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Aligning innovative banks' sustainability strategies with customer expectations and perceptions: The CSR feedback framework

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ABSTRACT

In the ever-evolving banking landscape, effectively addressing sustainability concerns while meeting customer expectations is essential. This study introduces an innovative Corporate Social Responsibility (CSR) Feedback Framework designed to align the banks' sustainability strategies with customer perceptions and expectations. The framework utilizes a comprehensive approach by integrating customer feedback on CSR through a survey-based methodology grounded in the Global Reporting Initiative (GRI) guidelines. It features the novel CSR Feedback Matrix to evaluate the degree to which a bank's sustainability strategy aligns with customer expectations and satisfaction, while also comparing these factors against those of competitors within the industry. Additionally, the framework employs the TOPSIS technique to calculate a Critical CSR Score (CCS), ranking sustainability aspects based on their level of criticality. The findings reveal key areas where banks can enhance their CSR efforts to better meet customer requirements. Furthermore, the analysis of customer segmentation by demographic factors provides actionable insights for developing targeted CSR strategies tailored to diverse customer needs and preferences. This research contributes to the ongoing dialogue regarding sustainability strategies from a customer-centric perspective, providing practical guidance for managers to foster positive customer relationships while advancing corporate responsibility.

Introduction

Stakeholders' expectations regarding sustainability are continuously increasing, urging organizations to pay closer attention to their concerns (Pinelli & Maiolini, 2017). In addition, stakeholders' perceptions of a company's sustainability commitment are positively correlated with the company's reputation. Consequently, companies are adopting more proactive approaches to address social and environmental challenges to impress their stakeholders (Astuti et al., 2023; Pérez & Rodríguez Del Bosque, 2014; Pinelli & Maiolini, 2017). This is particularly true in the banking sector, which has been damaged by recurring financial scandals and allegations of unethical conduct, eroding stakeholders' confidence in the banks' commitment to sustainability (Bayer et al., 2019). Undoubtedly, in the scenario of the last two decades marked by crises, where financial markets have lost credibility among stakeholders, managers in the sector have faced the challenge of improving their companies' image and regaining customer trust by developing an organizational image focused on greater financial, economic, environmental, and social sustainability (Gaspar & Pinto, 2024; Leclercq-Machado et al., 2022; Peréz & Rodríguez del Bosque, 2014). To this end, banks have recently focused on CSR, also leveraging their vital role in promoting sustainable development through financing projects aligned with environmental, social, and economic sustainability goals (Shan et al., 2023).

One stakeholder category that is particularly sensitive to CSR conduct is that of customers, whose expectations must be taken into consideration if the bank wants to maintain its competitive advantage. High expectations are both a recognition of the bank's reputation and an ongoing challenge because they must be met with investments and adequate communication of CSR initiatives (Calabrese et al., 2016).

Despite the availability of various step-by-step tools in the literature to assist managers in integrating business strategies with sustainability (e.g., Calabrese et al., 2021), there remains a shortage of research exploring how companies can effectively formulate CSR strategies that actively engage customers and other stakeholders regarding their sustainability expectations and perceptions (Calabrese et al., 2015). Both practitioners and academics recognize the need for tailored methods and tools to systematically evaluate and to manage the alignment between the customers' expectations and

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perceptions with company sustainability conduct (Lee et al., 2012). Many studies on customer responses to CSR fail to examine factors connected to customer perceptions and expectations about sustainability (Mohr et al., 2001; Pomering & Dolnicar, 2009). Furthermore, some studies focus merely on evaluating specific sustainability aspects (Brown & Dacin, 1997; Sen & Bhattacharya, 2001) without comprehensively assessing the company's overall conduct (Maignan, 2001).

In response to these identified gaps in the literature, this paper addresses two research questions: How can banks align their CSR strategies with customer expectations and perceptions? What are the critical aspects of CSR that banks should prioritize based on customer expectations and perceptions?

Building upon these research questions, this paper introduces a novel managerial tool, the CSR Feedback Framework that, through a structured approach, supports managers in aligning the banks' CSR strategies with customer expectations and perceptions to enhance the effectiveness of CSR initiatives and communication. The proposed framework utilizes customer feedback in all the aspects of CSR to identify the criticalities of sustainability dimensions (e.g., social) and aspects (e.g., equal opportunities in the workplace) that banks should prioritize in their CSR investments. The framework focuses on the broader aspects of sustainability incorporating the Global Reporting Initiatives (GRI) guidelines, rather than being limited to specific CSR initiatives. Moreover, the framework serves as an effective practical tool for bank practitioners, facilitating comparative analysis with sector competitors and providing a comprehensive evaluation of the industry's overall CSR behavior.

Following this introduction, Literature review presents a comprehensive literature review, examining prior research on customer expectations, perceptions, and satisfaction related to CSR, with a particular focus on the banking industry. The CSR feedback framework introduces the innovative CSR Feedback Framework, detailing its design and methodology. Results demonstrates the practical application of this framework through a detailed illustrative example. Discussion discusses the findings from this application. Finally, Conclusions concludes the paper by summarizing the key results, exploring their implications for bank managers and providing recommendations for future research.

Literature review

The direction of CSR research is shifting from a shareholder-centered approach to a stakeholder-centered one, with a growing focus on customer expectations regarding CSR, the confirmation/disconfirmation process of these expectations, and their assessment (Barrena Martínez et al., 2016; Brammer et al., 2012; Calabrese et al., 2015; Ellerup Nielsen & Thomsen, 2018; McDonald & Rundle−Thiele, 2008; Saeidi et al., 2017). Comprehending these expectations is crucial for sustainability scholars and managers implementing CSR programs (Hult, 2011; Ramasamy & Yeung, 2009). Despite extensive research on CSR, understanding consumer expectations is still in its early stages (Lin-Hi & Blumberg, 2018; Olkkonen, 2017; Saldivar & Zolfagharian, 2022). This is partly attributed to an overreliance on social identity theory to explain consumer reactions to CSR efforts (Stanaland et al., 2011). In addition, scholars have focused on examining the influence of CSR on other factors including spoken communication, loyalty, attitudes, intentions, emotional connection, and brand identification, or even on company performances, while consumer expectations have been neglected (Criado-Gomis et al., 2020; Marin & Ruiz, 2007; McDonald & Lai, 2011; McDonald & Rundle−Thiele, 2008; Vásquez-Ordóñez et al., 2023).

Calabrese et al. (2015) note that most studies concentrate solely on evaluating specific CSR activities or causes, neglecting comprehensive assessment of a company's overall CSR conduct. Similarly, alignment between customer and company CSR is typically examined only for specific initiatives, rather than a company's general CSR conduct. Even within the banking context, most of the literature has focused on specific sustainability activities, overlooking the assessment of alignment between customer expectations and the overall CSR and the subsequent satisfaction (Calabrese et al., 2015; Saldivar & Zolfagharian, 2022). Early studies on CSR in the banking sector have highlighted positive outcomes from CSR initiatives. For instance, Lemke (1987) has documented the success of a Massachusetts bank in acquiring new accounts (138 accounts totaling $11 million) by supporting endangered animal species through donations to the World Wildlife Fund. Various studies have explored the cumulative impact of multiple CSR programs on customers. Murray and Vogel (1997) have examined the effects on customers of socially responsible business practices (e.g., cause promotions, community volunteering, and corporate social marketing). Their research has revealed that CSR programs have enhanced customer attitudes towards the company, encompassing beliefs about its integrity, responsiveness to consumers, truth in advertising, and pro-environmental and pro-employee stances. In another study, Brown and Dacin ((1997)) have investigated the combined influence of CSR activities (e.g., community engagement and environmental initiatives) on the customers' positive evaluation of the bank. Sen and Bhattacharya's (2001) research has provided support for the concept that a bank's engagement in various CSR initiatives (e.g., inclusive policies) has had a direct impact on the attractiveness of the company's products, along with a positive influence on customer evaluations of the bank.

