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The effects of strategic corporate philanthropy on consumer perceptions: an experimental assessment

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**THE EFFECTS OF STRATEGIC CORPORATE PHILANTHROPY ON
CONSUMER PERCEPTIONS: AN EXPERIMENTAL ASSESSMENT**

A Dissertation

Submitted to the Graduate School Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment for the
requirements for the degree of
Doctor of Philosophy
In

The Interdepartmental Program in
Business Administration

by
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ABSTRACT

There are many objectives for corporate philanthropic activity beyond altruism. Financial gain, increased image, and thwarting negative publicity have been suggested as potential objectives for corporate giving. This dissertation develops a 2X2 classification schema as a framework for empirical investigation and managerial decision making. Additionally this dissertation examines current models of corporate philanthropy and develops a new model for the use of philanthropy in crisis management using stakeholder theory. Finally it presents experimental assessments of various types of philanthropy based on the classification schema.

Philanthropic activity is assessed in the context of two controlled experiments. The first experiment examines the perceptions of African-Americans versus other ethnic groups based on philanthropic activity directed toward African-Americans versus the general population. These perceptions are also examined in the context of a crisis (after a firm has been found to be discriminatory toward African-Americans) versus a good will gesture. A second experiment will conduct a closer examination of philanthropic activity in the crisis context by replicating the crisis conditions in the first experiment with modified experimental manipulations based on the results of the first study.

Results indicate philanthropy is an effective strategic option for corporate or brand image objectives, but ineffective for brand evaluation and purchase objectives. In addition philanthropy directed toward a particular segment also has a positive effect on consumers outside of that segment. Finally, philanthropy as a part of a recovery strategy appears to have a consistent but marginal effect on consumer perceptions of brand equity variables.

CHAPTER ONE: INTRODUCTION

Corporate philanthropy, where a corporation donates a portion of its resources to a societal cause, has been an important part of American business for over a century. An examination of the amount of funds donated underscores the importance today's corporations place on philanthropic activity. For example, during the 1990's the Avon Corporation donated \$22 million dollars to breast cancer awareness and American Express donated \$20 million dollars to hunger relief and prevention (Rasmusson 1997). Likewise, recent scandals at Texaco (i.e., allegations of racial discrimination and insensitivity) and Mitsubishi Motors (i.e., allegations of gender discrimination and sexual harassment) may have prompted these companies to donate funds due to the heightened awareness of discriminatory practices. Thus, identifying strategic options for companies to enhance their image and thwart negative publicity can be a goal of philanthropy.

As highlighted by the examples above, there may be many objectives for corporate giving beyond altruism. Some of the marketing objectives for corporate philanthropy are increasing visibility, enhancing corporate image, and thwarting negative publicity (Varadarajan & Menon 1988). However, the literature is mixed on the effects that corporate philanthropy has on a firm's performance (Griffin & Mahon 1997), and there is scant research as to how consumers perceive and react to corporate philanthropy. As such, the purpose of this chapter is to offer an overview of a dissertation that examines the effects of philanthropic activity on consumer perceptions of firms and the brands they market.

Two objectives will be addressed: 1) to present a classification schema as a framework for this dissertation and other empirical investigations of corporate

philanthropy; and 2) to present research hypotheses that will experimentally examine the effects of different types and implementation strategies of philanthropy on consumer perceptions. This chapter will first briefly offer a framework for studying the effects of corporate philanthropy. Then, a theoretical overview with research hypotheses will be offered in the context of two experiments. The first experiment will look at the perceptions of African-Americans versus other ethnic groups based on philanthropic activity directed toward African-Americans versus the general population. These perceptions are also examined in the context of a crisis (after a firm has been found to be discriminatory toward African-Americans) versus a good will gesture. A second experiment will conduct a closer examination of philanthropic activity in the crisis context by replicating the crisis conditions in the first experiment with modified experimental manipulations based on the results of the first study. Finally, a discussion of the contribution and implications for future research are offered.

Classifications of Strategic Corporate Philanthropy

Sanchez (2000,p.364) cites Wartick & Wood (1998) when defining philanthropy as: “a discretionary responsibility of a firm involving choosing how it will voluntarily allocate its slack resources to charitable or social service activities that are not business related and for which there are no clear social expectations as to how the firm should perform.” For this study a modified version of this definition is used, where the phrase “that are not business related” is removed from the definition. This deletion is important because it allows for cause-related marketing and other philanthropic activity that are used as an option to meet strategic marketing related objectives to classify as philanthropy. Cause-related marketing is a tie-in between corporate philanthropy and

sales promotion where a firm designates a specified amount to a cause when customers engage in revenue providing exchanges (Varadarajan & Menon 1988). Cause-related marketing is by definition tied to business related activities yet, it is still a philanthropic activity where the firm donates money to a charitable cause. This study uses this modified definition of corporate philanthropy: a discretionary responsibility of a firm that involves choosing how it will voluntarily allocate its slack resources to charitable or social service activities for which there are no clear social expectations as to how the firm should perform. More specifically, strategic corporate philanthropy is defined as a discretionary responsibility of a firm that involves choosing how it will voluntarily allocate its slack resources to charitable or social service activities in order to reach marketing and other business related objectives for which there are no clear social expectations as to how the firm should perform. Stakeholder theory, which requires management to look beyond the internal interests of the firm and consider the interests of all stakeholders affected by the firm's actions when making important operational and strategic decisions, provides a theoretical basis for explaining philanthropic behavior by the firm (Barringer & Harrison 2000 and Ulmer & Sellnow 2000). A more detailed discussion of corporate philanthropy and stakeholder theory is found in Chapter Two.

To aid further empirical research and strategic managerial decision making, a 2X2 classification schema of strategic corporate philanthropy, with two functional categories of (directed and general) and two kinds of strategic implementation (reactive and proactive), is presented (See Figure 1). At the most basic level it would appear that corporations' philanthropic activity may be "directed" or "general." General philanthropy, as demonstrated by the American Express example, is defined as

philanthropic activity that does not benefit a particular segment that the company is likely to target for business or wants to associate with for strategic reasons (i.e., as a response to a negative event). This is an important distinction because in the American Express example, “the malnourished population” is a specific identifiable group. However, because of the nature of American Express’ business, it is highly unlikely that it would target the malnourished population for business.

