Christian Homburg, Marcel Stierl, & Torsten Bornemann

# Corporate Social Responsibility in Business-to-Business Markets: How Organizational Customers Account for Supplier Corporate Social Responsibility Engagement

Despite the high relevance of corporate social responsibility (CSR) in current business practice and the considerable research on CSR outcomes in consumer markets, investigations of its influence on organizational business relationships are scarce. Relying on instrumental stakeholder theory, the authors develop and empirically test a framework of the influence of a supplier's CSR engagement on organizational customer outcomes. Findings from an examination of 200 cross-industry supplier–customer dyads reveal positive effects of two facets of a supplier's CSR efforts on customer loyalty through distinct mechanisms. Business practice CSR fosters customers' trust, whereas philanthropic CSR strengthens customer–company identification. The authors distinguish a supplier's actual CSR engagement and customers' perception of these CSR activities. In addition, they consider central contingency factors reflecting uncertainty and dependence in business-to-business relationships that determine the effectiveness of CSR.

*Keywords*: business-to-business marketing, corporate social responsibility, customer–company identification, supplier–customer relationships, trust

The notion of corporate social responsibility (CSR) has gained momentum and is currently of strategic importance for many companies. Among *Fortune* 500 companies, as many as 90% have explicit CSR initiatives, more than half publish a separate annual CSR report, and most have senior executives responsible for CSR (Luo and Bhattacharya 2009; McKinsey & Company 2009). We define CSR as a firm's voluntary consideration of stakeholder concerns both within and outside its business operations (Aguilera et al. 2007; Godfrey, Merrill, and Hansen 2009). We consider the stakeholder concept because it "personalizes social ... responsibilities by delineating the specific groups or persons business should consider in its CSR orientation" (Carroll 1991, p. 43). Moreover, our focus on firms' concrete stakeholder-directed activities differentiates the CSR concept from the broader notion of sustainability, which refers to a general guiding principle for society that particularly highlights intergenerational aspects (Schwartz and Carroll 2008).

Christian Homburg is Professor of Business Administration and Marketing and Chairman of the Department of Marketing, University of Mannheim, and Professorial Fellow, Department of Management and Marketing, University of Melbourne (e-mail: homburg@bwl.uni-mannheim.de). Marcel Stierl is Postdoctoral Researcher, Department of Marketing, University of Mannheim (e-mail: marcel.stierl@bwl.uni-mannheim.de). Torsten Bornemann is Professor of Business Administration and Marketing, Institute of Business Administration, University of Stuttgart (e-mail: torsten.bornemann@bwi.uni-stuttgart.de). The authors thank the three anonymous *JM* reviewers for their constructive comments during the review process and the Marketing Science Institute for financial support of this research. Steven Brown served as area editor for this article.

Research in marketing and related fields echoes the managerial focus on CSR, as the literature overview in Table 1 shows. This overview differentiates studies from supplier versus customer perspectives and distinguishes findings from business-to-consumer (B2C) versus business-to-business (B2B) contexts. It is evident that several studies—all in a B2C context—have established a link between a firm's CSR activities and important consumer outcomes such as firm and product evaluations, satisfaction, and loyalty (e.g., Bhattacharya and Sen 2004; Brown and Dacin 1997; Lichtenstein, Drumwright, and Braig 2004).

In practice, however, CSR also is an issue in B2B industries because these companies are often at the forefront of engaging in CSR. For example, in 2011, the chemical company BASF invested €48.7 million solely for CSR activities outside its business operations in the form of philanthropic involvement (BASF 2012). An article discussing this issue in *Marketing News* proclaimed that "CSR programs are vital for B2B companies" (Levy 2010, p. 1).

Despite acknowledgments of CSR's importance in business practice, research addressing CSR activities in a B2B environment is scarce. Existing research in the B2B realm has typically focused on how firms implement CSR issues


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**TABLE 1**
**Literature Overview of CSR Research in Marketing and Related Fields**

| | Supplier Perspective | | Customer Perspective | | | |
|---|---|---|---|---|---|---|
| | | | | Customer Outcomes of a Supplier's CSR Engagement | | |
| | **CSR Conceptualization/ Operationalization** | **CSR Implementation/ Operations** | **Antecedents of a Customer's CSR Orientation** | **Psychological Outcomes** | **Behavioral Outcomes** | **Moderators** |
| B2C | Mostly unidimensional<br>•One overall CSR measure (e.g., Berens, Van Riel, and Van Bruggen 2005; Brown and Dacin 1997; Sen and Bhattacharya 2001; Wagner, Lutz, and Weitz 2009)<br>•Focus on one specific CSR facet (e.g., Lichtenstein, Drumwright, and Braig 2004; Robinson, Irmak, and Jayachandran 2012; Sen, Bhattacharya, and Korschun 2006) | •Product design and manufacturing (e.g., Sharma et al. 2010)<br>•Codes of conduct (e.g., Egels-Zandén 2007)<br>•Supply chain management and supply chain networks (e.g., Tate, Ellram, and Kirchoff 2010) | •Sociodemographic factors (e.g., Auger et al. 2003)<br>•Psychographic factors (e.g., Robinson, Irmak, and Jayachandran 2012)<br>•Cultural factors (e.g., Auger et al. 2003) | Mostly isolated examination<br>•Customer–company identification (e.g., Lichtenstein, Drumwright, and Braig 2004)<br>•Product evaluation (e.g., Berens, Van Riel, and Van Bruggen 2005)<br>•Attitude toward the company (e.g., Brown and Dacin 1997)<br>•Customer satisfaction (e.g., Luo and Bhattacharya 2009)<br>•Trust (e.g., Vlachos et al. 2009)<br>•Resistance to negative company information (e.g., Klein and Dawar 2004) | Mostly isolated examination<br>•Customer loyalty (e.g., Du, Bhattacharya, and Sen 2007; Maignan, Ferrell, and Hult 1999)<br>•Purchase intention (e.g., Du, Bhattacharya, and Sen 2007; Sen, Bhattacharya, and Korschun 2006)<br>•Willingness to pay (e.g., Auger et al. 2003)<br>•Support for CSR initiative (e.g., Bhattacharya and Sen 2004; Lichtenstein, Drumwright, and Braig 2004) | •Supplier- and/or product-related moderators (e.g., Luchs et al. 2010)<br>•Customer-related moderators (e.g., Barone, Norman, and Miyazaki 2007; Wagner, Lutz, and Weitz 2009)<br>•CSR-related moderators (e.g., Du, Bhattacharya, and Sen 2011) |
| B2B | *Research Gap 3*<br>Distinction between CSR facets (in B2B and B2C contexts) | | Purchasing social responsibility (e.g., Carter and Jennings 2004; Drumwright 1994) | *Research Gaps 1 and 4*<br>Customer outcomes of suppliers' CSR engagement in B2B context and simultaneous examination of distinct CSR activities with several outcome variables (in B2B and B2C contexts) | | *Research Gap 5*<br>Integration of B2B-specific moderators |
| | *Research Gap 2*<br>Integration of supplier and customer perspective by examining supplier–customer dyads (in B2B and B2C contexts) | | | | | |

within their business operations (see Table 1). In addition, research from a B2B customer perspective has examined antecedents of a firm's CSR orientation by studying "purchasing social responsibility" (e.g., Carter and Jennings 2004). However, researchers have neglected to study the effects of a supplier's CSR efforts on organizational customer outcomes. A meta-analysis by Vaaland, Heide, and Grønhaug (2008, p. 947) confirms this observation, stating that "whereas CSR is an issue in relation to all business partners, the empirical studies focus on consumer marketing and consumer responses, thereby excluding B2B marketing."

Another consideration is that although organizational buying is a firm activity, individuals ultimately make the decisions. Therefore, as in consumer buying decisions, personal values and intangible attributes may be influential in business purchasing decisions (Drumwright 1994). Although findings from B2C research may thus be transferable to some degree to the B2B sphere, considerable differences separate organizational buyers and consumers, mainly due to three central characteristics of organizational buying. First, because B2B buyers often must justify their decisions to other organizational members, those involved try to rationalize their actions (Bunn 1993). Second, because a firm's own business operations depend on the supplier's reliability, severe organizational consequences can result from choosing the "wrong" business partner, making uncertainty reduction particularly important (Mitchell 1995). Third, because organizational customers put greater emphasis on establishing long-term supplier relationships, reliability of the supplier is a key factor (Mitchell 1995). Although these characteristics create an environment in which CSR may function differently than in a B2C context, marketing academia offers little guidance regarding the effectiveness and design of CSR activities in B2B markets.

Against this background, our study makes five key contributions to marketing research. First, in contrast to previous empirical studies that have examined consumer reactions, this investigation focuses on customer outcomes in the B2B context. We demonstrate that CSR engagement also has positive effects in that area, thus providing B2B companies with a justification for an active commitment to CSR-related issues (research gap 1 in Table 1). Second, whereas previous studies have focused on either the supplier or the customer side, this study integrates the two perspectives and examines suppliers' CSR activities, customers' perceptions of these activities, and psychological and behavioral outcomes such as customer loyalty (research gap 2).

