

# The Use of CSR Advertisements by Different Business Models and Its Effects on the Perception of Corporate Credibility

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# **The Use of CSR Advertisements by Different Business Models and Its Effects on the Perception of Corporate Credibility**

## **Abstract:**

In this study, we examine the influence of CSR advertisements by companies with different business models on perceived corporate credibility. We compare the business models of social enterprises and for-profit firms. We assume that for-profit firms' CSR messages lack credibility due to the inconsistency between social engagement and the strong profit maximisation objective embedded in their business model. In contrast, since social enterprises pursue a primarily social mission, we assume that their communication of social and environmental commitments is perceived more credible. To test our hypotheses, we conduct independent t-tests and regression analyses based on data of 109 participants of an online experiment. We find that CSR advertisements by social enterprises lead to a higher degree of perceived corporate credibility compared to for-profit firms and that perceived manipulative intent mediates the effect of CSR advertisements on the perception of corporate credibility.

## *Keywords*

*business model, corporate credibility, CSR advertisements*

## *Track*

*Social Responsibility & Ethics*

## 1. Introduction

The world is confronted with a reality in which existential crises such as global warming and environmental pollution, as well as poverty and extreme injustice are omnipresent (Gidron & Monnickendam-Givon, 2017; The World Bank, 2021). Capitalism is going through a triple crisis which involves health, economic, and climate crises which must be resolved in a different way from how people traditionally used to do business and how they interpret wealth (Pansera & Owen, 2018; Mazzucato, 2019; 2020). Against this background, social enterprises (SEs) have become increasingly relevant. SEs seek ‘profit with purpose’ to obtain a balance between the aims of traditional non-profit organisations and for-profit firms (Besley & Ghatak, 2017). Based on a hybrid business model (BM) they aim to fulfil a social mission through commercial activities (Pache & Santos, 2013; Guo & Bielefeld 2014; Briar-Lawson, Miesing and Ramos, 2021). Typical examples of SEs are companies that offer microcredits or affordable products in developing countries (Eldar, 2017) or integrate marginalised groups of people into the society of developed countries (Blount & Nunley, 2014).

The development of hybrid BMs is preceded by many years of establishing CSR, which is now almost an integral part of the activities of “traditional” for-profit firms (Skarmeas & Leonidou, 2013). This is not least attributable to the general assumption that ethical and sustainable corporate behaviour is increasingly relevant for economic success and building a good reputation (McKinsey, 2010). However, research on the effect of CSR and its communication yields conflicting results (Carrigan & Attalla, 2001). Communication of CSR activities can have a negative effect on consumer perception and behaviour due to scepticism about the intrinsic motivation of companies. Consumers assume that for-profit firms intentionally exploit the support of social causes for their economic advantage, which has severely impaired the originally positive effect of CSR (Lii & Lee, 2012; Skard & Thorbjørnsen, 2013). Several cases have been uncovered in which companies tried to convince consumers of their sustainability with greenwashing, which was primarily intended to maximise profits (Murphy & Coombes, 2009). Therefore, the credibility of the CSR messages of companies whose communicated values contradict their actions (Wagner, Lutz, and Weitz, 2009) or characteristics (Torelli, Monga, and Kaikati, 2012) has been weakened. Moreover, a general scepticism towards CSR activities has emerged over time (Connors, Anderson-MacDonald, and Thomson, 2017).

This paper assumes that for-profit firms practising CSR (FP\_CSR) encounter scepticism and that their CSR messages lack credibility due to the inconsistency between social

engagement and the strong profit maximisation objective embedded in their BM. In contrast, since SEs pursue a primarily social mission, there is reason to believe that both SEs and their communication of social and environmental commitments are perceived as more credible. Even though SEs have long attracted the attention of researchers and practitioners (Battilana & Lee, 2014), research on the effect of the BM on consumer perceptions is scarce (Seelos & Mair, 2005). Previous studies focus ostensibly on the internal organisation and management of SEs (e.g., Doherty, Haugh, and Lyon, 2014; Lee, Bolton, and Winterich, 2017; Pache & Santos, 2013) and are primarily devoted to theoretical conceptions rather than empirical research, in which there could still be potential for enriching the BM (Cukier, Trenholm, Carl, and Gekas, 2011). The effect of the BM as a transmitter of a CSR message on consumer perception also remains largely unexplored and is primarily limited to classic for-profit firms and non-profit enterprises (Lee et al., 2017).

