is a strategy and not merely social motivation.

Phase II

After a long intensive debate, there is an agreement that attitude can be conceptualized as the total evaluation of an object (Ajzen 2001; Ajzen and Fishbein 2000). The expectancy-value model remains the most popular model to conceptualize attitude. In this model, one's attitude toward an object is determined by the subjective value of the attributes that interact with the power of belief. This model assumes that evaluation decision is formed on the basis of cognitive process that relates the object of attitude to important attributes (Maholtra 2005). In other words, consumers usually and naturally like the brands that they believe to have the desired characteristics, and vice versa (Schiffman and Kanuk 1999). However, Assael (2001) find that there are cases where belief is not related to attitude, which is when consumers purchase products based on hedonism such that belief is not relevant anymore with consumer decisions.

Previous studies have indicated that consumers' negative perceptions on a company will affect the consumers' attitudes toward its CSR activities. Shimp (2000) quoted the study of Cone/Roper's Cause-Related Marketing Report in 1999, suggesting that 83 percent of Americans have a more positive attitude toward companies that support activities that they are concerned about. On the other hand, almost half of the sample of research carried out by Webb and Mohr (1998) revealed a negative attitude toward companies, and this was mostly caused by consumers' cynicism on the motivation of the companies. Yoon et al. (2006) studied CSR activities in the cigarette industry. Although the companies implemented CSR program (donating to the study of cancer), the companies were perceived negatively by consumers. Wagner et al. (2009) show that companies which do not consistently and seriously implement CSR activities (hypocrisy) are perceived negatively as counter-productive. Likewise, in their study on reactive and low-fit CSR activities, Simmons and Becker-Olsen (2004) find that the low fit between companies' core products and CSR activities will result in consumers' lower responses than the case of high fit between core products and CSR activities. Becker-Olsen et al. (2006) reveal that although there is high fit, but if it is considered reactive rather than proactive, this may still result in a negative reaction from consumers. Accordingly, predicated on the aforementioned studies and using the results of this study in phase 1, the hypothesis proposed in phase 2 is:

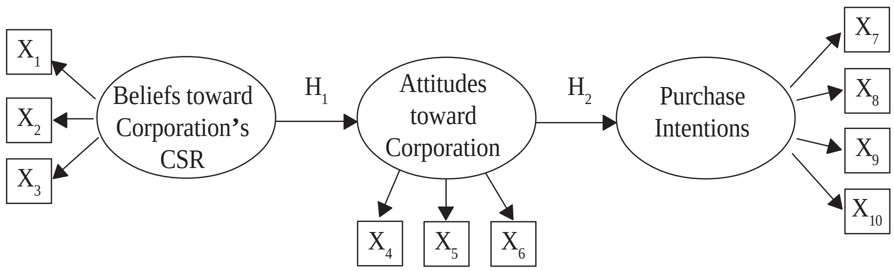
H_1 : *Consumer belief in a firm implementing CSR influences the consumer's attitude toward the firm.*

The theory of attribution suggests that attribution influences attitude and behavior. According to Takwin (2009), "Heider's naïve theory of action" is a conceptual framework used to interpret, explain, and forecast other people's behavior. In this framework, the concept of intention plays an important role. Dharmmesta (1998) describes intention as: (1) the captor or intermediary of motivational factors that have effects on behavior, (2) an indicator of how hard a person has attempted to do something, (3) an indicator of the planned attempt, and (4) something closely related to the real behavior. Brown and Dacin (1997), Creyer and Ross (1997), Ellen et al. (2000), and Lee et al. (2008) find that there is a correlation between a company implementing CSR and consumers' attitudes toward the firm's products. Barone et al. (2000) argue that CSR activities will affect consumers' preferences for trademarks. Almost similarly, the study by Smith and Alcorn (1991) suggests that consumers wish to switch to another brand and even are willing to pay more expensive products of companies performing CSR activities (for typical goods). Therefore, it is hypothesized that:

H_2 : *Consumer's attitude toward the firm that implements CSR influences the consumer's purchase intention toward the products of the firm.*

The conceptual model of this hypothesis is presented in Figure 1.

