

CSR and Service Quality in Nonprofit Organizations: the Case of a Performing Arts Association

Abstract

The relationship between corporate social responsibility (CSR) and marketing performance has been widely investigated recently, but mostly in relation to for-profit companies. This paper highlights the importance of this topic for nonprofit organizations (NPOs). Focusing on an Italian NPO operating in the performing arts and entertainment industry, two empirical studies (a quantitative survey and a qualitative exploratory enquiry) prove the strategic relevance of CSR in nonprofit contexts. The results demonstrate that CSR can be considered an additional dimension of the customer perception of service quality in NPOs and reveal that customer perception of the social responsibility of the studied NPO is strongly linked to its institutional mission and to the modalities through which it pursues that mission.

Keywords: nonprofit organizations; service quality; corporate social responsibility (CSR); customers' perception of quality.

1. Introduction

In recent decades, NPOs have struggled with persistently dwindling public funding and grants. Consequently, many NPOs have been forced to search for alternative forms of financing, which has brought them into competition with other NPOs and for-profit organizations (Haley and Grant, 2011; Rentschler *et al.*, 2002; Salamon, 2003). That competition has in turn forced NPOs to embrace market-oriented business values such as competition, diversification, and customer-orientation (Haley and Grant, 2011; Hume *et al.*, 2006, 2007; Scott, 2003). As a result, the ability to attract and maintain paying customers (Bennett and Barkensjo, 2005; LeRoux and Wright, 2010)—identified as private donors, users of services and purchasers of services and goods—is becoming a primary challenge for many NPOs (Sargeant, 2001).

In this emergent market scenario, NPOs need to assess and measure customers' perceptions of service quality to serve them in the best possible way and to maintain the virtuous circle of quality-satisfaction-loyalty (Bennett and Barkensjo, 2005; Brady and Robertson, 2001; Cronin and Taylor, 1992; Du *et al.*, 2011; Fornell *et al.*, 1996; Gotlieb *et al.*, 1994; Sargeant, 2001; Sargeant and Woodliffe, 2007). While the way in which donors perceive quality has already been investigated in nonprofit contexts (Haley and Grant, 2011; Sargeant, 2001; Sargeant and Woodliffe, 2007), there are few contributions focused on other paying customers, such as visitors to exhibitions or museums, or theatre and concert audiences.

Previous research suggests that one method available to organizations to influence consumer perceptions of service quality is to leverage corporate social responsibility (CSR) (Creyer, 1997), and many studies have shown that CSR has a positive impact on consumer perceptions of product and of service quality (Rummell, 1999; del Mar Garcia de los Salmones *et al.*, 2005; Yaowalak and Rujirutana, 2009). However, although scholars seem to agree on the causal chain between CSR and perceived quality in the for-profit context, the relationship between them is still unclear in the literature on nonprofit organizations.

Studying the impact of CSR on customer perceptions of quality in nonprofit contexts is important for it strikes at the heart of the meaning that CSR assumes in these organizations (Crespy and Miller, 2011; Ebrahim, 2003a and b). It is also important to understand customers' various perceptions of CSR, given their social value (Bouckaert and Vandenhove, 1998). Prior research urges caution when examining the social responsibility of nonprofit organizations because it is easy to believe that not-for-profit equates to socially responsible (Bouckaert and Vandenhove, 1998; Cornelius *et al.*, 2008; Rusconi and Signori, 2007). Customers may expect NPOs to be socially responsible and then include this aspect in their evaluations of the organization as a whole, and of the services it provides. Furthermore, recent studies have shown that CSR can have different meanings to different organizations and in different contexts (Aguinis and Glavas, 2012; Matten and Moon, 2008; Moon, Crane, and Matten, 2005). Apart from considering an NPO to be socially responsible simply because making money is not its primary aim, customer perceptions might be swayed because NPOs are entrusted with grants, tax relief, and other direct and/or indirect benefits (Bouckaert and Vandenhove, 1998; Crespy and Miller, 2011; Ebrahim, 2003a and b; Rusconi and Signori, 2007). Customers might also conflate CSR with the NPO's institutional mission (Bouckaert and Vandenhove, 1998) or consider it to be socially responsible by virtue of the sporadic social, environmental, or philanthropic actions and policies it undertakes.

While for-profit companies can exploit their CSR activities to elevate customers' perceptions of quality on account of CSR, the crucial and multi-faced role of CSR in NPOs could induce customers to consider CSR as a dimension of their perception of quality and not as a potential amplifier of it.

The novelty of the current research lies in linking CSR and service quality in a nonprofit context. We consider whether it is accurate to suggest that the very nature of NPOs means that their CSR activity drives service quality, and evaluate if and to what extent CSR might be considered a dimension of service quality.

By assuming this theoretical perspective, this research aims to answer the following research questions: is CSR a part of customer assessment of service quality in NPOs? If so, how do customers interpret and perceive the CSR demonstrated by NPOs?