To address this gap, we aim to explore the psychological effect of two BMs that differ strongly in the primary orientation but send the same advertising message focused on social and environmental aspects. We investigate the question of whether SEs and the messages they communicate are perceived as more credible by individuals than those of for-profit firms. In addition to the effect on perceived corporate credibility, the perceived intent of a company to manipulate is examined, derived from the assumption of a sceptical consumer attitude towards CSR. Since the provocation of feelings of guilt has established itself as a widespread tactic in the context of social and ecological advertising messages, but research findings are largely limited to non-profit enterprises (Huhmann & Brotherton, 1997), the influence of guilt stimuli in advertising on the effect between BM and perceived manipulative intent is also investigated.

## **2. Model Development and Hypotheses**

Drawing on the existing literature, the present study defines SEs as a BM that is primarily characterized by its strong social mission (Bull & Ridley-Duff, 2019; Doherty et al., 2014). While SEs primarily engage in solving social problems, they often also pursue activities to tackle environmental issues (Smith, Gonin, and Besharov, 2013; Wry & York, 2017). Furthermore, SEs are characterized by the hybridity along a continuum between for-profit companies and non-profit organisations and the understanding that SEs incorporate not only a social character, but also profit orientation (Doherty et al., 2014). However, in contrast to

traditional for-profit companies, SE's objective to make profits is primarily driven by its intention to invest financial resources in social goals (Peattie & Morley, 2008).

In contrast to SEs, for-profit enterprises with CSR activities (FP\_CSR) primarily focus on profit maximization. While they engage in social and ecological activities (Skarmeas & Leonidou, 2013), the social mindset of their business model is rather at the edge and not in the center (Porter & Kramer, 2019) and often based on the idea to support strategic marketing goals (Skarmeas & Leonidou, 2013).

In the literature, it is well documented that feelings of guilt may have an influence on consumer behaviour (Antonetti & Maklan, 2014). There are different types of guilt, such as anticipating, reactive or existential guilt (Huhmann & Brotherton, 1997; Izard, 1977). In the context of consumer guilt, literature often refers to the concept of existential guilt (Huhmann & Brotherton, 1997). This study also refers to this concept and defines existential guilt as the awareness of the difference in wellbeing between oneself and others. These negative feelings of individuals are a result of the perception of inequality between oneself and others (Antonetti & Baines, 2015).

We argue that the type of BM (SE vs. FP\_CSR) in CSR advertisements (vs. neutral appeals) has an influence on consumers' perception of a company's manipulative intent and their perception of corporate credibility. Drawing on Campbell (1995, p. 228), we define perceived manipulative intent as consumer inferences that a company or a company's advertisement "is attempting to persuade by inappropriate, unfair or manipulative means". Referring to Fombrun (1996) and Lafferty (2007), we define perceived corporate credibility as the degree to which consumers believe in the company's trustworthiness and expertise.

Building on the higher social orientation of SEs, we expect that consumers draw less inferences that a SEs CSR advertisement is trying to manipulate them compared to when the CSR advertisement is presented by a FP\_CSR. Thus, we hypothesize:

**H1:** The use of CSR advertisements by SEs leads to a lower degree of perceived manipulative intent compared to the use of CSR advertisements by FP\_CSR.

We also expect that the more socially oriented a company's BM is, the higher is the perceived credibility of a company and its CSR advertisements. Thus, we derive the following hypothesis:

**H2:** The use of CSR advertisements by SEs leads to a higher degree of perceived corporate credibility compared to the use of CSR advertisements by FP\_CSR.

