

Engaging in CSR: The effect of perceived corporate greenwashing in the CSR fit-purchase intention relationship, depending on the sector's social responsible reputation.

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ABSTRACT

Corporations have increasingly been engaging in corporate social responsibility (CSR). However, there are some inconsistent findings regarding the relationship between CSR fit and purchase intention. The aim of the current study is to examine what factors influence this relationship.

Based on a literature review, CSR fit is proposed to negatively influence perceived corporate greenwashing (PCG) and this is moderated by a sector's social responsible reputation (SSRR). PCG in turn influences purchase intentions negatively as well.

It is concluded that corporations need to assess their SSRR and trust first, before deciding on which CSR activities they are going to engage in.

Keywords

Corporate Social Responsibility, CSR fit, purchase intention, perceived corporate greenwashing, sector's social responsible reputation

INTRODUCTION

Over the past decades, sustainability and corporate social responsibility (CSR) have gained increasing interest in both businesses and society. There is an ongoing trend where firms engage and invest in more sustainable and socially responsible practices or initiatives, instead of their usual investments to make a profit only. Some firms are putting an effort in CSR because they genuinely want to improve society, while others expect a financial compensation for it, and some firms are engaging only to meet society's expectations or stakeholder pressure (De Jong, Harkink, & Barth, 2018).

As some firms hope to get a financial compensation from engaging in CSR, they are especially interested in consumer's purchase intention. A significant determinant of purchase intention in this context seems to be CSR fit, which is the congruence between a company's core business and their CSR cause (Bhattacharya & Sen, 2004).

However, there are some contradicting findings regarding this relationship. Some literature proposes that a higher CSR fit increases purchase intention, while other studies conclude that there is no relationship at all (Zasuwa, 2017). This discrepancy could exist because some consumers are highly sceptical towards several CSR initiatives of firms, particular to those of companies with a negative reputation (Bhattacharya & Sen, 2004).

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Consequently, consumers might perceive CSR initiatives as attempts of "corporate greenwashing", meaning that firms make positive claims about their CSR initiatives while they have poor environmental performance in reality. Whether consumers perceive a CSR initiative as greenwashing, regardless of it actually being greenwashing, is known as 'perceived corporate greenwashing' (PCG), and is in this study suggested to intervene between CSR fit and purchase intention as a mediator.

Further, as the discrepancy between the different sectors is outstanding, it is reasoned that the sector's social responsibility reputation (SSRR) has a moderating influence on the relationship between CSR fit and PCG.

Against this background, the problem statement of the current study is: "*What is the effect of a firm's CSR fit on consumer's purchase intention through perceived corporate greenwashing, and how does sector's social responsible reputation influence the effect of CSR fit on perceived corporate greenwashing?*"

The purpose of the current study is to investigate the effects of CSR fit on purchase intention with the mediating effect of PCG and under different SSRRs. One study used a comparable experimental paradigm (Elving, 2013). The current study tries to build on the limitations and future research suggestions of that study. For instance, Elving (2013) studied consumer scepticism, whereas this study focusses on PCG since a consumer can be sceptical towards the CSR activities without being sceptical towards the firm itself. Further, as Elving (2013) states, cause-related-marketing (CRM) was used which is aimed at the short-term, while this study tries to explain CSR fit for all CSR activities, also in the long-run. Additionally, where Elving (2013) researched corporate reputation as a direct effect on scepticism and researched only one product, this study proposes SSRR as a moderator with firms in three different sectors. Thus, the current study tries to explain the construct of this framework in more detail. The results are relevant for all firms that engage in CSR and encounter a non-beneficial sale effect of the initiative. The findings may especially help companies that are located in sectors with a poor social responsible reputation.

SECTIONS

The next section will discuss all relevant variables and its relationships to answer the problem statement. First, purchase intention will be discussed, followed by CSR fit, PCG, and SSRR. Additionally, some context about this topic will be given in the first paragraph. Finally, a general conclusion, discussion, and limitations that offer suggestions for future research will be presented.

Literature review

Over the years, Corporate Social Responsibility (CSR) has evolved into a topic of great interest, in both practice and academic literature. There is not one definition for CSR but the most frequently used definition includes five dimensions

(a social, environmental, economic, stakeholder, and voluntariness dimension) and is introduced by the Commission of the European Communities (2001): “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (p. 4).