We address these questions through two empirical studies—the first a survey and the second an exploratory qualitative enquiry—on an Italian NPO operating in the performing arts and entertainment field: Associazione Circolo Arci Magnolia (hereafter, Magnolia).

The remainder of the study proceeds as follows. Section two focuses on the current literature on the topics of CSR and the relationship between CSR and customer perceptions of quality in NPOs. Section three describes the research methods and the case study. In sections four and five, the two studies and their research findings are presented. Section six presents the discussion of the results, while sections seven and eight encompass the managerial implications, the study's limitations, and suggestions for further research.

2. Literature review

2.1. The critical role of CSR in nonprofit contexts

Corporate social responsibility could be interpreted as an organization's contribution to both generating and solving social and environmental problems (Secchi, 2007; Wood and Logsdon, 2002). Organizations implement CSR policies for a number of reasons: because they have a set of values or ethical beliefs that impose social responsibilities; and/or because they hope to enhance their economic results; and/or because they want to integrate various stakeholder expectations into their objectives for either ethical or instrumental reasons (Garriga and Melè, 2004).

Customers, on the other hand, perceive and evaluate CSR according to its scope (Ellen *et al.*, 2006; Vlachos *et al.*, 2009; Walker *et al.*, 2010; Becker-Olsen *et al.*, 2006) and according to the motives behind socially responsible actions and policies undertaken (Pirsch, Gupta and Grau, 2007). Although there is increasing interest in the social responsibility demonstrated by companies, most

studies focus on for-profit contexts and NPOs have attracted little attention. Shifting the analysis to the nonprofit context brings specific considerations into play.

NPOs usually offer a public or mutual benefit other than providing profit or gain for their members or other investors. Because of this social value, and thus the absence of monetary gain, all CSR activities promoted by an NPO could be interpreted as 'socially responsible'. However, this seems to be a rather superficial interpretation (Bouckaert and Vandenhove, 1998: 1074). As noted by Cornelius *et al.* (2008), the strength of an NPO's social mission (external matters) may even detract from the attention it can direct to internal matters, such as the working conditions of its employees.

Therefore, we can describe social responsibility in the context of NPOs as having two aspects. The first is strictly connected to the ability to fulfil the institutional mission that provides the NPO's *raison d'être* and the main attraction for stakeholders (members, volunteers, donors, states and local governments, etc.). The second aspect is an enlarged concept of responsibility related to the way in which the mission is achieved, and to the NPO's ability to respond to other wide-ranging social and environmental issues (Bouckaert and Vandenhove, 1998; Rusconi and Signori, 2007). Examples include the environmental impact of the NPO's actions, the working conditions of its employees, partners and volunteers, and its relationships with donors (Cornelius *et al.*, 2008).

The dual aspects of CSR for NPOs highlight its critical and strategic role in the nonprofit context and suggest that the social responsibility of NPOs merits special attention.

2.2. Customer perceptions of quality in NPOs

Scholars have investigated customer perceptions of quality in both the product (Rust and Oliver, 1994; Steenkamp, 1990) and service contexts (Brown *et al.*, 1993; Cronin and Taylor, 1992, 1994). Cronin and Taylor (1992) defined perceived quality as the consumer's judgement about the performance of a product or service. Golder *et al.* (2012) recently lent support to this definition

when they defined *quality* as ‘a set of three distinct states of an offering’s attributes’ relative performance generated while producing, experiencing, and evaluating the offering’.

In the service industry in particular, the customer perception of quality is of prime importance because the intangible, heterogeneous and inseparable nature of services makes them more difficult to evaluate than the quality of goods. Moreover, perceived service quality was found to be a relevant driver of customers’ purchasing decisions (Cronin *et al.*, 2000; Taylor and Baker, 1994; Zeithaml *et al.*, 1996), customer satisfaction (Brady and Robertson, 2001; Cronin and Taylor, 1992; Fornell *et al.*, 1996; Gotlieb *et al.*, 1994; Lee *et al.*, 2000) and loyalty (Zeithaml *et al.*, 1996; de Ruyter *et al.*, 1998; Bloemer *et al.*, 1999; Caruana, 2002).

Several factors influence customer perceived service quality (Parasuraman *et al.*, 1988 Cronin *et al.*, 1994; Brady *et al.*, 2002): 1) *tangibles*, the service firm’s physical facilities, equipment and the appearance of its personnel; 2) *reliability*, the service firm’s ability to perform the promised service dependably and accurately; 3) *responsiveness*, the service firm’s willingness to help customers and provide prompt service; 4) *assurance*, the degree of knowledge and courtesy demonstrated by a service firm’s employees and their ability to inspire trust and confidence; and, 5) *empathy*, the individualized attention the service firm offers its customers.