In more recent work, the impact of CSR has been analyzed in various aspects. Some studies argue that customer perceptions of CSR directly impact customer loyalty, demonstrating that efforts in social, economic, and environmental areas significantly enhance loyalty toward banks (Aslam et al., 2023; Gaspar & Pinto, 2024; Gu, 2023; Leclercq-Machado et al., 2022; Mehnaz et al., 2024; Subedi & Pokhrel, 2023). Zidehsaraei et al. (2024) also examine the impact of the bank customers' CSR perceptions on their loyalty, showing how the customers' perception generates trust and satisfaction, leading to their loyalty and to positive spoken communication. Similarly, Fatma and Khan (2023) have observed that CSR customer perception has a positive effect on brand credibility, thus fostering stronger consumer brand loyalty. Conversely, Bravo et al. (2009) and Raza et al. (2018) negate the presence of such a relationship. Other scholars highlight additional positive effects of CSR customer perception for banks, such as fostering customer-company identification (García de los Salmones et al., 2009; Marín et al., 2009; Pérez & Rodríguez del Bosque, 2015), influencing recommendation and repurchase behavior (Mandhachitara & Poolthong, 2011; McDonald & Lai, 2011), and demonstrating, as My Sang et al. (2023) illustrate that CSR positively impacts the bank's reputation and attractiveness for customers.

Some authors have recognized the significance of customer expectations as a benchmark for evaluating CSR performance, which influences customer satisfaction or dissatisfaction. However, their focus has primarily been on the impact of these expectations on brand identification or market value (He & Li, 2011; Luo & Bhattacharya, 2006; Matute-Vallejo et al., 2011; Walsh & Bartikowski, 2013). More specifically, Pérez and Rodríguez del Bosque (2014) investigate customer CSR expectations in the crisis context of the Spanish banking industry and show that these do not change based on the type of bank (savings or commercial banks). In other studies, the same authors investigate the moderating influence of various demographic factors on customer CSR perceptions (Pérez & Rodríguez del Bosque, 2017) and analyze CSR expectations, demonstrating how customers primarily expect banks to fulfill legal responsibilities and adhere to ethical and philanthropic expectations (Pérez & Rodríguez del Bosque, 2015). Calabrese et al. (2016) focus on gender differences in customer expectations and perceptions of corporate responsibility, showing a minimal substantive difference in expectations between women and men, with women consistently exhibiting slightly higher values across various education levels and age groups. Meanwhile, there are no significant gender differences observed in CSR perceptions. Another type of research employs the Expectancy Confirmation/Disconfirmation (ECD) paradigm to explore how consumer satisfaction, referral behavior, and willingness to pay a premium are influenced by the interplay between CSR perceptions and expectations (Saldivar & Zolfagharian, 2022).

The literature review indicates that there has been limited attention given to customer expectations, perceptions, and satisfaction concerning bank CSR, with little to no integration of these aspects, and a predominant focus on contextual factors or specific CSR elements (e.g., Pérez & Rodríguez del Bosque, 2014, 2015). This paper aims to fill the existing literature lacuna by examining the banks' overall CSR through the lens of customer CSR expectations and perceptions. By addressing this research gap, this study contributes to expanding the comprehension of the specific CSR dimensions and/or aspects that banks should prioritize to engage customers effectively regarding their expectations and perceptions of sustainability. Furthermore, from a managerial perspective, this paper provides a framework to support bank managers in assessing the effectiveness of CSR activities. This tool enables banks to identify critical aspects of CSR that require strategic actions to enhance customer perception and satisfaction through more effective CSR investments and communication regarding the banks' sustainability efforts.

The CSR feedback framework

While the proposed CSR Feedback Framework is applicable across various industries, this paper specifically focuses on its implementation within the banking sector. This innovative framework serves as a managerial tool designed to evaluate a bank's effectiveness in both overall CSR and specific CSR aspects relative to its industry competitors. As customer awareness of sustainability continues to rise, banks need to align their sustainability strategies with customer feedback on CSR initiatives to address key areas of concern.

This framework aims to identify critical sustainability aspects that banks should prioritize in their CSR initiatives, particularly those marked by high customer expectations and significant dissatisfaction with the current CSR practices. It provides bank managers with a valuable tool for benchmarking their performance against industry peers and gaining insights into sector-wide CSR practices. To demonstrate the framework's applicability, the results section presents an illustrative example applying it to six major banks in Italy. The framework is structured in three phases (see Fig. 1) and the example showcases its effectiveness in assessing and comparing CSR performance.

The customer CSR expectations and perceptions

In the initial phase, the framework employs two variables to assess the customer CSR feedback: the customer CSR expectations and the customer CSR perceptions. As highlighted in earlier sections, numerous studies on customer CSR feedback often focus on a limited set of CSR initiatives (Sen & Bhattacharya, 2001), overlooking a thorough assessment of the company's overall CSR conduct (Maignan, 2001; Calabrese et al., 2015). In addressing this research gap, the framework focuses on the broader aspects of sustainability delineated by the Global Reporting Initiatives (GRI) guidelines, avoiding confinement to specific CSR initiatives.

The values of customer CSR expectations and perceptions are evaluated by conducting a survey among customers from a chosen sample of banks, which includes the bank whose managers will utilize the results of the framework. As in Calabrese et al. (2015, 2016), customer judgments are gathered through a structured questionnaire to assess both variables for each CSR aspect. The questionnaire follows the structure outlined in Table 1, which delineates the CSR dimensions, subdimensions, and aspects derived from the guidelines GRI G4 (GRI, 2013a) and GRI G4 Financial Services Sector Disclosure (GRI, 2013b). The preference for GRI G4 over the more recent GRI Standards is ascribed to the latter's absence of the Financial Services dimension, which is relevant in the banking sector. Customer opinions regarding expectations and perceptions of CSR have been gathered for each CSR aspect. To illustrate the questionnaire format, the following questions have been asked to customers regarding the "diversity and equal opportunity" CSR aspect, corresponding to G4-LA12 and G4-LA13 indicators in the social subdimension: "Labor practices and decent working conditions" (see Table 1):

Question to assess CSR expectations: "What are your expectations regarding your bank commitment to promoting equal opportunities in wages, workforce composition, and governance bodies (equal opportunities regardless of gender, age, race, religion, etc.)?"

Question to assess CSR perceptions: "What is your perception of your bank commitment to promoting equal opportunities in wages, workforce composition, and governance bodies (equal opportunities regardless of gender, age, race, religion, etc.)?"

Customers have been asked to respond using a five-point Likert scale: very low (1), low (2), normal (3), high (4), and very high (5).