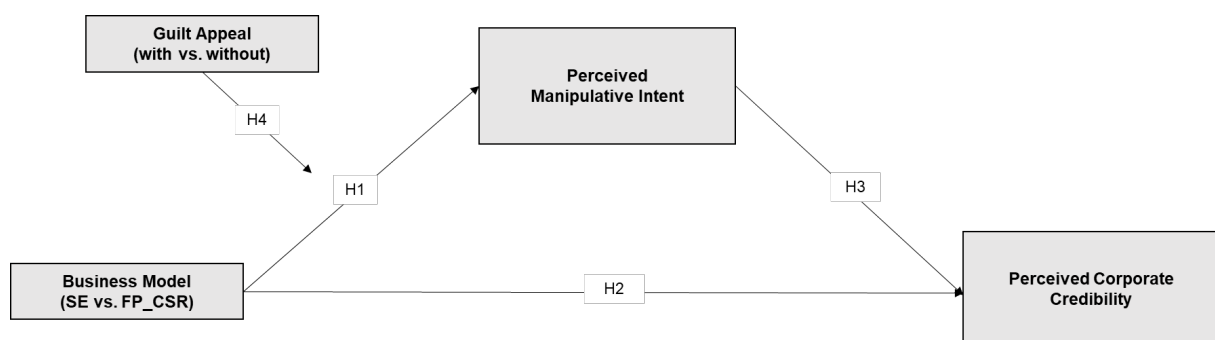
There is empirical evidence for the negative impact of perceived manipulative intent on the perception of credibility (e.g., Cotte, Coulter, and Moore, 2005). Building on this, we argue that perceived manipulative intent also functions as driver of perceived corporate credibility. Together with our prior reasoning on the influence of CSR advertisements by different BMs on perceived manipulative intent, we hypothesize:

**H3:** Perceived manipulative intent mediates the effect of the use of CSR advertisements by SEs (vs. by FP\_CSR) on the perception of corporate credibility.

Hibbert, Smith, Davies, and Ireland (2007) found that consumer perceptions of manipulative intent are negatively related to the level of guilt evoked in response to a charity advertisement. Building on this, we argue that the exposure of CSR advertisements with guilt appeals leads to stronger consumer perceptions of manipulative intent compared to CSR advertisements without guilt appeals. The suggested moderating effect of guilt appeal leads to the following hypothesis:

**H4:** Consumers who are exposed to CSR advertisements with guilt appeals are more likely to perceive manipulative intent compared to consumers who are exposed to these advertisements without guilt appeals.

Figure 1 provides an overview of our research model.



**Figure 1: Research Model**

### 3. Empirical Study

To test the hypotheses, we conducted an online experiment that was shared via social media platforms (e.g., Facebook) and via platforms of German universities. In total, we

gathered data of 109 participants (60.63% women; age: < 19 years: 1%, 19 – 39 years: 75%, 30 – 39 years: 5%; 40 – 49 years: 4%; > 50 years: 15%). We used a 2 (CSR advertisement by a SE vs. CSR advertisement by a FP\_CSR) x 2 (CSR advertisement with guilt appeal vs. CSR advertisement without guilt appeal) between-subject design.

In each scenario, a print advertisement of the fictitious company “SpreadSmile” which sells toothbrushes was presented. In the SE condition, “SpreadSmile” was described as a company that pursued both social aims and profit targets, however the pursuit of social aims was prioritized. In particular, participants were told that “SpreadSmile’s” social mission comprised the support of dental care information in developing countries. That is why large parts of the sales revenue of each toothbrush sold were used to support dental care information activities in these countries. Furthermore, all of the toothbrushes produced by the company were said to be sustainable and made of biodegradable bamboo. In the FP\_CSR condition, “SpreadSmile” was again characterized as a company pursuing both social aims and profit targets. In this condition, however, “SpreadSmile’s” focus was on profit maximization. More particular, it was said that the company sells several types of toothbrushes. One of them was described as being sustainable and biodegradable. Furthermore, it was pointed out, that parts of the sales revenue of this specific toothbrush are used to support dental care information activities in developing countries. Regarding the factor guilt appeal, participants were either presented an advertisement of “SpreadSmile’s” sustainable toothbrush where the feeling of existential guilt was overtly triggered by showing sad looking children from developing countries or they were presented an advertisement with a neutral stimulus, that is, without any guilt appeals.

All measures were based on seven-point Likert scales anchored “1 = strongly disagree” and “7 = strongly agree”. We drew on existing scales to measure the constructs. Perceived manipulative intent was measured based on Campbell (1995) and Skard and Thjorbønsen (2012). Referring to Newell and Goldsmith (2001), perceived corporate credibility was measured with two dimensions (amount of expertise and trustworthiness). The questionnaire ended with demographics.

*Measurement results.* Measurement reliability and validity was assessed using exploratory factor analysis and Cronbach’s  $\alpha$ . In line with the literature, an exploratory factor analysis revealed a two-factor solution for the construct perceived corporate credibility (factor 1: amount of expertise; factor 2: trustworthiness). Furthermore, items for both factors were

parcelled. Overall, our measurement scales show sufficient levels for Cronbach's  $\alpha$  (perceived manipulative intent: .895; perceived corporate credibility: .799).

