CORPORATE SOCIAL RESPONSIBILITY:

DRIVING COGNITIVE PROCESSES AND STRATEGIC IMPLEMENTATION

by

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(Under the Direction of Bryan H. Reber)

ABSTRACT

Corporate social responsibility (CSR) is a fast-growing area of research and practice in the PR field. Most of the findings to date support the supposition that CSR leads to positive financial gains via improved organizational reputation. However, while scholars encourage practitioners to employ CSR efforts strategically, relatively little is known about the industry- and firm-level factors that drive CSR performance or the cognitive processes that affect stakeholder perceptions of said performance. Employing secondary data analysis and experimental design, this dissertation investigates these larger concerns. Findings indicate that CSR *performance* is a formative measure and that industry and firm characteristics vary – sometimes dramatically – in their predictive efficacy of success among different CSR activities. The *perception* of CSR performance, however, is considerably more reflective in nature. Demonstrated success in one area of CSR leads not only to improved perceptions within that specific CSR domain, but spills over to improve CSR reputation more generally.

INDEX WORDS: Corporate social responsibility, Cause-related marketing, Corporate reputation, Ethics, Elaboration likelihood model, PR theory, Stakeholder theory, Resource dependence, Hierarchical linear modeling

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DEDICATION

To "Red" and Gary Browning, for teaching me the value of hard work, for pushing me to pursue something I truly love, and for reminding me that it takes courage, conviction, and determination to lead a life that matters.

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In public relations, we're taught to recognize empty talking points. While the concept of a "Grady Family" may be fraught with all the symptoms, what I have experienced here is far from hollow. The faculty and staff, as well as my peers, have all supported me at every turn and challenged me when I needed it. Thanks to them, I consider myself to be a far better scholar, teacher, and person that I otherwise would have been.

In particular, I owe a great debt to my committee. I can never repay them directly, but I promise to pass on what they have taught me to future generations of scholars. They gave me direction when I was lost, provided encouragement when I was demoralized, and operated with a sense of calm during the panicked fray that was my final year of study. I would especially like to thank my chair, Bryan Reber. He has been an incredible teacher, an outstanding mentor, and an even better friend. I am privileged to now count myself as a colleague of not only Bryan, but Sundar, Mike, Kaye, and Dean.

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CHAPTER 1

INTRODUCTION

Corporate social responsibility (CSR) matters. Scholars have empirically demonstrated that, when practiced effectively, CSR contributes to enhanced organizational reputation, which in turn results in a variety of direct and indirect boosts to firm performance (see Chapter 2).

From the standpoints of stakeholder and resource dependency theories, these results make sense. Organizations do not exist in isolation, but rather in larger systems. As such organizations affect and are affected by numerous publics – e.g., employees, investors, consumers, communities, etc. – collectively known as stakeholders.[1] Each stakeholder controls access to needed resources such as labor or capital, which are necessary for businesses to operate with consistent success. Resources, however, are valuable and thus not freely given. Instead they are exchanged for wages, products and services, returns on investments – and in some cases contributions to societal well-being (Freeman, 2010; Pfeffer & Salancik, 1978).

CSR initiatives provide organizations a way to demonstrate their commitment to societal well-being, thus ensuring the continued exchange of resources from stakeholders that value such behavior. Still, the cognitive processes through which stakeholders interpret CSR messages remain relatively unknown. Gogo, Browning, and Kimmel (2014) propose that the level of stakeholder involvement with the CSR cause might be one factor at the heart of message perception. They found that customers who were more highly involved with CSR causes consistently rated organizations as more reputable.

One goal of this dissertation is to determine ways in which to drive cause involvement. Obviously not all stakeholders will be vested in a chosen cause, so efforts that are more universally applicable should be more effective. One possible mechanism for bolstering cause involvement is generating stakeholder participation. In their study of cause-related marketing (CRM), Robinson, Irmak, and Jayachandran (2012) found that customers were more responsive to organizations when they were allowed greater choice as to which charitable groups would benefit from organizational donations.

This dissertation will use experimental manipulations of stakeholder participation and cause choice in CSR/CRM practices to determine whether these factors improve stakeholder perceptions of cause involvement, and thus perceptions of organizational reputation and the subsequent financial benefits that often follow.

Understanding if and how involvement plays a role in driving positive stakeholder response to CSR is just one way research can aid PR professionals in planning reputation management efforts. Another is through establishing measures of best practice at the industry and organizational levels.

It is also important to remember that CSR is not monolithic, but rather comprised of a variety of different initiatives: philanthropy, employee volunteerism, environmental sustainability, diversity, etc. Sometimes these efforts are successful at bolstering reputation and other times they are not – but they always represent an expense to the bottom line. It is therefore imperative that PR professionals find ways to develop successful initiatives at the outset so as to create the greatest positive impacts on firm financial performance.

Measures of best practice help in such endeavors. If industries or organizations have similar characteristics (degree of competitiveness, market performance, financial assets, etc.),

their successes and failures with CSR will likely mirror one another. This dissertation will employ hierarchical linear modeling (HLM) to evaluating industry and organization level variables that impact the ratings of CSR performance. Understanding how CSR functions in more realistic, multilevel settings will not only provide needed guidance for PR practitioners wishing to engage in CSR efforts more strategically, but it will also yield a better understanding of how CSR functions, which will in turn inform future scholarly research.

CHAPTER 2

EXPLICATING CORPORATE SOCIAL RESPONSIBILITY

The Process of Explication

To understand and study a concept, it must first be explicated. As Chaffee (1991) defines it, "explication is an intellectual process to be applied to any concept one intends to make the focus of planned research, or to discuss seriously" (p. vii). Complex as explication may be, it essentially moves an idea through four distinct explanatory stages: conceptualization, operationalization, measurement/evaluation, and scaling.

Conceptualizing an idea provides some orientation to the given phenomenon that presents an image of reality or a way of viewing the world. This organizing and clarifying of a priori observations ties theory and research together (Chaffee, 1991; Denzin, 1978; Reynolds, 1971). Conceptualization generates a shared meaning about ideas and their relation to one another. At its heart, to conceptualize an idea is to clearly define it.

Operationalizing that definition requires distilling its abstractions to ground an idea in observable reality. Abstractions are desirable at the conceptual level because they widen the applicability of an idea or construct across varying spatial and temporal conditions (Reynolds, 1971). An overly concrete definition limits its use-value to a narrow cross section of situations and thus limits the use-value of the concept itself. However, establishing some level of concreteness through operationalization is necessary so that researchers can measure the concept, make sense of observed patterns, and ultimately test theoretical assumptions (Chaffee, 1991; Chaffee & Berger, 1987; Denzin, 1978; Reynolds, 1971).

Often propositions and hypotheses serve to operationalize as they comprise concrete, observable, and testable statements about the relationships among variable concepts (Denzin, 1978). While clear and singular definitions of concepts are desirable, it is often preferable to have multiple operationalizations. If researchers can confirm suspicions about a concept through multiple tests of distinct operationalizations, they create greater confidence that the abstracted concept exists and that scientific understanding of it is being advanced (Chaffee, 1991).

Confirming operationalizations in this manner helps establish validity, which is one of many measurement concerns. Measurement allows researchers to directly evaluate operationalizations and thus indirectly evaluate concepts. Most importantly, measurement helps establish validity and reliability, ensuring that constructs are adequately defined, captured, and as free from random error as possible (Chaffee, 1991).

Scaling and instrument development are obviously critical to measurement. According to Chaffee (1991), specificity in scaling is the most crucial aspect. From a pragmatic standpoint, specific measures are preferable to general ones in that they allow for greater flexibility because "researchers can always combine data from several specific measures to create an estimate of a more general concept, but the reverse is not true" (Chaffee, 1991, p. 38). Additionally, greater specificity makes spotting measurement faults much simpler and quicker.

Specificity also improves the quality of data and their analyses. Typically less general measures display less random error, or in other words they are highly reliable. As reliability is a prerequisite for validity, ensuring specificity at the scaling level helps ensure both reliability and validity (Chaffee, 1991).

Defining CSR

Now that the process of explication has been outlined, it is time to move forward toward the specifics of CSR and its conceptualization. As stated above, to conceptualize a phenomenon is tantamount to defining it. Unfortunately social scientific phenomena are often difficult to define precisely, largely because language choices present major obstacles. As Reynolds (1971) puts it, "one recurrent problem in social science is the tendency for members of the audience to add meaning to words that have been carefully defined by the originator, particularly if that word is used for other concepts" (p. 46).

Indeed many concepts in PR theory – and communication theory more generally – are carefully nuanced terms taken from the broader lexicon. For example, words such as "activity" and "involvement" have specific meanings in the theories of uses and gratification and the elaboration likelihood model (ELM), respectively, but they may have very different meanings to audiences when used in a more general sense. To properly conceptualize a phenomenon, theorists must not only provide clear, nuanced definitions, but they must also ensure invariance of usage; that is, terms must be used consistently and without conflation with similar concepts (Chaffee, 1991).

Undoubtedly the conflation of meaning has been a serious impediment for CSR researchers. Depending on which scholarly source one consults, CSR has roots in the early community involvement activities of railroad companies in the 1850s; responses of business to outraged publics during the Great Depression of the 1930s; reactions on the part of chain stores to stakeholder demands to fill community leadership gaps left when mom-and-pop stores were run out of business in the 1940s; or the establishment of consolidated scholarly studies in the 1950s (Browning, 2014; Carroll, 1983; Olasky, 1987).

Regardless of whether CSR is a 50-year-old or a 150-year-old concept, poor and inconsistent definition has plagued scholars (Peloza & Shang, 2011; Sabadoz, 2011; Stacks, Dodd, & Men, 2013). In his oft-cited history of CSR throughout the last half of the 20th century, Carroll (1999) lists more than 30 distinct definitions of the construct. To arrive at a working conceptualization, it is best to search for commonalities in past definitions of CSR.

One of the foundational premises behind CSR is the "iron law of responsibility." Davis (1960) developed this idea, arguing that "social responsibilities of businessmen need to be commensurate with their social power" (p. 71). This principle rests on the assumption that economic success stems from social contributions to industry; thus, organizations owe debts to society proportional to their gains. As a result, larger, more profitable companies feel more intense societal pressure to engage in CSR initiatives (Gulyás, 2009).

While Davis' (1960) view appears altruistic to some extent, self-interested profit motives became prominent in CSR definitions during the following decades. Johnson (1971) explained that CSR stemmed from selfish motives, claiming that "social responsibility states that businesses carry out social programs to add profits to their organization" (p. 54). Steiner (1971), writing at the same time as Johnson (1971), moved the understanding of CSR a step further by defining it not as a practice of altruism or of pure selfishness, but instead as one characterized by enlightened self-interest:

> The assumption of social responsibilities is more of an attitude, of the way a manager approaches his decision-making task, than a great shift in the economics of decision making. It is a philosophy that looks at the social interest and the enlightened self-interest of business over the long run as compared with the old, narrow, unrestrained short-run self-interest. (p. 164)

In Steiner's (1971) view, CSR actions are not good only for the company or the publics they served, but for both. This symbiotic understanding of CSR has persisted since the 1970s and is

perhaps best personified by David, Kline, and Yang (2005): "*Corporate social responsibility* […] is a citizenship function with moral, ethical, and social obligations that provide the scaffolding for mutually beneficial exchanges between an organization and its publics" (p. 293, emphasis original).

During the 1980s, scholars began to view CSR as a construct comprised of several subcomponents. One of the most prominent such conceptualizations is that of Carroll (1983):

> CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible […] then means that profitability and obedience to the law are foremost conditions to discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus, CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic. (p. 604)

Carroll's (1983) requirement that CSR be economically beneficial reflects the earlier ideas of Johnson (1971) and Steiner (1971), namely that actions of social responsibility must profit the firm as well as the public. Generally researchers have followed in this tradition, arguing that effective CSR practices must contribute either directly or indirectly to positive economic performance on the part of the organization (see Coombs & Holladay, 2012; Goering, 2010; Sabadoz, 2011; Walsh & Beatty, 2007).

Carroll (1983) also views CSR as a voluntary action on the part of the organization; that is to say, it is not systematically forced upon the firm by governmental or regulatory bodies. The voluntary nature of the practice has been a mainstay of many CSR definitions (see Coombs & Holladay, 2012; Demetriou, Papasolomou, & Vrontis, 2010; Homburg, Stierl, & Bornemann, 2013; Mackey, Mackey, & Barney, 2007).

The legal and ethical components of Carroll's (1983) conceptualization are more problematic. First, several scholars believe that social responsibility extends *beyond* what the law requires (Drucker, 1984; Fitch, 1976; Sethi, 1975). McWilliams and Siegel (2001) clearly

advocate for the consideration of CSR as constituting "actions that appear to further some social good, beyond the interest of the firm and that which is required by law" (p. 117). Coombs and Holladay (2012) are even more forceful, stating that they "do not consider behaviors that are required by law to be part of corporate social responsibility" (p. 7).

Perhaps the pushback on the legality issue results from its direct contradiction with the voluntary action requirement. Legal obligations are forced upon organizations, not taken up freely. If complying with the law were considered an act of CSR, then not all CSR actions would be voluntary. It is most sensible to say that one would expect socially responsible companies to follow the law, but simply doing so does not make an organization socially responsible. Legal compliance is thus a necessary but insufficient component of CSR.

Last is the understanding of CSR as an ethical exercise. As both CSR and ethics are often considered behaviors that extend past legal obligations to ensure some social good, it is natural to think of CSR as an ethical practice. However, while CSR efforts are sometimes undertaken out of altruistic intentions and exercised through ethical means to produce moral goods, this is not always the case. In the most general sense, CSR is typically operationalized as a reputation management effort, and though reputation management and ethicality share similarities, they are distinct in important ways:

> Reputation concerns others' perceptions about an organisation in relation to their knowledge about organisational behaviour. By itself, however, a focus on 'reputation' does not guarantee morally good behaviour because it is not a moral principle that can guide action. Rather it is a pragmatic, self-interested approach. Fear of a poor reputation may be a motivating factor, but it is not a particularly worthy one. The same applies to many programmes of corporate social responsibility. (L'Etang, 2003, p. 64)[2]

Keeping the above considerations in mind, it is clear that CSR cannot be equated to simply following the law or behaving ethically. Instead it must be understood as a voluntary practice that provides economic value to the organization and social, economic, and/or

environmental value to the stakeholders it affects. In this sense, CSR should contribute to an organization's triple bottom line in providing (1) a means to profitability while at the same time benefiting (2) the people and (3) environment with which it coexists (Aguinis & Glavas, 2012; Coombs & Holladay, 2012).

To effectively serve this triple bottom line, organizations should consistently integrate social responsibility initiatives into existing and ongoing business practices, aligning CSR efforts with the needs and wishes of key stakeholders (Lyon & Cameron, 2004; Sen & Bhattacharya, 2001). This effective integration points to the necessity of fit between an organization's CSR practices, its mission, its public perception, and the nature of the industry in which it operates (Coombs & Holladay, 2012; Peloza & Shang, 2011).

To these ends, the following working definition of CSR will be employed for this dissertation:

> CSR constitutes voluntary actions on the part of organizations that address stakeholder needs and wants, the primary goal of which is managing reputations to help organizations achieve goals of self-preservation and long-term profitability.

Ideally CSR should also be consistently integrated with existing organizational strategies to be most efficient and effective. Societal goods should also result from CSR, but an organization enacting social change at a long-term monetary loss is engaging in altruistic philanthropy rather than CSR.

Operationalizing CSR Actions

Even with this more precise conceptualization, clearly determining what actions constitute CSR is difficult. The debate concerning the place of legal compliance in the larger CSR framework is just one example of the grey areas of operationalization. As a result of this

ambiguity, several scholars have put forth various typologies to categorize CSR practices under different umbrellas.

Coombs and Holladay (2012) propose a five-part typology based largely on organizational motive. The first CSR practice is *philanthropy*, which constitutes direct donations of money, services, or products to charitable causes. Next is *cause promotion*, defined as activities designed to increase awareness or concern among stakeholders for a given social cause. Third is the practice of *cause marketing[3]*, in which organizations contribute a percentage of sales to third-party organizations supporting social causes. Fourth is *social marketing*, or the practice of influencing stakeholder behavior to advance some social good. Finally there is *volunteering*, in which organizations either encourage their employees to donate their time and talents to promoting some social good or partner with third-party organizations to achieve that same end.

On the whole, Coombs and Holladay's (2012) typology is a somewhat weak operationalization for CSR practices. First, a good typology should consist of exhaustive and mutually exclusive categories (Reynolds, 1971). Even a rudimentary examination of these five categories shows obvious areas for potential commonality. Cause promotion and social marketing, for example, have clear areas of overlap as these practices focus on similar goals. Additionally, apart from philanthropy and volunteerism, these categories still constitute somewhat abstract conceptions.

Peloza and Shang (2011) put forth a more concrete typology with slightly greater exclusivity among categories. They propose that CSR practices can be grouped into one of three broad categories, then further classified into more specific subcategories. The first broad category is *philanthropy*. Philanthropic practices include CRM, cash donations, community involvement, employee volunteerism, promotion of social issues, and direct donations of

products or services. The second broad category is *business practices*, which constitute activities carried out in everyday organizational operations that contribute to some social good. Business practices include environmental protection, diversity, employee relations, and customer relations. The final broad category is *product-related features*, which are considered part of CSR practice provided those features create environmental or social goods. The most common product-related features are product quality and the use of organic or biodegradable component parts.

While Peloza and Shang (2011) achieve a greater degree of concreteness with their typology than do Coombs and Holladay (2012), mutual exclusivity among categories is still problematic. The product-related features category, for example, is unnecessary. While organizations should strive to develop quality products, this action speaks more to an organization's corporate ability (CA) rather than its commitment to CSR (Brown & Dacin, 1997; David et al., 2005; S. Kim, 2011). Also, producing organic or biodegradable goods could easily be considered an environmental protection practice.

The subcategories within broader business practices also require more nuanced description to be considered CSR activities. The law sets a minimum standard for environmental protection, diversity hiring, employee relations, and customer relations.[4] As previously discussed, mere legal obedience does not constitute CSR. For these business practices to be considered exercises of CSR, they must be voluntarily undertaken and extend past legal requirements – which they often do.

Keeping these past typologies in mind, as well as the requirement that CSR consist of voluntary actions beyond what the law demands, the following seven-part operationalized CSR typology is posited. It is based on findings from past studies and grouped by the varying stakeholders to whom an organization is accountable. It attempts to address past issues of mutual

exclusivity, but for certain practices – CRM in particular – some crossover among categories

appears inevitable (Brown & Dacin, 1997; Coombs & Holladay, 2012; Peloza & Shang, 2011;

Rettab, Brik, & Mellahi, 2009; Sen & Bhattacharya, 2001).

- *Environmental sustainability*, which includes changes in business operations and product development that lessen pollution or combat climate change.

- *Philanthropy*, which includes both cash and in-kind donations to third-party organizations seeking to benefit a social cause. Product donations would often be cross-categorized as philanthropy and community involvement. CRM may also be cross-categorized as philanthropy and some other effort depending on the particulars of the donation structure.

- *Employee relations*, which includes practices that promote the general welfare of the organization's workforce. Commitments to advanced job training, the setting aside of scholarship money for continued education of employees, and the provision of on-site childcare services are just some examples.

- *Diversity within and outside the firm*, which includes a commitment to diversity hiring and promoting beyond legal requirements and advocating for social initiatives that benefit minority publics.

- *Community involvement*, which includes engagement with external stakeholders – often those who are proximate, but not always. Employee volunteerism and the support of basic human rights would be two examples.

- *Investor relations*, which includes transparent communication and relationship building with brokers, analysts, and individual investors.

- *Product safety*, which includes measures taken beyond the legal minimum to insure products to not harm consumers or salespersons.

Reputation, Identity, and Image

As stated in the previous section, CSR has largely been conceptualized as a process of

reputation management (Benn, Todd, & Pendleton, 2010; Clark, 2000; Gjølberg & Ruud, 2005;

L'Etang, 2003; Pollach, 2003; Sen & Bhattacharya, 2001). Regardless of which of the seven CSR

categories a given initiative falls under, the immediate goal of that effort is often reputation gain.

Problematically, however, reputation is often used interchangeably with the terms "identity" and

"image." If such definitional confusion persists, measuring and evaluating reputation as a unique construct becomes difficult (Stacks et al., 2013). Indeed, because the CSR, PR, and marketing literatures often conflate reputation with the similar yet distinct terms, some clarification is necessary.

The simplest distinction in this triad is that between reputation and identity. Demetriou et al. (2010) define organizational identity as "the self-presentation of a company that consists of the cues offered by an organization through its behavior, communication and symbols" (p. 268). Identity is internally produced and then exported to key stakeholders in the hopes that they will internalize that organizational perception (David et al., 2005; Hatch & Schultz, 1997; Stacks et al., 2013). Identity, then, is controlled completely by the sender, which in this case is the organization (Lyon & Cameron, 2004; Melewar, 2003).

Reputation, on the other hand, is controlled completely by the receivers, which in this case are the stakeholders (Lyon & Cameron, 2004; Melewar, 2003). Reputations constitute judgments made about organizations on the part of stakeholders. These judgments are informed by both stakeholders' personal experience with the organization and identity messages distributed by the organization (Coombs & Holladay, 2012; Fombrun & Shanley, 1990; Lyon & Cameron, 2004; Wartick, 1992).

Image is much harder to distinguish from both reputation and identity. Y. Kim and Yang (2013) argue that image and reputation are very similar; the difference is that reputation reflects a judgment made over time whereas image reflects a judgment made at a particular moment. While this distinction might be worth making, it is rarely employed in practice. Generally image is used synonymously with either identity or reputation, and that usage varies across authors and texts (Bromley, 1993; Brønn, 2013; David et al., 2005; Dowling, 1994; Dutton & Dukerich,

1991; Stacks et al., 2013; van Riel, 1995). Because image varies so frequently and unpredictably in its usage regarding CSR, it is a poorly explicated concept in this area of study and thus will not be considered in this research endeavor. The dichotomy of identity and reputation will suffice.

Moreover, because CSR is often operationalized as managing reputation, reputation will be the focus here. Generally speaking, reputation has five common defining characteristics:

1) Constitutes perceptual judgments (Brønn, 2013; Fombrun & Shanley, 1990; Homburg et al., 2013; Y. Kim & Yang, 2013; Melewar, 2003; Stacks et al., 2013)

2) Comprises an aggregate of stakeholder evaluations (DiStaso, 2012; Y. Kim & Yang, 2013; Melewar, 2003)

3) Is historically based in judgments made over an extended period of time (Abratt & Kleyn, 2012; DiStaso, 2012; Y. Kim & Yang, 2013; Lyon & Cameron, 2004; Melewar, 2003; Stacks et al., 2013)

4) Is relatively enduring and stable over time (Y. Kim & Yang, 2013; Lyon & Cameron, 2004)

5) Is inherently comparative to other organizations (DiStaso, 2012; Hansen, Samuelsen, & Silseth, 2008; Y. Kim & Yang, 2013)

Of course there are other attributes of reputation – for example, that it differs for each stakeholder (Stacks et al., 2013) or that it stems from the quality of organization-stakeholder relationships (DiStaso, 2012) – but these attributes are less frequently cited in the extant literature.

Distinguishing CA and CSR Reputation

According to Hansen et al. (2008), reputation is a market validated concept in that "a company would not have a good reputation unless the market thought so, and vice versa" (p. 208). Determining that value among diverse stakeholder groups will be of highest concern here as reputation serves as the chief measure of corporate social performance (CSP), which often

reflects successful CSR efforts (Clark, 2000; Coombs & Holladay, 2012). Problematically, however, reputation judgments are composed of factors beyond mere evaluations of CSP.

Stakeholders commonly judge organizations based on various levels of expertise and the quality of their products and services. High performance in these areas may have little or nothing to do with CSP, but it contributes to reputation judgments nonetheless. Commonly this collection of expertise, innovativeness, and product quality is placed under the CA umbrella (Brown & Dacin, 1997; David et al., 2005; S. Kim, 2011; Luo & Bhattacharya, 2006).

To operationalize and measure the impact of CSR on reputation and to determine its economic impact on organizations, CSP must be considered independently of CA (Raghubir, Roberts, Lemon, & Winer, 2010). Thus, expertise in CSR is often operationalized as a distinct construct from CA (Brown & Dacin, 1997; S. Kim, 2011). This distinction is important for demonstrating the value of CSR more precisely.

Fortunately, many stakeholders either consciously or subconsciously make this CA/CSR separation when considering organizational reputation. Relying on credibility and consumer congruence measures created by Newell and Goldsmith (2001) and Sen and Bhattacharya (2001), David et al. (2005) demonstrated the existence of a dual-processing model of reputation. They found that customers evaluated organizations on eight general factors loading on two distinct dimensions. The corporate expertise, or CA, dimension consisted of judgments based on corporate experience, skill, expertise, and innovativeness. The CSR dimension related to factors of sincerity, trustworthiness, compassion, and social activism.

Researchers have since found that CA and CSR expertise affect reputation evaluations in both similar and dissimilar ways. For instance, while both CA and CSR expertise are positive predictors of stakeholders' evaluations of companies, CSR expertise is the more important

driver. Additionally, CA expertise directly influences product evaluations, while CSR does so only indirectly. It thus appears CA expertise is the better predictor of positive product evaluations, whereas CSR expertise is the better predictor of overall organizational reputation (Brown & Dacin, 1997; David et al., 2005; S. Kim, 2011).

Normative and Instrumental Motivations for Engaging in CSR

Just as CSR can be specifically operationalized through its effects on reputation, the motives driving CSR practices can also be operationalized more concretely. There are a multitude of motives for CSR, but scholars typically consider them as existing in dyads. For example, CSR can be either performance driven or stakeholder driven. Performance-driven CSR constitutes a proactive practice of fulfilling the norms of good corporate citizenship to achieve a given organizational benefit. Stakeholder-driven CSR, on the other hand, is considered a reactive practice in which the organization responds to stakeholder activism or demands rather than proactively anticipating them (Aguinis & Glavas, 2012; Jahdi & Acikdilli, 2009).

Scholars have most often operationalized CSR as being driven either by normative, ethical motives or instrumental, profit-seeking goals. Generally, normative motives are considered noneconomic and conceived from an organization's moral and citizenship duties to its respective stakeholders. Contrarily, instrumental motives are economic and stem from an organization's enlightened self-interest to pursue profits (Aguinis & Glavas, 2012; Carroll, 1999; David et al., 2005; Fombrun & Shanley, 1990; Hartman, Rubin, & Dhanda, 2007; Jahdi & Acikdilli, 2009; Neville, Bell, & Mengüç, 2005; Peloza & Shang, 2011; Raghubir et al., 2010; Reeves & Ferguson-DeThorne, 1980; Turker, 2009).

Normative motivations are akin to the stewardship principle, which states that organizations are public trustees and have a duty to use their resources to affect positive change

for stakeholders (Clark, 2000; Coombs & Holladay, 2012; Post, Frederick, Lawrence, & Weber, 1996). From this perspective, CSR is often seen as a way for an organization to pay back a debt; as Hartman et al. (2007) put it, "corporations reap the benefits of serving as a community citizen and therefore owe a congruent contributory obligation to that community" (p. 374). The echoes of Davis' (1960) iron law of responsibility are apparent in this normative, stewardship view.

Normative motivations for engaging in CSR tie directly to may PR theorists' assertion that PR practitioners serve as the corporate conscience. Within this framework, practitioners are seen as ethical advisors – and at times activists – working within the organization to influence the values, beliefs, and thus decision making of top management (Benn et al., 2010; Jin & Drozdenko, 2010; S.-Y. Kim & Reber, 2008). As a tool for promoting social goods, CSR is often seen as an exercise of corporate conscience when effectively managed by PR practitioners (Benn et al., 2010).

Other scholars – L'Etang (2003) in particular – view the idea of the corporate conscience as an occupational myth. In their eyes, the motivations and goals for CSR are instrumental rather than normative. Most often instrumental motivations for engaging in CSR focus on the direct pursuit of economic value (e.g., profitability, revenue gain, etc.) or the indirect creation of economic value through improved reputation (Hartman et al., 2007; Y. Kim & Yang, 2013; L'Etang, 2003; Manheim & Pratt, 1986).

This separation between normative and instrumental motives has, at times, been hard to maintain. Some studies suggest that, regardless of the motive, organizations that engage in CSR are often perceived to be more ethical (Jin & Drozdenko, 2010; Lyon & Cameron, 2004). Moreover, many executives see an overlap in these two motives for CSR (Blomgren, 2011). Stakeholders also seem to believe and accept that organizations and their leaders serve two

masters. Generally stakeholders evaluate organizations more positively if they do not attribute CSR practices to entirely selfish motives. However, stakeholders also accept the pressures organizations face in terms of turning a profit, so CSR practices that appear overly altruistic are commonly met with cynicism (Coombs & Holladay, 2012; Sen & Bhattacharya, 2001).

A tense balance exists between normative and ethical organizational motives. Sabadoz (2011) adopts a critical cultural perspective to explain this tension. He sees CSR as a Derridean supplement for unfettered capitalism, arguing that "CSR can be understood as an attempt to amend capitalism by both adding to it and substituting for it, as CSR demands attention to social concerns while retaining the capitalist frame of predominantly profit-seeking organizations" (Sabadoz, 2011, p. 78). The ability to ascribe ethical motives to CSR practices – even when they are not present – helps both the organization and its stakeholders cope with the necessity of organizations acting out of a profit-motive by assigning altruistic motives to some organizational actions. In turn, CSR's ability to preserve this necessary, balanced tension makes the practice incredibly valuable. As Sabadoz (2011) puts it, "the ambivalence between profit-seeking and prosociality is critical to CSR's functioning in a world that desires that we amend capitalism without discarding its productive powers and competitive advantage" (p. 83).

Regardless of whether this tension or balance between normative or instrumental motives is necessary or socially beneficial, recognizing it makes good sense for organizations. Because stakeholders are often critical of companies acting out of unadulterated selfishness and skeptical of those behaving overly altruistically, balancing these competing motives represents good business practice as doing so leads to improved reputation and financial success (Coombs & Holladay, 2012; Sen & Bhattacharya, 2001).

Measurement and Scaling for Reputation

As noted thus far, understanding the effects of CSR hinges largely on understanding and measuring the impact of reputation gain on firm performance. Numerous studies have consistently shown that CSR practices positively influence organizational reputation (Aguinis & Glavas, 2012; Benn et al., 2010; Blomgren, 2011; David et al., 2005; Demetriou et al., 2010; Fombrun & Shanley, 1990; Hartman et al., 2007; Luo & Bhattacharya, 2009; McWilliams & Siegel, 2011; Navarro, 1988; Neville et al., 2005; Rettab et al., 2009; Waddock & Graves, 1997). These reputation gains are most pronounced when CSR is practiced with consistency and strategically integrated with both everyday business practices and overarching corporate goals (Benn et al., 2010; Coombs & Holladay, 2012; Demetriou et al., 2010; Lyon & Cameron, 2004; Melewar, 2003).