In addition to these traditional dimensions, scholars have supported the idea that CSR can be a viable form of leverage to improve customer perceptions of the quality of products (Rummell, 1999) and of the services organizations sell (del Mar Garcia de los Salmones *et al.*, 2005; Yaowalak and Rujirutana, 2009). As Creyer (1997) pointed out ‘ethical and unethical behaviour affects the perceived value of a firm’s product’.

The literature on the perceived quality of services provided by NPOs is scant—certainly when compared to that on for-profit organizations (Haley and Grant, 2011)—and the few studies available to date are principally focused on people donating to charities (Haley and Grant, 2011; Sargeant, 2001; Sargeant and Woodliffe, 2007), while a few works have focused on other paying customers, that is, the individuals who pay to acquire and use the services offered by NPOs such as visitors to a

museum (Bhattacharya, Rao and Glynn, 1995), the audience at a theatre (Voss, Cable and Voss, 2000) or at a concert venue (Jobst and Boerner, 2011). In the specific context of NPOs operating in the performing arts sector, researchers have underscored how important it is to assess customer perceived service quality because of its role in predicting customer satisfaction, loyalty, and repurchase intention (Hume *et al.*, 2006; Hume *et al.*, 2007; Jobst and Boerner, 2011). In addition, empirical efforts to shed light on whether, and if so, how CSR affects customer evaluation of NPOs and of their product and services are rare, despite the crucial role of CSR for these organizations.

As mentioned above, social responsibility in the NPO context affects more than just the way in which the NPO operates, going in fact to the very core of its institutional mission. Customers (but also other stakeholders) can thus expect NPOs to be socially responsible simply because of the absence of profit, or can conflate CSR with the NPOs' institutional missions. Consequently, CSR can be interpreted as a distinctive quality of an NPO, and therefore as a dimension characterizing the services it provides. Following these premises, this paper aims to investigate: 1) if and to what extent CSR is a component of customers' assessment of service quality in NPOs, and 2) if so, how customers interpret and perceive the CSR activity of the NPO.

3. Research Methods

The current research uses two studies, the first quantitative and a second qualitative, to answer the research questions above. The decision to conduct a quantitative survey before a qualitative study was driven by the main aim of surveying a significant number of informants in order to demonstrate that an NPO's social responsibility is a dimension of the customer perception of service quality. By drawing on the results from a survey of customers of an NPO, we tested the theoretical construct of customer perceived quality, that includes customer perception of CSR activity, in order to verify if CSR can be considered a dimension of customer perceived quality. Afterwards, we conducted a qualitative study consisting of one-to-one interviews in order to verify

and build on the survey evidence (Creswell and Clark, 2007) and to understand how customers interpret the NPOs' CSR.

3.1. Case Study

Magnolia is an Italian NPO based in Milan, and was chosen for this study because of its unique features. Its activities are entirely financed by its members/customers through membership fees (20.4% of total revenues in 2011), proceeds from ticket sales for concerts and sales of food and beverages at those concerts. Unlike other NPOs, Magnolia does not receive funding from public bodies or other administrative entities. Magnolia's main activity consists of organizing concerts by both independent and mainstream artists. Over the six years from 2005 to 2011, 1,005 bands and 462 DJs performed on Magnolia's stage and the NPO organized 30 festivals involving around 700 artists. In 2010, Magnolia generated revenue of 1.8 million euros. It has compiled a social report since 2009; and is one of few NPOs to do so. Magnolia's CSR activities include donating part of its proceeds to various NPOs providing socially conscious services and committing to programmes aimed at reducing its environmental footprint and financing the protection of the environment surrounding its facilities (Magnolia, 2010, 2011).

4. Study 1

The first purpose of this research is to verify whether CSR in an NPO is a dimension of customer perceptions of its service quality. To this end, we designed and pretested a questionnaire (see Section 4.1 below) that we distributed along with Magnolia's four weekly newsletters in June 2011 to approximately 14,000 customers voluntarily subscribing to the newsletter service.

The questionnaire was in three sections. The first section collected demographic information (age, gender, and education) and attendance data related to Magnolia events, in addition to asking the respondents whether they had read the annual social report. The second section measured customer perception of service quality and the third measured CSR perception: the last two both on a 5-point

Likert scale. To ensure consistency with previous studies, we derived the items of the questionnaire from the available literature (Churchill, 1979).

4.1. Measurements

We measured customer perception of quality by applying a performance-only measurement scale (SERPERF - Cronin and Taylor, 1992) proven to be suitable to assess product and service quality in different industries (Brady and Robertson, 2001; Brady and Cronin, 2001; Brady *et al.*, 2002; Cronin and Taylor, 1992), as well as in the nonprofit context (Sargeant, 2001; Sargeant and Woodliffe, 2007). Of the scale's five original dimensions, only three have been proved to contribute to the composition of the customer perception of quality in the entertainment and hospitality sectors: *material product*, *labour and employee behaviour and attitude*, and *environment* (Reuland *et al.*, 1985; Pizam and Ellis, 1999). These findings offer empirical confirmation of Rust and Oliver's (1994) view that the overall perception of service quality is based on the customer's evaluation of the interaction between the customer and the service firm's employees, the service environment, and the service itself.