*Manipulation check and test of hypotheses.* Two-sample t-tests for equal means confirmed the efficacy of our manipulations (BM:  $M_{SE} = 6.02$ ,  $SD = .812$  vs.  $M_{FP\_CSR} = 1.34$ ,  $SD = .664$ ;  $t(107) = -33.053$ ,  $p < .001$ ; guilt appeals:  $M_{with} = 3.04$ ,  $SD = 1.725$  vs.  $M_{without} = 2.56$ ,  $SD = 1.511$ ;  $t(94.035) = -2.536$ ,  $p < .05$ ).

We performed several two-sample t-tests to test our hypotheses. The results support most of the hypotheses. Perceived manipulative intent is higher in the FP\_CSR condition than in the SE condition which led to the support of H1 ( $M_{SE} = 3.10$ ,  $SD = 1.533$  vs.  $M_{FP\_CSR} = 3.98$ ,  $SD = 1.554$ ;  $t(107) = 2.965$ ,  $p < .01$ ).

In line with our reasoning and in support of H2, the findings reveal that perceived corporate credibility was stronger in the SE condition than in the FP\_CSR condition ( $M_{SE} = 5.00$ ,  $SD = 1.100$  vs.  $M_{FP\_CSR} = 4.31$ ,  $SD = .992$ ;  $t(107) = -3.464$ ,  $p < .001$ ).

To test the mediating role of perceived manipulative intent, we followed the procedure proposed by Preacher and Hayes (2008). We performed a mediation analysis (Mediation Model 4) using bootstrapping with 5,000 samples. We considered the use of the BM (0 = FP\_CSR, 1 = SE) as the independent variable, perceived manipulative intent as the mediator, and perceived corporate credibility as the dependent variable. The result supports hypothesis H3: The perception of manipulative intent mediates the effect of the use of SE as a BM on perceived corporate credibility (indirect effect = .374; 95% confidence interval [CI] = [.123, .647]). As there is no direct effect of the independent variable on perceived corporate credibility, perceived manipulative intent exerts a full mediating effect on this relationship.

To test the moderating role of guilt appeals in CSR advertisements, we performed two correlation analyses, that is, the correlation between SE and perceived manipulative intent as well as the correlation between FP\_CSR and perceived manipulative intent. The results showed that there was no significant difference between the two correlation coefficients. Thus, H4 has to be rejected.

#### **4. Discussion, Implications and Future Research**

The aim of this paper was to examine the influence of CSR advertisements by companies with different BMs on corporate credibility. More specifically, the purpose was to investigate



whether CSR advertisements by SEs lead to a higher degree of consumer perceived corporate credibility compared to FP\_CSR. The analysis revealed that this is the case. Furthermore, the findings confirmed that perceived manipulative intent mediates the effect of CSR advertisements by SEs (vs. by FP\_CSR) on the perception of corporate credibility. Hence, the differences in the perception of corporate credibility between the two BMs can be assigned to the fact that CSR advertisements FP\_CSR are perceived as more manipulative than SEs, which in turn has a negative impact on corporate credibility. The investigation of the use of guilt appeals in CSR advertisements showed that guilt appeals do not have an impact on the level of perceived manipulative intent.

In sum, the effect of CSR advertisements on corporate credibility differs depending on the company's business model. Our study thus extends the existing literature by not only investigating the BM of a for-profit firm as a transmitter of a CSR message, but also the BM of a SE and by comparing their effects. Our study's findings are also relevant for practitioners since they have implications for firms' marketing strategies. For SEs, they mean that the use of advertisements with social and environmental content is recommendable. For-profit firms, however, should use these kinds of advertisements with care. We recommend that they look for options to design these advertisements in a way which avoids evoking manipulative intent in consumers. Alternatively, they may explore other means than advertisements to communicate their CSR messages.

As with any study, this one is not free of limitations and consequently presents opportunities for future research. First, we considered only one product for our experiment. To validate the results, we encourage research to extend our results to other product categories. Second, the level of guilt which we intended to evoke in our experiment, might not have been high enough to support the suggested moderating effect (cf., Hibbert et al., 2007). We recommend repeating the experiment using a higher guilt evoking advertisement. Finally, only very limited conclusions can be drawn about the behavioural relevance of the results. It cannot be assumed that consumers will automatically translate perceptions of a company into behaviour. Since actual consumer behaviour is ultimately decisive for the success of BMs, researchers are encouraged to consider purchasing and recommendation behaviour in future studies.

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