Reputation, acting as a moderator for CSR, in turn contributes to numerous direct, bottom-line benefits for organizations. These instrumental outcomes include:

- **Firm survival** (Abratt & Kleyn, 2012)

- **Competitive advantages, often through processes of differentiation** (Abratt & Kleyn, 2012; Brown & Dacin, 1997; Coombs & Holladay, 2012; DiStaso, 2012; Fombrun & Shanley, 1990; Hartman et al., 2007; Jahdi & Acikdilli, 2009; Laskin, 2013; Mackey et al., 2007; McWilliams & Siegel, 2001; Melewar, 2003; Pava & Krausz, 1995; Rettab et al., 2009)

- **Higher stock price** (Benn et al., 2010)

- **Attraction of investors** (DiStaso, 2012; Dowling, 1986; Fombrun & Shanley, 1990; Lyon & Cameron, 2004; McGuire, Sundgren, & Schneeweis, 1988; McWilliams & Siegel, 2011; Melewar, 2003; Walsh & Beatty, 2007)

- **Increased profit and revenue** (Abratt & Kleyn, 2012; Blomgren, 2011; Demetriou et al., 2010; Duhé, 2009; Gregory, 2004; Hartman et al., 2007; Neville et al., 2005)

- **Increased sales** (Demetriou et al., 2010; Lyon & Cameron, 2004; Orlitzky, 2008)

- **The ability to charge premium prices** (Brown & Dacin, 1997; Creyer & William, 1996; DiStaso, 2012; Fombrun & Shanley, 1990; Luo & Bhattacharya, 2006; Peloza & Shang, 2011; Shapiro, 1983)

- **Consumer willingness to recommend products and services** (Luo & Bhattacharya, 2006; Lyon & Cameron, 2004)

- **More successful product launches** (Demetriou et al., 2010; Gregory, 2004; Lyon & Cameron, 2004)

- **More hospitable business climates** (Benn et al., 2010; Hartman et al., 2007)

- **Decreased regulation and litigation** (Benn et al., 2010; Jahdi & Acikdilli, 2009; Lyon & Cameron, 2004; Mackey et al., 2007; Manheim & Pratt, 1986; McGuire et al., 1988; McWilliams & Siegel, 2011)

- **Increased internal efficiency and lower long-term costs** (Blomgren, 2011; McWilliams & Siegel, 2011; Orlitzky, 2008)

- **Improved employee productivity and increased ability to attract employees** (Benn et al., 2010; Blomgren, 2011; Brekke & Nyborg, 2008; Demetriou et al., 2010; DiStaso, 2012; Dowling, 1986; Fombrun & Shanley, 1990; Gregory, 2004; Lyon & Cameron, 2004; McWilliams & Siegel, 2011; Melewar, 2003; Murillo & Lozano, 2006; Rettab et al., 2009)

- **Reduced conflict with and increased support from stakeholders** (Benn et al., 2010; Demetriou et al., 2010; Gregory, 2004; Hartman et al., 2007)

- **Increased customer loyalty and brand equity** (Abratt & Kleyn, 2012; Beatty & Ritter, 1986; Brown & Dacin, 1997; Demetriou et al., 2010; Du, Bhattacharya, & Sen, 2007; Hansen et al., 2008; Luo & Bhattacharya, 2006, 2009; Peloza & Shang, 2011; Walsh & Beatty, 2007)

- **More switching from competitors' brands** (Demetriou et al., 2010)

- **Reduced business risk** (Blomgren, 2011; Fougère & Solitander, 2009; Hansen et al., 2008; Hartman et al., 2007; Mackey et al., 2007; van Oosterhout & Heugens, 2008; Walsh & Beatty, 2007)

- **Increased goodwill capital** (Demetriou et al., 2010; DiStaso, 2012; Jahdi & Acikdilli, 2009)

- **Increased costs to rival businesses and a barrier to entrance for competitors** (Blomgren, 2011; Brown & Dacin, 1997; Jahdi & Acikdilli, 2009; Kreps & Wilson, 1982; Laskin, 2013; Milgrom & Roberts, 1982; Portney, 2008; Walsh & Beatty, 2007)

- **Immunization from crisis or other negative news** (Coombs & Holladay, 1996; H.-S. Kim, 2011; Klein & Dawar, 2004; Lyon & Cameron, 2004; Peloza & Shang, 2011; Xiong & Bharadwaj, 2013)

These empirical findings come from multiple sources, many of which rely on different conceptualizations and operationalizations of reputation, and thus the measurement of the reputation construct varies rather dramatically. Measurement models relating CSR, reputation, and financial performance have typically treated reputation as a mediator of CSR effects on financial performance. This basic mediation model is relatively simple (see Figure 2.1).

Other reputation mediation models are more complex. Y. Kim and Yang (2013), for example, rely on stakeholder theory and illustrate this mediation as broken down into distinct effects based on PR activities targeting varied stakeholder groups (see Figure 2.2). Neville et al. (2005) also expand upon this basic mediation model by adding commonly considered moderators (see Figure 2.3).

Regardless of how complex the mediation/moderation models are concerning reputation, the reputation construct must be empirically measured in some way. PR scholars working in the 1990s struggled with measuring reputation largely because the construct was confounded with the similar yet distinct concept of personal character.

McCroskey (1966) was a rhetorician studying ethos and credibility who, through seven experimental studies and multiple factor analyses, developed a valid and reliable scale for measuring character (see Table 2.1). Some PR scholars saw enough similarities between the constructs of personal character and corporate reputation to adapt McCroskey's (1966) scale for measuring reputation (see Coombs & Holladay, 1996; Lyon & Cameron, 2004). Coombs and Holladay's (1996) organizational reputation scale (ORS) is perhaps the most widely used adaptation (see Table 2.2). Problematically, as Coombs and Holladay (1996) themselves

realized, "character is not the perfect measure for image [i.e., reputation]" (p. 288). Beyond the conflation of character and reputation, the ORS suffers from other problems as well. While the ORS technically consist of 10 items, in truth it is only five items, each repeated in its negative form (e.g., "This organization is basically honest" and "This organization is basically DISHONEST"). While scales often have differently stated items measuring the same construct to ensure internal consistency, one would expect items stated so similarly across a 10-item scale to generate reliabilities well into the .9 range.[5]

Moreover, the ORS captures only elements of honesty, trustworthiness, and credibility. While these measures are undoubtedly components of reputation, they are most certainly not the only ones. In more recent studies, reputation has been more carefully explicated and its measurement more precise. Typically the measurement of reputation coincides with the authors' accepted conceptualization and operationalization of what reputation constitutes. For example, Maignan and Ferrell (2000) developed a corporate citizenship scale based on Carroll's (1979, 1983) four-part typology of CSR. They measured employee responses to organizational CSR efforts based on their economic, legal, ethical, and discretionary dimensions (see Table 2.3).

While Maignan and Ferrell's (2000) scale is a reliable and valid measure of reputation, the variance in reputation determined by CSR activities is difficult to determine using such a measurement. The discretionary citizenship dimension bears the greatest resemblance to an operationalization of this paper's working definition of CSR. There are some additional items that might be applicable (e.g., trustworthiness and encouraging diversity), but they load along more traditional CA measures and are difficult to parse out.

Several commonly used secondary data sources that measure corporate reputation face similar limitations in separating CA from CSR contributions to reputation. *Fortune's* Most

Admired Company (MAC) rating is just one example. The MAC rating is based on eight organizational attributions: (1) financial soundness, (2) long-term investment value, (3) use of corporate assets, (4) quality of management, (5) innovativeness, (6) quality of products and services, (7) use of corporate talent, and (8) community and environmental responsibilities.

The MAC has several strengths that explain its wide use among marketing and PR researchers. Most important, research suggests that the scales are both valid and reliable reputation measures. Additionally, the MAC is ideal for longitudinal studies as data for this measure dates from 1982 to the present. Finally, because the data is generated from surveys of business professionals, the rankings reflect the insights of those individuals with the most expertise and familiarity with the given industry (Luo & Bhattacharya, 2006; McGuire et al., 1988; Stacks et al., 2013).

Others consider the respondent pool a weakness because the MAC only captures the opinions of a single niche audience. Moreover, only one of the eight dimensions directly addresses the CSR component of reputation – and its rating is based on a single-item measure. Even more problematic is that financial performance accounts for roughly half of the MAC score (Laskin, 2013; Neville et al., 2005; Stacks et al., 2013). While the mediation/moderation models discussed previously suggest that CSR has indirect effects on financial performance, the MAC provides CSR researchers with a limited ability to isolate those effects from pure CA measures.

Other available secondary data sources face fewer methodological limitations in comparison to the MAC. The Reputation Quotient[SM] (RQ), developed in 2000 by Charles Fombrun and the Harris Interactive Research Company, is just one example. The RQ[SM] is based on 20 different attributes measured on six performance dimensions: (1) social responsibility, (2) emotional appeal, (3) vision and leadership, (4) products and services, (5) financial performance,

and (6) workplace environment. In 2006, Fombrun partnered with the Reputation Institute to update the RQ^{SM}, devising RepTrak^{TM}, which is based on seven dimensions: (1) CSR/citizenship, (2) products/services, (3) innovation, (4) workplace, (5) governance, (6) leadership, and (7) financial performance (Fombrun, Gardberg, & Sever, 2000; H.-S. Kim, 2011; Stacks et al., 2013).

Like the MAC, both the RQ^{SM} and RepTrak^{TM} are valid and reliable measures of reputation (Fombrun et al., 2000). Additionally, each measure is based on responses from the general public, and is thus not limited to a singular, niche stakeholder group like the MAC (Stacks et al., 2013). Still, as a composite measure of reputation, the influences of CSR and CA remain intertwined.

Fortunately there are some sources that evaluate companies separately on CSP and CA measures. Among the most popularly used such measures is the Kinder, Lydenberg, Domini Research & Analytics, Inc. (KLD) database. KLD collects data to evaluate the CSP of various organizations to aid socially responsible investors. KLD focuses on seven areas of reputation – many directly related to CSR practices. These areas are community, corporate governance, diversity, employee relations, environment, human rights, and product (KLD Research & Analytics, 2003, 2006; Neville et al., 2005; Turker, 2009).

Many – if not most – PR scholars studying CSR's effects on reputation do not rely on secondary data sources. Instead they collect primary data, often employing their own scales in survey and experimental research. These scholars also struggle to separate CA variables (e.g., past financial performance, product quality, organizational issues) from CSR reputation factors (e.g., employee treatment, environmental sustainability, community involvement) (Fombrun, 1998; Stacks et al., 2013).

S. Kim (2011) has been one of the most successful researchers in terms of CA/CSR scale development (see Table 2.4). As part of an online experimental study of consumer attitudes, she employed a scale of CA and CSR associations, relying largely on items adapted from Brown and Dacin's (1997) earlier work in this area. Her scale is comprised of six items evaluating CA and six items evaluating CSR. Like many researchers, she determined the reliability of her indices using Cronbach's alpha. Unlike most researchers, however, she went a step further, using confirmatory factor analysis (CFA) to demonstrate both the convergent and discriminant validity of the CA and CSR constructs.

Though the CA and CSR dual measures of reputation are popular and practical insofar as they separate social responsibility's influence on reputation from other factors, they are only the first step in the larger process view of reputation. Stacks et al. (2013) envision CA and CSR only as antecedents in the reputation building process. While stakeholders might value CA and CSR, many measurements simply determine whether an organization *possesses* these abilities, not why stakeholders *value* them. Measuring reputational indicators in addition to antecedents reveals the path through which CA and CSR enhance reputational outcomes such as financial performance.

Stacks et al. (2013) suggest that stakeholder judgments of reputation are reflected in their assessments of seven reputational subcomponents. CA and CSR initiatives present some aspect of organizational identity to key stakeholders that must be *visible* and internalized to generate concrete outcomes. These actions should also lend some *credibility* to organizational claims of expertise in a given area. Credibility, however, is only achieved if stakeholders perceive *authenticity* in organizational actions, which means the organization acted sincerely in accordance with its mission and values. Ideally, both CA and CSR abilities demonstrate a commitment to organization-stakeholder *relationships*, often by reinforcing mutual commitments

to shared interests. Both relationships and overall reputation benefit from *transparency* on the part of the organization so that stakeholders can fully understand organizational behavior by assessing motives. This openness in turn helps create *trust*, as stakeholders come to see the organization as dependably acting in their interests. When organizations behave in such ways, the resulting respect and admiration of stakeholders breeds *confidence*, which indicates they view the organization as reputable (Stacks et al., 2013).

The seven reputational indicators of visibility, credibility, authenticity, transparency, trust, relationship, and confidence lay the foundation for an intriguing and as of yet untested measurement model for reputation. While such a model would be more complex than a CA/CSR division, there is a convenience factor for PR, marketing, and communications scholars. Valid and reliable measures of these indicators have already been employed in numerous studies, though rarely in such combination (see Berlo, Lemert, & Mertz, 1970; Y. Kim, 2001; Rawlins, 2009; Rubin, Palmgreen, & Sypher, 2004; Rubin, Rubin, Graham, Perse, & Seibold, 2011; Walsh & Beatty, 2007; Wheeless & Grotz, 1977).

Despite the wide array of potential scales, measuring the indicators of Stacks et al.'s (2013) process view of reputation is not without its challenges. It is certainly possible to capture most of the elements of these indicators, but it is highly unlikely that in a CFA they would neatly or consistently load along these seven dimensions. The prima facie overlap among these dimensions would likely create construct reliability and discriminant validity issues. Honesty, for example, could easily be considered a component in multiple indicator dimensions. Collapsing some dimensions together following exploratory factor analysis (EFA) would be the first step in creating a better and more refined measurement model for these indicators. Regardless, considering these varied indicators as part of reputation management model would no doubt

increase the field's knowledge of how and why CA and CSR abilities lead to positive reputational outcomes.

A Place for CSR in PR Scholarship

No matter how reputation is conceptualized, operationalized, and measured, it remains among the most commonly evaluated endogenous variables in CSR research. As an exercise of reputation management, CSR is a natural area of inquiry for PR studies and an emerging cornerstone of PR practice (Brønn, 2013; DiStaso, 2012; Duhé, 2009; Y. Kim & Yang, 2013; Motion, Davenport, Leitch, & Merlot, 2013; Stacks et al., 2013). In truth, it is because "CSR is seen as part of reputation management" that it often falls "within the public relations domain" (L'Etang, 2003, p. 54).

Public relations is also a natural home for CSR considering the similarities in the daily practices of each. Effectively managing both PR and CSR practices requires developing extensive knowledge of stakeholders and their interests, which is essential to balancing conflicting demands that almost always arise (Benn et al., 2010; Raghubir et al., 2010). The stakeholder knowledge required to oversee CSR programs often comes from practices of environmental scanning made possible by the boundary spanning function of public relations (Benn et al., 2010; Broom, 1977; Broom & Dozier, 1990; Clark, 2000; S.-Y. Kim & Reber, 2009). In fact, these scanning and monitoring efforts constitute the first steps of Coombs and Holladay's (2012) CSR process model. PR practitioners are able to identify crossovers between the interests of organizations and their publics to help organizations anticipate stakeholder concerns and proactively address them, making CSR programs more efficient and effective.

In addition to providing strategic value, public relations is tactically important to CSR initiatives as well. Visibility is critical to the success of reputation management efforts such as

exercises in CSR, and a comprehensive media relations effort that public relations can provide is invaluable to organizations (Manheim & Albritton, 1984; Stacks et al., 2013). Media significantly influence public opinion about organizations, and PR practitioners are often able to create issue saliency for CSR efforts among key publics through processes of priming and framing (Laskin, 2013; Manheim & Albritton, 1984; A. Wang, 2007).

Strategic communication concerning a CSR initiative is critical to its instrumental, bottom-line success for the organization. CSR messages are most effective when they clearly communicate a social good generated by an organization without being overly self-promotional of that organization. Audiences have been empirically shown to be more receptive and supportive of messages with low-key tones that emphasize facts about CSR initiatives rather than focus on organizational involvement in those initiatives (Coombs & Holladay, 2012; Jahdi & Acikdilli, 2009). Message credibility is also critical when communicating about CSR efforts. To that end, PR practitioners often filter messages through respected third-party sources or work to generate word-of-mouth (WOM) campaigns to enhance aspects of message authenticity, transparency, and credibility, which in turn positively affects stakeholder judgments of CSR programs and thus organizational reputations (Benn et al., 2010; Coombs & Holladay, 2012; Jahdi & Acikdilli, 2009; Rawlins, 2009).

While CSR certainly has a place in PR research and practice, CSR is most often managed across various organizational departments, of which public relations is only one (Benn et al., 2010; Coombs & Holladay, 2012; Melewar, 2003). It is unlikely that public relations will ever gain sole ownership of the practice because CEOs recognize that CSR's value rests in sincerity, and the poor reputation of the public relations profession among many stakeholder groups

threatens to damage any goodwill CSR might generate. In short, management does not want CSR to devolve into or be seen as a PR stunt (Benn et al., 2010; Coombs & Holladay, 2012).

PR scholars and practitioners, however, should not be discouraged. Again, while public relations has much to contribute to the study and practice of CSR, and might indeed have a case to be in the CSR driver's seat, other disciplines – marketing in particular – have a great deal to add as well. PR scholars must commit themselves to being cross-disciplinary if they are to effectively study CSR and hope to bring new and valuable perspectives to the theoretical and methodological conversation.

Figure 2.1

Reputation as a Simple Mediator
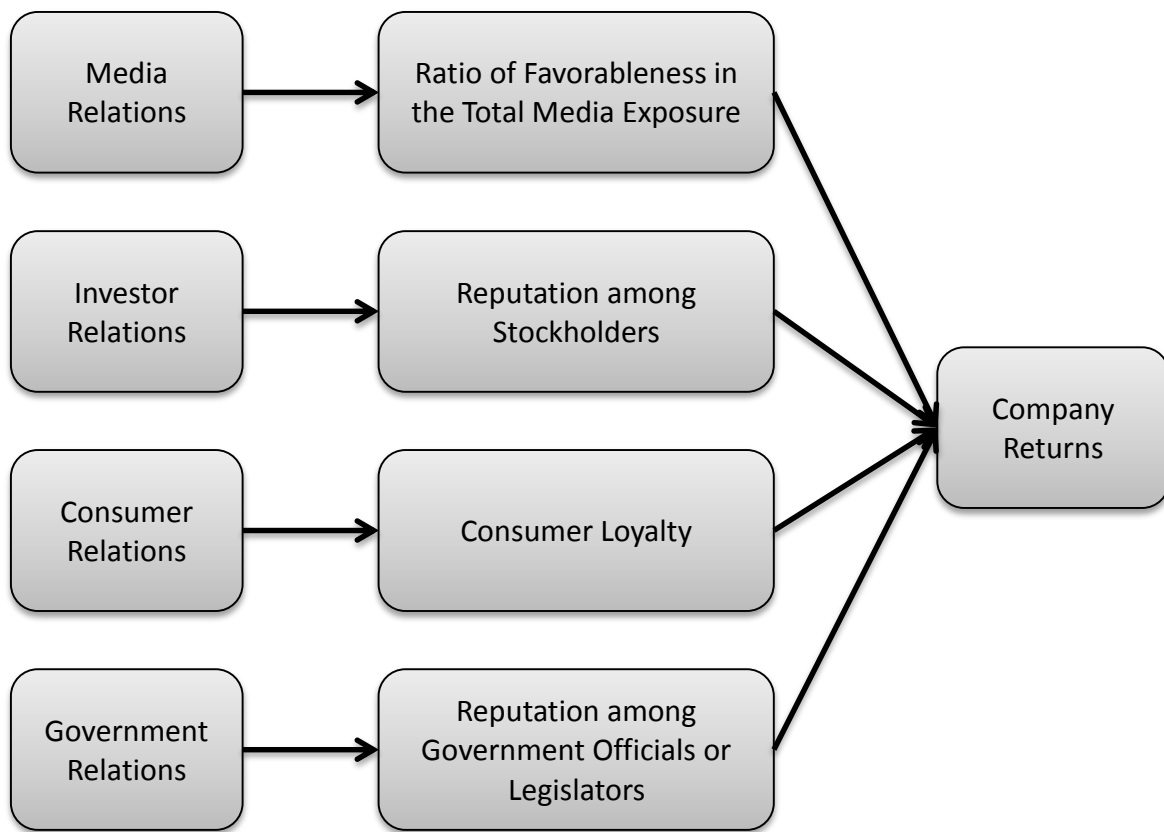
Figure 2.2

Reputation Mediation by PR Function

Note: See Y. Kim and Yang (2013), p. 586.
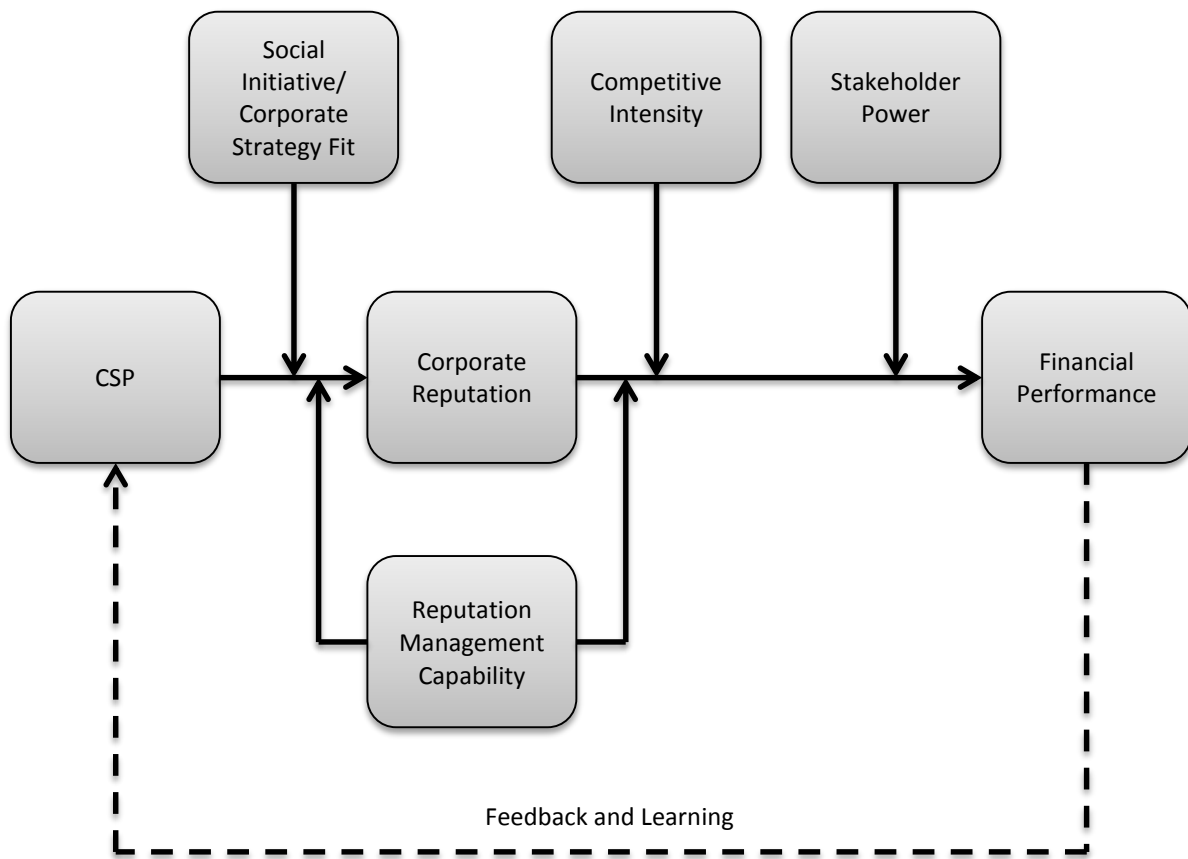
Figure 2.3

Reputation Mediation with some Proposed Moderators

Note: See Neville et al. (2005), p. 1190.

Table 2.1

McCroskey's (1966) Character Scale (Hoyt Internal Consistency = .953)

Item
I deplore this speaker's background.
This speaker is basically honest.
I would consider it desirable to be like this speaker.
This speaker is *not* an honorable person.
This speaker is a reputable person.
This speaker is *not* concerned with my well-being.
I trust this speaker to tell the truth about the topic.
This speaker is a scoundrel.
I would prefer to have nothing at all to do with this speaker.
Under most circumstances I would be likely to believe what this speaker says about the topic.
I admire this speaker's background.
This speaker is basically dishonest.
The reputation of this speaker is low.
I believe that this speaker is concerned with my well-being.
The speaker is an honorable person.
I would *not* prefer to be like this speaker.
I do *not* trust the speaker to tell the truth on this topic.
Under most circumstances I would *not* be likely to believe what this speaker says about the topic.
I would like to have this speaker as a personal friend.
The character of this speaker is good.

Note: See McCroskey (1966), p. 72.[6] All items are measured on a strongly agree/strongly disagree 5-point Likert scale.

Table 2.2

Organizational Reputation Scale (α = .82)

Item
The organization is basically honest.
The organization is concerned with the well-being of its publics.
I trust the organization to tell the truth about the incident.
I would prefer to have NOTHING to do with this organization.
Under most circumstances, I would NOT be likely to believe what the organization says.
The organization is basically DISHONEST.
I do NOT trust the organization to tell the truth about the incident.
Under most circumstances, I would be likely to believe what the organization says.
I would buy a product or service from this organization.
The organization is NOT concerned with the well-being of its publics.

Note: See Rubin et al. (2011), pp. 237-238. All items are measured on a strongly agree/strongly disagree 5-point Likert scale.

Table 2.3

Corporate Citizenship Measure (α = .94)

Dimension	Items
Economic Citizenship (α = .90)	We have been successful at maximizing our profits.
	We strive to lower our operating costs.
	We closely monitor employee's productivity.
	Top management establishes long-term strategies.
Legal Citizenship (α = .91)	The managers of this organization try to comply with the law.
	Our company seeks to comply with all the laws regulating hiring and employee benefits.
	We have programs that encourage the diversity of our workforce (in terms of age, gender, and race).
	Internal policies prevent discrimination in employees' compensation and promotion.
Ethical Citizenship (α = .92)	Our business has a comprehensive code of conduct.
	We are recognized as a trustworthy company.
	Fairness toward co-workers and business partners is an integral part of the employee evaluation process.
	A confidential procedure is in place for employees to report any misconduct at work.
	Our salespersons and employees are required to provide full and accurate information to customers.
Discretionary Citizenship (α = .90)	Our business supports employees who acquire additional education.
	Flexible company policies enable employees to better coordinate work and personal life.
	Our business gives adequate contributions to charities.
	A program is in place to reduce the amount of energy and materials wasted in our business.
	We encourage partnerships with local businesses and schools.

Note: See Maignan and Ferrell (2000), pp. 291-292. All items are measured on a strongly agree/strongly disagree 5-point Likert scale.

Table 2.4

S. Kim's (2011) Scales for CA and CSR

Dimension	Items
CA associations (α = .86)	I associate this company with innovative products.
	I associate this company with market leadership.
	I associate this company with good quality products.
	I associate this company with efficient manufacturing facilities.
	I associate this company with expertise in the manufacturing of products.
	I associate this company with global success.
CSR associations (α = .86)	I associate this company with environmental responsibility.
	I associate this company with philanthropic giving.
	I associate this company with social diversity.
	I associate this company with great care for communities.
	I associate this company with educational commitment.
	I associate this company with commitment to public health.

Note: See S. Kim (2011), p. 228. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

CHAPTER 3

THEORETICAL CONCERNS FOR PR STUDIES OF CSR

Overlap certainly exists in the daily practices of CSR and PR management. Moreover, there is considerable evidence that theories common to PR research are also applicable to investigations of CSR. Unfortunately, CSR studies often lack strong theoretical foundations. As Sabadoz (2011) explains, "the [CSR] literature has tended toward conceptual holism at the expense of theoretical precision" (p. 79). While scholars have commonly explicated CSR as a practice of reputation management, "much of the quantitative research done on reputation is *atheoretical* and inductive, rather than deductive and based on established models of reputation change" (Stacks et al., 2013, p. 562, emphasis original).

Perhaps because there have been a vast number of studies on CSR across various disciplines, researchers mistakenly consider CSR practice as constituting a broader theory unto itself. To best understand why CSR is *not* a theory, one must consider what constitutes good social scientific theory.

Defining Theory

Theory is a critical element of the social sciences as it lays the groundwork for explication, operationalization, measurement, and eventually the uncovering of scientific knowledge itself. Because theory serves as a necessary jumping off point for research, it can be considered a line of demarcation between scientific and nonscientific pursuits: true scientific inquiry occurs only in service to theory (Chaffee, 1991; Popper, 1963).

Numerous social science meta-theorists have attempted to define theory relying on a variety of different characteristics of what makes for good theory (see P. F. Anderson, 1983; Chaffee & Berger, 1987; Denzin, 1978; Heath & Bryant, 1992; Homans, 1964; Laudan, 1977; Reynolds, 1971). Based on this extant literature, the following working definition of theory is posited:

> A theory is comprised of sets of internally consistent and sufficiently abstracted statements, constructs, and/or propositions that, when operationalized, can be applied to concrete phenomena and then measured to provide empirical evidence about the reliability and validity of explanations and predictions drawn from those abstracted statements, constructs, and/or propositions.

10 Aspects of Good Theory

Defining theory is a good start; however, one can certainly go deeper by categorically listing necessary – or at least desired – aspects of good theory. Again, based on the extant literature, there are at least 10 such aspects:

1) Explanatory power
2) Internal consistency
3) Abstractness
4) Organizing power
5) Predictive power
6) Relational sense of understanding
7) Control
8) Falsifiability
9) Parsimony
10) Heuristic provocativeness

For the sake of comprehensive understanding, this discussion will consider each of these aspects individually.

Many scholars believe the ability to explain phenomena is the most important aspect of theory. Homans (1964), for example, states that "a theory is nothing – it is not a theory – unless it is an explanation" (p. 812). Denzin (1978) speaks even more forcefully, claiming that "theory is explanation" (p. 47). Good theory must provide plausible reasons not only as to why observed

phenomena exists, but also why and how key constructs relate to one another as they do in observed reality (Chaffee & Berger, 1987; Heath & Bryant, 1992; Reynolds, 1971).

Explanation is improved when theories are internally consistent, that is their given statements and propositions are logically congruent. When statements and propositions about constructs and their relationships are inconsistent, it is difficult for researchers to make judgments about empirical findings. This difficulty in turn dooms efforts of explanation (P. F. Anderson, 1983; Chaffee & Berger, 1987; Heath & Bryant, 1992; Laudan, 1977).

Theory operates best when it possesses at least some degree of abstraction, meaning it can be applied across a variety of temporal and spatial conditions. Abstractness is key if for no other reason than efficiency (Reynolds, 1971). Imagine if each concrete phenomenon required its own theoretical explanation for every given setting. The number of theories would be infinite. Moreover, the explanatory and predictive power of theory would be moot as each theory would be extremely limited in its application (Chaffee & Berger, 1987; Homans, 1964; Reynolds, 1971).

Some understanding of present knowledge is helpful when effectively and efficiently attempting to explain or predict a given phenomenon. To that end, good theories organize existing knowledge – often through the use of typologies consisting of mutually exclusive and exhaustive categories – so that researchers can quickly identify (a) what is already known and (b) where knowledge gaps exist so that they may one day be filled (Chaffee & Berger, 1987; Reynolds, 1971).

Once existing knowledge is organized and constructs are adequately explained, good theory can take what is known to develop hypotheses about what might be. Should these occurrences actually take place in the future, a theory is said to have predictive power. Along

with explanation, prediction is a cornerstone of good social science theory. Often researchers'

primary interest in explaining past events is to uncover processes and patterns that allow them to

accurately predict future occurrences (Chaffee & Berger, 1987; Denzin, 1978; Heath & Bryant,

1992; Reynolds, 1971).

