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## **THE INFLUENCE OF THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS ETHICS ON THE CONSUMERS' ATTITUDE AND LOVE TOWARDS THE BRAND**

### **ABSTRACT**

This study investigates the direct effect of the perception of social responsibility and business ethics on love and attitude towards a drug brand that can be obtained without a prescription, within Bosnia and Herzegovina. The data was collected through an online survey. In order to validate the suggested conceptual model, we used structural equation modeling (PLS-SEM). The results of the research underscore the crucial role of the perception of social responsibility in creating a positive brand attitude and brand love, while the perception of business ethics may prove to be less influential, particularly in the specific context of the pharmaceutical industry. This research expands the knowledge about consumer behavior and branding strategies in the context of the pharmaceutical industry, providing a better understanding of the complex relationships between social responsibility, business ethics, brand attitudes, and brand love. In this way it can contribute to the development of guidelines for improving practices within the pharmaceutical industry in Bosnia and Herzegovina.

**Key words:** *corporate social responsibility, business ethics, brand love, brand attitude, pharmaceutical industry*

**JEL:** *M0, M30, M31, M14*

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## 1. INTRODUCTION

Historically, the world has been faced with significant social and humanitarian challenges that have political, economic and social repercussions and require appropriate responses not only from governments, but also from society as a whole. Based on this premise, consumers began to expect organizations to take different positions in order to overcome the hermetic logic of profitability and show greater commitment and investment in social issues (Flaherty et al., 2020). Socially responsible business and business ethics are gaining more and more strength and credibility as activities and behaviors developed by companies towards their shareholders, in order to maximize economic, social and environmental well-being, and create profit for themselves (Ferrell et al., 2019; Upadhye et al., 2019; Sama et al., 2020).

These are relevant, because they enable organizations to increase profitability, become more sustainable, differentiate themselves through their values, fulfill their responsibilities towards society (Weller, 2020; Abu Zayyad et al., 2021) and foster positive attitudes among their target audience (Gilal et al., 2020). Therefore, the effects of socially responsible activities and business ethics on consumer behavior (Davies and Gutsche, 2016), as well as their influence on brand strategies (Du et al., 2007; Sama et al., 2020), are an additional relevant factor for this topic. According to numerous studies, positive evaluations and behaviors of consumers towards companies are based on their perception of the organization's values, ethical behavior (Ferrell et al., 2019) and social responsibility in their business initiatives (Manita et al., 2018; Ramesh et al., 2019). Therefore, companies have an interest in carrying out socially responsible activities because of the positive effects on their business, i.e. improving the company's reputation, achieving competitive advantage and creating value (Crane et al., 2008).

However, there is still a limited number of studies that investigate the importance of corporate social responsibility and business ethics in the field of marketing. The literature shows that researchers have not yet reached a consensus on CSR and business ethics. Some consider the two concepts to overlap, while others consider them completely different (Epstein, 1987; Joyner and Payne, 2002; Fassin et al., 2011; Brunk, 2010; Weller, 2020). Ferrell et al. (2019) showed in their research that consumers perceive socially responsible business and business ethics as different constructs, showing that consumers react differently to each of them.

As a sector that deeply affects people's health and well-being, the pharmaceutical industry has a unique obligation to society and the environment. Transparency in drug research and development is one of the essential aspects of the pharmaceutical industry's social corporate responsibility. Pharmaceutical companies must disclose information about the safety and efficacy of their drugs, and must also disclose any

donations or other types of assistance they offer in the context of various health initiatives. As the pharmaceutical industry in Bosnia and Herzegovina grows, so does criticism of the work of pharmaceutical companies. The need to control and reduce the side effects of these criticisms has resulted in pharmaceutical companies increasingly complying with the norms of socially responsible business and business ethics. Until now, only certain researches limited to the internal use of companies have been conducted regarding this topic in Bosnia and Herzegovina. Taking into account the above, the main goal of this paper is aimed at understanding the influence of social corporate responsibility and business ethics on the attitude and love of consumers towards the drug brand of a pharmaceutical company in Bosnia and Herzegovina.

