The effect of physical proximity on investments in corporate social responsibility initiatives: An exploratory analysis

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Abstract

Purpose: This paper investigates the effect of proximity on an individual’s willingness to invest in corporate social responsibility (CSR) initiatives.

Design/methodology/approach: Students enrolled in an undergraduate management accounting course participated in an experiment. Participants were presented with three CSR initiatives and asked how much they would invest in each. The initiatives differed in terms of the ethical responsibility of, and economic benefit for, the organisation. In a 1x4 experimental design participants received one of four manipulations of physical proximity.

Findings/results: Previous research has provided conflicting results regarding the effect of proximity on moral intensity, and consequent ethical decision making (EDM). The results of this exploratory study indicate that physical proximity does influence the level of investment in certain CSR initiatives when ethical responsibility and economic benefit are high.

Research limitations/implications: This experimental study is conducted with university students. It therefore has the typical concerns regarding generalizability of the results. Furthermore, small cell sizes mean that there was only enough experimental power to find large effects. The results do, however, indicate that further research is warranted in order to expand upon Jones’ (1991) notion of physical proximity as it relates to geographic differences. The finding that participants reacted differently to two locations that were both physically distant suggests that geographic locations also differ implicitly in their social, cultural, and/or psychological proximity.

Practical implications: Multinational corporations (MNCs) significantly impact on social welfare in their distant host countries. Understanding the unconscious biases that can influence decision makers in the home country is important in understanding the psychological factors that may influence the level of investment in distant CSR initiatives.

Originality/value: While there is a substantial body of research that has examined an organisation’s incentives for investing in CSR, this study explores how ethical and economic motives influence the cognitive processes of the decision maker. This focus on the individual is largely absent in the CSR literature.

Keywords: corporate social responsibility; moral intensity; proximity; multinational corporations

JEL Classification: G30; M14
PsycINFO Classification: 3600
FoR Code: 1501; 1503
Introduction

Debates about Corporate Social Responsibility (CSR) can be considered in terms of the profit-oriented and/or ethical (i.e., moral) consequences (Brønn and Vidaver-Cohen 2009). Although Friedman (1970) initially argued that the corporation’s sole social responsibility was to generate profit for shareholders, it is now generally accepted that organisations have a responsibility to a much broader range of stakeholders (Freeman 1984; Mitchell et al. 1997). In other words, organisations have an ethical responsibility for their Corporate Social Performance (CSP).

Organisational processes that determine CSP are, however, still a ‘black box’ (Linnenluecke et al. 2007) that deserves further attention to understand the factors that will influence the operationalisation of CSR (Aguilera et al. 2007). Of interest here is the important, but largely neglected, area of research into the factors that influence an individual’s decision-making processes as they relate to CSR. Specifically, this study considers the effects of an individual’s economic and ethical motivations for investment in CSR initiatives.

Ethics is profoundly associated with CSR at both the individual and organisational levels (Carroll 1979; De George 1987; Hopkins 1999; Joyner and Payne 2002). External stakeholders view an organisation’s CSP as synonymous with ethical performance (Roner 2006). An empirical investigation of the ethical dimension of CSR-related decision making is, however, largely absent from the literature and has recently been called for (e.g., Hillebrandt 2013). By focussing on the individuals who are making CSR-related decisions it is possible to apply a wealth of psychological theory to understanding how their cognitive processes influence the organisation’s CSP.

Rest’s model of ethical decision making (Rest 1979; Rest 1986) is used as a framework for understanding the factors that will influence the various stages of the ethical decision-making (EDM) process. Furthermore, Jones (1991) argues for the importance of taking an issue-contingent approach that introduces the notion of moral intensity. In contrast to ethical models which assume that an individual’s EDM processes are the same regardless of the nature of the ethical issue (Leitsch 2004), Jones’ model identifies a number of factors which determine the moral intensity of the issue. Moral intensity is the salience and vividness of the issue (Leitsch 2004) which subsequently determines the recognition and response to the ethical dimension (Jones 1991).