On the other hand, if American Express would have had allegations that corporate officers were insensitive to the hungry this could be an example of directed philanthropy. Directed philanthropy is philanthropic activity that benefits a specific segment that an organization is likely to target for business, or a segment that the company wants to associate with for strategic reasons other than to be perceived as a good corporate citizen. An illustration of directed corporate philanthropy is Avon’s focus on breast cancer awareness. In this example Avon’s philanthropic activity specifically benefits its primary market, women.

Strategic Philanthropy Classification Schema

Proactive-General	Reactive-General
Proactive-Directed	Reactive-Directed

Figure 1

At the second level the above mentioned types of strategic corporate philanthropy could be a part of a corporate strategy that is “proactive” or “reactive.” Proactive

philanthropy is defined as philanthropic activity that is designed to increase visibility or enhance corporate image and **is not in** response to an event that pressures the company to respond. For example, if a new group of stockholders feels that the firm should be more concerned with environmental issues and the firm responds by donating to environmental causes, this would be classified as proactive philanthropy. Proactive philanthropy does not have to be due to any obvious environmental event or social mishap (i.e., Exxon Valdez) that pressures the organization to react by directing more philanthropic activity toward environmental/social issues. Such type of philanthropic activity are examples of “reactive” philanthropy, which is defined as philanthropic activity that is designed to increase visibility or enhance corporate image that **is in** response to a negative event. Dawar & Pillutla (2000) suggest that corporate responses to product-harm crisis moves along a continuum from unambiguous support (e.g. Johnson & Johnson’s Tylenol crisis) to unambiguous stonewalling (e.g. Exxon Valdez). Unambiguous support consists of assumption of responsibility, an apology, and some form of remedy. Particularly in non-product related cases, philanthropy could be used as a form of remedy to accompany the assumption of responsibility and apology. The next section further elaborates the 2X2 philanthropic framework and outlines the theoretical conceptualization for the first study.

Consumer Perceptions of Strategic Corporate Philanthropy

Overall, consumers should have a positive view of proactive corporate philanthropic activity. Drumwright (1996) reported that 64 percent of American adults believe that “cause” marketing should be a standard part of a company’s activity; 78 percent would be more likely to buy a product associated with a cause they cared about; and 84 percent believed cause marketing creates a positive company image. In this study,

cause marketing is defined as an exhaustive list of cause related activities that include proactive corporate philanthropic activity. The Michael Peters Group (1991) reports that more than 75 percent of consumers stated that their product decisions are now at least in part influenced by a company's overall image or reputation on social/environmental issues. These surveys illustrate the importance of a good corporate image. There is also empirical evidence that supports the relationship between corporate image and purchase decisions.

For example, there are a number of studies, which demonstrate that corporate image affects consumer perceptions of products. Keller & Aaker (1995) found that corporate image has a direct effect on perceptions of product quality. In their study of boycotter versus non-boycotter behavior, Belch & Belch (1987) found that corporate image had an affect on attitudes toward the product for non-boycotters. Wansink (1989) found that the reputation of retailers affected how consumers evaluated attributes missing from advertisements. Brown and Dacin (1997) found that corporate associations, which include corporate ability and corporate social responsibility, affected product evaluations through corporate evaluations. Netemeyer et al. (2001) found that the organizational association of being a "good corporate citizen" was related to willingness to pay a price premium for a brand and brand purchase. The afore cited studies suggest an overall positive attitude toward companies associating themselves with causes that benefit society, and companies using their resources to benefit society is clearly related to the concept of corporate philanthropy. Still, no experimental research has addressed how various types of philanthropy affect corporate and brand evaluations.

Theoretical Overview

The overall positive attitude toward proactive corporate philanthropy allows the use of various information processing theories to explain previous results and predict consumer perceptions of corporate philanthropic activity. (These theories will be elaborated upon in detail in Chapter Two. For now, only a brief overview will be offered.) Information processing theories basically state that behavior is determined by what people think and how they think about it (Bettman 1979). For example, memory theory suggests that information about a particular object is stored as associations with that object in one or more memory locations. In the context of brand and company associations, when new information enters working memory it is processed in the context of all relevant information previously stored in memory. The strength of the association between the incoming information and the information already stored in memory determines how people incorporate this new information into judgments of brands/companies (Alba & Hutchinson 1990; and Tybout, Calder, & Sternthal 1981). Therefore, the information processing view would predict that, all things being equal, the positive view of corporate philanthropic activity would be positively associated with the sponsoring organization, which in turn positively affects attitudes and behaviors toward the organization.

Balance theory also suggests an overall positive association between corporate philanthropy and consumer perceptions of the organization (Heider 1958; Solomon 1999). In balance theory people have a tendency to arrange relations among object elements such that they are congruent with each other, i.e., “in balance.” As such, the positive act of philanthropy is related to positive brand and organizational ratings.

However it must also be noted that people may discount the effects of philanthropy based on the information processing theory of “schemer schemas” (Wright 1986). Schemer schema is an intuitive theory about tactics marketers use in the market place. If the philanthropic activity is viewed as a scheme to sell an organization’s product or just promote its image to combat negative publicity, the new information may be associated with the schemer schema and not the sponsoring organization.

Overview of Study 1 **An Assessment of Strategic Philanthropy**

General vs. Directed Categories of Proactive Philanthropy

Overall proactive philanthropic activity should have a positive affect on consumer perceptions of a company, but what about that which deals with general vs. directed proactive philanthropy? In the context of the model presented by Brown and Dacin (1997), corporate social responsibility (i.e. the character of a company with regard to social issues) had a positive effect on corporate evaluation, and in turn, corporate evaluation positively effected product/brand evaluation. From the information processing perspective, when a consumer identifies a brand with a company, all the information stored in memory regarding the company may influence the evaluation of the brand due to the association between the brand and the company. Though a company’s proactive philanthropic activity may not be relevant to its ability to produce a quality product or its product attributes, it can effect the overall image of the company, and therefore possibly affect consumer perceptions of the company’s products/brands (Brown and Dacin 1997). In view of this information the following hypothesis is given:

H1: General proactive corporate philanthropic activity will increase consumer evaluations of a) corporate associations b) brand evaluations and c) patronage intentions.

Ross, Stutts, and Patterson (1991) found that consumers would be willing to try a new brand as a result of a cause related marketing promotion if they regularly used the product category. In addition, the researchers found that consumers are more likely to support local causes than national causes. These findings suggest that the level of involvement with the cause affects the relationship between philanthropic activity and patronage intentions. It is also conceptually reasonable to think that there is a strong relationship between involvement with a cause and the motivation to act on it. For example, the Elaboration Likelihood Model (Petty & Cacioppo 1986) predicts a higher level of involvement will move stimuli from peripheral to central processing which infers more cognitive effort and motivation in processing. MacInnis & Jaworski (1989) have also made the link between involvement and motivation in their information processing based model that explains the effects of advertisements on brand attitude.