## **2. THEORETICAL BACKGROUND**

For years, companies have traditionally focused exclusively on profitability as the main business goal. However, the global economic crisis, social progress, technological development, increased civic education and growing social and environmental problems have resulted in new demands for companies. In response, many large corporations have assumed social responsibility and established principles of business ethics, recognizing their responsibility in social and environmental goals. Although the extent of their involvement varies, they prioritize the protection of the natural environment, the promotion of employee well-being, taking into account the impact on communities and society, practicing sustainability and maintaining ethical business practices. This is also in line with the *theory of interest groups*, according to which it is believed that companies must have a comprehensive view and go beyond activities aimed at increasing the profitability of investors, focusing on the interests of all parties that have a direct or indirect influence on their business (Fassin et al., 2017; Flaherty et al., 2020). A positive response to the interests of stakeholders can be very beneficial for companies and can generally increase their wealth (Jones, 1995; Kang and Namkung, 2018). In light of society's growing concern for issues of ethics and social responsibility, interest group theory represents an approach to the role of organizations in solving social and collective problems (Ayuso et al., 2014). Although companies are not required to behave ethically and morally towards the population, such behavior is still expected of them (Carroll, 2004; Markovic et al., 2018). Given the complexity of CSR practices and business ethics, interest group theory can contribute by promoting a more thorough analysis of companies' relationships with interest groups (Clarkson, 1995; Rowley and Berman, 2000; Jamali and Carroll, 2017). Different participants that make up interest groups have a fundamental role in creating wealth for companies and in their development, because they are the same ones who benefit from what the organization produces (Cavalcante et al., 2021).

Due to the nature of its products, the pharmaceutical industry is also faced with other ethical dilemmas, such as the affordability of high drug prices, the rights of patients and healthcare professionals, and the influence of pharmaceutical corporations on medical practice. Pharmaceutical companies are subject to intense competition and strategic consolidation on a global level. Moreover, pharmaceutical companies adhere to higher standards of social responsibility, because their products have a direct impact on people's health and well-being, raising complex ethical issues. Paine (2007) points out that companies on the modern market are expected to demonstrate moral intelligence to potential customers, investors and partners, which means that companies must demonstrate that in addition to making a profit, they also have a valuable social mission. In addition, by adhering to high standards of business ethics, pharmaceutical companies build consumer trust and a base of loyal customers who see them as a positive force in society, while on the other hand, companies that ignore these values risk losing the trust and loyalty of their consumers. This is especially true of over-the-counter medications, which are important because they provide quick and easy access to treatments for common ailments, saving time and money. Over-the-counter drugs are drugs that are sold directly to the consumer without the need for a prescription from a healthcare professional (Millar, 2018), in contrast to prescription drugs, which may only be dispensed to consumers with a valid prescription. In this context, the influence of socially responsible behavior and business ethics plays a greater role when choosing this type of medicine by consumers. Activities on the non-prescription drug market are regulated by rules and regulations specific to each country. In many countries, OTC drugs are selected by the appropriate regulatory agency to ensure that they contain ingredients that are safe and effective when used without medical supervision.

Bearing in mind that consumers are increasingly informed, it is important to emphasize that they are aware of the impact that social responsibility activities can have on their lives, and they want to see that organizations adhere to and defend this awareness (Ozuem et al., 2014). In fact, consumers have begun to predict that organizations will adopt different attitudes to overcome a narrow-minded focus on profit and show a greater level of commitment and investment in solving social issues (Flaherty et al., 2020). Therefore, organizations that want to improve their reputation, increase their business performance, strengthen ties with their target audience and maintain an attractive image in the eyes of consumers should adopt socially responsible business practices and convey such attachments to their audience. This is where the concept of socially responsible business and business ethics comes into play, where companies strive to maximize not only their economic, social and environmental well-being, but also the well-being of their stakeholders, while making a profit (Ferrell et al., 2019; Upadhye et al., 2019; Sama et al., 2020). At the same time, the key element through which potential customers evaluate the

company's socially responsible activities and ethical behavior is the brand. Therefore, it is of great importance to observe the contribution that CSR and business ethics provide in the context of the branding of the company and its products or services.

## **2.1. CORPORATE SOCIAL RESPONSIBILITY**

The concept of CSR dates back many years and has gone through numerous definitions that have evolved and changed over time. Its scope varies among nations, regions, and even within common interest groups. Bowen (2013), defines CSR as "the duty of entrepreneurs to follow these policies, to make those decisions, or to follow those lines of action that are desirable in terms of our society's goals and values". Today, social responsibility has become a key issue not only in the business field, but also in the fields of law, politics and economics, both in theory and in practice.

Understanding the issues for which there is social responsibility is extremely important for a company to engage in CSR, and accordingly states that CSR "comprises the economic, legal, ethical and discretionary expectations that society has of organizations, at a given moment" (Carroll, 1999). The aforementioned includes solving environmental problems, as well as various social, ethical, managerial, health and other challenges in the business world.