The final scale is composed of 26 items: six measuring the *material product*, four measuring *labour and employee behaviour and attitude*, and 16 measuring *environment*. In addition to these three dimensions, a further three-item dimension was included to measure customer perception of the NPO's *social responsibility*. Although the metrics currently used in the literature to define and measure CSR are varied and numerous (Peloza and Shang, 2011), we decided to use the original three-item scale developed by Berens *et al.* (2005) to assess respondents' evaluation of Magnolia's corporate social responsibility, the organization's commitment to the environment, and its support of humanitarian causes, as this scale reflects the areas of CSR that Magnolia has committed to (Magnolia, 2010, 2011).

The validity and reliability of observed and latent variables were tested through a preliminary questionnaire sent to 50 members (Churchill, 1979). The test meant it was possible to refine certain

questions to make them more comprehensible, and to delete inconsistent items. The final questionnaire was emailed to 14,000 members of Magnolia, who voluntarily subscribed to the NPO's weekly newsletter.

4.2. Results

After four weeks we received 451 completed questionnaires, a response rate of 3.2%. After a preliminary quality check, we retained all of them for analysis. Comparison between the self-selected sample and the population from which it was drawn (29,461 members in 2010) confirmed the significant representativeness of the respondents (see Table 1).

The distribution by gender indicates that 61% of respondents were men and 39% women. Of the sample, 93% had a high school diploma or a university degree, and 83% of the respondents were between 21 and 35 years old, which is a significant representation of the population.

Table 1 about here

An evaluation of how frequently the respondents attended events arranged by Magnolia showed that 18.8% of them seldom attended events, 34.8% attended once a month, 20.4% attended twice a month, 12.2% attended between two and four times a month and 13.7% attended events more than four times a month.

In order to avoid non-response bias, we sent a reminder to the newsletter subscribers. Using the technique advocated by Armstrong and Overton (1977), we evaluated non-response bias by comparing the subject responses received during the four newsletter waves. No significant differences were found between these two groups regarding the independent, and criterion variables or the demographic data. We started the structured empirical scale development procedure with an exploratory factor analysis (EFA) (Churchill, 1979), using maximum likelihood extraction and orthogonal varimax rotation and reliability tests to assess the trustworthiness of the 29 proposed

items. We identified four valid and reliable factors explaining customer perceptions of service quality: *environment*, *material product*, *labour and employee behaviour and attitude*, and *social responsibility*. The results of the EFA suggested that 12 items should be deleted because they did not load at the 0.3 level (Nunnally and Bernstein, 1994) or cross-loaded on several factors. In particular, a total of nine were dropped from the measurement of perceived quality of the *environment* and three items from the measure of perceived quality of the *material product* (factor loading ≤ 0.45).

Once the exploratory factor analysis was complete, we tested the factorial validity of the NPO's perception of quality construct, which includes CSR, through a subsequent confirmatory factor analysis (CFA) (Churchill, 1979; Brown, 2006) using the maximum likelihood (ML) procedure, as recommended by Anderson and Gerbing (1988).

4.2.2 Confirmatory Factor Analyses

Constructs and items tested and retained through the EFA, were subsequently tested through a CFA to provide a statistical critical test of the homogeneity of the items used to assess the latent constructs. To identify measurement items contributing to poor fit, the largest negative and positive standardized residuals, as well as the scores of items' multiple squared correlations were considered. The items excluded from the measurement scale were four items from the construct *environment* and two items from the construct *labour and employee behaviour and attitude*. The results of the measurement model's fit statistics are summarized in Table 2.

Each measurement scale was assessed to be reliable: the Cronbach's alpha values ranged from a minimum of .830 to a maximum of .936, higher than the .70 threshold suggested by Nunnally and Bernstein (1994). In addition, composite reliability (CR) and average variance extracted (AVE) of each of the constructs were above the recommended threshold of .6 for the former and .5 for the latter (Bagozzi & Yi, 1988; Fornell and Larcker, 1981) except for the construct *environment* that had an AVE slightly below the recommended threshold. Although it

would have been good to have had higher values recorded for the AVEs, the values are sufficient to indicate that the construct is robust. According to Fornell and Larcker (1981), in fact, although an AVE smaller than .50, brings into question the validity of the items and of the construct, if the CR is above the .60 threshold, the researcher can conclude that the convergent validity of the construct is adequate.

