

Corporate Social Responsibility in the B2B Market: How Supplier Actions Influence Buyer Expectations

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Abstract

This research investigated the effects of supplier corporate social responsibility (CSR) on buyer expectations of corporate brand performance as well as the mediating effects of brand equity on buyer expectations of brand performance. For decades, organizations have integrated CSR as a business strategy to engage multiple stakeholders in a favorable manner. Extensive literature has revealed how CSR drives brand equity to sustain a brand's competitive advantage through improved profitability and reputation in the market; it also has indicated the value of CSR as influencing brand performance. This research successfully closed gaps in the extant literature by addressing the influence of CSR as viewed by U.S. buyers in the business-to-business environment, thus explaining value creation and redistribution through the influence of stakeholder theory. Analysis revealed that supplier CSR significantly influenced brand performance expectations of buyers, with brand equity working to enhance brand performance expectations. Confirming that supplier CSR investment translated to a competitive advantage with business-to-business customers highlighted the available potential of targeted spending by supplier organization marketing divisions to key stakeholder groups.

Introduction

Corporations today focus on integrating corporate social responsibility initiatives as a business strategy to engage multiple stakeholders in a favorable manner. This commitment is a dynamic contrast to 20th-century businesses' concentration on profit margins that were derived from refined industry production or management standards. Famed economist Milton Friedman (1970) reinforced this last-century operational standard by insisting that corporate America was obliged to focus on shareholder profits and nothing more. He expanded on this stated obligation, suggesting that to spend on social and environmental concerns was to deny shareholders their rightful returns on their investment in the company.

At about the same time as Friedman's declaration, classic thinking about organizational theory was impacted by new ideas such as stakeholder legitimacy in management (Freeman & Reed, 1983), stakeholder negotiation processes (Charan & Freeman, 1980), and specific techniques of stakeholder management (Emshoff & Freeman, 1981). In opposition to Friedman's (1970) claim that a company's sole responsibility was to its shareholders, Freeman (1984) summarized this new thinking, terming stakeholders as any entity affected by or able to impact the firm's strategic objectives. Explaining, Freeman indicated that each of these entities had a stake in the company's actions as well as claims on the company; therefore, the company incurred certain responsibilities to each entity or stakeholder.

As Freeman's (1984) stakeholder theory recognized the shift of business from an industrial structure to an economic one, the theory responded as well to growing communications abilities, an increased interest in environmentalism, and a rapidly globalizing market. For example, managers and executives responsible for designing and implementing strategic plans based on internal knowledge began spending greater levels of effort reacting to intrusive challenges from media, international competition, consumer advocates, environmentalists, and the like (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010).

In recent decades, methods to address challenges regarding elements of stakeholder theory included stakeholder prioritization and corporate responsibility. For example, managers found it necessary to determine stakeholders to which they were responsible and the extent of their obligation to address those stakeholders' claims (O'Riordan & Fairbrass, 2014). To reinforce the future of the organization in a responsible manner, company representatives managed equitably the competing interests of what amounted to a stakeholder democracy in which every entity possessed rights and claims (O'Riordan & Fairbrass, 2014). No longer optional, stakeholder engagement became a vital business activity (Noland & Phillips, 2010) that was used to achieve mutual objectives such as consent, accountability, trust enhancement, or improved governance (Greenwood, 2007). Ongoing equitable

treatment of stakeholders extended the ideal of organizational justice, strengthening stakeholders' commitment to organizations that treated them fairly and degrading commitment to firms perceived as having unfair practices (Mason & Simmons, 2014). Recognition of the need to balance reinforcement and reward between stakeholders and organizations illustrated the integral and ongoing role of CSR in a company's relationships with its various constituent groups.

Stakeholder theory and CSR have enjoyed a close relationship since their recognition a few short decades ago. Harrison, Freeman, and Cavalcanti Sá de Abreu (2015) showed that stakeholder theory created value for CSR by identifying and acting on the financial and societal issues outlined by Parmar et al. (2010). Harrison et al. (2015) conjectured that stakeholders are dissimilar, stakeholder theory is many-sided, and the world in which stakeholders function is extremely complex. Cantrell, Kyriazis, and Noble (2015) recognized that stakeholder theory helps determine and comprehend who is important to an organization and how they create value through the application of CSR. Despite these definitional complications, stakeholder theory's foundation as both an ethical theory and a management theory revealed that it was well positioned, especially in CSR literature, to validate its assertion that organizations performed well in terms of societal issues. According to Harrison et al. (2015), a more pertinent objective was to explain value creation and redistribution through the influence of stakeholder theory.

To this end, extensive literature exists on CSR and how it relates to brand equity and brand performance in the stakeholder theory framework. Despite decades of research about CSR, causal links have remained unconfirmed and definitions have continued to evolve. As business dynamics have adjusted to economic pressures and global trends across the decades, the application of CSR has adjusted to respond to improved methods of measurement, savvier stakeholders, and increased competition. This study of the influence of supplier corporate social responsibility (CSR) initiatives on buyer expectations of brand performance, mediated by brand equity, reveals the nature of CSR's influence. Further, this research attaches a metric to the value of CSR's leverage of brand equity and brand performance with its target market of corporate buyers, thereby explaining value creation and redistribution through the influence of stakeholder theory.