Third, we conceptually and empirically distinguish two facets of a firm's CSR efforts: business practice CSR engagement and philanthropic CSR engagement (research gap 3). Fourth, from this differentiation, we identify distinct benefit mechanisms for each of the CSR facets, thereby addressing an important research gap: "there remains a dearth of research looking at the psychological mechanisms through which stakeholders interpret and react to a company's CSR activities" (Bhattacharya, Korschun, and Sen 2009, p. 258). Drawing on instrumental stakeholder and social exchange theory, we show that business practice CSR creates an instrumental customer benefit by increasing trust, whereas philanthropic CSR creates an expressive customer benefit by increasing customer–company identification (research gap 4). Fifth, we advance research by identifying contingency factors that reflect sources of uncertainty and dependence in B2B relationships, and we examine how these contingencies influence the effectiveness of CSR in generating favorable customer outcomes (research gap 5).

## Conceptual Framework and Hypothesis Development

### *Instrumental Stakeholder Theory*

Stakeholder theory regards the firm as a nexus of stakeholders, commonly defined as groups or individuals who can affect or are affected by the achievement of the firm's goals (Freeman 1984). Depending on the ground for examining a firm's stakeholders, we can differentiate three approaches (Jones 1995):

- The *descriptive approach* proposes an examination of firm–stakeholder relationships to provide an understanding of how the firm deals with different stakeholders.
- The *normative approach* proposes an examination of firm–stakeholder relationships to discern stakeholders' interests and offer guidance on how to account for them using moral or philosophical principles.
- The *instrumental approach* also proposes an examination of firm–stakeholder relationships to discern stakeholders' interests. However, in contrast to the normative approach, the instrumental approach involves the organizational performance consequences that stem from accounting for these interests.

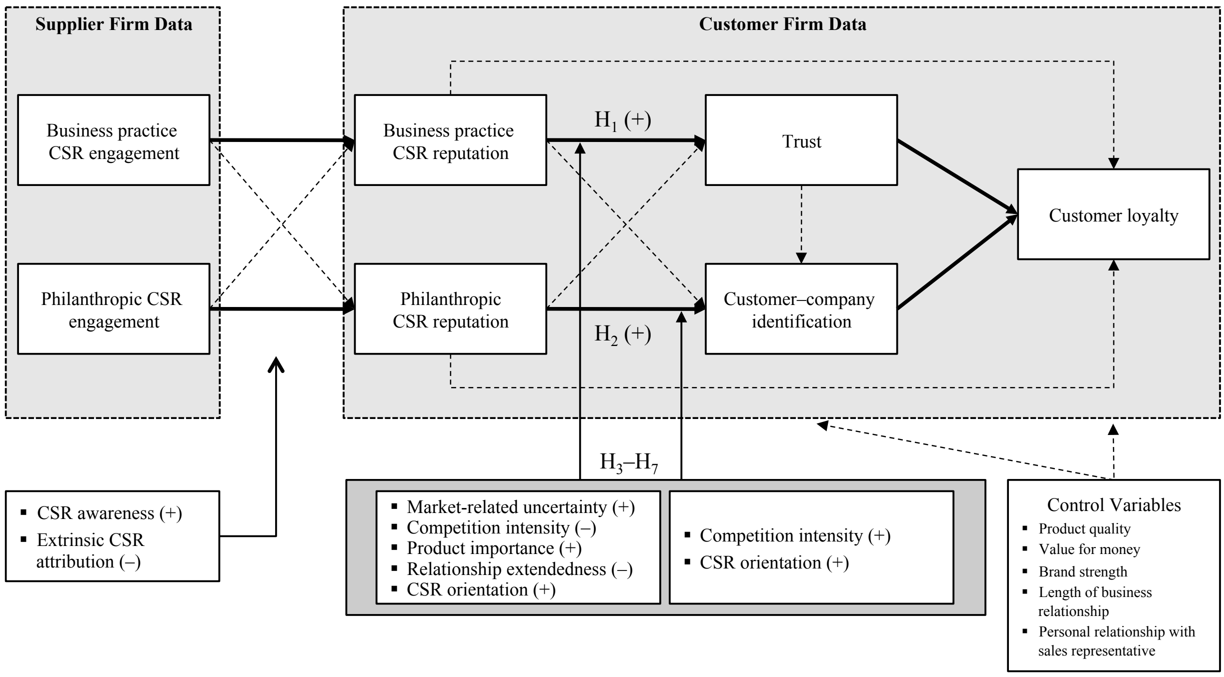
The distinctive aspect of the instrumental approach to stakeholder theory is that it explicitly suggests linking stakeholder-directed activities (means) to corporate performance outcomes (ends) (Donaldson and Preston 1995; Freeman 1999). To enhance performance, the instrumental approach holds that stakeholder-directed activities must create benefits that stakeholders value (Bhattacharya, Korschun, and Sen 2009; Jones 1995).

The objective of the current research is to examine the extent to which a supplier's stakeholder-directed activities in the form of CSR engagement create customer benefits that ultimately enhance customer loyalty. Specifically, we establish trust and customer–company identification as central customer benefits arising from a supplier's CSR activities. By considering the aforementioned application areas, our study thus follows an instrumental perspective. An in-depth analysis of the mechanisms underlying CSR effects from an instrumental perspective is warranted, because a recent meta-analysis by Aguinis and Glavas (2012) concludes that firms primarily engage in CSR-related activities for reasons such as enhanced market performance. In the following subsection, we derive each variable of our framework in detail (see Figure 1).

### *CSR Engagement and CSR Reputation*

Although scholars argue that CSR may include several facets (Barnett 2007; Maignan and Ferrell 2004), marketing research has almost exclusively relied on one global

**FIGURE 1**
**Conceptual Framework**




Notes: The solid lines indicate the main effects; dotted lines indicate paths that we included in the empirical model to control for further effects that were not the focus of the study.

catchall construct (e.g., Lichtenstein, Drumwright, and Braig 2004; Wagner, Lutz, and Weitz 2009). Extending this view, we differentiate two facets of CSR on the basis of stakeholder theory.

A key tenet of stakeholder theory is the distinction between primary and secondary stakeholders (Freeman 1984). Primary stakeholders are those who engage in market exchange with the firm and "without whose continuing participation the corporation cannot survive" (Clarkson 1995, p. 106). Among the primary stakeholders, customers (representing the selling market) and employees (representing the labor market) are considered most critical, because "stakeholder research indicates [that] the treatment of customers and employees has the most influence on firm performance" (Maignan, Ferrell, and Ferrell 2005, p. 958; see also Berman et al. 1999). In contrast, secondary stakeholders are "those who influence or affect, or are influenced or affected by, the corporation, but are not engaged in transactions with the corporation" (Clarkson 1995, p. 107). Examples of secondary stakeholders are the community and nonprofit institutions (Lankoski 2009).

Similarly, conceptual research in the CSR domain argues that "the essence of CSR and what it really refers to are the ethical and philanthropic obligations of the corporation" (Carroll and Shabana 2010, p. 90). Whereas the ethical aspect refers to the consideration of societal and ethical norms in everyday business, the philanthropic aspect includes activities promoting human welfare and goodwill outside the firm's business operations (Carroll 1991; see also Aguilera et al. 2007; Godfrey, Merrill, and Hansen 2009; Peloza and Shang 2011).

Accordingly, we distinguish two facets of CSR. We refer to a firm's CSR engagement targeted at primary stakeholders as "business practice CSR engagement." This facet involves CSR activities within a firm's core business operations targeted at stakeholders with whom market exchange exists (i.e., employees and customers) and corresponds to Carroll's (1991) ethical obligations. In contrast, "philanthropic CSR engagement" refers to CSR activities targeted at philanthropic interaction with the community and nonprofit organizations, which are secondary stakeholders outside a firm's core business operations (Carroll 1991).

In addition to making this substantial distinction, we also differentiate the supplier and the customer perspectives and examine how the supplier's CSR engagement is actually perceived by its customers (Sen, Bhattacharya, and Korschun 2006). Positive customer perceptions of CSR activities are essential in creating customer benefits (Peloza and Shang 2011). We refer to the customer perception of a firm's CSR engagement as "CSR reputation" (Wagner, Lutz, and Weitz 2009) and conceptualize it consistently with CSR engagement. Thus, business practice CSR reputation refers to a customer's perception of a firm's CSR engagement regarding primary stakeholders with whom market exchange exists, whereas philanthropic CSR reputation refers to a customer's perception of a firm's CSR engagement regarding secondary stakeholders. We expect that strong CSR engagement in either domain should lead to a positive CSR reputation with regard to the corresponding facet as perceived by the customer.

Furthermore, we examine under which conditions customer perceptions most closely correspond to the firm's actual engagement. As contingency factors, we incorporate CSR awareness and extrinsic CSR attribution. Whereas CSR awareness refers to customers' awareness of a supplier's cumulative CSR engagement (Sen, Bhattacharya, and Korschun 2006), CSR attribution describes "attributions consumers make about the motives underlying a company's CSR actions" (Du, Bhattacharya, and Sen 2007, p. 226). We specifically include extrinsic CSR attribution because it refers to customers' perception that only self-interested motives drive a firm's CSR engagement. We expect CSR awareness to positively moderate the effect of CSR engagement on CSR reputation, whereas we assume extrinsic CSR attribution to negatively moderate this effect (see Figure 1).