Closely related to explanation and prediction is the provision of some relational sense of

understanding. Theory should enable scholars to sensibly link constructs together, typically

through the operationalization of independent and dependent variables, so that they may

understand how such connections have previously affected phenomena (explanation) and how

those relational links might explain future phenomena (prediction) (Reynolds, 1971).

Once explanatory or predictive relationships are understood, they can potentially be

controlled. When the effect of one independent variable on another dependent variable is known

or suspected, it logically follows that one could control for changes in the dependent variable by

altering the independent variable in some way (Heath & Bryant, 1992; Reynolds, 1971). Control

is not used in a literal sense here as certain phenomena cannot actually be controlled by humans;

a physicist, for example, cannot reverse gravity. However, she could make accurate predictions

about future events were such control possible. The same is often true of social sciences, though

admittedly communication variables are often subject to actual human control.

Falsifiability is also a critical element of good theory. It principally relates to the

testability of theoretical statements. If a theory cannot be operationalized and empirically tested

then it significantly decreases in value to the scientific community (P. F. Anderson, 1983;

Chaffee & Berger, 1987; Denzin, 1978; Heath & Bryant, 1992; Reynolds, 1971). Freud's

psychoanalytic theory, for example, offers explanation and prediction, but the difficulty in

empirically testing its assumptions has been a major knock against it throughout its history, which primarily led to its fall from post-positivist, social scientific investigation.

The next element, parsimony, emerges from a desire for efficiency. Theories should be only as complex as the phenomena they try to explain – i.e., no more intricate than necessary – with simple theories preferred to complex ones (Chaffee & Berger, 1987; Reynolds, 1971). Heath and Bryant (1992) describe parsimoniousness using the "back of the envelope" test, meaning that the major statements and propositions of a theory should be so tightly defined that one could handwrite them in their entirety on the back of an envelope (p. 13). Parsimony is most important as it relates to boundary conditions, which "specify the domain of events the theory explains, and what lies outside it" (Chaffee & Berger, 1987, p. 102). Theories that lack parsimoniousness often become overly general and abstract, display loose boundary conditions – if any at all – and are difficult to operationalize and measure as a result (Chaffee & Berger, 1987; Reynolds, 1971).

The final element of good theory is heuristic provocativeness. Theories are heuristically provocative as they draw interest from the scientific community and generate valuable areas of inquiry and novel hypotheses for investigation (Chaffee & Berger, 1987; Denzin, 1978; Heath & Bryant, 1992). Heuristic provocativeness is often considered a measure of a theory's value to a field of scientific inquiry as the development of new areas of research is necessary to move social science forward.

Why CSR is Not a Theory

If one considers the working CSR definition from Chapter 2 in light of these 10 aspects of good theory, it becomes fairly obvious that CSR is not a theory unto itself. Despite that fact, CSR does display some theoretical attributes. First, CSR appears to operate at some level of

abstraction as CSR itself is not the most concrete of terms. CSR has been operationalized to include much more specific practices such as philanthropy, volunteerism, environmental protection, community relations, and so forth (Brown & Dacin, 1997; Coombs & Holladay, 2012; Peloza & Shang, 2011; Rettab et al., 2009; Sen & Bhattacharya, 2001).

Moreover, CSR also displays organizing power, as many of the concrete operationalizations listed above have been further grouped into several distinct typologies (see K.-H. Lee & Shin, 2010; Maignan & Ferrell, 2000; Peloza & Shang, 2011; Rettab et al., 2009; Sen & Bhattacharya, 2001; Turker, 2009). CSR appears to possess some degree of parsimony as well, often summed up as the short but familiar idea that a company can "do well by doing good." Simply stated, improving the social or environmental conditions of stakeholders improves the economic dividends to business (see the "Instrumental Outcomes" discussion in Chapter 2).

Finally, CSR has unquestionable heuristic provocativeness, especially within the business, marketing, and PR literature. A keyword search of "corporate social responsibility" in the EBSCO academic databases during December 2014 showed that almost 30,000 separate academic journal articles had been written on the subject since 1950, not to mention numerous conference papers, trade publications, and other periodicals.

That said, CSR faces several theoretical shortcomings, many of which cascade from the requirement of internal consistency. CSR seeks to achieve instrumental, profit-maximizing goals and/or normative, ethical goals of improving societal welfare. While pursuing one or the other presents little problem, pursuing both simultaneously often creates tension (Sabadoz, 2011). Instrumental and normative goals are not necessarily contradictory, but they do sometimes conflict; as a result, issues of explaining, predicting, and controlling for corporate behavior arise. In fact, Carroll (1999), viewing CSR as a business expenditure, goes so far as to argue that CSR

actions "may have multiple rather than single motives and, therefore, [motivation] is not a fruitful criterion for judging social responsibility" (p. 276).

Though Carroll's (1999) position may be overly extreme, since instrumental and normative goals are often in flux, explanation and prediction of exactly when and how an organization would practice CSR and what the results of that practice might be are difficult to ascertain. And while definitions of CSR clearly suggest that a company might "do well by doing good," they provide little inherent description or understanding for why these causal relations exist or how they operate, which again snowballs to create problems for how one might control such relational links.

Finally, without clear-cut explanations, predictions, relational links, or suggestions for control, empirically verifying the means through which CSR achieves its stated instrumental or normative goals is virtually impossible. The following tally of CSR's theoretical score recaps this discussion:

1) ~~Explanatory power~~
2) ~~Internal consistency~~
3) Abstractness
4) Organizing power
5) ~~Predictive power~~
6) ~~Relational sense of understanding~~
7) ~~Control~~
8) ~~Falsifiability~~
9) Parsimony
10) Heuristic provocativeness

One can clearly see that CSR fails more theoretical tests than it passes, which is why – *on its own merits* – CSR is not a theory. Instead CSR operates like several other constructs in communication research – such as credibility and trust – in that it is a construct that is semi-operationalized, but can only be understood and put to use in social scientific study once comprehended through some broader theoretical lens.

Common Theories Employed in CSR Research

In the larger sense, CSR should by no means be considered atheoretical because numerous communication theories can inject the construct with the needed internal consistency, explanatory and predictive power, relational sense of understanding, control, and falsifiability (see Abratt & Kleyn, 2012; Carroll, 1979; Connelly, Ketchen Jr., & Slater, 2011; Coombs & Holladay, 2012; David et al., 2005; Freeman, 2010; Friedman, 1962; Hansen et al., 2008; Heider, 1958; Jensen, 1988; Kelley, 1973; H.-S. Kim, 2011; Laskin, 2013; Luo & Bhattacharya, 2009; McWilliams & Siegel, 2001; Neville et al., 2005; Sen & Bhattacharya, 2001; Weiner, 1985; Wood, 1991; Wood & Jones, 1995).

Many theories have been employed in CSR studies, each of which explains and predicts specified effects. One common area of research focuses on stakeholder response to CSR initiatives. If stakeholder responses are negative or neutral, the expenditure is not justified. Attribution theory has been frequently used in such research.

Attribution theory states that an agent responds to an actor based not only on the behavior itself, but the perceived intention of the actor for engaging in said behavior (Heider, 1958; Kelley, 1973; Weiner, 1985). Attribution judgments reflect a basic belief that people and organizations act out of character, or put more simply, "*people who do things like that are like that*" (Griffin, 2012, p. 402, emphasis original). Most often, CSR studies relying on an attribution theory framework ask whether publics attribute CSR activities to self- or other-serving motives. Typically, when publics attribute at least some degree of other-serving motives to CSR actions, they perceive the organization as more sincere and reputable (S. Kim & Lee, 2012).

Attribution-driven CSR studies have shown prior reputation to be a positive moderator of stakeholder judgments of organizational sincerity in CSR motives (H.-S. Kim, 2011; Lyon &

Cameron, 2004). Additionally, when stakeholders perceive multiple motives for CSR actions, they have difficulty making attribution judgments. This difficulty is further complicated if competing motives are perceived as incompatible (H.-S. Kim, 2011). The resulting suspicion of organizations is lessened when CSR initiatives are communicated through third-party sources, which are often attributed greater credibility (Benn et al., 2010; Coombs & Holladay, 2012; Jahdi & Acikdilli, 2009; H.-S. Kim, 2011).

Stakeholder attributions of CSR motives are also more positive as company-cause congruence increases, i.e., there is a goodness of fit between the two (H.-S. Kim, 2011; Peloza & Shang, 2011). As Coombs and Holladay (2012), describe it, fit translates to "a consistency with the corporation's strategic plan, the nature of the industry, and a favorable cost-benefit ratio from the corporation's perspective" (p. 85).

Others have shown that the character congruence between company and stakeholder positively impacts stakeholder attributions about CSR and the organization more generally. Sen and Bhattacharya (2001) found that "consumers' reactions to CSR are contingent on the amount of congruence or overlap they perceive between the company's character, as revealed by its CSR efforts, and their own" (p. 228). As it turns out, this company-character congruence positively affects stakeholder judgments of organizations, particularly if CA is low (Sen & Bhattacharya, 2001).

Signaling theory has also been used in CSR studies, though somewhat more limitedly. The crux of signaling theory is that certain organizational symbols or actions can communicate quality either of the organization, its products, or its services (Connelly et al., 2011). From this perspective, CSR is considered a signal to stakeholders that the organization shares their commitment to certain social causes (Goering, 2010). Additionally, CSR has been empirically

shown to boost corporate reputation, which signals product and service quality to consumers –

especially for experience goods, the quality of which are difficult to determine pre-purchase

(Brown & Dacin, 1997; S. Kim, 2011; Laskin, 2013; McWilliams & Siegel, 2011).

Agency theory is also frequently referenced in the CSR literature, though most often it is

used as a justification *not* to engage in CSR. Agency theory – like its close theoretical cousin, the

theory of the firm – contends that the primary responsibility of an organization is economic, and

delivering returns to shareholders trumps other duties (Carroll, 1979; David et al., 2005; Jensen,

1988; McWilliams & Siegel, 2001; Wood, 1991). From this perspective, principals (i.e., owners

and shareholders) employ agents (i.e., executives and managers) to run the firm in the principals'

best economic interests (Connelly et al., 2011).

Often, however, principals are plagued by the agency problem: their interests do not

always align with those of the agents they employ. CSR is often seen as emblematic of the

agency problem when "managers use CSR as a means to further their own social, political, or

career agendas, at the expense of shareholders" (McWilliams & Siegel, 2001, p. 118). Economist

Milton Friedman (1962), perhaps the mostly widely cited critic of CSR, heavily relies on agency

theory in his critiques:

> There is one and only one social responsibility of business – to use its resources and
> engage in activities designed to increase its profit so long as it stays within the rules of
> the game, which is to say, engages in open and free competition, without deception or
> fraud. […] Few trends could so thoroughly undermine the very foundations of our free
> society as the acceptance by corporate officials of a social responsibility other than to
> make as much money for their stockholders as possible. (p. 133)

Of course this assumption concerning CSR only holds if such practices operate at a net

loss for the organization, and as has been noted, there is considerable evidence to the contrary.

Moreover, agency theory has fallen from favor because rarely do all principals agree as to how

managers should run their companies, and agency theory provides no guidance for resolution:

Some have suggested that such short-term investors are the worst kind of principals because they are themselves opportunistic, which may come at the expense of sustainable practices […]. This, however, puts scholars in the somewhat awkward position of arguing that some investors are 'better' than others and that some principals have interests that managers should intentionally ignore […], which runs counter to popular business school mantra that managers' responsibility is to maximize shareholder value (however principals may define 'value'). (Connelly et al., 2011, p. 90)

Stakeholder theory, the dominant paradigm in CSR studies, provides some answers to the non-refuting anomalies[7] of agency theory (Luo & Bhattacharya, 2009; McWilliams & Siegel, 2001). Stakeholder theory grew largely from the work of Freeman (2010), who defined an organizational stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (p. 46). According to H.-S. Kim (2011), business and society are too interdependent to separate from one another as Friedman (1962) proposes; the quality of stakeholder-organization relationships have direct, instrumental, economic impacts on organizational bottom lines (Freeman, 2010; Luo & Bhattacharya, 2009; McWilliams & Siegel, 2001).

In truth, the foundational ideas of stakeholder theory existed long before the theory itself. As Carroll (1999) writes of Bowen's (1953) book, *Social Responsibilities of the Businessman*, "Bowen's (1953) work proceeded from the belief that the several hundred largest businesses were vital centers of power and decision making and that the actions of these firms touched the lives of citizens at many points" (p. 169). Organizations are similarly affected by the actions of key stakeholders such as investors, employees, consumers, surrounding communities, and government bodies – among many others.

Stakeholder engagement is thus at the heart of many CSR practices. When informed by the needs and desires of key publics, CSR can cause stakeholders to closely identify with organizations. Sharing even minimal power over CSR initiatives can generate trust, which fosters

needed support from stakeholders and helps maintain quality relationships (Coombs & Holladay, 2012; Sen & Bhattacharya, 2001). Coombs and Holladay (2012) elaborate further, claiming that "CSR now matters because an increasing percentage of stakeholders decided social concerns were important enough to influence their relationships with corporations" (p. 32). If stakeholders feel organizations are not acting as they should, then investors may commit financial resources elsewhere, consumers may seek products and services from competitors, the surrounding community may grumble with dissent, and unrest may run rampant among employees.

Stakeholders and Resource Control

Resource control in large part explains the value of stakeholders to organizations, and it also lies at the heart of both the resource-based view of the firm and resource dependency theory. Many investigations of CSR practice have been grounded in these resource-oriented theories, especially studies in the marketing literature. The resource-based view of the firm has commonly been used to explain performance differences among companies: those organizations with the greatest access to resources and the ability to strategically implement those resources are generally the most successful (Connelly et al., 2011; Pfeffer & Salancik, 1978).

From the resource-based view of the firm, resources can be characterized as having four general characteristics (Abratt & Kleyn, 2012; McWilliams & Siegel, 2011). First, resources must create value for the firm, meaning the revenues generated from their implementations exceeds the costs (McWilliams & Siegel, 2011). The resource value for the firm is often defined in terms of resource value for stakeholders. For example, J. C. Anderson and Narus (1999) conceptualize resource value as "the worth in monetary terms of the economic, technical, service and social benefits a customer receives in exchange for the price it pays for a market offering" (p. 5). This understanding of resource value applies for other stakeholder groups as well.

The remaining three aspects of resources also contribute to value. First, resources must be rare because scarcity – particularly among a firm's competitors – adds to overall value. Second, resources must be imperfectly imitable. If competitors can easily recreate a given resource to achieve their own ends, the resource lacks scarcity and therefore value. Finally, resources must not have strategically equivalent substitutes. If the ends produced by a given resource can be a achieved through another means, then the resource loses its value (Abratt & Kleyn, 2012; McWilliams & Siegel, 2011).

Social responsibility studies relying on the resource-based view of the firm typically contend that CSR is important because it bolsters reputation, which is a valuable, rare, imperfectly imitable resource with few strategic substitutes (Laskin, 2013). The value of reputation and CSR increases as stakeholder demand for such behaviors increases. Rising demand for CSR among stakeholders is indeed the new norm, and the PR subfield of investor relations provides an excellent illustration.

According to Hockerts and Moir (2004), CSR initiatives became important to investor relations officers because investors were beginning to expect companies to provide social goods as well as financial returns on their investments. While socially responsible investors are still a minority in the investment community, they are a growing one. The first socially responsible mutual fund was established in 1971; by 2003 there were more than 200 such funds, collectively worth more than $200 billion (Markowitz, 2007). As Markowitz (2007) argues, "the fact that even the businesses with the worst reputations [i.e., Bayer, Clear Channel, Halliburton] are attempting to present themselves as 'SR' [socially responsible] demonstrates the constitute legitimacy of the frame" (pp. 135-136).

As stakeholders gradually come to value socially responsible activities, organizations have little choice but to comply because they themselves are dependent upon stakeholders for various resources: investors for capital, employees for labor, customers for sales revenue, community for social legitimacy, and so on. This mode of thinking is the crux of resource dependence theory (Neville et al., 2005). From this perspective, power differentials are key. Generally organizations seek to control resources on which others depend to create scarcity in the marketplace and increase the value of controlled resources. Additionally, organizations attempt to minimize their dependence on resources controlled by others to decrease the value of uncontrolled resources (Connelly et al., 2011).

Unfortunately for many organizations, they are – for the moment at least – bound to numerous stakeholders for a variety of the key resources discussed above. Consider Jahdi and Acikdilli's (2009) assertion that "as far as the power balance in the marketplace is concerned, consumers and stakeholders […] dominate" (p. 104). From a resource dependency perspective, public relations, marketing, and CSR exist to satisfy the needs of stakeholders to keep resources flowing freely.

Spotlights on the Larger Stage

Public relations provides several theoretical perspectives from which to study CSR. It is important to remember, however, that no one theory constitutes a "best" approach to CSR because no one theory provides a complete view of the practice. The nature of theory is to highlight only specific elements of a phenomenon and to offer explanations and predictions related only to that narrowed view.

It is best to think of CSR as a darkened stage. Each of the theories described above acts as a spotlight, illuminating only certain aspects of the practice. Agency theory points to the

importance of profit-seeking behavior as organizations have financial responsibilities to shareholders. Stakeholder theory forces scholars to recognize responsibilities extending beyond shareholders to a wider group of diverse stakeholders. Resource dependency theory and the resource-based view of the firm explain the economic value of stakeholders to organizations: firms rely on stakeholders for resources necessary for survival and growth. As stakeholders come to value socially responsible behavior, organizations are best served by engaging in such behavior to maintain access to stakeholder-controlled resources. And according to signaling theory, CSR practices indicate to these key stakeholders that organizations share their key values, which in turn makes them more likely to remain resource loyal to the organization. Finally, as attribution theory would predict, the goodwill generated among stakeholders by organizational CSR engagements is strengthened when stakeholders attribute organizational motives to some level of sincerity in serving stakeholder needs and desires.

Individually each theory contributes only a portion to scholarly understanding. Considered in conjunction, however, the spotlights of each theory combine as if bringing up the house lights, allowing researchers to understand CSR practice more holistically. Still, scholars choose theories to employ in given studies ultimately because of how well they advance the explanatory and predictive goals the research is trying to achieve.

CHAPTER 4

RESEARCH QUESTIONS, HYPTOHESES, AND A METHODS OF ANALYSES

Study 1: Using Secondary Data to Predict Best CSR Activity Choice

Regardless of the theoretical approach taken by researchers, investigations into the effectiveness of CSR have similar constructions and thus similar weaknesses. First, CSR is often studied at either the industry, organization, or individual level. While such studies contribute to scholarly understanding of specified CSR effects, they do not allow for an integrated understanding of CSR in the actual, multilevel settings that PR practitioners face (Aguinis & Glavas, 2012).

Second, measuring the effectiveness of CSR typically involves measuring reputation as a mediator or moderator (recall Figures 2.1 & 2.3). Whether relying on the theory of the firm, agency theory, or the resource view of the firm, CSR's value is largely determined by its influence on firm financial performance (Aguinis & Glavas, 2012; Luo & Bhattacharya, 2006; McWilliams & Siegel, 2001). While this contribution to financial importance is key to justifying CSR activities, it provides little guidance to PR practitioners in the way of selecting CSR activities in which to engage.

Consider that scholars encourage PR practitioners to practice CSR strategically, which has many different components. For some, it means that the company's CSR activities should cater to the interests and concerns of stakeholders (S.-Y. Kim & Reber, 2008; Y. Kim & Yang, 2013; Sen & Bhattacharya, 2001; A. Wang, 2007). For others it means that CSR activities should be sensibly aligned with the everyday objectives, practices, and limitations of both the individual

organization and the industry within which it operates (Benn et al., 2010; Coombs & Holladay, 2012; Demetriou et al., 2010; Lyon & Cameron, 2004; Melewar, 2003). Both approaches are considerations of goodness of fit – at least to some degree.

What PR practitioners need is some way to reasonably determine which types of CSR activities are likely to generate reputation gains for their companies. A model of best practices that integrates variables at both the industry and organization levels would serve this purpose (see Figure 4.1). In formulating CSR initiatives, PR practitioners would be well served by an understanding of the reputational strengths and weaknesses of their companies' industries as well as the organizational idiosyncrasies that lessen or amplify those strengths and weaknesses for each institution.

Reputation as a Dependent Variable

Measures of CSR often hinge on measures of reputation; the secondary data analysis approach proposed here will be no different in this regard. However, rather than employing the usual approach of modeling reputation as a mediator for CSR's effect on firm financial performance, this study will treat reputation as a dependent, endogenous variable (Aguinis & Glavas, 2012; Brown & Dacin, 1997; S. Kim, 2011; Luo & Bhattacharya, 2006).

Additionally, this study will not consider CSR reputation as a monolithic variable. As was discussed in Chapter 2, scholars have gone through great efforts to subdivide CSR into various categories (Brown & Dacin, 1997; Coombs & Holladay, 2012; Peloza & Shang, 2011; Rettab et al., 2009; Sen & Bhattacharya, 2001). When developing CSR initiatives, organizations may choose from a variety of socially responsible activities ranging from employee relations to philanthropic giving to environmental sustainability. Additionally, organizations may have good reputations for certain CSR subcategories and dismal reputations in others. Collectively, these

constraints demand more precise measurement of CSR reputation across several subcategories as opposed to a generalized measure.

KLD Research & Analytics (2006) provides reputation ratings on approximately 3,100 publicly traded companies. These ratings are established using roughly 80 indicators in seven comprehensive issue areas. KLD Research & Analytics (2006) subdivides these indicators within each category into organizational strengths or areas of concern. The company employs a binary rating system for each indicator, where a 1 indicates the presence of a strength or concern and a 0 indicates no company strength or concern for that indicator.

Unfortunately, KLD's seven areas do not align exactly with the seven subcategories of CSR in the typology put forth in Chapter 2. Nevertheless, the indicators can be arranged into six broad subcategories of reputation that align reasonably well with the proposed typology. They are as follows (see Table 4.1):[8]

1) Environmental Sustainability
2) Philanthropy
3) Employee Relations
4) Diversity
5) Community Programs
6) Human Rights

Scores for company reputation in each subcategory will be computed by adding the strength ratings for each variable in a given CSR category and subtracting the concern ratings within that same category.

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Independent Variables

</div>

The independent variables from this study are taken directly from or calculated indirectly from the merged COMPUSTAT and CRSP databases, which provide an array of data measuring book and market value and risk as well as general industry and organizational information. This

study draws upon extant research for variable selection across the industry and organization levels.

The first variable of interest is industry type. COMPUSTAT classifies firms into a wide variety of industries using standard industry classification (SIC) codes. While SIC codes are four digits long and can be very specific in industry classification, the study is primarily aimed at discovering differences in reputations for social responsibility at a broad level. Therefore, firms will be classified into one of 82 general industry types using the first two digits of these SIC codes. As was stated previously, the reason for measuring CSR reputation using subcategories as opposed to a monolith measure is to evaluate potential differences within the larger CSR construct.

> *RQ1*: Will industries display significant differences in reputation score across the selected CSR activity categories?

> *RQ2*: What industry level factors will drive the emergence of specific industries as reputation leaders within the eight selected CSR activity categories?

Two commonly studied industry-level variables are industry competitiveness and differentiability. Industry competitiveness has typically been defined by the Herfindahl-Hirschman index (HHI), which measures how widely or narrowly market share is dispersed across firms in a given industry. A lower HHI indicates higher competitiveness within the industry (Cordeiro, Yang, Kent Jr., & Callahand III, 2014; Giroud & Mueller, 2010; Luo & Bhattacharya, 2006). HHI is commonly calculated as the sum of squared market shares of the firms within a given industry:

$$\text{HHI} = \sum \left(\frac{\text{Sales}_{\text{firm}}}{\text{Sales}_{\text{industry}}} \right)^2$$

As the above equation illustrates, market shares are computed using firm sales data from COMPUSTAT (Giroud & Mueller, 2010).

Differentiability refers to the ease with which a firm within a given industry can separate itself through some competitive advantage over other firms within the same industry. Intangible differentiation occurs when a company develops a more positive identity or reputation for itself in comparison to other firms in the same industry. Advertising intensity is an oft-used variable to measure a firm's level of intangible differentiation.[9] It is computed as follows:

$$\text{Advertising intensity} = \frac{\text{Advertising Expense}}{\text{Total Assets}}$$

The advertising intensity for an industry is calculated by averaging the advertising intensity of all the firms within it.

A substantial amount of scholarly research shows that companies engage in CSR activities to gain some competitive advantage. Moreover, that advantage most often comes through a process of differentiation (Coombs & Holladay, 2012; Hartman et al., 2007; Mackey et al., 2007; McWilliams & Siegel, 2001; Melewar, 2003). With these factors in mind, the following hypotheses are posited:

H1: More competitive industries will display higher social responsibility ratings compared to less competitive industries.

H2: Industries with high advertising intensity will display higher social responsibility ratings compared to industries with low advertising intensity.

There is also considerable evidence that financially successful firms and industries face more intense pressure to engage in CSR than their poorer counterparts. Davis (1960) first articulated the need for CSR efforts to be commensurate with corporate wealth. Post et al. (1996) called this the stewardship principle, arguing that companies have an obligation to use the resources they obtain from stakeholder contributions to improve the lives of those very stakeholders. Many scholars consider this line of argument to be based on social legitimacy, meaning industry cannot exist – let alone thrive – without at least stakeholders' tacit approval of

business practices (Allen & Cailouet, 1994; Bedeian, 1989; Carroll, 1999; Clark, 2000; Sabadoz, 2011). This social legitimacy stance encourages equitable returns to stakeholders as companies only achieve success through stakeholder commitment.

The iron law and social legitimacy claims would suggest that as an industry grows in financial performance, it should also grow in social performance. Additionally, because high growth industries also tend to be more competitive, the need for CSR as a differentiation mechanism should also point toward increased social performance (Hambrick & Abrahamson, 1995). Market growth is calculated longitudinally as the average annual sales growth of firms within an industry as defined by COMPUSTAT data. This scholarship suggests the following hypotheses:

> *H3*: Industry changes in market growth will positively correlate with changes in social responsibility ratings.

Industries also vary in their level of risk as typified by capital intensity and demand instability. Capital intense industries are categorized by high capital investments in property and equipment in comparison to overall labor costs. Capital intensity for a firm is commonly measured as the ratio of net property, plant, and equipment cost to the number of employees; the average capital intensity of all firms in a given industry yields the capital intensity measure for the industry. Industries with high capital intensity assume greater financial risk (Hambrick & Abrahamson, 1995; Hay & Morris, 1979). Demand instability refers to how reliably an industry's products remain in demand; it is measured as the standard deviation of industry market growth. When demand for industrial products is stable there is less financial risk (Hambrick & Abrahamson, 1995).

Risk and instability are often threats to financial performance. However, good reputations garnered through socially responsible behavior have been shown to mitigate this threat (Coombs

& Holladay, 1996; Hyo-Sook, 2011; Klein & Dawar, 2004; Lyon & Cameron, 2004; Peloza & Shang, 2011; Xiong & Bharadwaj, 2013). The risk reduction benefits of CSR reputation are particularly important to investors. Investors view socially responsible companies and industries as safer investments than their less responsible counterparts, as CSR reputation leads to reduced idiosyncratic and systematic risk (Alexander & Buchholz, 1978; Ferreira & Laux, 2007; Godfrey, 2005; Lev, 2012; Luo & Bhattacharya, 2009; McGuire et al., 1988; Spicer, 1978).

Industry-level variables are more likely to reflect the broad market considerations emblematic of systematic risk as opposed to the organizational differences in firm specifics that result in idiosyncratic risk. Moreover, capital intensity and demand instability are relatively stable over time as they apply to broad industry characteristics. One might thus expect high-risk industries to employ reputation management tactics to mitigate negative impacts. Therefore the following hypotheses are posited:

> *H4*: Industries with higher capital intensity will display higher social responsibility ratings compared to industries with lower capital intensity.

> *H5*: Industries with higher demand instability will display higher social responsibility ratings compared to industries with lower demand instability.

The level 2 equations will use organization-level variables to lower the significance of random effects within the model to increase the overall accuracy of the estimate. Like the industry-level variables chosen for this study, extant literature informed the selection or organizational variables.

Product quality is commonly measured in CSR studies; here, the KLD binary item for "quality" will be used as an independent variable measure of product quality. Interestingly, evidence for either a positive or negative impact of product quality on CSP is mixed. Luo and Bhattacharya (2006), for example, found that "positive financial returns to CSR are amplified in

firms with higher product quality" (p. 15). Others contend, however, that while CSR may positively influence evaluations of product quality, at best the effect is only indirect; CA is often the more direct measure (Brown & Dacin, 1997; S. Kim, 2011). This dichotomy leads to the third research question:

RQ3: Will product quality positively or negatively affect measures of CSP?

Firm size is also a commonly employed variable, measured as the log of the number of employees (Luo & Bhattacharya, 2006). McWilliams and Siegel (2001) argue that CSR activities can be cost-intensive undertakings. Because large organizations benefit financially from economies of scale and scope, they are more able to engage in these practices. Also, remembering past arguments of commensurate responsibility and the need for social legitimacy, it stands to reason that larger companies would face greater expectations to engage in CSR. Scholars have generally found this to be the case as larger companies are typically more visible to their publics, who in turn expect greater social returns (Aguinis & Glavas, 2012; Coombs & Holladay, 2012; Gulyás, 2009; Rettab et al., 2009; Stacks et al., 2013).

H6: Larger organizations will display higher social responsibility ratings compared to smaller organizations.

Finally, measures of performance and risk at the organizational level are often investigated in relation to CSR. Both performance and risk are commonly divided into two types: accounting and market. Accounting measures are reflections of historical risk and performance whereas market measures are based on anticipation of future value or risk (McGuire et al., 1988).

Perhaps the most frequently used measure of accounting performance is return on assets (ROA), measured as an organization's net income before extraordinary items divided by its total assets. Operating income growth (OIG), measured as the percentage change in operating income, is another common measure of accounting performance (Blomgren, 2011; Hunton, Lippincott, &

Reck, 2003; Luo & Bhattacharya, 2006; McGuire et al., 1988). ROA and OIG are computed as follows:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

$$OIG = \frac{Operating\ Income_t - \ Operating\ Income_{t-1}}{|Operating\ Income_{t-1}|}$$

$$Operating\ Income\ = Net\ Sales - (Cost\ of\ Goods\ Sold + Total\ Operating\ Expenses)$$

Market performance is typically measured as either total return, which reflects the percent change in a company's stock valuation during the year, or market value, which is a measure of the firm's value in the stock market. They are derived from the following equations:

$$Total\ Return = \frac{(price_t + \ dividend_t) - \ price_{t-1}}{price_{t-1}}$$

$$Market\ Value = Share\ Price\ \times Number\ of\ Shares\ Outstanding$$

There is some debate as to whether accounting or marketing performance is a better predictor of CSR engagement and thus social performance; both are generally agreed to be good predictors nevertheless (Aguinis & Glavas, 2012; Cheng, Ioannou, & Serafeim, 2014; Luo & Bhattacharya, 2009; McGuire et al., 1988). Based on these findings, the following hypotheses are put forth:

H7: Organizations with higher ROA will display higher social responsibility ratings compared to organizations with lower ROA.