Significance of the Study

Understanding how the theory informs the impact of CSR on brand performance is as revealing as learning how CSR advances the legitimacy of the stakeholder theory construct. At the earliest stage of the global business era, stakeholder theory was posited by Freeman (1984) in response to shifts in how businesses managed relationships under expanding capitalism while ensuring ethical interactions and optimal performance with a variety of stakeholders. Stakeholder theory directed unique communications and distinct relationship benefits to selected constituent groups while encouraging an extensive network of relationships with multiple internal and external entities (Ferrell, Gonzalez-Padron, Hult, & Maignan, 2010; Harrison et al., 2015).

In terms of engagement, organizations prioritized key stakeholder groups—whether political, environmental, social, or prospective customer—based on the group's likelihood of affecting or reflecting the organization's purpose (Brower & Mahajan, 2013). Stakeholder theory focused also on the structured and managed relationship: it advocated carefully selecting key groups according to legitimacy, prioritizing stakeholders in terms of value, managing multiple complex relationship strategies with and among stakeholders, and acting in the best interests of its shareholders as well as all other stakeholders (Freeman, Harrison, & Wicks, 2008) while creating unique ties with groups rather than single customers.

As relationships with stakeholder groups lengthened, the value of intangible assets such as corporate marketing developed into an expectation that required complex management procedures (Brower & Mahajan, 2013). In this way, stakeholder theory experienced challenges that required corporate resources to ensure the value gained in the improved relationship did not leach away as stakeholders and customers raised their expectations. Stakeholder theory operated on a formally constructed economic benefit model wherein the stakeholder and customer recognized the economic benefits and consequences. This recognition of the financial nature of the

relationship drives changes within the relationship over time.

Organizations that invested in CSR to improve the quality of a community or population expected a return on their investment in the form of improved brand consideration in the competitive environment. Homburg, Stierl, and Bornemann (2013) determined that CSR influenced client trust through loyalty and that integrating instrumental stakeholder theory with social exchange theory undergirded this link between CSR and trust. Maignan and Ferrell (2004) encouraged marketers to proactively manage CSR by concentrating on stakeholders beyond the traditional consumer and by aggregating social responsibility initiatives as an integrated effort. While it had been shown that CSR influenced brand trust and brand equity, the need to examine the influence of CSR and its brand equity influence on B2B customer loyalty across industries was evident.

Corporate social responsibility has a proven role in developing audience trust that increases brand equity among target audiences, thus ensuring that the brand sustains its competitive advantage through improved profitability and reputation in the market. Not only does business have a social responsibility to the community from which it secures revenues, but buyers expect ethical businesses to have an established CSR program in place. Businesses that engage in CSR activities within the process of corporate brand management experience stronger reputation that drives loyalty and sales, resulting in a competitive, sustainable market advantage. The research closes the existing gaps in the body of literature by addressing the influence of CSR as expressed by U.S. buyers in the business-to-business environment. It also quantifies the link between CSR and brand performance, mediated by brand equity.

Theoretical Orientation for the Study

Supplier CSR initiatives serve as a corporate investment in improving a brand's value to its various internal and external stakeholders. Numerous studies have shown that CSR favorably enhances consumer relationships, improves supplier reputation with B2B decision makers, establishes brand equity with customers, and influences consumer trust. Previous research articles recognize the irrelevance of existing consumer studies in understanding U.S. buyers in the corporate supplier-buyer environment. Additionally, there is little mention of CSR's influence on corporate buyer expectations of brand performance and no literature yet discovered on U.S. buyer responses as they relate to supplier CSR and brand performance (Aguinis & Glavas, 2012).

This study is founded on the impact of CSR behaviors on brand equity recognition and expected brand performance metrics. CSR initiatives improved a firm's stakeholder relationships (Brown, 1995) by validating the organization's citizenship commitment in a measurable form. In this way, a company used CSR as a vehicle to meet its societal obligations, thereby proving its accountability to stakeholders (Brown & Forster, 2013). Aguinis and Glavas (2012) confirmed that CSR embraced shareholder value while influencing a company's long-term élan. Additionally, CSR was determined to impact brand equity through its perceptual and behavioral components (Hur, Kim, & Woo, 2014). The influence of CSR on decisions made by U.S.-based buyers has been neither tested nor reported.

Regarding brand equity, Yoo and Donthu (2001) defined the concept as the total value contributed to a product by its brand, with the concept consisting of brand awareness, brand association, and brand loyalty components (Aaker, 1996). Staudt, Shao, Dubinsky, and Wilson (2014) reported that CSR favorably influenced brand equity elements such as brand awareness and brand association; Rust, Zeithaml, and Lemon (2000) reported that CSR impacted brand association. Further, Hur et al. (2014) suggested that CSR influenced corporate brand credibility which affected brand equity. Brand equity was shown to impact anticipated future revenues and cash flow (Srivastava & Shocker, 1991), sustainable competitive advantage (Bharadwaj, Varadarajan, & Fahy, 1993), stock values (Simon & Sullivan, 1993; Lane & Jacobson, 1995), and marketing achievement (Ambler, 1997). As a result, customers recalled increased value in a positive fashion (Aaker, 1992) and organizations competitively leveraged their brand equity to increase profits (Yoo & Donthu, 2001) and, therefore, brand performance. Consumer perceptions of the relationship between CSR and brand equity have been verified, but the perceptions of U.S.-based businesses about the relationship remained unexplored before this research study.

Brand performance was described as the cumulative value of awareness, reputation, and customer loyalty, sales growth, profit margin, and share of market (Luu, 2012a). A supplier's CSR activities have been acknowledged as critical factors in defining corporate reputation (Worcester, 2009; Arendt & Brettel, 2010). Analyses of brand performance, however sparse, have related to the supplier's reputation, wherein CSR influenced corporate identity-building to generate increased company performance (Arendt and Brettel, 2010). Buyers represent a key stakeholder role in that suppliers seek to improve their competitive positioning and overall company performance in an effort to attract buyers.