Companies have become aware that it is equally important to recognize that profit is only a consequence of satisfying people's needs. In accordance with the above, recognizing and fulfilling its social responsibility, the company can achieve its purpose and encourage its progress. Therefore, it is important to note that CSR is not only based on companies' investments in the social community with the aim of solving problems within the community, but also represents the way in which companies build their own integrity. Although social movements and governments of a large number of countries, mostly developed ones, put pressure on companies, directing them towards CSR, the managers themselves realized the advantages that this way of doing business can bring to the company. Previous research indicates the importance of these practices in organizations, since users support socially responsible enterprises (Creyer, 1997; Barone et al., 2000), and that these efforts are perceived by all interested parties, not only the group destined to receive such benefits (Godfrey et al., 2009). As pointed out by Matešić et al. (2015), by adopting socially responsible business integration, companies assume responsibility for protecting the interests of their own interest groups, as well as other stakeholders who are, in any way, influenced by the company's operations.

### 2.1.1. CSR and brand attitude

Consumers do not bond or quickly develop strong relationships with brands. This requires a long-term relationship between the consumer and the brand. Thus, brand relevance depends on the time customers spend consuming products or services, as well as the amount of thought they devote to it (Park et al., 2010; Batra et al., 2012). Therefore, it is important to plan marketing strategies that strive to build close, long-term relationships with customers.

Brand attitude is a key variable for acquiring and retaining customers. In general, the consumer psychology literature examines attitudes in accordance with Fishbein's expectancy-value framework (Ajzen and Fishbein, 1975). However, such a formulation is very restrictive. Brand attitude refers to the consumer's global evaluation of the brand (Colliander and Marder, 2018), which is derived from their beliefs and emotions regarding the brand's characteristics and benefits (Keller, 2003).

Attitude about the brand is of fundamental importance, since it directly affects the evaluation of the brand. Therefore, it can be said that brand attitude reflects the level of brand affinity (Collins-Dodd and Lindley, 2003). Marketing researchers recognize brand attitude as a key point that has a strong influence on customer behavior (Chaudhuri and Holbrook, 2001; Suha and Youjjae, 2006), that is, neutral, negative or positive brand attitudes play a vital role in consumer behavior patterns (Hellier et al., 2003). One of the fundamental ideas in figuring out consumer behavior is attitude toward the brand, which is a relatively permanent, one-dimensional, and summary assessment of the brand (Spears and Singh, 2004; Lee and Kang, 2013).

Previous research shows that there is a relationship between CSR and brand attitude (Rivera et al., 2016), that is, that CSR activities are related to variables such as consumer attitudes and behavior (Sureshchandar et al., 2002). In accordance with these results, the following research question was put forward in this paper:

***RQ1:** Does the company's corporate social responsibility have an effect on the customer's attitude towards the drug brand?*

### 2.1.2. CSR and love for the brand

Concepts of brand love were introduced into the marketing literature by Shimp and Madden in 1988, suggesting that love includes three dimensions: intimacy, commitment and passion. Batra et al. (2012), describe the concept of brand love and try to measure brand love based on knowledge of how consumers perceive the phenomenon of love. Customers who love their brands are the most loyal and dedicated brand defenders (Albert and Merunka, 2013). In terms of marketing, it is considered that love for the brand is the strongest aspect of customer-brand communication (Batra et al., 2012), and is an incentive for forming and maintaining

close relationships between customers and the company (Reimann et al., 2012). Brand love has been proven to be a part of the structure of the relationship between the consumer and the brand, which is more intense than simply liking the brand (Fetscherin and Heinrich, 2014). The concept of love for a brand is a unique emotional attitude, defined as the intensity of an individual's passionate emotional attachment to a particular brand. Since it originates from the marketing field, this construct is a valuable instrument that helps in better understanding consumer behavior and its expected changes in the period after consumption (Carroll and Ahuvia, 2006). The results of previous research (Baena, 2018; Gilal et al., 2020) show that consumers tend to have greater feelings of love for a brand when they see greater social responsibility in it. In this sense, since it has a significant impact on the customer-brand relationship, socially responsible business must be an integral part of brand building (Sprinkle and Maines, 2010). In accordance with the above, the following research question can be identified:

***RQ2: Is there an effect of the company's social responsibility on customers' love for the drug brand of this pharmaceutical company?***