### *Customer Benefits from Suppliers' CSR: Combining Stakeholder and Exchange Theory*

Instrumental stakeholder theory holds that a company's stakeholder activities lead to improved customer–company relationships only when these activities result in customer benefits (Bhattacharya, Korschun, and Sen 2009). Applications of this theory, however, "usually stop short of exploring specific links between cause (i.e., stakeholder management) and effect (i.e., corporate performance) in detail" (Donaldson and Preston 1995, p. 71). Aguinis and Glavas's (2012) recent meta-analytic review echoes this void and notes that organizational theories such as stakeholder theory provide little insight into the processes underlying CSR effects.

The stakeholder marketing concept introduced by Hult et al. (2011) integrates stakeholder theory (which focuses on the addressees of a firm's actions) with key notions of social exchange theory (which focuses on the processes underlying exchange relationships) to explain how marketing activities typically lead to beneficial company–stakeholder relationships. Applied to our context, their tenet that "stakeholder exchange must be facilitated and maintained to create long run value relationships" (Hult et al. 2011, p. 59) calls for an identification of processes by which CSR facilitates enduring customer–company exchange.

Social exchange theory particularly emphasizes trust as "the critical social exchange mediator" (Cropanzano and Mitchell 2005, p. 886) because it reduces problems that may arise from power or information asymmetries between two parties (Cook, Cheshire, and Gerbasi 2006). Extending this classical social exchange perspective, Lawler, Thye, and Yoon (2000) argue that enduring relationships can be the result of both a trust-based, "instrumental" path that facilitates exchange by reducing uncertainty and an "expressive" path that arises if one actor becomes an object of attachment for the other actor (see also Van Knippenberg and Sleebos 2006). Such identification with the exchange partner results from a need to maintain positive self-images based on shared systems of meaning and ethics (Flynn 2005).

Although they have not developed these paths empirically, researchers discussing effects of a company's CSR-related activities with a focus on employees have also suggested similar mechanisms. For example, Turban and Greening (1997) argue that CSR-related activities may signal good working conditions and promote an enhanced self-concept. In a similar vein, Aguilera et al. (2007) differentiate an instrumental mechanism that enables stakeholders to "more accurately foretell an organization's actions" (p. 841), a relational mechanism that addresses stakeholders' "psychological need for belongingness" (p. 842), and a morality-based mechanism in which "the concern is shifted from what serves one's economic self-interest or group standing to what one views as ethically appropriate" (p. 842). Whereas the first two mechanisms are akin to the trust- and identification-based paths that we develop from a managerial viewpoint, the latter is related to the normative approach, which is not the focus of our study.

In the following subsections, we delineate how these mechanisms serve to maintain and facilitate exchanges between suppliers and organizational customers. In particular, we deduce how business practice CSR creates an instrumental customer benefit by increasing trust in the supplier and how philanthropic CSR creates an expressive customer benefit by increasing customer–company identification.

*Trust as an instrumental benefit*. Exchange relationships often exhibit information asymmetry, or a perceived "lack of information about the motivations of others and the quality of what is exchanged" (Kollock 1994, p. 317). In business relationships with information asymmetry on the customer side, uncertainty reduction is critical because customers' own business depends on the supplier's reliability and integrity (Mitchell 1995). In this regard, instrumental stakeholder theory posits that company–stakeholder relationships are governed by sets of explicit and implicit contracts (McGuire, Sundgren, and Schneeweiss 1988). Reviewing this literature, Wood and Jones (1995, p. 242) note that it becomes clear that "through all this talk of contracts implicit and explicit,... the key variable is the degree of trust in the stakeholder relationship."

In line with research on organizational relationships in general (Caldwell and Clapham 2003; Greenwood and Van Buren 2010) and business-to-business relationships in particular (Doney and Cannon 1997; Kumar, Scheer, and Steenkamp 1995), we define trust as comprising the customer's expectancy that the supplier organization is competent and can be relied on (referred to as reliability or credibility) and the belief that the supplier organization has beneficial intentions and motives (referred to as integrity or benevolence). Drawing on social exchange theory, we posit that trust constitutes an instrumental benefit for customers by reducing exchange uncertainty and lowering the transaction costs associated with reaching, adapting, and enforcing mutually satisfying agreements (Kollock 1994).

Central to the instrumental value of trust within exchange relationships is the assumption "that it is easier to trust when prediction is possible and when a trustor has the ability to anticipate the behavior of a trustee" (Huemer 2004, p. 253). To enhance predictability, information economics proposes that the trustee (in this case, the supplier firm) can implement a signal to convey unobservable organizational attributes indicating its trustworthiness to the trustor (the customer) (Connelly et al. 2011). We argue that a strong CSR reputation can serve as such a signal for positive company characteristics. In particular, researchers propose that "support of CSR creates a reputation that a firm is reliable and honest" (McWilliams and Siegel 2001, p. 120) and indicates "benevolence and integrity" (Bhattacharya, Korschun, and Sen 2009, p. 264), all of which are vital elements of trust.

Acknowledging the two facets of CSR, we postulate that from a customer's perspective, business practice CSR reputation in particular should serve as an indicator for a supplier's trustworthiness. According to signaling theory, high "signal fit"—that is, the extent to which a signal corresponds with the unobservable signaler characteristic—is critical to the effectiveness of an informational cue (Connelly et al. 2011). This tenet aligns with trust research, which argues that a person makes trust generalizations by observing the partner's behavior in comparable contexts (Blois 1999). Because customers primarily search for signals of a supplier's reliability and integrity toward business partners, the supplier's business practice CSR reputation should contain a high signal fit and, thus, a high signaling value for trustworthiness toward customers.

$H_1$: Suppliers' business practice CSR reputation is positively related to customers' trust.

*Customer–company identification as an expressive benefit*. In addition to facilitating exchange through trust building, CSR may also foster identification. Identification with an organization arises from a comparison of personal values with organizational values and results in a state of self-categorization (Hogg and Terry 2000), thus providing an expressive benefit by fulfilling people's self-definitional needs (Lawler, Thye, and Yoon 2000). Stakeholder research has addressed concepts such as belongingness mainly in the context of organization–employee relationships (e.g., Turban and Greening 1997), but stakeholder theorists also call for "a greater understanding of the circumstances under which external stakeholders will conceive of themselves as organizational members" (Scott and Lane 2000, p. 56).

Our research examines the concept of customer–company identification, which we define as a customer's psychological attachment to a supplier company based on an overlap of the customer's self-concept with his or her perception of the attributes defining the supplier company (Bhattacharya and Sen 2003). Researchers have studied the self-definitional role of customer–company identification primarily in B2C contexts. For example, Homburg, Wieseke, and Hoyer (2009) show that in addition to providing customer satisfaction, customer–company identification serves as an additional mediator within the service–profit chain. Theories of managerial and organizational cognition and bounded rationality, however, have posited that personal values may also influence people in organizational buying decisions (Drumwright 1994).

Although customer–company identification can arise from several causes, CSR research has established a favorable CSR reputation as one of the main identification drivers (Lichtenstein, Drumwright, and Braig 2004). This influence occurs because "it is a company's actions in the CSR domain ... that truly reveal its values, soul, or character, comprising the company's identity" (Du, Bhattacharya, and Sen 2007, p. 225). If the individual buying agent perceives the values reflected by a supplier's CSR activities to be congruent with his or her own values, identification with the company increases (Sen, Bhattacharya, and Korschun 2006).

We argue that philanthropic CSR reputation in particular can trigger customer–company identification because this CSR facet addresses community stakeholders. In contrast to stakeholders with whom market exchange exists, community stakeholders mainly have claims that are normatively legitimate, but they lack the urgency and power to assert those claims. Compared with business practice CSR, philanthropic CSR activities are "more likely to be viewed as voluntary acts of social beneficence ... and thus provide evidence of an 'other-regarding' orientation by the firm's managers" (Godfrey, Merrill, and Hansen 2009, p. 429). Therefore, CSR targeting community stakeholders should provide an expressive benefit by increasing customer–company identification.

$H_2$: Suppliers' philanthropic CSR reputation is positively related to customer–company identification.

### Customer Loyalty as the Outcome of Trust and Customer–Company Identification

Instrumental stakeholder theory holds that the primary goal of CSR is the creation of long-term, mutually beneficial relationships with stakeholders (Bhattacharya, Korschun, and Sen 2009). Therefore, this study examines customer loyalty as the key outcome variable. In line with Zeithaml, Berry, and Parasuraman (1996), we define customer loyalty as encompassing the expressed preference for a company (positive word of mouth), the intention to continue to purchase from it (repurchase intention), and the intention to increase business with it (cross-buying intention).

In marketing research, positive effects of trust on customer loyalty grounded on uncertainty reduction are well established (Doney and Cannon 1997). Similarly, social exchange theorists argue that it is natural "to restrict one's transactions to those who have shown themselves to be trustworthy" (Kollock 1994, p. 318). Likewise, theoretical and empirical support exists for a positive effect of customer–company identification on customer loyalty, because "being loyal validates and reinforces the feeling of belongingness to the company" (Homburg, Wieseke, and Hoyer 2009, p. 43; see also Ahearne, Bhattacharya, and Gruen 2005). Because these links are well established, we do not develop hypotheses for them.