A set of analogous questions has been devised for each CSR aspect outlined in Table 1. The selection of banks for the sample aims to be representative of the banking sector. To contain the overall number of interviews and safeguard representativeness, a two-stage sampling procedure has been employed: the first stage involves the random sampling of the sampled banks' branches, and the second stage involves the random sampling of customers, considering population stratification. Given that the proposed framework aims to evaluate and to categorize customers' CSR feedback, it is essential to identify the most relevant characteristics of customers, specifically their gender, education, age, and income; but participation in the survey is voluntary; and anonymity is assured for all respondents.

The CSR feedback matrix

As highlighted in the literature review, research on customer CSR expectations, perceptions, and satisfaction within the banking sector is limited. Existing studies often concentrate on specific CSR aspects and fail to integrate a comprehensive understanding of customer expectations, perceptions, and satisfaction related to the banks' CSR efforts (e.g., Pérez & Rodríguez del Bosque, 2014, 2015). The novelty of the CSR Feedback Matrix lies in its ability to overcome these

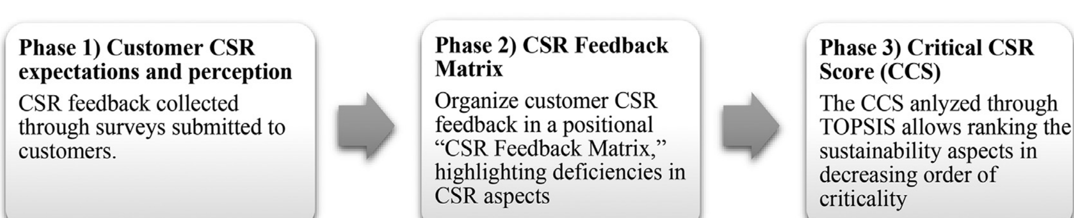

Fig. 1. The three phases of the CSR Feedback Framework.

Table 1
The CSR Feedback Framework: CSR dimensions, subdimensions, and aspects.

CSR dimension	*CSR subdimension*	CSR aspects
Economic (EC)		Economic Performance (G4-EC1+EC2+EC3+EC4)
		Market presence (G4-EC5+EC6)
		Indirect Economic Impacts (G4-EC7+EC8)
		Procurement practices (G4-EC9)
Environmental (EN)		Materials (G4-EN1+EN2)
		Energy (G4-EN3+EN4+EN5+EN6+EN7)
		Water (G4-EN8+EN9+EN10)
		Biodiversity (G4-EN11+EN12+EN13+EN14)
		Emissions (G4-EN15+EN16+EN17+EN18+EN19+EN20+EN21)
		Effluents and spills (G4-EN22+EN24+EN26)
		Waste (G4-EN23+EN25)
		Products and Services (G4-EN27+EN28)
		Compliance (G4-EN29)
		Transport (G4-EN30)
		Overall (G4-EN31)
		Supplier Environmental Assessment (G4-EN32+EN33)
		Environmental Grievance Mechanisms (G4-EN34)
Social (SO)	*Labor Practices and Decent Work (LA)*	Employment (G4-LA1+LA2+LA3)
		Labor/Management Relations (G4-LA4)
		Occupational Health and Safety (G4-LA5+LA6+LA7+LA8)
		Training and Education (G4-LA9+LA10+LA11)
		Diversity and Equal Opportunity (G4-LA12+LA13)
		Supplier Assessment for Labor Practices (G4-LA14+LA15)
		Labor Practices Grievance Mechanisms (G4-LA16)
	Human Rights (HR)	Investment and Procurement Practices (G4-HR1+HR2+HR10+HR11)
		Non-discrimination (G4-HR3)
		Freedom of Association and Collective Bargaining (G4-HR4)
		Child Labor (G4-HR5)
		Forced and Compulsory Labor (G4-HR6)
		Security Practices (G4-HR7)
		Indigenous Rights (G4-HR8)
		Assessment (G4-HR9)
		Human Rights Grievance Mechanisms (G4-HR12)
	Society (SOC)	Local Communities (G4-SO1+SO2)
		Anti-corruption (G4-SO3+SO4+SO5)
		Public Policy (G4-SO6)
		Anti-Competitive Behavior (G4-SO7)
		Compliance (G4-SO8)
		Supplier Assessment for Impacts on Society (G4-SO9+SO10)
		Grievance Mechanisms for Impacts on Society (G4-SO11)
	Product Responsibility (PR)	Customer Health and Safety (G4-PR1+PR2)
		Product and Service Labeling (G4-PR3+PR4+PR5)
		Marketing Communications (G4-PR6+PR7)
		Customer Privacy (G4-PR8)
		Compliance (G4-PR9)
Financial Services (FS)		Products and services impact (G4-FS1+FS2+FS3+FS4+FS5+FS9+FS12)
		Product portfolio (G4-FS6+FS7+FS8)
		Active ownership (G4-FS10+FS11)
		Local Communities (G4-FS13+FS14)
		Product and Service Labeling (G4-FS15+FS16)

limitations by combining insights on the customers' CSR expectations with those on dissatisfaction and analyzing them from a holistic perspective that encompasses all facets of CSR.

In the second phase of the framework (Fig. 1), CSR customer dissatisfaction is measured by calculating the difference between customer CSR expectations and perceptions. The magnitude of the gap directly correlates with the intensity of customer CSR dissatisfaction. The framework organizes customer CSR feedback within a positional "CSR Feedback Matrix," where customer CSR expectations are represented along the y-axis, and customer CSR dissatisfaction is depicted along the x-axis (see Fig. 2 in Results). The CSR Feedback Matrix is formulated to identify deficiencies in CSR aspects, facilitating the adjustment of CSR strategies to better align with customer requirements. By identifying critical areas for improvement, the matrix aids in prioritizing investments and interventions in CSR. This approach directly addresses the two research questions posed in the study, facilitating a strategic focus on enhancing CSR efforts to better meet customer needs. This matrix comprises four identical quadrants, each serving to delineate a bank's positioning based on customer expectations and the degree of dissatisfaction, particularly when compared to competitors within the same sector:

– The top right quadrant corresponds to the high dissatisfaction/high expectation (HH) category. Within this quadrant, customers perceive sustainability aspects as highly relevant, generating elevated expectations from their respective banks. However, these aspects simultaneously lead to high dissatisfaction due to a substantial gap between customer expectation and perception. Critical CSR aspects that necessitate immediate attention from the bank managers are concentrated in this quadrant. These aspects should be prioritized, especially when unfavorable competitor comparisons arise. Accordingly, companies in this quadrant demonstrate an inadequate contribution to CSR or a deficiency in effectively communicating their efforts to customers.