Moreover, in order to reduce the risk of common methods bias for data, we employed Harman's single-factor test (Podsakoff *et al.*, 2003). We estimated a CFA to compare our model to a constrained single-factor model. In case of common method variance, the single latent factor would account for all of the variables. The single-factor fit showed no evidence of common method bias, as it exhibited $\chi^2 = 964.978$ and $df = 44$. The measurement model instead resulted in $\chi^2 = 93.77$ and $df = 37$, demonstrating significantly improved fit ($p < .001$).

Table 2 about here

We also tested for convergent validity by verifying that each item significantly and substantially loaded onto the expected latent construct by checking that all t -values were larger than 5.0 and that all standardized parameters were larger than .5, respectively.

Finally, we followed Fornell and Larcker (1981) in assessing the discriminant validity of the constructs by comparing the AVEs with the squared correlations for all pairs of latent variables. As the highest squared correlation was .47 and the lowest AVE was .491, all pairs of constructs met this condition. Thus, since discriminant validity was established, problems of multicollinearity are unlikely (Fornell and Larcker, 1981; Grewal *et al.*, 2004). Table 3 shows the correlations among the latent constructs.

Table 3 about here

4.2.3 A rival model

Previous studies place CSR as a significant antecedent of perceived service quality (Rummell, 1999; del Mar Garcia de los Salmones *et al.*, 2005; Yaowalak and Rujirutana, 2009). The literature on this topic, while limited, has empirically confirmed the existence of a positive causal relationship between CSR and perceived service quality for for-profit companies. Although the proposed first-order measurement model has been proven consistent, and resulted in an acceptable model fit ($\chi^2=93.77$; $df=37$; $p < .005$, RMSEA= .058; GFI= .963; AGFI= .935; NFI= .976; NNFI= .978; CFI= .985), we developed and tested a rival model, which considered CSR a driver of perceived service quality. Thus, we tested the possibility that CSR drives the development of a positive perception of the NPO's *environment, material product and labour and employee behaviour and attitude*. We used a structural equation model framework that permitted comparisons of non-nested models (Byrne, 1998). The model with the lowest Akaike information criterion (AIC) and consistent Akaike information criterion (CAIC) is considered the best. As the baseline model's AIC and CAIC were equal to 151.77 and 300 respectively, and the rival model showed a larger AIC and CAIC than the proposed model (AIC_{rival}= 182.38, CAIC_{rival}= 315.27), we conclude that the proposed measurement model fits the data better than the alternative causal model. Thus, the model in which *social responsibility* is considered a dimension of perceived service quality has a higher explanatory power than that of a rival model in which CSR drives service quality.

Finally, as suggested by Berens *et al.* (2005), we conducted a *t*-test on each item of the social responsibility factor to counter any tendency on the part of the respondents to use Magnolia's CSR assessment as equating to an overall valuation of the company. The mean value of the item "Magnolia is socially responsible" differed significantly between those members who declared they had read the social report and those who had not ($p=.025$). In general, respondents seemed fully aware of the meaning of the term social responsibility and the social report appeared to be an effective way of improving members' awareness of the NPO's CSR activity. Another *t*-test analysis was performed on the item "Magnolia invests enough in green activities" and in that case too, the

mean values differed significantly between members who had read the social report and those who had not ($p=.01$).

5. Study 2

The main focus of Study 2 was to verify how customers define CSR as it applies to the studied NPO. The interview was structured around six open-ended questions; in addition to socio-demographic and frequency information (age, gender, education and attendance at Magnolia events), respondents were asked if they considered Magnolia to be socially responsible and if so, why. Those answering in the affirmative were asked which of Magnolia's socially responsible activities they knew of and, finally, whether they had read the NPO's social report. The interviews took place on 17 July 2011 before and after a concert. The research team anticipated that the particular concert chosen would attract a very heterogeneous audience. None of the individuals interviewed had participated in the prior survey. Owing to the exploratory nature of this second analysis, we allowed respondents to talk freely about Magnolia's social responsibility (Strauss and Corbin, 1990). During the interviews, researchers adopted the respondents' jargon and intervened only when necessary to explain unclear questions (Barnard, 1988). Each interview lasted approximately 10–15 minutes and was codified and transcribed within 24 hours (Yin, 1989).

When questioned on why they considered Magnolia to be socially responsible, 43 respondents gave detailed answers supporting their opinions. Since respondents could provide more than one reason, a total of 46 qualitative answers were gathered. These answers were analysed for content and codified by each author, providing categories of content with an intercoder agreement of 93.4%. Afterwards, two codifiers working independently of the research team categorized the answers according to the content previously identified. The reliability of the codification process (intercoder reliability; see e.g. Lombard *et al.*, 2002) was assessed through Cohen's coefficient *kappa* (Cohen, 1960; 1968)

5.2. Results

The demographic information on the respondents is as follows: 51.8% of the interviewees were male, 88.4% were between 22 and 35 years of age (consistent with the population) and 48.8% held a high school diploma or a degree (consistent with the quantitative sample). When asked about frequency of attendance, 18.6% indicated that they seldom attended Magnolia's musical events, 27.9% attended once a month, 23.3% attended at least twice a month, 16.3% attended between two and four times a month and 14% attended more than four times a month (consistent with the quantitative sample).