In addition, although it is not the focus of our study, we consider the effect of trust on customer–company identification. Research based on social exchange theory views trust in an organization as a key precursor of organizational identification (Lavelle, Rupp, and Brockner 2007). Empirical evidence from diverse contexts supports this rationale (e.g., De Cremer, Van Dijke, and Bos 2006), and Keh and Xie (2009) provide empirical support for this link for customers in a B2B context.

### Moderating Effects

We expect that the strength of the effects of the two facets of CSR on trust and customer–company identification is context dependent. Social exchange theory discusses dependence and uncertainty as central context factors affecting exchange relationships (Cook, Cheshire, and Gerbasi 2006; Oliver 1990). Whereas dependence arises from one party's potential to exercise power or control over another organization or its resources, uncertainty develops from "a lack of perfect knowledge about environmental fluctuations, availability of exchange partners, and available rates of exchange in an interorganizational field" (Oliver 1990, p. 246). Cannon and Perreault (1999, p. 444) substantiate these key contingencies in the context of industrial buyer–seller relationships, arguing that "uncertainty or dependence may be rooted in external characteristics of the supply market or in internal, situational factors."

Market-related uncertainty refers to the degree of supply market dynamism and incorporates aspects such as rapidly evolving technologies and frequently changing prices, whereas competitive intensity refers to the degree to which customers have alternative sources of supply and are thus less dependent on a particular supplier (Cannon and Perreault 1999). In addition to such market-related aspects, the product itself may also constitute a source of uncertainty in B2B markets: if critical parts do not meet a customer's required quality standard, the customer's own business operations are negatively affected. Thus, product importance refers to a product's strategic importance for the customer's business (Cannon and Perreault 1999).

Another key aspect of social exchange theory that determines uncertainty and dependence is the temporal organization of exchanges. In particular, repeated exchanges between actors decrease the uncertainty associated with a single transaction (Kollock 1994). In a buyer–seller context, this aspect is referred to as relationship extendedness, which is the degree to which the relationship is a relational (as opposed to discrete) exchange relationship that is expected to continue into the future (Heide and Miner 1992). In addition to examining these exchange-related moderators, we study the importance the customer company generally attaches to CSR-related issues. Business-to-consumer research has identified consumers' personal support of CSR as an important moderator of CSR effects (Sen and Bhattacharya 2001). However, scholars have also begun to acknowledge the significance of CSR-related issues in the context of organizational buying (Carter and Jennings 2004; see Table 1). We continue this research and include the customer company's CSR orientation—referring to a company's values, standards of ethical behavior, and commitment to CSR—as a customer-related contingency (Banerjee, Iyer, and Kashyap 2003). In the following subsections, we derive hypotheses on the moderating effects of these context factors.

*Effect of market-related uncertainty on the business practice CSR reputation–trust link.* Under conditions of high market-related uncertainty, buyers must cope with a rapidly changing market environment (Aldrich 1979). To reduce the associated risk perceptions, decision makers look for signals that indicate a trustworthy business partner (Connelly, Ketchen, and Slater 2010). In support of this notion, research examining the concern for reputation in social exchanges has argued that this concern depends on the degree of uncertainty, "with situations characterized by a high degree of uncertainty ... leading to a greater concern for reputation" (Kollock 1994, p. 320). Because CSR can be regarded as an "informational signal upon which stakeholders base their assessments ... under conditions of incomplete information" (Klein and Dawar 2004; Orlitzky, Schmidt, and Rynes 2003, p. 407), business practice CSR reputation is likely to be more important as a signal for trust when market-related uncertainty is high.

$H_3$: Market-related uncertainty positively moderates the relationship between suppliers' business practice CSR reputation and customers' trust.

*Effect of competitive intensity on the links between CSR reputation and (a) trust and (b) customer–company identification.* A central tenet of social exchange theory is that an increase in an actor's alternatives decreases dependence on others (Cook, Cheshire, and Gerbasi 2006). In highly competitive markets, customers are less dependent on a particular supplier because they can choose from alternative sources to meet their needs (Cannon and Perreault 1999). Under such conditions, the role of trust as a mechanism that mitigates opportunism may be less relevant (Doney and Cannon 1997). Consequently, the relationship between business practice CSR and customers' trust may be weaker when competitive intensity on the supplier side is high.

$H_{4a}$: Competitive intensity negatively moderates the relationship between suppliers' business practice CSR reputation and customers' trust.

In addition to reducing customer dependence on a particular supplier, high levels of competitive intensity often lead to perceived equalization regarding the quality of products and services of different suppliers. This equalization then complicates differentiation based on aspects related to the core offering. In such an environment, "CSR may be a popular means of achieving differentiation" (McWilliams and Siegel 2001, p. 119). As we have argued, trust, as a benefit arising from business practice CSR engagement, may be less suited to creating a differentiation benefit under conditions of high competitive intensity. Instead, "it is possible to differentiate a product based on some ethical quality or aspect, if the consumer ... values the particular strategy of CSR that a firm intends to follow" (Van de Ven and Jeurissen 2005, p. 313). In support of this notion, investigators argue that firms may use philanthropic engagement as a means for differentiation in highly competitive markets (Zhang et al. 2010). Because organizational purchasing may also be influenced by personal values (Drumwright 1994), firms may achieve differentiation by supporting social causes, thus increasing customer–company identification.

$H_{4b}$: Competitive intensity positively moderates the relationship between suppliers' philanthropic CSR reputation and customer–company identification.

*Effect of product importance on the business practice CSR reputation–trust link.* When a product is strategically important for a customer, the adverse consequences of buying substandard products can be substantial and may even lead to production downtimes. The magnitude of adverse consequences of buying an inappropriate product and the uncertainty of whether a product or service will meet certain performance requirements both contribute to customers' risk perceptions (Bettman 1973). Thus, we expect that perceived risk is greater for products that are essential for a firm's own business operations (Mitchell 1995). To reduce this uncertainty, customers search more intensely for cues signaling suppliers' trustworthiness (Bunn 1993).

$H_5$: Product importance positively moderates the relationship between suppliers' business practice CSR reputation and customers' trust.

*Effect of relationship extendedness on the business practice CSR reputation–trust link.* Both the firm's repeated interaction with an exchange partner as well as the reputation that results from its behavior in related contexts constitute the primary paths leading to trust (Blois 1999; Kollock 1994). $H_1$ posits that a supplier's business practice CSR reputation should increase customers' trust. However, the reputational path leading to trust may be less important if the exchange relationship between supplier and customer consists of repeated transactions that are expected to continue into the future (Heide and Miner 1992). This result is expected because "when actors repeatedly exchange resources, they should learn more about one another, find each other more predictable, and infer that they have similar orientations to the exchange task" (Lawler, Thye, and Yoon 2000, p. 621). Consequently, uncertainty decreases and customers engaged in extended relationships do not need to investigate the supplier's conduct in related contexts. Therefore, signaling trust by building a positive business practice CSR reputation should be less important.

$H_6$: The extendedness of the business relationship negatively moderates the relationship between suppliers' business practice CSR reputation and customers' trust.

*Effect of a customer company's CSR orientation on the links between CSR reputation and (a) trust and (b) customer–company identification.* Companies with a strong CSR orientation emphasize CSR issues within their organizational culture, possibly as a result of their top managers' commitment to such issues or because the issues have high relevance in their customers' industry (Drumwright 1994). Over time, this orientation becomes "fused and internalized within the corporate values and beliefs" (Banerjee, Iyer, and Kashyap 2003, p. 111). As a consequence, we expect a greater awareness of and sensibility toward CSR issues in companies with a strong CSR orientation. In such a firm's purchasing department, CSR issues are more likely to play an important role, either formally or informally, through people acting according to the organization's values (Carter and Jennings 2004). Therefore, we expect that, due to increased sensibility toward a supplier's CSR reputation, a customer company's CSR orientation should positively affect both the instrumental and the expressive mechanism.

$H_7$: The strength of customer companies' CSR orientation positively moderates the relationship between suppliers' (a) business practice CSR reputation and customers' trust and (b) philanthropic CSR reputation and customer–company identification.

# Methodology

### Data Collection and Sample

The study's unit of analysis is a supplier–customer relationship. We collected dyadic data on such relationships by surveying purchasing managers from the customer firm and the respective marketing/sales contact from the supplier firm. To gather the necessary data, we collaborated with a market research institute that obtained contact information for purchasing managers working in a range of B2B industries (n = 2,100 companies). We sent questionnaires to these purchasing managers and asked them to consider a business relationship in which a particular product is purchased and then to complete the questionnaire with regard to this specific supplier. We received usable responses from 372 companies that also provided contact information of the supplier representative (a response rate of 17.70%). Subsequently, we contacted these supplier key informants and asked them to fill out a questionnaire regarding general firm characteristics and their firm's CSR activities, resulting in 200 usable supplier responses (a response rate of 53.80%). The following analyses are based on these 200 matched supplier–customer dyads. Table 2 presents the composition of the sample.