H8: Organizations with higher OIG will display higher social responsibility ratings compared to organizations with lower OIG.

H9: Organizations with higher total return will display higher social responsibility ratings compared to organizations with lower total return.

H10: Organizations with higher market value will display higher social responsibility ratings compared to organizations with lower market value.

Measures of organizational risk are also distinguished as either accounting or market-based. McGuire et al. (1988) propose several measures of risk, only some of which can be calculated from COMPUSTAT data; those measures are employed here. Accounting risk will be measured as the standard deviation in OIG and as the ratio of debt to assets. Market risk will be measured as a standard of total return. These measures are calculated as follows:

$$\text{Standard Deviation in OIG} = \sqrt{\frac{\sum_{i=1}^{n}(\text{OIG}_{\text{firm}} - \overline{\text{OIG}}_{\text{market}})^2}{n}}$$

$$\text{Standard Deviation in Total Return} = \sqrt{\frac{\sum_{i=1}^{n}(\text{TR}_{\text{firm}} - \overline{\text{TR}}_{\text{market}})^2}{n}}$$

where n = number of years

Unlike industry measures of risk, organization-level risk is more idiosyncratic and thus apt to greater variability both across organizations and over time. Considering the idiosyncratic risk mitigation that CSR provides, one might expect risk reduction to coincide with increased CSR reputation:

H11: Organizational changes in debt to asset ratio will negatively correlate with changes in social responsibility ratings.

H12: Organizational changes in the standard deviation of OIG will negatively correlate with changes in social responsibility ratings.

H13: Organizational changes in the standard deviation of total return will negatively correlate with changes in social responsibility ratings.

HLM Analysis

Because this study employs no generalized social responsibility score, separate equations must be built for each of the eight subcategories described earlier. Additionally, to investigate the consistency of these findings longitudinally, a time element will be added. Social responsibility and industry data from KLD, COMPUSTAT, and CRSP will be used, spanning the fiscal years of 2005 through 2009.[10] These three databases will be merged and only companies represented in all three databases across these five years will be investigated.

Taken together, these firm-level variables will form the level 1 equation for a HLM data analysis, given as:

$$\text{SR}_{ij} = \beta_{0j} + \beta_{1j}(\text{PQ})_{ij} + \beta_{2j}(\text{SIZE})_{ij} + \beta_{3j}(\text{ROA})_{ij} + \beta_{4j}(\text{OIG})_{ij} + \beta_{5j}(\text{TR})_{ij} + \beta_{6j}(\text{MV})_{ij}$$
$$+ \beta_{7j}(\text{D2A})_{ij} + \beta_{8j}(\text{SDOIG})_{ij} + \beta_{9j}(\text{SDTR})_{ij} + \varepsilon_{ij}$$

where SR_{ij} is a social responsibility score for company i in industry j, β_{0j} is the intercept, $(\text{PQ})_{ij}$ is the product quality, $(\text{SIZE})_{ij}$ is the firm size, $(\text{ROA})_{ij}$ is the return on assets, $(\text{OIG})_{ij}$ is the operating income growth, $(\text{TR})_{ij}$ is the total return, $(\text{MV})_{ij}$ is the market value, $(\text{D2A})_{ij}$ is the debt to asset ratio, $(\text{SDOIG})_{ij}$ is the standard deviation in operating income growth, $(\text{SDTR})_{ij}$ is the standard deviation in total return, and ε_{ij} is the random error term.

Formulating the level 2 equations will be more cumbersome as the employed organizational variables may reduce error variances in some or all of the level 1 coefficients. In

other words, the level 2 equations will vary in structure, but the most complex level 2 equation would be constructed as follows:

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(\text{HHI})_j + \gamma_{02}(\text{AD})_j + \gamma_{03}(\text{MG})_j + \gamma_{04}(\text{CI})_j + \gamma_{05}(\text{DI})_j + u_{0j}$$

where β_{0j} is the intercept of the level 1 equation, γ_{00} is the intercept of the level-2 equation, $(\text{HHI})_j$ is the competitiveness, $(\text{AD})_j$ is the advertising intensity, $(\text{MG})_j$ is the market growth, $(\text{CI})_j$ is the capital intensity, $(\text{DI})_j$ is the demand instability, and u_{0j} is the random error term. The aim of the level 2 equations is to efficiently reduce the statistical significance of the error term ε_{ij} to more effectively explain the variance in the level 1 coefficients.

Study 2: Experimental Investigation of Involvement's Role in CSR and CRM

The second study in this dissertation investigates the effectiveness of CSR and CRM in driving reputation based on varying conditions of cause involvement and perceptions of CA. In Chapter 2, CRM was classified under the larger CSR umbrella. However, several studies have investigated the similarities and differences in processes and effects between CRM and more general CSR activities.

Both CSR and CRM serve the dual purpose of achieving increased revenue for the company and social support for the cause. Additionally, consumers enjoy the dual benefits of obtaining a desired product along with the emotional gratification of supporting a social or environmental good (Demetriou et al., 2010; Robinson et al., 2012; Sen & Bhattacharya, 2001).

CRM differs from CSR in that it is transaction based, representing "an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives" (Varadarajan & Menon, 1988, p. 60). Philanthropic CSR, on the other hand, is not necessarily tied to a specific product or service and often requires no participation from the stakeholder – which is the

consumer in this case (Brown & Dacin, 1997). Donation amounts vary with consumer purchase decisions in CRM practices, but remain constant for philanthropic CSR regardless of whether the consumer purchases the product or service.

Robinson et al. (2012) further subdivided CRM into two subcategories: CRM without cause choice and CRM with cause choice. Often companies select the charity or cause that will receive a percentage of consumer sales revenue, but other times that choice is left to the consumer. Robinson et al. (2012) found that allowing consumers a choice in the cause led consumers to view products more favorably and thus positively influences their willingness to purchase. Robinson et al. (2012) further speculated that the underlying cognitive process for these positive financial benefits of cause choice might stem from increased feelings of control; greater outcome satisfaction; increased attachment to either the company, cause, or product; or increased cause involvement.

This study proposes that involvement is the key cognitive factor at play. ELM categorizes information processing into one of two routes: the central or the peripheral. Central route processing is typified by higher ability and motivation to process which in turn leads to higher engagement and involvement. Scholars have shown that messages processed in this manner lead to more lasting attitudinal change as they create deeper acceptance of the message, which is more difficult to dislodge with counterarguments (Cacioppo & Petty, 1983; Griffin, 2012; McQuail, 2010; Petty & Cacioppo, 1984a, 1984c, 1986).

Relying on the ELM framework, Gogo et al. (2014) demonstrated that publics more highly involved with a generalized CSR issue are more likely to view organizations as reputable, especially in cases of high brand familiarity. Additionally, Öberseder, Schlegelmilch, and Gruber (2011) found that consumers highly involved with CSR messaging display higher purchase

intention. Findings are similar in studies of CRM. For example, Koschate-Fischer, Stefan, and

Hoyer (2012) showed that higher customer-cause involvement positively affects consumers'

willingness to purchase CRM products, particularly in instances of higher donation amounts on

the part of the company.

Involvement in CSR and CRM is likely reflected in stakeholder cause choice and can be

understood as an ever increasing process of engagement and participation. In describing

corporate management of CSR, Coombs and Holladay (2012) argue that stakeholder

participation can vary across CSR initiatives. They broadly classify participation into three types:

> *Involvement* occurs when the corporation seeks to understand the stakeholders' concerns
> and desires to incorporate them into the decision-making process. […] *Collaboration*
> requires giving the stakeholders a say in both the development of the CSR initiative and
> the selection of the CSR initiatives. […] *Empowerment* is when the corporation allows
> the stakeholders to develop and select the CSR initiatives, thereby relinquishing almost
> all control over the CSR process. (Coombs & Holladay, 2012, pp. 94-95)

These three categories of participation reflect increasing levels of consumer involvement in the

CSR process, as should the differences among generalized CSR, CRM without cause choice, and

CRM with cause choice. Generalized CSR efforts aim to engage stakeholders, but social benefits

are not directly tied to actions on their part. CRM increases involvement to some degree as it

requires stakeholders to participate to ensure some social good. CRM with a cause choice

element generates the greatest level of involvement as it requires stakeholders not only to act to

create some social good, but to determine what that social good will be.

Because involvement is proposed as the driving cognitive process in consumers' response

to cause choice, the following hypothesis is posited:

> *H1*: Involvement with the CSR/CRM cause will increase as choice and participation
> increase.

Additionally, increased stakeholder choice and participation in socially responsible activities leads to positive financial outcomes as well. Specifically, research has shown that increased cause participation leads to higher purchase intention (Koschate-Fischer et al., 2012; Robinson et al., 2012):

> *H2*: Increased involvement with the CSR/CRM cause will lead to greater purchase intention.

Other measures of financial success should be considered as well. The positive reputational outcomes of social responsibility have been shown to positively affect consumers' willingness to recommend products to others. Similarly, consumers are also more willing to pay premium prices for goods sold by socially responsible organizations (see the "Instrumental Outcomes" discussion in *Measurement and Scaling for Reputation*, Chapter 2). Based on this reasoning, the following hypotheses are posited:

> *H3*: Increased involvement with the CSR/CRM cause will lead to higher willingness to recommend products to others.

> *H4*: Increased involvement with the CSR/CRM cause will lead to higher willingness to pay premium prices.

When evaluating the effects of CSR or CRM on consumer-dictated financial incomes, it is important to control for potential confounds. As noted in Chapter 2, product quality is one potential confound. The common practice of separating CSR from CA effects adds some measure of control. Unfortunately, many studies fail to account for the potential effects of product quality on consumer decision making. While Demetriou et al. (2010) demonstrated a positive effect of CSR on brand switching, they found that effect only held under conditions of equal price and product quality. K.-H. Lee and Shin (2010) also found positive relationships between CSR and consumer purchase behavior. However, they employ a scale from Maignan

(2001) that measures a willingness to pay premiums under conditions where price and product quality remain constant.

Corporate expertise and ability in making reliable products has a demonstrated, positive effect on consumers purchasing intention and behaviors (Brown & Dacin, 1997; David et al., 2005; S. Kim, 2011). These effects must be accounted for in the measurement model, hence the following hypothesis:

H5: CA will positively moderate the effects of CSR/CRM on financial outcomes.

See Figure 4.2 for a visual of the hypothesized effect paths.

Pretest

Selecting the proper stimulus product for study is crucial. One area of concern is brand loyalty as its effects on purchasing decisions could confound results. Brand loyalty differs not only from brand to brand but across more general product categories as well (Fetscherin, Boulanger, Filho, & Souki, 2014; Fischer, Völckner, & Sattler, 2010; Miller & Washington, 2014). In some product categories brand loyalty is the most significant driver of purchase decisions; thus experimentally introduced information on CSR efforts would likely have little effect on purchasing behavior for such brands. Similarly, CSR efforts might have unusually large effects on purchase decisions in product categories where brand loyalty is a nonfactor and brand switching is common. Therefore a pretest will be implemented to discover which product categories display mid-level brand loyalty.

Fischer et al. (2010) examined a concept they termed brand relevance in category (BRiC), which reflects the importance of brands in purchase decisions for given product categories. Using an instrument tested to be valid and reliable (see Table 4.2), they found that brand loyalty varies not only across product categories, but across cultures as well.

The pretest conducted here employs Fischer et al.'s (2010) BRiC instrument to test the effects of brand loyalty on purchasing decisions 13 product categories (see Table 4.3). These particular products were chosen for several reasons, the most important being that prior research has shown brand loyalty to somewhat drive purchasing decisions in these categories, but not overwhelmingly so (Fetscherin et al., 2014; Fischer et al., 2010; Miller & Washington, 2014). Additionally, these are all unisex products. While product categories such as cosmetics display similar BRiC attributes, they are primarily purchased by women and would thus serve as a poor stimulus for an experiment involving both genders (Miller & Washington, 2014).

The pretest was conducted using a sample ($N = 62$) of undergraduate students from a large, Southeastern university. The average age of the sample was 20.71 years old. The majority of participants were White (n = 48; 77.42%) and female (n = 53; 85.48%). As the BRiC scale proved reliable, an average summative index was created for each product category. As the goal of the pretest was to determine the product category with median BRiC score, sunglasses was be used as the product stimuli for the final experiment.

Design

This study employed a 4x3 experimental design. The instrument was created on Qualtrics and distributed to a representative population of U.S. adults ($N = 691$)[11] through Amazon's Mechanical Turk service (MTurk). MTurk allows researchers to post experimental surveys to its site (www.mturk.com) where "workers" can take the survey for a minimal fee – in this case $1. Past research on MTurk has demonstrated the service to be a cost-effective research gathering tool. Statistical findings from MTurk samples are as valid and reliable as those from studies using more traditional sampling methods; additionally, participants are typically representative of the general population (Bates & Lanza, 2013; Buhrmester, Kwang, & Gosling, 2011;

Goodman, Cryder, & Cheema, 2013; Mason & Suri, 2012; Steelman, Hammer, & Limayem, 2014).

To create ecological validity, a product actually sold on Amazon, the Ray-Ban RB2132 New Wayfarer sunglasses, was selected for the basis of the stimulus. The true product features were preserved in the stimulus, but the product was relabeled the SI2132 Travelers, produced by the fictitious company Sunglasses, Inc. A dummy corporation was selected to further remove confounds of brand loyalty.

Because the sample was recruited through an Amazon-run site, the researcher assumed users were familiar with the Amazon interface. Therefore, product quality manipulations stemmed from Amazon's Web format. The low quality condition displayed a star rating of 1, the average quality displayed 3 stars, and the high quality condition displayed a star rating of 5. Additionally, de-branded reviews written by actual users were also displayed to coincide with the product ratings.

For the CSR manipulation, there were four conditions: no CSR/CRM, generalized CSR, CRM without cause choice, and CRM with cause choice. The cause type for this experiment was corporate support for education within the community. Education was chosen as a cause because philanthropic community involvement is easier to localize for a national sample. Additionally, other CSR initiatives such as environmental sustainability and diversity practices are often controversial as evidenced by global warming and Affirmative Action debates (Pew Research Center, 2014a).

For the generalized CSR condition, participants were informed that the company was donating a set dollar amount[12] to the National Math and Science Initiative (NMSI), which trains elementary and high school teachers in better instruction methods for STEM (science,

technology, engineering, and math) education (see www.nms.org). For the CRM without choice, participants were informed that the company was donating 1% of each sale to NMSI. For the CRM with choice condition, participants were informed that the company was donating 1% of each sale to improve STEM education at an elementary or high school of their choosing.

Participants were randomly assigned into one of the 12 conditions using Qualtrics' question logic. Once participants were presented with the informed consent and the stimuli, they were asked a variety of questions concerning their level of involvement with the cause, their impressions of the company's CSR and CA reputation, and their intentions to purchase or recommend the product – as well as several demographic questions.

Independent Variable Measurement

Zaichkowsky's (1985) Personal Involvement Inventory (PII) is among the most frequently employed measures of involvement. Unfortunately, the 20-item semantic differential scale – despite having high reliability ($\alpha = .95$) – is somewhat daunting in its length. Therefore researchers have created shortened versions of the PII for many studies of cause involvement (see Grau & Folse, 2007; Koschate-Fischer et al., 2012). Because these adapted scales have proven valid and maintained internal reliability consistently above the $\alpha = .90$ level, a 5-item measure of involvement was used in this study (see Table 4.4).

CA was measured using S. Kim's (2011) scale (see Table 2.4). While this scale adequately captures CA, its CSR measures may be too broad for the current purposes. A more specific measure of philanthropic community involvement is needed to address customer responses to organizational donations toward improving education. In measuring employee perceptions of their company's CSR efforts, Rettab et al. (2009) devised reliable scales measuring responsibilities to the community, environment, employees, investors, customers, and

suppliers. The community responsibility measure served as an evaluation of CSR and the

customer responsibility measures was a duplicate measure of CA (see Table 4.5).

While the usefulness of the CA/CSR distinction was discussed in Chapter 2, there are

some who suggest CSR is better measured through a variety of sublevel constructs. Stacks et al.

(2013) propose that CSR reputation is best conceptualized through seven indicators:

1) *Visibility*. The organization displays a clear image to the public.
2) *Credibility*. Stakeholders believe in the organization's trustworthiness and expertise.
3) *Authenticity*. The organization is genuine, reliable, and sincere.
4) *Transparency*. The organization is open with information.
5) *Trust*. The organization is honest and acts in stakeholders' best interests.
6) *Relationship*. The organization is committed to its stakeholders and shares power.
7) *Confidence*. Stakeholders respect organizational actions and decision making.

To test this assumption, several measures of the above constructs were used here.

Problematically, this typology suffers from a serious flaw in mutual exclusivity. For example,

issues of trust are commonly considered in measurements of authenticity, credibility,

transparency, relationship, and confidence (Berlo et al., 1970; Y. Kim, 2001; Rawlins, 2009;

Rubin et al., 2004; Rubin et al., 2011; Walsh & Beatty, 2007; Wheeless & Grotz, 1977). While

this overlap may be a conceptual weakness, it does allow for the measurement of these concepts

with a shorter battery.

Credibility as conceptualized by Stacks et al. (2013) is to some extent a combination of

trust and CA measures. Berlo et al.'s (1970) source credibility scale – in particular the

qualification factor (see Table 4.6) – captures this experience dimension well. Studies have

shown the measure to be reliable, with reliability ranging from $\alpha = .72$ to $\alpha = .87$ (Infante, 1981;

Kaminski & Miller, 1984; Rubin et al., 2004).

As a testament to the construct crossover, a popular trust scale implemented by Wheeless

and Grotz (1977) borrowed many items from the source credibility scales of both McCroskey

(1966) and Berlo et al. (1970). Wheeless and Grotz's (1977) 15-item Individualized Trust Scale (see Table 4.7) has shown internal reliability of α = .92. Despite the ITS's somewhat limited use, its robust conceptual background suggests good validity, hence its implementation in this study (Rubin et al., 2004).

The relationship factor is a more complicated construct to measure than either trust or credibility because it includes many more sub-elements. Y. Kim's (2001) Organization-Public Relationship Scale is just one such measurement. This 16-item measure focuses on the four relationship factors of trust, commitment, community involvement, and reputation. Scholars have shown the instrument to be both valid and reliable (Jo & Kim, 2003; Y. Kim, 2001; Rubin et al., 2011). Because the Stacks et al. (2013) typology considers relationship as a measure of commitment, only the commitment factor will be employed for this research (see Table 4.8).

The final element of the Stacks et al. (2013) proposed typology this study will directly investigate is transparency. Rawlins (2009) argues that organizational transparency is increasingly important in the wake of 21st century business scandals of Enron, AIG, etc., but laments the lack of adequate measurement of stakeholder perceptions of transparency. To that end he employed traditional factor analysis steps put forth by Nunnally and Bernstein (1994) to conceptualize transparency as a valid and reliable measure consisting of seven factors: integrity, respect, clarity, participation, substantial information, accountability, and secretive. Again, because the Stacks et al. (2013) typology considers transparency synonymous with openness, only the substantial information and secretive factors will be employed here as they are most applicable (see Table 4.9).

Dependent Variable Measurement

CSR activities directly benefit companies in many ways. One is product and service recommendation, often conceptualized and measured as WOM (Bhattacharya & Sen, 2004; Luo & Bhattacharya, 2006). Whether information and recommendations are spread in person or electronically (known as e-WOM), the opinions of respected others are influential (Meuter, McCabe, & Curran, 2013). In studying e-WOM, Goyette, Ricard, Bergeron, and Marticotte (2010) developed measures of WOM intensity, content, and valence using traditional CFA methods. These measures proved valid and reliable; the positive WOM valence measures were used here as a measure of willingness to recommend products to others (see Table 4.10).

Purchase intention is an incredibly important dependent variable for marketing and public relations alike. Fortunately, the measurement of whether a person plans to buy a product is relatively straightforward. This study employed a reliable 3-item scale developed by Y.-J. Lee, Haley, and Yang (2013) to measure purchase intention (see Table 4.11).

The willingness of consumers to pay a premium, on the other hand, is much more difficult to determine through survey and experimental research. Often participants express a willingness to pay more for socially responsible products or services, but in actual purchasing situations they regress to cheaper alternatives (Kimeldorf, Meyer, Prasad, & Robinson, 2006; Voelckner, 2006). Many researchers simply ask whether respondents would be willing to pay a premium price without placing a concrete value on the product or service, which may partially explain this disconnect (K.-H. Lee & Shin, 2010; Maignan, 2001).

An alternative to these measures is conjoint analysis, which allows consumers to express their willingness to pay not as a function of the product as a whole, but rather after consideration of its individual attributes (Becker, Degroot, & Marschak, 1964; Voelckner, 2006; Wertenbroch

& Skiera, 2002). In the case of this study, the experimental manipulations produced 12 variations of product quality and social responsibility attributes. Retail price data was used to set a minimum price reasonable for the stimulus product. If participants were willing to pay that price, they were then asked if they would pay a slightly higher price. Per the procedure set forth by Wertenbroch and Skiera (2002), this process continued until participants reached their maximum reservation price. The higher the reservation price, the more valued are the product attributes (T. Wang, Vankatesh, & Chatterjee, 2007).
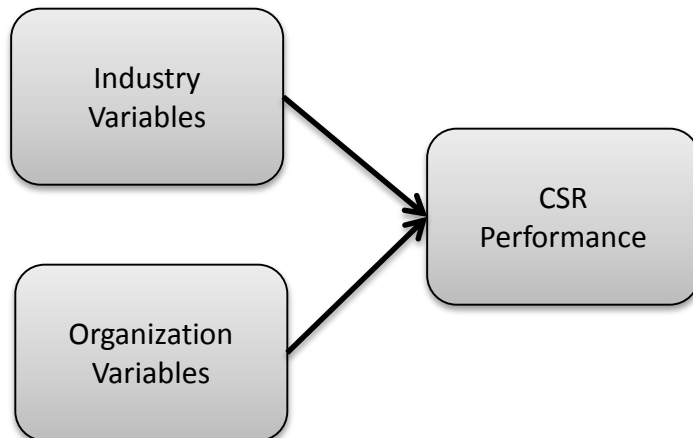
Figure 4.1

Industry and Organization Level Predictors of CSR Performance

Table 4.1

KLD Reputation Variables

Reputation Category	Strength	Concern
Environmental Sustainability	Beneficial Products and Services Pollution Prevention Clean Energy Recycling	Hazardous Waste Regulatory Problems Ozone Depleting Chemicals Substantial Emissions Agricultural Chemicals Climate Change
Philanthropy	Benefits to the Economically Disadvantaged Innovative Giving Charitable Giving Non-U.S. Charitable Giving	
Employee Relations	Work/Life Benefits Union Relations Cash Profit Sharing Employee Involvement Retirement Benefits Strength Health and Safety Strength	Union Relations Health and Safety Concern Workforce Reductions Retirement Benefits Concern
Diversity	CEO Promotion Board of Directors Women & Minority Contracting Employment of the Disabled Gay and Lesbian Policies	Controversies Non-Representation
Community Programs	Support for Housing Support for Education Volunteer Programs	Negative Economic Impact
Human Rights	Indigenous Peoples Relations Labor Rights	Indigenous Peoples Relations Labor Rights
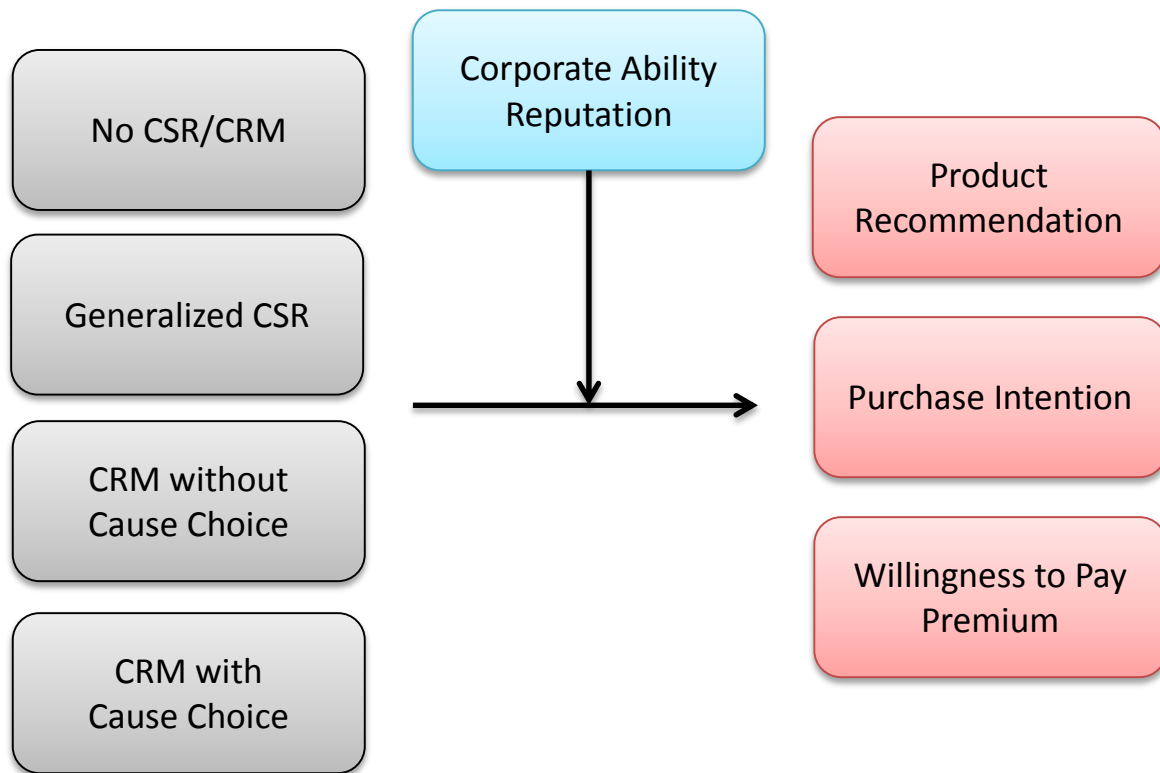
Figure 4.2

Hypothesized Effect Path

Table 4.2

BRiC Scale (α = .90)

Items
When I purchase a product in this given category, the brand plays – compared to other things – an important role.
When purchasing, I focus mainly on the brand.
To me, it is important to purchase a brand name product.
The brand plays a significant role as to how satisfied I am with the product.

Note: Adapted from Fischer et al. (2010), p. 836. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

Table 4.3

BRiC Pretest Results

Category	Index	Cronbach's alpha
Mobile phones	6.24	.92
Athletic shoes	5.63	.86
Soft drinks	5.27	.97
Wristwatches	5.01	.96
Flat screen TVs	4.72	.94
Jeans	4.47	.91
Sunglasses	4.46	.96
Headache/cold medicine	4.20	.98
Breakfast Cereals	4.09	.97
Laundry detergent	4.06	.95
Microwaves	3.38	.92
T-shirts	3.29	.95
Bookcases	1.73	.94

Table 4.4

Cause Involvement Scale (α = .94)

Prompt	Items
This cause…	Is important to me/Is NOT important to me
	Is of NO concern to me/Is of great concern to me
	Is irrelevant to me/Is relevant to me
	Means a lot to me/Means nothing to me
	Matters to me/Does NOT matter to me

Note: Adapted from Grau and Folse (2007), p. 22. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

Table 4.5

Community and Customer Responsibilities

Responsibility to…	Items
Community (α = .87)	This organization is committed to giving money to charities in the communities where it operates.
	The organization helps improve the quality of life in the communities where it operates.
	This organization financially supports community activities (e.g., arts, culture, sports).
	This organization financially supports education in the communities where it operates.
Customer (α = .85)	This organization provides customers with high quality products and services.
	This organization provides customers with the information needed to make sound purchasing decisions.
	This organization satisfies the complaints of all customers about the company's products or services.
	This organization adapts products or services to enhance the level of customer satisfaction.

Note: Adapted from Rettab et al. (2009), pp. 379-380. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

Table 4.6

Qualification Factor of Credibility

Items
Trained/Untrained
Experienced/Inexperienced
Qualified/Unqualified
Skilled/Unskilled
Informed/Uninformed

Note: See Rubin et al. (2004), p. 331. All items are measured on a 7-point semantic differential scale.

Table 4.7

Individualized Trust Scale (α = .92)

Items
Trustworthy/Untrustworthy
Distrustful of this organization/Trustful of this organization
Confidential/Divulging
Exploitive/Benevolent
Safe/Dangerous
Deceptive/Candid
NOT deceitful/Deceitful
Tricky/Straightforward
Respectful/Disrespectful
Inconsiderate/Considerate
Honest/Dishonest
Unreliable/Reliable
Faithful/Unfaithful
Insincere/Sincere
Careful/Careless

Note: Adapted from Rubin et al. (2004), p. 186. All items are measured on a 7-point semantic differential scale.

Table 4.8

Organization-Public Relationship Scale

Dimension	Items
Commitment (α = .84)	I can see that (the organization) wants to maintain a relationship with people like me.
	There is a long-lasting bond between (the organization) and people like me.
	Both (the organization) and people like me benefit from their relationship.
	Generally speaking, I am pleased with the relationship (the organization) has established with people like me.
	I feel people like me are important to (the organization).

Note: See Rubin et al. (2011), p. 251. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

Table 4.9

Two Factors of Transparency

Dimension	Items
Substantial Information ($\alpha = .92$)	Provides information in a timely fashion to people like me.
	Provides information that is relevant to people like me.
	Provides information that can be compared to previous performance.
	Provides information that is complete.
	Provides information that is easy for people like me to understand.
	Provides accurate information to people like me.
	Provides information that is reliable.
Secretive ($\alpha = .92$)	Often leaves out important details in the information it provides to people like me.
	Blames outside factors that may have contributed to the outcome when reporting bad news.
	Provides information that is intentionally written in a way to make it difficult to understand.
	Is slow to provide information to people like me.

Note: Adapted from Rawlins (2009), p. 93. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

Table 4.10

Positive Valence WOM Scale (α = .89)

Items
I would recommend this company.
I would speak highly of this company's good sides.
I would be proud to tell others that I am this company's customer.
I would strongly recommend people buy products from this company.
I would mostly say positive things to others about this company.
I would speak favorably of this company to others.

Note: Adapted from Goyette et al. (2010), p. 13. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

Table 4.11

Purchase Intention Scale (α = .94)

Items
I am likely to purchase the product produced by (company).
I would probably purchase the product produced by (company).
I would consider purchasing the product produced by (company).

Note: See Y.-J. Lee et al. (2013), p. 242. All items are measured on a strongly agree/strongly disagree 7-point Likert scale.

CHAPTER 5

HLM ANALYSIS

Gathering and Preparing the Data

The merged database of COMPUSTAT, which provides records of firm financials and other miscellaneous information, and CRSP, which provides information on market performance, were the primary data sources for the independent variables. The researcher queried the database for the following information:[13]

- Company name
- Ticker symbol
- Standard industry classification code (SIC)
- Total assets (AT)
- Total long-term debt (DLTT)
- Total cost of property, plant, and equipment (PPENT)
- Total sales (SALE)
- Cost of goods sold (COGS)
- Advertising expenses (XAD)
- Total operating expenses (XOPR)
- Number of shares outstanding (CSHO)
- Dividends per share (DVPSP_F)
- Price per share (PRCC_F)
- Number of employees (EMP)

These data points were used to calculate the variables of interest as described in Chapter 4.