Figure 1. **Model of CSR Belief, Attitude and Purchase Intention**



Method

Population and Sample

The population of this study is those who have benefited from CSR programs after the earthquake of May 27, 2006 in the form of school building. The scope of the study is parents whose children are studying at schools receiving charity from CSR programs. The sample of this study is collected using the purposive sampling method. Purposive sampling is a non-probabilistic sample taking that meets particular criteria (Cooper and Schindler 2006). Bailey (1994) says that the advantage of the purposive sampling technique is that researchers can use their previous capabilities and experiences to select respondents. In line with the objective, the criteria used in the selection of respondents are: (1) the respondents are adult, (2) the respondents are able to read and write (literate), and (3) the respondents are willing to get involved in the study.

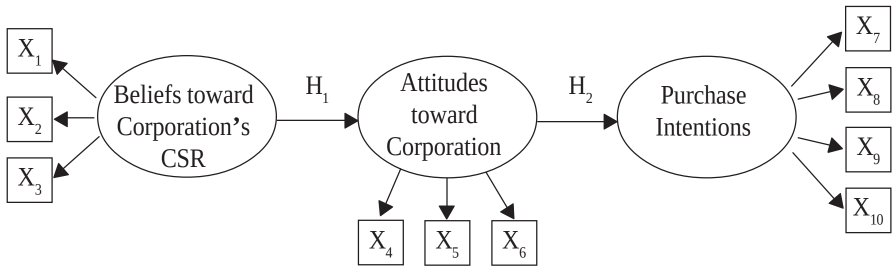
The steps in the sample generation are as follows: (1) observing schools, whose developments after the earthquake of May 27, 2006 were supported by a particular firm through the CSR program, (2) determining the schools that will be selected as objects of this study, and (3) determining students' parents to be included in the sample.

Data Collection

Of the schools supported by firms, only the schools known to have been supported by firms that offer products (in line with the question items) were selected. Appendix 2 presents the profiles of elementary schools selected as the objects of this study.

After determining the study objects, the next step was to select classes to which the questionnaires would be handed out. The questionnaires asked students about their experiences at a school. Those who had been studying at the school which the earthquake destroyed were selected as the sample. To these students, questionnaires were handed out to their parents to be filled out. Being completed by their parents, the questionnaires were returned to the classroom teacher. When the questionnaires were distributed to the parents, we expounded to them in details on how to complete the questionnaires.

Figure 1. **Model of CSR Belief, Attitude and Purchase Intention**



Measurements

The questionnaires comprised two major sections. The *first component* asked about beliefs and attitudes of respondents toward firms that implement CSR, and respondents' purchase intentions toward the products of the firms. The *second part* contained the profiles of respondents. The question items were modified from the previous studies of Irwin et al. (2003) and Pomering and Dolcinar (2008) by considering the results obtained in phase 1. Mustakini (2008) suggests that when the question items are translated from English into Indonesian, it is necessary to make sure that the translation has been correct and accurate. We consulted with a linguistic expert from the Faculty of Cultural Sciences of Gadjah Mada University to translate the question items from English into Indonesian. The translated version was then re-translated into English by a colleague who has studied overseas. The objective was to identify possible significant differences in translation works between the original question items and the final question items to be used in this study.

Instrument Analysis

Field test was made to measure social desirability and construct validity (reliability and validity). Social desirability is defined as respondents' tendencies to present themselves in a favorable position with regard to social norm (Nunnaly in Jo et al. 1997). It is usually perceived as a personal tendency that becomes the part of someone, putting him or her in a place that he or she likes although it may be different from the real feeling. Cooper and Schindler (2006) postulate that there is a tendency for respondents to be dishonest in answering the questions in a social study as they refuse or feel ashamed of the topic of study, dislike the topic, and feel afraid of the consequences (of the answers). To anticipate this social desirability bias, Junaedi (2006) made a comparison between the answers from direct questioning and those from indirect questioning.