### Measure Development

To develop appropriate measures for our study, we applied standard psychometric scale development procedures. All measures are based on existing scales, a review of the literature, and interviews with practitioners. We used a reflective measurement approach and seven-point rating scales for all multi-item constructs (Jarvis, MacKenzie, and Podsakoff 2003). In line with prior research (Banerjee, Iyer, and Kashyap 2003; Maignan, Ferrell, and Hult 1999), we obtained suppliers' CSR engagement from the respective supplier key informant. We measured business practice CSR engagement with five items covering the key stakeholders with whom market exchange exists (i.e., customers and employees), including an item that captures a company's overall conduct within its business operations (Lankoski 2009; Wagner, Lutz, and Weitz 2009). We measured philanthropic CSR engagement using four items covering activities toward the community and nonprofit institutions (Lichtenstein, Drumwright, and Braig 2004). We applied a reflective measurement approach to these CSR constructs because we regard the indicators for each CSR

**TABLE 2**
**Sample Composition**

| Customer Firm | % | Supplier Firm | % |
|---|---|---|---|
| **Industry** | | **Industry** | |
| Machine building | 18 | Machine building | 17 |
| Retailing | 16 | Printing and paper | 11 |
| Logistics | 8 | Chemicals | 10 |
| Chemicals | 7 | Electronics | 9 |
| Automotive industry | 7 | Automotive suppliers | 9 |
| Building and construction | 7 | Building and construction | 7 |
| Pharmaceuticals | 6 | Food and stimulants | 6 |
| Utilities | 4 | Media | 6 |
| Communication, software | 4 | Logistics | 5 |
| Media | 4 | Communication, software | 5 |
| Financial Services | 3 | Utilities | 5 |
| Other (food, textiles, etc.) | 16 | Financial services | 5 |
| | | Other | 5 |
| **Position of Respondents** | | **Position of Respondents** | |
| Employee, operative purchasing | 6 | General management responsibility | 30 |
| Employee, strategic purchasing | 15 | Head of marketing | 28 |
| Head of business unit | 23 | Head of sales | 36 |
| Head of purchasing | 22 | Other | 6 |
| General management responsibility | 25 | | |
| Other | 9 | | |
| **Number of Employees at the Firm** | | **Number of Employees at the Firm** | |
| <50 | 24 | <50 | 5 |
| 50–99 | 31 | 50–99 | 9 |
| 100–499 | 25 | 100–499 | 54 |
| 500–999 | 9 | 500–999 | 12 |
| 1,000–5,000 | 6 | 1,000–5,000 | 13 |
| >5,000 | 5 | >5,000 | 7 |
| **Annual Revenue of the Firm** | | **Annual Revenue of the Firm** | |
| <$10 million | 32 | <$10 million | 9 |
| $10 million–$24 million | 22 | $10 million–$24 million | 17 |
| $25 million–$49 million | 15 | $25 million–$49 million | 23 |
| $50 million–$99 million | 7 | $50 million–$99 million | 22 |
| $100 million–$499 million | 12 | $100 million–$499 million | 17 |
| $500 million–$1 billion | 3 | $500 million–$1 billion | 3 |
| >$1 billion | 9 | >$1 billion | 9 |

facet as reflections of a firm's general concern for responsibly engaging with the respective stakeholders (Jarvis, MacKenzie, and Podsakoff 2003).[1] We also included one item assessing respondents' self-reported knowledge about the firm's CSR activities. All respondents exhibited a high degree of knowledge (M = 5.41).

We measured CSR reputation, trust, customer–company identification, and customer loyalty at the customer firm. We measured the two facets of CSR reputation analogously to the two facets of CSR engagement. We measured trust with four items capturing credibility and benevolence (Doney and Cannon 1997; Kumar, Scheer, and Steenkamp 1995) and measured customer–company identification with five items (Homburg, Wieseke, and Hoyer 2009). Consistent with the multifaceted definition of prior researchers (Zeithaml, Berry, and Parasuraman 1996), we measured customer loyalty with four items.

[1]Following a suggestion by an anonymous reviewer, we assessed the robustness of our findings by also employing a formative measurement approach for CSR engagement and CSR reputation. We converted the indicators into an arithmetic index to obtain formative measures (Ulaga and Eggert 2006). All results remained stable.

To reflect important contingency factors in B2B relationships, we included market-related uncertainty, competition intensity, product importance, relationship extendedness, CSR awareness, extrinsic CSR attribution, and customers' CSR orientation as moderator variables and assessed them with existing scales. Finally, we controlled for several variables that have been shown to influence trust, customer–company identification, and customer loyalty. In particular, we included product quality, value for money, brand strength, length of business relationship, and personal relationship with the marketing/sales person. The Appendix contains a list of all scales with item reliabilities and sources.

### *Measurement Reliability and Validity*

We assessed reliability and validity for each measure using confirmatory factor analysis. Overall, our scales exhibit desirable psychometric properties: for all constructs, the values for composite reliability, average variance extracted, and Cronbach's $\alpha$ surpass the recommended thresholds (see Table 3; Bagozzi and Yi 2012). In addition, most item reliabilities are above the recommended value (see the Appendix). The most notable exception is one item

## TABLE 3
## Correlations, Reliabilities, and Scale Information

| Variable | M | SD | CR | AVE | CA | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Business practice CSR engagement[a] | 5.32 | .83 | .84 | .51 | .83 | 1 | | | | | | | | | | | | | | | | | | |
| 2. Philanthropic CSR engagement[a] | 4.53 | 1.31 | .90 | .69 | .90 | .50** | 1 | | | | | | | | | | | | | | | | | |
| 3. Business practice CSR reputation[b] | 5.06 | .97 | .87 | .56 | .86 | .27** | .25** | 1 | | | | | | | | | | | | | | | | |
| 4. Philanthropic CSR reputation[b] | 4.54 | 1.19 | .94 | .79 | .94 | .17* | .33** | .51** | 1 | | | | | | | | | | | | | | | |
| 5. Trust[b] | 5.67 | 1.05 | .90 | .69 | .90 | .08 | –.05 | .48** | .10 | 1 | | | | | | | | | | | | | | |
| 6. Customer–company identification[b] | 5.22 | 1.23 | .92 | .69 | .91 | .04 | .05 | .49** | .22** | .72** | 1 | | | | | | | | | | | | | |
| 7. Customer loyalty[b] | 5.36 | 1.12 | .84 | .57 | .81 | .06 | .04 | .42** | .11 | .65** | .71** | 1 | | | | | | | | | | | | |
| 8. CSR awareness[b] | 3.30 | 1.43 | .98 | .93 | .98 | .10 | .17* | .47** | .50** | .13 | .25** | .16* | 1 | | | | | | | | | | | |
| 9. Extrinsic CSR attribution[b] | 3.98 | 1.31 | .90 | .74 | .88 | .08 | .11 | .23** | .32** | –.09 | –.04 | .03 | .19** | 1 | | | | | | | | | | |
| 10. Market-related uncertainty[a] | 4.07 | 1.31 | .75 | .51 | .70 | .07 | .08 | –.03 | .01 | –.09 | .00 | –.09 | .07 | –.07 | 1 | | | | | | | | | |
| 11. Relationship extendedness[b] | 5.52 | 1.08 | .83 | .62 | .79 | –.01 | .05 | .22** | .03 | .29** | .42** | .47** | .04 | –.05 | –.07 | 1 | | | | | | | | |
| 12. Importance of product[b] | 5.41 | 1.50 | .89 | .74 | .90 | –.14* | .03 | .05 | .07 | –.02 | –.03 | –.01 | .08 | .02 | .06 | .21** | 1 | | | | | | | |
| 13. CSR orientation[b] | 4.94 | 1.29 | .92 | .79 | .92 | .18* | .22** | .14* | .11 | .09 | .17* | .07 | .09 | .08 | –.05 | .16* | –.04 | 1 | | | | | | |
| 14. Competition intensity[a] | 4.35 | 1.33 | .84 | .57 | .90 | .06 | –.01 | .09 | .08 | –.12 | –.13 | –.11 | .11 | .14 | .33** | –.16* | –.09 | –.03 | 1 | | | | | |
| 15. Product quality[b] | 5.35 | 1.20 | N.A.[c] | N.A.[c] | N.A.[c] | .01 | –.02 | .42** | .27** | .38** | .46** | .49** | .41** | .03 | –.08 | .20** | .03 | –.04 | –.10 | 1 | | | | |
| 16. Value for money[b] | 4.84 | 1.08 | N.A.[c] | N.A.[c] | N.A.[c] | .08 | –.01 | .29** | .05 | .41** | .42** | .46** | .24** | –.09 | –.07 | .34** | –.04 | .07 | –.21** | .55** | 1 | | | |
| 17. Brand strength[b] | 4.96 | 1.05 | N.A.[c] | N.A.[c] | N.A.[c] | .08 | .02 | .41** | .23** | .29** | .36** | .42** | .32** | .06 | –.10 | .26** | –.02 | –.06 | –.09 | .59** | .55** | 1 | | |
| 18. Length of business relationship[b] | 14.86 | 11.88 | N.A.[c] | N.A.[c] | N.A.[c] | .09 | .21** | .03 | .14 | –.10 | –.08 | –.01 | –.26** | .12 | –.04 | .16* | .02 | .22 | –.01 | –.17* | –.13 | –.07 | 1 | |
| 19. Personal relationship with sales representative[b] | 5.12 | 1.25 | .76 | .51 | .78 | .09 | .03 | .22** | –.02 | .52** | .53** | .55** | –.09 | –.03 | .06 | .43** | –.11 | .13 | –.07 | .13 | .23** | .19** | –.03 | 1 |

*$p < .05$.
**$p < .01$.
[a]Measured at supplier firm.
[b]Measured at customer firm.
[c]N.A. = not applicable; construct measured by only one indicator; therefore, composite reliability (CR), average variance extracted (AVE), and Cronbach's alpha (CA) cannot be computed.
Notes: N = 200 supplier–customer dyads.

of the competition intensity scale, with an item reliability of .28. However, on the basis of conceptual considerations, we have kept this item in the model.