One of the factors that is predicted to influence moral intensity is proximity. When the physical distance between the decision maker and affected individuals increases it is argued that the moral intensity of the issue declines. The effect of proximity is especially pertinent to Multinational Corporations (MNCs) operating in distant host countries. Distance between decision maker and victim/beneficiary increases the risk that decision makers based in the home country will ignore or underinvest in CSR in their MNC’s distant host countries. In addition to the ethical ramifications of substandard CSP, such underinvestment is particularly detrimental to MNCs which suffer from the Liability of Foreignness (LOF). That is, the negative attitude toward foreign MNCs that is often held by local stakeholders (Hymer 1960/1976; Mezias 2002; Campbell et al. 2012). MNC’s may be able to reduce negative attitudes in their host countries through investments in CSR (Yang and Rivers 2009).

The results of this exploratory study provide some support for Jones’ (1991) model of moral intensity. Physical proximity did influence the level of investment in a CSR initiative where the ethical responsibility was clear and there was an economic benefit. Of interest, however, is that physical proximity was not important in determining the level of investment in a discretionary CSR initiative with no economic benefit. Furthermore, physical proximity was important for one geographic location, but not for another equally distant location. These results highlight the importance of extending our understanding of the effects of proximity on the moral intensity of different forms of CSR, and the consequent influence on EDM as it affects MNCs’ investments in distant CSR initiatives.
Literature Review and Hypothesis Development

Studies of MNCs’ investments in CSR have focussed on the economic rationale. In particular, MNCs may seek to increase their legitimacy among constituents in the host country through investments in social and environmental initiatives. This may be one way to overcome the Liability of Foreignness (LOF) that MNCs face (Hymer 1960/1976; Mezias 2002; Yang and Rivers 2009; Campbell et al. 2012). Based on this strategic argument, MNCs would be expected to invest more in CSR activities in distant countries. Campbell et al., (2012) find, however, that MNC banks invest less in distant host countries than they do in their home country. They attribute their findings to the effect of distance on willingness (based on the empathy felt by decision makers in the home country) or ability (based on organisational and resource limitations in the host country). In their study at the organisational level, based on actual investments, Campbell et al., (2012) were unable to distinguish between these two possible explanations.

Focussing on the individual as the unit of analysis recognises that CSP is determined by the decisions made by managers and employees throughout the organisation (Hillebrandt 2013). There are various psychological factors that may influence the CSR decision-making process. By recognising that CSR has an ethical foundation it is possible to increase our understanding by viewing CSR decisions within an EDM framework. Specifically, this study considers the extent to which proximity increases the moral intensity (Jones 1991) of the issue, and thereby increases the willingness to invest in a CSR initiative. The following describes the concept of moral intensity and develops hypotheses.

The decisions that drive Corporate Social Performance (CSP) are fundamentally ethical (Carroll 1979; De George 1987; Joyner and Payne 2002). However, the recognition of the ethical dimension of a decision, and the value placed on outcomes, will vary with individual differences. Therefore, an important explanation for an individual’s actions relating to CSR is the extent to which they recognise a moral issue, make a moral judgement and establish moral intent, and then act upon their ethical intentions (Rest 1986). Jones (1991) made an important contribution to our understanding of the ethical decision-making process by recognising that the features of the issue will influence its moral intensity which will, in turn, affect each of the stages of the ethical decision-making process.

Jones proposed six characteristics which determine moral intensity: (1) the severity of the consequence of an ethical issue (magnitude of consequences), (2) whether the ethical issue is considered to be socially acceptable (social consensus), (3) the probability that the act in question will actually take place (probability of effect), (4) the length of time between the present and the act in question (temporal immediacy), (5) the impact on individuals (concentration of effect), and (6) the physical, social, cultural, and/or psychological distance between the decision maker and the victims of the moral situation (proximity).

The focus of this paper is on the effect of proximity. Proximity is referred to as “the feeling of nearness that the moral agent has for its victims” (Jones 1991 p. 376). Whereas physical proximity is a matter of spatial closeness; cultural, social and psychological proximity involve a sense of connectedness with the members of the group (Mencl and May 2009). Obviously, these various dimensions of proximity are related and may combine to increase the individuals’ overall perceived proximity. Jones (1991) argues that close proximity to the victim increases the likelihood that the decision maker will recognise and respond to the ethical aspect of the decision.

Based on the previous discussion the following hypothesis is proposed:

H1. Proximity will increase the overall investment in CSR initiatives.