Validity in this study was tested by calculating the values of convergent validity and discriminate validity. Fornell and Larcker (1981) mention that the criteria of convergent validity are as follows: (1) loading factor of more than 0.7 and significant and (2) value of AVE (Average Variance Extracted) of higher than 0.5. Meanwhile, for discriminate validity the value of AVE is higher than the value of squared correlation of the construct pairs. Ghozali (2008) argues that the loading value of 0.5 to 0.6 is acceptable. Subsequently, reliability was examined by calculating the value of Cronbach's alpha and composite reliability. Nunnaly in Ghozali (2005) used the cut-off point of 0.7 for composite reliability.

Data Analysis

This study uses descriptive analysis and component-based structural equation model/ partial least squares (Smart PLS version 2.0). PLS is a technique that generalizes and combines principal component analysis and multiple regression. Barclay et al. in Chwelos (2001) note that PLS is better when the focus is on theory development, whereas LISREL is preferred for confirmatory testing of the fit of a theoretical model to observed data, thereby requiring stronger theory than PLS. Citing some research, Lu et al. (2007) suggest that PLS is a commonly used statistical analysis for latent variables, and it can be used to confirm the validity of the constructs of an instrument and assess the structural relationships among constructs. The use of PLS, in accordance with the objective of this study, is to confirm the validity of the constructs of an instrument and identify the predictive linear relations among variables. In PLS, optimal linear relations among latent variables are calculated and interpreted as the best predictive relations despite their limitations (Ghozali 2008).

There are several additional advantages of the use of PLS. *First*, it does not require a large sample. Nijssen and Douglas (2008) find that PLS is effective at formative and reflective latent constructs, freely distributed (not necessarily normal), and very strong to analyze small-sized sample. According to Pinto et al. (2008) and Lee (2001), PLS only requires small sample. Mahmood et al. (2004) reveal that the analysis techniques in PLS require minimum scale, sample size, and residual distribution. In addition, Birkinshaw et al. (1995) suggest that PLS is used when only small-sized sample could be collected, assumptions of multivariate normality and interval scale could not be proved, and the focus of study is on predicting dependent variables. Graham et al. (1994) confirm the aforementioned opinions and add that PLS is more robust with a small sample. *Second*, it is not affected by multi-collinearity problem. In the study of Inkpen and Birkenshaw (1994), all relations were modeled simultaneously to avoid multicollinearity, so they used PLS. *Third*, it does not require normal distributions of data and error term. Pirouz (2006) suggests some advantages of PLS: (1) it can be used in the model with many dependent and independent variables, (2) it is a robust testing

Table 1. **Resume of Comparative Difference between Covariant-based and Variant-based**

No	Criteria	Covariant-based	Variant-based
1.	Assumption	Multivariate normal distribution.	Not necessarily normally distributed.
		Requiring absence of multicolinearity.	Able to manage multicollinear problems.
2.	Data	Unable to handle missing data and noise data.	Able to handle (robust) to analyze missing data and noise data.
		Only able to handle continuous data.	Able to handle (robust) nominal, ordinal, and continuous data.
3.	Number of Analysis Unit	Large.	Small.
4.	Complexity of model	Little to medium complexity (less than 100 indicators).	Large complexity (100 constructs and 1000 indicators).
5.	Relation between latent variable and the indicators	Only able to handle reflective indicator.	Able to handle both reflective and formative indicators.

for missing and noise data, (3) it can be used for reflective and formative latent data, and (4) it can handle nominal, ordinal, and continuous scales.

In brief, the differences between variance-based and covariance-based analyses are presented in Table 1.