In addition, the criterion proposed by Fornell and Larcker (1981) and the chi-square difference test (Bentler and Bonett 1980) indicate no problems with respect to discriminant validity. Moreover, condition numbers (Cohen et al. 2003) and stability tests with subsamples of the data provide evidence that multicollinearity is not an issue. With regard to the measurement model, the global fit of the confirmatory factor analysis containing all constructs of the main model is satisfactory ($\chi^2$/d.f. = 1.57, confirmatory fit index = .94, Tucker–Lewis index = .93, root mean square error of approximation = .05).

# Results

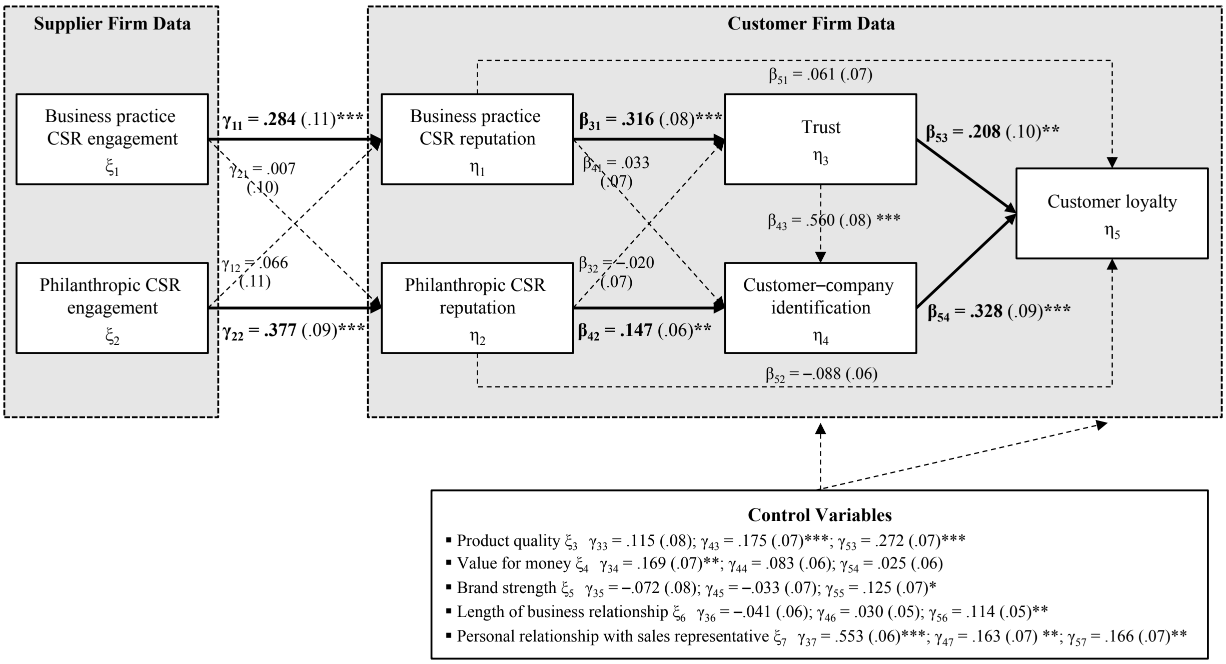
### *Effects of Central Framework*

*Main effects*. To model the structural relationships put forward in our framework, we employed structural equation modeling (SEM) using Mplus 6 modeling software. Global fit measures indicate that the model acceptably represents the underlying data ($\chi^2$/d.f. = 1.71, confirmatory fit index = .92, Tucker–Lewis index = .91, root mean square error of approximation = .06). To test for common method bias, we specified an SEM to analyze the causal chain of our framework with regard to all customer variables and included a common method factor that is uncorrelated with all other constructs and loads on every manifest variable (Podsakoff et al. 2003). This common method factor reflects the variance common to all indicators. The path coefficients of the model reveal that the results remain stable even if such a common method factor is included, providing evidence that our findings are not affected by common method bias.

The results of SEM show strong support for the proposed main effects. Figure 2 depicts the standardized path coefficients. First, our results confirm the presumed positive relationships between a supplier's CSR engagement and the corresponding facet of CSR reputation. Specifically, we find a positive effect of business practice CSR engagement on business practice CSR reputation ($\gamma_{11}$ = .28, $p$ < .01) as well as a positive effect of philanthropic CSR engagement on philanthropic CSR reputation ($\gamma_{22}$ = .38, $p$ < .01). Remarkably, the two facets of CSR engagement do not influence the respective other CSR reputation facet ($\gamma_{12}$ = .01, $p$ > .1, and $\gamma_{12}$ = .07, $p$ > .1).

With regard to the hypotheses, business practice CSR reputation has a positive effect on trust ($\beta_{31}$ = .32, $p$ < .01, $R^2$ = .54), in support of $H_1$. In accordance with $H_2$, philanthropic CSR reputation positively affects customer–company identification ($\beta_{42}$ = .15, $p$ < .02, $R^2$ = .64). Notably, business practice CSR reputation has no significant effect on customer–company identification ($\beta_{41}$ = .03, $p$ > .1) and

**FIGURE 2**
**Model Estimation for Main Effects**




*$p$ < .10.
**$p$ < .05.
***$p$ < .01.
Notes: The solid lines indicate the main effects; dotted lines indicate paths that we included in the empirical model to control for further effects that were not the focus of the study. Completely standardized coefficients are shown; standard errors are in parentheses.

philanthropic CSR reputation has no significant effect on trust ($\beta_{32} = -.02$, $p > .1$), in support of the dual mechanism we proposed in our framework. The absence of any cross-effects on both the antecedent and the outcome side of CSR reputation emphasizes the distinctness of the two CSR facets and indicates customers' ability to differentiate them. Consistent with previous studies, our results also show that trust fosters customer–company identification and that both constructs have positive effects on customer loyalty (see Figure 2; $R^2 = .72$).

*Mediation analysis*. Our results also reveal that the effect of business practice CSR reputation on customer loyalty is mediated by trust ($\beta = \beta_{31} \times \beta_{53} = .07$, $p < .07$), whereas customer–company identification mediates the effect of philanthropic CSR reputation on loyalty ($\beta = \beta_{42} \times \beta_{54} = .05$, $p < .04$). These significant effects and the nonsignificance of the direct effects from business practice and philanthropic CSR reputation on loyalty ($\beta_{51} = .06$, $p > .1$, and $\beta_{52} = -.09$, $p > .1$) suggest full mediation (Sobel 1982). These findings underscore the importance of considering customer benefits when studying effects of CSR on behavioral outcomes.

### *Moderating Effects*

To test our moderating hypotheses, we included latent interactions between the moderator and the predictors as determinants of trust and customer–company identification in our model. We created the interaction terms by relying on mean-centered indicators that are products of the indicators of the variables involved in the interaction (Marsh, Wen, and Hau 2006). For each moderator, we created two interaction terms, because our model considers two predictors with business practice CSR reputation and philanthropic CSR reputation.

We then included the moderator and the two interaction terms as additional antecedents to trust and customer–company identification in the SEM. In line with previous research using the latent interaction approach (Homburg, Klarmann, and Schmitt 2010) and considering the large number of paths to be estimated, we entered the moderators one at a time and estimated the resulting model without specifying any additional constraints (Marsh, Wen, and Hau 2006). Analogous to the logic of moderated regression analysis, a moderating hypothesis is supported if the path coefficient of the latent interaction term is significant in the predicted direction. Our results provide support for most of the moderator hypotheses (Table 4).

Our data reveal a positive moderating effect of market-related uncertainty on the link between business practice CSR reputation and trust ($\gamma = .16$, $p < .01$), in support of $H_3$. Moreover, we find partial support for the moderating effect of competition intensity. Although we do not find a moderating effect of competition intensity on the link between business practice CSR reputation and trust ($\gamma = .00$, $p > .1$), we find that philanthropic CSR reputation is more strongly associated with customer–company identification if competition intensity in the industry is high ($\gamma = .09$, $p < .1$). Thus, the data confirm $H_{4b}$ but not $H_{4a}$. Furthermore, our results show a positive interaction effect between product importance and business practice CSR reputation on trust ($\gamma = .16$, $p < .01$) and reflect that business practice CSR reputation is less strongly associated with trust in extended business relationships ($\gamma = -.18$, $p < .01$). Thus, $H_5$ and $H_6$ are supported.