Data was queried for the fiscal years 2004 to 2009 inclusive. While the years 2005 to 2009 represent the timeframe of interest to this study, variables of growth and change cannot be calculated without data from the prior year, hence the inclusion of 2004 data in the query. The initial sample yielded information on 6,337 firms in 2004; 6,304 firms in 2005; 6,214 firms in 2006; 6,110 firms in 2007; 5,775 firms in 2008; and 5,510 firms in 2009.

Those initial numbers of firms included in the final COMPUSTAT/CRSP dataset were reduced based on three criteria. First, because of the longitudinal nature of the analysis, firms for which COMPUSTAT/CRSP data were not available across 2004 to 2009 inclusive were excluded. Second, because data on total assets is required to calculate a number of key variables – advertising intensity, ROA, and debt to asset ratio – firms for which no total assets information was available were also excluded. Finally, virtually all measures of industry competitiveness calculate market share ratios across four or more firms within an industry.[14] The first two digits of the SIC delineate industries most broadly; if fewer than four firms shared this code, they were removed. Also, given the multilevel nature of HLM analysis, it is best to remove such underrepresented industries because it is statistically undesirable to have such a small number of firms serve as a stand-in for an entire industry. These manipulations reduced the final COMPUSTAT/CRSP dataset to 3,717.

Data was queried from the KLD database for the years 2005 to 2009 inclusive for the dependent variables listed in Table 4.1. This initial sample yielded information on 3,015 firms in 2005; 2,962 firms in 2006; 2,936 firms in 2007; 2,923 firms in 2008; and 2,912 firms in 2009. This initial KLD dataset had no missing data points. The final KLD dataset was reduced to 1,937 because KLD had collected data on only those firms across 2005 to 2009 inclusive.

The merger of these COMPUSTAT/CRSP and KLD databases yielded a final sample of 8,445 firm years, or 1,689 firms representing 57 industries across 2005 to 2009 inclusive. Each industry was represented by an average (M) of 29.63 firms ($SD = 37.10$; $Mdn = 14$). There were no missing data points for the KLD variables in this merged dataset. Concerning COMPUSTAT/CRSP variables, advertising expense had the only significant amount of missing data ($> 10\%$), with 4,877 (57.75%) data points missing. The reason for such a large amount of

missing advertising expense data in COMPUSTAT is the Financial Accounting Standards Board's (FASB) materiality principle, which states that certain expenses need not be reported if they are insignificantly small. This study adopts the convention of many past researchers of estimating missing, insignificantly small advertising expenses to be zero (Bharadwaj et al., 1999; Currim, Lim, & Kim, 2012; Morck & Yeung, 1991). The next largest missing data point was for total cost of plant, property, and equipment, with 97 (1.15%) missing values. Because the remainder of the missing values appeared random and were far below the 5% threshold that would require deletion or imputation, they were simply ignored in the analyses that follow (Garson, 2013; Hair Jr. et al., 2010; Heck, Thomas, & Tabata, 2014).

Descriptive Data and Testing for Assumptions

HLM analysis controls for Type I error and yields more accurate parameter predictions by accounting for the clustering of error variances around some grouping variable. Such multilevel models are only justified in their added complexity to OLS regression if level 1 variances are more substantial between level 2 groups than within them. The researcher must therefore test the assumptions that (a) substantial variance exists at both levels and (b) variance in firm data is clustered around industry groups.

Tables 5.1 and 5.2 present descriptive data for the industry- and firm-level variables outlined in Chapter 4. The final row of Table 5.1 contains the means and standard deviations of HHI, advertising intensity, capital intensity, market growth, and demand instability across all 57 industries. At rudimentary examination, the standard deviations are quite large, exceeding the value of the mean in some cases. The same could be said of the firm-level variables described in Table 5.2. These rudimentary findings indicate a great deal of variance exists at both levels.

Ideally, there should also be minimal inter-item correlations among industry and ungrouped firm variables. Such conditions would suggest little concern for multicollinearity in the multilevel models. Table 5.3 presents a correlations matrix for the independent variables. While many correlations are statistically significant, only four are of moderate strength or greater ($r \geq .4$). Market growth and demand instability are significantly correlated at a positive and moderate level ($r = .6$, $p < .01$). As demand instability is a risk measure calculated as the standard deviation of market growth, such a correlation is to be expected. Similarly unsurprising moderate or strong correlations exist between total return and the standard deviation of total return ($r = .65$, $p < .01$) and OIG and the standard deviation of OIG ($r = -.96$, $p < .01$). The final moderate and significant correlations illustrates a positive relationship between firm size and market value ($r = .43$, $p < .01$). All remaining correlations are either weak or statistically nonsignificant.

One final assumption that must be tested before proceeding concerns the CSR subgenre variables. The researcher has claimed that CSR is not monolithic, but is instead comprised of categories that one might reasonably expect to be uncorrelated among both industries and firms. Table 5.4 displays the CSR subgenre scores for environment, philanthropy, employee relations, diversity, community relations, and human rights – as well as a total CSR score, which is simply a sum of the six subgenre scores. If CSR were a monolithic, reflective construct, one would see consistency in CSR rankings across subgenres, but this does not appear to be the case. Industries displaying some of the highest ratings in one CSR subgenre are among the lowest in others. The metal mining industry, for example, ranks in the bottom 20% of industries in four of the six subgenres, but its philanthropic efforts are the best of any industry.

If this eyeball test suggests the non-monolithic nature of CSR at the industry level, statistical analysis confirms it at the firm level. If CSR were a singular, reflective construct, then the subgenres could simply be considered six items of a larger CSR scale. If this were the case, at a minimum one would expect high inter-item correlations, strong reliability, and the loading of all items on a single factor. Looking at the correlation matrix for the CSR variables presented in Table 5.6, one sees several significant correlations, but the strongest of which is only $r = .38$, indicating weak inter-item correlations on the whole. A reliability analysis of the six CSR subgenres resulted in an $\alpha = .41$, well below the minimum threshold of .7 recommended for scale reliability (Hair Jr. et al., 2010). Finally, a Varimax-rotated EFA of the six variables yielded two components, with community relations cross-loading, making interpretation all-the-more difficult (see Table 5.6).

Based on these analyses, any multilevel modeling cannot treat CSR as a single, reflective, dependent construct. Models for each of the six CSR subgenres would therefore need to be independently developed. Note, however, these issues of internal reliability are only a concern if one considers CSR a reflective rather than a formative construct. For reflective constructs, correlation and internal consistency of indicators is expected – indeed, it is required. Indicators in such constructs *reflect* the construct itself; for formative measures, indicators literally *form* the construct. Formative constructs are theoretically defined and are best thought of as caused by a set of indicators; correlation is neither expected nor required (Hair Jr. et al., 2010).

Several scholars have treated CSR as a formative construct in the extant literature (Diamantopoulos & Siguaw, 2006; Diamantopoulos & Winklhofer, 2001; Helm, 2005; MacKenzie, Podsakoff, & Jarvis, 2005). Based on the statistical analyses conducted here, if CSR is to be considered a singular construct, it must be formative as the statistical assumptions of a

reflective construct are violated. In the interest of thorough investigation, the analyses that follow will examine CSR as a formative construct *and* test each of the subgenres individually to determine whether industry- and firm-level variables have differing effects based on CSR type.

HLM Analysis of CSR

Before beginning HLM analysis, the researcher must determine whether significant differences exist among the 57 industries for the dependent CSR variables to justify using industry variables as level 2 in the HLM analysis. A one-way MANOVA revealed significant differences, Wilk's $\lambda = .23$, $F(336, 9723) = 7.97$, $p < .001$, and therefore a series of follow-up ANOVAs using the Bonferroni method were conducted to further investigate. The ANOVAs for total CSR ($F(56, 1632) = 6.13$, $p < .001$), environment ($F(56, 1632) = 17.64$, $p < .001$), philanthropy ($F(56, 1632) = 2.18$, $p < .001$), employee relations ($F(56, 1632) = 5.36$, $p < .001$), diversity ($F(56, 1632) = 4.61$, $p < .001$), community relations ($F(56, 1632) = 8.89$, $p < .001$), and human rights ($F(56, 1632) = 10.20$, $p < .001$) were all significant. In answer to *RQ1*, it appears that industries display significant differences among all categories of CSR, though further statistical testing is needed to confirm the drivers of such differences.

The remaining RQs and hypotheses can only be answered through HLM analyses. When developing multilevel models, it is common to grand-mean center non-binary predictor variables. This process not only helps control for multicollinearity, but more importantly it produces more easily interpretable intercepts in the subsequent models (Garson, 2013; Heck et al., 2014).[15] All predictor variables, save the binary product quality variable, were grand-mean centered in the analyses that follow.

The next step is to test the null models for level 1 and level 2. These null models will estimate CSR outcomes absent the proposed predictors, relying only on intercept values and grouping. The level 1 and level 2 models are as follows:

$$SR_{ij} = \beta_{0j} + \varepsilon_{ij}$$

$$\beta_{0j} = \gamma_{00} + u_{0j}$$

Relying on substitution, the null model can be written as a single equation:

$$SR_{ij} = \gamma_{00} + u_{0j} + \varepsilon_{ij}$$

Statistically these models are equivalent to one-way ANOVAs, which allow the researcher to partition the level 1 (ε_{ij}) and level 2 (u_{0j}) variance. More importantly, they also allow for a test of intraclass correlation (ICC), which measures the ratio of between-group variance to total variance. Higher ICCs ($\geq .05$) indicate significant variability in firm-level variables among industries, which calls for multilevel analysis to best estimate parameters (Heck et al., 2014; Raudenbush & Bryk, 2002).

Table 5.7 shows the results of the null model tests for the total CSR score and the six CSR subgenres. ICCs $\geq .11$ for total CSR, environment, employee relations, diversity, community relations, and human rights. Wald Z tests showed significant variance exists both between and within groups for these constructs as well. Collectively these findings indicate that there is substantial clustering of variance between groups in explaining fluctuation in these constructs, hence multilevel modeling is a preferred approach.

Concerning the philanthropy subgenre, there was significant variance both between and within industry groups. However, ICC = .04, below the 5% threshold that would merit the added complexity of multilevel modeling over single-level regression analysis (Heck et al., 2014).

Therefore, multiple OLS regression will be used to evaluate differences in philanthropy ratings, relying exclusively on firm-level variables as predictors.

Total CSR

Before evaluating the CSR subgenres as independent constructs, HLM analysis was used on the formative, total CSR construct – which, again, is simply the sum of all CSR subgenre scores. Table 5.8 displays the results of six model tests. The first three tests rely on the 2005-2008 dataset. The first column represents the null model. The second column shows the full HLM model with all level 1 and level 2 variables of interests. Relying largely on the significance of parameter estimates in the full model, a simplified, finalized model was then created, represented in the third column. To provide some measure of cross-validation, this process was repeated using data from 2009 (columns 4 through 6). Parameter estimates display greater validity if the direction, strength, and statistical significance of their effects are consistent over time.

Each HLM model yields a deviance measure known as -2 log likelihood (-2LL), which is one building block of determining improvements in fit across models. The second is the degrees of freedom, which is equal to the number of distinct parameters estimated. A chi-square statistic is calculated by taking the difference in deviance across models. The significance of this test can be determined using a chi-square table with the degrees of freedom equal to the difference between the degrees of freedom in the two models (Garson, 2013; Heck et al., 2014; Raudenbush & Bryk, 2002). One model is considered a better fit than another if deviance is significantly reduced.

For example, the null model for total CSR displays -2LL = 6278.898 with 3 degrees of freedom (3 parameters estimated: the intercept and 2 error terms). The full model has a much

smaller deviance (-2LL = 5732.492) with 17 degrees of freedom (17 parameters estimated: the intercept, 2 error terms, and 14 independent variable slopes). The chi-square statistic measuring model fit for the full model shows a significant improvement over the null (χ^2 = 549.406, df = 14, p <.001), as does the chi-square for the finalized model (χ^2 = 573.291, df = 6, p <.001).

Though the final model leaves significant variance unexplained at both levels 1 and 2, it does account a significant decrease in unexplained variance for level 1. Looking at the ε_{ij} term, which represents level 1 variance, there is a decrease of 30.7% from the null to the finalized model, indicated that the final model explains a substantial amount of level 1 variance. However, adding these predictors actually increased the level 2 variance by 62.2%, as seen in the change of the u_{0j} value across models.

As predicted, advertising intensity, firm size, and market value were significant, positive predictors of CSR outcomes. Similarly, debt to asset ratio significantly and negatively influenced CSR outcomes as hypothesized. However, in contradiction to *H9*, firms with higher total return showed significantly worse CSR records. Finally, in addressing *RQ3*, it appears that firms with higher quality products rank significantly higher in their CSR efforts. Of these six independent parameters, four displayed relative consistency in the 2009 holdout model, as did the model intercept.

Philanthropy

Because an initial investigation of the philanthropy construct showed little intraclass correlation, multilevel modeling was not a parsimonious approach. Instead, a full multiple regression analysis predicting philanthropy ratings was conducted using only firm-level variables as main effect regressors. Though this full model was significant, F (9, 1679) = 57.84, p < .001, several of the regressors proved nonsignificant. Therefore, regression analysis employing an

enter method to eliminate nonsignificant predictors was used to create a simplified, final model (see Table 5.9).

This final model also proved significant, $F(4, 1684) = 129.53$, $p < .001$. The final model explained roughly 23.5% of the variance in philanthropy ratings, just 0.2% less than the full, more complex model. As predicted by *H6*, *H8*, and *H10*, increases in firm size, OIG, and market value led to better philanthropy ratings. The accounting risk measure of SD of OIG also proved a significant and positive predictor of philanthropy ratings, contradicting *H12*. The model intercept, firm size slope, and market value slope held relatively constant when the model was rerun using 2009 data, but the findings regarding OIG and SD of OIG were inconsistent across time periods.

Environment

For the environment construct, the full HLM showed little model improvement over the null ($\chi^2 = 8.939$, $df = 14$, $p = .835$). The finalized model, however, which estimated fewer parameters, displayed significantly improved model fit over the null ($\chi^2 = 35.091$, $df = 5$, $p < .001$). Significant level 1 and level 2 variance remains unaccounted for in the finalized model, but on the whole, the finalized model explains 3.7% more level 1 variance and 27.7% more level 2 variance when compared to the null (see Table 5.10).

As hypothesized, advertising intensity positively and significantly predicted environmental rankings. Additionally, firms with greater market risk as measured by standard deviation of total return perform significantly poorer in environmental CSR, as suggested. However, the researcher also hypothesized that capital intensity, firm size, and market value would be positively related to environmental CSR performance. The results showed the opposite

to be true. Looking at the results of the 2009 cross-validation model, the majority of the significant variables in the model are consistent in the strength and direction of their influence.

Employee Relations

Concerning the employee relations construct, both the full ($\chi^2 = 148.172$, $df = 14$, p <.001) and finalized ($\chi^2 = 193.987$, $df = 5$, p <.001) models displayed improved fit over the null. Moreover, simplification reduced the deviance from the full to finalized model. Again, significant variance at both levels remained unexplained in the finalized model; however, in comparison to the null, it explained 12.3% more of the level 1 variance and 3.5% more of the level 2 variance (see Table 5.11).

In regards to *RQ3*, it appears that firms making higher quality products perform better in employee relations. The findings also support the researcher's predictions that market growth, firm size, and market value positively affect employee relations performance. However, firms that generate higher total return perform significantly worse in employee relations, in direct contradiction to *H9*. Problematically, the employee relations model does not appear to hold up well over time; the majority of significant variables in the predictive model proved nonsignificant when tested with the 2009 holdout data – or in the case of firm size and total return, actually reversed direction in their effects.

Diversity

For the diversity construct, the full ($\chi^2 = 754.841$, $df = 14$, p <.001) and finalized ($\chi^2 = 795.69$, $df = 7$, p <.001) models both represented significant improvement in fit over the null, with less deviance present in the finalized model. This model also reduced the level 1 variance by 38.8% from the null; however, the level 2 variance actually increased slightly for the finalized

model (2.8%). When rerun with 2009 data, the slope direction, strength, and statistical significance results were similar to the predictive models.

The results suggest that firms making higher quality goods are more diverse. As hypothesized, increases in advertising intensity, firm size, and market value also led to better diversity outcomes. Additionally, increases in firm debt to asset ratios decreased diversity ratings as predicted by *H11*. The results did, however, provide evidence against *H1* and *H7*: more competitive industries tended to perform worse on the diversity construct as did firms with greater ROA.

Community Relations

Concerning community relations, both the full ($\chi^2 = 127.50$, *df* = 14, *p* <.001) and finalized ($\chi^2 = 191.414$, *df* = 5, *p* <.001) models showed significant improvement over the null in terms of model fit. The finalized model had lower deviance than the full. In comparison to the null, the finalized model explained an addition 12.1% of the variance at level 1 and 77.8% at level 2.

As was the case for several other constructs, product quality had a significant and positive impact on community relations scores. As predicted, advertising intensity, firm size, and market value were also positive and significant predictors of community relations performance. In contradiction to *H7*, however, firms with larger ROA performed worse on the community relations construct. Looking to the 2009 finalized model, some of the slope coefficients proved nonsignificant; however, they were directionally consistent with the predictive model, suggesting relative stability in these effects over time.

Human Rights

Finally, for the human rights construct, the full model showed no significant improvement in fit over the null (χ^2 = 4.491, df = 14, p = .992). The finalized model, however, was a significantly better fit (χ^2 = 85.316, df = 2, p <.001). In comparison to the null, the finalized model explained an added 10% of variance at level 1 and 7.1% of variance at level 2.

The researcher hypothesized that larger firm size and increased market value would lead to higher scores on the human rights construct. The results here showed the opposite to be true A quick examination of the finalized 2009 model slopes shows these effects to be stable and consistent over time.

Discussions, Limitations, and Future Research

The above analysis tested the effects of several industry and firm characteristics on CSR outcomes. Generally speaking, common factors of performance and risk were of greatest interest. While many methods allow for relatively simple yes-no answers to hypothesis testing, both the vast number of hypotheses tested and the fact that they spanned seven dependent constructs made interpreting the results difficult. For ease of reference, Table 5.15 summarized this study's hypotheses and the varying effects of the independent constructs across the dependent constructs.

While analyses showed a high degree of industry-level variance among the majority of dependent CSR constructs, by and large the industry-level variables included for study were nonfactors in explaining that variance. Demand instability was a nonsignificant variable in all seven models. Capital intensity, the other variable of industry risk, negatively affected CSR performance, but only for the environment subcategory. Similarly, industry competitiveness negatively impacted only diversity scores and market growth positively impacted only employee relations.

Of the industry-level variables, only advertising intensity was a consistently significant predictor of CSR performance, with industries investing more money in advertising typically displaying higher CSP. This finding is not altogether surprising. Advertising, like CSR, provides a method of differentiation base in intangibles like identity or reputation. Industries that depend on this type of differentiation for success would logically employ this differentiation strategy through varied tactical means; therefore, a commitment to building a firm identity through advertising would be reinforced by bolstering reputations via CSR (Coombs & Holladay, 2012; Hartman et al., 2007; Mackey et al., 2007; McWilliams & Siegel, 2001; Melewar, 2003).

Throughout the models, firm-level variables appeared to have more consistent effects across CSR constructs, though none were universal in terms of the direction or significance of effect. The most reliable predictors of CSR outcomes were product quality, firm size, and market growth. Generally speaking, larger, wealthier companies manufacturing higher quality products tended to rank higher on CSR constructs. Researchers have long argued that large firms should have greater tendencies to engage in CSR because they are more profitable and thus owe a greater societal debt; moreover, because their large size makes their profits more visible, publics place greater pressure on them to promote societal well-being (Coombs & Holladay, 2012; Davis, 1960; Gulyás, 2009; Rettab et al., 2009; Stacks et al., 2013). Looking to the correlation matrix in Table 5.3, the moderately strong, positive, and significant correlation between firm size and market value provides a solid foundation for such claims, as do the HLM findings.

Other firm-level variables were far less reliable predictors across the CSR subgenres. If one were to examine the formative CSR construct, debt to asset ratio and total return are both negative predictors of CSR performance. However, the slope for debt to asset ratio was significant only at the $p < .1$ level and the effect did not prove consistent over time for total CSR

score or for diversity – the only other construct for which the variable was significant. Like the other measures of firm-level risk, debt to asset ratio does not appear to be an overly reliable or significant factor. The same could be said of total return, as it too failed to emerge as a significant predictor of total CSR in the cross-validation model.

In any case, there are certainly inconsistencies among the size, direction, and significance of independent variable effects on the subgenres of CSR. The percentage of variance explained at the level 1 and 2 levels differs disparately across these constructs as well, at times explaining nearly 80% of the variance change at a single level, while at other times explaining virtually no change at all. From a research standpoint, this again demonstrates that CSR performance cannot be studied as a monolithic, reflective variable. Moreover, the existence of significant industry-level variance for five of the six CSR subgenres illustrates the need for extending the study of CSR performance beyond OLS regression to more complex yet better fitting multilevel models.

The exploratory nature of the HLM analyses presents some limitations here. Because the goal was to investigate drivers of numerous categories of CSR performance and their consistency over time, the sheer number of models estimated was rather daunting. As a result, the researcher chose to simplify those models by (a) investigating a relatively small number of independent variables and (b) treating the slopes of those variables as fixed effects in the model. While some models were successful at explaining a great deal of variance in comparison to the null models, the variance in error terms remained significant in all cases. Future research can most easily reduce estimation error in one of two ways. The first would be to include more variables in the models – such as research and development spending, legal obligations and constraints, industry structure, corporate governance, product category, and firm age (Giroud & Mueller, 2010; Hambrick & Abrahamson, 1995; Homburg et al., 2013; McWilliams & Siegel, 2011) – all of

which have been tied to CSR and/or financial performance in the extant literature. The second would be to treat firm-level slopes as random effects in multilevel models. While this procedure can add immense complexity to HLM analyses, it remains a sound statistical approach for reducing the prediction error for main effect parameters at level 1, which typically reduces the overall error and leads to more robust models (Garson, 2013; Heck et al., 2014; Raudenbush & Bryk, 2002).

Additionally, using 2009 as a holdout dataset for cross-validation presented some limitations as well. First, variables of change and its relative stability – namely market growth, OIG, the standard deviation of OIG, total return, and the standard deviation of total return – require multiple data points for calculation. Problematically, then, annual data from 2009 could not be used to calculate such variables. Instead, quarterly variables were used to determine percent changes throughout the year as well as the stability of such change. However, it is reasonable to assume that fluctuations in data across four quarters may differ from fluctuations across four years. Adding to these complications, some companies either failed to report such quarterly data or COMPUSTAT and CRSP did not capture it. Therefore, listwise deletions made in calculating models from the holdout sample likely skewed parameter estimates. Future studies could improve upon the methodology here by gathering more complete data over equivalent time frames to cross-validate models.

Both researchers and practitioners would do well to consider both the multilevel drivers of CSR performance and the varied nature of that performance across CSR subcategories. First, it is worth noting that while the models for CSR subgenres differ across the board, environmental and human rights issues appear to differ most consistently from the norm. In particular, both firm

size and market value were statistically significant positive predictors of CSP in all other CSR categories, but for environmental and human rights issues, those effects were reversed.

There are several reasons why this might be the case. Referring back to Table 5.6, the EFA clearly shows that these two constructs load strongly on a second component from the other four. The researcher has labeled this second component global and the first local. The reason for this is, generally speaking, diversity, philanthropy, employee relations, and community relations are proximate practices in both the spatial and temporal sense. Looking at the KLD reputation variables that were used to form these constructs (see Table 4.1), employee relations and diversity are clear measures of internal practices and are thus enacted close to home. Similarly, though philanthropic and community relations efforts are not necessarily restricted in this manner, for practical purpose they often operate as such. Chaudhri (2007), for example, found that organizations are more likely to practice CSR efforts in communities that immediately surround their headquarters or major operation hubs as opposed to more geographically distant areas.

Moreover, the effects of such efforts are felt with greater immediacy than those that benefit the environment or human rights. Environmental change occurs slowly over time, so practices of sustainability and pollution prevention often go unnoticed for years or even decades. And though human rights violations have immediate effects, as they are measured by KLD, they often refer to abuses of poor, indigenous peoples with whom much of the Western world has little direct interaction. Sadly, for human rights, violations may be considered out-of-mind-out-of-site on the part of many stakeholders. Moreover, it makes some since that larger, wealthier firms would have more abysmal human rights records as scope and capital are often necessary to operate on the global scale on which most human rights violations of this nature occur.

Another reason may relate to stakeholder saliency and power. Several scholars have argued that organizations are more likely to address issues of social responsibility as they gain greater saliency among key publics, and perhaps more importantly, powerful stakeholders (Aguinis & Glavas, 2012; Coombs & Holladay, 2012; McWilliams & Siegel, 2001). Currently, issues of diversity and wealth inequality are more often among the top ethical concerns of business than environmental stewardship and human rights (Lister, 2015). And, among the American public, environmental protection and human rights are not commonly considered top issues – at least in comparison to other employment and economic concerns (Pew Research Center, 2014c, 2015). Lastly, these two stakeholders arguably have the least power among those studied. The environment literally lacks the ability to speak for itself and those suffering from human rights violation are practically barred from doing so – though admittedly there are some major organization who lobby for each. It is likely the case that organizations are more apt to cater to issues with the greatest saliency and to stakeholders with the most power, both of which stem from visibility among the general public.

Finally, it is worth noting that CSR still has important powers of differentiation. In recent years, some scholars have expressed concern over the sustainability of CSR practices, where CSR ironically would become the victim of its own success. According to Blomgren (2011) "the more effort that goes into CSR, the more numbered its days as a unique concept will be" (p. 272). The general argument is that, as CSR becomes commonly practiced, it will diminish in its differential power and deplete organizational revenue because it no longer adds value (Goering, 2010; Mackey et al., 2007).

To some extent this is a legitimate concern. The study and practice of CSR has grown drastically over the last several decades (see Chapter 3). However, while more organizations may

be practicing CSR, the multilevel models indicate that they are not practicing it particularly well. For total CSR, environment, employee relations, and human rights, the final model intercepts were statistically significant negative values. Recall that the independent variables in each model were grand-mean centered, meaning that an average organization within an average industry – at least insofar as these variables categorize them – is more likely to display social responsibility weaknesses than strengths. These areas in particular are ripe for differentiation via CSR because, as it turns out, to stand out in CSR performance, a company does not even need to perform well in such areas, just less poorly.

Table 5.1

Descriptive Data across Industries (2005-2008)

Industry	HHI	Advertising Intensity	Capital Intensity	Market Growth	Demand Instability
Agriculture Production (Crops)	.547	.00157	300656	.177	.091
Metal Mining	.396	0	561595	.277	.103
Coal Mining	.233	.00027	500682	.126	.179
Oil and Gas Extraction	.226	.00003	3548919	.291	.128
Mining (Quarry, Nonmetal Minerals)	.343	0	221760	.122	.035
Building Construction (General Construction and Operative Builders)	.105	.00865	18224	-.085	.322
Heavy Construction (Other than Construction Contractors)	.398	0	30825	.155	.053
Food and Kindred Products	.082	.03341	163279	.103	.043
Apparel and Other Finished Products	.118	.03745	28777	.102	.061
Lumber and Wood Products (Excluding Furniture)	.454	.00638	447069	-.099	.137
Furniture and Fixtures	.416	.06710	39660	.047	.076
Paper and Allied Products	.131	.00312	161269	.063	.021
Printing, Publishing, and Allied Industries	.136	.01635	42588	.145	.164
Chemicals and Allied Products	.052	.01908	122908	.325	.179
Pete Refining and Related Industries	.325	0	743360	.196	.094
Rubber and Miscellaneous Plastic Products	.238	.02151	64345	.144	.118
Leather and Leather Products	.179	.06246	25945	.093	.027
Stone, Clay, Glass, and Concrete Products	.274	.00144	184567	.091	.133
Primary Metal Industries	.145	.00072	152746	.198	.042

Fabricated Metal Products (Except Machinery and Transportation Equipment)	.117	.00443	71807	.116	.062
Industrial and Commercial Machinery and Computer Equipment	.078	.00473	45233	.132	.042
Electronic and Other Electrical Equipment and Components (Except Computer Equipment)	.047	.00419	59099	.135	.055
Transportation Equipment	.187	.00333	57464	.088	.077
Measuring, Analyzing, and Controlling Instruments; Photographic, Medical, and Optical Goods; and Watches and Clocks	.077	.00536	45984	.178	.027
Miscellaneous Manufacturing Industries	.179	.06614	49652	.058	.047
Railroad Transportation	.317	0	543137	.169	.128
Motor Freight Transportation and Warehousing	.474	.00072	71325	.107	.065
Water Transportation	.605	.00309	404549	.247	.115
Transportation by Air	.302	.00787	214991	.164	.106
Transportation Services	.259	0	236332	.110	.029
Communications	.136	.01302	305749	.099	.055
Electric, Gas, and Sanitary Services	.024	.00001	1197449	.099	.048
Wholesale Durable Goods	.076	.00394	36564	.152	.055
Wholesale Nondurable Goods	.217	.01264	38452	.117	.032
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers	.501	.02696	56269	.099	.069
General Merchandise Stores	.387	.03485	39463	.069	.068
Food Stores	.339	.01863	39651	.069	.071
Auto Dealers and Gas Stations	.111	.02178	51533	.059	.102
Apparel and Accessory Stores	.097	.04259	20400	.056	.076

Home Furnishing and Equipment Stores	.404	.08701	22243	.089	.073
Eating and Drinking Places	.157	.03760	82548	.134	.040
Miscellaneous Retail	.126	.08808	30561	.178	.118
Depository Institutions	.133	.00070	60327	.138	.109
Nondepository Credit Institutions	.557	.00678	26682	.154	.203
Security and Commodity Brokers	.346	.00370	56965	.160	.164
Insurance Carriers	.069	.00031	38465	.366	.564
Insurance Agents, Brokers, and Service	.451	.00066	11614	.067	.031
Real Estate	.355	.00466	1590876	.008	.170
Holding and Other Investment Offices	.025	.00326	888048	.201	.111
Personal Services	.301	.06196	20424	.060	.080
Business Services	.087	.01208	52557	.154	.039
Auto Repair, Services, and Parking	.545	.06290	118613	.032	.020
Motion Pictures	.334	.06330	88516	.147	.158
Amusement and Recreation Services	.130	.01137	253584	.134	.050
Health Services	.091	.00230	37709	.148	.022
Educational Services	.214	.09898	31009	.107	.047
Engineering, Accounting, Research, Management, and Related Services	.093	.00113	39490	.150	.021
Mean across Industries	.241	.01931	252535	.127	.094
	(.157)	(.02642)	(536315)	(.080)	(.085)

Table 5.2

Firm-Level Variable Means and Standard Deviations

	M	*SD*
Firm Size	3.521	.758
Return on Assets (ROA)	.035	.087
Operating Income Growth (OIG)	-.528	3.702
Standard Deviation of OIG	1.250	7.103
Debt to Asset Ratio	.193	.163
Market Value (in billions)	6.817	21.042
Total Return	-.017	.206
Standard Deviation of Total Return	.368	.308
Product Quality	.030	.127
CSR Environment	-.141	.540
CSR Philanthropy	.063	.248
CSR Employee Relations	-.132	.624
CSR Diversity	.249	.950
CSR Community Relations	.047	.289
CSR Human Rights	-.035	.159
CSR Total	.052	1.632