## **2.2. BUSINESS ETHICS**

Considering the modern business of companies, which focus not only on maximizing profit but also on the needs of society and different human values, we can justifiably claim that the economic segment of business today is not devoid of ethical considerations.. The term ethics originates from the Greek words: *ethos* - custom and *ethikos* - morality, and represents "the part of philosophy that studies and evaluates moral values and principles of morality", while an ethicist is considered a person who "lives in accordance with moral laws and regulations" Anić et al. (1999). Becker (2019), believes that "a person can accept norms and values from authority, law, religion or customs and accept them as guidelines for what is right and what is wrong, or can think about what is right and what is wrong and look for reasons and justification for norms and values." This second, explicit thinking about norms and values, is traditionally called ethics. Ethics includes principles of conduct that guide our actions in personal and professional domains. Prior to 1960, discussions of ethical issues related to business tended to take place within the realms of theology or philosophy. However, in the 1960s, a negative attitude towards business emerged as critics targeted the interests that dominated the economic and political aspects of society, and in the same period there was an increase in environmental problems such as pollution and disposal of hazardous materials and nuclear waste. Furthermore, consumerism has seen an increase as individuals, groups and organizations have taken measures to protect their consumer rights (Ferrell et al., 2011). All of the above caused ethical issues and standards to be more intensively considered within the framework of business activities since the 1960s, which dictate

the degree of integrity, compassion and reliability we show, but also establish benchmarks for the way in which communication with clients, employees and shareholders is established, which ultimately shapes the business reputation. Certain professions, such as medicine and law, adhere to established ethical principles. Health professionals, including doctors, nurses and pharmaceutical companies, recognize the *Hippocratic Oath*, which is based on the ethical principles of beneficence, justice, respect for the personality of the patient and respect for life (Salihbegović, 2008), as a suitable guideline in providing adequate care for patients.

In the context of the specificity of ethical norms, professional ethics in pharmacy are defined by Krajnović et al. (2013) as "a set of rules and principles on the basis of which decisions are made and the behavior of pharmacists is determined - a discipline that deals with the question of what is good and what is bad, what is right and what is wrong, as well as the issue of moral duty and obligations in pharmaceutical practice". The pharmaceutical industry is faced with major ethical dilemmas, such as the affordability of high drug prices, the rights of patients and healthcare professionals, and the influence of pharmaceutical corporations on medical practice in general. In this sense, the research of business ethics in the pharmaceutical industry is a special and challenging phenomenon for academic research. Companies that want to have strong and lasting brands must include ethics as a fundamental business principle and show their target audience, through their constant interaction, how the brand has functioned and approached ethics (Morsing, 2006; Rindell et al., 2011).

This requires cultivating and demonstrating ethical behavior in every consumer-company interaction. The importance of consumer support is recognized by authors who believe that consumers want brands that integrate ethical values (Shaw and Shiu, 2002; Vidgen et al., 2020). Although ethical standards may be in conflict with the personal interests of managers or owners, in situations where there is a serious conflict between compliance with the rules and the realization of immediate profit, the value of society must be protected by prioritizing compliance with ethical standards.

### **2.2.1. Business ethics and brand attitude**

Consumers' perception of corporate ethics is an important factor because it affects their behavioral intentions, directing them to make purchasing decisions (Chiu, 2003). Creyer (1997) points out the positive influence of ethics on consumers, emphasizing that there is a good relationship between customers' perception of business ethics and their preferences for the company's products. Furthermore, additional research shows that ethical consumption values play a significant role in customer evaluations of a brand/company (Kim et al., 2010). On the other hand, unethical behavior in marketing and sales very quickly results in the loss of consumer



trust, which is directly reflected in the company's business results. Namely, when consumers perceive a brand's ethical behavior, they associate it with their own values, thus creating a strong connection and identification with the brand, as well as greater involvement and commitment (Pérez, 2009; Singh et al., 2012). If it turns out that when buying a certain brand they were manipulated in the sense that it does not meet the standards of expected value, consumers may experience this as an attack on their own integrity and lose trust not only in the product but also in the company that produces it, and in the future give up buying the product that company. In this case, consumers can build a negative attitude towards a particular brand that relates to their global evaluation of the brand (Colliander and Marder, 2018) and arises from their beliefs and emotions regarding the brand's characteristics and benefits (Keller, 2003). Thus, the ethical behavior of companies has a significant effect on consumer attitudes (Maignan and Ferrell, 2001), that is, when customers perceive that the company behaves ethically, they tend to react more positively to the company's brand(s) (Carrigan and Attalla 2001). Ferrell et al. (2019), in their research, show that business ethics has a greater influence on the attitude towards the brand than socially responsible business. In accordance with the above, the following research question can be identified:

***RQ3:** Does the perception of the company's business ethics have an effect on the customer's attitude towards the drug brand?*