While many researchers have empirically tested Jones’ (1991) proximity assumptions (e.g. (Dukerich et al. 2000; Frey 2000; Barnett 2001; Jaffe and Pasternak 2006; Jordan et al. 2012), the results have been mixed. Fundamental to Jones’ (1991) notion of moral intensity is that it is

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1 The term ‘victim’ is used to refer to those affected by the organisation’s decisions. The effect is not necessarily detrimental. Corporate Social Responsibility also includes a responsibility to make positive contributions to society.
determined by the issue itself, therefore, different issues will influence the ethical decision-making process in varying degrees. Sheng and Chen (2010) suggest that “there should be multiple moral intensity evaluations based on different issues”. Of particular relevance for CSR is the extent to which the introduction of a profit motive subsumes the effects of proximity. In other words, whether the investment decision becomes a financial decision, unaffected by the moral intensity of the issue. H2 explores the effect of a profit motive by considering two CSR investments: an anonymous investment with only an ethical motive, and a CSR investment with both an ethical and a financial motive.

H2a Proximity will increase investment in an anonymous CSR initiative with no financial benefit.

H2b Proximity will increase the investment in an ethical CSR initiative that also has a financial benefit.

The following section describes the research method employed to test these hypotheses.

Research Method
Experiment Overview
An experiment was conducted to test the hypothesised effect of proximity on investment in CSR initiatives. In a 1x4 single-factor design, proximity was manipulated with four levels.

Participants
Sixty-one final year management accounting students completed the experimental task during a lecture on Social and Environmental Reporting. Participants were enrolled in an undergraduate Bachelor of Commerce. Although demographic questions were not asked as part of this study, based on the enrolment for the course students were mostly Australian, between the ages of 18 and 25, and with an equal proportion of males and females. Eighteen participants had incomplete responses and so were excluded from the analysis, leaving 43 participants with usable responses.

Overview of procedures
Experimental materials were randomly distributed to participants, which they read individually and then recorded their funding decisions. Data was then collected by TurningPoint, a system that allows participants to record their responses to questions that are presented via PowerPoint. Responses are anonymous (although identified by the unique identification number for their device) and the results of each question were not displayed to the participants during the course of the data collection.

Participants were asked to assume that they were the sole franchise owner for a new, fully licensed fast-food restaurant called “B&B” (affectionately known to customers as Burgers and Booze) with locations around the world. Profit last year from all locations was $200,000. Participants were all provided with the first initiative, which was to invest in changing to certified (animal welfare) suppliers at a distant location (New Zealand). This initiative was predicted to have an immediate net financial benefit through increased revenues. It was included to provide participants with an alternative to investing in their local or distant CSR initiatives. Therefore, spending on one or more of the other two CSR initiatives in their assigned area could only be made by reducing the spending on this profitable initiative. Therefore, in addition to taking the franchise’s profits, participants could choose between reinvesting them for short-term profitability, or investing them in the CSR initiatives that were the focus of this research.

Participants then received information about two social issues: binge drinking and unhealthy eating (see Figure 1). Note that the location differed depending on the proximity treatment, as described in the following discussion of the independent variables.

The analysis was also conducted with all responses (to whatever extent they were completed) included and the pattern of means were the same.
After being exposed to these ethical issues participants were asked to determine the level of funding that they would provide for each initiative. The participants spending on the final two initiatives (binge drinking and a healthy menu) provided the basis for the dependent variables.

Dependent Variables

All participants received the following instruction (emphasis in original):

“The following initiatives have been submitted. Your task is to evaluate each proposal and decide whether it should be implemented at that location. You have a total of $100,000 available to spend. Any money that is not spent on an initiative will be distributed to you as the owner of the franchise. Every additional dollar spent on an initiative will have the same incremental benefit. The maximum that can be spent on any single initiative, however, is $75,000.”

Initiative 2: Reduce binge drinking (Anonymous CSR initiative)

Participants decided how much anonymous financial support they would provide for an organisation that is very effective in helping to reduce the level of binge drinking among teenagers and young adults. They were reminded that binge drinking leads to dangerous behaviour, as well as long-term health problems and the problem was made more salient by describing the impact on a particular student (see Figure 1). Contributing to this initiative is,
however, primarily a discretionary act of philanthropy toward the local community. The business has little control over, or ethical responsibility for, the binge-drinking behaviour.  

