A Framework of Perceived Corporate Social Responsibility Gaps between Internal and External Stakeholders: A Stakeholder Theory Approach

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Governments and consumer advocacy groups have placed considerable pressure on fashion companies to reduce their harmful impact on the environment and to make an effort toward improving social justice throughout the world (Ha-Brookshire, 2015). Consequently, many companies are striving to shift their business practices toward sustainability and to meet the requested standards of corporate social responsibility (CSR) initiatives to transform the fashion industry. However, there is little research on the ways in which each group of stakeholders views CSR efforts differently. Therefore, this study attempted to explore the varying perceptions toward fashion firms' CSR efforts through the lens of stakeholder theory.

Stakeholder theory calls for a focus on social issues in management that require companies to meet the approval of prominent stakeholders, including both internal (owners, employees, and suppliers) and external (governments, consumers, environmentalists, and the media) (Sharma & Henriques, 2005). While employees' judgments of CSR efforts could render them important when implementing CSR initiatives, employees' approval of CSR measures could be more crucial than the approval gained from formal CSR assessments (Rupp et al., 2013). While consumers are one of the most important groups of external stakeholders, what is presented in CSR reports might be critical for a firm's long-term survival. More and more consumers expect firms to have a commitment to CSR initiatives, and thus they evaluate companies as well as products in terms of how well they are meeting their CSR goals (Oberseder et al., 2013). With all of the diverse intentions and drivers of CSR initiatives, deviations between CSR rhetoric and practical applications have surfaced, which creates a gap in CSR perceptions between stakeholders (Fassin & Buelens, 2011).

Depending on the degree of deviation, employees may perceive sustainable corporations' CSR initiatives inconsistently, which may affect their responses and their decision-making processes related to organizations' CSR efforts (Rupp et al., 2013). This could also lead to negative effects on consumers' perceptions of CSR efforts when there is a gap in perception between the stakeholders. Based on the CSR and stakeholder theories, corporations and constituencies are viewed as interrelated members of an ongoing community, with an obligation to act responsibly toward one another (Dillard & Layzell, 2014). Nonetheless, there is a lack of understanding about the consistency of CSR expectations and how they vary between consumers and employees, companies' two key stakeholders. Therefore, this study aimed to suggest a new framework of

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perceived CSR performance by exploring consumers' and employees' evaluations of CSR initiatives.

An online survey company, Qualtrics, was commissioned to collect data in the U.S. in 2019. To explore consumers' and employees' evaluations of CSR initiatives, H&M and Nike were selected as the two focal brands since they are highly focused on their sustainability initiatives and practices (corporateknights.com, 2017; Kaufman, 2016). To gather consumer data, a screening question was provided in the beginning of the survey to ensure that participants were aware of these brands, and then they were randomly assigned to one of the two brands. For gathering employee data, Qualtrics used an established panel pool and extracted subjects who were working for either brand at the time of data collection. Also, to ensure that the subjects fully understood the brand's CSR initiatives and practices, the respondents were screened to ensure that they had more than one year of full-time work experience in their current roles. A total of 865 usable responses were obtained (H&M employee $n=158$, consumer $n=275$; Nike employee $n=157$, consumers $n=275$). The questionnaire included Jung and Ha-Brookshire's (2017) scales in four distinct areas of CSR activities (e.g., working condition support, environmental support, community support, and transparency) and it measured the participants' perceptions of the CSR performance of the assigned brand (e.g., "How well do you perceive that H&M (or Nike) is doing with each of the following activities on a scale of 1 (not doing well) to 7 (doing very well)?").

Configural ($\chi^2=1943.32$, $df=656$, $p<.001$, CFI=.92, RMSEA=.05) and metric invariances ($\Delta\chi^2=52.83$, $\Delta df=48$, $p>.05$) were tested by Multi-Group Confirmatory Factor Analysis (MCFA) to confirm that the measurement model had the same structure and meaning across the study's samples, and thus we were able to compare the four groups of samples. One-way Analysis of Variance (ANOVA) and a post-hoc test showed the extent of H&M and Nike's CSR performance as perceived by consumers and employees separately ($F=46.49$, $p<.001$). The results showed that employees of Nike perceived a higher level of CSR performance for Nike than did H&M's employees for H&M ($M_{\text{Nike}}=5.64$, $M_{\text{H\&M}}=5.29$). There was no statistical difference between consumers who responded to Nike and H&M, respectively ($M_{\text{Nike}}=4.53$, $M_{\text{H\&M}}=4.57$). Moreover, each brand showed that consumers were more likely to evaluate CSR performance significantly lower than employees. These findings propose four theoretically possible cases based on the gaps in perceived CSR performance between internal (i.e., employee) and external (i.e., consumer) stakeholders. They are: 1) *CSR success*, when both employees and consumers have high CSR evaluations, 2) *CSR failure*, when both employees and consumers have low CSR evaluations, 3) *Over-marketed CSR*, when employees have low evaluations yet consumers have high evaluations, and

4) *Under-marketed CSR*, when employees have high evaluations yet consumers have low evaluations toward CSR efforts.

Given that Nike employees (internal) perceived a high CSR performance while consumers (external) perceived a lower CSR performance for Nike, it might be that Nike is successfully communicating and executing their CSR initiatives to their employees, but not as well to consumers, suggesting that Nike is under-marketing their CSR efforts. Conversely, H&M employees had lower levels of perceived CSR performance for H&M than Nike employees did for Nike, suggesting that, compared to Nike, H&M has a CSR failure. Therefore, H&M may need to revisit their CSR initiatives and communications internally as well as externally, while Nike needs to more effectively communicate with their external stakeholders. Due to the exploratory nature of this study, future studies are suggested to provide more empirical evidence for this framework.

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