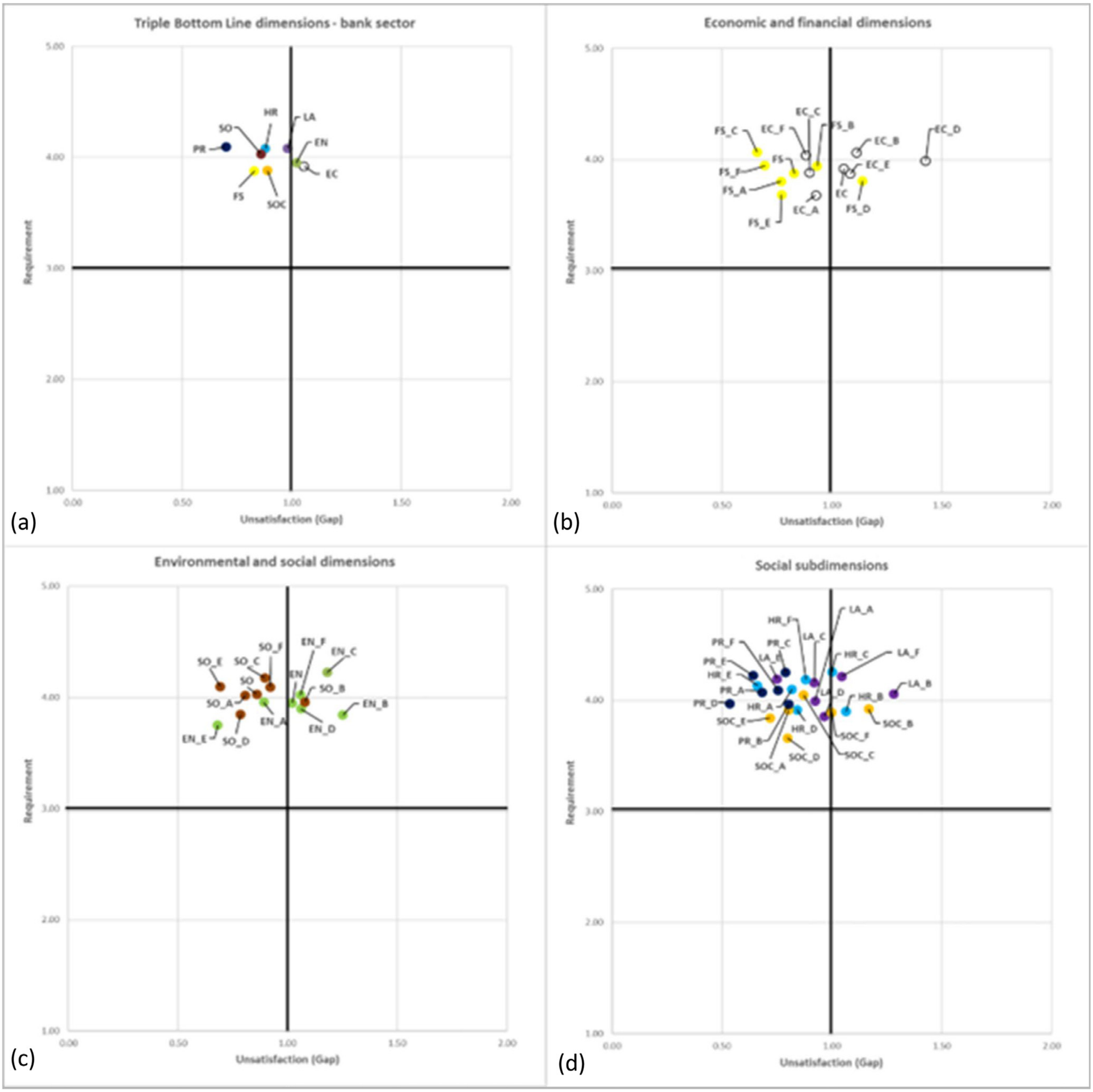

Fig. 2. The CSR Feedback Matrix: (a) sustainability dimensions of the whole sample; (b) economic and financial dimensions by banks (e.g., EC_A is the economic dimension of the bank A); (c) environmental and social dimensions by bank (e.g., EN_A is the environmental dimension of the bank A); (d) social subdimensions by bank (e.g., HR_A is the human rights subdimension of the bank A).

– The bottom right quadrant highlights high dissatisfaction and low expectations (HL). Customers perceive certain sustainability aspects within this category as inconsequential, leading to diminished expectations from their bank CSR. Despite generating a notable level of dissatisfaction, these aspects are not considered the most critical in CSR. Consequently, addressing CSR concerns in this quadrant requires less immediate investment and urgency when compared to the HH quadrant. Nevertheless, bank managers should address these sustainability aspects over time, particularly in cases where an unfavorable comparison arises with competitors.
– In the LH (low dissatisfaction/high expectation) quadrant, located at the top left, sustainability issues hold substantial importance for customers. Clients in this quadrant have elevated expectations for the CSR of their bank, as these sustainability aspects are deemed important. The customers' perception in this quadrant is notably higher, almost aligning with their expectations. Companies operating in this quadrant are actively involved in CSR, and their efforts are acknowledged by customers, although not entirely. In comparison to the HH quadrant, in this quadrant, dealing with CSR concerns allows for more time and involves relatively lower investments.
– In the LL quadrant, positioned at the bottom left of the matrix, both dissatisfaction and expectation are low. Here CSR aspects are scarcely acknowledged by customers who possess a limited awareness of sustainability. Compared to the preceding three quadrants, this quadrant demands lower investments and minor attention.

Ultimately, the CSR Feedback Matrix categorizes sustainability aspects based on customer expectations and dissatisfaction. It provides bank managers with insights into CSR issues requiring attention, specifically sustainability aspects that warrant heightened focus. The resulting analysis facilitates the alignment of CSR strategies toward areas with the greatest need for investments and communication. Banks are encouraged to address CSR aspects in the top-right quadrant to formulate appropriate sustainability initiatives.

The critical CSR score

The third phase of the framework (Fig. 1) requires the employment of the TOPSIS (Technique for Order of Preference by Similarity to Ideal Solution) technique to calculate the Critical CSR Score (CCS) from data on customer CSR expectation and dissatisfaction. This CCS allows banks to rank the sustainability aspects in decreasing order of criticality, giving bank managers a guideline to invest in sustainability initiatives.

The TOPSIS method, created by Hwang and Yoon (1981), is an algorithm belonging to the large family of ranking methods (Sati, 2024) based on the concept that among all the possible solutions, the one to be chosen is the one that presents the shortest distance (and therefore is closest) to an ideal optimal alternative and the greatest distance (therefore the furthest) from an ideal worst alternative.

The TOPSIS procedure is described below:

1) Considering the values of the customer judgments, the initial decision matrix *DM* (1) is normalized in *NDM* (2). The *n* alternatives (e.g., CSR dimensions, CSR aspects, banks) are compared according to *m* = 2 criteria (i.e., CSR expectations and dissatisfaction).

$$DM = (y_{ij}) \; i = 1, \ldots, n; \; j = 1, \ldots, m \tag{1}$$

$$z_{ij} = \frac{y_{ij}}{\sqrt{\sum_{i=1}^{n} y_{ij}^2}} \; i = 1, \ldots, n; j = 1, \ldots, m$$

$$NDM = (z_{ij}) \; i = 1, \ldots, n; \; j = 1, \ldots, m \tag{2}$$

2) Then, the weighted normalized decision matrix is calculated (3)

$$WNDM = (x_{ij}) \; i = 1, \ldots, n; \; j = 1, \ldots, m \tag{3}$$

where $x_{ij} = w_j \cdot z_{ij}$ and wj is the weight of the *j-th* criterion, and $\sum_{j=1}^{m} w_j = 1$. In this paper, the two criteria, CSR expectations and dissatisfaction, are considered of equal importance ($w_1 = w_2 = 0.5$)

The Best Ideal Solution (4) and the Worst Ideal Solution (5) are determined as follows:

$$A^* = \{(\max_i x_{ij} | j \in J), (\min_i x_{ij} | j \in J') | i = 1, .., n\} = \{x_1^*, x_2^*, ..., x_k^*\} \tag{4}$$

$$A^- = \{(\min_i x_{ij} | j \in J), (\max_i x_{ij} | j \in J') | i = 1, .., n\} = \{x_1^-, x_2^-, ..., x_m^-\} \tag{5}$$

where *J* is the set of criteria to be maximized (e.g., benefits), while *J'* is the set of criteria to be minimized (e.g., costs). The TOPSIS is applied in this paper to obtain the CCS to rank the CSR dimensions and/or aspects in decreasing order of criticality. To get this result, both criteria (i.e., CSR expectations and dissatisfaction) must be maximized.