Although only three of 43 interviewees stated that they had read the association's social report, 32 of them (75%) indicated that they considered Magnolia to be socially responsible, four thought Magnolia was not socially responsible (9%) and the remaining seven respondents (16%) did not have an opinion (see Table 4).

Table 4 about here

Of the qualitative answers related to the perception of Magnolia's social responsibility, 15 addressed its commitment towards the environment (e.g. the use of biodegradable plastic glasses and the installation of photovoltaic panels), its organization of social events for the elderly and/or other initiatives such as its organization of cultural and educational events aimed at reducing the misuse of alcohol. Although only three respondents had read the social report, the 43 interviewees generally demonstrated a high level of awareness of the social activities undertaken by the association.

The most interesting result of this qualitative analysis was that 21 answers indicated that the association's mission and its core activities are sources of its social responsibility. Another 11 answers mentioned its mission-related activities, such as organizing concerts and other cultural

events. In addition, 10 offered as evidence of Magnolia's CSR modalities aspects such as the fact that Magnolia promoted non-mainstream bands, the lower admission prices compared to those for events promoted by for-profit entertainment organizations, and the attention paid to safety during musical events. These suggestions indicate that respondents perceived the CSR activity of the NPO to be inseparable from its ultimate objective. In fact, the item related to investment in social activities had the highest factor loading of those forming the *social responsibility* dimension. This evidence suggests that respondents consider the mission of the organization and its objectives to be the dominant element of its social responsibility. Magnolia's customers view it organizing high-quality concerts and offering a safe place for entertainment at a lower price than its for-profit competitors to be socially responsible investments *per se* and, therefore, socially responsible activities. Conversely, the three respondents who felt that Magnolia is not socially responsible added that they based their opinions on not seeing anything socially responsible in the way Magnolia conducted its business.

Although the results merit deeper analysis, they do permit us to infer that a particular perception of CSR exists for those NPOs whose main activity includes the promotion and development of cultural events.

6. Discussion

By focusing on an NPO operating in the performing arts sector, this research aimed to demonstrate that CSR is a dimension of customer assessment of service quality in NPOs, and to investigate how customers interpret and perceive the CSR activity of the NPO.

To fulfil these purposes, we opted for a mixed-method research design, the first part of which was a quantitative study and the second a qualitative enquiry.

The limited literature that focuses on the impact of CSR on perceived quality, has empirically validated that a higher level of CSR perceived by customers gives rise to the quality of products being evaluated more highly (Rummell, 1999) and the same applies to services (del Mar Garcia de

los Salmones *et al.*, 2005; Yaowalak and Rujirutana, 2009). Nevertheless, we contend that given the particular nature of NPOs and the social scope of their institutional missions (Bouckaert and Vandenhove, 1998; Cornelius *et al.*, 2008; Rusconi and Signori, 2007), CSR should be considered as an essential dimension customers take into account when evaluating the quality of services provided by NPOs. Consequently, CSR in NPOs should be evaluated along traditional dimensions affecting customers' perceptions of service quality.

By assuming this theoretical standpoint, we developed and tested a scale by adding *social responsibility* (Berens *et al.*, 2005) to the three dimensions that were found to influence customers' evaluations of service quality in the entertainment and hospitality sectors: *material product, labour and employee behaviour and attitude*, and *environment* (Reuland *et al.*, 1985; Rust and Oliver, 1994; Pizam and Ellis, 1999). The results of a preliminary exploratory factor analysis and a subsequent CFA offered empirical support to the reliability and validity of the scale developed. Moreover, the first-order measurement model resulted in a better statistical fit than a rival model in which CSR was made an antecedent of service quality, a finding in line with previous studies on for-profit companies. The findings therefore emphasize how CSR appears as a dimension of the customers' services evaluation of quality in NPOs. The evaluation of perceived service quality in turn, is not just limited to the service itself, or to the place where services are delivered, or to the people responsible for service delivery; but is extended to all the CSR activities undertaken by the NPO.

The results of the first study were supported and extended by findings from the subsequent qualitative enquiry.

Personal interviews revealed the importance of the nature of the core activity undertaken by the NPO (the organization and promotion of musical and cultural events in the context of this study) and, in particular, its contribution to building customer understanding of the meanings of CSR. In particular, aspects like ticket pricing policies or the non-mainstream nature of the cultural/music

events emerged as strong influencers of customer perceptions of Magnolia's CSR among more than 50% of the respondents.