Results

Answers to the questions obtained in phase 1 were then tested to 30 undergraduate students of Gadjah Mada University. The testing was conducted to identify whether there was social desirability. There were 11 direct questions and 11 indirect questions tested. Since the direct and the indirect questions were given to the same students consecutively, the social desirability could be examined using the paired-sample test. The results of this analysis suggest that there is no difference between answers acquired from direct questioning and those gathered through indirect questioning (Table 2).

Table 2. **Output of Social Desirability Test**

		Paired Samples Test							
		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	Std. Dev.	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	Bel_1 - Bel_1b	0.233	0.728	0.133	-0.038	0.505	1.756	29	0.090
Pair 2	Bel_2 - Bel_2b	-0.167	0.747	0.136	0.445	0.112	-1.223	29	0.231
Pair 3	Bel_3 - Bel_3b	0.067	0.521	0.095	-0.128	0.261	0.701	29	0.490
Pair 4	Bel_4 - Bel_4b	0.200	0.847	0.154	-0.116	0.516	1.293	29	0.206
Pair 5	Bel_5 - Bel_5b	0.667	0.828	0.151	-0.242	0.376	0.441	29	0.662
Pair 6	Bel_6 - Bel_6b	-0.133	0.681	0.124	-0.388	0.121	-1.072	29	0.293
Pair 7	Bel_7 - Bel_7b	0.067	1.229	0.225	-0.393	0.526	0.297	29	0.769
Pair 8	Bel_8 - Bel_8b	0.033	1.273	0.232	-0.441	0.508	0.143	29	0.887
Pair 9	Bel_9 - Bel_9b	-0.133	1.137	0.208	-0.557	0.291	-0.643	29	0.526
Pair 10	Bel_1 0- Bel_10b	-0.167	0.874	0.160	-0.493	0.160	-1.044	29	0.305
Pair 11	Bel_11 - Bel_11b	0.000	0.743	0.136	-0.277	0.277	0.000	29	1.000

Table 3. **Output of Validity Test**

	Attitude	B_Intention	Belief
Att_1	0.888		
Att_2	0.656		
Att_3	0.848		
Bel_1			0.835
Bel_1			0.753
Bel_1			0.798
BI_1		0.511	
BI_2		0.217	
BI_3		0.856	
BI_4		0.832	
BI_5		0.903	

Table 4. **Output of Validity Test After Item BI_2 Dropped**

	Attitude	B_Intention	Belief
Att_1	0.888		
Att_2	0.658		
Att_3	0.847		
Bel_1			0.835
Bel_1			0.753
Bel_1			0.799
BI_1		0.511	
BI_3		0.855	
BI_4		0.834	
BI_5		0.903	

Table 5. **Output of Validity and Realibility Test**

Constructs	AVE	Composite Reliability	Cronbachs Alpha	R^2	Communality	Redundancy
Attitude	0.646	0.844	0.728	0.483	0.646	0.311
B_Intention	0.626	0.866	0.794	0.317	0.626	0.191
Belief	0.634	0.838	0.717		0.634	

Since there was no difference between items of direct and those of indirect questions, in the next step only the direct questions were utilized (because the indirect questions needed a different method for validity and reliability tests). The 11 items of direct question were then examined for their validities by seeking the scores of convergent validity and concurrent validity. Validity testing was done to 64 respondents (students' parents) at Sawit Elementary School, Kecamatan Gantiwarno, Klaten. The initial questions were filter questions. Cooper and Schindler (2006) postulate that filter questions are used to qualify respondents' knowledge. In this questionnaire, the filter questions are questions as to whether they know that their children's schools were reconstructed with supports from a specific firm with specific products and brands.

The results of the validity test conclude that a question must be dropped as it does not reach the required cut-off score (Table 3).

After the question was excluded from the survey instrument, the validity of question items was retested. The results suggest that the question items are valid as they have met the required conditions (Table 4).