The major emphasis of motivation is explaining the direction and intensity of behavior (Bettman 1979). What is being postulated here is that a targeted group in directed philanthropy has a higher level of perceived involvement with the cause. Therefore, the greater the level of perceived involvement with the cause supported by the directed philanthropic activity, the greater the intensity of the association between the company and the philanthropic activity. This should result in higher consumer evaluations of the company for a targeted group to which the philanthropy is “directed” than for a non-targeted group.

As for a non-targeted group, the level of involvement with the cause is expected to be low or nonexistent. The low level of involvement should correspond to a low level of motivation to process the philanthropic activity, and have a lesser effect on a non-targeted group's evaluations of the company. However, even a non-targeted group should show stronger evaluations of a corporation engaged in any philanthropic activity. This reasoning leads to the following hypotheses:

H2a: Directed proactive corporate philanthropic activity will increase both a targeted group and a non-targeted group consumer evaluations of a) corporate associations b) brand evaluation and c) patronage intentions over that of a control group.

H2b: There will be an interaction where the targeted group will exhibit higher levels of a) corporate associations b) brand evaluations and c) patronage intentions than the non-targeted group in the directed philanthropy condition, but lower levels than the non-targeted group in the general philanthropy condition.

Reactive Philanthropy

Reacting to a negative event is likely to involve some level of negative affect, which may overshadow a positive view of corporate philanthropy. The negativity effect suggests that consumers place more weight on negative than positive information (Ahluwalia, Burnkrant, & Unnava 2000). Of the previously mentioned negative events, management reacting to the demands of new shareholders may not produce enough negative affect to offset the effects of the philanthropic activity. However, the Texaco and Mitsubishi cases (i.e., reactive philanthropy) offer anecdotal evidence that a great deal of negative affect can have strong effects on consumer perceptions. Additionally, a

study by Williams and Barrett (2000) provides empirical evidence that when firms violate Environmental Protection Agency (EPA) and Occupation, Safety, and Health Administration (OSHA) regulations they experience a decline in reputation. Further, corporate giving significantly moderates the relationship between the number of violations by the firm and its reputation. In the context of proactive versus reactive philanthropy, what is being postulated is that for consumers in general proactive philanthropy will produce higher evaluations of a brand than reactive philanthropy. However, reactive philanthropy as a part of an overall recovery strategy should produce higher brand evaluations than the same recovery strategy without philanthropy. In addition, consistent with H2b, higher levels of perceived involvement with the cause should produce higher consumer evaluations of the company when philanthropy is directed. This combined with overall higher evaluations for proactive philanthropy suggests that proactive-directed philanthropy should create higher evaluations for a targeted group than any other forms of philanthropy on a targeted group or consumers in general. In view of this information the following hypotheses are given:

H3a: There will be a main effect for philanthropy type where a) corporate associations b) brand evaluations and c) patronage intentions will be lower for reactive philanthropy compared to proactive philanthropy.

H3b: When a company receives negative publicity, reactive philanthropy as a part of a recovery strategy compared to a recovery strategy with no philanthropy (control group) will increase consumer evaluations of a) corporate associations b) brand evaluations and c) patronage intentions.

H3c: Proactive-directed philanthropy will have higher evaluations of a) corporate associations b) brand evaluations and c) patronage intentions for the targeted group than all other combinations of philanthropy and consumer groups (cells).

Category and Implementation of Corporate Philanthropy

The negative event itself may not be the only source of a negative affect. The philanthropic response may also be an additional source due to process-induced affect caused by cognitive effort (Garbarino & Edell 1997). Studies have shown that an incongruity between a schema of interest and a stimulus leads to an extreme evaluation of the object of the schema. Whether the object is evaluated more positively or negatively depends on the amount of cognitive effort involved in resolving the incongruity. When the incongruity between the schema and stimulus is moderate, the object is evaluated more positively. When the incongruity is great, the object is evaluated more negatively (Mandler 1982, Meyers-Levy & Tybout 1989, and Stayman, Alden & Smith 1992). Further, and as previously stated, schemer-schema theory suggests that individuals may discount the effects of philanthropy if it is viewed as a reaction to negative publicity.

The degree to which an individual views a schema and stimulus as incongruent may depend on whether or not s/he is a member of the targeted group. Such that for members of a targeted group, reactive-directed philanthropy may be more incongruent than reactive-general philanthropy, creating an additive negative affect. For example, in the case of Texaco the negative event created perceptions of a racist organization; general philanthropy creates the perception of a good corporate citizen. Being a racist organization and a good corporate citizen are incongruent. However, directed philanthropy creates the perception of a good corporate citizen and goodwill toward the

targeted group, in this case African-Americans. This may be even more incongruent than the general response for the targeted group. That is, being a racist organization and a good corporate citizen with goodwill toward African-Americans is likely to be highly incongruent and activate a schemer schema.

Using this line of reasoning, it is expected that for the targeted group reactive-directed philanthropy will be viewed less positively than reactive-general philanthropy. For the non-targeted group it is not quite as clear, but it seems the opposite effect may occur. Because of the lesser amount of negative affect created by the negative event for the non-targeted group, philanthropic activity in an offended community may actually be congruent and general philanthropy may be more incongruent. Based on the reasoning in this section, the following hypothesis is presented:

HP4: For reactive philanthropy there will be an interaction between group and type of philanthropy: The targeted group's a) corporate associations b) brand evaluations and c) patronage intentions will be lower than the non-targeted groups in the directed condition but higher in the general condition.

Overview of Study 2

Reactive Philanthropy: A Closer Examination

Based on the findings of study one, study two takes a closer look at using reactive philanthropy as a remedy in the unambiguous support model. Unambiguous support consists of assumption of responsibility, an apology, and some form of remedy (Dawar & Pillutla 2000). In non-product related cases, it is assumed that philanthropy could be used as a form of remedy. A closer examination of the stimuli used in study one provides a potential explanation as to why the means for H3b were in the hypothesized direction but not significant.

