

## CSR types and the moderating role of corporate competence

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### Abstract:

**Purpose:** This paper aims to investigate the impact of different types of corporate social responsibility (CSR; i.e. value-creating CSR, promotional CSR and philanthropic CSR) on consumer responses and the moderating role of corporate competence.

**Design/methodology/approach:** The authors tested the hypotheses by using two empirical studies – a survey and an experimental study. The evidence is generated based on generalized linear model repeated-measures ANOVAs for the survey study and two-way factorial ANOVAs for the experimental study. **Findings:** The findings show that in general, consumers respond to value-creating CSR more favorably than to philanthropic CSR or promotional CSR. In addition, corporate competence moderates consumers’ responses to different types of CSR in such a way that promotional CSR is more likely to have the desired effects when carried out by low-competency rather than by high-competency firms, whereas value-creating CSR is more effective for high-competency firms than for low-competency ones. Philanthropic CSR works equally in both types of firms.

**Research limitations/implications:** This research answers a long-term call to study the differential consumer effects of various CSR types. It also identifies perceived corporate competence, an important consumer-based corporate factor, as a potential moderator of consumers’ response to CSR types. **Practical implications:** Armed with the findings, companies can choose CSR practices that fit with their company characteristics. This research offers important and specific managerial implications to firms with different company profiles on their CSR choices. **Originality/value:** Given that today’s managers are faced with the challenge of selecting desirable CSR activities from a group of options, the authors answered the call by studying the differential effects of a wide array of CSR choices and provide important practical guidance to managers. For the first time in the literature, the study also investigates the potential interactive effects between specific CSR types and corporate competence on consumer reactions. This inquiry bears significant relevance to the ongoing discussions concerning whether and how company characteristics generate influences on the outcomes of CSR strategies.

**Keywords:** corporate social responsibility | corporate competence | philanthropic CSR | promotional CSR | value-creating CSR

### Article:

## Introduction

Corporate social responsibility (CSR) activities can be classified into three broad orientations based on the corporation's strategic goals: philanthropic CSR (CSR with a charitable donor–recipient nature), promotional CSR (CSR that enhances mutually beneficial relationship exchanges) and value-creating CSR (CSR integrated into firms' mission and core business agenda) (Austin, 2000; Pirsch *et al.*, 2007; Varadarajan and Menon, 1998). Today, the same firm can simultaneously engage in different types of CSR. For instance, McDonald's conducted various social programs, including supply-chain CSR, alliance with Ronald McDonald House Charities, cause-related marketing for its new products (e.g. McCafe's Shakes) and philanthropic donation of US\$24m (McDonald's, 2010). A meta-analysis of research in this field by Peloza and Shang (2011) shows that the majority of previous studies target only a single CSR activity, with 55 per cent focused on cause-related marketing (a form of promotional CSR) and 22 per cent on other specific CSR initiatives. While all types of CSR activities provide support for worthy causes, the ways in which companies affiliate themselves with the causes may lead to divergent individual perceptions and judgments. By investigating the impact of different types of CSR on consumer responses, this study responds to the long-standing call by marketing researchers to move CSR research beyond the study of a single CSR type and to paint a more holistic picture that includes an array of CSR activities (Peloza and Shang, 2011; Sen *et al.*, 2016; Vaaland *et al.*, 2008). Such investigations advance our understanding about the differential effects of various types of CSR, ideally guiding managers to adopt the right CSR programs that fit with the firm's characteristics and strategic goals.

CSR activities are generally studied from the warmth perspective in the literature (Lichtenstein *et al.*, 2004). Most studies in this domain have shown that firms' CSR initiatives can elicit positive feelings or judgments from customers (Ailawadi *et al.*, 2014; Arora and Ty, 2007; Chernev and Blair, 2015; Cornwell *et al.*, 2005; Joireman *et al.*, 2015; Lacey *et al.*, 2015). Researchers have also identified boundary conditions for such “warmth” effects, such as donation situation (Ellen *et al.*, 2006), information source (Yoon *et al.*, 2006), the fit or congruence between the cause and the company's business scope (Bigné *et al.*, 2012; Ellen *et al.*, 2000; Kuo and Hamilton, 2015) and price discount (Andrews *et al.*, 2014). Extant studies, however, have not sufficiently considered whether and how the means by which firms affiliate themselves with causes would make a difference on consumer evaluations. Because the evaluation of a company's CSR image is a moral-based judgment related to the ultimate motivation underlying the CSR efforts (Sparks and Pan, 2010), the contingencies that represent structural elements of CSR programs could influence consumers' moral-related judgment of the company and hence impact the overall corporate evaluation.

Warmth and competence are two sides of the same coin when it comes to corporate image judgments (Aaker *et al.*, 2010; Brown and Dacin, 1997). It is critical to investigate the potential interactive effects between CSR type and corporate competence – a company's capability, expertise, skills and resources in production and innovation (Aaker *et al.*, 2010; Fiske, 1993) – on consumer reactions. Despite extensive efforts in the management literature dedicated to understanding the interrelationship of CSR actions and corporate competence at the firm level (Barney, 1991, 1997, 2001; Gulati, 1998; McWilliams and Siegel, 2001), consumer researchers

have devoted remarkably little theoretical and empirical attention to studying the role of corporate competence in affecting CSR judgments at the consumer level.

Our inquiry bears significant relevance to ongoing discussions in the management and strategy literature concerning whether and how company characteristics, especially internal ones such as size, amount of resources and financial performance, generate influences on the outcomes of CSR strategies (McWilliams and Siegel, 2001; Vives, 2006). Some discussions center on how large multinational companies (MNCs) versus small- and medium-sized enterprises (SMEs) should carry out their CSR activities (Hillary, 2004; Sweeney, 2007; Tilley, 1999). For instance, for MNCs, the increasingly high public pressure and sophisticated consumer needs pose new demands on these firms to adopt larger-scale and more proactive CSR programs, whereas SMEs tend to use CSR as a novel differentiating tool to brand themselves (Sweeney, 2007). Thus, a pertinent question arises as to whether companies that differ in competence – as reflected by size (small vs big), business experience (new vs old) and/or innovation (innovative vs traditional) – garner the same consumer approval of their similar CSR programs. This question is highly relevant to a firm's design of its CSR agenda, yet has not been addressed by previous researchers.

In short, we have two important predictions in this research. First, we expect that the three primary types of CSR, namely, philanthropic CSR, promotional CSR and value-creating CSR, will elicit different responses from consumers. Second, we further expect that corporate competence will moderate the effect of CSR types so that a particular type of CSR may elicit positive, neutral or even backlash reactions from consumers, depending upon the firm's competence level. Next, we discuss our conceptual framework, in which we first introduce different CSR types and review existing marketing literature on these CSR strategies. Following that, we review the literature on corporate competence and identify it as a potential moderator that sets up an important boundary condition for the effects of CSR activities on consumer reactions but has yet not been examined in the CSR literature. The hypotheses are then developed based on the conceptual framework.

## **Conceptual framework**

### Corporate social responsibility types

Of the three main CSR types, philanthropic CSR, represents firms' one-way donation behavior such as social donation (Dean, 2003), whereas promotional CSR refers to the initiatives designed to achieve promotion effectiveness, which are often associated with short-term sales goals (Pirsch *et al.*, 2007). Illustrative examples of promotional CSR include various societal marketing initiatives, such as cause-related marketing and cause sponsorships (Hoeffler and Keller, 2002). Value-creating CSR reflects a means of creating "shared value" (Porter and Kramer, 2006, 2011) among customers and stakeholders by merging consumer welfare, business goals and long-term societal benefits (Peloza and Shang, 2011). It goes beyond philanthropic CSR (pursuit of goodwill) and promotional CSR (oriented toward short-term profitability and brand image differentiation) by focusing on the alignment between corporate mission and social causes (Öberseder *et al.*, 2013) to enhance corporate competitiveness. By generating tangible and intangible shared value (Porter and Kramer, 2006, 2011), it can profoundly improve a firm's

capability to enhance customer wellbeing (de los Reyes *et al.*, 2017; Porter and Kramer, 2011; Wójcik, 2016). Two CSR programs – social alliances and value-chain CSR – can be considered examples of value-creating CSR. Both initiatives entail substantial and sustained investments of corporate key resources and competencies that the CSR programs can give. Table I illustrates the definitions and examples of each CSR type examined in this paper.