Implementing CSR can have numerous advantages for a firm, such as a more positive image or reputation, increased loyalty and trust, free publicity, and attractiveness as an employer (De Jong et al., 2018). In the study of Becker-Olsen, Cudmore, and Hill (2006), over 80% of the respondents believed firms should engage in CSR initiatives. Also, CSR positively influences purchase intentions, which will be discussed later on.

However, in some studies discussed earlier, there are also downside effects for corporations. One negative aspect of CSR comes from corporate greenwashing. De Jong et al. (2018) explained corporate greenwashing as follows: “The act of misleading consumers regarding the environmental practices, [...] [by] suggesting a better environmental performance than the actual environmental behaviour justifies” (p. 79). This greenwashing negatively affects the perceived integrity of firms and results in a lower purchase intention (De Jong et al., 2018).

Purchase Intention

As said before, an advantage for firms is that CSR has an overall positive effect on purchase intentions (PI), which is defined as “the consumer’s readiness and willingness to purchase a certain product or service” (Hsieh, 2014, p. 1440). Purchase intention can be seen as a representation or a forecast of actual sales numbers, which makes it a captivating concept for managers as it determines what will influence their returns.

Engaging in CSR has a significant positive effect on purchase intention, but this does not imply that engaging in CSR automatically increases sales, because consumers are frequently suspicious of the sincerity of a firm’s CSR motives (Bhattacharya & Sen, 2004). A factor that is found to be a significant influencer in this context is CSR fit.

CSR fit

Becker Olsen et al. (2006) define CSR fit as “the perceived link between a cause and the firm’s product line, brand image, position, and/or target market” (p. 47). In earlier literature, CSR fit took a value of either high or low, where a high CSR fit means that there is a clear link between the core business and its CSR activity, while a low fit indicates that there is no identifiable link between a company’s core business and the CSR initiative. For instance, if Microsoft would help with the recycling of old computers or organize computer lessons for the elderly, it would be perceived as a high fit. However, if Microsoft would engage in an initiative to save whales in the Pacific Ocean instead, it would be perceived as a low fit.

For companies, the most interesting question is whether engaging in either a high or low CSR fit activity yields the most positive consumer responses (i.e., PI). Previous studies found inconsistent results regarding CSR fit’s effects on purchase intention. A great number of studies found a positive influence of CSR fit on PI, firm equity, and willingness to switch companies (Peloza & Shang, 2011). In contrast, there are several studies that did

not find any significant relationship (Zasuwa, 2017). David, Kline, and Dai (2005) even found both an insignificant relation for one company, and a positive relation for three other companies.

Perceived Corporate Greenwashing

To explore why this discrepancy exists, it is interesting to know what was dissimilar across these studies leading to the inconsistency in terms of their conclusions. Besides some method procedures and scale differences, the studied products differ across these studies.

For the studies that did not find any relationship, the researched products or services were tobacco (David et al., 2005), milk, banks, shampoo, alcohol, and soft drinks (Zasuwa, 2017). These companies and products have (almost) never been associated with CSR. To put it differently, consumers may have difficulties in believing the sincerity of the claimed CSR activities of these corporations, because of their core functionality.

This is where the concept of greenwashing comes in since it has a negative effect on purchase intention (De Jong et al., 2018). Still, regardless of a firm’s actual intentions, it is, ultimately, all about whether consumers perceive CSR activities as corporate greenwashing or not. The variable ‘perceived corporate greenwashing’ (PCG) will be defined as: “consumers’ perception on a corporation’s CSR activities about whether it is a form of greenwashing or not.”

Previous research mainly focused on consumer’s scepticism. PCG is highly related to scepticism but differs on two points. Firstly, consumer’s scepticism is the overall tendency towards disbelief about a firm (Elving, 2013). This is different from PCG since a consumer can be sceptical about the firm as a whole and still perceives the CSR activities as genuine, or the other way around. Second, scepticism includes doubting the environmental claims of products too (i.e., product-level greenwashing), while PCG tells something about the corporate-level greenwashing only. Thus, PCG could tell more about what consumers actually think about certain CSR initiatives.