1) The distances of each alternative from the Best Ideal Solution A^* (6) and the Worst Ideal Solution A^- (7) are then calculated:

$$S_i^* = \sqrt{\sum_{j=1}^{m} (x_{ij} - x_i^*)^2} \; i = 1, \ldots, n \tag{6}$$

$$S_i^- = \sqrt{\sum_{j=1}^{m} \left(x_{ij} - x_j^-\right)^2} \; i = 1, \ldots, n \tag{7}$$

2) Finally, the CCS, representing the relative proximity of each alternative to the ideal point, is calculated (8), and the alternatives are then ranked in descending order of criticality:

$$CCS_i = \frac{S_i^-}{(S_i^+ + S_i^-)} \; i = 1, \ldots, n \tag{8}$$

Results

The illustrative example

The CSR Feedback Framework is designed to be applicable across various industries; however, this paper focuses specifically on the banking sector. To demonstrate the framework's usefulness, an illustrative example is provided, featuring six of the largest banks by market capitalization and stock market listing. For privacy reasons, these banks are anonymized and referred to as banks A, B, C, D, E, and F. The selection of these banks is based on their demonstrated commitment to CSR, which is evident from their sustainability reports and/or the inclusion of a sustainability section on their corporate websites. In this illustrative example, the framework is applied specifically to bank C, assuming its managers are utilizing the framework. The results are presented according to the three phases of the CSR Feedback Framework, as outlined in Fig. 1.

In the first phase of implementing the framework, in-person interviews are conducted with customers from the six banks, resulting in a total of 600 respondents, with 100 from each bank. Participation in the survey is voluntary, and anonymity is assured for all respondents. The sampling is based on the distribution by gender and age of the national population (Italian National Institute of Statistics, 2019). The sample is 48 % male and 52 % female. Regarding age, 22.7 % of the sample belongs to Generation Y (ages between 20 and 40 years, named simply "Gen Y"), 33.8 % to Generation X (ages between 40 and 55 years, "Gen X"), and 43.5 % to Generation Baby Boomers (ages over 55 years, "Boomers"). Concerning income, 32.7 % of respondents have medium-high income (net monthly salary higher than 1500 euros), while 67.3 % have medium-low income (net monthly salary lower than 1500 euros). Regarding the level of education, 47 % of respondents have at least a bachelor's degree (high education), 45.7 % have a high school diploma (medium education), and 7.3 % have a low level of education (middle school or elementary school license). The internal consistency of questionnaires submitted to the bank customers has been analyzed using Cronbach's alpha, with robust levels observed for CSR expectations and CSR perceptions at 88.9 % and 89.1 %, respectively (Cronbach, 1972).

The CSR feedback matrix

The survey findings have been used to identify customers' expectations and perceptions regarding CSR. In the second phase of the framework, customer CSR dissatisfaction has been assessed by analyzing the gap between expectations and perceptions. The framework has organized the CSR feedback into a "CSR Feedback Matrix," where the average value of customer CSR expectations has been plotted on the y-axis and the average value of customer CSR dissatisfaction has been displayed on the x-axis (Fig. 2).

Fig. 2.a represents the positioning in the matrix of the sustainability dimensions, the social subdimensions and the financial services dimension according to the GRI (see Table 1). The financial services dimension has been included in the analysis because the GRI, in the G4 version of the guidelines, specifically adopted it to describe the sustainable conduct of the banking and financial sector. Fig. 2.a shows

that bank customers, on average, have the highest CSR expectations for the social (SO) dimension, particularly in the subdimensions of labor practices and decent work (LA), human rights (HR), and product responsibility (PR). Also, customers on average display the highest level of dissatisfaction with the economic (EC) and environmental (EN) dimensions, closely followed by the subdimension of labor practices and decent work (LA). Only the economic (EC) and environmental (EN) dimensions are in the HH quadrant, while the labor practices and decent work (LA) dimension is on the boundary between the LH and HH quadrants.

Concerning the EC dimension as depicted in Fig. 2.b, customers of banks B (4.06) and D (3.99) exhibit the highest expectations, closely followed by bank C (3.88). The sample average for this dimension stands at 3.92. The highest dissatisfaction is recorded for banks D (1.43), B (1.11), and E (1.09), the sample average being 1.06. The three banks, B, D, and E are placed in the HH quadrant, showing a critical EC dimension. Fig. 2.b also illustrates the FS dimension, indicating that the highest expectations are reported by customers of bank C (4.07), followed by banks B (3.94) and F (3.94), with the sample average standing at 3.87. The highest dissatisfaction is recorded among customers of banks D (1.14) and B (0.93), whereas bank C registers the lowest dissatisfaction in the sample (0.66). The sample average is 0.83. The only bank positioned in the HH quadrant is bank D.

Concerning the EN dimension, as depicted in Fig. 2.c, customers of banks C (4.23) and F (4.04) express the highest expectations, surpassing the sample average of 3.95. Notably, bank B (1.25) exhibits the highest dissatisfaction, followed by bank C (1.18) and banks D and F (1.06 each), while the sample average dissatisfaction is 1.02. Four banks (B, C, D, and F) are in the HH quadrant, indicating a critical EN dimension. Fig. 2.c also illustrates the SO dimension, revealing that customers of bank C (4.18) have the highest expectations, followed closely by banks E (4.10) and F (4.09), with the sample average at 4.03. On the contrary, the highest dissatisfaction is reported by customers of bank B (1.08), followed by banks F (0.92) and C (0.90), with the sample average dissatisfaction being 0.86. Bank B is the only bank positioned in the HH quadrant for the social dimension.

Fig. 2.d includes the four subdimensions within the social domain. Concerning the LA subdimension, customers of banks F (4.21), E (4.19), and C (4.16) exhibit the highest expectations. The sample average for this subdimension is 4.08. Particularly, the highest dissatisfaction is recorded for banks B (1.28) and F (1.04), while bank C presents a dissatisfaction value of 0.92, with the overall sample average standing at 0.98. Only two banks, B and F, are positioned in the HH quadrant, indicating a critical state for the LA subdimension. Within the same figure, for the HR subdimension, the highest expectations are reported by customers of bank C (4.25), followed by F (4.19), with the sample average standing at 4.08. The most substantial dissatisfaction is reported among customers of bank B, with a dissatisfaction level of 1.07, closely followed by bank C (1.00). The sample average dissatisfaction is 0.88. The only bank in the HH quadrant is bank B, while bank C is between the HH and LH quadrants. Regarding the SOC subdimension, customers of banks C (4.05), B (3.92), and A (3.91) express the highest expectations. The sample average for this subdimension is 3.88. The highest dissatisfaction is documented for banks B (1.17) and F (1.00), while bank C registers a dissatisfaction value of 0.87, with an overall sample average of 0.89. Bank B is positioned in the HH quadrant, while bank F is situated on the boundary between the HH and LH quadrants, indicating a critical condition for the SOC subdimension. Moving to the PR subdimension, customers of bank C (4.25) report the highest expectations, closely followed by bank F (4.22), with the sample average standing at 4.09. The most substantial dissatisfaction is reported among customers of bank B, recording a dissatisfaction level of 0.80, followed closely by bank C at 0.79. The sample average dissatisfaction is 0.70. No bank falls within the HH quadrant for the PR subdimension.