The experimental manipulation in study one stated, “CEO announced that the company fired the six senior executives involved in racial discrimination practices.” Consumers may have viewed the firing as the remedy within the response. If so, then the philanthropic activity may have been viewed as a good will gesture and not as a tangible remedy for the behavior that caused the crisis thereby lessening its potential effects. Study two replicates hypotheses H3b and H4 using a modified manipulation removing the statement that the employees were fired and placing the philanthropic activity in the opening line of the response. Again H3b and H4 states:

H3b: When a company receives negative publicity, reactive philanthropy as a part of a recovery strategy compared to a recovery strategy with no philanthropy (control group) will increase consumer evaluations of a) corporate associations b) brand evaluations and c) patronage intentions.

HP4: For reactive philanthropy there will be an interaction between group and type of philanthropy: The targeted group’s a) corporate associations b) brand evaluations and c) patronage intentions will be lower than the non-targeted groups in the directed condition but higher in the general condition.

Proposed Experimental Design

A controlled experiment for each of the two studies will be conducted to examine the effects of philanthropy on corporate associations, brand evaluations, and consumer patronage intentions for the overall market and specifically targeted markets. The design for study one will be 2X2X2 with two categories of philanthropic activity, (directed vs. general); and groups, [targeted (African-American) vs. non-targeted (all other ethnic groups)]; and strategic implementation (reactive vs. proactive), and four control groups

for a total of twelve cells. The first cell will contain a news release including a brand/product description and a donation to the American Health Institute (general philanthropy) due to their core belief in contributing to society and non-targeted subjects. Cell two will contain the same release and targeted subjects. In the third cell the profile will contain the same brand/product information; however, the donation will be to the African-American Health Institute and the respondents will be non-targeted. Cell four will contain the same release as cell three with targeted respondents. These four cells will compose the proactive condition. In the reactive condition the release will state that the philanthropic activity is in response to a racial scandal within the firm, instead of due to their core belief in contributing to society, as in the proactive condition. The reactive condition will make up cells five thru eight. Cells nine thru twelve serve as control groups. Cells nine and ten will serve as proactive control groups where the news release will consist of the brand/product information only, with targeted and non-targeted respondents. Cells eleven and twelve are reactive control cells that consist of the news release including the scandal without a philanthropic response with targeted and non-targeted respondents.

Study two will be a 2X2 design with two categories of philanthropic activity, (directed vs. general); and groups, [targeted (African-American) vs. non-targeted (All other ethnic groups)] with two control groups for a total of six cells. The cells contain all of the reactive condition cells mentioned above with the modification discussed in the overview of study two.

CHAPTER TWO: LITERATURE REVIEW

This review of the literature relevant to strategic corporate philanthropy is organized into three sections. First, the evolution of strategic philanthropy is explored. Then various models to explain an organization's use of strategic philanthropy in the different context of the 2X2 classification schema of corporate philanthropy are presented. Additionally, stakeholder theory is explained and used as the theoretical under-pinning of all of the philanthropy models. In the final section, the theories used to predict the consumer perceptions proposed in the research hypotheses presented in Chapter One are explained.

The Evolution of Strategic Corporate Philanthropy

The Traditional View

Strategic corporate philanthropy, where organizations use philanthropic activity to meet marketing and other business related objectives, has evolved over the past century. Philanthropy has been an important part of American society since the Seventeenth century. However, prior to the 1950's, individuals and not companies, conducted this activity. Legal restrictions and unwritten rules restricted companies from meddling in social affairs (Smith 1994). The legal restrictions were removed in a 1954 Supreme Court ruling, the Smith Manufacturing Company vs. Barlow Case, involving a stockholder's suit against Smith Manufacturing for a contribution it made to Princeton University. With this ruling, the court established the "business judgment rule." Prior to Smith vs. Barlow, organizations were only allowed to make contributions that were directly related to their shareholders' best interest. The ruling in the Smith case freed

managers to make contributions that in their judgment would promote the company's best interest (Stendardi 1992).

The unwritten rule, pre 1960's, when organizations were pressured to demonstrate their social responsibility, was that business, government, and nonprofits should do what each does best without intrusion into the other's territory. This industrial style philanthropic approach is based on the argument that the firm's primary responsibility is to increase shareholder wealth through increased profits. If the shareholders wish to support a charitable cause they should do so as individuals; managers ought not make these decisions for them. Furthermore, if the philanthropic activity decreases profits then the manager is spending the shareholders' money and if the activity increases prices, then the manager is spending the consumer's money (Stendardi 1992).

The pressure on organizations to demonstrate their social responsibility brought about the contrasting argument for philanthropy as a valid corporate activity. This argument is based on the belief that successful organizations must maintain good relations with all of their key stakeholders, and that shareholders are only one stakeholder group. Others include customers, employees, government, the communities in which they do business, and society in general. Additionally it is thought that if society views a significant incongruence between business' activities and society's needs, then actions will be taken by society to limit the rights and activities of business. The positioning of philanthropic activity as enlightened self-interest emerged as an attempt to bring together these two competing views of philanthropy as a corporate activity.

Enlightened Self-Interest

According to Smith (1994), although the AT&T Foundation was not the first to talk about self-interest when discussing philanthropic activity, it was the first to articulate tenets of a new philanthropic paradigm where it was suggested that the foundation's endowed funds should not be 'a thing apart' from business. In contrast, the foundations activities should be tied to business functions, and advance business interest through strategic alliances with key stakeholder groups. In return, the benefiting business units should support philanthropic activities with all their resources, thus producing initiatives that will benefit society as much as possible.

The key premises underlying enlightened self-interest is the belief that the organization will benefit at some point in the future from its philanthropic activity by being perceived as socially responsible, and this will motivate employees to work for the firm and customers will be motivated to purchase the firm's brands. The second premise is that a healthy company cannot survive in a sick community; therefore, companies that use a portion of their resources to address social problems are helping to secure their long-term survival. The final attribute regarding enlightened self-interest is that the anticipated future benefits were neither immediate, certain, nor quantifiable.

Strategic Corporate Philanthropy

The role of philanthropic activity as a part of corporate strategy is still evolving. While not all companies have fully integrated philanthropy into their overall corporate strategy most recognize its strategic importance (Smith 1994; Tokarski 1999). Environmental conditions such as downsizing, decreased domestic profit margins, and Wall Street's short-term focus, have created an evolutionary shift from enlightened self-

interest to a similar but more strategic form of philanthropy that is designed to produce a specific, measurable benefit in an identifiable time period (Stendardi 1992; Mescon & Tilson 1987).