In earlier studies, it was found that consumer scepticism neither moderates the relationship between attitude towards the fit and PI (Gupta & Pirsch, 2006) nor moderates the relationship between CRM and PI (Patel, Gadhavi, & Shukla, 2017). Thus, it can be concluded that PCG does not act as a moderator on CSR fit and PI. However, PCG could be mediator instead. Then, this model should meet the four mediating conditions (Edwards & Lambert, 2007), which states that the following relationships should be significant: CSR fit on PI, CSR fit on PCG, PCG on PI, and CSR fit with PCG on PI.

It is found that CSR fit has a significant influence on PI, CSR fit is negatively related to scepticism (Zasuwa, 2017), greenwashing and scepticism are both negatively related to PI (De Jong et al., 2018; Skarmas & Leonidou, 2013), and scepticism mediates the relationship between CRM and PI (Elving, 2013). Since PCG is highly related to scepticism, it is proposed that the relations explained above also apply to PCG, thus meeting the four mediating conditions. That’s why it is proposed that:

- P1.** CSR fit has a negative effect on PCG, that is: A high (low) CSR fit leads to a low (high) PCG.
- P2.** PCG has a negative effect on PI, that is: A high (low) PCG leads to a low (high) PI. Thus, the effect of CSR fit on PI will be mediated by PCG.

Sector's Social Responsible Reputation

Yet, not all inconsistencies have been explained by the mediating effect of PCG since there are also some different findings of the relationship between CSR fit and consumer's scepticism.

In the studies that report a positive CSR fit-PI relationship, most firms and products come from industries with at least a decent reputation, while the companies and products of the insignificant studies are all located in sectors with more questionable ethical reputations (banking, tobacco, alcohol), or that are not known for any ethical reputations (milk, shampoo, soft drinks). Thus, it might be possible that in certain sectors, the CSR fit-PCG relationship is different.

Brammer and Pavelin (2006) found that industrial sector moderates the relationship between CSR and reputation, such that the relationship is stronger in sectors associated with positive environments. Further, the moderating effect of corporate CSR reputation was found on both the relationship between CRM and brand attitude and on the relationship between CRM and consumer-company identification (Lii & Lee, 2012). This indicates that sectors with different ethical reputations are perceived differently, even though they engage in CSR.

Sector's Social Responsible Reputation (SSRR) is defined in this study as "the social responsible reputation of a particular sector" and takes three values here: positive, neutral, or negative. Though, most studies did not focus on the influence of sectors, but rather on the influence of corporate (overall) reputation. For instance, Zasuwa (2017) concluded that under a positive corporate reputation, a high company involvement resulted in higher PI, while under a negative reputation, there was no relationship between company involvement and PI. Hence, it could be reasoned that this also applies to the relationship between CSR fit and PI.

Starting with studies on positive reputations, Elving (2013) found that CRM had no significant effect on consumer scepticism when manipulating for a good reputation. Further, fit had a small effect on scepticism when tested on a fictitious coffee house (Zhou & Ki, 2018), which implies that for sectors with a decent SSRR, there is a low relationship between CSR fit and PCG.

Likewise, firms within a neutral SSRR (e.g., toilet paper) yield a significant relationship between CRM and consumer scepticism (Elving, 2013). Moreover, the effect size of this relationship is higher than the effect size of the positive reputed firms in the article of Zhou and Ki (2018).

Finally, a negative reputed firm will get a more negative motive sincerity, and, moreover, for this negatively reputed firm, a low CSR fit gets a higher sincere motive than a high fit (Kim, 2011). This is in line with Bhattacharya & Sen (2004), who state that consumers are especially sceptical to negatively reputed firms that engage in a CSR activity that has a high CSR fit. Thus, for negatively reputed sectors, the negative relationship between CSR fit and PCG is reversed into a positive relationship. At last, for a bad reputation, CRM had a stronger effect on scepticism (Elving, 2013).