Moreover, although we did not specifically investigate consumer interpretations of Magnolia's motives for engaging in CSR activities, the qualitative study does offer several notable insights. Magnolia's customers seem to positively evaluate the NPO's social and environmental CSR initiatives strongly linked to its core activities (Ellen *et al.*, 2006). In particular, besides its mission and the modalities through which it is pursued, customers identify the social responsibility in those activities and initiatives directed at other stakeholders, but tightly linked with the NPO's institutional purposes. As evidence, they refer to the use of biodegradable plastic glasses and the installation of photovoltaic panels, but not to the commitment to protect the environment around the association's premises. Similarly, they refer to the various initiatives aimed at reducing alcohol and drug misuse, but not to the financial support Magnolia provides for good causes.

These results underline two aspects of CSR in NPOs: customers consider activities directly connected to the core mission of the NPO to be the socially responsible ones, and they seem to pay specific attention to such CSR initiatives. This aspects extend the theoretical standpoint of this paper because besides the fact that CSR must be acknowledged to be a dimension of customer perceived quality as it relates to NPOs, particularly CSR activities related to the institutional mission are key.

The results of the current research also delivered some interesting findings on CSR communication strategies and tools available to NPOs to make customers aware of their socially responsible activity. Traditional tools of accountability such as the social report seem to be less effective than expected at increasing customer awareness of CSR. Personal awareness seems to be shaped more by direct individual experience. The majority of the respondents in fact, regarded Magnolia as socially responsible mainly by virtue of the way in which it pursued its institutional mission. However, the case of so-called enlarged CSR, which extends organizations' responsibilities to other extra-institutional duties (e.g. a commitment to the environment for an

organization focused on entertainment), is different. The *t*-test analysis on the sample of participants in the quantitative survey showed that only two items of the three comprising the dimension labelled social responsibility distinguished between those respondents who had read the social report and those who had not. In particular, we found that the social report contributed significantly towards generating awareness with respect to environmental issues, but not with regard to social investments. Conversely, in the second study performed, although only three of the 43 respondents had read the social report, this group as a whole demonstrated a high level of awareness of the societal activity of Magnolia. These results suggest that a nonprofit organization can effectively communicate its social commitment and responsibility by using a combination of several communication channels and by paying primary attention to customers' personal experience. In this framework, the social report can be a valuable communication channel to reach those more sensitive to CSR issues, but is not appropriate to be the sole channel for the communication of CSR activity.

7. Managerial implications

The current research offers some managerial implications by providing insights and stimuli especially for NPOs operating in the performing arts and entertainment sector. The sector as a whole is struggling to cope with drastic reductions in funding that threaten many organizations' existence and compel actors to adopt more customer-oriented values (Haley and Grant, 2011; Hume *et al.*, 2006, 2007; Scott, 2003).

Providing empirical support to the idea that CSR is a dimension customers take into account when evaluating the quality of services provided by NPOs, we suggest that managers of these organizations would be wise to pursue CSR activity, because it is something expected by their customers. Thus, the results underline the relevance of CSR in the nonprofit context, and offer managers a viable way to influence customer evaluations of service quality, that can in turn improve the likelihood of their customers being satisfied and loyal. NPOs are working in an environment

that makes assessing customer perceptions of service quality increasingly necessary (Bennett and Barkensjo, 2005; Brady and Robertson, 2001; Cronin and Taylor, 1992; Du, Bhattacharya and Sen, 2011; Fornell *et al.*, 1996; Gotlieb *et al.*, 1994; Sargeant, 2001; Sargeant and Woodliffe, 2007). In that context, CSR emerges as an additional dimension available for managers to strategically exploit, and one of particular worth when an NPO is competing with a for-profit organization providing the same or similar services (as is the case in the performing arts and the entertainment sector).

Moreover, this research confirms that customers of NPOs may not be aware of all of the organization's CSR initiatives, indicating that NPO management cannot afford to relax the promotion of CSR activities (Pirsch *et al.* 2007), particularly those closely linked to their NPO's core business and mission (Lichtenstein *et al.*, 2004; Öberseder *et al.*, 2011). Other less routine practices, such as philanthropy, seem to be less effective and customers may not be aware of them at all. Managers wishing to enhance their organization's socially responsible image, and thereby heighten their customers' perceptions of quality, would be advised to ensure the organization's pricing policy, product or service offerings, and other aspects closely linked to core activity and mission meet the criteria of social responsibility. Such a focus is likely to be more productive than attempts to extend their CSR efforts into areas unconnected to the NPO's core activity.

To that end, given the importance of CSR to perceived quality, managers would be advised to measure the consumers' perception of CSR frequently, especially when implementing new actions and policies. Viable ways to check how the dynamics of CSR are influencing customer perceptions of quality would include making quantitative assessments of paying customers' opinions and/or establishing a panel.

Finally, CSR communication strategies merit some consideration. Given that CSR is a dimension of service quality, an organization should ensure its customers are sufficiently aware of its CSR work; failure to do so may lead customers to under-estimate the value of the services it delivers. Ensuring optimal customer awareness would require the ways in which CSR is

communicated to be managed by choosing those media, contents, and messages that most effectively influence customer perceptions. The current research indicates that it would be unwise to rely solely on the social report to communicate CSR initiatives.