Strategic corporate philanthropy is defined as a discretionary responsibility of a firm that involves choosing how it will voluntarily allocate its slack resources to charitable or social service activities in order to reach marketing and other business related objectives for which there are no clear social expectations as to how the firm should perform. There are a number of objectives that can be achieved through strategic corporate philanthropy including: increasing sales, enhancing corporate image, thwarting negative publicity, customer pacification, facilitating market entry, and increasing trade merchandising activity (Varadarajan & Menon 1988). Strategic corporate philanthropy explicitly links its philanthropic strategy to a corporate objective.

Strategic corporate philanthropy comes in many forms beyond, and inclusive of, monetary gifts. Organizations with the goal of being viewed as a good corporate citizen are heavily promoting their gifts to make consumers aware that they are putting money back into the communities that support them. Other forms of strategic philanthropic activity help companies and their brands meet image and exposure objectives. These activities include: sponsoring local and national special events, sponsoring cultural and arts programs, and sports sponsorships (Mescon & Tilson 1987). Another form of philanthropic activity that has evolved from this more strategic view of philanthropy is cause-related marketing.

Cause-Related Marketing

Cause-related marketing explicitly strives to improve corporate performance while helping a worthy cause by linking donations to the cause to the purchase of the company's products and services. The key characteristic of cause-related marketing is the firm's donation to a designated cause, (not-for-profit organization), and being linked to customers engaging in revenue producing transactions (Varadarajan & Menon 1988). Funds for cause-related marketing campaigns come directly from companies marketing budgets and not from their foundations. These funds are redirected from other promotional activities.

American Express first used the term cause-related marketing. Their first experiment with this strategy was in California in 1981. The company donated two cents to the San Francisco Arts Festival every time customers used their card. The success of the multiple cause-related marketing campaigns by American Express illustrates the importance of cause-related marketing as a philanthropic activity. The San Francisco Festival received \$100,000. Additionally American Express raised \$30,000 for the San Jose Symphony and \$1.7 million for the Statue of Liberty Foundation, and a number of other companies have emulated American Express' efforts (Mescon & Tilson 1987).

Even though the primary goals of cause-related marketing campaigns are to meet marketing objectives and increase bottom line performance, it has proven to be a very important philanthropic fundraising tool for worthy causes. However, cause-related marketing is not explicitly assessed in this dissertation. Cause-related marketing serves a number of the same functions of more traditional strategic corporate philanthropy, but because of the fact that it is tied directly to revenue producing activity it may be

processed differently by consumers in some of the various experimental context presented in this dissertation and processed similarly in others. Because of the importance of cause-related marketing as a philanthropic activity as well as a marketing strategy, there is a great need for future research in this area.

Summary

Prior to the 1950's philanthropic activity was almost a purely individual act where legal restrictions and unwritten rules prevented company participation. In cases where companies did engage in philanthropic activity, it had to be in the interest of the shareholder and was not connected to the business interests of the firm. Due to the 1954 Supreme Court ruling in the Smith case and social pressure on companies to demonstrate their social responsibility and good citizenship, philanthropy has evolved into a strategic option where organizations can do societal good while at the same time meet economic and non-economic business goals. Strategic corporate philanthropy has evolved to a point where in the most current strategy, cause-related marketing, business related objectives including marketing are the primary goal of the philanthropic activity.

Models of Corporate Philanthropy

Sanchez (2000) identifies three current models of corporate philanthropy: the altruistic model, the profit maximization model, and the political and institution model. Each model highlights the potential range of motives for organizations engaging in philanthropic activity. The altruism model is a non-strategic model whereas the other two are strategic models. In this section each model is examined. Additionally, a discussion of how each model relates to the 2X2 classification schema is presented. Each of these three models is, primarily consistent with proactive philanthropy. As a result, a

fourth model is developed, the reactive recovery model. The reactive recovery model is also a strategic model and is the principal basis for reactive philanthropy.

The Altruistic Model

The altruistic model provides a non-strategic explanation of corporate philanthropy. The goal for organizations that practice altruistic philanthropy is only to help others. These activities are not connected to business interests in any way. Managers who use this model view the betterment of society as a primary responsibility of the company. Though the altruistic model provides a valid possible explanation for philanthropic activity, the growth of strategic philanthropy that allows for companies to do good in addition to meeting business related goals makes it less likely that altruism will provide a total explanation. This reasoning has some empirical support in that a study by Buchholtz, Amason, & Rutherford (1999) found that managerial values partially mediated the relationship between managerial discretion and the level of corporate philanthropy. Additionally, File & Prince (1998) found that aesthetic pleasure and cultural tradition were partial yet significant motivators for funding projects related to the arts in New York. These findings suggest that values play a significant part in philanthropic decision making, however other factors (i.e., strategic factors) are just as important, if not more. Particularly in the case of cause-related marketing where the market objective is primary.

By definition the altruistic model could only fit in the proactive-general cell of the philanthropic classification schema. This is because reactive philanthropy is, by definition, activity in response to a negative event and is by its very nature strategic. Directed philanthropy is philanthropic activity that benefits a specific segment that an

organization is likely to target for business, or a segment that the company wants to associate with for strategic reasons. This eliminates altruism as an explanation of directed philanthropy. Consistent with the discussion in the paragraph above, altruism is likely to be only a partial explanation for proactive-general philanthropy. While altruism may be the primary factor for conducting philanthropic activity that is proactive and does not benefit a segment the company is likely to target for business, overall enhanced corporate image and/or increased visibility for the firm or its brand may be secondary motives in some cases and just as important as altruism in others.

The Profit Maximization Model

The profit maximization model provides a strategic explanation for philanthropic activity, where corporate philanthropy is designed to directly or indirectly produce economic gain. Corporate philanthropy provides direct economic gain when the activity itself results in an economic increase. Cause-related marketing is a clear example of corporate philanthropy designed to produce a direct economic gain because the company's philanthropic activity is directly linked to revenue producing activity by its customers. Another possible direct economic benefit could be a reduction in corporate income taxes. Indirect economic gain occurs when the philanthropic activity supports a project that creates an economic climate that may produce an economic gain. Indirectly a company may support a community project that management believes will increase demand for their products or a university that management believes will increase its labor supply.

In the context of the philanthropic classification schema, the profit maximization model is likely to fit in proactive cells. Because reactive philanthropy is by definition in

response to a negative event, it is highly unlikely that this type of philanthropy will effectively produce economic gain. The goals of reactive philanthropy are prone to be non-economic (e.g. thwarting negative publicity, enhancing corporate/brand image, or pacifying consumer groups). Proactive philanthropy whether directed or general is more likely to be linked to economic gain. In the proactive-general condition, economic goals are apt to be secondary and produce economic benefits indirectly through creating a general climate of goodwill. However, in the proactive-directed condition where the activity benefits a segment that the company targets or plans to target, direct or indirect economic gain is likely to be a primary goal.