Different types of CSR are separately studied in prior marketing research on this topic. Philanthropic CSR in the form of social donation, for example, tends to enhance employee morale and customer loyalty (Brown *et al.*, 2006). Promotional CSR, especially cause sponsorships, has been shown to improve consumer brand awareness (Cornwell *et al.*, 2005) through mere exposure effects (Zajonc, 1968, 1980). Another form of promotional CSR – cause-related marketing – has received significant attention among marketing researchers. Successful cause-related marketing has been proven to increase sales by promoting trial purchases and repeat purchases (Barone *et al.*, 2000; Lichtenstein *et al.*, 2004), with boundary effects such as cause type, scope and acuteness (Vanhamme *et al.*, 2012). In terms of value-creating CSR, the extant studies have mainly focused on sub-areas of value-chain CSR such as green consumption, ethical consumption and sweatshop issues. Elliot and Freeman (2000), for instance, find that consumers are willing to pay higher prices to support companies that have improved on sweatshop issues, whereas Ehrich and Irwin (2005) show that consumers tend to under-request information about ethical attributes (e.g. environmental, social and ethical features) of a product willingly. Other research demonstrates that the introduction of green products can generally improve consumer brand judgment (Haws *et al.*, 2014; Olsen *et al.*, 2014).

Empirical studies attempted to compare different CSR initiatives are very limited. Among the rare exceptions, Lii and Lee (2012) study the effect of three specific CSR types (cause-related marketing, sponsorship and philanthropy) on customer–company identification. Dean (2003) examines the differences between conditional versus unconditional CSR. These studies compare only among traditional CSR types, while excluding value-creating CSR, which is deemed to be the most important CSR trend that can lead to both meaningful societal contribution and improvement of corporate performance (Porter and Kramer, 2011; Surroca *et al.*, 2010). Other researchers, including Pirsch *et al.* (2007) and Du *et al.* (2007), put CSR activities along a two-tiered spectrum (i.e. CSR positioning versus non-CSR positioning, and promotional CSR versus institutional CSR). Offering no specific operational criteria to classify CSR types, these studies fall short in practical guidance for managers to follow with regard to their concrete CSR choices.

#### Interrelationship between corporate social responsibility and corporate competence

Various researchers have defined competence. Sanchez *et al.* (1996, p. 306), for example, define competence as “the ability of an organization to sustain coordinated deployments of resources in ways that promise to help that organization to achieve its goal”. Similarly, McGrath *et al.* (1995, p. 254) consider competence as “a purposive combination of firm-specific assets (or resources), which enable it to accomplish a given task”. Other researchers incorporate elements such as resources, assets, skills and knowledge as the key building blocks of competence, wherein a firm’s competence reflects its ability to supply and deploy these elements to gain

competitive advantage (Barney, 1991; Teece *et al.*, 1997). Corporate competence or ability has also been examined in the marketing discipline. Vorhies *et al.* (2009) argue that company capabilities can enable firms to devote essential resources to implement product-market strategies and yield better market and finance performance. In the context of product-harm crisis, Lin *et al.* (2011) find that corporate ability moderates the perceived negative publicity on consumer trust and affect. Further, Luo and Bhattacharya (2006) demonstrate that corporate abilities moderate financial returns on CSR.

The interrelationships between CSR activities and corporate competence have been studied widely for decades at the firm level in the management literature. Borrowing various theoretical lenses, researchers argue that CSR actions and corporate competence can reinforce and boost the outcomes of each other. For instance, resource-based view theory, a theory that aims to understand competitive advantages of a firm (Barney, 1991, 1997; Grant, 1991; Srivastava *et al.*, 2001) proposes that CSR can lead to enhanced capabilities for the firm to deliver customer value because CSR creates rare resources that are difficult to acquire, such as human resources, innovation resources and corporate culture (Barney, 1997; Surroca *et al.*, 2010; Wernerfelt, 1995). The theory of the firm perspective asserts that a firm's CSR attributes are largely determined by the firm's competence characteristics, including its resources, R&D strength, size and diversification, whereas instilling CSR attributes into production processes can enhance the firm's competence to improve customer well-being (McWilliams and Siegel, 2001). Finally, according to social network theory (Dyer and Singh, 1998; Gulati, 1998), CSR has the potential to increase a firm's competence through forming unique, long-term and extensive cooperative ties with nonprofits, in which joint learning facilitates knowledge recombination and creation. Overall, these arguments support that a firm's competence can impact the effectiveness of CSR implementation, whereas effective CSR can enhance a firm's competence to deliver superior customer value.

Moving the discussion from the firm level to the individual level, "competence" and "warmth" in social psychology are considered to be two fundamental dimensions of social perception (Cuddy *et al.*, 2008). Warmth judgment involves how genuine, trustworthy and friendly the target is perceived to be, whereas competence judgment refers to perceptions of capability, proficiency and experience (Aaker, 1997; Grandey *et al.*, 2005; Judd *et al.*, 2005). In corporate brand literature, corporate associations, defined as "a generic label for all the information about a company that a person holds" (Brown and Dacin, 1997, p. 69), are composed of two dimensions: 1) "performance-centered" corporate ability image, and 2) "value-centered" CSR image.

In the current literature, CSR activities are generally studied from the warmth perspective, in terms of inducing consumers' positive feelings for a firm (Lichtenstein *et al.*, 2004). However, given the close interrelation between CSR and corporate competence, different CSR types may convey diverse intensities of corporate "warmth". We propose that consumer evaluation of CSR activities is based on both corporate warmth conveyed by the company's CSR initiatives and corporate competence inferred from the company's resources and experiences. For a particular type of CSR, we expect that it may elicit positive, neutral or even backlash reactions from consumers depending upon a firm's competence level.

**Table I.** Different types of CSR activities

Categories	Example of CSR formats	Definition	Example
<i>Philanthropic CSR</i>	<i>Social donations</i>	Unconditional corporate charity giving that is not tied to any explicit revenue purpose (Dean, 2003)	Coca-Cola’s charity fund to donate yearly to primary school education programs
<i>Promotional CSR</i>	<i>Cause sponsorship</i>	Cash donation paid to a cause in return for access to logo visibility and exposure (IEG, 2000)	Sunlife and ParticipACTION set up “Inspiration Booths” around Canada to promote physical activity. Sunlife logo is displayed on the booth as the social event sponsor
	<i>Cause-related marketing</i>	Allocating certain percentage of every unit sold of a brand to a cause or organization (Barone et al., 2000)	McDonald’s “McHappy Day” in which it donates 10 cents for each burger sold to a “children in need” program
<i>Value-creating CSR</i>	<i>Social alliance</i>	A strategic alliance between a company and a nonprofit, where the company invests key resources and competencies from its internal functions such as production, recruitment, and marketing (Berger, 2006)	Major food companies team up with nonprofits such as the YMCA to jointly combat childhood obesity. The resource input from companies includes funding, staff and service commitments, marketing expertise to design and deliver program messages, free media “air time”, etc.
	<i>Value-chain CSR</i>	Value created for social wellbeing through marketing-related daily operations of the company’s value chain, including consumer-oriented marketing, product innovations, customer-value marketing, etc.	Stonyfield’s organic marketing, environmental packaging, reduced sugar and calories in the products. Major food and beverage companies in Canada have pledged not to advertise to children under 12 years of age, etc.

**Table II.** Results of repeated-measures ANOVA and pairwise comparisons

D.V.	Mean (SD)			Pairwise mean difference			Main effect <i>F</i> (Greenhouse-Geisser correction)
	Philanthropic CSR	Promotional CSR	Value-creating CSR	Promotional CSR vs philanthropic CSR	Value-creating CSR vs philanthropic CSR	Value-creating CSR vs promotional CSR	
CSR image	4.90 (1.20)	5.31 (0.88)	5.72 (1.04)	0.38*	0.79**	0.41*	21.02**
Corporate trustworthiness	5.32 (1.30)	5.10 (1.01)	5.69 (1.11)	-0.22	0.37*	0.69**	10.77*

**Notes:** Adjustment for multiple comparisons: Bonferroni; \*\* $p < 0.001$ ; \* $p < 0.05$

## Hypothesis development

We expect that different types of CSR will generate differential effects on consumers' corporate evaluations, including judgments of CSR image and corporate trustworthiness. CSR image as an important outcome variable has been widely used in CSR research, which reflects the value a firm places on being seen as a good corporate citizen (Brown and Dacin, 1997). We introduce corporate trustworthiness as another dependent variable into our study for two reasons. First, it is argued that corporate trustworthiness often serves as the key element around which consumers form opinions when they process comprehensive issues associated with an organization rather than with specific product attributes (Hoeffler and Keller, 2002). When dealing with complicated and incongruent information about a corporation and its activities, consumers tend to seek a harmonious view of the company by synthesizing their thoughts on the credibility of the company (Alcaniz *et al.*, 2010). Second, previous research has shown that CSR has a direct positive effect on corporate brand credibility (Hur *et al.*, 2014). Furthermore, corporate trustworthiness has been proven to play an important role in influencing consumer responses such as customer satisfaction, loyalty and perception of company image (Busacca and Castaldo, 2003; Lafferty and Goldsmith, 1999). Given that modern consumers are becoming increasingly skeptical of the sincerity and honesty of CSR programs, we consider trustworthiness to be a key construct in the context of CSR evaluation.