*Initiative 3: Healthy Choice Menu (CSR initiative with ethical and financial benefits)*  
The initiative is to create a ‘healthy choice’ menu that is nutritionally balanced and low in fat. The social responsibility of the franchise was emphasised by noting that obesity and poor nutrition are significant problems, particularly among the customers of B&B. Therefore, the organisation may be seen as having a direct ethical responsibility to reduce the detrimental health consequences of its’ operations. Furthermore, the initiative had a long-term financial benefit, described as follows:

“Items on the ‘healthy choice’ menu will have lower margins (price less cost of production) than the existing menu and so there will be an initial decrease in profitability for the first two years. Profitability will then increase, however, as new customers are attracted and existing customers learn the value of eating healthy food.”

After deciding on the level of spending for each initiative participants then submitted their spending choices through TurningPoint (a participant response system that works through powerpoint) by choosing the appropriate range (e.g., $20,000-$29,999).

The dependent variables included spending on the binge drinking (H2b) and the healthy menu (H2a) initiatives, and the sum of spending on both the binge drinking and healthy menu initiatives (H1). Note that spending on the supplier certification initiative was not included in the dependent variable because proximity did not differ between participants. This initiative was provided as an immediately profitable alternative to the other two initiatives.

**Independent Variables**

**Proximity**

Participants were given a map and description of one of four different locations (see Figure 2) - the University of the Sunshine Coast (USC), Queensland University of Technology (QUT), University of Alberta (UofA) and the University of Johannesburg (UofJ). The predicted effect of these locations on proximity is as follows:

USC vs QUT, UofA and UofJ: Given that the research was conducted with students at USC, the USC location provided the most proximate group. Previous research has found that even small spatial distances, however, can affect the moral intensity of an issue (Morris and McDonald 1995). Therefore, the Queensland University of Technology (QUT) location provides a strong test of H1 given that it provides a relatively proximate physical group. The University of Alberta (UofA) and the University of Johannesburg (UofJ) are more physically distant and so provide further tests of H1.

**Figure 2:**  
*Proximity Treatments*

| University of the Sunshine Coast, Sippy Downs, Australia (USC Close) | Queensland University of Technology, Kelvin Grove, Brisbane, Australia (QUT Close) | University of Alberta, Edmonton, Canada (UofA Distant) | University of Johannesburg, Johannesburg, South Africa (UofJ Distant) |
Category of CSR
Carroll (1979) recognised four categories of CSR, at the base is the economic responsibility to shareholders. Legal and ethical responsibilities follow and discretionary CSR is the apex. In this study, the two initiatives differed on this basis. The initiative to support the program to reduce binge drinking is discretionary. Binge drinking is not caused by, can’t be considered the direct ethical responsibility of the organisation, and is not within their direct control to remedy. On the other hand, the ethical responsibility for a healthy menu is greater because B&B directly influenced the level of unhealthy eating by the food that they provided. Introducing a healthy menu would have an immediate benefit for the local community, and provides a long-term financial benefit.

Results
Manipulation Checks
After completing the experimental task participants were asked a number of pertinent questions. The results are as follows (see Table :1):

Table :1
Responses to Manipulation Check Questions

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Missing</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting the program to reduce binge drinking will increase financial performance in the short-term for my location.</td>
<td>nil</td>
<td>4 (9.3%)</td>
<td>6 (14%)</td>
<td>20 (46.5%)</td>
<td>13 (30.2%)</td>
<td>nil</td>
<td>2.0233 (0.9126)</td>
</tr>
<tr>
<td>A healthy choice menu will increase financial performance in the short-term for my location.</td>
<td>4 (9.3%)</td>
<td>5 (11.6%)</td>
<td>24 (55.8%)</td>
<td>7 (16.3%)</td>
<td>3 (7%)</td>
<td>2.1500 (0.8336)</td>
<td></td>
</tr>
<tr>
<td>Supporting the program to reduce binge drinking will increase financial performance in the long-term for my location</td>
<td>2 (4.7%)</td>
<td>6 (14%)</td>
<td>6 (14%)</td>
<td>20 (46.5%)</td>
<td>8 (18.6%)</td>
<td>1 (2.3%)</td>
<td>2.3810 (1.1033)</td>
</tr>
<tr>
<td>A healthy choice menu will increase financial performance in the long-term for my location</td>
<td>10 (23.3%)</td>
<td>25 (58.1%)</td>
<td>4 (9.3%)</td>
<td>3 (7.0%)</td>
<td>nil</td>
<td>1 (2.3%)</td>
<td>4.000 (0.7963)</td>
</tr>
<tr>
<td>Binge drinking is a serious problem at my location</td>
<td>7 (16.3%)</td>
<td>25 (58.1%)</td>
<td>3 (7.0%)</td>
<td>2 (4.7%)</td>
<td>5 (11.6%)</td>
<td>1 (2.3%)</td>
<td>3.6429 (1.1857)</td>
</tr>
<tr>
<td>Unhealthy diets are a significant problem at my location</td>
<td>11 (25.6%)</td>
<td>20 (46.5%)</td>
<td>5 (11.6%)</td>
<td>5 (11.6%)</td>
<td>1 (2.3%)</td>
<td>1 (2.3%)</td>
<td>3.8333 (1.0340)</td>
</tr>
<tr>
<td>Supporting the program to reduce binge drinking will have a significant positive impact on the community in my location.</td>
<td>9 (20.9%)</td>
<td>25 (58.1%)</td>
<td>5 (11.6%)</td>
<td>1 (2.3%)</td>
<td>1 (2.3%)</td>
<td>2 (4.7%)</td>
<td>3.9756 (0.8212)</td>
</tr>
</tbody>
</table>