### **2.2.2. Business ethics and brand love**

Companies that want to have strong and lasting brands must include ethics as a fundamental business principle and show their target audience, through their constant interaction, how the brand approached ethics (Morsing, 2006; Rindell et al., 2011). This requires developing and demonstrating ethical behavior at all points of contact between the consumer and the organization. Previous research shows that consumers show love for a brand if they perceive that companies behave ethically (Kim et al., 2020), that is, that business ethics has a direct impact on brand love (Quezado et al., 2022). Accordingly, the following research question was put forward:

***RQ4:** Is there an effect of perception of the company's business ethics on customers' love for the drug brand?*

### **2.3. BRAND ATTITUDE AND BRAND LOVE**

Previous research suggests that the consumer's attitude towards a particular brand, as well as the brand's benefits and attributes, establish the foundations on which the relationship between the consumer and the brand is built. Research conducted by Grace et al. (2020) shows that brand attitude is a significant predictor of brand love. This influence was also confirmed in the research conducted by Kazmi (2019) and

Delgado-Ballester et al., (2017). In accordance with the above, the following research question can be identified:

**RQ5:** *Is there an effect of attitude about the drug brand on the customers' love for the drug brand?*

### 3. RESEARCH METHODOLOGY

#### 3.1. DATA COLLECTION AND QUESTIONNAIRE DESIGN

The research is based on a quantitative approach, using the survey questionnaire technique for the research. Data were gathered with the use of an online questionnaire. The responders were recruited via email and the social media platforms Facebook, Instagram, and LinkedIn using the snowball sampling technique. A total of 218 complete online questionnaires were collected by adults from the Sarajevo Canton, Bosnia and Herzegovina. Detailed breakdown of the sample characteristics is shown in Table 1.

**Table 1.** *Demographic characteristics*

Variable	Frequencies	%	Variable	Frequencies	%
Gender			Education		
Female	119	54.6	High school or below	129	59.2
Male	99	45.4	College or vocational school	14	6.4
Age			Bachelor's degree	73	33.5
Less than 25	76	34.9	Master's degree or higher	2	0.9
26 - 35 years	92	42.2	Employment		
36 and more	50	22.9	Unemployed	89	40.8
			Employed	129	59.2

**Source:** *Own research*

The initial questionnaire comprised of fifty questions, divided into two sections. The sociodemographic information of respondents was gathered in the first phase of the survey. The questionnaire's second segment included items measuring the following constructs: (1) corporate social responsibility - 9 items adapted from the research of Ferrell et al. (2019); (2) business ethics - 8 items, also adapted from the work of Ferrell et al. (2019); (3) brand love – 5 items scale developed by Huang (2017); and (4) brand attitude – 4 items adapted from the work of Ferrell et al. (2019). A five-point Likert scale, with a range of 1 to 5, was used to score statements that were positive in nature and related to each concept. The original questionnaire was in English, so we translated it and adapted it to the official language of Bosnia and Herzegovina. A pilot study was run with 50 participants, in order to ensure that the participants would understand each and every item used in the final questionnaire.

### 3.2. DATA ANALYSIS

In an effort to find answers to previously posed research questions, the following research hypotheses were tested in this paper:

*H1: The perception of the company's corporate social responsibility has a positive effect on the customer's attitude towards the drug brand.*

*H2: The perception of the company's social responsibility has a positive effect on customers' love for the drug brand of this pharmaceutical company.*

*H3: The perception of the company's business ethics has a positive effect on the customer's attitude towards the drug brand.*

*H4: The perception of the company's business ethics has a positive effect on customers' love for the drug brand.*

*H5: Attitude about the drug brand affects the customers' love for the drug brand.*

To test study hypotheses, partial least square structural equation modelling (PLS-SEM) was used. Firstly, we examined measurement models for reliability metrics, such as composite reliability, factor loading, Cronbach's alpha, and rho\_A. The discriminant and convergent validity were also guaranteed. Before modeling structural equations, we also examined R-square, model fit, and collinearity. Furthermore, we tested the structural model, and presented the results of structural modelling. For data analysis, we utilized SPSS (version 24.0) and SmartPLS (version 4) software.

### 3.3. RESULTS

Following the steps proposed by Hair et al. (2018), a factor loading test was first performed. The construct in this scenario describes more than 50% of the variation of the indicator, which ensures the indicator has an adequate level of dependability. Factor loading levels greater than 0.7 are therefore recommended (Hair et al., 2018). After some items, due to inappropriate factor loadings and disruption of the overall fit of the model, were eliminated from further analysis, the factor loading values of the remaining items used in our research are presented in Table 2, and as we can see, the values for all items meet the previously mentioned criteria.