### Differential effects of corporate social responsibility type on corporate social responsibility image

A consumer's formation of a company's CSR image is a moral judgment that pertains to the central questions of: 1) whether the company meets its social obligations, 2) whether the company's business conduct conforms to socially responsible standards, and 3) whether the company sincerely cares about and supports the cause (Alcaniz *et al.*, 2010).

Previous research has consistently shown that CSR image can improve a corporate brand through the perceptual benefits that a socially responsible firm can reap from its stakeholder groups (Donaldson and Preston, 1995; Du *et al.*, 2007). Extending this research stream, we propose that different types of CSR induce different levels of CSR image. Specifically, promotional CSR tends to induce a more favorable CSR image than does philanthropic CSR. Although philanthropic CSR entails unconditional monetary contribution to a cause without an expectation of benefits in return (Collins, 1994; Shaw and Post, 1993), many contemporary consumers understand philanthropic CSR as a means to seek publicity and secure business licenses (Polonsky and Speed, 2001), sometimes referred to as pseudo-altruism in the literature (Collins, 1994). Hence, consumers may not perceive philanthropic CSR as pure altruistically motivated programs. Moreover, because of increasing consumer expectation and pressure on companies to be responsible corporate citizens (Cone, 2013; Lacey *et al.*, 2015), philanthropic CSR may be deemed as a hygiene factor with low involvement and self-defense rather than having a real motivation behind it (Lacey *et al.*, 2015). All the above can lead to a less positive consumer perception of philanthropic CSR.

By contrast, promotional CSR, though characterized as having a salient commercial intent, requires higher degrees of consumer and company engagement, magnitude of resource input,

operational complexity and marketing communications (Davidson, 1997). Given that consumers nowadays generally accept that profit is an embedded objective of any business-related activities (Menon and Kahn, 2003), under shallow processing, they may take the face value of promotional CSR as a charitable behavior and judge it favorably. In other words, promotional CSR, featuring higher corporate involvement and generating higher consumer impact (Austin, 2000), can be viewed more favorably than philanthropic CSR:

*H1. Promotional CSR induces a more positive CSR image than philanthropic CSR.*

We further anticipate that value-creating CSR elicits a more favorable CSR image perception than either philanthropic CSR or promotional CSR. Among the three types of CSR, value-creating CSR requires the most resource inputs and long-term commitment/involvement of a company. Perceived corporate commitment is an indicator of sincerity or insincerity to consumers (Ellen *et al.*, 2000, 2006; L'Etang, 1994). Webb and Mohr (1998) suggest that long-term commitment is viewed as a positive cue on CSR judgment. Irmak *et al.* (2015) show that increased company involvement and commitment in business–nonprofit alliances result in more positive consumer attitudes toward a company with an initially low reputation. For consumers, value-creating CSR demonstrates a company's willingness to continuously invest core company competences in a social cause(s) via various aspects of commitment in a durable and consistent manner (Dwyer *et al.*, 1987). This signals that the CSR conduct is less of a short-term revenue generator (as in promotional CSR) or a license-secure preclusion (as in philanthropic CSR) and shows the CSR to have sincere intrinsic motives, involving real efforts to make a societal contribution (Gilbert and Malone, 1995):

*H2. Value-creating CSR induces a more positive CSR image than either promotional CSR or philanthropic CSR.*

Differential effects of corporate social responsibility type on corporate trustworthiness

Trust has been generally defined as “an expectation that the trustee is willing to keep promises and to fulfill obligations” (Rotter, 1971). The literature on trust identifies a few antecedents, including a firm's ability, honesty and goodwill (Barber, 1983; Ganesan, 1994; Newell and Goldsmith, 2001). Some of these antecedents are closely related to a firm's CSR. For instance, it is argued that CSR can enhance a brand's personality by enhancing the sincerity, credibility and goodwill dimensions of the brand (Hoeffler and Keller, 2002).

When asked for their evaluation of the trustworthiness of a particular act of CSR, individuals are very likely to elaborate on the ulterior motives (i.e. motives other than contributing to the cause) of the CSR program (Yoon *et al.*, 2006). Under this elaboration, we expect that value-creating CSR will earn the benefit of doubt from consumers, given the degree of effort and commitment involved in these CSR initiatives. Consumers' attributional elaboration, however, can pose disadvantages to both philanthropic CSR and promotional CSR. Promotional CSR's profit-pursuing nature can damage a firm's trust-related image, while philanthropic CSR's defensiveness and low-involvement feature can make it appear less trustworthy compared with value-creating CSR:

### H3. Value-creating CSR induces more corporate trustworthiness than either promotional CSR or philanthropic CSR.

Depending on whether individuals accept the profit-maximizing nature of any business conduct, the outcomes can be different when comparing promotional CSR with philanthropic CSR in terms of perceived corporate trustworthiness. Specifically, when individuals are tolerant of the profit-maximizing purpose of a business initiative, their judgment of a firm's trustworthiness should be in line with their judgment of CSR image. In this case, promotional CSR can be evaluated more positively. Alternatively, consumers may consider promotional CSR as exploitative, with the ulterior purpose of obtaining quick revenue, thus resulting in a more negative evaluation of the company. In light of such contradictory possibilities, we hesitate to make a definitive hypothesis regarding the difference between promotional CSR and philanthropic CSR in their effects on corporate trustworthiness.

#### Moderating effects of corporate competence–philanthropic CSR versus promotional CSR

In the literature, the information processing that underlies individuals' evaluative judgments is generally documented to include two fundamental processes. In systematic processing (Chaiken, 1980; Chaiken and Eagly, 1983), individuals make effortful endeavors to assess the content of information to derive well-grounded rational evaluations, while in a heuristic process (Chaiken, 1980), individuals make less effort when making judgments. In short, the amount of effort expended during information processing is the key factor that distinguishes the two models from each other. Translating these findings into our study context, we expect that the potential consistency between the corporate competence level and CSR types will determine which information processing strategy consumers are likely to use. When the corporate competence level does not match with the expected CSR type, that is, when inconsistency arises across the new information and the context, consumers are more likely to engage in systematic processing. Notably, the foregoing discussion is in line with prior research on cue consistency theory (Maheswaran and Chaiken, 1991): when consistency exists across information and context, consumers will tend to form evaluations based on heuristic information processing; when information and context are not consistent, however, systematic processing is more likely to occur. Therefore, moderating effects of competence level are expected, which we discuss next.

We expect that when a high-competency firm engages in promotional CSR, the company will receive a backlash consumer perception effect on its CSR image. Consumers tend to expect highly competent companies to behave more responsibly and provide more CSR attributes (McWilliams and Siegel, 2001). When a company's social performance fails to meet their expectations, consumers may penalize that company (Trudel and Cotte, 2009). As discussed before, promotional CSR is a double-edged sword when it comes to consumer evaluations. On the one hand, under heuristic or shallow processing, consumers tend to positively evaluate promotional CSR based on its face value as a charity behavior. On the other hand, previous studies show that under systematic elaboration, perceived exploitative or egocentric motives can lead to negative evaluations (e.g. Becker-Olsen and Hill, 2006; Ellen *et al.*, 2006). The theory of attributional thinking (Fein, 1996; Ybarra and Stephan, 1999) holds that when individuals suspect the ulterior motivation of a company's CSR effort to be exploitative, they may discount

their previously held positive judgment of the company, leading to a “change-of-mind” effect (Friestad and Wrigvht, 1994), where they give a negative response during the persuasive episode.

For a high-competency firm, promotional CSR – featuring short-term sales or embedded exchange rather than shouldering social responsibility – can largely fall short of the consumer’s highly set evaluative standard or expectation. A high-competency company (higher expertise, skills, resources and power) that engages in short-term, profit-pursuing promotional CSR produces an expectation discrepancy for consumers. Such discrepancy prompts consumers to elaborate deeply (governed by systematic information processing) on the CSR motivations, applying extensive attributional reasoning to their evaluations (Srull, 1981). As a result, the egocentric feature of promotional CSR would be more salient under this elaboration, which would lead to a lower CSR image and corporate trustworthiness evaluation, subject to the “change-of-mind” effect (Friestad and Wrigvht, 1994).