CSR's influence on brand equity and brand performance in the consumer market has been explored, revealing corporate American as an avenue for further research. While corporate brand performance is well-reported, research regarding its relationship to supplier CSR is limited to small and mid-sized companies in geographic regions and market segments that are not generalizable to U.S. organizations. Research on brand equity as it relates to brand performance and to CSR is extensive for consumers, but not among corporate buyers. Therefore, this research addresses the value of CSR's leverage of brand equity and influence on brand performance expectations with the target market of U.S.-based corporate buyers, explaining value creation and redistribution through the influence of stakeholder theory.

Theoretical Considerations

Extensive literature exists regarding CSR and its relationship to brand equity and brand performance within the stakeholder theory framework. Research has revealed both the nature of these relationships in scholarly works and the notable gaps in the body of literature. The overwhelming and multi-dimensional body of research associated with CSR reflects the kinetics of defining, applying, and measuring CSR's role in the business world. As business dynamics respond to economic pressures and global trends, the application of CSR continues to reflect improved methods of measurement, savvy stakeholders, and increased competition.

The concept of stakeholder theory is rooted in the academic spheres of sociology, economics, politics, and ethics, with emphasis in the literature regarding strategic organizational planning, systems theory, CSR, and organizational theory (Mainardes, Alves, & Raposo, 2011). Following a decade of working with other researchers to describe stakeholder legitimacy in management (Freeman & Reed, 1983), stakeholder negotiation processes (Charan & Freeman, 1980), and specific techniques of stakeholder management (Emshoff & Freeman, 1981), Freeman delivered *Strategic Management: A Stakeholder Approach* (1984), a pivotal perspective that summarized the ideas of many organization thinkers about stakeholder theory while recognizing transformational corporate changes. Challenging Friedman's (1970) declaration that shareholders were a company's sole responsibility, Freeman (1984) defined stakeholders as any entity affected by or able to impact the firm's strategic objectives, describing the relationship of an organization with its external domain as well as the organization's behavior within that domain. Explaining, Freeman (1984) indicated that the company incurred certain responsibilities to each entity or stakeholder as they had a vested interest in the company's actions as well as obligations incurred on behalf of the company, drawing from a frame of reference that held companies beholden to the external domain comprised of external entities. Numerous studies have recognized Freeman's (1984) definition of stakeholders as individuals or groups that can motivate or be influenced by an organization's scope of objectives (Mainardes et al., 2011). This infinite breadth of stakeholders was protracted in the 1990s to be recognized as a multilateral accordance between a company and its identified stakeholders (Mainardes et al., 2011).

Stakeholder theory confers value on CSR as proof to stakeholders and customers of a firm's citizenship commitment. Although Brown and Forster (2013) differentiated CSR and stakeholder theory with the former representing a company's obligation to society and the latter establishing a firm's accountability to its stakeholders, the researchers recognized that companies used CSR initiatives to improve their stakeholder relationships.

Stakeholder theory presents an effective model explaining the relationship between CSR and brand performance. Stakeholder theory has promoted long term relationships established by organizations with multiple stakeholder entities that maintained a stake in the organization's success (Ferrell et al., 2010; Harrison et al., 2015), founded

on developing a unique communications strategy that resonates with each key party (Noland & Phillips, 2010; O’Riordan & Fairbrass, 2014). While the theory prioritized serving the interests and needs of each and every stakeholder (Freeman et al., 2008), the singular effort of investing in CSR directly benefits at least one stakeholder beyond the acting firm. In this manner, a company complies with its social responsibilities via CSR while substantiating its accountability to stakeholders (Brown & Forster, 2013). Stakeholder theory has concentrated on value creation, the relationship between ethics and capitalism, and how management considers the two elements (Parmar et al., 2010). In this manner, stakeholder theory functions well in a B2B environment through its ability to ethically approach capitalist pragmatism, its commitment to value creation, and a longtime affiliation with CSR.

Stakeholder theory and CSR have been closely associated since their inception in the late twentieth century. Harrison et al. (2015) illustrated that stakeholder theory created value for CSR by clarifying and acting on the financial and societal issues outlined by Parmar et al. (2010). Harrison et al. (2015) hypothesized that stakeholders were dissimilar, stakeholder theory was multifaceted, and the environment in which stakeholders functioned was exceptionally complicated. Despite these challenges, stakeholder theory’s basis as both an ethical theory and a management theory was well positioned in CSR literature to validate its assertion that organizations performed well in terms of societal issues.