In the wake of the validity testing (from which valid questions were obtained), the testing was followed up by the reliability test. The results of the reliability testing provide evidence that question items have also met the required reliability criteria (Table 5).

Profiles of Respondents

To the filter questions, all students' parents answer that they know the reconstruction of their children's schools were sponsored by a particular firm. This supports the interview answers by the headmaster who says that the information on the reconstruction sponsorship has been informed to the students' parents in meetings. Of the total 166 questionnaires delivered to the students of Sanggrahan Elementary School, Pesu Elementary School, and Dahromo Elementary School, all questionnaires returned. The high response rate was due to the cooperations with classroom teachers and the incentives offered to those returning the questionnaires. Of the total questionnaires returned, nine questionnaires are not fully completed such

Table 6. **Respondent Demographic Profile (N = 157)**

Variable		Variable	
Gender		**Monthly Earning**	
Male	46.50	< UMR	63.00
Female	53.50	1UMR - 2UMR	54.00
		2UMR - 3UMR	26.00
		> 3UMR	14.00
Age			
Min	17.00	**Occupation**	
Max	66.00	Civil Servant	32.00
Mean	42.60	Household Wife	38.00
		Farmer	22.00
Education		Trader	16.00
Elementary School	56.00	Private Company	10.00
Junior High School	33.00	Other	44.00
Senior High School	40.00		
Academy	13.00		
University	15.00		
Graduated Program	0.00		

*) UMR = Regional Minimum Subsistance Wage

Table 7. **Respondents' Belief, Attitude, and Purchase Intention Related to CSR Program in Bantul and Klaten**

Survey Item	Level of Agreement (%)				
	Strongly Disagree				Strongly Agree
1. CSR creates positive image to the company	1.30	4.50	0.00	25.50	68.80
2. CSR should be the standard component of corporate activity	3.20	2.50	9.60	29.30	55.40
3. CSR is positive in modern business	3.20	2.50	4.50	29.30	60.50
4. I like the company that implements CSR	1.30	0.60	3.20	20.40	74.50

Continued from Table 7

Survey Item	Level of Agreement (%) Strongly Disagree				Strongly Agree
5. I am glad to see the company that implements CSR more than once in a year (frequent)	2.50	3.20	9.60	24.80	59.90
6. I have better impression to the company that implements CSR	2.50	1.30	3.80	35.70	56.70
7. I prefer the products of the company that implements CSR	1.90	5.10	13.40	27.40	52.20
8. Information that the company implements CSR becomes a consideration for me to purchase a product	5.70	7.60	9.60	35.70	41.4
9. I will recommend to purchase a product of the company that implements CSR	3.80	3.80	10.2	36.3	45.9
10. If there are two products at the same price and quality, I prefer buying the product of the company that implements CSR	1.90	1.30	7.60	24.2	65.00

that only 157 can be analyzed further. The demographic profiles of respondents are presented in the following Table 6.

Table 6 depicts that the average age of respondents is 42.6 years. The percentage of female respondents is 53.5 percent of which 24.2 percent are housewives. Most respondents graduated from elementary school (35.7%), and have incomes of less than or equal to the regional minimum wage (40.1%).

Table 7 describes the distribution of respondents' answers to the questions. The table shows that most respondents answer "totally agree" to the questions of the questionnaires. No respondent answers "not sure" to the question on whether CSR creates a positive image for the firm (question item 1). Although there are respondents saying "totally disagree" and "disagree" to the question, most respondents say that they "totally agree" (68.8%).

Table 8. **The Cooeficient of Regression Beta and T-Value**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T-Statistics (|O/STERR|)
Attitude -> Purchase Intention	0.611	0.645	0.083	0.083	7.395
Belief -> Attitude	0.442	0.488	0.099	0.099	4.482

Structural Model for the Total Sample

The analysis results show accordance with the existing data. As hypothesized in H_1, belief positively and significantly influences attitude toward the firm. Similarly, as hypothesized in H_2, attitude positively and significantly affects purchase intentions (Table 8).