Finally, although the data show a positive moderating effect of CSR orientation on the link between philanthropic CSR reputation and customer–company identification ($\gamma = .09$, $p < .05$), we do not find a moderating effect of CSR orientation on the link between business practice CSR reputation and trust ($\gamma = -.02$, $p > .1$), providing support for $H_{7b}$ but not for $H_{7a}$. Moreover, all interactions for the respective nonhypothesized paths are not significant.[2]

[2]Several additional analyses provide evidence for the robustness of our findings. First, for each moderator, we estimated models based on subsamples with high and low values of each moderator (median split). The results validate all findings of the moderator testing with the latent interaction approach. Second, both tests involving the simultaneous examination of any two moderators and additional analyses including the remaining moderators as control variables in an SEM reveal stable results. Third, multiple regression models that simultaneously include all interaction terms with either trust or customer–company identification as the dependent variable likewise yield comparable results.

**TABLE 4**
**Results of Hypotheses Testing for Moderating Effects**

| Moderator | Hypothesis | Predictor → Dependent Variable: Predictor | Moderator | Interaction | Support |
|---|---|---|---|---|---|
| | | **Business Practice CSR Reputation → Trust** | | | |
| Market-related uncertainty | $H_3$ | .325*** | –.054 | .161*** | ✓ |
| Competition intensity | $H_{4a}$ | .429*** | –.136*** | .000 | — |
| Product importance | $H_5$ | .408*** | .020 | .155*** | ✓ |
| Relationship extendedness | $H_6$ | .267*** | –.073 | –.181*** | ✓ |
| Customer's CSR orientation | $H_{7a}$ | .395*** | –.067 | –.022 | — |
| | | **Philanthropic CSR Reputation → Customer–Company Identification** | | | |
| Competition intensity | $H_{4b}$ | .159*** | –.072 | .088* | ✓ |
| Customer's CSR orientation | $H_{7b}$ | .155*** | .127*** | .094** | ✓ |

*$p < .10$.
**$p < .05$.
***$p < .01$.
Notes: Completely standardized coefficients are shown.

With respect to the additional (not explicitly hypothesized) moderating effects on the relationships between a supplier's CSR engagement and the corresponding facet of CSR reputation, our results partially confirm the presumed positive moderating impact of CSR awareness. Whereas CSR awareness positively influences the relationship between philanthropic CSR engagement and its corresponding CSR reputation facet ($\gamma = .13$, $p < .05$), the data do not confirm such an effect for the business practice CSR domain ($\gamma = -.04$, $p > .1$). A possible explanation for this partial nonfinding is that we used an overall measure of CSR awareness instead of measuring customers' specific awareness of each CSR facet. In addition, extrinsic CSR attribution negatively moderates the links between both facets of CSR engagement and the corresponding CSR reputation domain ($\gamma_{\text{business}} = -.15$, $p < .1$; $\gamma_{\text{philanthropic}} = -.12$, $p < .1$). This finding shows that extrinsic attributions about a firm's CSR motives negatively affect customer perceptions of suppliers' CSR engagement.

# Discussion

### *Research Issues*

Our research departs from previous studies on customer-related outcomes of CSR activities that focus on the B2C context. Due to the distinct decision-making behavior of organizational buyers, findings regarding the impact of CSR in a B2C context do not readily transfer to a B2B context. However, CSR has great practical relevance in B2B industries, heightening the need to investigate whether CSR fosters favorable organizational supplier–customer relationships.

In addressing this issue, our study contributes to prior marketing and CSR research in several ways. First, our research is the first to empirically demonstrate that CSR engagement generates positive customer outcomes in organizational business relationships, thus addressing a central research gap in the CSR literature (Vaaland, Heide, and Grønhaug 2008). Second, although prior conceptual frameworks link actual CSR engagement, stakeholders' CSR perception, and distinct stakeholder outcomes (e.g., Bhattacharya, Korschun, and Sen 2009), empirical research has primarily focused on examining isolated parts of this causal chain (Vaaland, Heide, and Grønhaug 2008). The current study builds on and empirically tests prior conceptual work to develop a holistic framework that accounts for specifics of the B2B context. In particular, whereas much previous research has manipulated a fictitious firm's CSR reputation (Wagner, Lutz, and Weitz 2009), we demonstrate effects of a firm's CSR engagement by studying actual business relationships. Thus, by integrating the supplier and customer perspectives, we answer calls "to paint a more externally valid picture of the forces determining customer reactions to CSR" (Du, Bhattacharya, and Sen 2007, p. 224).

Third, most research in marketing has conceptualized CSR globally or designated one particular activity as CSR (see Table 1). In line with stakeholder theory, we refine this approach by deducing two distinct facets of CSR engagement. We empirically show that business practice CSR drives customer loyalty through trust (instrumental customer benefit) and philanthropic CSR drives loyalty through customer–company identification (expressive customer benefit), thus revealing distinct benefit mechanisms. In so doing, we respond to calls to examine the link between specific types of CSR and customer outcomes (Barnett 2007). By proposing this mechanism involving two distinct CSR facets, we consolidate studies arguing for an instrumental value of CSR actions (Klein and Dawar 2004; McWilliams and Siegel 2001) with studies highlighting the expressive consequences of CSR (Lichtenstein, Drumwright, and Braig 2004).

Fourth, by integrating instrumental stakeholder theory (which argues that stakeholder-oriented activities should provide certain benefits to generate successful relationships) with social exchange theory (which explains which benefits in particular may be relevant in exchange relationships), we also provide a theoretical framework for a simultaneous examination of distinct CSR consequences (Aguinis and Glavas 2012). Fifth, this study responds to calls to identify the influence of moderator variables on the effectiveness of CSR efforts (Barnett 2007). By adapting the notion that uncertainty and dependence are central contingencies in exchange relationships (Cannon and Perreault 1999) to CSR research, we derive conditions under which different facets of CSR gain or lose influence in generating favorable customer outcomes. Overall, our research demonstrates that under conditions of high uncertainty and high dependence, the instrumental path of CSR is particularly important.

### *Managerial Implications*

Our results show that engaging in CSR-related activities is a worthwhile endeavor for B2B firms. First, carefully targeted CSR activities can raise organizational customers' trust and identification, both of which foster customer loyalty. Furthermore, representatives from both supplier and customer companies expect the importance of CSR-related issues to increase. For the statement "The importance of CSR in B2B relationships will increase in the next five years," the average score on a seven-point rating scale was 5.18 (5.39) for respondents from supplier (customer) companies, confirming the managerial relevance of the topic.

Second, we advise managers to apply a fine-grained approach to the practice of CSR engagement. Our results demonstrate that suppliers' CSR efforts create distinct customer benefits (instrumental vs. expressive) depending on the specific facet of CSR engagement. Thus, B2B managers should differentiate CSR engagement within their business operations targeted at stakeholders with whom market exchange exists (business practice CSR) and CSR engagement outside their business operations addressing the community (philanthropic CSR). However, our data reveal that the majority of suppliers in our sample practice CSR management rather nonspecifically, either engaging strongly in both CSR facets or exerting low effort toward both (see Table 5), thus confirming anecdotal evidence of firms' nonstrategic use of CSR (Levy 2010). Our results offer B2B managers clear guidelines for an effective CSR strategy. If the primary goal is to increase customers' trust, managers

TABLE 5
**Distribution of Companies with High and Low Levels of CSR Engagement Regarding the Two CSR Facets**

| | Philanthropic CSR Engagement | |
|---|---|---|
| | **Low (%)** | **High (%)** |
| **Business Practice CSR Engagement** | | |
| Low | 31 | 16.5 |
| High | 18.5 | 34 |

Notes: The distribution of the sample in high and low values is based on median splits with regard to the two facets of CSR engagement.

should focus on business practice CSR engagement. If the goal is to foster customer–company identification, managers should consider activities in the philanthropic CSR domain.

A third implication involves the customer's perception of a supplier's CSR activities. Our dyadic data indicate that B2B customers perceive different facets of CSR when they evaluate a supplier's CSR engagement. Thus, firms can selectively influence their CSR reputation with positive engagement in the corresponding CSR facet. Important contingencies of this link are that managers must ensure customers' awareness of these activities and, to avoid the perception of "greenwashing," must ascertain that customers' CSR attributions with respect to the supplier's CSR engagement are positive. To achieve this aim, managers should proactively include CSR issues in their business strategy, engage in CSR continually, and communicate their CSR efforts transparently.

In addition, B2B managers should consider the impact of several context factors that influence the effectiveness of CSR in generating favorable customer outcomes. For example, they should understand the prevailing level of market-related uncertainty as well as the strategic importance of their products to customers. In particular, B2B companies acting in high-uncertainty markets and offering important products should engage in business practice CSR. Our results show that in such an environment, business practice CSR may foster customers' trust, which in turn increases customer loyalty. At the same time, the effect of business practice CSR on customers' trust is weaker for extended exchange relationships that are relational (as opposed to discrete). Moreover, in strongly competitive market environments, customers can easily switch to alternative suppliers. Thus, fostering high levels of trust by engaging in business practice CSR may be less relevant because customers depend less on a particular supplier. Instead, increasing customer–company identification by supporting social causes offers a more promising strategy to differentiate the firm and establish long-lasting relationships. Finally, B2B managers should analyze the CSR orientation of their customer base, because the principle of "socially responsible purchasing" is growing (Carter and Jennings 2004). In particular, a supplier operating in a market in which customers are strongly CSR oriented should engage in philanthropic CSR because its effect on customer–company identification is stronger for customers who exhibit high levels of CSR orientation.