Table 5.3

Correlation Matrix for Independent Variables

	HHI	Advertising Intensity	Capital Intensity	Market Growth	Demand Instability	Product Quality	Firm Size	ROA	OIG	SD of OIG	Debt to Asset Ratio	Market Value	Total Return	SD of Total Return
HHI	1													
Advertising Intensity	.19**	1												
Capital Intensity	.06*	-.21**	1											
Market Growth	-.24**	-.16**	.23**	1										
Demand Instability	-.02	-.09**	.01	.60**	1									
Product Quality	.02	-.05*	-.05*	-.04	-.03	1								
Firm Size	.20**	.22**	-.20**	-.24**	-.11**	.24**	1							
ROA	.12**	.06*	.02	-.10**	-.10**	.06*	.27**	1						
OIG	-.03	.01	-.05*	-.03	-.03	.03	.06*	.04	1					
SD of OIG	.03	-.01	.09**	.06*	.03	-.03	-.09**	-.02	.96**	1				
Debt to Asset Ratio	-.04	-.03	.25**	-.03	-.07**	-.01	-.02	-.11**	.03	-.02	1			
Market Value	.07**	-.01	.03	.06*	.04	.14**	.43**	.13**	.01	-.01	-.05*	1		
Total Return	-.07**	-.03	.04	.11**	-.05*	-.02	-.06**	.12**	.04	-.03	-.04	.02	1	
SD of Total Return	0	.08**	.02	.06*	-.02	-.02	-.07**	-.08**	.01	.001	.02	-.06*	.65**	1

Table 5.4

Industry CSR Data (2005-2008)

Industry	Environment	Philanthropy	Employee Relations	Diversity	Community Relations	Human Rights	Total
Agriculture Production (Crops)	-.813	.0623	.188	.063	-.250	-.250	-1.000
Metal Mining	-1.208	**.542**	-.208	-.292	-.125	-.542	-1.830
Coal Mining	-1.400	0	-.550	-.600	-.400	-.200	-3.150
Oil and Gas Extraction	-.690	.052	-.069	-.461	-.013	-.043	-1.224
Mining (Quarry, Nonmetal Minerals)	0	0	-.563	0	-.250	**0**	-.813
Building Construction (General Construction and Operative Builders)	-.058	0	-.442	-.154	0	**0**	-.654
Heavy Construction (Other than Construction Contractors)	-.200	.100	-.850	**1.000**	-.050	**0**	0
Food and Kindred Products	.014	**.153**	-.201	**.708**	.042	-.076	**.640**
Apparel and Other Finished Products	-.071	0	-.661	.339	0	-.464	-.857
Lumber and Wood Products (Excluding Furniture)	-.188	.125	-.031	-.031	0	-.188	-.313
Furniture and Fixtures	**.354**	.083	-.208	.292	**.146**	**0**	**.667**
Paper and Allied Products	-.288	.063	-.400	.313	**.138**	-.038	-.212
Printing, Publishing, and Allied Industries	.014	0	-.111	**1.042**	.111	**0**	**1.056**
Chemicals and Allied Products	-.240	.136	.012	.506	.002	**0**	.416
Pete Refining and Related Industries	-2.389	**.278**	-.167	.250	-.556	-.139	-2.723
Rubber and Miscellaneous Plastic Products	**.167**	**.250**	-.375	.063	-.125	**0**	-.020
Leather and Leather Products	**.125**	.125	-.156	.625	**.125**	-.250	.594
Stone, Clay, Glass, and Concrete Products	-.028	0	**.222**	-.583	.056	**0**	-.333

Primary Metal Industries	-.691	.095	-.202	-.345	-.095	-.071	-1.309
Fabricated Metal Products (Except Machinery and Transportation Equipment)	-.300	0	-.663	.063	0	**0**	-0.900
Industrial and Commercial Machinery and Computer Equipment	.003	.055	**-.018**	.234	.053	-.040	.287
Electronic and Other Electrical Equipment and Components (Except Computer Equipment)	.027	.040	**.021**	-.076	.055	-.015	.052
Transportation Equipment	-.611	.076	-.104	.111	-.021	**0**	-.549
Measuring, Analyzing, and Controlling Instruments; Photographic, Medical, and Optical Goods; and Watches and Clocks	-.006	.038	-.116	.128	.017	-.006	.055
Miscellaneous Manufacturing Industries	**.054**	**.179**	-.339	0	**.196**	-.071	.019
Railroad Transportation	-1.000	0	**.200**	.200	-.550	**0**	-1.150
Motor Freight Transportation and Warehousing	**.091**	0	-.432	-.273	.091	**0**	-.523
Water Transportation	-.200	0	**.050**	-.450	0	**0**	-.600
Transportation by Air	**.083**	0	**.444**	.583	.083	**0**	**1.193**
Transportation Services	0	0	-.031	-.281	-.125	**0**	-.437
Communications	-.032	.090	-.340	.378	.051	-.071	.076
Electric, Gas, and Sanitary Services	-.921	.064	-.238	.592	-.177	-.088	-.768
Wholesale Durable Goods	-.109	0	-.180	.172	-.008	**0**	-.125
Wholesale Nondurable Goods	-.031	.031	-.531	.031	0	**0**	-.500
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers	-.250	0	-.250	.313	**.250**	**0**	.063

General Merchandise Stores	-.071	**.232**	<u>-.750</u>	**.694**	.036	<u>-.482</u>	-.341
Food Stores	**.083**	**.333**	<u>-1.667</u>	**.833**	.042	**0**	-.376
Auto Dealers and Gas Stations	<u>-.643</u>	.036	<u>-.732</u>	<u>-.393</u>	0	**0**	<u>-1.732</u>
Apparel and Accessory Stores	0	<u>0</u>	-.278	**1.000**	0	<u>-.269</u>	.453
Home Furnishing and Equipment Stores	0	.094	-.375	.375	**.125**	**0**	.219
Eating and Drinking Places	**.054**	.087	<u>-.652</u>	.500	0	-.087	-.098
Miscellaneous Retail	**.089**	.008	-.468	**.831**	.065	-.024	.501
Depository Institutions	-.002	.040	.003	.290	**.368**	**.007**	**.706**
Nondepository Credit Institutions	**.091**	**.341**	**.341**	**.682**	**.409**	**0**	**1.864**
Security and Commodity Brokers	0	.063	**.357**	.306	.071	**0**	**.797**
Insurance Carriers	-.011	.094	**.094**	.569	**.134**	**0**	**.880**
Insurance Agents, Brokers, and Service	0	<u>0</u>	-.208	.625	0	**0**	.417
Real Estate	0	**.208**	-.458	.167	<u>-.125</u>	**0**	-.208
Holding and Other Investment Offices	-.010	.003	-.047	<u>-.282</u>	.023	**0**	-.313
Personal Services	0	<u>0</u>	0	.500	**.250**	**0**	**.750**
Business Services	.032	.061	**.017**	.461	.065	-.011	**.625**
Auto Repair, Services, and Parking	0	<u>0</u>	<u>-1.313</u>	**.750**	0	**0**	-.563
Motion Pictures	0	<u>0</u>	-.292	**.792**	0	**0**	.500
Amusement and Recreation Services	0	<u>0</u>	-.382	-.103	0	**0**	-.485
Health Services	0	<u>0</u>	-.522	.152	-.011	**0**	-.381
Educational Services	0	**.143**	-.214	.321	0	**0**	.250
Engineering, Accounting, Research, Management, and Related Services	.029	<u>0</u>	-.125	.125	-.048	**0**	-.019
Mean across Industries	-.196 (.460)	.077 (.107)	-.263 (.372)	.240 (.414)	.001 (.170)	-.060 (.125)	-.200 (.889)

Note: Bolded figures represent a top 10 rating within the CSR category; underlined figures represent bottom 10 rating within the CSR category.

Table 5.5

Correlation Matrix for CSR Subgenres

	Environment	Philanthropy	Employee Relations	Diversity	Community Relations	Human Rights
Environment	1.00					
Philanthropy	-.01	1.00				
Employee Relations	.03	.28**	1.00			
Diversity	-.04	.38**	.29**	1.00		
Community Relations	.30**	.23**	.22**	.28**	1.00	
Human Rights	.21**	-.21**	-.01	-.19**	.04	1.00

Note: *p < .01

Table 5.6

Exploratory Factor Analysis of CSR Subgenres

	Component	
	Local	Global
Diversity	.749	
Philanthropy	.734	
Employee Relations	.612	
Community Relations	.567	.534
Environment		.793
Human Rights		.647

Note: Only loadings ≥ .5 are presented

Table 5.7

Results of the Null Models Tests

	Level 1 Estimate (SE)	Level 2 Estimate (SE)	ICC	Wald Z for Between Group Variance	Wald Z for Within Group Variance
Total CSR	2.278 (.080)	.524 (.136)	.187		
Environment	.188 (.007)	.184 (.039)	.495	4.734***	28.541***
Philanthropy	.060 (.002)	.002 (.001)	.040	1.783*	28.336***
Employee Relations	.342 (.012)	.085 (.023)	.199	3.737***	28.495***
Diversity	.806 (.028)	.107 (.030)	.117	3.610***	28.618***
Community Relations	.066 (.002)	.018 (.005)	.214	3.814***	28.495***
Human Rights	.020 (.001)	.013 (.003)	.401	4.577***	28.543***

Note: ***$p < .001$ **$p < .01$ *$p < .05$
Wald Z is used to test variance components, which must be ≥ 0; therefore, the Wald Z was conducted as a one-tailed test.

Table 5.8

Main Effects HLM for Total CSR

	Models A 2005-2008 Data			Models B 2009 Data		
	Null Model	Full Model	Finalized Model	Null Model	Full Model	Finalized Model
Intercept	-.157 (.111)	-.292 (.159)†	-.419 (.136)**	-.093 (.117)	-.113 (.215)	-.294 (.137)*
HHI		-1.09 (.854)			-1.123 (1.337)	
Advertising Intensity		8.487 (5.287)	8.525 (5.124)†		10.960 (8.052)	11.145 (5.820)†
Capital Intensity		-3.5E-7 (2.5E-7)			-9.0E-8 (2.1E-7)	
Market Growth		.717 (1.771)			2.871 (1.274)*	
Demand Instability		1.970 (1.540)			2.990 (1.423)*	
Product Quality		1.062 (.261)***	1.062 (.261)***		.579 (.470)	1.209 (.243)***
Firm Size		.654 (.062)***	.619 (.060)***		.217 (.157)	.325 (.003)***
ROA		-.425 (.406)			-.214 (.826)	
OIG		.039 (.031)			1.5E-5 (.003)	
SD of OIG		.024 (.016)			.000 (.001)	
Market Value (in billions)		.025 (.002)***	.025 (.002)***		.041 (.007)***	.032 (.003)***
Debt to Asset Ratio		-.508 (.268)†	-.463 (.264)†		-.121 (.424)	-.282 (.247)
Total Return		-.412 (.216)†	-.312 (.155)*		.044 (.137)	.021 (.025)
SD of Total Return		.123 (.144)			.402 (.370)	
ε_{ij}	2.278 (.080)***	1.578 (.055)***	1.578 (.005)***	4.096 (.143)***	3.657 (.265)***	3.401 (.120)***
u_{0j}	.524***	.803 (.193)***	.850 (.191)***	.487 (.148)***	.439 (.308)	.724 (.200)***
Model Deviance (-2LL)	6278.898	5732.492	5705.607	7243.843	1813.590	6859.884
Proportion of variance explained (vs. null)						
Level 1		.307	.307		.107	.170
Level 2		-.532	-.622		.099	-.487

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^\dagger p < .1$

Table 5.9

Multiple Regression Models Predicting Philanthropy

	Full Model 2005-2008 Data		Finalized Model 2005-2008 Data		Full Model 2009 Data		Finalized Model 2009 Data	
	B (SE)	β	B (SE)	β	B (SE)	β	B (SE)	β
Constant	.062 (.005)***		.063 (.005)***		.072 (.009)***		.077 (.008)***	
Product Quality	.034 (.043)	.017			.071 (.043)	.048		
Firm Size	.043 (.008)***	.130	.043 (.008)***	.130	.042 (.107)***	.107	.058 (.012)***	.143
ROA	-.043 (.066)	-.015			.006 (.063)	.003		
OIG	.011 (.005)*	.163	.010 (.005)*	.153	-1.6E-6 (.000)	.000	-3.5E-6 (.000)	-.002
SD of OIG	.007 (.003)*	.193	.006 (.003)*	.183	4.2E-6 (.000)	.001	6.1E-6 (.000)	.002
Market Value (in billions)	.005 (.000)***	.409	.005 (.000)***	.413	.006 (.001)***	.347	.005 (.000)***	.372
Debt to Asset Ratio	-.044 (.033)	-.029			-.021 (.035)	-.017		
Total Return	.005 (.035)	.005			.007 (.008)	.026		
SD of Total Return	-.012 (.023)	-.015			-.013 (.023)	-.018		

Note: ***$p < .001$ **$p < .01$ *$p < .05$

Full Model, 2005-2008 Data: $F (9, 1679) = 57.84$, $p < .001$ ($R^2 = .237$; $R^2_{adj} = .233$)
Finalized Model, 2005-2008 Data: $F (4, 1684) = 129.53$, $p < .001$ ($R^2 = .235$; $R^2_{adj} = .233$)
Full Model, 2009 Data: $F (9, 1031) = 24.53$, $p < .001$ ($R^2 = .176$; $R^2_{adj} = .169$)
Finalized Model, 2009 Data: $F (4, 1157) = 74.41$, $p < .001$ ($R^2 = .205$; $R^2_{adj} = .202$)

Table 5.10

Main Effects HLM for Environment

| | Models A | | | Models B | | |
| | 2005-2008 Data | | | 2009 Data | | |
	Null Model	Full Model	Finalized Model	Null Model	Full Model	Finalized Model
Intercept	-.190 (.059)**	-.216 (.065)**	-.211 (.053)***	-.212 (.067)**	-.258 (.160)	-.256 (.059)***
HHI		-.198 (.344)			-.899 (.842)	
Advertising Intensity		4.509 (2.135)*	4.734 (2.045)*		8.913 (5.577)	4.893 (2.604)†
Capital Intensity		-2.3E-7 (1E-7)*	-2.7E-7 (9.7E-8)**		-1.0E-7 (1.6E-7)	-2.5E-7 (9.1E-8)**
Market Growth		-.818 (.717)			.518 (.920)	
Demand Instability		.228 (.630)			.902 (.926)	
Product Quality		.053 (.089)			-.182 (.162)	
Firm Size		-.117 (.021)***	-.112 (.019)***		-.092 (.055)†	-.129 (.027)***
ROA		.038 (.138)			.112 (.283)	
OIG		.002 (.010)			-4.0E-5 (.001)	
SD of OIG		.001 (.005)			.000 (.002)	
Market Value (in billions)		-.002 (.001)*	-.002 (.001)**		-.005 (.002)†	.000 (.001)
Debt to Asset Ratio		.041 (.092)			-.118 (.152)	
Total Return		.020 (.073)			.039 (.048)	
SD of Total Return		-.065 (.049)	-.057 (.035)†		.086 (.128)	.028 (.039)
ε_{ij}	.188 (.007)***	.181 (.006)***	.181 (.006)***	.339 (.012)***	.419 (.030)***	.317 (.013)***
u_{0j}	.184 (.039)***	.139 (.032)***	.133 (.030)***	.225 (.050)***	.350 (.129)***	.149 (.039)***
Model Deviance (-2LL)	2136.764	2127.825	2101.673	3113.097	958.169	2387.716
Proportion of variance explained (vs. null)						
Level 1		.037	.037		-.236	.065
Level 2		.245	.277		-.556	.338

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^{†}p < .1$

Table 5.11

Main Effects HLM for Employee Relations

	Models A 2005-2008 Data			Models B 2009 Data		
	Null Model	Full Model	Finalized Model	Null Model	Full Model	Finalized Model
Intercept	-.246 (.044)***	-.209 (.052)***	-.225 (.046)***	-.209 (.050)***	-.113 (.055)	-.206 (.045)***
HHI		-.140 (.293)			.596 (.452)	
Advertising Intensity		-2.371 (1.809)			-4.799 (2.404)	
Capital Intensity		-5.5E-9 (8.1E-8)			7.6E-8 (5.0E-8)	
Market Growth		1.071 (.603)†	1.492 (.538)**		1.170 (.353)†	.245 (.363)
Demand Instability		.564 (.513)			.033 (.460)	
Product Quality		.250 (.114)*	.264 (.113)*		.671 (.216)**	.617 (.116)***
Firm Size		.048 (.027)†	.045 (.025)†		-.070 (.067)	-.124 (.036)***
ROA		.226 (.176)			.171 (.379)	
OIG		.013 (.013)			-.001 (.001)	
SD of OIG		.008 (.007)			.000 (.000)	
Market Value (in billions)		.008 (.001)***	.008 (.001)***		.017 (.003)***	.012 (.001)***
Debt to Asset Ratio		-.095 (.115)			-.109 (.174)	
Total Return		-.264 (.094)**	-.178 (.067)**		-.007 (.062)	.005 (.012)
SD of Total Return		.075 (.063)			.219 (.167)	
ε_{ij}	.342 (.012)***	.301 (.011)***	.300 (.011)***	.836 (.029)***	.794 (.059)***	.787 (.028)***
u_{0j}	.085 (.023)***	.083 (.023)***	.082 (.022)***	.083 (.028)**	.003 (.038)	.058 (.023)*
Model Deviance (-2LL)	3079.277	2931.105	2885.290	4554.639	1173.741	4428.451
Proportion of variance explained (vs. null)						
Level 1		.120	.123		.050	.059
Level 2		.024	.035		.964	.301

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^\dagger p < .1$

Table 5.12

Main Effects HLM for Diversity

| | Models A | | | Models B | | |
| | 2005-2008 Data | | | 2009 Data | | |
	Null Model	Full Model	Finalized Model	Null Model	Full Model	Finalized Model
Intercept	.243 (.054)***	.142 (.061)*	.133 (.060)*	.293 (.058)***	.260 (.060)***	.214 (.056)***
HHI		-.707 (.349)*	-.748 (.342)*		.026 (.510)	-.587 (.358)†
Advertising Intensity		4.826 (2.147)*	4.589 (2.047)*		4.787 (2.686)†	5.094 (2.363)*
Capital Intensity		-4.3E-8 (9.5E-8)			-9.6E-8 (5.4E-8)†	
Market Growth		.485 (.714)			.982 (.390)	
Demand Instability		.675 (.602)			.651 (.517)	
Product Quality		.632 (.145)***	.632 (.145)***		.045 (.247)	.428 (.044)**
Firm Size		.612 (.034)***	.612 (.034)***		.299 (.076)***	.480 (.044)***
ROA		-.542 (.226)*	-.614 (.218)**		-.262 (.436	-.206 (.207)
OIG		.012 (.017)			.001 (.001)	
SD of OIG		.008 (.009)			.000 (.000)	
Market Value (in billions)		.011 (.001)***	.011 (.001)***		.022 (.004)***	.014 (.001)***
Debt to Asset Ratio		-.300 (.147)*	-.295 (.146)*		-.044 (.196)	-.059 (.136)
Total Return		-.127 (.120)			.025 (.072)	
SD of Total Return		.121 (.080)			-.010 (.072)	
ε_{ij}	.806 (.028)***	.493 (.017)***	.493 (.017)***	1.373 (.048)***	1.052 (.074)***	1.091 (.038)***
u_{0j}	.107 (.030)***	.110 (.031)***	.110 (.029)***	.100 (.032)**	.000 (.000)	.075 (.027)**
Model Deviance (-2LL)	4503.577	3752.736	3707.887	5383.166	1287.947	4931.066
Proportion of variance explained (vs. null)						
Level 1		.388	.388		.234	.205
Level 2		-.028	-.028		1.000	.250

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^\dagger p < .1$

Table 5.13

Main Effects HLM for Community Relations

	Models A 2005-2008 Data			Models B 2009 Data		
	Null Model	Full Model	Finalized Model	Null Model	Full Model	Finalized Model
Intercept	.009 (.020)	-.009 (.028)	-.019 (.023)	-.007 (.022)	-.018 (.051)	-.031 (.025)
HHI		-.129 (.151)			-.473 (.289)	
Advertising Intensity		1.542 (.933)†	1.740 (.877)*		2.505 (1.831)	2.376 (1.064)*
Capital Intensity		-.48E-8 (4.3E-8)			2.9E-9 (5.0E-8)	
Market Growth		-.135 (.312)			.226 (.295)	
Demand Instability		.288 (.270)			.669 (.312)*	
Product Quality		.090 (.050)†	.094 (.050)†		-.027 (.082)	.025 (.045)
Firm Size		.057 (.012)***	.053 (.011)***		.032 (.028)	.034 (.015)*
ROA		-.197 (.078)*	-.170 (.074)*		-.019 (.144)	-.063 (.067)
OIG		.003 (.006)			.000 (.000)	
SD of OIG		.002 (.003)			.000 (.000)	
Market Value (in billions)		.003 (.000)***	.003 (.000)***		.005 (.001)***	.004 (.000)***
Debt to Asset Ratio		-.070 (.051)			.010 (.076)	
Total Return		.019 (.041)			-.002 (.024)	
SD of Total Return		-.027 (.027)			.074 .065)	
ε_{ij}	.066 (.002)***	.058 (.002)***	.058 (.002)***	.125 (.004)***	.110 (.008)***	.118 (.004)***
u_{0j}	.108 (.005)***	.024 (.006)***	.024 (.006)***	.018 (.006)***	.030 (.015)*	.024 (.007)***
Model Deviance (-2LL)	319.236	191.736	127.822	1362.077	392.001	1285.964
Proportion of variance explained (vs. null)						
Level 1		.121	.121		.120	.056
Level 2		.778	.778		-.667	-.333

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^\dagger p < .1$

Table 5.14

Main Effects HLM for Human Rights

	Models A 2005-2008 Data			Models B 2009 Data		
	Null Model	Full Model	Finalized Model	Null Model	Full Model	Finalized Model
Intercept	-.059 (.016)**	-.048 (.020)*	-.051 (.016)**	-.059 (.015)***	-.100 (.052)†	-.053 (.015)***
HHI		-.027 (.107)			-.380 (.269)	
Advertising Intensity		-.327 (.668)			.479 (1.792)	
Capital Intensity		-2.3E-8 (3.1E-8)			-6.9E-9 (5.1E-8)	
Market Growth		.007 (.224)			-.402 (.297)	
Demand Instability		.084 (.197)			.257 (.297)	
Product Quality		.023 (.028)			.112 (.048)*	
Firm Size		-.038 (.008)***	-.032 (.006)***		-.031 (.016)*	-.025 (.007)***
ROA		.077 (.044)†			-.014 (.084)	
OIG		.001 (.003)			.000 (.000)	
SD of OIG		1.9E-4 (.002)			.000 (.000)	
Market Value (in billions)		-.001 (.000)***	-.001 (.000)***		-.004 (.001)***	-.002 (.000)***
Debt to Asset Ratio		.029 (.029)			-.009 (.045)	
Total Return		-.036 (.023)			.000 (.014)	
SD of Total Return		.008 (.016)			.040 (.038)	
ε_{ij}	.020 (.001)***	.018 (.001)***	.018 (.001)***	.033 (.001)***	.037 (.003)***	.031 (.001)***
u_{0j}	.014 (.003)***	.014 (.003)***	.013 (.003)***	.012 (.003)***	.037 (.014)**	.011 (.003)***
Model Deviance (-2LL)	-1707.678	-1712.169	-1792.994	-833.050	-31.916	-883.074
Proportion of variance explained (vs. null)						
Level 1		.100	.100		-.121	.061
Level 2		0.000	.071		-2.083	.083

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^{\dagger}p < .1$

Table 5.15

Summary of HLM Hypothesis Testing[16]

	CSR Total	Philanthropy	Environment	Employee Relations	Diversity	Community Relations	Human Rights
RQ3: PQ?	+			+	+	+	
H1: HHI +					✗		
H2: Ad Intensity +	✓		✓		✓	✓	
H3: Market Growth +				✓			
H4: Capital Intensity +			✗				
H5: Demand Instability +							
H6: Firm Size +	✓	✓	✗	✓	✓		✗
H7: ROA +					✗	✗	
H8: OIG +		✓					
H9: Total Return +	✗			✗			
H10: Market Value +	✓	✓	✗	✓	✓	✓	✗
H11: Debt to Asset −	✓				✓		
H12: SD of OIG −		✗					
H13: SD of Total Return −			✓				

CHAPTER 6

CSR INVOLVEMENT EXPERIMENT ANALYSIS

Descriptive Statistics and Manipulation Checks

The experimental survey developed using Qualtrics was administered via MTurk during

one week in February 2015. In total, 798 participants viewed the survey: 49 (6.14%) abandoned

the survey immediately after viewing the stimulus, 14 (1.75%) abandoned the survey after

viewing only one question set, 19 (2.38%) asked to have their responses withdrawn following

debriefing, and 15 (1.88%) failed to provide unique MTurk worker IDs. These 107 (13.4%)

participants were removed before conducting the following analyses, leaving a final sample of N

$= 691$.

Participants were recruited from the U.S. adult population. Residents of 49 states and the

District of Columbia were represented in the final sample.[17] On the whole, however, females

(43.2%, $n = 297$) and minorities (27.2%, $n = 188$) – in particular African Americans and people

of Hispanic origin – were somewhat underrepresented. Additionally, the sample tended to skew

younger ($M = 32.88$, $SD = 11.56$) and less wealthy ($M = \$54,244$, $SD = \$49, 343$), yet more

educated, than the U.S. population in general (see Table 6.1). Participants were randomly

assigned to one of 12 treatment conditions. Cells ranged in size from 43 to 67 ($M = 57.58$, $SD =$

7.86), all well above the minimum recommended size of 20 for statistical significance testing

(Hair Jr. et al., 2010).

One of the two experimental manipulations was product quality. Two 7-point Likert

items, one from S. Kim's (2011) CA scale and one from Rettab et al.'s (2009) customer

responsibility scale, asked specifically about product quality. The two items correlated strongly and positively ($r = .82$) and collectively displayed strong scale reliability ($\alpha = .90$). Therefore, the two items were averaged and a one-way ANOVA was used to test mean differences among participants across the three product quality manipulations by their assessments of product quality.

The one-way ANOVA was significant, $F (2, 688) = 336.08$, $p < .001$; therefore, post hoc tests were conducted to further investigate mean differences. However, because Levene's test proved significant ($F (2, 688) = 6.672$, $p < .01$), equal error variance could not be assumed; thus, Dunnett's T3 was used for post hoc analysis.[18] Participants in the high product quality condition rated the product as significantly better than did those in the average product quality condition ($M_{diff} = .98$, $p < .001$), who in turn rated the product as significantly better than did those in the low product quality condition ($M_{diff} = 1.78$, $p < .001$). The product quality manipulation was deemed successful.

The second experimental manipulation was CSR category. Participants in experimental conditions were shown messages reflecting either practices of generalized CSR ($n = 158$), CRM without cause choice ($n = 185$), or CRM with cause choice ($n = 182$). A multiple choice question asked participants to describe the social responsibility message with which they were presented as either a donation of a specified dollar amount (CSR), a donation of a percentage of sales revenue directly to the NMSI (CRM without cause choice), or a donation of a percentage of sales revenue to promote STEM education at a school of the customer's choosing (CRM with cause choice). A two-way contingency table analysis using crosstabs was performed to check the manipulation; the chi-square statistic was significant ($\chi^2 (6, N = 525) = 313.04$, $p < .001$),

suggesting that participants were cognizant of the differences, and that this manipulation was also successful.

Measurement Model

The original measurement model proposed 6 independent variables – involvement, BRiC, CA, CSR reputation, community responsibilities, and customer responsibilities – and 2 dependent variables – purchase intention and WOM recommendation – which would need to be scaled and tested for validity and reliability.[19] A CFA was conducted using AMOS software to test the reliability and validity of this proposed measurement model.

This model consisted of 38 items divided among 8 factors. The significance of the goodness of fit chi-square statistic ($\chi^2 = 1735.17$, $df = 618$, $p < .001$) indicated poor model fit; however, such chi-square statistics are often misleading as increases in the sample size and number of parameters estimated inflate the value. Hair Jr. et al. (2010) argue that the ratio of chi-square to degrees of freedom is a better measure of fit, with ratios of 3:1 deemed acceptable. The initial model fit displayed $\chi^2/df = 2.81$. Other common measures of absolute fit (RMSEA = .05) and incremental fit (CFI = .96) were also beyond acceptable thresholds, indicating an overall goodness of fit.

Each measurement construct within the initial measurement model displayed strong composite reliabilities, all ≥ .87. This model also demonstrated convergent validity with all factor loadings ≥ .80 and the average variance extracted (AVE) for each construct ≥ .581, both exceeding the proposed .7 and .5 thresholds, respectively (Hair Jr. et al., 2010). There were, however, several issues with discriminant validity in this initial model. As Table 6.2 illustrates, the maximum shared variance (MSV) was greater than the AVE for the CA, CSR reputation, and customer responsibilities constructs. Additionally, the $\sqrt{\text{AVE}}$ was less than other inter-construct

correlations for these same constructs (see Table 6.3). These differences raise serious questions as to whether CA, CSR reputation, and customer responsibilities represent distinct constructs.

A close examination of Table 6.3 reveals that customer responsibilities was the only inter-construct correlation greater that a $\sqrt{\text{AVE}}$ for CA. It therefore seemed that a revised measurement model could most effectively improve upon this initial effort by removing the customer responsibilities construct, which appeared to be effectively captured in the CA construct. Intuitively this makes sense as the customer responsibilities construct primarily measures product quality and customer satisfaction, both of which are addressed by CA items. It also appeared that the community responsibilities construct was similarly captured by the CSR reputation construct. Again, items in the community responsibilities construct primarily addressed organizational commitment to community activities, charities, and education; the CSR reputation construct addressed these and other issues as well.

Like the initial model, the revised model resulted in a significant goodness of fit chi-square statistic, $\chi^2 = 1034.99$, $df = 375$, $p < .001$; yet other traditional measures of fit were quite robust ($\chi^2/df = 2.76$; RMSEA = .05; CFI = .97), indicating the makings of a sound measurement model. All constructs displayed strong composite reliabilities ($\geq .89$). Moreover, all factor loadings were $\geq .83$ with an AVE $\geq .573$ for each construct, suggesting good convergent validity (see Table 6.4). Removing both the customer and community responsibilities constructs also eliminated discriminant validity issues as well. As Tables 6.4 and 6.5 show, for each construct the AVE exceeded MSV and $\sqrt{\text{AVE}}$ was greater than all inter-construct correlations. This revised measurement model was therefore deemed reliable and valid; summative indices for each construct were used in the analysis that follows.

Involvement and Financial Outcomes across Varying CSR Categories

H1 hypothesized that cause involvement would increase as customer choice and participation increased across the CSR categories. A one-way MANOVA using CSR category as a fixed factor and involvement, purchase intention, and WOM as dependent factors was used to test *H1* as well as the effects of choice and participation in CSR programs on key financial outcomes. Box's test was nonsignificant (Box's M = 21.56, F (18, 1613118) = 1.19, p = .26), suggesting homogeneity among the variances and covariances of the dependent variables. Significant differences were found among these constructs across varying CSR categories, Wilk's λ = .94, F (9, 1167) = 5.10, $p < .001$. However, only 2% of the multivariate variance of involvement, purchase intention, and WOM was associated with the CSR category grouping variable (η^2 = .02).