Charity activities began immediately after the earthquake on May 27, 2006. In pro-social behavior, these activities (phenomena) are categorized as having different motivations and objectives. The beneficiaries of school reconstructions do not feel that their self-esteem is endangered or disgraced with respect to their competencies, such that their reactions are emotionally positive and less likely to refuse the supports. According to the attribution theory, people are motivated to understand why they need help and why other people offer help. If they can relate their needs to external power that is uncontrollable or beyond their competencies, they could maintain their self-esteem positively.

This study finds that people tend to reciprocate the received supports. With regard to the firm that has helped them in the form of CSR, it seems that the consumers have a positive attitude toward the firm. This attitude toward the firm fully mediates between belief and purchase intention toward the products of the firm.

Conclusions, Limitations, and Suggestions

The objective of this paper is to investigate whether CSR leads to a decrease in competitiveness by identifying beliefs, attitudes, and purchase intentions of the consumers of the CSR program toward the products of the firm. The findings do not support the CSR activities, especially CSR-philanthropy, thereby resulting in a decrease in competitiveness. This is clearly seen in the testing of belief, attitude, and purchase intention, where attitude fully mediates the relation between belief and purchase intention.

This research has contributed to improving our understanding of the effect of CSR activities on consumers. From the pro-social theory perspective, CSR activities performed by firms indicate how the firms pro-socially respond to a particular condition. When the firms are faced with an emergency situation, they take five important steps, which include the decision making to inhibit or to give a chance to pro-social responses. The firms have to realize the emergency situation, appropriately interpret the ongoing moment, take a responsibility and capacity to help, and make a decision to help. These steps are particularly performed when the firms are interested in an event and attribute it as an uncontrollable moment. From the attribution theory perspective, CSR activities are based on the expectation that the program recipients can make correspondent inferences that the firms have performed positive activities, which in turn may improve the firms' (and their products') images.

From the perspective of value-expectancy and hierarchy of effect models, the decision to have a particular behavior is a result of rational processes directed to a particular goal, and it follows a logical sequence. Behavioral preference is considered, consequences and results of the behavior are evaluated, and a decision on whether to take actions is then made. CSR activities result in the formation of beliefs and attitudes of the recipients toward the firms. Positive attitude toward a firm will in turn generate the intention to buy the products of the firm.

In principal, CSR communications are similar to product/service marketing communications, which are to create a positive perception of the targeted public. The involvement of the targeted public in CSR communications is an advantage when compared to other marketing communications. On the other hand, the disadvantage is that the results of CSR communications may be capitalized on only in the long run. In some cases in Indonesia and other countries, CSR communication is a crisis communication, meaning that when firms are challenged by crisis circumstances, they will implement CSR communications. One of the rationales is that those firms fear for a vast array of donation proposals and also prejudice in the society. This study suggests that it is not necessary for a firm to wait until the crisis occurs to implement CSR communications. This is in line with the results of study carried out by Fombrun et al. (2000), which finds that CSR communications could be justified as a strategy in which the company can decrease or limit the potential negative consequences of a crisis.

There are some limitations of this study that deserve adequate attention in future studies. In the data collection in phase 1 through FGD, only six participants were recruited, and they came from different CSR activities. However, in phase 2, this study uses a survey to consumers (those benefited by CSR program in the form of school reconstruction). In the future, this survey can be extended to other consumers, including partnerships with farmers and health services. It is also necessary to test if other forms of CSR programs, other than philanthropy, also affect the correlation between consumers and the firm's products.

