When Good Deeds Dilute Your Equity

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Based on the assumption that firms are rewarded for their social initiatives, many firms have become socially responsible (Levy 1999). However, consumers may not blindly accept these social initiatives as completely selfless. Therefore, it is proposed that consumer’s evaluation of a social initiative is dependent upon the relationship between the firm and the cause, rather than the corporate act alone. Thus, the benefit accrued to the firm depends on whether the consumer (1) believes the social initiative makes sense or fits the firm; (2); believes the act is motivated by pro-social ideals; and (3) perceives the act as proactive rather than reactive. Through two studies, this research investigates the role that fit, perceived corporate motive, and timing play in determining consumer response to corporate social initiatives.

STUDY 1: EFFECTS OF FIT AND MOTIVATION

The Role of Fit
Fit is important because it affects: (1) how much thought people give to a relationship, (2) what types of thoughts are generated, and (3) the clarity of the company’s position and ultimately their response to the company. Generally, we expect high fit programs to enhance company attitude and low fit programs to dilute company attitude (Aaker 1990; Keller and Aaker 1992; Mandler 1982; Simonin and Ruth 1998; Speed and Thompson 2000; Till and Busler 2000). If a company’s social initiative fits or “matches” with prior expectations, knowledge, and associations about the firm (e.g., Home Depot and Habitat for Humanity), then the act and all of its positive associations should flow to the company (Till and Busler 2000). More specifically, if there is a fit between the company and the initiative based on a competency domain (e.g., building materials and homes for poor people), we expect the new information to be easily integrated into the consumer’s cognitive structure of company associations strengthening the connection between the two (Fiske and Taylor 1991). The following hypotheses related to fit are examined:

H1: low fit between the company and the social initiative, versus high fit, results in:

a. a greater number of thoughts
b. thoughts that are less favorable and are more focused on motive
c. less favorable overall attitude toward the company
d. beliefs about the company being less credible
e. lower likelihood of customer support

The Role of Perceived Corporate Motivation
Similar to fit, perceived corporate motivation is likely influence the number of thoughts, the content of thoughts, overall attitude toward the company, and specific belief measures related to corporate citizenship and corporate credibility. Specifically, when the initiative is motivated by profit rather than social welfare, consumers are likely to increase their elaboration which, in turn, is likely to increases the probability that persuasion knowledge (Friestad and Wright 1994, 1995) will be used and consumers will question the company’s motivation (cf. Campbell and Kirmani 2000; Friestad and Wright 1994, 1995). Further in the low fit case, this effect is likely to be more pronounced. The following hypotheses related to motivation are examined:

H2: profit motivated versus socially driven social initiatives, result in:

a. a greater number of thoughts
b. thoughts that are less favorable and more focused on corporate motive
c. less favorable attitude toward the company
d. beliefs about the company being less credible
e. lower likelihood of customer support

Results
We find that social initiatives that are perceived as high fit and socially motivated have the strongest positive influence on consumer attitudes, corporate credibility and corporate positioning. Interestingly, when fit is low, motivation does not seem to matter in that consumer attitudes and beliefs about the company are consistently diluted. Additionally, we find that when fit is low, more thoughts are generated and that these thoughts tend to focus on efficacy of the program and corporate motivation.

These results suggest that firms need to fit their social initiatives with their corporate image and competencies in order to enhance consumer corporate perceptions. Such perceptions will be further enhanced if the corporate initiative is not perceived as profit motivated.

STUDY 2: THE EFFECTS OF TIMING OF INFORMATION

In this experiment we identify an additional variable, timing, which we believe influence responses to social initiatives.

Timing
We predict that consumer perceptions of a socially responsible firm are influenced by whether the initiative is approached proactively or is a response to some environmental catalyst or corporate crisis (e.g., Benetton and capital punishment, versus McDonalds and their use of recyclable packaging material and Exxon and their environmental programs).

We know from the customer service and business ethics literature, that when service or ethics perceptions are exceeded by company actions, the company is rewarded in terms of more positive attitudes and behavioral intentions (Creyer and Ross 1997; Pyu 1998; Zeithmal 1998). If consumers expect a company to act or react in a given way, in this case socially responsible, that becomes the baseline reference point for which they gauge the company’s actual behavior. In the case of reactive social initiatives (e.g., because of the Valdez oil spill Exxon becomes more openly involved in environmental issues), consumers may view the company as either just meeting or even falling short of the baseline reference point. However, in a high fit proactive program, consum-
ers may perceive the company as going beyond the reference point, and thus, are more likely to reward the company (Creyer and Ross 1997). The following hypotheses related to timing are examined:

**H3:** reactive versus proactive CSR initiatives, results in:

- thoughts that are less favorable and more focused on corporate motive
- attenuation of overall attitude
- beliefs about the company being less credible
- lower likelihood of customer support

**Results**

We find that attitude toward the company is enhanced when the program is perceived is proactive and diluted when the program is perceived is reactive. Further, we find that corporate credibility, corporate positioning, and purchase intention are all significantly enhanced when the initiative is proactive. Interestingly we also find that corporate ability is also enhanced when the initiative is proactive and high fit.

In summation, managers need to proactively and carefully choose their corporate social programs and make sure that communications are framed so that consumers perceive the initiative as socially motivated.

**REFERENCES**