A follow-up ANOVA using the Bonferroni method proved significant for the involvement construct, F (3, 687) = 3.03, $p < .05$, η^2 = .01. Post hoc tests of the involvement construct showed a significant mean differences in involvement only between the CSR and control conditions (M_{diff} = .42, SD = .16, $p < .05$). No other significant differences were found, prompting a rejection of *H1* as the increased participation and choice categorizing CRM activities did not translate into increased cause involvement.[20]

Follow-up ANOVAs on the purchase intention (F (3, 687) = 3.63, $p < .05$, η^2 = .02) and WOM (F (3, 687) = 11.38, $p < .001$, η^2 = .05) constructs also proved significant. As was the case for involvement, post hoc tests showed that only the CSR condition showed a significant increase over the control for purchase intention (M_{diff} = .60, SD = .19, $p < .01$). However, the CSR (M_{diff} = .89, SD = .16, $p < .001$), CRM without cause choice (M_{diff} = .47, SD = .16, $p < .05$), and CRM with cause choice (M_{diff} = .72, SD = .16, $p < .001$) conditions all displayed greater WOM

scores than did the control. Still, no significant differences emerged among the experimental constructs themselves.

Differences in reservation price among the CSR category conditions were also of great interest.[21] A one-way ANOVA was used to investigate reservation price. Though equal variances could not be assumed due to the significance of Levene's test (F (3, 325) = 4.38, $p < .01$), the ANOVA was significant, F (3, 325) = 3.38, $p < .05$, $\eta^2 = .03$. Dunnett's T3 was used in post-hoc analysis. The only significant mean difference was between CRM with choice and CRM without choice ($M_{diff} = 10.46$, $SD = 3.7$, $p < .05$).

Regression Analyses for Financial Outcomes

These ANOVAs and post hoc test indicate that, at least to some extent, CSR and CRM positively influence key financial outcomes of purchase intention, WOM, and reservation price. The questions are (a) to what extent, (b) under what mechanisms, and (c) through which cognitive pathways. Regression analyses were employed to address these queries.

Table 6.6 shows the correlation matrix for four independent variables, three dependent variables, and two experimental manipulations of interest. Because the majority of correlations were statistically significant and many were at least moderately strong, concerns of multicollinearity had to be abated. Therefore, all predictor regressors were mean-centered to control for this potential issue.[22]

Three separate hierarchical OLS regression analyses were run, each to determine predictors of change in the dependent variables of purchase intention, WOM, and reservation price. These hierarchical OLS analyses produced the initial regression models; the first block included the product quality category and CSR category conditions; the second block included the independent variables of BRiC, CA, CSR reputation, and involvement; the third block

included two-way interactions between the experimental conditions and the independent

variables; and the fourth and final block included all two-, three-, and four-way interactions

among the independent variables.[23] These initial models – seen in Tables 6.7, 6.8, and 6.9 –

though thorough, are overly complex and contain a great deal of statistical noise. Simplified

regression models using the enter method were thus developed by eliminating regressors when

possible based on (a) nonsignificant R^2 change across blocks, (b) nonsignificant unstandardized

betas, and (c) high VIFs, which are indicative of multicollinearity issues.[24]

Purchase Intention

Concerning the initial models predicting purchase intention, the R^2 change from Model 1

to Model 2 was significant (R^2 change = .314, $p < .001$), but nonsignificant from Model 2 to

Model 3 (R^2 change = .004, $p = .484$); therefore, the first step in creating a simplified final model

was to eliminate the two-way interaction variables between experimental conditions and

independent variables represented in the third block of the hierarchical OLS regression.

However, when the regression was rerun, the R^2 change from Model 2 to a revised Model 4 –

less the third block variables – was significant (R^2 change = .013, $p < .05$). These interactions

among independent variables were thus considered for inclusion into the finalized regression.

Relying on statistically significant betas with low VIFs within the remaining three blocks,

a finalized regression model predicting purchase intention was developed (see Table 6.10). This

finalized model yielded an $R^2 = .625$, just slightly less that the $R^2 = .633$ in the most complex

initial model, indicating that the final, simplified regression analysis preserved all but 0.8% of

the explained variance. Additionally, with all VIFs < 3, multicollinearity was a nonissue.

There were a number of significant main effects. In terms of experimental conditions,

those viewing products of higher quality tended to display higher purchase intention than did

those viewing lower quality products. The CSR category manipulation, however, displayed no significant main effects in the initial hierarchical models and was thus left out of the finalized regression. This indicates that purchase intention is not significantly affected by the manner in which CSR programs are implemented, namely as generalized CSR or some form of CRM. That is not to say that CSR has no effect. Indeed, participants who attributed a higher CSR reputation to the company expressed significantly greater intent to purchase. The same was true of those attributing greater involvement in the CSR cause, confirming *H2*.

Nevertheless, corporate ability – which, by and large, represents customer assessments of product quality and manufacturing capability – was the most influential factor in explaining purchase intention ($\beta = .506$). BRiC also displayed a significant main effect, but the standardized beta was relatively low ($\beta = .076$). Still, BRiC was an important contributor to the model as a moderator of CA, reflected in the significance of the CA*BRiC interaction term.

To investigate this moderating effect, the mean-centered BRiC variable was trichotomized, allowing the researcher to plot the effects of CA on purchase intention for participants displaying low, moderate, and high BRiC (see Figure 6.1). The slopes of the best fit lines for moderate and high BRiC were equal ($a = 1.02$), with moderate BRiC displaying a slightly larger intercept value ($b = 3.59$, $b = 3.48$, respectively). The moderating effect, therefore, is largely driven by the low BRiC group ($y = .79x + 3.19$). When participants perceive CA to be low, intent to purchase is greater among those displaying lower levels of BRiC. However, as CA perceptions increase, those espousing moderate and high BRiC levels display greater purchase intention.

In addition to this two-way interaction, the three-way interaction of CSR reputation, CA, and involvement was also significant. The mean-centered variables of CA and involvement were

dichotomized along their medians to evaluate their moderating effect on CSR reputation as a predictor of purchase intention (see Figure 6.2). Across all values of CSR reputation – regardless of involvement level – participants rating the organization as higher in CA expressed greater intent to purchase, supporting *H5*.

Involvement also emerged as a significant moderator of CSR reputation's effect on purchase intention. Looking just at the participants espousing low involvement, the difference in line slopes among participants judging CA to be high (a = .42) and those judging CA to be low (a = .32) is .1. This suggests that as evaluations of CSR reputation increases, the already wide gap in purchase intention between high CA and low CA increases as well. Among the high involvement participants, this same slope differences is even greater ($a_{highCA} − a_{lowCA}$ = .15), meaning that increased cause involvement widens the gap in purchase intention between high CA and low CA to an even greater extent as CSR reputation increases.

WOM

Looking now toward the initial models predicting WOM, again the R^2 change from Model 1 to Model 2 was significant (R^2 change = .351, $p < .001$), but nonsignificant from Model 2 to Model 3 (R^2 change = .006, $p = .141$). Once more the first step in simplifying the model was eliminating the interaction terms in the third block. Rerunning the regression show the R^2 change from Model 2 to a revised Model 4 – again, less the third block variables – was significant (R^2 change = .009, $p < .05$). The Model 4 interaction terms were considered for inclusion into the finalized regression.

Looking primarily at statistically significant betas with low VIFs within the remaining three blocks, a finalized regression model predicting WOM was settled upon (see Table 6.11). This final model yielded an R^2 = .694, just slightly less that the R^2 = .708 in the most complex of

the initial hierarchical OLS models, meaning all but 1.4% of the explained variance was retained. Moreover, all VIFs < 3 in this WOM model, indicating no issues with multicollinearity.

The main effects predicting WOM echo those of purchase intention. Again, the experimental condition of product quality proved positive and significant, indicating that higher product quality leads to greater willingness to recommend products. The CSR category experimental condition, however, was a nonfactor. Referring back to the initial hierarchical models in Table 6.8, CSR category proved significant in just one model: the base model, with only experimental manipulations as regressors. It was not included in the finalized regression.

Still, CSR reputation was a significant and positive predictor of WOM as was involvement in the CSR cause. These findings support *H3*. But despite the importance of CSR reputation, CA emerged as the most critical factor in predicting increases in WOM (β = .486). And while BRiC displayed nonsignificant main effects, the construct played an important moderating role in its interaction with CA.

The two-way interaction between BRiC and CA, which was significant in the purchase intention regression, was significant in the WOM regression as well. The same process was used to plot the best fit lines for this interaction's effect on WOM as was used for the dependent variable of purchase intention (see Figure 6.3). Not surprisingly, the CA*BRiC interaction term behaved similarly for WOM as it did for purchase intentions. Again, the slopes of the best fit lines for moderate and high BRiC conditions were equal (a = .091) with the moderate BRiC line displaying a slightly greater intercept (b = 3.99, b = 3.96, respectively). Practically speaking, the effect of CA on WOM was virtually identical for the moderate and high BRiC conditions.

Participants expressing low levels of BRiC differed, as seen from the best-fit line in Figure 6.3 (y = .83x + 3.94). When participants perceive CA to be low, those espousing lower

levels of BRiC are more likely to recommend products than those displaying moderate or high

BRiC. As perceptions of CA increase, this effect is inverted, as participants with high and

moderate BRiC scores become more likely to recommend products than those with low BRiC.

Finally, the three-way interaction of CSR reputation, CA, and involvement was a

significant predictor of WOM as was the case for purchase intention. The analysis of this

interaction term as a predictor of WOM was conducted exactly as it was regarding purchase

intention; the results were similar as well (see Figure 6.4). Regardless of the value of CSR

reputation – and across all involvement levels – participants rating organization as higher in CA

were more willing to recommend products, supporting *H5*.

Just as CA was an important moderator of CSR reputation, so too was involvement.

Concerning only the participants reporting low involvement, the difference in line slopes among

participants judging CA to be high (a = .40) and those judging CA to be low (a = .44) was -.04.

While a relatively wide gap in purchase intention between high CA and low CA exists

throughout, as CSR reputation increases, that gap actually shrinks to a small degree. However,

among the high involvement participants, this same slope difference was larger, and moved in

the opposite direction ($a_{highCA} - a_{lowCA} = .15$), meaning that increased cause involvement widens

the gap in purchase intention between high CA and low CA as CSR reputation increases.

Reservation Price

Finally, there is reservation price. The R^2 change from Model 1 to Model 2 was

significant (R^2 change = .093, $p < .001$), but the R^2 change from Model 2 to Model 3 was not (R^2

change = .020, $p = .489$). As was the case with the other dependent variables, the interactions in

block three were discarded and the hierarchical OLS rerun. This time, however, the R^2 change

from Model 2 to the revised Model 4 was also nonsignificant (R^2 change = .020, p = .786).

Therefore, all interaction variables were eliminated from consideration for the final model.

The enter method was used to develop a finalized regression analysis for reservation

price in the same manner as for the other dependent variables. The finalized model yielded an R^2

= .107, much smaller than the R^2 = .157 for the most complex of the initial hierarchical OLS

models. However, looking closely at Model 4 in Table 6.9, one sees that R^2_{adj} = .088. While

adding independent variables will necessarily increase R^2, R^2_{adj} takes into account the addition of

independent variables with low significance and little explanatory power, in a sense correcting

for any over-inflation in R^2. The difference between R^2 and R^2_{adj} for the complex initial model

was .05, indicating that many of the independent variables were extraneous. On the other hand,

the simpler, finalized model had an R^2_{adj} = .099, making the difference between R^2 and R^2_{adj} just

.008, suggesting the finalized model offered more efficient explanatory power. Additionally,

multicollinearity was not a problem as all VIFs < 2.

Only three main effects emerged as significant predictors of reservation price. As was the

case for both purchase intention and WOM, the product quality manipulation was among them,

meaning that as product quality increased, so too did participants' reservation price. BRiC and

CA assessments were also significant, positive predictors of increases in reservation price. No

variables related to CSR emerged as key predictors or moderators of changes in reservation

price.

Brief Summary of Findings

The above analyses provided virtually no evidence for *H1*. The one-way MANOVA and

post-hoc ANOVAs showed little support for the prediction that cause involvement would

increase in a stair-step fashion across conditions of generalized CSR, CRM without cause choice,

and CRM with cause choice. Involvement was, however, critical in other ways. In support of *H2* and *H3*, increased cause involvement was predictive of greater willingness both to purchase and recommend products. However, in contradiction to *H4*, involvement had little effect on driving up consumers' reservation price. Reservation price was also the outlier dependent variable in terms of CSR effects more generally. The dependent variable of purchase intention and WOM increased with improved CSR perceptions when positively moderated by CA, as predicted by *H5*. However, CSR had no effect on reservation price either directly or indirectly as moderated by CA or other factors.

Discussion, Limitations, and Future Research

Relying on ELM as a framework, involvement was put forth as the key variable of interest in this experimental study. Past studies have shown involvement with CSR cause to be a significant predictor of both CSR reputation ratings and subsequent financial outcomes – namely purchase intention, WOM product recommendation, and willingness to pay premium prices (Gogo et al., 2014; Koschate-Fischer et al., 2012; Öberseder et al., 2011). Moreover, different CSR categories have also been shown to produce similar changes in financial outcomes. In particular, when compared to CRM without cause choice, consumers given a choice of cause within CRM campaigns respond favorably to both the company enacting such socially responsible efforts as well as its product (Robinson et al., 2012).

Because of these similarities in results, the researcher hypothesized that involvement may be the cognitive process at play leading to increased positive financial outcomes that often accompany increased choice of and participation in socially responsible causes. The results here do not bear this out. While participants exposed to generalized CSR campaigns show significantly greater cause involvement than did those in the control conditions, no statistically

significant differences emerged among the three CSR category experimental conditions. Similarly, the results also show no significant differences in purchase intention and WOM.

Added participation and choice through CRM mechanisms do not appear to meaningfully correlate with or cause greater involvement, higher purchase intention, or increased WOM. Interestingly, however, when compared to participants in the CRM without cause choice condition, those presented with a cause choice were willing to pay an average of $10.50 more for the product. As Robinson et al. (2012) suggest, added cause choice does indeed lead to a willingness to pay premium prices, though involvement does not appear to be the driving cognitive mechanism. Additional research is required to understand the psychological motivation that produces this effect. Among the most commonly proposed reasons are increased locus of control, higher satisfaction with the outcome, or stronger attachment to the company, cause, or product (Robinson et al., 2012).

Although changes in CSR category reflected little significant change in involvement, the involvement construct remains important nevertheless. In the finalized regressions for both purchase intention and WOM, cause involvement emerged as a significant and positive predictor – as did ratings of CSR reputation. Moreover, involvement was a significant moderator of both CSR reputation and CA's effects. For both purchase intention and WOM, CA yielded a significant and positive main effect, with participants judging organizations to be higher in CA expressing greater intent to purchase and recommend products. In both cases, as CSR reputation increased, high cause involvement further widened these gaps among high and low CA groups. In other words, when consumers display high cause involvement, improved CSR reputations increase purchase intention and WOM at a greater pace when companies display manufacturing expertise in the production of quality goods.

Still, while involvement and CSR reputation to some extent drive purchase intention and WOM, they have virtually no effect on consumers' willingness to pay premium prices. In this study, increases in reservation price are driven entirely by increases in brand relevance, product quality, and CA. And speaking more generally, even under conditions when CSR reputation and involvement contribute to positive financial outcomes, as is the case for purchase intention and WOM, product quality and CA are just as strong – and often stronger – contributors.

For CSR and CRM programs to be viable, they must generate revenue greater than or equal to their expense. That revenue can take a variety of forms: increased capital from investors, higher productivity among employees, decreased regulation and litigation, etc. (see Chapter 2). This experimental study tested the ability to recover lost revenue in the implementation of CSR programs directly from consumer spending, with mixed results as to whether raising such revenue is possible.

First and foremost, if a company fails to display expertise in its industry at producing and selling quality goods, CSR efforts are probably moot. In all cases, CA is the more important driver of financial revenue from consumers. It is paramount that PR practitioners understand the comparative effects of these two constructs. Moreover, if products are of good quality, CSR does lead to greater intent to purchase and recommend products, though not a willingness to pay more for them – all else being equal. On a per unit basis, the findings here indicate that CSR costs cannot be recovered via premium pricing. However, when products are competitively priced, consumers favor socially responsible organizations over irresponsible ones, which could lead to increased sales revenue through sheer volume of sales, increased brand loyalty among current customers, and/or brand switching from competitors (Brown & Dacin, 1997; Demetriou et al., 2010; Luo & Bhattacharya, 2006; Peloza & Shang, 2011).

Of course this is just one interpretation. It could be that participants are displaying a social desirability bias in answering questions about purchase intention and WOM that fades when true dollars and cents are introduced into the equation. Indeed, past research on CSR and its effects on purchase intention and premium pricing have sometimes found such hesitancy when customers are actually expected to follow up words with action (Kimeldorf et al., 2006; Voelckner, 2006). One limitation of the experimental nature of this project is that there is no way to gauge sincerity. Future research relying on secondary sales and CSR data or naturalistic observation is required to address such concerns.

Future studies might also investigate how distinct purchase intention is from WOM. Note that the finalized linear regression models predicting both purchase intention and WOM feature the same regressors explaining a similar degree of variance. The relative effects of these regressors on the respective DVs are also very similar, as is the nature of the interaction effects. This is not altogether surprising considering the two DVs are highly correlated ($r = .80$, $p <. 01$), but despite these strong correlations, the CFA of the measurement model showed the two constructs to be discriminant, hence their treatment as separate variables in this study. In the future, researchers might consider investigating either purchase intention or WOM to simplify measurement models and shorten survey batteries, considering that the two constructs behave in virtually identical fashion.

One final limitation of this study that must be addressed is the sample. The population of interest was all U.S. adults, from which the sample differs significantly in terms of gender, ethnicity, income, age, and education. The median age of the sample, 29, is approximately eight years younger than that of the U.S. population – not an uncommon statistical difference when comparing online samples to more traditional consumer panels (see Steelman et al., 2014). That

age difference is problematic less on its own right and more because of its potential cascading effect on other demographics.

The median income of the sample is roughly $8,000 less than that of the U.S. population. According to the U.S. Bureau of Labor Statistics (2014), 21.6% of U.S. adults ages 18 to 19 are unemployed as are 18.5% of adults ages 20 to 24. The average unemployment rate of all U.S. adults in 2014 was only 6.2%. Because unemployment disproportionately affects young adults and the sample skews young, it is unsurprising that the median income would be comparatively lower in this sample than in the general population. Additionally, part of this income skew is likely due to reporting error. Some participants reported small annual incomes, such as $7,500 for example. In truth, this participant's actual annual income is probably $75,000 and he or she simply omitted a zero, but the researcher cannot make such an assumption or change. The frequency of such assumed yet uncorrected mistakes also likely contributed to the sample's relatively small median income level.

Nonrepresentativeness in terms of education is also affected by the comparative youth of the sample. According to the Pew Research Center (2012), millennials are the most educated generation in U.S. history, so again it is no surprise that a sample skewing young would also skew more educated. Moreover, the United States Census Bureau (2013) only provides education data on adults ages 25 and older, meaning any college graduate under age 25 captured in the sample would not have been counted as college educated in the population, further explaining the higher education level of the sample when compared to the population.

In the end, however, some degree of nonrepresentativeness is to be expected when such rigorous testing is employed. Indeed, few published studies go to such extremities in describing and validating their samples, probably because very few would measure up. In large part, the

representativeness of a sample depends on temporal and monetary resources. While the MTurk sample used here is not as robust as those derived from expensive and time-consuming consumer panel studies, it is certainly more representative than oft-used student samples and likely as valid as most samples recruited through more traditional online platforms (Bates & Lanza, 2013; Buhrmester et al., 2011; Goodman et al., 2013; Mason & Suri, 2012; Steelman et al., 2014).

Overall this study significantly contributes to the scholarship and practice of public relations management of CSR programs. Though the addition of cause choice failed to reliably increase cause involvement, the findings here reinforce the importance of cause involvement in improving the effectiveness of CSR initiatives. The burning question for scholars and practitioners alike still remains: How can cause involvement be increased? Certainly stakeholders will vary in their support of different causes. However, one strategy may be to focus CSR initiatives on more agreed upon, noncontroversial activities. For example, the stimulus cause in this study – promotion of STEM education – was one people generally supported, as it resonated with them based on their responses to Grau and Folse's (2007) cause involvement scale ($M = 5.04$, $SD = 1.41$).

Even then, however, the results here suggest that cause involvement – or any other aspect of CSR for that matter – is unlikely to move customers from simply claiming they will pay more responsibly produced goods to actually doing so. As previously discussed, there are a multitude of ways in which CSR can add value to the organizational bottom line. It just seems that premium pricing is not the most effective way to do so. Therefore, scholars and practitioners must explore alternative ways to make CSR work for the pursuit of profit in addition to the social welfare of stakeholders.

Table 6.1

Sample Demographics and Representativeness

Demographic	Category	Sample	U.S. Population[25]	Statistical Significance of Difference
Gender	Male	56.80% (*n* = 390)	49.19%	$\chi^2(1, N = 687) = 15.75, p < .001$
	Female	43.20% (*n* = 297)	50.81%	
Ethnicity	Asian or Pacific Islander	11.20% (*n* = 76)	5.00%	$\chi^2(1, N = 690) = 134.89, p < .001$
	Caucasian	72.60% (*n* = 502)	63.30%	
	African American	6.70% (*n* = 46)	12.20%	
	Spanish or Hispanic	5.10% (*n* = 35)	16.60%	
	Multi-racial	3.30% (*n* = 23)	2.10%	
	Native American	1.00% (*n* = 7)	.70%	
Education	No high school diploma	.30% (*n* = 2)	13.90%	$\chi^2(1, N = 689) = 335.59, p < .001$
	High school of GED	12.20% (*n* = 84)	28.10%	
	Some college, no degree	26.90% (*n* = 185)	21.20%	
	Associate's degree	9.60% (*n* = 66)	7.80%	
	Bachelor's degree	38.90% (*n* = 268)	18.00%	
	Graduate or professional degree	12.20% (*n* = 84)	10.80%	
Income		*Mdn* = $45,000	*Mdn* = $53,046	$Z = -3.77, p < .001$
Age		*Mdn* = 29	*Mdn* = 37.3	$Z = -10.55, p < .001$

Note: The one-sample Wilcoxon signed rank test was used to compare the sample and population medians for income and age variables. The standardized test statistics are reported in column 5.

Table 6.2

Initial Measurement Model Reliability and Convergent Validity

Construct	Composite Reliability (CR)	Average Variance Extracted (AVE)	Maximum Shared Variance (MSV)	Average Shared Variance (ASV)
Purchase Intent	.96	.878	.674	.346
BRiC	.94	.801	.076	.047
CA	.93	.704	**.835**	.388
CSR Reputation	.89	.581	**.587**	.265
Community	.87	.628	.587	.210
Customer	.90	.701	**.835**	.373
Involvement	.91	.672	.085	.047
WOM	.97	.845	.707	.407

Note: Bolded values indicated a MSV > AVE, which suggests issues with discriminant validity for the given construct.

Table 6.3

Initial Measurement Model Factor Correlation Matrix with Square Root of the AVE on the Diagonal

	Purchase Intent	BRiC	CA	CSR Reputation	Community	Customer	Involvement	WOM
Purchase Intent	.937							
BRiC	.274	.895						
CA	.771	.276	**.839**					
CSR Reputation	.503	.181	.554	**.762**				
Community	.404	.227	.425	.766	.793			
Customer	.762	.220	.914	.464	.442	**.837**		
Involvement	.291	.031	.185	.253	.178	.168	.820	
WOM	.821	.206	.830	.629	.510	.841	.288	.919

Note: Bolded values indicated a $\sqrt{AVE}$ < inter-construct correlations, which suggests issues with discriminant validity for the given construct.

Table 6.4

Revised Measurement Model Reliability and Convergent Validity

Construct	Composite Reliability (CR)	Average Variance Extracted (AVE)	Maximum Shared Variance (MSV)	Average Shared Variance (ASV)
Purchase Intent	.96	.878	.676	.335
CA	.94	.710	.684	.337
CSR Reputation	.89	.573	.396	.210
BRiC	.94	.801	.075	.045
Involvement	.91	.672	.085	.053
WOM	.97	.845	.684	.376

Table 6.5

Revised Measurement Model Factor Correlation Matrix with Square Root of the AVE on the Diagonal

	Purchase Intent	CA	CSR Reputation	BRiC	Involvement	WOM
Purchase Intent	.937					
CA	.767	.843				
CSR Reputation	.502	.554	.757			
BRiC	.274	.273	.179	.895		
Involvement	.291	.183	.249	.031	.820	
WOM	.822	.827	.629	.206	.289	.919

Table 6.6

Correlation Matrix for IVs, DVs, and Experimental Conditions

	BRiC	CA	CSR reputation	Involvement	Purchase Intention	WOM	Reservation Price	Product Quality Category	CSR Category
BRiC	1								
CA	.27**	1							
CSR reputation	.21**	.59**	1						
Involvement	.01	.16**	.22**	1					
Purchase Intention	.25**	.75**	.52**	.26**	1				
WOM	.19**	.79**	.61**	.25**	.80**	1			
Reservation Price	.25**	.24**	.17**	.08	.29**	.29**	1		
Product Quality Category	.04	.58**	.25**	.09*	.55**	.57**	.15**	1	
CSR Category	-.02	.07	.29**	.02	.06	.13**	.08	.05	1

Note: **$p < .01$ *$p < .05$

Table 6.7

Full Hierarchical OLS Regression Model Predicting Purchase Intention

	Model 1	Model 2	Model 3	Model 4
	B (SE)	B (SE)	B (SE)	B (SE)
Constant	3.456 (.055)***	3.456 (.041)***	3.454 (.052)***	3.414 (.055)***
PQ category	1.175 (.069)***	.440 (.064)***	.448 (.066)***	.456 (.067)***
CSR category	.048 (.50)	-.044 (.039)	-.028 (.040)	-.036 (.040)
BRiC		.078 (.028)**	.051 (.048)	.040 (.051)
CA		.664 (.048)***	.753 (.071)***	.728 (.076)***
CSR rep		.197 (.047)***	.086 (.073)	.115 (.076)
Involvement		.163 (.030)***	.161 (.050)***	.157 (.056)**
PQ category * Involvement			-.006 (.038)	-.072 (.049)
PQ category * CSR rep			.048 (.056	.046 (.064)
PQ category * BRiC			.029 (.035)	-.040 (.042)
PQ category * CA			-.058 (.054)	-.036 (.055)
CSR category * Involvement			.003 (.026)	.017 (.028)
CSR category * CSR rep			.089 (.041)*	.085 (.041)*
CSR category * BRiC			.021 (.025)	.027 (.026)
CSR category * CA			-.071 (.036)*	-.064 (.037)†
Involvement * CSR rep				-.051 (.032)
Involvement * BRiC				.019 (.021)
Involvement * CA				.072 (.034)*
CSR rep * BRiC				-.044 (.031
CSR rep * CA				.007 (.031)
BRiC * CA				.078 (.028)**
Involvement * CSR rep * BRiC				.005 (.018)
Involvement * CSR rep * CA				.005 (.015)
Involvement * BRiC * CA				.005 (.015)
CSR reputation * BRiC * CA				-.004 (.013)
Involvement * CSR rep * BRiC * CA				.005 (.007)

Note: ***$p < .001$ **$p < .01$ *$p < .05$ †$p < .1$

Model 1: $F (2, 688) = 147.32$, $p < .001$ ($R^2 = .300$; $R^2_{adj} = .298$)
Model 2: $F (6, 684) = 181.01$, $p < .001$ ($R^2 = .614$; $R^2_{adj} = .610$)
Model 3: $F (14, 676) = 78.05$, $p < .001$ ($R^2 = .618$; $R^2_{adj} = .610$)
Model 4: $F (25, 665) = 45.82$, $p < .001$ ($R^2 = .633$; $R^2_{adj} = .619$)

Table 6.8

Full Hierarchical OLS Regression Model Predicting WOM

	Model 1	Model 2	Model 3	Model 4
	B (SE)	B (SE)	B (SE)	B (SE)
Constant	3.972 (.047)***	3.972 (.032)***	4.013 (.040)***	3.974 (.042)***
PQ category	1.062 (.058)***	.392 (.032)***	.400 (.051)***	.423 (.051)***
CSR category	.136 (.042)***	.019 (.030)	.033 (.031)	.029 (.031)
BRiC		-.002 (.022)	.003 (.037)	.004 (.040)
CA		.578 (.037)***	.612 (.055)***	.599 (.059)***
CSR rep		.295 (.037)***	.223 (.057)***	.249 (.059)***
Involvement		.103 (.023)***	.090 (.039)*	.068 (.043)
PQ category * Involvement			.008 (.029)	.018 (.038)
PQ category * CSR rep			-.034 (.044)	-.067 (.050)
PQ category * BRiC			.017 (.027)	-.023 (.033)
PQ category * CA			-.083 (.042)*	-.097 (.042)*
CSR category * Involvement			.013 (.020)	.005 (.021)
CSR category * CSR rep			.056 (.031) †	.059 (.032)†
CSR category * BRiC			-.000006 (.019)	.013 (.020)
CSR category * CA			-.037 (.028)	-.052 (.029)†
Involvement * CSR rep				.051 (.025)*
Involvement * BRiC				.016 (.017)
Involvement * CA				-.021 (.027)
CSR rep * BRiC				-.050 (.024)*
CSR rep * CA				.032 (.024)
BRiC * CA				.056 (.022)*
Involvement * CSR rep * BRiC				-.029 (.014)*
Involvement * CSR rep * CA				.028 (.011)*
Involvement * BRiC * CA				.029 (.012)*
CSR reputation * BRiC * CA				-.018 (.010)†
Involvement * CSR rep * BRiC * CA				-.004 (.006)

Note: ***$p < .001$ **$p < .01$ *$p < .05$ $^{\dagger}p < .1$

Model 1: F (2, 688) = 176.62, $p < .001$ ($R^2 = .339$; $R^2_{adj} = .337$)
Model 2: F (6, 684) = 253.49, $p < .001$ ($R^2 = .690$; $R^2_{adj} = .687$)
Model 3: F (14, 676) = 110.197, $p < .001$ ($R^2 = .695$; $R^2_{adj} = .689$)
Model 4: F (25, 665) = 64.51, $p < .001$ ($R^2 = .708$; $R^2_{adj} = .697$)