Relationship of CSR, Brand Equity, and Brand Performance

Corporate Social Responsibility

Organizations that invest in corporate social responsibility (CSR) to improve the quality of a community, population, or stakeholder group expect a return on their investment in the form of improved brand equity, expanded brand performance, moral agency, and greater consideration in the competitive environment. Since its initial framing by Bowen (1953) more than 60 years ago, the exact definition, level of influence, and optimal beneficiary of CSR initiatives remain in contention today. In the early part of the twentieth century, the responsibility of business both to society and to the corporate bottom line was formalized as a management obligation (Bowen, 1953) with key tenets of corporate philanthropy, distribution of corporate resources, and managerial responsibilities to serve as public trustee (Carroll & Shabana, 2010). Howard Bowen’s seminal 1953 work, entitled *Social Responsibilities of the Businessman*, addressed the new doctrine of social responsibility arising postwar, exhorting corporate managers to take actions that advanced societal values (Acquier, Gond, & Pasquero, 2011). Bowen (1953) cited social responsibility as a single lever that enhanced social welfare among the many that might improve interactions between business and the public. Bowen (1953) declared that business leaders must appreciate their need to serve society, and recognize that the freedom and power accorded them in their role represented great responsibility. Further, Bowen (1953) described two social products of business: the goods or services it produced and the conditions under which those goods or services were produced. Bowen (1953) confirmed that employees, shareholders, suppliers, customers, and the local community were affected by the actions of the enterprise in delivering the defined social products. When the company was poorly managed in terms of social responsibility, or when one stakeholder group suffered, the other groups were negatively influenced, thus giving rise to the benefits of socially responsible actions by corporations. Bowen’s (1953) work attached a name to the growing sense of civic duty avenues that businesses had begun to investigate.

In 1960, Davis expanded on Bowen’s 1953 ideas and challenged business decision makers to determine their responsibility to society, clarify the reasons they had responsibility, and define consequences of not participating. Davis (1960) argued that the reciprocal elements of social power and social responsibility not only countered impending social bankruptcy but leveraged business power for economic gain. He also determined that CSR was almost never the sole basis for business decision making.

Davis (1960) established that, over time, socially responsible decisions by business leaders created social power that represented a set of socially responsible beliefs and actions on behalf of the organization. Davis (1960) concluded that leaders with this social power spoke for their organizations, thus developing a balance of social

responsibility and social power that accrued to the business' equity and influence in the community.

In response to corporate America's enthusiastic interest in CSR, economist Milton Friedman famously declared in 1970 that business' only responsibility was to its shareholders, differentiating shareholders from stakeholders as referenced in most scholarly literature at that time. Friedman (1970) insisted that the business decision maker was an agent and employee of the business whose sole responsibility was to his employer. Friedman (1970) declared social responsibility a subversive doctrine, a political effort, an act of deception and fraud, and an affront to capitalism that must be rejected for free society to engage in open competition.

As the concept of CSR began to form, its relationship to marketing and business was clarified in articles by the leading marketing luminaries of the time. Kotler and Levy (1969) authored a seminal article that recognized the need for nonbusiness organizations to apply marketing functions with the same enthusiasm as business entities. In similar fashion, Lavidge (1970) recognized the new reality that marketing was seen as failing to address social problems, predicting that marketing's societal influence would drive marketers' social actions.

Once the definition began to stabilize, scholars sought ways to strategically develop the concept of CSR in terms of corporate social performance (McWilliams & Siegel, 2001), business ethics (Carroll, 2015), corporate citizenship (Maignan, Ferrell, & Hult, 1999), and stakeholder theory (Carroll, 1999; Jones, 1995; Jones & Wicks, 1999). Development of the CSR concept shifted quickly through the decades to encompass definition, acknowledgement, understanding, and inclusion in strategic planning.

The final years of the twentieth century reflected a major shift in the focus of CSR research from external normative in the form of understanding how to define and engage in CSR to empirical normative through the measurement of corporate performance, stakeholder management, and CSR efficacy.

Theorists and business thought leaders have endeavored to explain how CSR improves corporate standing, even without the oft-reported direct positive correlation between CSR investment and corporate financial performance. Notably, Porter and Kramer (2011) subscribed to the idea of moving beyond CSR for profit's sake to achieve shared value between business and society. Continuing with an exploration of value, Izzo (2014) noted that successfully integrating CSR reflected changes in the influence of social and environmental responsiveness on corporate social reputation, highlighted the reduced risk experienced by firms, and created value for stakeholders. Karim, Suh, Carter, and Zhang (2015) revealed that CSR behaviors integrated social concerns into management convention, generating elevated reputations and economic benefits. In contrast, Hildebrand, Sen and Bhattacharya (2011) credited CSR as both a driver and a result of interactions among the multiple forms of corporate identity, identified as company traits (actual identity), subjective aspects by internal stakeholders (perceived identity), and how the company sees itself and wants others to view it (intended identity). These identities were found to inform selection of socially responsible activities which, in turn, characterized an organization's faceted identity.

Corporate social responsibility has become an integral part of maintaining corporate brands in the eyes of target stakeholder audiences. Engaging in CSR involved raising the profile of a business, its beliefs, its people, and its brand in the eyes of customers, shareholders, community, and society according to Vallaster et al. (2012). In its role of supporting the management of the corporate brand, marketing was part of this process in that it created, communicated, and delivered customer value that benefited the corporation (Vaaland et al., 2008). Confirming the marketing link, Vallaster et al. (2012) recognized that corporate marketing focused on customer, stakeholder, societal, and ethical philosophies through a firm's philosophical orientation. Considering the constituent groups engaged by a firm's social benefit activities, CSR has become a critical element in the corporate marketing and branding model.

The role of CSR in the marketing and branding model cannot be overstated. Since the initial definition of CSR, the number of companies adopting socially responsible practices to influence their image, encourage their employees, and connect with their customers has significantly increased (Creel, 2012). In an effort to engage target audiences,

organizations have communicated regularly about their CSR commitment to earn recognition for their good behavior (Eberle, Berens, & Li, 2013). As a result, companies that invested in CSR programs increased their corporate brand equity, thus securing a sustainable competitive advantage in the market (Creel, 2012; Eberle et al., 2013; Lai, Chiu, Yang, & Pai, 2010), expanded their awareness among consumers in a favorable manner (Du, Bhattacharya, & Sen, 2007), and provided brand building that favorably influenced brand preference (Liu, Wong, Shi, Chu, & Brock, 2014). Further, evidence revealed that CSR significantly impacted national competitiveness on a global scale (Boulouta & Pitelis, 2013). Without CSR, companies imperiled their brand, reputation, and profitability; CSR had transformed from a competitive advantage into a strategic fundamental (Story & Neves, 2014) and business imperative (Helmig, Spraul, & Ingenhoff, 2016).