The critical CSR score

In the third phase of the framework, the TOPSIS technique has been utilized to calculate the Critical CSR Score, enabling banks to prioritize sustainability aspects in descending order of criticality. This means that banks with lower CCS values are performing better in terms of sustainability, as they are closer to the ideal sustainability benchmark. Fig. 3 illustrates the six banks ranked in descending order of CCS for each CSR dimension and subdimension.

From Fig. 3, it is evident that upon analyzing sustainability dimensions, bank C emerges as the top performer in the FS dimension (CCS = 0.06) and exhibits one of the highest performances in the EC dimension (CCS = 0.05). However, it performs the worst in the EN dimension, with a CCS of 0.26, and shows average performance in the SO dimension, with a CCS of 0.20. While analyzing the social subdimensions, bank C shows an average CCS in the LA and SOC categories, with scores of 0.13 and 0.15, respectively. However, it performs the worst in the HR and PR categories both with a CCS of 0.27.

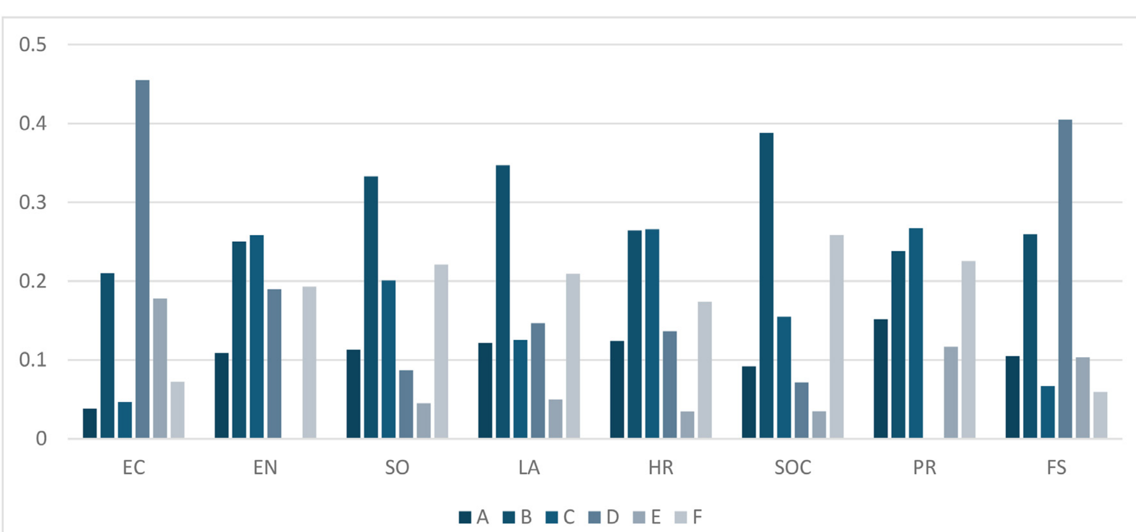

Fig. 3. The CCS of each bank for sustainability dimensions and social subdimensions.

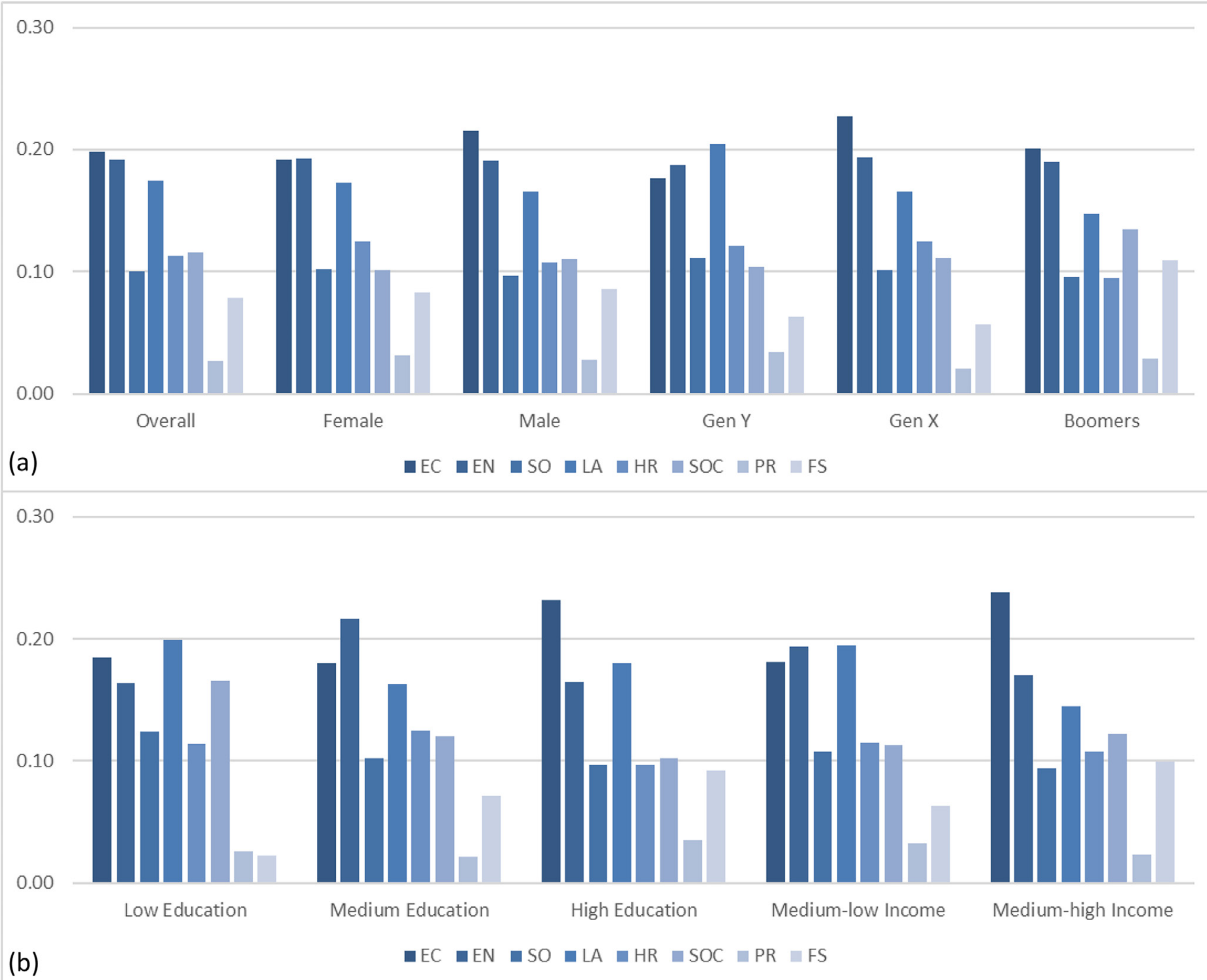

Fig. 4. Total sample's CCS by sustainability dimension and social subdimension: (a) customers of the six banks segmented by gender and age; (b) customers of the six banks segmented by education and income levels.