The Political and Institutional Power Model

The political and institutional power model uses philanthropy as a tool to maximize political returns, where the goals are to win over problem players in the political environment or establish private initiatives to avert government interference thereby holding a power base within political and institutional environments. Smith (1994) points out that one of the major problems that Exxon faced during the Valdez crisis is that the Exxon Foundation had no ties with environmental groups and leaders, therefore, Exxon's chairman had nowhere to turn for advice on handling the crisis. Had Exxon been involved in a relationship with environmental groups prior to the Valdez crisis, not only would the company have a place to go for advice, it would have also had a basis for increased credibility when it responded. Furthermore, if the Valdez spill had never occurred Exxon would have had an additional opportunity to express its business interests regarding environmental legislation that would affect the company.

Using corporate philanthropy as a strategy to develop political and institutional power requires a level of credibility behind the philanthropy, and therefore should be proactive. From a consumer's perspective, proactive philanthropy could provide the basis for a credible reactive philanthropy strategy, particularly in cases where the proactive philanthropy was directed toward an offended community prior to the negative event that creates the need for reactive philanthropy. In the context of the philanthropic classification schema, the political and institutional power model is primarily proactive by nature. However, philanthropic activity may be used as a good will gesture toward an influential group or individual in reaction to a crisis. This type of philanthropy is directed by definition; therefore, the political and institutional power model fits in the directed reactive cell.

The Reactive Recovery Model

The reactive recovery model of philanthropy is a strategic model that uses philanthropic activity as a part of a recovery strategy following a negative event. Dawar & Pillutla (2000) suggest that corporate responses to product-harm crisis move along a continuum from unambiguous support (e.g. Johnson & Johnson's Tylenol crisis) to unambiguous stonewalling (e.g. Exxon Valdez). Unambiguous support consists of assumption of responsibility, an apology, and some form of remedy. Particularly in non-product related cases, philanthropy could be used as a form of remedy to go along with the assumption of responsibility and apology. Ahluwalia, Burnkrant, & Unnava (2000) found that consumer's response to negative publicity is moderated by their level of commitment. This suggests that a targeted response to negative publicity, depending on consumer's level of commitment, may be more effective than a mass approach. It is also

reasonable to assume that other constructs (e.g. involvement) will also moderate this relationship. Therefore it is important to identify and explore multiple strategic response strategies including philanthropy.

The reactive recovery model is the basis for reactive philanthropy in the philanthropic classification schema. Reactive philanthropy can be used in both the general or directed condition, depending on the nature of the crisis and the history of philanthropic activity with the offended community. Had Exxon provided an unambiguous support response to the Valdez crisis and used philanthropic activity as part of this strategy, the company could have made donations to environmental groups (directed philanthropy) to help remedy the situation. However, because Exxon had no history with environmental groups prior to the oil spill, it may have been more effective for Exxon to take responsibility, apologize and increase its philanthropic activities in other areas not related to the environment (general philanthropy) to help improve the company's overall image during the time of crisis. The reactive recovery model suggests philanthropy can be an effective strategic tool as part of a recovery strategy for a company involved in a crisis.

Stakeholder Theory

Stakeholder theory (Freeman 1994) identifies stakeholders as any group of individuals who can affect or is affected by a firm. Empirical evidence suggests that stakeholder relationship variables have a direct affect on financial performance and that stakeholder relationship variables moderate the relationship between strategy variables and financial performance (Berman, Wicks, Kotha, & Jones 1999). The stakeholder concept requires management look beyond the internal interest of the firm and consider

the interest of all stakeholders affected by the firm's actions when making important operational and strategic decisions (Barringer & Harrison 2000; Ulmer & Sellnow 2000). Stakeholders are generally identified as stockholders, employees, consumers, suppliers, competitors, creditors, regulatory agencies, professional groups, and the local community.

Berman, Wicks, Kotha, & Jones (1999) identify two stakeholder management models: the strategic stakeholder management model and the intrinsic stakeholder commitment model. These models are consistent with the models of philanthropy in that they are based on altruism (the intrinsic stakeholder commitment model) or on strategy (the strategic stakeholder management model). The intrinsic stakeholder commitment model holds that the firm's decisions affect the well being of its stakeholders, which suggests that the firm has a normative moral obligation toward stakeholders and that fundamental moral principles guide decision making, particularly decisions on how stakeholders are treated. Intrinsic stakeholder commitment may explain the use of the altruistic model of corporate philanthropy.

Strategic stakeholder management explains the profit maximization and the political and institutional power models of philanthropy. The fundamental assumption of the strategic stakeholder management model is that the ultimate objective of corporate decisions is marketplace success. Stakeholders are elements of the environment to be managed in order to assure returns to shareholders. Additionally, attention to stakeholder concerns may prevent stakeholders from engaging in activities that may thwart the firm's objectives. This model of stakeholder theory postulates that stakeholder relationships are to be managed in order to maximize profits and develop institutional power. The profit

maximization and the political and institutional power models of philanthropy suggest that strategic philanthropy is a potential tactic to meet these goals.

For reactive philanthropy, a third stakeholder model is developed, the stakeholder crisis management model. The basic assumption of this model is that crisis situations present unique circumstances and that a firm must be prepared to reprioritize or expand its view of stakeholders in times of crisis (Ulmer & Sellnow 2000). Three phenomena peculiar to crisis events make this expanded view necessary. First, people weigh negative information more heavily than positive information, which may cause the firm to reprioritize its stakeholders when a particular group has been offended (Khonman & Tversky 1979). This suggests that more resources may be needed to maintain the relationship with the stakeholder group. Secondly, offended stakeholders are likely to be more visible in the firm's operations as well as in the media following a crisis, which may also cause a reprioritization in order to pacify the offended group and prevent further damage. Finally, a crisis may introduce new stakeholders that the firm did not anticipate. Though Exxon surely identified "the environment" as a stakeholder prior to the Valdez spill, that crisis likely made Exxon reexamine "the environment" and identify various elements of the environment as specific stakeholders. Reactive philanthropy may be used as a tactic to signal a re-prioritization or expansion of stakeholders.