Despite the proliferation of CSR globally, evaluative literature remained highly fragmented in terms of individual and organizational analysis levels as well as poorly integrated into organizations, primarily because of the numerous, conflicting objectives, disciplines, and audiences involved (Aguinis & Glavas, 2012). Considering these influences, the need to integrate social responsibility throughout the organization served as leverage for leaders to require the process be managed and its benefits quantified as a sustainable value that benefited the corporate brand and the company's stakeholders. A review of available literature and research suggests that much remains to be learned about CSR's impact on business relationships in the U.S. Crafting an appropriate strategy to discover the influence of supplier CSR on U.S.-based business prospects and customers contributes learning that benefits both buyers and sellers.

Brand Equity

Researchers have worked to clarify the elusive essence of brand equity over the past four decades. Brand equity has been described most consistently as the incremental market value derived from the aggregate effect of brand awareness, brand associations, brand loyalty, and perceptions of quality on the brand name (Hsu, 2012; Yoo, Donthu, & Lee, 2000) and quantifiable through the measurement (Srinivasan, 1979) of the four attributes.

In the late 1980s and early 1990s, brand equity's role was defined and referenced in a variety of ways as researchers and marketers began to focus their attention on the burgeoning concept of brand equity. The business concept of brand equity rose to the forefront of corporate interest as a result of widespread mergers and acquisitions transactions in the 1980s, during which purchase prices reflected brand values, revealing that brands were critical intangible assets (Leone et al., 2006). In a seminal article on managing brand equity, Farquhar (1990) recognized brand equity as the incremental cash flow derived from a brand's association with a product, resulting in a firm's competitive advantage. Farquhar concluded that creating positive brand evaluations, generating accessible brand attitudes, and maintaining a consistent brand image assured brand equity and avoided product failure, brand confusion, and negative associations.

Brand equity is relevant in B2B situations as well as consumer relationships. Keller (1993) presented the two dimensions of brand image and brand awareness as comprising the incremental difference in how consumers viewed the marketing of a brand. Srivastava and Shocker (1991) expanded consumer-based brand equity to include channel partners. In the business and professional services environment, the challenge of differentiating intangible service offerings revealed the need to leverage competitive advantage using brand equity in the forms of brand differentiation, brand loyalty, and improved customer retention (Aaker, 1996; Berry, 2000; Davis, Golicic, & Marquardt, 2009). Bendixen, Bukasa, and Abratt (2004) concurred with Hague and Jackson (1994) in recognizing that buyers focused less on products and more on corporate brand identity, with the latter comprised of differentiating values of highest corporate priority. Berry (2000) recognized that brand equity was the differentiating factor in a market in which it was difficult to isolate competitive service offerings. Davis et al. (2009) affirmed that industrial markets, and therefore industrial brands, were exemplified by their buyers rather than by their products, suggesting that brand equity accrued to the corporate entity instead of its products and services. Lai et al. (2010) determined that industrial firms invested in branding with the goal of achieving the benefits of brand equity. Pai, Lai, Chiu, and Yang (2015) reported that Taiwanese industrial buyers associated brand advocacy and brand equity with supplier CSR positioning, identifying external motives of suppliers as

driving CSR investment.

To form appropriate metrics, Aaker (1996) measured both perceptual and behavioral elements by exploring the categories of customer loyalty, perceived quality, brand awareness, brand associations, and market behavior. Myers (2003) confirmed the brand equity dimensions outlined by Keller (1993) and Aaker (1996), and determined the necessity of measuring both financial and customer related (perceptual or behavioral) aspects for a clear calculation of brand equity. The brand equity construct derived from four dimensions (Aaker, 1991; Keller, 1993; Zaichkowsky, Parlee, & Hill, 2010) and included brand loyalty, brand quality perceptions, brand awareness, and brand associations, with each dimension contributing value to a firm's set of assets. Aaker's (1991) and Keller's (1993) propositions that these dimensions clarified research results as they related to consumer behavior, brand importance, and brand value remain valid today.

Brand loyalty, one of the four elements of the brand equity construct, was defined as a brand's ability to influence repeated purchases over time without shifting to competitors' brands, thus serving to generate profit (Severi & Ling, 2013). Schultz and Block (2013) suggested that brand loyalty, combined with increased purchase commitment, represented brand sustainability that increased overall brand value. From the B2B point of view, while stakeholders of an organization and its brand effectively created brand loyalty through their commitment, some researchers argued that loyalty derived from brand equity, influencing customers to remain with, repeatedly purchase, and refer a brand (Juntunen et al., 2011).

Perceived brand quality, a second element of the brand equity construct, comprised the combination of experience with the service and perceptions of the corporate service provider according to González, Comesaña, and Brea (2007) while Ha, Janda, and Muthaly (2010) defined perceived quality as the subjective evaluation of an overall experience as considered by a customer. Chomvilailuk and Butcher (2010) determined that perceived brand quality directly influenced brand preference and reaffirmed the association between brand equity and perceived brand quality.