Table 6.9

Full Hierarchical OLS Regression Model Predicting Reservation Price

	Model 1	Model 2	Model 3	Model 4
	B (SE)	B (SE)	B (SE)	B (SE)
Constant	29.67 (1.51)***	26.03 (1.70)***	26.59 (1.90)***	26.91 (2.10)***
PQ category	5.067 (1.934)**	5.515 (2.032)**	4.578 (2.608)†	4.572 (2.791)†
CSR category	1.634 (1.161)	1.308 (1.182)	.706 (1.561)	1.115 (1.746)
BRiC		3.566 (.888)***	2.127 (1.741)	1.211 (2.105)
CA		1.194 (1.685)	1.745 (2.688)	1.094 (3.200)
CSR rep		.986 (1.509)	.562 (2.387)	.429 (2.917)
Involvement		1.394 (1.024)	-.771 (1.929)	-2.188 (2.436)
PQ category * Involvement			-1.130 (1.666)	-.926 (1.930)
PQ category * CSR rep			1.607 (2.194)	2.058 (2.328)
PQ category * BRiC			1.448 (1.293)	1.304 (1.421)
PQ category * CA			-.393 (2.047)	-.370 (2.328)
CSR category * Involvement			1.745 (.901)†	1.955 (1.039)†
CSR category * CSR rep			.105 (1.330)	-.393 (1.428)
CSR category * BRiC			.554 (.841)	.467 (.912)
CSR category * CA			.013 (1.440)	-.014 (1.719)
Involvement * CSR rep				.209 (1.349)
Involvement * BRiC				.330 (1.000)
Involvement * CA				.603 (1.651)
CSR rep * BRiC				1.101 (1.464)
CSR rep * CA				-.399 (1.441)
BRiC * CA				.421 (1.221)
Involvement * CSR rep * BRiC				.209 (.778)
Involvement * CSR rep * CA				.577 (.744)
Involvement * BRiC * CA				-.289 (.801)
CSR reputation * BRiC * CA				.244 (.855)
Involvement * CSR rep * BRiC * CA				-.174 (.564)

Note: ***$p < .001$ **$p < .01$ *$p < .05$ †$p < .1$

Model 1: $F (2, 688) = 4.52$, $p < .05$ ($R^2 = .027$; $R^2_{adj} = .021$)
Model 2: $F (6, 684) = 7.34$, $p < .001$ ($R^2 = .120$; $R^2_{adj} = .104$)
Model 3: $F (14, 676) = 3.67$, $p < .001$ ($R^2 = .141$; $R^2_{adj} = .102$)
Model 4: $F (25, 665) = 2.26$, $p < .01$ ($R^2 = .157$; $R^2_{adj} = .088$)

Table 6.10

Finalized Multiple Regression Model Predicting Purchase Intention

	B (SE)	β	t	Sig.
Constant	3.420 (.045)		75.2844	.000
PQ category	.448 (.064)	.208	6.966	.000
BRiC	.085 (.028)	.076	3.064	.002
CA	.657 (.048)	.506	13.583	.000
CSR rep	.194 (.046)	.131	4.223	.000
Involvement	.197 (.033)	.160	6.016	.000
CA * BRiC	.053 (.019)	.071	2.839	.005
Involvement * CA	.048 (.026)	.058	1.894	.059
Involvement * CSR rep	-.036 (.029)	-.041	-1.254	.210
CA * CSR rep	.011 (.023)	.013	.479	.632
CSR rep * CA * Involvement	-.025 (.013)	.063	-2.015	.044

F (10, 680) = 130.30, $p < .001$ ($R^2 = .625$; $R^2_{adj} = .619$)
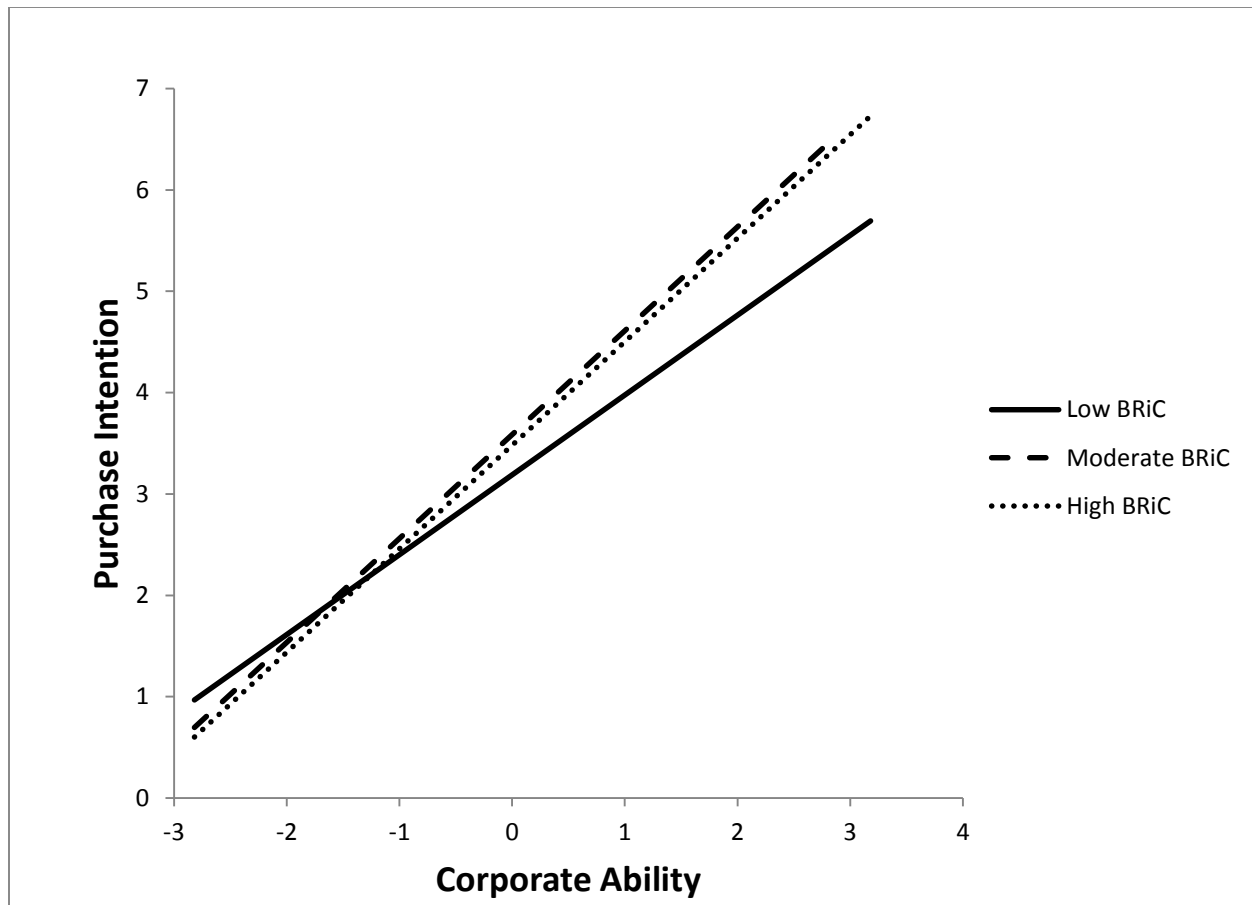
Figure 6.1

Two-Way Interaction of CA and BRiC Predicting Purchase Intention

Note: Low BRiC: $y = .79x + 3.19$
Moderate BRiC: $y = 1.02x + 3.59$
High BRiC: $y = 1.02x + 3.48$
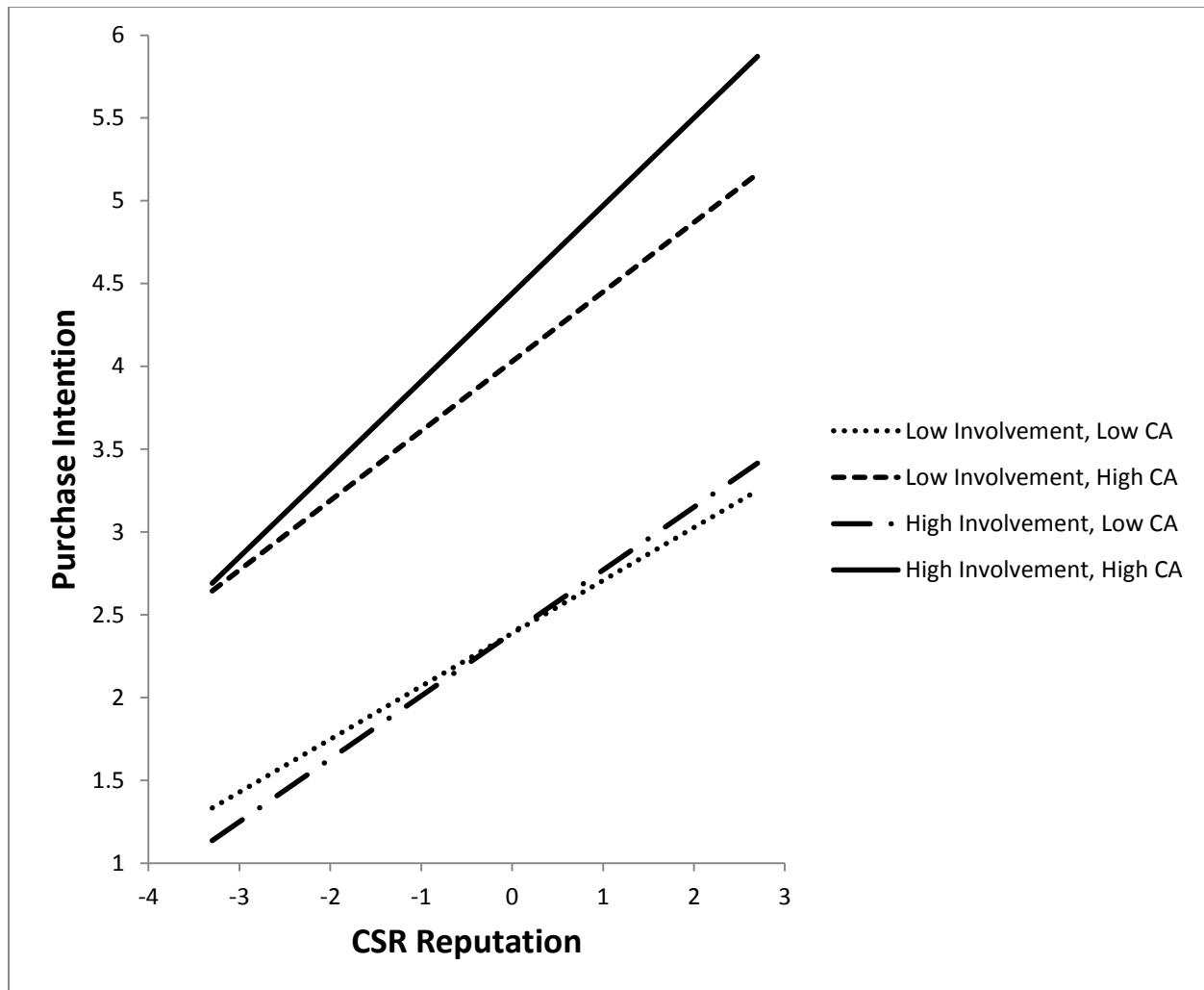
Figure 6.2

Three-Way Interaction of CSR reputation, CA, and Involvement Predicting Purchase Intention

Note: Low Involvement, Low CA: $y = .32x + 2.39$
Low Involvement, High CA: $y = .42x + 4.03$
High Involvement, Low CA: $y = .38x + 2.39$
High Involvement, High CA: $y = .53x + 4.44$

Table 6.11

Finalized Multiple Regression Model Predicting WOM

	B (SE)	β	*t*	Sig.
Constant	3.947 (.036)		111.008	.000
PQ category	.413 (050)	.221	8.214	.000
BRiC	-.003 (.022)	-.003	-.136	.892
CA	.547 (.038)	.486	14.440	.000
CSR rep	.297 (.036)	.231	8.244	.000
Involvement	.091 (.026)	.085	3.535	.000
CA * BRiC	.031 (.014)	.048	2.133	.033
Involvement * CA	.000 (.020)	.000	.011	.991
Involvement * CSR rep	.033 (.022)	.044	1.479	.140
CSR rep * CA	-.009 (.018)	-.013	-.509	.611
CSR rep * CA * Involvement	.020 (.010)	.057	2.034	.042

$F (10, 690) = 154.24, p < .001 (R^2 = .694; R^2_{adj} = .690)$
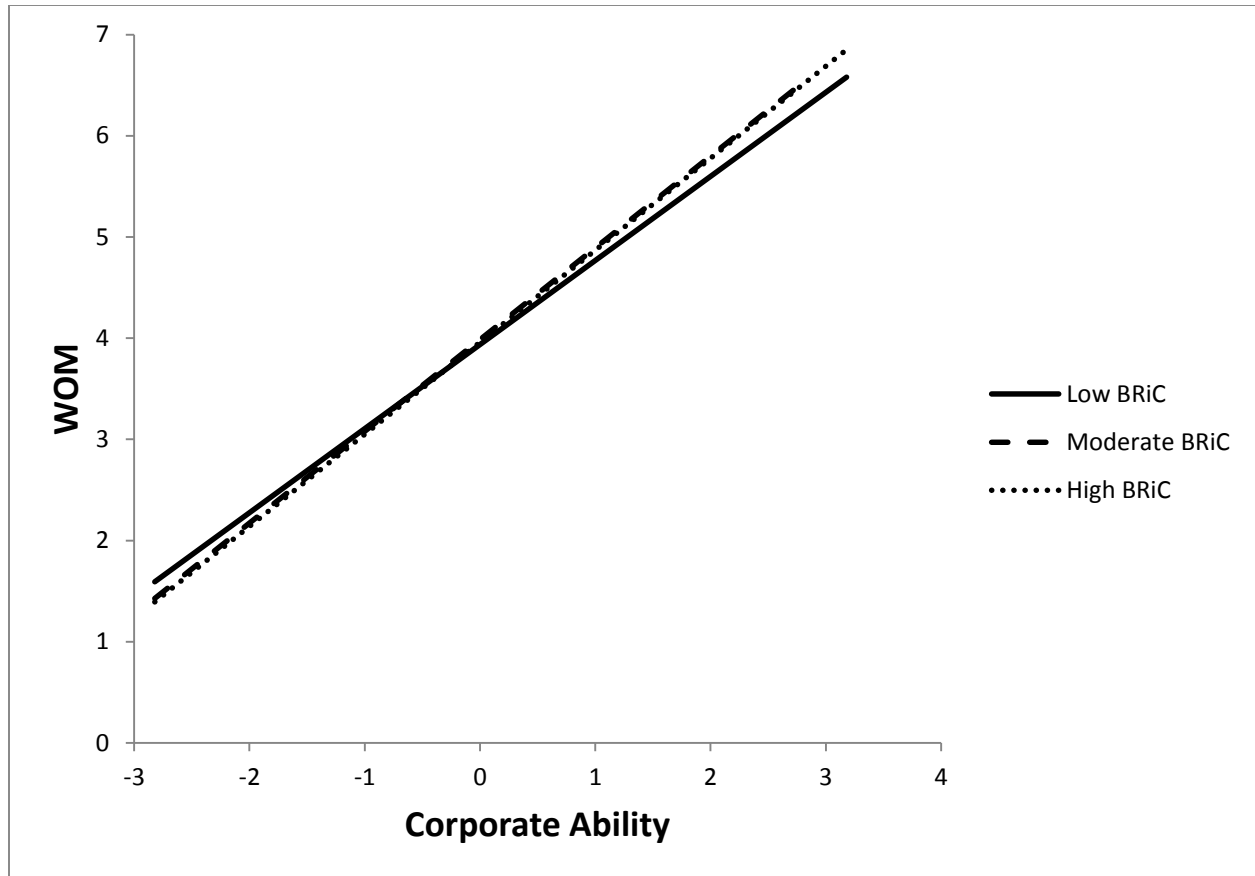
Figure 6.3

Two-Way Interaction of CA and BRiC Predicting WOM

Note: Low BRiC: $y = .83x + 3.94$
Moderate BRiC: $y = .91x + 3.99$
High BRiC: $y = .91x + 3.96$
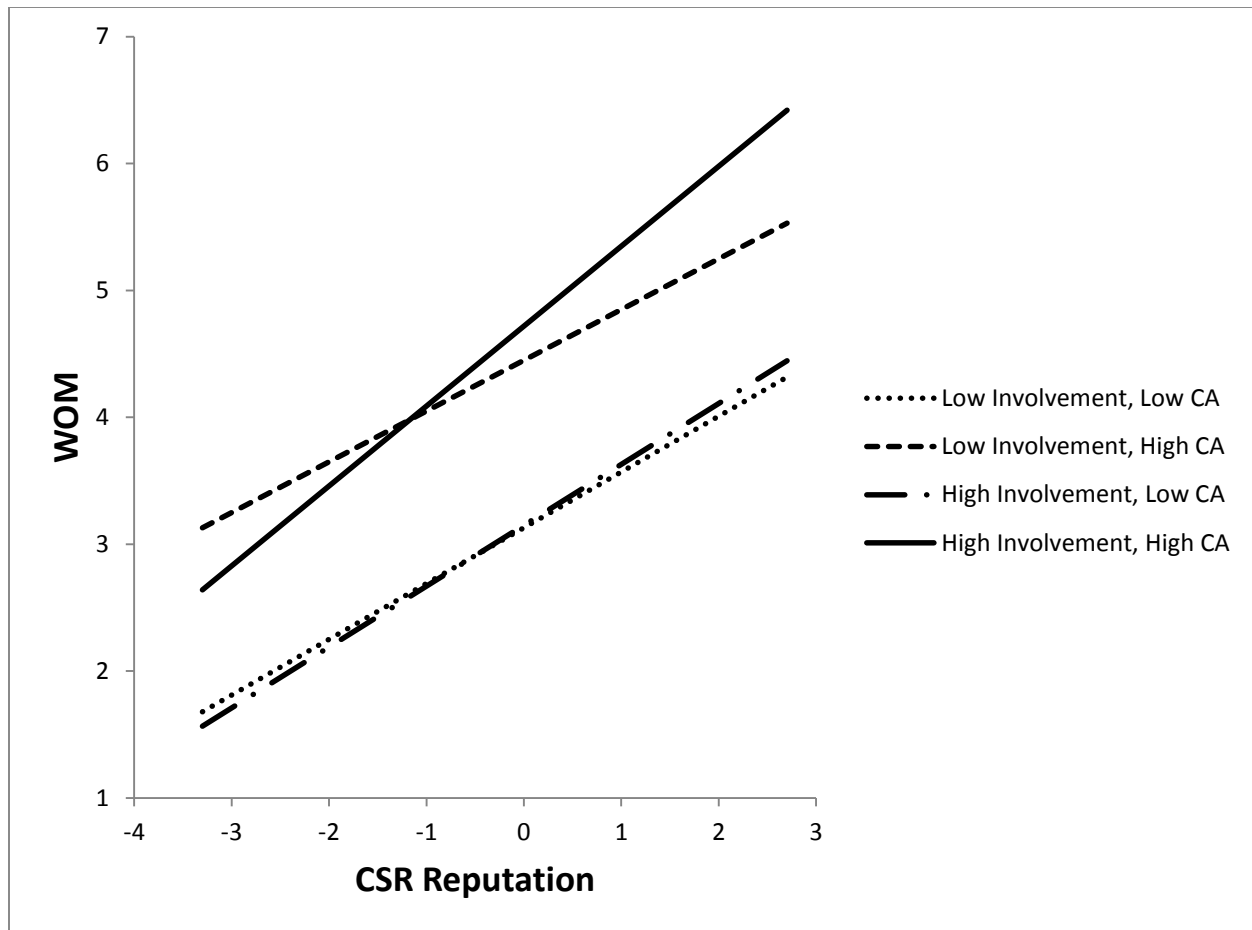
Figure 6.4

Three-Way Interaction of CSR reputation, CA, and Involvement Predicting WOM

Note: Low Involvement, Low CA: $y = .44x + 3.13$
Low Involvement, High CA: $y = .40x + 4.45$
High Involvement, Low CA: $y = .48x + 3.15$
High Involvement, High CA: $y = .63x + 4.72$

Table 6.12

Finalized Multiple Regression Model Predicting Reservation Price

	B (SE)	β	t	Sig.
Constant	26.422 (1.697)		15.574	.000
PQ category	4.977 (1.989)	.141	2.503	.013
BRiC	3.390 (.878)	.226	3.862	.000
CA	2.903 (1.453)	.120	1.998	.047

F (3, 325) = 12.97, $p < .001$ ($R^2 = .107$; $R^2_{adj} = .099$)

CHAPTER 7

CONCLUSION

Individually, the two studies comprising this dissertation make unique contributions to PR research and practice. However, only by looking at them together does a grander idea emerge, and it is one that speaks to the very nature of the CSR construct itself. At first glance, the findings here appear to provide evidence that CSR could be considered either a formative or reflective construct. In actuality, however, it appears that CSR is not a singular construct at all; rather, it is better to consider *CSR performance* and *CSR perception* as distinct entities behaving in vastly different ways.

The evidence from the secondary data analysis of KLD, COMPUSTAT, and CRSP variables investigated the following six dimensions of CSR:

- Diversity
- Philanthropy
- Employee Relations
- Community Relations
- Environmental Sustainability
- Human Rights

If these dimensions were to merge into a reflective measure of CSR, then one would reasonably expect significant and strong inter-item correlations, internal reliability, and convergence along a single factor. The results from Chapter 5 provided no such evidence. Therefore, if CSR is to be considered a singular variable, then it is most likely a formative one.

In the second study, which investigated the effect of cause involvement on financial outcomes, CSR was again measured along six dimensions as defined by Kim's (2011) CA/CSR scale:

- Diversity
- Philanthropy
- Education Commitment
- Community Relations
- Environmental Sustainability
- Public Health

Based on assumptions concerning the formative nature of CSR and findings in the secondary data analysis, the researcher expected to find little evidence of CSR as being a reflective construct in this setting as well.

In large part, this expectation of a formative CSR construct led to the inclusion of a community responsibilities scale in the original measurement model. This scale, adapted from Rettab et al. (2009), was first included because it provided more specific measures of community relations and product quality than did S. Kim's (2011) CSR/CA scale. The researcher feared the CSR reputation items seemingly unrelated to corporate giving toward community and educational programs (environmental sustainability, social diversity, and public health), which were the focal causes in the stimulus, would include too much statistical noise because S. Kim (2011) measured CSR more generally in her scale. But, while this community responsibilities scale proved reliable, it lacked discriminant validity as its extracted variance was captured by the CSR scale, hence its exclusion in the final measurement model.

The researcher was nevertheless hesitant to remove the community responsibilities scale despite discriminant validity concerns, and even considered separating the 6-item CSR reputation scale into two 3-item scales. A Varimax-rotated EFA of the 6-item CSR reputation scale yielded only one component with the smallest factor loading equal to .735. This strong empirical evidence for a single, reflective CSR factor, coupled with the theoretical arguments in the extant literature regarding S. Kim's (2011) scale, made splitting these construct ill advised.

Still, such strong internal consistency among somewhat disparate items is odd given the experimental manipulation of CSR. Why would organizational commitments to STEM education lead participants to judge that organization as more committed to social diversity, environmental sustainability, or public health? The success of the CSR category manipulation check makes it improbable that participants were unable to interpret the CSR and CRM messages, and therefore unlikely that they both systematically and erroneously completed the CSR reputation scale. Moreover, the statistical support from the secondary data analysis for treating CSR as a formative construct made this experimental evidence for a reflective CSR construct that much more baffling.

The reason for these differences is that, though both studies measure CSR, one addresses CSR *performance* – objectively evaluated by a reliable source – while the other measures CSR *perception* – subjectively determined by stakeholder assessments. This objective CSR performance construct is formative, as one might expect given that there is no logical reason why a company performing well in one dimension of CSR would perform well in all dimensions. Interestingly, however, the CSR perception construct is reflective in nature. Rather than seeing CSR as a collection of separate, unrelated performance dimensions, stakeholder *perception* of CSR performance is more broadly applied. There appears to be some sort of spillover effect in which actual success in one area of CSR leads to attributed success in similar yet distinct arenas.

This spillover effect is analogous to the what-is-beautiful-is-good, or halo, effect. Research on the halo effect describes people's tendency to attribute positive character qualities to physically attractive persons more often than to less attractive persons, even though, in reality, no such difference exists (Burgoon, Buller, & Woodall, 1995; Dion, Berscheid, & Walster, 1972; Hatfield & Sprecher, 1985). Similarly, although participants in the experimental study were

given no information by which to judge the dummy stimulus company on matters such as environmental sustainability and public health, positive information on other CSR aspects – community relations, philanthropy, and educational commitment – spilled over to create positive judgments in these areas nonetheless.

The existence and strength of this possible spillover effect merit further investigation. Should such an effect be ample, it could have vast strategic significance for PR practitioners. Organizations suffering in social reputation in one dimension could avoid the uphill battle of combatting such negative reputations directly. Instead they might garner renown in some other dimension of social responsibility in which they already hold strong or at least neutral footing. Those reputation gains would then spillover to bolster weaker reputations in another arena.

For PR scholars, this means that CSR performance and perception are distinct and must be treated as such in future studies. Problematically, the PR literature at present treats CSR almost exclusively as a reflective measure of perception (Y. Kim & Yang, 2013; L'Etang, 2003; Laskin, 2013; Wartick, 1992). To some extent this is unavoidable and even desirable. CSR benefits are manifested, mediated, and moderated by organizational reputation, which is unquestionably a matter of perception. However, it is critical that researchers do not extrapolate a determination *actual* CSR performance from a *perception* of CSR performance.

Social welfare is best served when organizations actually perform well in their CSR endeavors. Corporate coffers might also benefit from true improvements in performance, but given that CSR is an exercise of reputation management, the perception of success is as important – if not more so – than actual success itself. As it turns out, CSR may not be a practice of "doing well by doing good," but instead one of "doing well by *appearing* good."

NOTES

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[1] This is a basic application of systems theory to public relations research and practice (see Luhmann, 2013).

[2] In an empirical test of CSR's impact on organizational performance outcome, Jin and Drozdenko (2010) used stepwise linear regression and separated the impacts of ethicality and social responsibility as independent variables. The relative lack of multicollinearity (VIF = 1.33) between the two variables lends further evidence to L'Etang's (2003) claim that ethics and social responsibility are distinct constructs.

[3] Cause marketing, or cause-related marketing (CRM), will be compared and contrasted to CSR in greater detail in Chapter 4.

[4] Maignan and Ferrell's (2000) corporate citizenship measures support this line of argument. Diversity practices are included in the legal citizenship dimension (see Table 2.3).

[5] Coombs and Holladay (1996) report a reliability of $\alpha = .82$.

[6] Note that the sources listed at the bottom of the tables in Chapters 2 and 4 are also the sources of the reported reliabilities for the given scales.

[7] A theory is said to contain a non-refuting anomaly when it cannot address a specific problem, but a rival theory can (P. F. Anderson, 1983; Laudan, 1977). Over time, non-refuting anomalies weaken the use-value of a theory.

[8] The reader will note that human rights activities were considered part of the community involvement subcategory of CSR in the Chapter 2 typology. However, because KLD considers the two as separate activities, there is a relatively large amount of data for each component. In the interest of keeping the categories similar in size as well as creating a more specific measurement model, the current study maintains this division.

[9] Firms also differentiate themselves in more tangible ways than advertising, often by attempting to deliver better products or services than its industry competitors. Research and development intensity is commonly used to measure such tangible product differentiation (Hambrick & Abrahamson, 1995; Luo & Bhattacharya, 2006; McWilliams & Siegel, 2001). However, because the scope of this study includes not only manufacturing industries, i.e. those that engage in R&D spending, as well as more service and financial oriented industries, i.e. those that do not typically engage in intensive R&D spending, R&D intensity was omitted from the study (Bharadwaj, Bharadwaj, & Konsynski, 1999; Billings, Glazunov, & Houston, 2001). Of the 8,445 firm years for which COMPUSTAT, CRSP, and KLD provided data, 3,865 of them (45.77%) reported no R&D spending.

[10] The KLD database is now managed by MSCI, which stopped collecting information on many of socially responsible activities of interest to this study after 2009. Hence the reasoning for ending the investigative timeframe at 2009.

[11] According to Frey, Botan, and Kreps (2000), experimental cells must have at least five participants to conduct statistical analysis. More robust multivariate analysis requires a minimum of 20 (See Hair Jr., Black, Babin, & Anderson, 2010). A sample size of $N = 691$ in a 4x3

experiment allows for approximately 57 participants per cell, well above the recommended minimum.

[12] As the stimulus product was modeled after Ray-Ban, the financials from its parent company, Luxiottica, were used to determine the set dollar amount for the CSR condition. According to Luxottica's (2014) annual report for 2013, North American revenues totaled €648.92 million, roughly equivalent to $771 million on Dec. 31, 2013. As the CRM conditions pledged 1% of sales revenue to the NSMI, the CSR condition pledged a contribution of $7.71 million.

[13] Note that the letters in parenthesis following each queried item represents COMPUSTAT/CRSP's abbreviation for that item in its database.

[14] Concentration ratios are often used as measure of industry competitiveness by calculating the percentage of market share held by the top four (CR4) or eight (CR8) firms within an industry. Size disparities among the highest earning firms can sometimes lead to misleading measures of competitiveness when using the CR4 and CR8, hence the use of the HHI in this study, as it accounts for all firms in a given industry (Hoskins, Stuart, & Finn, 2004).

[15] The intercept provides a value of the outcome variable when all predictor variables are equal to zero. Grand-mean centering recodes variables so that the mean assumes this zero value. Hence, the intercept represent the value of the outcome variable for the average case.

[16] Note that a check mark denotes that the model confirms the hypotheses, while an "x" denotes a disconfirmation of the hypotheses. Blank cells indicate no significant findings for the independent variable.

[17] No resident of Rhode Island completed the survey.

[18] Note that Dunnett's T3 is just one of several tests that may be employed when equal error variances cannot be assumed (see Green & Salkind, 2014).

[19] The dependent variable of reservation price was determined using the conjoint analysis procedure described in Chapter 4. This data was based on open ended questions about the maximum price participants were willing to pay; as a single item measure, reliability and validity could not be assessed through CFA.

[20] The researcher initially thought the lack of significant mean differences in the involvement construct among CSR categories may have been due to a ceiling effect. The involvement index was constructed using 7-point Likert scales, and on the whole, participants were rather vested in STEM education ($M = 5.04$, $SD = 1.41$). The involvement variable was subsequently transformed using a log_{10} function and a one-way ANOVA was conducted, but these results only confirmed the initial findings ($F (3, 687) = 2.98$, $p < .05$, $\eta^2 = .01$; CSR − Control $M_{diff} = .05$, $SD = .02$, $p < .05$).

[21] The researcher did not include reservation price as a dependent variable in the one-way MANOVA because of missing values. Involvement, purchase intention, and WOM measures displayed no missing values. However, only 47.61% ($n = 329$) expressed a willingness to pay the minimum $20 reservation price presented in the conjoint analysis. Testing all four variables in a MANOVA would have resulted in the unnecessary exclusion of 362 data points among the other three constructs, skewing the results. Hence reservation price was tested in a separate ANOVA.

[22] Mean-centering variables is commonly used to counteract multicollinearity (see Belsley, Kuh, & Welsch, 1980).

[23] Initially the researcher set the first block of each regression to comprise the demographic variables of gender, minority status, age, education, and income. However, none of these models were significant at the $p < .05$ level, so demographic factors were removed from consideration.

[24] Hair Jr. et al. (2010) suggest that VIFs ≥ 10 indicate multicollinearity issues. While none of the VIFs in any of the initial models was greater than 10, some were uncomfortably close to this threshold (as high as 9.17), adding further justification for simplifying the models in Tables 6.7, 6.8, and 6.9.

[25] Demographic data for the U.S. population was obtained from the United States Census Bureau (2013).

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