By contrast, when a low-competency firm undertakes promotional CSR, consumers will not construct an equally high standard or expectation for evaluating the CSR program or the company. In other words, no expectation discrepancy exists in this situation. Under shallow information processing, promotional CSR will be evaluated in line with its apparent worth as a CSR effort and thus will not be subject to a backlash effect for a low-competency firm. Therefore, we hypothesize that:

*H4.* For high- (but not for low-) competency companies, philanthropic CSR induces a more positive CSR image than promotional CSR.

*H5.* For high- (but not for low-) competency companies, philanthropic CSR induces a more positive impression of corporate trustworthiness than promotional CSR.

#### Moderating effects of corporate competence–value-creating CSR versus philanthropic and promotional CSR

We hypothesized earlier that in comparison with philanthropic CSR and promotional CSR, value-creating CSR enjoys judgmental advantages on both CSR image and perceived corporate trustworthiness. Building upon that hypothesis, we further expect corporate competence to moderate the above-observed main effects. Specifically, when a high-competency firm engages in value-creating CSR, the two types of cues (i.e. being competent and socially innovative) can be deemed as consistent or even mutually reinforcing in consumers’ minds. Thus consumers are more likely to judge the scenarios through a rapid and automatic associative process (Berkowitz, 1993), similar to heuristic processing (Chaiken, 1980; Chaiken and Eagly, 1983). According to the cue consistency theory, this will result in reinforcing effects (Schwarz, 1998; Schwarz and Clore, 1983). As the persuasive power of CSR increases, consumers are likely to evaluate the company more favorably.

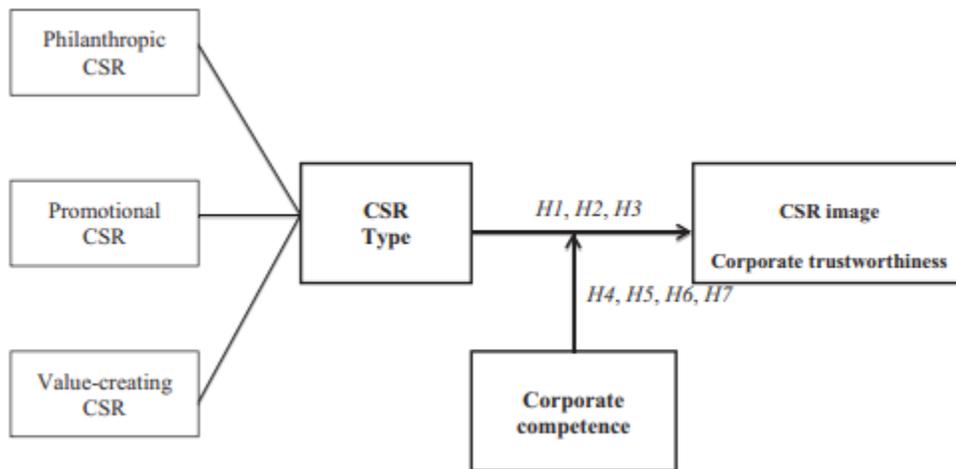
When it comes to low-competency firms, however, we anticipate that consumers’ evaluations of corporate trustworthiness will not be subject to the same effect, as in the case of high-competency firms. Value-creating CSR requires pooling of extensive core corporate resources to support the cause. Because a low-competency firm is often perceived as possessing limited

corporate resources, expertise and control power (Day, 1994; Li and Calantone, 1998), consumer suspicions can be triggered, leading to questions of whether the firm truly has the ability to carry out value-creating CSR programs that require extensive corporate investments. A belief can also arise that CSR activities are undertaken to pursue commercial-related (e.g. to recruit new customers and earn publicity) rather than cause-related goals. Even worse, as argued by previous researchers (Berens, van Riel, and van Rekom, 2007; Bhattacharya and Sen, 2004), sometimes, consumers may believe that a low-competency firm's CSR is undertaken to compensate for its inferior product offerings. In summary, all the above ulterior motivation elaborations can result in a less trustworthy image when a low-competency firm engages in value-creating CSR:

*H6.* For high- (but not for low-) competency firms, consumers' perceived corporate trustworthiness is more positive for value-creating CSR than for philanthropic CSR and promotional CSR.

*H7.* For value-creating CSR, consumers' perceived corporate trustworthiness is more positive for high-competency firms than for low-competency firms.

Figure 1 displays a conceptual model of the core constructs and hypotheses. Two studies are designed to test these hypotheses. Study 1 focuses on testing the differential effects of CSR types on consumer responses. It also seeks to provide preliminary evidence for the moderating role of corporate competence. Study 2 attempts to replicate the findings of Study 1 and further examine the moderating role of corporate competence on the effects of CSR type in a more controlled two-factor experimental design.



**Figure 1.** A conceptual model of hypothesis

## Study 1

### Design and sample

Study 1 utilized a one-factor (CSR types) within-subjects design. CSR types include philanthropic CSR (i.e. social donation), promotional CSR (i.e. cause sponsorship and cause-related marketing) and value-creating CSR (i.e. social alliances and value-chain CSR).

Participants were 124 MBA students from two universities in Canada, who took part in an online survey for a compensation of \$10. We adopted a within-subjects design because of its high statistical power and the advantage of reduction in error variance associated with individual differences (Charness *et al.*, 2012). This methodology also provides comparative judgments within respondents (Kardes *et al.*, 2004) and generates maximum possibilities for participants to compare the distinctive features of each CSR type and assess its relative desirability.

CSR types were manipulated by describing each one by using illustrative examples with anonymous company names. Take philanthropic CSR for example, the manipulation material described the initiative as:

Company R is a software company. Since the year 2006, the company has built a charity fund for donation of money and the company's latest version software to qualified primary and secondary schools in the country.

To minimize potential confounds, we eliminated all additional information pertaining to the company, except for the industry that the company belongs to. In addition, we adopted a high cause-company fit scenario for all CSR types to rule out potential confounds of "perceived cause-business" fit, as documented by previous studies (Pracejus and Olsen, 2004; Sen and Bhattacharya, 2001). After reading each CSR type description, participants rated perceived CSR image and trustworthiness of the company. Then they proceeded to read the next CSR-type scenario.

## Measures

The CSR image measure contained two aspects adapted from Brown and Dacin (1997):

1. being socially responsible; and
2. being caring ( $\alpha = 0.91$ ).

Perceived corporate trustworthiness was adapted from a study by Newell and Goldsmith (2001), composed of two elements:

1. trusting the company; and
2. the company is making truthful claims ( $\alpha = 0.91$ ).

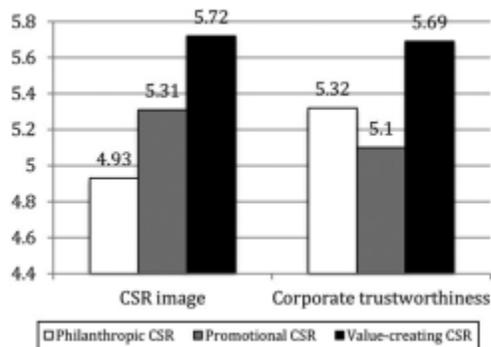
We also measured perceived corporate competence, adapted from a study by Newell and Goldsmith (2001) containing two aspects:

1. has great expertise; and
2. is skilled in what they do ( $\alpha = 0.94$ ).

To address the concern of "carry-over" effects (Campbell and Stanley, 1966) of the within-subjects design, five different versions of the questionnaire were used with varying presentation orders of the CSR types. Respondents were randomly assigned to a version of the questionnaire. The questions were all in the form of seven Likert-scale items.

## Results

We conducted generalized linear model repeated-measures ANOVAs on perceived CSR and corporate trustworthiness. For both dependent variables, the main effects after taking Greenhouse–Geisser corrections into account were significant. *H1* states that promotional CSR induces a more positive CSR image than philanthropic CSR. As shown in Table II, promotional CSR ( $M = 5.31$ ) was evaluated more favorably on CSR image than philanthropic CSR ( $M = 4.93$ ;  $M_d = 0.70$ ,  $p < 0.01$ ). These results support *H1*. *H2* specifies that value-creating CSR induces a more positive CSR image than either promotional CSR or philanthropic CSR. Consistent with *H2*, our results showed that compared with philanthropic CSR ( $M = 4.93$ ) and promotional CSR ( $M = 5.31$ ), value-creating CSR ( $M = 5.72$ ) generated larger impacts on CSR image ( $F = 21.02$ ,  $p < 0.001$ ). In *H3*, we hypothesized that value-creating CSR induces more corporate trustworthiness than do promotional CSR and philanthropic CSR. Supporting *H3*, value-creating CSR ( $M = 5.69$ ) was found to generate more positive perceptions of corporate trustworthiness than either promotional CSR ( $M = 5.10$ ) or philanthropic CSR ( $M = 5.31$ ;  $F = 10.77$ ,  $p < 0.001$ ). Figure 2 shows the differential effects of the CSR types on the dependent variables.