Brand awareness, a third element included in the brand equity factor, was defined by Aaker (1991) as the linked memory formed around a brand. Brand awareness was composed of the two components of brand recognition (coming to mind easily) and brand recall (ability to remember a brand name), therefore being associated with the ease that a brand name came to mind or was recalled (Jara & Cliquet, 2012). Increased incidents of communications exposure contributed to brand knowledge and resulted in stronger associations (Yoo et al., 2000). In a B2B environment, brand awareness cued higher quality and supplier commitment, reduced risk for decision makers, established a greater organizational investment in its products and processes, and influenced brand choice (Homburg, Klarmann, & Schmitt, 2010).

Brand associations, or image, were recognized as a fourth core aspect of brand equity (Ha, Ling, & Muthaly, 2010) and included the concepts of brand awareness, brand image, and familiarity (Keller, 1993). Brand association had a significant, favorable relationship with brand equity (Pouromid & Iranzadeh, 2012; Severi & Ling, 2013) and influenced brand differentiation (Sasmita & Mohd Suki, 2015). Yoo et al. (2000) cited brand associations as a more robust concept than brand awareness, recognizing that the two concepts together formed a unique brand image. Severi and Ling (2013) concurred, indicating that brand awareness in the buyer's mind occurred before brand association was embedded in the buyer's memory.

Since their respective formative years, the close association of brand equity and CSR initiatives has contributed strategically to product differentiation, brand differentiation, and favorable brand image that influences reputation (Hsu, 2012). CSR's favorable influence was linked empirically with brand-related aspects such as corporate reputation (Bendixen & Abratt, 2007), improved brand attitude (Khojastehpour & Johns, 2014; Rundle-Thiel, 2009), brand credibility and corporate reputation (Hur et al., 2014), positive corporate image (Benavides-Velasco, Quintana-García, & Marchante-Lara, 2014; Blumrodt, Bryson, & Flanagan, 2012; Du, Bhattacharya, & Sen, 2010; Melo & Garrido-Morgado, 2012), and brand equity (Blumrodt et al., 2012; Lai et al., 2010; Luu, 2012b;

Nguyen & Oyotode, 2015).

Branded socially responsible behaviors contribute to brand equity in myriad ways. CSR activities were cited by Melo and Garrido-Morgado (2012) as an effective strategy to secure competitive advantage, ultimately benefiting corporate reputation. Reputation and corporate brand equity were related to each other and reflected the influence of CSR (Hur et al., 2014). Similarly, Staudt et al. (2014) recognized evidence of a positive relationship between CSR and customer brand equity. Halliburton and Bach (2012) cited corporate values as driving brand personality, culture, personality, and behavior, all of which defined corporate behavior and determined brand equity. Lai et al. (2010) suggested that perceptions regarding a brand's CSR initiatives were positively linked to favorable brand awareness and brand association—two key elements of brand equity. CSR initiatives to address all stakeholders positively affected brand equity according to Torres, Bijmolt, Tribó, and Verhoef (2012).

Brand Performance

Brand performance, also recognized as a form of corporate financial performance, has been shown to be favorably impacted by CSR. Lai et al. (2010) specified brand performance as “financial performance brought by the supplier's brands and perceived by buyers” (p. 460), suggesting that supplier CSR induced buyer actions, resulting in the creation of brand performance. Brand performance was measured intrinsically through awareness, reputation, and customer loyalty as well as financially in terms of market strength, sales growth, profit margin, and share of market (Luu, 2012a). In research, brand performance relied on strong brand equity that encouraged higher customer revenues (Chirani, Taleghani, & Moghadam, 2012; Lai et al., 2010). Further, CSR activities improved corporate identity through the asset of reputation, defined as buyer perceptions of supplier fairness and honesty, and concern about the buying firm (Wagner, Coley, & Lindemann, 2011). Improved reputation served as a source of competitive advantage, strengthened the buyer-supplier relationship, and led to better financial performance (Leppelt, Foerstl, & Hartmann, 2012).

During the past five decades, the premise of social responsibility has worked its way into the functional structure and brand management of organizations. Based on the interrelationship of performance, ethics, social need, and brand reputation, it was inevitable that theorists would seek to link CSR to marketing, brand management, employee performance, and reputation using measurement strategies.

Van Beurden and Gössling (2008) explored the relationship between CSR and corporate financial performance to realize a positive relationship. Luo and Bhattacharya (2006) found that companies with CSR initiatives favorably impacted customer satisfaction which influenced financial success. Taghian, D'Souza, and Polonsky (2015) determined that a stakeholder-defined CSR strategy developed a favorable corporate reputation that, in turn, benefited business performance. Zhu, Sun, and Leung (2014) cited CSR as favorably impacting firm reputation and firm performance, but moderated by ethical leadership. Saeidi, Sofian, Saeidi, Saeidi, and Saeidi (2015) indicated the complexity of the CSR-financial performance relationship required mediating variables to favorably link the effects of CSR to improved financial performance. Wang and Qian (2011) demonstrated that CSR, or corporate philanthropy, influenced improved stakeholder responses and political resources, resulting in stronger corporate financial performance.