**Table 2.** *Scaling and measurement properties*

Construct (Latent variable)	Code	Dimensions and manifest variables	Stand. Factor Loading $\lambda$	Cronbach alpha	rho_A
Corporate Social Responsibility (CSR)	CSR1	I believe companies should support their communities	0.778	0.799	0.808
	CSR3	I believe companies should contribute to solving social issues	0.828		
	CSR4	I believe companies should support employee inclusion	0.778		
	CSR5	I believe companies should provide adequate benefits to employees	0.710		
	CSR6	I believe companies should make charitable contributions	0.773		
Business Ethics (BE)	BE1	Companies should have a code of ethics	0.929	0.843	0.881
	BE2	I believe companies should not engage in bribery	0.861		
	BE3	Companies should not be involved in communication that deceives facts	0.601		
Brand Love (BL)	BL1	Olyth brand makes me very happy	0.745	0.742	0.914
	BL2	I love brand Olynth.	0.767		
	BL3	Brand Olynth is a pure delight	0.88		
Brand Attitude (BA)	BA2	In general, my feelings toward company Johnson&Johnson are very favourable	0.759	0.709	0.749
	BA3	In general, my feelings toward company Johnson&Johnson are very good	0.866		
	BA4	In general, my feelings toward company Johnson&Johnson are very pleasant	0.747		

**Source:** *Own research*

The Cronbach alpha coefficient and composite reliability (CR) ratings were used in the second step to verify the measurement scales' dependability, as advised by Hair et al. (2012). As we can see in Table 2, the Cronbach alpha coefficients are above the minimum predicted threshold of 0.7 (Nunnally, 1978), so it is obvious that the measurement scales are internally consistent. Cronbach's alpha is considered a conservative indicator, so Composite reliability (CR) is used as an additional indicator of internal consistency. As you can see from Table 3, all CR values in the model are greater than 0.7 (Fornell and Larcker, 1981), so we conclude that the internal consistency of the model is satisfied.

The third step involves assessing the convergent validity of the measurement scales. The average extracted variance (AVE) was used to assess the measuring scales' convergent validity. All AVE values in this research are higher than the minimum recommended value of 0.5, which indicates good convergent validity (Hair et al., 2010) (see Table 3).

The fourth step refers to the assessment of discriminant validity, which shows the extent to which each construct is empirically different from other constructs in the model. Fornell and Larcker (1981), as a traditional assessment of discriminant validity, suggest that the AVE values of each construct should be compared with the construct's squared correlation with all other constructs in the model (as measures of

shared variance), whereby the shared variance should not be greater than associated AVE values. Table III shows indicators of discriminant validity, which point to acceptable values and satisfactory discriminant validity.

**Table 3.** *Discriminant validity of constructs*

Construct	CR	AVE	CSR	BE	BL	BA
Corporate social responsibility (CSR)	0.869	0.623	<b>0.789<sup>a</sup></b>			
Business ethics (BE)	0.892	0.673	0.380	<b>0.821</b>		
Brand love (BL)	0.840	0.638	0.157	0.118	<b>0.799</b>	
Brand attitude (BA)	0.834	0.627	0.144	0.073	0.108	<b>0.792</b>

**Note:** <sup>a</sup>Square root AVE values are in diagonals (bold) and correlations (r) are off-diagonal values

**Source:** *Own research*

Additionally, we can conclude that there is satisfactory discriminative validity between conceptually different latent variables because the HTMT values in our research are below 0.9.

The structural equation modeling technique requires the elimination of multicollinearity problems. For this purpose, the variance inflation factor (VIF) is most often used. When the VIF values are higher, the level of multicollinearity is higher. VIF values of 5 or more indicate multicollinearity problems among constructs (Huang, 2021). VIF values should ideally be below or near to 3. The VIF values in our study are less than 3, which puts them in the range of 1.021 and 1.188, and indicates no collinearity problem among the variables.

We used SRMR and NFI indicators of representativeness of the model. Acceptable values of SRMR range between 0 and 1, and those less than 0.008 can be considered ideal for good representativeness of the model (Bentler & Bonett, 1980). According to Bentler & Bonett (1980) and Hu and Bentler (1998), the NFI indicator's acceptable range is between 0 and 1, with values larger than 0.90 being the most acceptable in relation to the overall model's representativeness. In our research, the SRMR value is 0.068, which is less than 0.08. The NFI value is 0.764, and it is less than 0.9.

Based on the satisfactory results, the structural was assessed using the bootstrapping procedure. The main results of the study are presented in Table 4 below. As can be observed, the results are consistent with the hypothesis H1's prediction that there is a positive and statistically significant relationship between corporate social responsibility and brand attitude ( $B = 0.135$ ,  $p < 0.01$ ), which is in line with the results obtained by earlier researchers (Ramesh et al., 2019; Rivera et al., 2016).