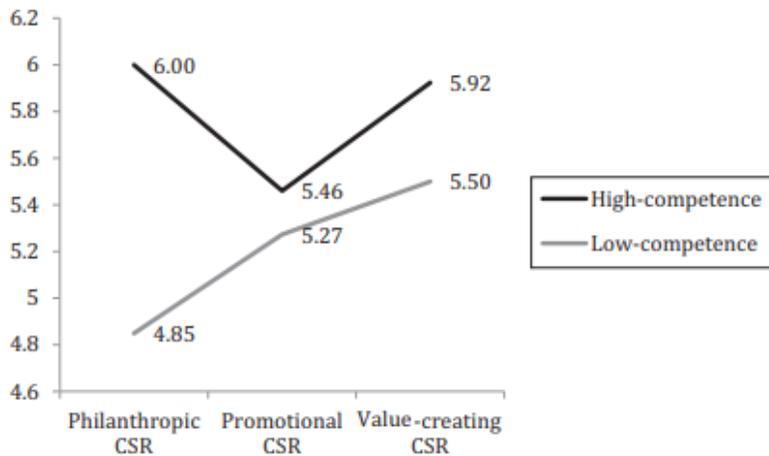


**Figure 2.** Perception of corporate measures as a function of CSR type

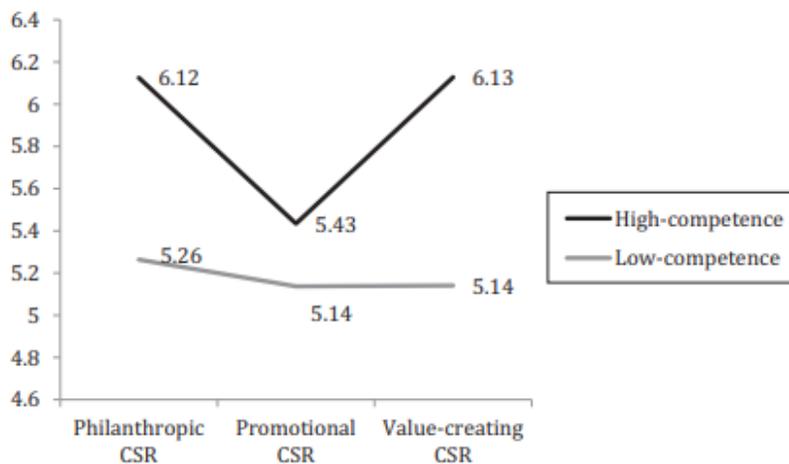
To provide initial evidence on whether perceived corporate competence moderates individuals' perceptions of CSR image and corporate trustworthiness (as stated in *H4-H7*), we dichotomized perceived corporate competence into high-competence and low-competence situations by using a median split, then examined its interaction with CSR type. *H4* and *H5* anticipate that for both CSR image and corporate trustworthiness, a high-competency company will receive more perceptual advantage when it engages in philanthropic CSR than when engaging in promotional CSR. We found that perceived competence significantly moderated the effect of CSR type on both CSR image [ $F(5, 578) = 14.95$ ,  $p < 0.001$ ] and corporate trustworthiness ( $[F(5, 578) = 18.25$ ,  $p < 0.001$ ]. In both cases, the interaction effects originated from a salient backlash in the condition of a high-competency firm's promotional CSR. Specifically, we discovered a significantly lower CSR image evaluation ( $M_{\text{promotional}} = 5.46$  vs  $M_{\text{philanthropic}} = 6.00$ ,  $p = 0.04$ ) and a significantly lower corporate trustworthiness evaluation ( $M_{\text{promotional}} = 5.43$  vs  $M_{\text{philanthropic}} = 6.16$ ,  $p = 0.03$ ) when a high-competency firm engaged in promotional CSR as opposed to philanthropic CSR. In the case of a low-competency firm, however, the reverse pattern emerged. Promotional CSR received a significantly more positive CSR image in comparison with

philanthropic CSR ( $M_{\text{promotional}} = 5.27$  vs  $M_{\text{philanthropic}} = 4.85$ ,  $p < 0.001$ ). In terms of corporate trustworthiness, no difference was detected between promotional CSR and philanthropic CSR ( $p > 0.50$ ) in the case of a low-competency firm.  $H4$  and  $H5$  are therefore both supported.

$H6$  states that for high- rather than for low-competency firms, consumers' perceived corporate trustworthiness would be more positive for value-creating CSR than for philanthropic CSR and promotional CSR. Consistent with  $H6$ , the results showed that for a high-competency firm, consumers' perceived trustworthiness was more positive in the case of value-creating CSR compared with promotional CSR ( $M_{\text{value-creating}} = 6.12$  vs  $M_{\text{promotional}} = 5.43$ ,  $p < 0.001$ ). However, for the same high-competency company, there was no difference between value-creating CSR and philanthropic CSR ( $p > 0.50$ ).  $H6$  is, therefore, partially supported.  $H7$  specifies that for value-creating CSR, consumers' perceived corporate trustworthiness is more positive for high- than low-competency companies. Supporting  $H7$ , a high-competency firm's value-creating CSR ( $M = 6.12$ ) induced a more favorable evaluation than a low-competency firm's value-creating CSR ( $M = 5.14$ ,  $p < 0.001$ ). The results of Study 1 in terms of both CSR image and corporate trustworthiness are presented in Figures 3 and 4, respectively.



**Figure 3.** CSR image as a function of CSR type and perceived competence



**Figure 4.** Corporate trustworthiness as a function of CSR type and perceived competence

## Study 2

Study 1's experimental design incorporated a single condition, CSR type, and utilized a within-subjects design. Though a within-subjects design ensures that participants contemplate and compare different CSR options with minimum confounds, the study design does not provide a full story that reflects a more realistic situation where options for comparative decision-making usually are not present in consumers' encounters with firms. Also, the moderating role of perceived corporate competence was tested in an exploratory manner, as it was not manipulated in Study 1. Acknowledging these limitations, Study 2 was conducted for two purposes:

1. to validate the findings of Study 1 by using a between-subjects design; and
2. to include corporate competence as an experimental factor to further validate the moderation hypotheses.

### Subjects and design

In total, 232 undergraduate students took part in this study. Participants were randomly assigned to one of eight conditions of 2 (corporate competence: high vs low)  $\times$  4 (CSR type: philanthropic CSR, promotional CSR and value-creating CSR [including social alliances and value-chain CSR]) experimental scenarios.

Throughout all eight experimental conditions, we used a fictitious convenience-food manufacturing corporation, the Golden Circle, and a fictitious snack-food product brand, Vita-Weat. An illustrative example of the company profile description is provided in Appendix. *CSR type* is manipulated by describing the four different CSR types/approaches: 1 = philanthropic CSR (i.e. social donation); 2 = promotional CSR (i.e. cause sponsorships); 3 = value-creating CSR 1 (social alliance); and 4 = value-creating CSR 2 (value-chain CSR). The cause with which the company is associated is described as a Canadian national initiative, Healthy Active Kids, a campaign aiming at teaching children to eat smart, move more and become media-wise.

The four different CSR-type scenarios can be briefly encapsulated as follows. For philanthropic CSR, the company established a charity fund to donate to Healthy Active Kids and has been doing so for the past three years. For promotional CSR, the company has been a presenting sponsor to Healthy Active Kids for three years, helped launch the campaign and donated major funds to the cause. As a condition, the logo of Golden Circle is presented in the campaign's nationally televised ads, as well as in the educational programs delivered across Canada. For the first type of value-creating CSR (i.e. a social alliance), the company formed a partnership with a nonprofit organization responsible for the Healthy Active Kids campaign. In this partnership, beyond a financial donation plan, the company participates in the governance of the alliance, providing strategic counsel and advisors to co-design and co-develop the social programs. Finally, for the second type of value-creating CSR (i.e. value-chain CSR), the company initiated plans to reduce portion size, fat and calories of its products and pledged not to advertise food and beverage products to children under the age of 12, while shifting the emphasis of their children's advertising to healthy active-living messages.

The manipulations used in the current study ruled out possible confounds from factors that have been documented by previous research to affect consumers' evaluations of CSR activities, including: 1) cause–business fit (Bigné *et al.*, 2012; Sen and Bhattacharya, 2001), 2) time horizon (Dean, 2002; Meyer, 1999), and 3) information source credibility (Yoon *et al.*, 2006).