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APPENDIX 1. Informants Involved in FGD

No	Name	Forms of CSR	Companies
1	Indarti	Development of Pertiwi Kindergaten Building, Kemudo	PT Sari Husada
2	Siti Subiati	Development of School-building of Dahromo Elementary School, Pleret	PT Astra Honda Motor
3	Sutanto	Development of Building of PUSKESMAS II Berbah	PT Media Group
4	Aris Daryono	"Bagimu Guru", newspaper subscription at special rate	PT Gramedia
5	Slamet	Partnership with black soybean farmers	PT Unilever
6	Gunarso	Tobacco farming partnership	PT Perkebunan Nusantara IX
7	Widiantoro	Moderator	Indonesia Consumer Watch Foundation (YLKI)

APPENDIX 2. Profile of Elementary Schools

School Name	Address	CSR's Company	Respondent
Sawit	Sawit, Gantiwarno, Klaten	PT Astra Honda Motor	62 (validity and realibility)
Dahromo	Dahromo, Pleret, Bantul	PT Astra Honda Motor	58
Sanggrahan	Kemudo, Prambanan, Klaten	PT Sari Husada	46
Pesu	Pesu, Wedi, Klaten	Eka Tjipta Foundation (Sinar Mas Grup)	62

APPENDIX 4. Coding Sheet

1. Title of Program :
2. Day :
3. Date :
4. Moderator :
5. Topic :
6. Number of Participants :
7. Language(s) spoken : ☐ Indonesian ☐ Javanish ☐ Both
8. Format of Program : ☐ Interactive ☐ Interview ☐ Both
8. Participants of discussion (informan) are the persons who have felt the benefit of corporate CSR ☐ Yes ☐ No
9. Moderator asks informan's perception on the companies implementing CSR ☐ Yes ☐ No
10. Moderator is in neutral position to what is said by informant ☐ Yes ☐ No
11. Informans state that CSR has positive impact on them ☐ Yes ☐ No
12. Informans state that CSR also has positive impact on community ☐ Yes ☐ No
13. Informans have favour (good) feeling to companies implementing CSR ☐ Yes ☐ No
14. Informans state that they have close relation with the companies implementing CSR ☐ Yes ☐ No
15. Informans state that CSR improve corporate image ☐ Yes ☐ No
16. Informans state that corporate CSR can be information to introduce the company's products ☐ Yes ☐ No
17. Informans correlate the companies implementing CSR and the products ☐ Yes ☐ No
18. Informans are likely to prefer the products from the companies that give aid to them (loyal) ☐ Yes ☐ No
19. Informans state that CSR is a corporate strategy (marketing) ☐ Yes ☐ No
20. Informans state that CSR has to be regulated by the government ☐ Yes ☐ No
21. Some informans state that CSR is obligatory for corporates ☐ Yes ☐ No
22. Some informans state that CSR is implemented only when corporates get profits ☐ Yes ☐ No
23. Some informans state that for particular matters, CSR is implemented after the community request for it ☐ Yes ☐ No
24. Informans state that corporate CSR can be in non-material aid. (such as waste and groundwater treatment, etc.) ☐ Yes ☐ No