Across cultures, CSR behaviors affected financial outcomes in various ways (Scholtens & Kang, 2013), including redemption of socially irresponsible actions as a route to recovered trade relationships (Cai, Jo, & Pan, 2012), greater profits during Spain's economic crisis for banks committed to CSR (Escobar Pérez & Mar Miras Rodríguez, 2013), government involvement and support of Asian enterprises engaging in CSR programs (Moon & Shen, 2010), and improved CSR-related standards for Chinese workers' health, safety, and wages (Wang & Juslin, 2009). In their empirical study, Zhang and He (2014) determined that value co-creation among stakeholders worked to elevate industrial customer perceptions of brand value that led to higher brand performance. Therefore, it might be proposed that investing in CSR initiatives increased a company's brand equity and influences brand performance. Considering this, much remains to be learned about the role of brand equity as it relates to CSR and brand performance.

It is evident that corporate citizenship, through its influence on brand equity and reputation, was an integral element in sustaining a competitive advantage through brand performance in the business environment (Lai et al., 2010; Wang, Chen, Yu, & Hsiao, 2015). Additionally, it appears that increased brand performance advances the supplier-buyer relationship, thus reducing customer acquisition and retention costs. As businesses have integrated CSR into their organizational and brand structures, implementation of socially responsible activities has exerted increasing influence and generated greater value across numerous dimensions of brand management.

Organizations continued to focus on integrating CSR into their marketing and management processes to balance stakeholder and shareholder expectations (Maignan, Ferrell, & Ferrell, 2005) although research had yet to quantify conclusive causal links between CSR and corporate profit (Lee, 2008). Research revealed that corporate brand managers relied on measures of brand equity, brand personality, and brand value to determine how effectively CSR initiatives developed brand trust (Ghosh, Ghosh, & Das, 2013). Further, brand equity mediated the relationship between CSR and perceived value (Staudt et al., 2014). Large organizations continued to invest heavily in socially responsible activities (Luo & Bhattacharya, 2006); companies presented a favorable image that promoted corporate reputation and strategically differentiated the brand from competitors (Hsu, 2012). Perceptions of financial performance and ethical behavior influenced perceptions of CSR, resulting in corporate reputation and trust, both of which influenced consumer loyalty (Stanaland, Lewin, & Murphy, 2011). In total, scholarly research recognized the continued organizational interest and commitment in effectively integrating CSR into the corporate structure.

Brand equity was linked to brand performance within the CSR framework (Davicik, Vinhas da Silva, & Hair, 2015; Lai et al., 2010). Further, brand performance was recognized as the outcome of brand equity by Chirani et al. (2012) through increased awareness, quality, and loyalty that strengthened customer preference for the brand. In similar fashion, Lai et al. (2010) recognized the positive influence of CSR initiatives on brand equity and brand performance. Oliveira-Castro et al. (2008) outlined a relationship between consumer based brand equity and brand performance that differed by product category yet was measurable.

Extensive research has been conducted regarding CSR and its relationship to brand equity and brand performance within the stakeholder theory framework. The diverse and multi-dimensional body of research associated with CSR reflects the kinetics of defining, applying, and measuring CSR's role in the business world. Numerous studies have detailed CSR's influence on brand equity in narrow industrial segments, limited geographic markets, or consumer-only markets. However, there is no evidence of research that addresses the impact of CSR and brand equity on perceptions by B2B customers representing the breadth of industries that comprise the U.S. market in a generalizable way.

Researchers whose work has addressed the triumvirate B2B relationship among CSR, brand equity, and brand performance variables have noted several study limitations and recommended future directions. Delimiters such as findings focused on narrow industry sectors, the absence of cross-cultural research comparisons, studies limited to one size of enterprise, research conducted outside the U.S., and results generated for a sole organization have ensured that findings were not generalizable to a broader B2B environment, especially one focused on U.S.-based purchasing decision makers. These limitations formed an opportunity to examine the U.S. market's consideration of CSR, brand equity, and brand performance in the B2B environment.

In summary, suppliers invest in CSR initiatives to enhance brand value with selected stakeholder groups. Brand value can assert itself in the form of reputation, acceptance, competitive preference, reduced negative public relations, and stronger brand performance through increased profits. Numerous studies have shown that CSR favorably enhances customer relationships, preserves supplier reputation with B2B buyers, foments brand equity with customers, and influences trust in the market.

Research Results

A quantitative, non-experimental design study queried a random sample of 400 U.S.-based buyers employed at companies with at least 100 full-time employees, drawn from a commercially maintained B2B panel using probability sampling. Established, validated survey instruments for CSR, brand equity, and brand performance were fielded to test the relationship among the three variables. Regression analysis was used to calculate the presence of statistically significant contributions by CSR and brand equity to changes in the dependent variable of brand performance.

RQ1: What are the effects of supplier CSR on buyer expectations of corporate brand performance?

A regression analysis was conducted to explicate the relationship between CSR and brand performance. When brand equity is not present in the model, CSR significantly predicts brand performance, $b = .965$, $t = 21.27$, at $p < .001$. The model explains 53.0% of the variance in brand performance expectations, indicating CSR significantly influences buyer expectations of brand performance. These results illustrate that supplier CSR positively influences buyer brand performance expectations; the null hypothesis H_{01} is rejected.

RQ2: What are the mediating effects of brand equity on buyer expectations of corporate brand performance?

A regression analysis was conducted to determine the effects of brand equity on the relationship between CSR and brand equity. CSR significantly predicts brand equity, $b = .808$, $t = 21.18$, at $p < .001$. The model explains 64.8% of the variance in brand equity, indicating CSR significantly affects brand equity. These results show that supplier CSR is positively related to brand equity; the null hypothesis H_{02} is rejected.