The current study used the same cause across the four CSR types and the same time horizon for all the CSR scenarios: three years. In terms of information source, all the experimental information was ostensibly provided to consumers from a third-party neutral source.

Following Brown and Dacin (1997), corporate competence was manipulated by focusing on two perspectives (i.e. manufacturing ability and technological innovativeness). To help participants achieve well-rounded perception of corporate competence, we presented both objective and subjective claims/stimuli. In terms of objective information, the stimuli included the age of the company, number of countries its products are marketed to, number of its well-known brands, manufacturing capacity and number of patented technologies and products. The subjective claims were presented in the form of ratings of corporate competence on two aspects (i.e. manufacturing ability and technological innovativeness), supposedly provided by an impartial consultant. The ratings were assigned with a letter grade (i.e. with A and A- for a high-competence condition, and D and E for a low-competence condition; see Appendix for details).

Participants were informed that we were interested in their opinions of a convenience-food company. They were told that an impartial industrial consulting agent provided all the information that they were about to read. The first section contained the profile of a fictitious food corporation (the Golden Circle), including the description of its corporate competence and its CSR approach (i.e. CSR type to assist the cause of preventing childhood obesity). Following that, participants read a paragraph stating:

In recent years, childhood obesity has been identified as one of the greatest health challenges in Western society. The newest statistics show that approximately 26 per cent of Canadian children are currently overweight or obese. In response to this challenge, Golden Circle is taking measures to help address the issue.

One of the four different CSR types embedded in this cause context was then presented.

Following the reading of the information booklet, participants were asked to provide their evaluations on the dependent variables.

### Measures

All variables were assessed using seven-point scale measures anchored at 1 = “strongly disagree” and 7 = “strongly agree”. The measure for perceived corporate CSR image was adapted from Menon and Kahn (2003) by using three items (i.e. “fulfills its social responsibility”, “highly concerned about social issues” and “doing business in a socially responsible manner”;  $\alpha = 0.88$ ). Perceived corporate trustworthiness – based on Newell and Goldsmith (2001) – was measured by three items (i.e. “trust the company”, “it makes truthful claims” and “believe what the company tells me”;  $\alpha = 0.90$ ).

In addition, we incorporated and measured five control variables pertaining to individual-related factors that have been documented in previous studies to have the potential to affect consumers' CSR reactions, including gender (Ford and Richardson, 1994), cause support (Lichtenstein *et al.*, 2004), customer involvement (Maheswaran *et al.*, 1992) and cognitive morality (Ferrell and Gresham, 1985). We also incorporated health consciousness as a potential covariate because we used a food company as a stimulus. The covariates were measured based on previous literature, including gender (male/female), cause support (adapted from Lichtenstein *et al.*, 2004); e.g. "I could see myself donating some of my time to supporting nonprofits that help fight childhood obesity"), customer involvement (adapted from Maheswaran *et al.*, 1992; e.g. "supporting nonprofits that fight childhood obesity is important to me"), cognitive morality (adapted from Ferrell and Gresham, 1985; e.g. "I consider myself to be a socially responsible person") and health consciousness (e.g. "I am health-conscious when picking food products").

## Results

A qualitative pretest taken by ten participants showed that they perceived the materials as credible. To check the corporate-competence manipulation, we utilized a separate sample of 40 students. The high- and low-corporate competence manipulation was successful, with participants in the high-competence condition rating the firm higher on perceived corporate competence ( $M = 5.40$ ) than did those in the low-competence condition ( $M = 3.06$ ,  $t = 9.00$ ,  $p < 0.001$ ). To check the effectiveness of the manipulation of CSR type, at the end of the questionnaire, participants were provided a list of definitions of different CSR types and were asked to choose from the list the type of CSR practice that the Golden Circle was undertaking. The results showed that our manipulation was successful.

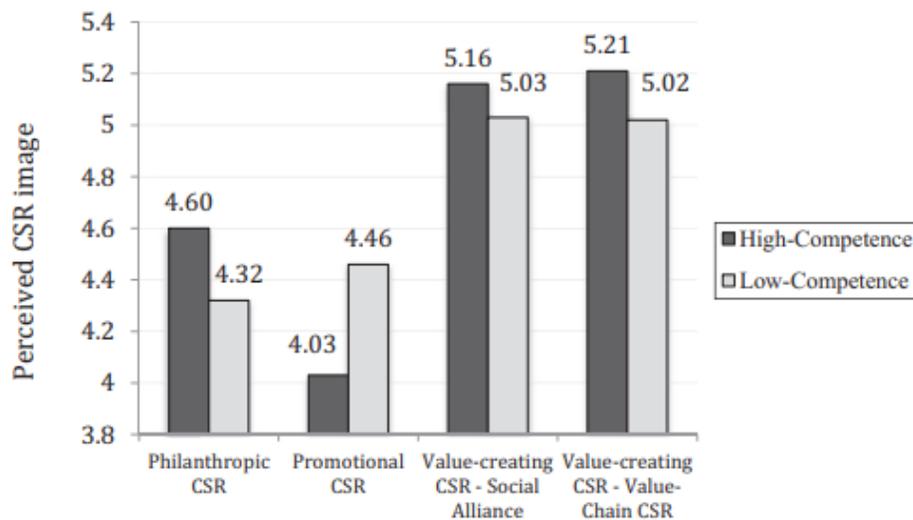
To assess the measurements in the current study, we verified the factor structure of all the observed variables by using confirmatory factor analysis. We hypothesized a two-factor model (i.e. CSR image and corporate trustworthiness) to be confirmed in the measurement model. The model provides a good fit to the data based on various fit indices ( $\chi^2 = 12.882$ ,  $df = 8$ ,  $p = 0.116$ ; BBNFI = 0.990; CFI = 0.993; GFI = 0.983; RMSEA = 0.051). All the relations of the items to their hypothesized loadings are significant ( $p < 0.001$ ), and the standardized loadings of all the variables on their corresponding factors are greater than 0.87 in the current study (Bogozzi and Yi, 1988), which provide good evidence on convergent validity.

The effects of CSR type and corporate competence on the four dependent variables were tested using multivariate analysis of variance (MANOVA). None of the five covariates (i.e. gender, cause support, consumer involvement, cognitive morality and health consciousness) had a significant effect on the dependent variables. We found a significant interaction effect [Wilks's  $\lambda = 0.90$ ,  $F(12, 654) = 1.95$ ,  $p = 0.026$ ]. The influence of CSR type on corporate evaluations was significant [Wilks's  $\lambda = 0.79$ ,  $F(12, 654) = 4.59$ ,  $p < 0.001$ ], so was competence [Wilks's  $\lambda = 0.56$ ,  $F(4, 221) = 43.40$ ,  $p < 0.001$ ]. We report results for each dependent variable in Table III.

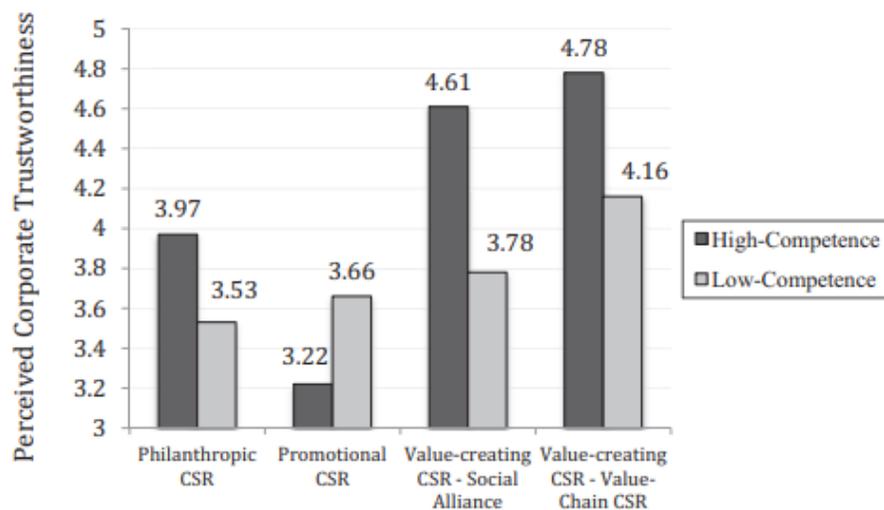
**Table III.** Multivariate and univariate effects on corporate evaluation