Pairwaise comparisons were conducted to determine whether individuals’ responses differed in their perceptions of financial benefits for the two initiatives, and the significance of the two underlying problems. As per the desired effect of the manipulation, participants perceived no significant difference in short-term financial performance or in the significance of the problem. The difference between the perceived impact on long term financial performance was, however, significant (mean 2.381 and 4.000, t=7.796, p<0.000). From this it can be concluded that participants viewed the initiative to introduce a healthy diet as having a long-term financial
benefit while the initiative to reduce binge drinking did not. This distinction is important in testing H2.

Hypothesis Testing

H1 predicted that proximity would increase the overall investment in CSR initiatives. The investment in CSR initiatives for each treatment is shown in Table 2 and Figure 3. USC was the most proximate location (both physically and culturally) to the participants and so was compared with each of the other locations. The results of these planned contrasts can be seen in Table 2 where it can be seen that the spending at USC was significantly different to QUT (t=1.718, p=0.046 one-tailed) and UofA (t=1.888, p=0.033 one-tailed) which provides support for H1. CSR spending at the University of Johannesburg (UofJ), however, was not significantly less than at USC.

Table 2: 
Sum of Funding for CSR Initiatives and Hypotheses Testing

<table>
<thead>
<tr>
<th>Location</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Planned Contrast with USC</th>
</tr>
</thead>
<tbody>
<tr>
<td>USC</td>
<td>11</td>
<td>8.6364</td>
<td>3.0090</td>
<td>5.00</td>
<td>16.00</td>
<td>t-value</td>
</tr>
<tr>
<td>QUT</td>
<td>10</td>
<td>6.6000</td>
<td>2.0110</td>
<td>4.00</td>
<td>10.00</td>
<td>1.684</td>
</tr>
<tr>
<td>UofA</td>
<td>9</td>
<td>6.3333</td>
<td>2.9154</td>
<td>2.00</td>
<td>12.00</td>
<td>1.852</td>
</tr>
<tr>
<td>UofJ</td>
<td>13</td>
<td>7.8462</td>
<td>2.9395</td>
<td>2.00</td>
<td>12.00</td>
<td>.697</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>7.4419</td>
<td>2.8225</td>
<td>2.00</td>
<td>16.00</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: 
Sum of Funding for CSR Initiatives
Table 3: Funding for CSR Initiatives and Hypothesis Testing

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Min</th>
<th>Max</th>
<th>Planned contrasts to USC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>t</td>
</tr>
<tr>
<td>Spending on binge drinking</td>
<td>USC</td>
<td>11</td>
<td>3.18</td>
<td>2.316</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>QUT</td>
<td>10</td>
<td>3.00</td>
<td>1.826</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>UofA</td>
<td>9</td>
<td>2.67</td>
<td>1.803</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>UofJ</td>
<td>13</td>
<td>3.15</td>
<td>1.994</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>43</td>
<td>3.02</td>
<td>1.946</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Spending on healthy choice menu</td>
<td>USC</td>
<td>11</td>
<td>5.45</td>
<td>1.635</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>QUT</td>
<td>10</td>
<td>3.60</td>
<td>1.647</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>UofA</td>
<td>9</td>
<td>3.67</td>
<td>1.658</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>UofJ</td>
<td>13</td>
<td>4.69</td>
<td>2.287</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>43</td>
<td>4.42</td>
<td>1.955</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>