8. Limitations and further research

Despite the empirical contribution made by the current research, the results should be viewed in light of its limitations. The first lies in the context of the investigation, which was limited by the examination of just one specific organization, operating in a particular sector and in a single country, so limiting the generalizability and external validity of the results. Further studies would therefore be required to extend the findings to other nonprofit contexts. Second, this research focused only on actual customers, and did not consider other categories of stakeholder. Future studies might thus try to shed light on the impact of an NPO's social responsibility on the perception of quality of the services it provides, perhaps by focusing on other stakeholders, such as donors, local governments, and prospective customers. Third, although we highlighted the customers' perceptions of quality, which include the CSR dimension, we did not investigate the effects of such perceptions on customer responses. Further research might therefore investigate the cause-and-effect chain connecting service quality and other possible outcomes, such as intention to purchase, satisfaction, and loyalty in nonprofit contexts.

Finally, in the light of the results, future avenues of investigation suggested for scholars of CSR communication include the fact that customers were aware of the organization's CSR regardless of whether they had read the social report. This is a finding that confirms the need for multifaceted accountability (Ebrahim, 2003a and b; Unerman and O'Dwyer, 2006), and calls for empirical investigations on establishing a communication framework that could help NPO managers establish CSR communication strategies.

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Table 1 - Comparison between the self-selected sample and the relevant population

	Population	Sample
<i>N</i>	29,461	451
Gender		
<i>M</i>	62.9%	61%
<i>F</i>	37.1%	39%
Education		
<i>Elementary school</i>	0.1%	-
<i>Mid level school</i>	8.6%	4%
<i>High school</i>	50.4%	43%
<i>University degree</i>	40.9%	50%
<i>Other</i>	-	3%
Age		
<i><16</i>	0.2%	1%
<i>16-20</i>	5.4%	10%
<i>21-25</i>	33.6%	34%
<i>26-30</i>	33.1%	32%
<i>31-35</i>	16.7%	17%
<i>36-40</i>	6.6%	3%
<i>41-45</i>	2.3%	2%
<i>>45</i>	2.1%	1%

Table 2 – Composition of measures

Constructs and items	Completely standardized loadings (t-value)	<i>M</i>	<i>SD</i>	CA	CR	AVE
<i>Corporate Social responsibility</i>				.849	.815	.596
Magnolia is socially responsible	.846 (std.)	3.84	1.02			
Magnolia invests sufficiently in social activities	.775 (16.70)	3.49	1.03			
Magnolia invests sufficiently in green activities	.689 (13.92)	3.71	1.06			
<i>Environment</i>				.754	.742	.491
Space and usability of infrastructures	.708 (std)	3.61	.945			
Opening time	.686 (11.38.)	4.02	.832			
Meeting spaces	.722 (11.95)	4.07	.945			
<i>Material product</i>				.854	.858	.671
Quality of music offering	.803 (std.)	4.12	.845			
Variety of music offering	.714(16.08)	4.12	.942			
I like the music offerings	.927(19.47)	4.14	.875			
<i>Labour and employee behaviour and attitude</i>				.854	.680	.517
Courtesy of security staff	.667 (std)	3.37	1.14			
Courtesy of bartenders	.768 (9.55)	4.12	.800			

Notes:

M = mean; SD = standard deviation; CA = coefficient alpha; CR = composite reliability; AVE = average variance extracted.

Table 3 - Latent constructs correlations

Constructs	Inter-construct correlation			
	1	2	3	4
1. Corporate Social responsibility	1.00			
2. Environment	.690	1.00		
3. Material product	.469	.563	1.00	
4 Labour and employee behaviour and attitude	.668	.572	.372	1.00

Note. All correlations are significant at < .001.

Table 4 – Codification of qualitative answers

Question						
<i>1. Is Magnolia socially responsible? (N=43)</i>	Yes 32 (75%)	No 4 (9%)	Don't Know 7 (16%)			
Categories						
			Rater 1	Rater 2	Agreement	%
<i>2. Why do you think Magnolia is socially responsible? (N=46)</i>	A. Yes, for its CSR activities (e.g., solar panels, anti-alcoholism initiatives, etc.)		15	15	15	38.5%
	B. Yes, because of its core business (e.g., music shows for young people, cultural initiatives, etc.)		13	12	11	28.2%
Intercode reliability 0.9333	C. Yes, because of the ways it realises its core business (pricing, security, etc.)		10	12	10	25.6%
	D. No, I don't see anything socially responsible		3	3	3	7.7%
	<i>Total</i>		<i>41</i>	<i>42</i>	<i>39</i>	<i>100</i>
<i>3. Have you read the social report? (N=43)</i>	Yes 3 (7%)	No 40 (93%)	Don't Know -----			