Summary

Four different models for philanthropic activity are presented to explain corporate philanthropy and how each model relates to the 2X2 classification schema of philanthropy. Of the four models: the altruistic model, the profit maximization model, the political and institution model, and the reactive recovery model, only the altruistic

model is non-strategic in nature. The other three seek distinct strategic benefits, economic benefits for the profit maximization model, non-economic benefits for the political and institution model, and crisis recovery benefits for the reactive recovery model. Stakeholder theory provides the theoretical basis for all four of the philanthropy models. Finally, in the context of the philanthropic classification schema only the reactive recovery model is viewed as primarily reactive, though the political and institutional model can be reactive in limited contexts. The other three models are classified as proactive. See Figure 2 for overview.

Philanthropic Activity Models

	GENERAL	DIRECTED
PROACTIVE	Altruism Model Profit Maximization Model Political and Institutional Power Model	Profit Maximization Model Political and Institutional Power Model
REACTIVE	Reactive Recovery Model	Reactive Recovery Model Political and Institutional Power Model

Figure 2

Theories Affecting Consumer Perceptions of Strategic Philanthropy

There are various theories that can affect consumer perceptions of strategic corporate philanthropy. This section provides a more detailed examination of the theories used to develop the research hypotheses found in Chapter One. Primarily, two theories are used to explain and predict consumer perceptions of various types of corporate philanthropy. Balance theory, which suggests that people have a tendency to arrange relations among object elements such that they are congruent with each other, and information processing theory that states that behavior is determined by what people

think and how they think about it. After discussing these two basic theories, three theories related to information processing; schemer schema, the negativity effect, and process induced affect are discussed.

Balance Theory

Balance theory posits that consumers make evaluations based on triangular relationships between three elements, a consumer and two other stimuli, where each element has a favorable or unfavorable attitude (sentiment relations) or they are associated or disassociated (unit relations). A positive or negative sign is used to designate each relationship. To determine if the relationship is balanced, the rules for multiplying integers are used and if they are consistent (e.g. a positive and a negative equals a negative) then the relationship is in balance. If the results are inconsistent, then the relationship is out of balance.

An out of balance relationship causes an unpleasant state of tension for a consumer. The consumer may choose to live with the tension. However, if sufficient tension exists it is likely that the consumer will change his or her sentiment relationship with one of the other elements to create balance and reduce the tension. In the context of philanthropy, a triad may consist of the consumer, the firm, and the philanthropic activity. Other potential triads may also be relevant, for example the triad could consist of the consumer, the philanthropic activity and the benefiting organization, or the benefiting population segment. Using the initial triad as an example if a firm conducts philanthropic activity and the consumer has a positive attitude toward philanthropy, in order to be in balance, the consumer has to have a positive attitude toward the firm. If the consumer has a negative attitude toward the firm, then the triadic relationship is out of

balance and the consumer has to either live with the tension created by the unbalanced relationship or change his attitude toward the firm or toward the philanthropic activity. The implications for strategic philanthropy is, that because consumers generally have a favorable attitude toward philanthropy, participation in philanthropic activity creating a positive association (unit relation) between philanthropy and the firm, consumers will need to have a positive attitude toward the firm to have a balanced triadic relationship.

Information processing theory explains the processes consumers may use to bring this relationship in order. For example, in a high involvement condition where there is considerable thoughtful elaboration about the philanthropic activity, a consumer with a generally favorable attitude toward philanthropy may find a reason (e.g., the motivation behind the activity is selfish, or the size of the contribution is too small) to have a negative attitude regarding that particular philanthropic act. This brings the relationship back into balance where there is an association between the firm and the philanthropy and a negative attitude toward the philanthropic act and that balances with a negative attitude toward the firm. The next section provides a detailed discussion of information processing theory.

Information Processing Theory

Bettman's (1979) theory of information processing views the consumer as a processor of information interacting with his/her environment, seeking and taking information from various sources, processing this information and then making a selection from among some alternatives. The basic components of information processing in the context of consumer choice are processing capacity, motivation, attention and perception, information acquisition and evaluation, memory, decision

processes, and learning. Because the research hypotheses in this dissertation focus on information evaluation, I will examine three of these components, memory, motivation, and information evaluation.

Memory. Two memory theories can be used to explain how consumers process stimuli: the multiple store theory and the spread and activation theory. The multiple store theory posits that there are three separate memory stores, a sensory memory store, a short-term memory (working memory) store, and a long-term memory store. This theory suggests that environmental stimuli is initially processed through sensory receptors and stored in sensory memory. Sensory memory is very limited, lasting only a few seconds. A stimulus in sensory memory that receives attention is processed further and moves to short term memory. Short-term memory also has limited capacity, approximately 20 seconds, and can process seven chunks of information at a time. While in short-term memory, stimuli may be processed further by rehearsal (repetition of information) or coding (association of the stimulus with information stored in long-term memory). This further processing moves the stimuli to the long-term memory store; the permanent store with unlimited capacity. An additional function of short-term memory is called temporary working memory, where information from long-term memory is retrieved and processed along with an environmental stimulus in order to interpret the stimulus.

The second memory theory is the spread and activation theory (Collins & Loftus 1975). Spread and activation posits that there is but one memory store, but only limited portions of that store can be activated at one time, and that there is a limitation on the capacity for activation. Information is stored in nodes and as an environmental stimulus passes through the sensory receptor it is associated with other nodes of information in the

portion of memory that is activated to process the stimulus. Only the activated portion of the memory store can be used for current processing, and when that portion is activated, associated information within the activated area is processed along with the environmental stimulus. The key factor in both of these memory theories is that information from the external environment is processed and associated with information already held within memory. In the context of the hypotheses in Chapter One, both theories suggest that when information about a company's philanthropic activity is processed by consumers it will be associated with other relevant information previously stored in memory, and all things being equal the positive view of philanthropic activity would be positively associated with the sponsoring organization.

Motivation. Both direction and intensity of behavior are affected by motivation. For this study, motivational intensity, or the amount of cognitive capacity allocated to processing information about philanthropic activity, is the salient factor. Dual processing models like the Elaboration Likelihood Model (ELM; Petty & Cacioppo 1986) are very effective in explaining the amount of capacity allocated to processing information (Meyers-Levy & Malaviya 1999). Dual processing models suggest that there are two potential routes in information processing: a systematic or central route and a heuristic or peripheral route. The systematic route allocates more cognitive resources to allow for more critical elaboration when processing information. The heuristic route allocates minimal cognitive resources and only allows for negligible thoughtful elaboration.