Thus, SSRR is proposed as a moderator of the CSR fit-PCG relationship, which is called first stage moderated mediation (Edwards & Lambert, 2007). That is why it is proposed that:

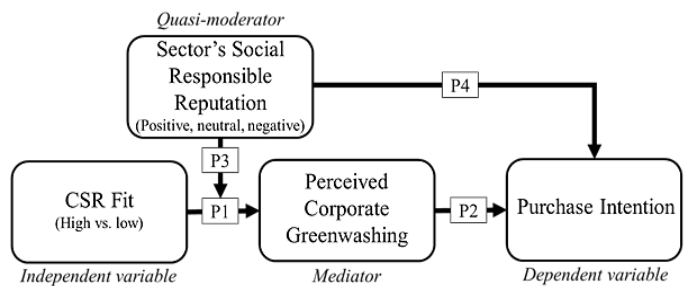


Figure 1 - Proposed conceptual framework including the four propositions

P3. SSRR moderates the indirect effect of CSR fit on PI through PCG, so that:

3a: The negative effect of CSR fit on PCG will be weaker (compared to the main effect) when the SSRR is positive.

3b: The negative effect of CSR fit on PCG will remain the same (as the main effect) when the SSRR is neutral.

3c: The negative effect of CSR fit on PCG will be reversed into a positive effect and will be stronger (compared to the main effect) when the SSRR is negative.

Finally, corporate reputation and CSR reputation both have a direct effect on PI (Brammer & Pavelin, 2006; Chen, Su, & He, 2014; Grimmer & Bingham, 2013; Tian, Wang, & Yang, 2011). That is why it is proposed that:

P4. SSRR has a positive direct effect on PI and therefore, is a quasi-moderator, that is: A positive (negative) SSRR leads to a high (low) PI.

The comprehensive conceptual framework, including the four propositions, can be found in Figure 1.

CONCLUSION

Based on the literature, the propositions suggest that the relationship between CSR fit and PI is influenced by a first stage moderated mediation, where PCG acts as a mediator and SSRR as a (quasi-)moderator.

To conclude, following the propositions in this study, PCG is proposed to be the highest for a high CSR fit and within a sector that has a negative social responsible reputation. This leads to the lowest PI. Corporations within such a sector are better off engaging in a low fit CSR activity. In contrast, PI is the highest when PCG is the lowest, which is the case for a high CSR fit within a sector with a positive SSRR.

The proposed framework attempts to explain earlier research in more detail by breaking down broad concepts (e.g., consumer scepticism) into smaller components. The propositions explain why consumers would react positively to one CSR initiative while reacting negative to another. This could be one of the explanations for the inconsistent findings regarding the effects of CSR fit on PI.

Managerial Implications

From a managerial perspective, managers can benefit by studying the results of this study about CSR fit regarding their particular SSRR. The results could tell managers if it is necessary to invest their time in finding the right fit for their CSR engagement or not. The first aspect managers need to examine is the SSRR for the sector in which they are located. If the SSRR is negative, the firm should engage in a CSR activity with a low CSR fit rather than a high fit to yield a higher consumer PI, although PCG will be higher in both situations (compared to PCG of the firms with positive and neutral SSRR). Therefore, those corporations should additionally focus on gaining consumer trust. If the SSRR is positive or neutral, the firm should engage in a CSR initiative with a high fit to yield a higher PI.

Limitations

Finally, there are some limitations to this study that offer suggestions for future research. First, it should be noted that this study is a literature review only. This means that future research should first empirically prove the proposed cause-and-effect relationships in a lab experiment and could then test the relationships with data from the real world.

A more conceptual limitation is that the variable PCG is influenced by more factors than just CSR fit and SSRR. For example, by the factors communicated motive and dispositional scepticism (De Vries, Terwel, Ellemers, & Daamen 2015). However, these variables were not considered in the context of CSR fit and PI. Future research could investigate whether these variables intervene in this particular context.

Finally, in this study, the behavioural purchase intention is described only, rather than the actual consumer purchase behaviour. This study only tries to explain the links between the various variables important in this framework. Future research could examine whether consumers in this context will actually change their purchase behaviour in real-life, besides having alternating intentions.

ROLE OF THE STUDENT

Maarten Zandvoort was an undergraduate student working under the supervision of MSc. Hendrik de With when the research in this study was performed. The topic was proposed by the student and approved by the supervisor. The writing, design of the framework and the formulation of the conclusions were performed by the student.

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