<b>Factor</b>	<b>Dependent variable</b>	<b>Wilk's <math>\lambda</math></b>	<b>F</b>	<b>df</b>	<b>p</b>
Overall MANOVA test					
<i>Factors</i>					
CSR type		0.79	4.59	(12,654)	0
Competence		0.56	36.45	(4,216)	0
CSR $\times$ Competence		0.9	2.17	(12,654)	0.026
<i>Covariates</i>					
<i>Gender</i>		0.94	2.01	(4,216)	0.09
<i>Cause support</i>		0.99	0.32	(4,216)	0.862
<i>Consumer involvement</i>		0.98	0.91	(4,216)	0.466
<i>Cognitive morality</i>		0.97	1.19	(4,216)	0.326
<i>Health consciousness</i>		0.98	0.65	(4,216)	0.634
Univariate effects					
Effects of CSR type	CSR image		9.25	(3,219)	0.002
	Corporate trustworthiness		6.52	(3,219)	0.008
Effects of competence	CSR image		0.93	(1,219)	0.335
	Corporate trustworthiness		7.16	(1,219)	0.008
Effects of CSR $\times$ Competence	CSR image		0.6	(3,219)	0.298
	Corporate trustworthiness		2.38	(3,219)	0.071

*Perceived CSR image.* *H4* states that for high- rather than low-competency companies, philanthropic CSR induces a more positive CSR image than does promotional CSR. The test revealed a marginally significant interaction effect between corporate competence and the two CSR types on CSR image: philanthropic CSR and promotional CSR [ $F(1, 116) = 3.07; p = 0.06$ ]. It showed that when a high-competency firm engaged in promotional CSR, consumers' perceived CSR image ( $M = 4.03$ ) was significantly lower than when the same high-competency firm engaged in philanthropic CSR ( $M = 4.6; p = 0.04$ ). This effect, however, was not observed for a low-competency firm (Figure 5). This finding replicates that of Study 1, and *H4* is again supported.



**Figure 5.** Perceived CSR image as a function of CSR type and competence



**Figure 6.** Perceived corporate trustworthiness as a function of CSR type and competence

*Corporate trustworthiness.* A marginally significant interaction between the two independent variables was detected [ $F(3, 219) = 2.38, p = 0.071$ ]. The main effects of both CSR type [ $F(3, 219) = 6.25, p < 0.001$ ] and corporate competence [ $F(1, 219) = 7.16, p = 0.008$ ] were

significant. *H5* predicts that for high- rather than low-competency companies, philanthropic CSR induces more positive corporate trustworthiness than does promotional CSR. The results showed that when a high-competency firm engages in promotional CSR ( $M = 3.22$ ) as opposed to philanthropic CSR ( $M = 3.97$ ), consumers perceived a significantly lower corporate trustworthiness ( $p = 0.03$ ). Such a difference was not detected for a low-competency firm ( $M_{\text{promotional}} = 3.53$  vs  $M_{\text{philanthropic}} = 3.66$ ,  $p = 0.65$ , as shown in Figure 6). *H5* is therefore fully supported.

*H6* specifies that for high- rather than low-competency firms, consumers' perceived corporate trustworthiness would be more positive for value-creating CSR than for philanthropic CSR and promotional CSR. We found that for high-competency firms, social alliance ( $M = 4.61$ ) and value-chain CSR ( $M = 4.78$ ) were rated significantly higher than both philanthropic CSR ( $M = 3.97$ ) and promotional CSR ( $M = 3.22$ ; social alliance vs philanthropic CSR:  $Md = 0.64$ ,  $p = 0.05$ ; social alliance vs promotional CSR:  $Md = 1.37$ ,  $p < 0.001$ ; value-chain CSR vs philanthropic CSR:  $Md = 0.86$ ,  $p = 0.02$ ; value-chain CSR vs promotional CSR:  $Md = 1.56$ ,  $p < 0.001$ ). When it comes to low-competency firms, in line with results from Study 1, no significant perceptual advantages were detected for value-creating CSR in comparison with philanthropic CSR or promotional CSR, with the exception of a marginal difference between value-chain CSR and philanthropic CSR ( $Md = 1.81$ ,  $p = 0.07$ ), as shown in Figure 6. These results support *H6*.

Finally, as stated in *H7*, the results suggest that when a high-competency corporation engaged in value-creating CSR, consumers rewarded the firm to a significantly greater extent on perceived corporate trustworthiness compared with when a low-competency firm engaged in the same type of CSR. Specifically, when the corporation is carrying out a social alliance, a high-competence company ( $M = 4.61$ ) obtained a more positive corporate trustworthiness perception than did a low-competency company ( $M = 3.78$ ,  $p < 0.001$ ); when carrying out value-chain CSR, a high-competency company ( $M = 4.78$ ) was again more positively rated than a low-competency company ( $M = 4.16$ ,  $p = 0.02$ ), as shown in Figure 6. Thus, *H7* is fully supported.

## Discussion

In two studies, this paper investigates the impact of different types of CSR (i.e. value-creating CSR, promotional CSR and philanthropic CSR) on consumer responses and the moderating role of corporate competence. The findings suggest that, in general, consumers respond to value-creating CSR more favorably than to philanthropic CSR or promotional CSR. In addition, corporate competence moderates consumers' responses toward different types of CSR in such a way that promotional CSR is more likely to have the desired effects when carried out by low-competency rather than high-competency firms, whereas value-creating CSR is more effective for high-competency firms than for low-competency ones. Philanthropic CSR works equally in both types of firms.

### Theoretical contributions

This research aims to make two important theoretical contributions to the current CSR literature. First, we respond to long-standing calls from CSR researchers in marketing (Peloza and Shang, 2011; Sen *et al.*, 2016) to investigate consumer responses across multiple formats of CSR. Most

existing marketing studies focus intensively on a single CSR type, among the different alternatives (Peloza and Shang, 2011), which has hindered the understanding of the meaningful sense of consumer responses (Sen *et al.*, 2016). Our findings show that philanthropic CSR, involving most often dollars, has the least positive impact on corporate evaluations. Promotional CSR, on the other hand, contributes to a comparatively more positive CSR image than philanthropic CSR. This finding suggests that even with the risk of being seen as a mere tactic to increase quick commercial benefits, promotional CSR signifies to individuals a more advanced CSR, and it is thus able to reap more perception-based advantages. In addition, value-creating CSR, undertaken to create shared value for the business and its stakeholders (more importantly, its customers), has the strongest positive effects on both CSR image and corporate trustworthiness.

Second and more interestingly, the current study shows that a company's perceived competence significantly moderates consumer perceptions of key corporate measures. Despite the highly developed theories in management literature that unravel the interrelationships between corporate competence and CSR actions, surprisingly little empirical work has assessed whether consumers are likely to include corporate competence as a factor when evaluating firms' CSR efforts. This study attempts to move the discussion from a firm perspective to a consumer perspective and to investigate a highly relevant question of when corporate competence augments/compensates/discounts consumers' ethical and overall judgment of firms.

The findings broaden our understanding of CSR types and consumer evaluations, which have not been systematically examined previously. The research of Pirsch *et al.* (2007), comparing two-tiered CSR classifications, was exploratory in nature and did not identify a boundary effect of the two CSR classifications on consumers. The survey study of Du *et al.* (2007) comparing the "CSR positioning" versus the "non-CSR positioning" of brands shows that for a CSR brand, consumers' awareness of the CSR is more positively related to their judgments of corporate ability. As the study's categorization of CSR is broad and non-definitive, the research falls short of providing a practical guide in terms of "what to adopt" or "what to choose" for a brand to become a "CSR brand".

The current study reveals that corporate competence moderates consumers' response to different CSR types. In particular, a firm's competence level influences the standards against which consumers' judgments are made. For high-competency firms, promotional CSR receives the least benefit and can even bring backlash effects to the firms. The same pattern consistently shows up for both CSR image and corporate trustworthiness. This finding is inconsistent with the resource-based view of CSR, which shows that enhanced firm capabilities can enable firms to devote more essential resources to implement CSR plans and yield better CSR performance (McWilliams and Siegel, 2001; Vorhies *et al.*, 2009). However, the intriguing finding suggests that when it comes to consumer evaluation, the dynamic effect of corporate competence and CSR performance can be nuanced, depending on the type of CSR activities involved. When a high-competency firm engages in short-term, profit-oriented promotional CSR, it tends to be punished by consumers. The phenomenon can be attributed to a contrast effect in the persuasion episode when an elevated standard of CSR performance is constructed for a high-competency firm, which the company is not able to meet with its promotional CSR.

Nevertheless, the good news for high-competency firms is that consumers tend to reward them to a significantly larger extent on their value-creating CSR than they do for low-competency firms. Such responses can result from consumers' heuristic processing based on affective congruence and reinforcement of information cues. This finding aligns with the resource-based view theory, which suggests that higher corporate ability can produce more positive CSR performance outcomes (McWilliams and Siegel, 2001; Vorhies *et al.*, 2009).