The second hypothesis decomposed the CSR investment into two initiatives which differed in terms of the ethical responsibility for the issue, and the financial benefit from the initiative. H2a considered the effect of proximity in determining the contribution to reduce binge drinking. In order to test H2a the planned contrasts described in H1 were repeated, with the level of spending on the binge drinking initiative as the dependent variable. Recall that the binge drinking initiative was anonymous and there was no anticipated financial benefit for the organisation. There were no significant contrasts and so H2a is not supported: proximity was not important in determining the level of investment in this CSR initiative (see Table 3).

H2b considered the effect of proximity for an initiative with a financial benefit which also responded to a direct ethical responsibility. Planned contrasts find a significant difference for proximity (USC vs QUT, t=2.274 p=0.015 means 5.45 vs 3.60; USC vs UofA, t=2.131, p=.020 means 5.45 and 3.67, respectively, see Figure 4 and Table 3). Therefore, H2b is partially supported. The difference between USC and UofJ is not, however, significant.

Figure 4: Spending on Healthy Choice Menu Initiative

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Discussion

This study provides preliminary evidence that proximity influences spending on certain CSR initiatives. This supports the call by Sheng and Chen (2010) to consider different issues when testing the effects of proximity on moral intensity. A paired-sampled t-test confirmed that participants spent more on the healthy menu initiative than the binge drinking initiative (mean 4.42 vs. 3.02, t=3.399, p=.001, 2-tailed). Exploring the differences between the two initiatives suggests that either a clear ethical responsibility or a financial benefit were important in determining whether proximity would influence the level of investment. Unfortunately, the research design does not distinguish between these two possible effects of ethical responsibility and financial benefit.

Conclusions, Limitations and Further Research

While organisations may have an ethical responsibility, and a financial imperative, to engage in CSR activities, individuals ultimately make the decisions about what, and to what extent, CSR initiatives are supported. Therefore, an organisation’s CSP will be determined by the personal values and psychological biases of their employees. Managing social and environmental outcomes is a particularly important issue for MNCs which face the LOF. These organisations face an additional factor that will influence the recognition, and response, to ethical issues, that is, the proximity of those affected by their distant operations. Various psychological theories help us understand how proximity will influence the EDM that occurs within MNCs.

The tentative conclusions from this exploratory research are, however, subject to a number of limitations. The first is the use of students as surrogates for the practising managers which make CSR-related decisions in organisations. This lack of external validity is balanced by the experimental control by which the effect of proximity was isolated and manipulated. Given the relative lack of power due to the small cell sizes, the significant finding indicates that proximity is an important factor that may bias the EDM process. Further research involving managers operating within MNCs is warranted. The low number of participants also made certain analyses impossible. Further research with more participants would allow more extensive testing of the interactions that may be important in moderating the effect of proximity.

There is no clear theoretical explanation for an interaction between financial benefit and proximity since the effect of proximity is based on the EDM process. More promising, is the possibility that one of Jones’ (1991) other determinants of moral intensity, e.g., social consensus or magnitude of consequences, may have interacted with proximity. Other emotions may also be triggered by the CSR issue, and subsequently interact with proximity to determine moral intensity. For example, the attribution of blame (Alicke 2000; Alicke and Rose 2010) may explain the difference between the reaction to binge drinking and the reaction to an unhealthy diet. Further research is necessary to explore these other dimensions of CSR issues that may moderate the effects of proximity.

What seems particularly remarkable is that the spending on CSR initiatives differed between two locations that were equally physically-distant. We can speculate on other possible differences between the University of Alberta (UofA) and the University of Johannesburg (UofJ), such as social, cultural, or psychological proximity to the participants. The research design does not, however, test for these differences. Furthermore, the reasons for the different reaction to the UofA and the UofJ are not immediately obvious and would require further research to investigate. An alternative explanation to proximity is that the UofJ treatment invoked some other emotions, such as empathy or sympathy, that directly or indirectly influenced ethical reasoning. Further research is necessary to explore other potential determinants of CSR initiatives.
References