Furthermore, it is beneficial to analyze the CCS segmented by demographic factors such as gender, age, educational level, and income across the entire sample. Understanding customer feedback in relation to demographic characteristics within the banking sector is essential for bank C to benchmark against the industry and comprehend its strengths and weaknesses. The analysis conducted on the six banks based on gender (Fig. 4.a) highlights that the most critical CCSs are EN (0.19) and EC (0.20). The least critical CCS is found in the PR subdimension with a score of 0.03 for both women and men. There is no significant gender-based difference in almost all sustainability dimensions; however, the EC dimension is slightly more critical for men (CCS = 0.22) compared to women (CCS = 0.19). Concerning age, the most critical CCS is the economic one for both Gen Y (0.23), and Boomers (0.20), and the LA subdimension for Gen X (0.20). The EN dimension appears to be the second most critical for all generations (CCS = 0.19 for all ages).

Fig. 4.b, depicting the sample subdivided based on the level of education, highlights a significant difference among the three categories (low, medium, and high education). The LA dimension is the most critical for the low education category (CCS = 0.20), EN for the medium (CCS = 0.22), and EC for the high (CCS = 0.23). Finally, regarding income levels, the top three categories in terms of criticality remain the same observed for the educational level. For customers with a medium-low income, the most critical dimensions are LA and EN, both with a CCS of 0.19. The most critical dimension for customers with a medium-high income is EC, with the highest CCS score recorded at 0.24. In particular, the PR subdimension is the least critical across all categories, with an average value of 0.03, while FS ranks second with an average value of 0.08.

Fig. 5 presents the analysis of CCS segmented according to the demographic characteristics of bank C's customers. From comparing Figs. 4 and 5, bank C's managers can quickly compare the CCS of each dimension with industry competitors. The EN dimension has a significantly higher average CCS (0.26) than the sample of the six banks (0.19). A notable strength of bank C over its competitors becomes apparent: among men, the EC dimension exhibits no significant concerns (CCS = 0), contrasting with its status as the most critical aspect for the overall sample (CCS = 0.22). Among women, the FS dimension shows no critical issues (CCS = 0), unlike the general sample (CCS = 0.08). However, a potential weakness may lie in the EN dimension for men, with a CCS of 0.29, which exceeds the industry average of 0.19. Moreover, the EN dimension emerges as the most critical across all demographic categories of bank C's customers, except for those with a medium-high salary, where the EC dimension is the most critical, with a CCS of 0.24 compared to 0.17 for EN. All educational levels consider the EN dimension as the most critical. Finally, analyzing the CCS of bank C's customers categorized by income reveals that the EN is the most critical dimension for customers with

Fig. 5. Bank C's CCS by sustainability dimension and social subdimension: (a) customers of bank C segmented by gender and age; (b) customers of bank C segmented by education and income levels.

medium-low (0.28) and EC for medium-high income (0.24); particularly, the FS dimension has a CCS score of zero for customers with medium-high income.

Finally, Fig. 6 demonstrates how to apply the CCS analysis to individual CSR aspects. For brevity, only the results for the PR social subdimension are presented. In this analysis, bank C emerges as the top performer in the "compliance" aspect (G4-PR9), with a score of 0.04 against an average value of the whole sample equaling to 0.17. Conversely, bank C is the worst performer in "customer health and safety" (G4-PR1+PR2), with a score of 0.32 against the average value of 0.17. In all other CSR aspects of PR subdimension, bank C performs at an average level.

Discussion

This study aims to address two key research questions: how banks can effectively align their CSR strategies with customer expectations and perceptions, and which critical aspects of CSR should be prioritized based on these insights. To confront these questions, this paper introduces the CSR Feedback Framework, a novel managerial tool designed to help banks align their CSR strategies with customer feedback on corporate social responsibility.

The analysis across the banks representing the illustrative example underscores that the economic and environmental dimensions, both in the HH quadrant, are critical areas requiring focused CSR investments and communication from bank managers. This finding is consistent with the previous literature, which emphasizes the significance of economic and environmental sustainability in shaping stakeholder perceptions and corporate reputation (Astuti et al., 2023; Pérez & Rodríguez del Bosque, 2014). In addition, the labor practices subdimension should be closely monitored to prevent it becoming critical because it is positioned between LH and HH quadrants. However, beyond the general trend in the analyzed banks, the managers of bank C need to understand their bank's CSR performance relative to competitors because the competitiveness of organizations in the medium to long term largely depends on their ability to meet the needs of stakeholders and to understand their perceptions (del-Castillo-Feito et al., 2022).

The CSR Feedback Matrix helps bank C's managers recognize that their customers have CSR expectations exceeding the sample average in most areas, reflecting the bank's strong reputation. This finding is consistent with research by Soppe et al. (2011) and Bertels and Peloza (2008), which suggests that high CSR expectations are often a by-product of a company's established reputation for responsible

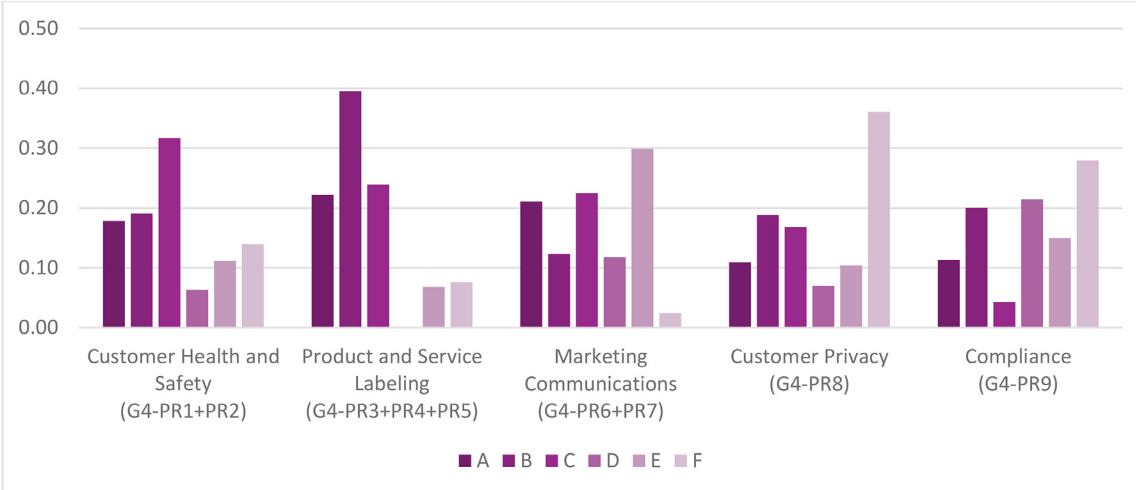

Fig. 6. The CCS of each bank for the aspects of the social subdimension PR.

conduct. Leveraging this strength can be advantageous, but it also represents a challenge because the CSR perception must align with high expectations. Understanding and meeting heightened customer expectations are fundamental for improving the bank's relationships with its clientele, thus increasing the probability of garnering positive customer attitudes and satisfaction (Saeidi et al., 2017; Vassilikopoulou, 2005). These insights are further supported by the work of He and Li (2011) who argue that alignment between customer expectations and company CSR performance is crucial for maintaining customer satisfaction and loyalty.

In addition, bank C's customer dissatisfaction is lower than average in terms of the economic and financial services dimensions. These results combined with the ones about expectations imply that bank C adequately addresses the economic dimension. Bank C especially stands out in the financial services dimension with customers reporting the highest expectations and lowest dissatisfaction compared to other banks. These results suggest that bank C has successfully communicated its commitment to financial sustainability and has met customer expectations, making it a preferred choice for those seeking sustainable financial services. These findings appear to be in line with the research by Maama (2021) and Casonato et al. (2019), which emphasizes that effective corporate communication plays a critical role in shaping stakeholder perceptions. If the bank effectively communicates its financial sustainability initiatives, customers will likely perceive it positively increasing their trust.