For low-competency firms, our results indicate that consumers generally do not offer as high a level of trust when a low-competency firm carries out value-creating CSR as compared to a high-competency company. Consumers tend to ascribe less sincere motivation or true capabilities to a low-competency company's value-creating CSR than they do to a high-competency company's similar efforts. However, in the case of a low-competency firm, promotional CSR does not receive any backlash effect, as it can in the case of a high-competency firm. In this regard, promotional CSR can work as an equally (or even more) desirable CSR effort as philanthropic CSR for low-competency companies.

### Managerial implications

Our findings not only bring significant theoretical contributions to the literature but also have important implications for marketing practitioners with respect to managerial CSR choices. First, we provide empirical evidence for the possibility that firms could improve their CSR image by placing social responsibility at the core of their value-creating agenda. Our findings offer support to branding strategies of companies that emphasize on satisfying both customers' consumption needs and their ethical requirements with responsible product offerings, such as Wholefoods Market and Stonyfield (Auger *et al.*, 2003). Previous researchers (Haws *et al.*, 2014; Olsen *et al.*, 2014; Trudel and Cotte, 2009) suggest that consumers' brand judgment or willingness to pay is greater for ethically produced products than for unethically produced ones. By pushing the investigation a step further, the current research explicitly identifies consumer-related constructs (e.g. trustworthiness and CSR image) and thus advances our understanding of how judgmental and purchase advantages can be realized in consumer settings.

Our findings also support the CSR strategies of companies such as Timberland and Starbucks, which seek to fulfill the corporate CSR agenda through extensive strategic alliances with their stakeholders and social partners. In fact, despite the shortage of marketing research on social alliances, such CSR endeavors have become one of the most important practices undertaken for solving challenging and complex social problems. These problems include such social issues as obesity, global warming, and alcohol consumption and businesses that can play an essential role in bringing them to consumers' attention, as well as providing meaningful solutions to alleviate the problems. These implications are important given that an increasingly larger number of firms and industries are shifting their traditional and fragmented philanthropic or promotional CSR to more strategic, innovative and integrative approaches (Peloza and Shang, 2011; Pirsch *et al.*, 2007; Porter and Kramer, 2006, 2011).

Another managerial implication is related to the moderating effects of corporate competence, which offer practical and timely guidance for marketing practitioners in companies that possess different capabilities to control and relocate resources. For high-competency firms (e.g. large-

sized companies such as MNCs), the branding priority for CSR has been to minimize the adverse social impacts of their businesses, while pursuing CSR agenda that can be accepted by consumers. Previous researchers (Foote *et al.*, 2010) note that for companies such as McDonald's, which has been accused of purveying unhealthy food products, CSR initiatives that address business-related social issues (such as obesity) may be negatively received by consumers, because such CSR endeavors would trigger a higher degree of suspicion of its motives (Drumwright, 1996; Ellen *et al.*, 2000; Yoon *et al.*, 2006). Would this always be the case? Our findings indicate both "yes" and "no" to such a possibility.

We suggest that the key is how these large, competent firms carry out their CSR activities. Competent companies should strive to avoid CSR programs that convey a clear transactional or short-term promotional leveraging intent because consumers can punish a company based on its CSR intent. Instead, these firms should actively pursue value-creating CSR with clearly embedded value propositions to their consumers and other stakeholders. It appears that for high-competency firms, consumers not only require a higher degree of sincerity from the company's CSR but also anticipate that beyond a defensive or esthetic gesture, CSR programs will add actual value to customers, such as enhanced customer physical, psychological, social and economic well-being.

For low-competent firms that are in the process of building up higher levels of corporate competence, they too should be cautious in choosing CSR activities. Low-competency firms, such as most SMEs, are important to study given their large numbers around the world (Hillary, 2004; Tilley, 1999). SMEs account for 97-99 per cent of all enterprises, employing 50-80 per cent of the total workforce in some industries (Jarvis, 2004). Previous researchers find that, despite the fact that SMEs generally possess limited resources, skills and knowledge with regard to CSR (Sweeney, 2007; Vives, 2006), many SMEs actively engage in CSR programs in the hope of building their relatively distinctive corporate brands. Our research shows that because consumers generally do not hold a high degree of trust in small and less competent firms' aggressive CSR programs, when trust-related persuasion is to be achieved, smaller companies should make more effort to justify the motives behind such CSR programs.

Our research also has potential implications for firms' CSR communication. Corporate communications can serve to manage consumer CSR attributions by revealing fundamental aspects of corporate identities (Du *et al.*, 2007). As consumers often do not readily attribute positive motivations to CSR activities, especially when they suspect self-serving purposes (Cone, 2013; Menon and Kahn, 2003; Miller and Rather, 1998), it is vital that firms select the right message content to communicate CSR initiatives. Should a company emphasize on competency-related information such as product superiority and cutting-edge innovativeness when communicating its CSR efforts? To our knowledge, existing studies on CSR communication have not shed any light on the question. The findings of the current study suggest that it would be sensible for high-competency firms to refrain from communicating too much about corporate capability when broadcasting CSR activities that manifest a clear transactional or short-term promotional leveraging intent. On the other hand, a high-competency firm may reap more consumer preferences by communicating its production excellence and innovativeness when publicizing its value-creating CSR, as such information will reinforce positive CSR evaluations.

## Limitations and future research

Because our research represents a preliminary foray into the differential effects of various CSR types on consumers' corporate-related evaluations, it has several limitations. The first limitation relates to the use of the fictional brand in both empirical studies. Although a fictional brand precludes the confounding effect of consumer information and knowledge, it falls short in adding realism to the perceptions of CSR practices. Additional research should replicate this study with a real brand and test the external validity of the current models. Another limitation of this study pertains to the data, which were collected using convenience student sampling; therefore, to rule out over-generalization, the results should be interpreted with caution. Further research is highly desirable to replicate the findings among other consumer groups with real-life data. For example, future studies can attempt to establish a direct effect between corporate competence and various aspects of consumer CSR evaluations through regression analyses by using behavioral data.

Another remaining question is whether there exist differential effects of CSR forms on various consumer groups. To generate answers, researchers might study the possible moderating effects of consumer-related factors such as cause involvement, moral cognition and short-term vs long-term orientations. For instance, consumers' product knowledge is a potential moderator to be examined. The strength of the product knowledge, associated with its familiarity, usage experience and expertise has been demonstrated to moderate consumer attitudes toward a social sponsor (Lacey *et al.*, 2010). Researchers incorporating these potential moderators can capture a more complete picture of consumers' value perceptions of different CSR strategies.

While our study focuses on only one group of a company's stakeholders – the customers – it is equally important to understand how different forms of CSR impact other stakeholders' reception of CSR, as well as perceptions of value. As different stakeholder groups have distinct motives and strategic goals (e.g. financial resources, networking opportunities, social influence and expertise and knowledge) when collaborating with businesses, one may infer that these stakeholder groups would favor different CSR approaches.

Future work should investigate the potential moderating effects of CSR communications. High- and low-competency companies may use different CSR communication strategies. For example, should smaller companies use different kinds of CSR communication channels, such as word-of-mouth and social media, rather than more formal and established media systems, such as sustainability balanced scorecards and triple-bottom-line accounting? What are the implications of the different features and environmental characteristics of high- and low-competency companies in relation to their CSR choices and communication? These are all potential future research opportunities that the current study gives rise to.

## **Appendix. Company profile description**

Examples of high-competency and philanthropic CSR.

Golden Circle started its business 40 years ago as a producer of convenience foods and beverages. Golden Circle's products are marketed in more than 50 countries around the world, and a large number of its brands are well known to consumers. Golden Circle is considered by

most observers to be an industry leader in technology innovativeness. Most of the company's manufacturing plants are modernized, using state-of-the-art production equipment and processes. Each year, the company collaborates with its partners and generates hundreds of patented technologies and potential products. A recent rating from an impartial industry institute on the company's corporate ability is shown below: (scores range from A to E).

Manufacturing ability: A-  
Technology innovation: A.

In recent years, childhood obesity has been identified as one of the greatest health challenges in Western society. The newest statistics show that approximately 26 per cent of Canadian children, aged 2-17 years old, are currently overweight or obese. In response to this challenge, Golden Circle is taking measures to help address the issue. In Canada, Golden Circle has established the "Golden Circle Children's Charity Fund" for donations to a Canadian national initiative – Healthy Active Kids – a campaign aiming to teach children to eat smart, move more and become media-wise. Golden Circle has donated funds to the campaign for three years. The company's current social donation initiative is mentioned in its Annual Report and official company website as a message of its corporate citizenship initiative.

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