**Table 4.** *Hypotheses testing*

Hypotheses	B	T	<i>p</i>	Results
H1: CSR → BA	0.135	2.597	0.002	Accepted*
H2: CSR → BL	0.120	3.048	0.009	Accepted*
H3: BE → BA	0.022	0.368	0.713	Rejected*
H4: BE → BL	0.066	1.607	0.108	Rejected*
H5: BA → BL	0.085	1.963	0.050	Accepted*
	R-Sq	Q-Sq		
BA	0.021	0.013		
BL	0.032	0.019		

**Note:** \*Relationship is significant at  $p < 0.05$ , B = Beta Coefficient, T = t – Statistics,  $p$  = Probability (P) value.

**Source:** *Own research*

The corporate social responsibility was also found to be positively associated with the brand love ( $B = 0.120$ ;  $p < 0.01$ ), providing support for hypothesis H2. This result is consistent with the results of previous research (Baene, 2018; Gilal et al., 2020), which showed that consumers tend to have greater feelings of love for a brand when they see greater social commitment in it.

### 3.4. DISCUSSION

Although previous research has shown that brands associated with ethical behavior contribute to the formation of more favorable consumer attitudes towards them and consumers' behavior in terms of a more positive reaction to the brand (Maignan and Ferrell, 2001; Carrigan and Attalla, 2001), this is in contrast with the results of this research, which showed that the perception of the company's business ethics (BE) does not have a statistically significant influence on the customer's attitude toward the drug brand (BA) ( $B = 0.022$ ;  $p = 0.713$ ). The reasons why the stated hypothesis (H3) was not confirmed are to some extent expected and most likely based on the fact that the pharmaceutical industry is often subject to consumer criticism and doubts, especially regarding ethical practices, transparency and impact on public health. Namely, consumers may have a general mistrust of pharmaceutical companies and doubt their sincerity in promoting ethical values, which may lead to a reduction in the impact of the perception of business ethics on consumer attitudes about the drug brand. In addition, consumers may be skeptical of the promoted business ethics of pharmaceutical companies, considering it a marketing tool or an attempt to cover up controversial practices, and this mistrust may reduce the impact of business ethics perceptions on consumer attitudes toward the drug brand.

Hypothesis 4, which assumed that the perception of the company's business ethics (BE) positively affects the customers' love for the drug brand (BL), was not confirmed ( $B = 0.066$ ;  $p = 0.108$ ), which also contradicts the results of research that confirms that consumers show love for the brand if they perceive that companies

behave ethically (Kim et al., 2020), that is, that business ethics has a direct impact on brand love (Quezado et al., 2022). Considering the disconfirmation of the previous hypothesis (H3), this result is expected, since the pharmaceutical industry often faces controversies and ethical issues, such as drug prices, access to health services or research practices, along with the negative image of the pharmaceutical industry that can influence the perception of business ethics and the way consumers react to brands within that industry.

In addition, brand attitude and brand love were found to be statistically significantly correlated ( $B = 0.085$ ;  $p < 0.05$ ), confirming hypothesis 5. This is in line with the research results reached by Kazmi (2019), whose results suggest that a positive consumer experience with a brand encourages brand love, and with research results that suggest that brand attitude is a significant predictor of brand love (Delgado-Ballester et al., 2017; Grace et al., 2020).

An assessment of model explanatory power was also performed. The R-Sq values for the endogenous variables ranged between 0.021– 0.032, and can be described as weak. Predictive relevance was assessed using Q-Sq value. The Q-Sq values of the endogenous constructs ranged from 0.013–0.019. The Q-Sq values in the study can be described as weak to substantial (Hair et al., 2013).

#### **4. CONCLUSION**

Today, companies, more than ever before, have an interest in carrying out socially responsible activities and adopting the principles of business ethics, due to the positive effects on their business, i.e. improving the company's reputation and achieving competitive advantages (Crane et al., 2008). Consumers' positive evaluations and behaviors towards companies are based on their perception of organizational values and ethical behavior (Ferrell et al., 2019), as well as social responsibility in their business initiatives (Manita et al., 2018; Ramesh et al., 2019). This research work is focused on the study of the influence of corporate social responsibility and business ethics of pharmaceutical companies in Bosnia and Herzegovina on the attitude and love of consumers towards the brand of over-the-counter medicine. Based on the conducted research, we managed to find answers to the identified research questions. The obtained results indicate the importance of the perception of social responsibility of companies as a factor that positively influences the consumer's attitude towards the drug brand, as a relatively permanent category of the relationship between the consumer and the brand. This is also confirmed by previous research that points out that consumers tend to develop better attitudes towards a brand when they perceive a company's greater social commitment. Also, the research confirmed that the perception of corporate social responsibility has a positive influence on consumers' love for the medicine brand.