Conversely, the environmental and social dimensions, along with the social subdimensions of human rights and product responsibility, show higher-than-average dissatisfaction within the industry. This places bank C in the HH quadrant for the environmental dimension, and between the LH and HH quadrants for the human rights social subdimension. At any rate, within the social domain, bank C demonstrates positive performance in labor practices and society subdimensions with high expectations and relatively low dissatisfaction. This outcome is consistent with research by Poturak and Mulaahmetovic (2022) which suggests that when banks invest in ethical labor practices, they are more likely to earn customer trust and satisfaction.

The negative results in the environmental dimension and the partially negative results in the social dimension, especially in the areas of human rights and product responsibility, highlight areas where bank C can improve. To address the environmental dimension, bank C can leverage its influence in the financial sector by promoting environmentally responsible financing. This strategy is in line with Stauropoulou et al. (2023) who argue that banks can play a pivotal role in advancing environmental sustainability through the development of green finance products and sustainable investment opportunities.

The Critical CSR Score confirms bank C as the top performer in the financial services dimension and one of the better performers in the economic dimension. In addition, it ranks the lowest in the environmental; and it performs moderately in the social dimensions. For the managers of bank C, it is important to know who the best performer is within the sample to establish a benchmark as an improvement target. Among bank C's competitors, the top performer is bank E, excelling in the environmental dimension with a CCS of zero. Furthermore, bank E is the best performer in the social dimension. To address the areas of concern in environmental and social sustainability, bank C's managers should consider following the example set by bank E, which has emerged as the top performer in these dimensions. By analyzing and following bank E's successful sustainability initiatives and effective CSR communication strategies, bank C can identify and adopt the best practices. Calabrese et al. (2021) highlight the importance of benchmarking against industry leaders to identify areas for improvement in CSR performance. To focus on the areas of concern in environmental and social sustainability, bank C's managers should consider following the example set by bank E, which has emerged as the top performer in these dimensions. By analyzing and adopting bank E's successful sustainability initiatives and effective CSR communication strategies, bank C can identify and implement the best practices. This approach is supported by Astuti et al. (2023) who suggest that effective CSR communication is vital for improving a bank's image and reputation, particularly in an industry where reputational risk is significant.

The CCS analysis based on gender reveals no significant differences between men and women for the six banks analyzed. These findings are consistent with the studies by Pérez and Rodríguez del Bosque (2017) and Calabrese et al. (2016), which suggest that CSR perceptions do not vary significantly by gender. Regarding bank C, the economic dimension does not pose significant concerns for male customers, as opposed to the overall sample where it is the most critical aspect. Similarly, the financial services dimension does not show any issues among women.

Another factor that differentiates the prioritization of CSR dimensions for bank C compared to the overall sample is that the environmental dimension emerges as the most critical across all the demographic categories of bank C's customers (except for the medium to high-income group). The results of the CCS analysis evidence that the proposed framework provides valuable insights from customer segmentation, helping bank C managers to develop strategies targeted at key segments and to understand differences compared to competitors. Bank C's managers should adopt a maintenance strategy of the bank's strengths (e.g. economic dimension for men and financial services for women), prioritizing CSR investments and communication on the environmental dimension. Implementing tailored CSR strategies for different customer segments allows the bank to build lasting relationships with its client base over the medium to long term. This can be accomplished through a thorough understanding of the full spectrum of the customers' needs and characteristics (Dmytriyev et al., 2021; del-Castillo-Feito et al., 2022), thereby reinforcing a segmentation strategy for CSR initiatives (Lagasio et al., 2021).

Finally, the framework enables a detailed analysis of all dimensions and subdimensions at the CSR aspect level (e.g. the aspect "customer health and safety" for the product responsibility subdimension). The insights gained from this granular analysis (as illustrated in Fig. 6), combined with customer segmentation, enable bank C's managers to craft strategies tailored to key customer segments. This approach helps the bank identify specific customer needs and demographic characteristics, enhancing satisfaction among its clientele (Calabrese et al., 2015).

Conclusions

Theoretical and practical implications

This study is driven by the growing demand from customers and stakeholders for banks to demonstrate a meaningful commitment to their social, environmental, and financial impact. In line with this objective, this paper addresses two key research questions: how banks can effectively align their CSR strategies with customer expectations and perceptions, and which aspects of CSR should be prioritized based on these insights. To confront these questions, the study introduces the novel CSR Feedback Framework, offering a practical solution to these challenges. The application of this framework to an illustrative example successfully links the paper's objective to the results, demonstrating its effectiveness in aligning CSR strategies with customer feedback and guiding bank managers in designing competitive strategies that differentiate their CSR initiatives and communication, thus reinforcing their reputation.

Also, the findings from the application to bank C illustrate how the main objective and research questions are linked to the results. Specifically, the analysis shows bank C's managers that meeting customer expectations in essential areas like financial services significantly reduces dissatisfaction and enhances credibility. This connection emphasizes the importance of aligning CSR strategies with customer feedback. However, bank C also faces challenges in the environmental dimension of sustainability. By proactively addressing these critical areas, such as investing in renewable energy projects, bank C's managers can not only mitigate risks associated with negative stakeholder perceptions, but also differentiate bank C in its sector. This strategic approach demonstrates how prioritizing sustainability can attract environmentally conscious consumers, strengthen customer loyalty, and foster a more engaged workforce, all of which are vital for long-term success.

From a theoretical standpoint, this study makes a significant contribution to the literature on strategic CSR decision-making by highlighting the importance of aligning CSR strategies with customer feedback. The proposed CSR Feedback Framework provides decision makers with a new approach to evaluate, prioritize, and address all dimensions of sustainability, thus improving the effectiveness of CSR initiatives and communication.

For practitioners in the banking sector, the study offers actionable insights. Implementing the CSR Feedback Framework enables banks to prioritize CSR initiatives and communications, thereby enhancing their reputation and strengthening customer relationships.

Limitations and future research

This study is not exempt from limitations which can motivate further research. Firstly, the paper concentrates on the banking sector where the complexity of products and perceived risk could lead to overestimating CSR expectations and underestimating CSR perceptions by customers. Secondly, surveys may be affected by "social desirability response bias," potentially influencing the study results. However, this and the previous biases are present across all analyzed banks. For this reason, the insights from customer CSR feedback are still suitable for bank managers in shaping effective CSR strategies. Thirdly, this paper does not account for customer CSR knowledge. Nevertheless, customers who have declared insufficient knowledge to answer all the questionnaire prompts have been excluded from the sample. Future research should explore the impact of customer CSR knowledge on expectations and perceptions to broaden the applicability of the findings. Further advancements in this research could also involve extending the CSR Feedback Framework to additional industrial sectors.

CRediT authorship contribution statement

Roberta Costa: Writing – review & editing, Writing – original draft, Validation, Supervision, Project administration, Methodology, Investigation, Formal analysis, Data curation, Conceptualization. **Francesca Di Pillo:** Writing – review & editing, Writing – original draft, Validation, Supervision, Project administration, Methodology, Investigation, Formal analysis, Data curation, Conceptualization.

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