APPENDIX 5. Explanation for *Coding Sheet*

1.	Title of Program	: *write the title of program*	☐ 1	☐ 0
2.	Day	: *write the-day of program*	☐ 1	☐ 0
3.	Date	: *write the date of program*	☐ 1	☐ 0
4.	Moderator	: *write the name of the moderator*	☐ 1	☐ 0
5.	Topic	: *write the topic*	☐ 1	☐ 0
6.	Number of Participants	: *write the number of participants*	☐ 1	☐ 0
7.	Language(s) spoken	*Clear enough*	☐ 1	☐ 0
8.	Format of Program	*Interactive:multilateral* *Interview: unilateral*	☐ 1 ☐ 0	
8.	Participants of discussion (informan) are the persons who have felt the benefit of corporate CSR	*Clear enough*	☐ 1	☐ 0
9.	Moderator asks informan's perception on the companies implementing CSR	*Perception: cognitive process in everybody in understanding the information of environment, eitherby seeing, listening, smelling, or comprehending*	☐ 1	☐ 0
10.	Moderator is in neutral position to what is said by informant	*Neutral: impartial*	☐ 1	☐ 0
11.	Informans state that CSR has positive impact on them	*Clear enough*	☐ 1	☐ 0
12.	Informans state that CSR also has positive impact on community	*Clear enough*	☐ 1	☐ 0
13.	Informans have favour (good) feeling to companies implementing CSR.	*Clear enough*	☐ 1	☐ 0
14.	Informans state that they have close relation with the companies implementing CSR.	*Clear enough*	☐ 1	☐ 0
15.	Informans state that CSR improve corporate image	*Clear enough*	☐ 1	☐ 0
16.	Informans state that corporate CSR can be information to introduce the company's products	*Clear enough*	☐ 1	☐ 0
17.	Informans correlate the companies implementing CSR and the products.	*Clear enough*	☐ 1	☐ 0
18.	Informans are likely to prefer the products from the companies that give aid to them (loyal).	*Loyal: no change of mind towards something*	☐ 1	☐ 0
19.	Informans state that CSR is a corporate strategy (marketing).	*Clear enough*	☐ 1	☐ 0
20.	Informans state that CSR has to be regulated by the government.	*Clear enough*	☐ 1	☐ 0

Continued from APPENDIX 5

21.	Some informans state that CSR is obligatory for corporates.	*Clear enough*	☐ 1	☐ 0
22.	Some informans state that CSR is implemented only when corporates get profits.	*Clear enough*	☐ 1	☐ 0
23.	Some informans state that for particular matters, CSR is implemented after the community request for it.	*Clear enough*	☐ 1	☐ 0
24.	Informans state that corporate CSR can be in non-material aid. (such as waste and groundwater treatment, etc.).	*Clear enough*	☐ 1	☐ 0

APPENDIX 6. Reliability Test on Phase 1

No	Coder-1	Coder-2	Value Coder-1 = Coder-2 →1 Coder-1 ≠ Coder-2 →1
1	1	1	1
2	1	1	1
3	1	1	1
4	1	1	1
5	1	1	1
6	1	0	0
7	1	1	1
8	1	0	0
9	1	1	1
10	1	1	1
11	1	1	1
12	1	1	1
13	1	1	1
14	1	1	1
15	1	1	1
16	1	0	0
17	1	1	1
18	1	1	1
19	1	1	1
20	1	1	1
21	1	1	1

Continued from APPENDIX 6

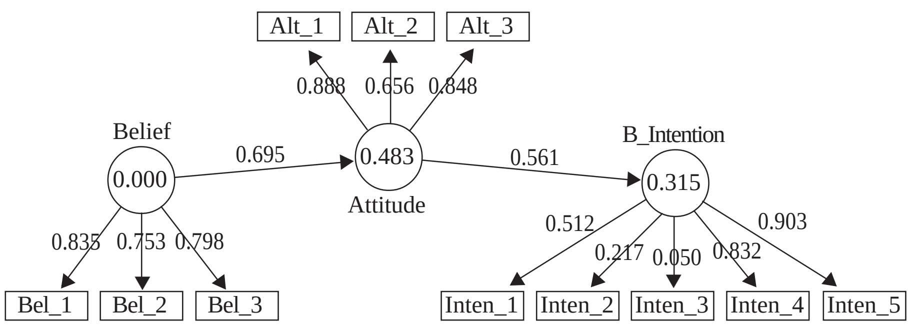
No	Coder-1	Coder-2	Value Coder-1 = Coder-2 →1 Coder-1 ≠ Coder-2 →1
22	1	1	1
23	1	1	1
24	1	1	1

$$R = \frac{2\,(C_{1,2})}{C_1 + C_2}$$

$$= \frac{2\,(21)}{24 + 24}$$

$$= 0.875$$

APPENDIX 7. Validity and Reliability Test on Phase 2



APPENDIX 8. Validity and Reliability Re-test on Phase 2