In conclusion, our results suggest that suppliers in a B2B context should systematically analyze their customers' expectations with regard to CSR issues and compare these expectations with their CSR reputation. Such an analysis and a consideration of factors determining the actual market environment can help suppliers create a coherent CSR strategy that accounts for the respective relevance and suitability of business practice CSR engagement and philanthropic CSR engagement.

### *Limitations and Areas for Further Research*

Our study is also subject to several limitations that provide fruitful avenues for further research. First, we collected cross-sectional data, which can hardly capture the dynamic nature of supplier–customer relationships. In particular, although our results indicate that CSR plays a stronger role in exchange relationships that are not yet fully established and thus exhibit a low level of relationship extendedness, further research might investigate in greater detail the importance of CSR reputation in different relationship life cycle phases. Such an analysis would require a longitudinal study design.

Second, although our dual conceptualization of CSR is based on stakeholder theory and is well established in management research on CSR, other approaches are possible. Further research could examine effects of different CSR conceptualizations and relate them to our findings. Moreover, we did not explicitly assess customers' awareness of activities in the two domains we examined; however, we believe that customers were capable of judging suppliers' CSR engagement. Our objective was to assess customers' general perception of a supplier's cumulative CSR engagement for each CSR facet rather than their perception of a single CSR initiative. Thus, we are confident that the customers in our sample (who have, on average, a 15-year business relationship with the supplier) have insight to distinguish the two CSR facets. Furthermore, empirical evidence, such as discriminant validity between the constructs and the clear pattern of antecedents and outcomes of the two facets of CSR, supports our notion. Nevertheless, further research should measure customers' awareness of different facets of suppliers' CSR.

Third, we included several contingency factors in our analysis. However, because of the large number of paths to be estimated, we could not test all moderators simultaneously. Despite several robustness checks, the results of the moderator testing should therefore be considered exploratory rather than conclusive. Moreover, further research could address other potential moderators, such as the degree of CSR-related competition in the supplier market and the fit between the supplier's business and its philanthropic CSR engagement.

Fourth, researchers may use our systematization of context factors based on social exchange theory (which particularly focuses on sources of uncertainty and dependence in exchange relationships) to derive and systemize contingencies in B2C contexts as well. For example, concerns about the social acceptance of a certain product or product category may constitute an important source of uncertainty for end consumers. Fifth, we focused on studying the effects of a firm's CSR efforts on customers. Further research could investigate whether our dual mechanism of instrumental and expressive benefits also holds for other groups' reactions to a firm's CSR engagement, such as employees and investors (Turban and Greening 1997).

## APPENDIX
### Measures, Items, and Item Reliabilities

| Measures and Items | Item Reliabilities |
|---|---|
| **Business Practice CSR Engagement[a,c] (Lankoski 2009; Wagner, Lutz, and Weitz 2009)** | |
| Our company follows employee-friendly rules and policies. | .57 |
| Our company provides working conditions that safeguard the health and safety of its employees. | .52 |
| Our company provides full and accurate information to all its customers. | .42 |
| Our company follows high ethical standards in its business operations. | .61 |
| Our company respects customer rights beyond the legal requirements. | .41 |
| **Philanthropic CSR Engagement[a,c] (Lichtenstein, Drumwright, and Braig 2004)** | |
| Our company gives back to the communities in which it does business. | .42 |
| Our company integrates charitable contributions into its business activities. | .79 |
| Local nonprofits benefit from our company's contributions. | .71 |
| Our company is involved in corporate giving. | .86 |
| **Business Practice CSR Reputation[b,c] (Lankoski 2009; Wagner, Lutz, and Weitz 2009)** | |
| Company X follows employee-friendly rules and policies. | .65 |
| Company X provides working conditions that safeguard the health and safety of its employees. | .69 |
| Company X provides full and accurate information to all its customers. | .46 |
| Company X follows high ethical standards in its business operations. | .50 |
| Company X respects customer rights beyond the legal requirements. | .52 |
| **Philanthropic CSR Reputation[b,c] (Lichtenstein, Drumwright, and Braig 2004)** | |
| Company X gives back to the communities in which it does business. | .65 |
| Company X integrates charitable contributions into its business activities. | .80 |
| Local nonprofits benefit from company X's contributions. | .86 |
| Company X is involved in corporate giving. | .85 |
| **Trust[b,c] (Doney and Cannon 1997; Kumar, Scheer, and Steenkamp 1995)** | |
| We believe the information company X provides us. | .76 |
| Company X is trustworthy. | .89 |
| When making important decisions company X considers our welfare as well as its own. | .66 |
| When we share our problem with the supplier, we know that it will respond to us with understanding. | .45 |
| **Customer–Company Identification[b,c] (Homburg, Wieseke, and Hoyer 2009)** | |
| I strongly identify with company X. | .72 |
| I feel good to be a customer of company X. | .80 |
| I like to tell others that I am a customer of company X. | .70 |
| I feel attached to company X. | .68 |
| Company X shares my values. | .57 |
| **Customer Loyalty[b,c] (Zeithaml, Berry, and Parasuraman 1996)** | |
| We consider company X as our first choice for the purchase of such products and services. | .68 |
| We intend to stay loyal to company X. | .66 |
| We intend to do more business with company X in the future. | .44 |
| We say positive things about company X to other people (e.g., customers, business partners). | .51 |
| **CSR Awareness[b,c] (Du, Bhattacharya, and Sen 2007; Sen, Bhattacharya, and Korschun 2006)** | |
| I have good knowledge about the engagement in CSR of company X. | .93 |
| I learn often about the engagement in CSR of company X. | .95 |
| I can easily evaluate the engagement in CSR of company X. | .91 |
| **Extrinsic CSR Attribution[b,c] (Du, Bhattacharya, and Sen 2007)** | |
| I think company X engages in CSR because it feels… | |
| …competitive pressures to engage in such activities. | .68 |
| …customer pressures to engage in such activities. | .91 |
| …societal pressures to engage in such activities. | .63 |
| **Market-Related Uncertainty[a,c] (Cannon and Perreault 1999; Jaworski and Kohli 1993)** | |
| Prices for this product are volatile. | .38 |
| The market for our product is dynamic. | .78 |
| The technology in our industry is changing rapidly. | .38 |
| **Relationship Extendedness[b,c] (Heide and Miner 1992)** | |
| The business relationship with the company can be better described as a "cooperative effort" rather than an "arm's length negotiation." | .69 |
| Our companies have a close business relationship. | .73 |
| We expect the relationship with our supplier to last a long time. | .43 |

## APPENDIX
## Continued

| Measures and Items | Item Reliabilities |
|---|---|
| **Importance of Product[b,c] (Cannon and Perreault 1999)** | |
| This product has an irreplaceable function in our production processes. | .60 |
| This product is of high importance to our own product. | .88 |
| This product is essential for the functioning of our own product. | .73 |
| **CSR Orientation[b,c] (Banerjee, Iyer, and Kashyap 2003)** | |
| Our firm has a clear policy statement urging CSR awareness in every area of operations. | .74 |
| CSR is a high priority activity in our firm. | .83 |
| At our firm, we make a concerted effort to make every employee understand the importance of CSR. | .81 |
| **Competition Intensity[a,c] (Jaworski and Kohli 1993)** | |
| Competition in this business is severe. | .28 |
| One hears of new competitive moves almost every day. | .67 |
| Intensive marketing activities are a hallmark of our industry. | .78 |
| Anything that one competitor can offer, others can match readily. | .52 |
| **Product Quality[b,d]** | |
| How do you evaluate the product quality of company X compared to its competition? | N.A.[e] |
| **Value for Money[b,d]** | |
| How do you evaluate the value for money-ratio of company X compared to its competition? | N.A.[e] |
| **Brand Strength[b,d]** | |
| How do you evaluate the strength of company X's brands compared to its competition (e.g., with regard to awareness, emotionality, quality signals)? | N.A.[e] |
| **Length of Business Relationship[b]** | |
| For how many years have you been a customer at company X? | N.A.[e] |
| **Personal Relationship with Marketing/Sales Representative[b,c]** | |
| I have a good relationship with the marketing/sales representative of company X. | .52 |
| The marketing/sales representative of company X and I get along well. | .64 |
| The marketing/sales representative of company X connects with me on a personal level. | .38 |

[a]Measured at supplier firm.
[b]Measured at customer firm.
[c]Measured on a seven-point scale (1 = "strongly disagree," and 7 = "strongly agree").
[d]Measured on a seven-point scale (1 = "much lower," and 7 = "much higher").
[e]Construct measured through single indicator; item reliabilities cannot be computed.
Notes: N.A. = not applicable.

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