On the other hand, the results of the conducted research did not confirm that the perception of the company's business ethics has a positive influence on the attitude, as well as on the consumer's love for the medicine brand. This result may arise from the fact that the pharmaceutical industry is often exposed to consumer criticism and suspicion, which may reduce the impact of the perception of business ethics on consumer attitudes about the drug brand. The reasons may also stem from consumers' mistrust in the pharmaceutical industry and the strong role of doctors in the recommendation and selection of drugs. Finally, it was found that the consumer's attitude towards the drug brand has a direct positive influence on brand love.

#### **4.1. THEORETICAL AND MANAGERIAL IMPLICATIONS**

Since there is still a limited number of studies that investigate the importance of socially responsible business and business ethics in the field of marketing, this study has significant scientific and practical contributions in understanding the complex factors that shape consumer perception. Namely, the research brings a significant scientific contribution in the areas of branding and consumer behavior, filling the existing gap in the literature, in terms of looking at the complex relationships and influence that CSR and BE have on consumer perception in the pharmaceutical industry of Bosnia and Herzegovina. The research's unique peculiarity comes from its primary focus on the pharmacy industry and its attention to the details of Bosnia and Herzegovina's over-the-counter medicine market. This contextual approach enables insight into local challenges and trends within the pharmaceutical sector, exploring how social responsibility and business ethics adjust consumer perception in a specific political-legal, economic and cultural environment.

From a practical point of view, understanding the complex connections between corporate social responsibility, business ethics, the attitude and love of consumers towards a drug brand, is of crucial importance for pharmaceutical companies in order to adequately shape their business strategies and relations with consumers, as well as marketing approaches adapted to local needs and consumer expectations. Understanding that the perception of a company's social responsibility directly affects the attitude and love of customers towards the brand should encourage pharmaceutical companies to pay more attention to practices that are considered socially responsible. This can result in an improvement in consumer perception and, consequently, a strengthening of the bond between consumers and drug brands.

#### **4.2. LIMITATIONS AND FUTURE RESEARCH**

Important advice for future research on customer perception in Bosnia and Herzegovina's pharmaceutical business are provided by the limits of this study. An important limitation of the study arises from the focus of the research on a specific brand of over-the-counter medicine and the general perception of social



responsibility and business ethics, without delving deeper into specific controversies or current topics within the pharmaceutical industry. Thus, it will be useful to validate the findings of this study in future research including additional brands. The second limitation has to do with the number of important factors used in this study to analyze the consumer's relationship with the brand. Therefore, it would be ideal to do further study that examines a wide range of other contextual, psychographic, and behavioral factors that are important for shaping consumers' perceptions of brands. Lastly, bearing in mind the used research methodology, which primarily relies on self-report measures, observational techniques could be used in future studies to gauge the individuals' behavioral and emotional reactions to the drug brand.

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## UTICAJ KORPORATIVNE DRUŠTVENE ODGOVORNOSTI I POSLOVNE ETIKE KOMPANIJE NA STAV I LJUBAV POTROŠAČA PREMA BRENDU

### ABSTRACT

*Ova studija istražuje direktan uticaj percepcije društvene odgovornosti i poslovne etike na ljubav i odnos potrošača prema brendu lijeka koji se može nabaviti bez recepta u Bosni i Hercegovini. Podaci su prikupljeni putem online ankete. Da bismo potvrdili predloženi konceptualni model, koristili smo modeliranje putem strukturalnih jednačina (PLS-SEM). Rezultati istraživanja naglašavaju ključnu ulogu percepcije društvene odgovornosti u stvaranju pozitivnog stava i ljubavi prema brendu, dok se percepcija poslovne etike može smatrati manje uticajnom, posebno u specifičnom kontekstu farmaceutske industrije. Ovo istraživanje proširuje znanje o ponašanju potrošača i strategijama brendiranja u kontekstu farmaceutske industrije, pružajući bolje razumijevanje složenih odnosa između društvene odgovornosti, poslovne etike, stavova prema brendu i ljubavi potrošača prema brendu. Na taj način može doprinijeti razvoju smjernica za unapređenje prakse u farmaceutskoj industriji u Bosni i Hercegovini.*

**Ključne riječi:** *društvena odgovornost, poslovna etika, ljubav prema brendu, stav potrošača prema brendu, farmaceutska industrija*

**JEL:** *M0, M30, M31, M14*