A second hypothesis queried the relationship between brand equity and brand performance expectations. CSR significantly predicts buyer brand performance expectations, with brand equity in the model, $b = .531$, $t = 7.41$, at $p < .001$. Brand equity is shown to predict brand performance, $b = .536$, $t = 7.51$, $p < .001$. The model explains 58.8% of the variance in brand performance, indicating that an increase in brand equity relates to an increase in brand performance expectations. These results show that brand equity is positively related to brand performance expectations; the null hypothesis H_{03} is rejected.

The mediating effect of brand equity on the relationship of CSR and brand performance was further examined using Sobel's test (Sobel, 1982), revealing a significant indirect effect of CSR on brand performance expectations through the brand equity mediator, $b = .434$, BCa CI [.240, .600] at $p < .001$. This represents a relatively large effect of 43.4%. Results of regression analyses using Sobel's test are illustrated in Figure 1.

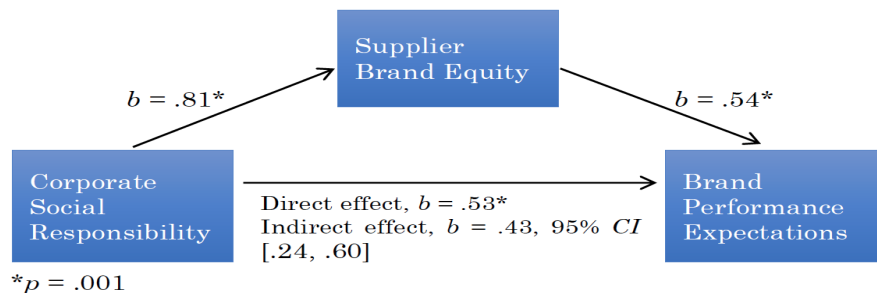


Figure 1. Regression analysis model of CSR influence on brand performance, mediated by MBE. Sobel's test generates indirect effect of MBE as mediating variable. * measured direct effect, $p = .001$.

These results clarify that supplier CSR influences brand performance expectations of buyers, with brand equity working to enhance brand performance expectations. Results of the study substantiate the hypothesis that CSR, via brand equity, influences brand performance expectations as causatum.

Discussion

This study measured the positive influence of supplier CSR activities on B2B buyer expectations of brand performance, and determined that the mediator brand equity favorably influenced brand performance expectations. Organizations that engage in CSR to secure approbative response from stakeholders seek a return on their investment in the form of improved, sustainable brand consideration in the competitive environment. These results reveal that CSR influences buyer expectations of brand performance, which increase B2B customer loyalty, resulting in a competitive, sustainable market advantage for suppliers that invest in CSR. The research closes the gap in the body of extant literature by addressing the importance of CSR in the B2B relationship as recognized by U.S. corporate buyers. Finally, the study incontrovertibly quantifies the positive influence of CSR on brand performance expectations, mediated by brand equity, as measured among U.S. corporate buyers.

This study represents a starting point for understanding how CSR, brand equity, and brand performance relate within the B2B environment. Propositions to inform the direction and quality of future research expand the target market or refine the homogeneity of units under analysis. Future studies might examine how other B2B stakeholders—examples include smaller firms, non-buyer personnel, shareholders—respond to CSR and brand equity influences. They might consider how well the model fits when measuring CSR activities rather than perceptions of buyers about CSR commitment. Researchers might test this study's model using alternative survey instruments to test the character of predictive strength among the study variables. Analysis might incorporate findings from multiple countries to understand differences across business cultures. Research might explore alternate methods of calculating brand performance and it might examine the model fit and predictive strength for segments within the larger U.S.-based B2B buyer universe to reveal variances in the predictive value of CSR within the model.

Conclusion

Measures of the buyer-supplier relationship serve to focus supplier CSR investment that encourages purchaser interest, improves buyer loyalty, reinforces client confidence, extends the buyer-supplier relationship, and generates a marketable metric that addresses supplier social responsibility. Additionally, this study offers proof of the value of corporate marketer investment in the marketing and communications of CSR initiatives to educate and influence business-to-business customers. Findings affirm the business case for extending beyond the traditionally targeted consumer and internal markets to communicate corporate social commitment to the growing stakeholder segment populated by B2B customers responsible for signaling purchase decisions. While research has shown that consumers value corporate focus on social issues, findings from this study generate incontrovertible evidence that business buyers in the U.S., across industries, expect brand performance to improve as a result of doing business with companies that invest in social initiatives. Armed with these results, corporate marketers are able to make a strong case for their firm to invest in business-to-business marketing budgets and resources.

Overall, the conclusive findings of this research confirm that corporate buyers respond to CSR initiatives, a relationship formerly defined for consumers, narrowly defined industries, and businesses in international markets. Thus, CSR activities contribute to achieving sustainable competitive advantage with B2B clients while enhancing brand equity and expanding the favorable effects of improved expectations of brand performance. Findings from this broad study reaffirm corporate commitment to leverage CSR in a meaningful way that can be translated into more effective spending by the marketing divisions of supplier organizations.

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Keywords: *CSR, B2B, brand equity, brand performance, business-to-business marketing, corporate social responsibility*

Relevance to Marketing Educators, Researchers and Practitioners: This research paper examines the heart of U.S. industry to understand how to leverage CSR initiatives through more effective spending by corporate marketers. The quantitative evidence of CSR's influence in business-to-business relationships reveals that supplier CSR investment piques buyer interest, increases purchaser loyalty, reinforces buyer confidence, extends the buyer-supplier relationship, and provides a marketable measure of supplier social awareness.

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TRACK: Business-to-Business Marketing / Supply Chain Management