In the context of philanthropy, a consumer's involvement or level of perceived personal relevance with the sponsoring company, the benefiting cause, or (in the case of reactive philanthropy) the negatively affected group may moderate the consumer's

motivation to process the philanthropic information. When consumer involvement is high he/she should be motivated to allocate the necessary cognitive resources for critical elaboration, processing the information using the systematic route. On the other hand, when consumer involvement is low the motivation to process is minimal and scant cognitive resources are used to process the information via the heuristic route.

Information Evaluation. When incoming information is evaluated, consumers generate thoughts about the information they acquire while the information is being processed. These thoughts may contain questions about the information. For instance, is the information good, is it misleading, is it credible, and so on (Bettman 1979). The level of evaluation incoming information receives is directly related to the amount of cognitive resources allocated to the information. This suggests that consumers with high levels of involvement, that process information regarding philanthropy, will critically assess contextual information regarding the philanthropic activity including but not limited to: the amount given, the cause involved, and the company's motivation behind the philanthropy. Additionally, other salient information stored in memory that is associated with the contextual factors is also likely to be recalled and affect the evaluation of the philanthropic activity. On the other hand, consumers with low levels of involvement are likely to process philanthropic information via the heuristic route where contextual factors are not processed, and evaluation of the information is likely to be consistent with heuristics the consumer already holds in memory (e.g. philanthropic organizations are good corporate citizens or a company that gives away money is just trying to sell me something).

Summary

Both balance theory and information processing theory suggest that consumers evaluate philanthropic activity using other contextual information. Balance theory suggests that consumers' attitude toward the philanthropic activity may depend on their attitude toward the firm, the benefiting organization, or some other relevant environmental stimulus. Information processing theory posits that consumers may evaluate philanthropic activity in the context of associated information stored in memory and/or other external information. The consumers' level of involvement may moderate the amount of cognitive resources allocated to process the information regarding the philanthropic act. Both of these theories provide a framework for predicting and explaining consumer evaluations as well as other relevant factors that may effect consumer evaluations of philanthropic activity. The next section examines three additional theories related to information processing that provide additional predictive and explanatory power of consumer evaluations of philanthropic activity: schemer schema, the negativity effect, and process induced affect.

Other Theories Related to Information Processing

Balance theory and information processing provide an effective theoretical basis for predicting and explaining consumer perceptions of proactive philanthropy. However, to understand evaluations of reactive philanthropy requires the use of additional theories related to information processing because explaining evaluations of reactive philanthropy necessitates an understanding of how consumers process negative information. This section examines three theories, schemer schema, the negativity effect, and process induced affect, which assist in understanding negative information processing.

Schemer Schema. A schemer schema is an intuitive theory about tactics marketers use in the market place (Wright 1986). A schema refers to a mental representation of knowledge about the world. Schemas come in the form of frames (representations of physical structures), scripts (representations of routine activities), and concepts (all others). Schemer schemas posit that because consumers continuously interact with the marketplaces they develop theories regarding marketers' tactics. As these theories are dis/confirmed a conceptual schema is created representing what the consumer identifies as schemes to sell them something. This has major implications for strategic philanthropy. As philanthropic activity shifts to being more strategically focused the easier it is to associate the philanthropy with a schemer schema rather than a firm's goodwill or a possible remedy showing unambiguous support in the context of recovery.

Negativity Effect. The negativity effect states that consumers place more weight on negative than positive information when forming overall evaluations of an object (Ahluwalia, et al. 2000). Two possible theoretical explanations for the negativity effect are provided: expectancy-contrast theory and frequency-weight theory (Skowronski & Carlston 1989). Expectancy-contrast theory posits that consumers pose a neutral point on a scale of judgment, which serves as an anchor, and it is assumed that this anchor shifts from a neutral point to a point closer to the positive end due to continuous exposure to positive characteristics. Therefore, when consumers are exposed to the negative information it is perceived as more negative than if the anchor would have been at a true neutral position creating a contrast effect.

Frequency-weight theory uses logic similar to that of expectancy-contrast theory the difference being how information is integrated. Expectancy-contrast theory assumes integration is perceptually based and frequency-weight theory bases integration on the cognitive use of the information (mathematical weight) not shifts in perception. Frequency-weight theory suggests that unexpected information is viewed as more informative than expected information; therefore, having a greater influence on impressions. Because consumers' expectations are moderately positive, negative information is more unexpected and receives greater weight. In the context of reactive philanthropy, because there is necessarily a negative event, the negativity effect suggests that this information may be given more weight in evaluating the firm, and to maintain a balanced triadic relationship between the consumer, the firm, and the philanthropic activity, a consumer may associate the philanthropy with a schemer schema rather than the firm.

Process Induced Affect. Process-induced affect suggests that when there is an incongruity between a schema of interest and a stimulus it leads to an extreme evaluation of the object of the schema (Garbarino & Edell 1997). Whether the object is evaluated more positively or negatively depends on the amount of cognitive effort involved in resolving the incongruity. When the incongruity between the schema and stimulus is moderate, the object is evaluated more positively. When the incongruity is great, the object is evaluated more negatively (Mandler 1982, Meyers-Levy & Tybout 1989, and Stayman, Alden & Smith 1992). Theoretically, this may be explained by experiential processing which suggests that when consumers engage in processing that requires a great deal of cognitive resources the process may garner feelings of contentment or

frustration depending on whether or not they are able to achieve closure over conflicting information (Meyers-Levy & Malaviya 1999).

As stated in Chapter One the degree to which an individual views a schema and stimulus as incongruent may depend on whether or not s/he is a member of the targeted group. Such that for members of a targeted group, reactive-directed philanthropy may be more incongruent than reactive-general philanthropy, creating an additive negative affect. For example, in the case of Texaco the negative event created perceptions of a racist organization; general philanthropy creates the perception of a good corporate citizen. Being a racist organization and a good corporate citizen are incongruent. However, directed philanthropy creates the perception of a good corporate citizen and goodwill toward the targeted group, in this case African-Americans. This may be even more incongruent than the general response for the targeted group. That is, being a racist organization and a good corporate citizen with goodwill toward African-Americans is likely to be highly incongruent and activate a schemer schema.

Summary

Both the negativity effect and processed induced affect explain why consumers may place more weight on negative than positive information. The increased emphasis on negative information may lead consumers to associate philanthropic activity with schemer schemas rather than the firm. This understanding of how negative information is processed is particularly important regarding decisions to use reactive philanthropy in times of crisis.

CHAPTER THREE: RESEARCH METHODOLOGY AND PILOT STUDIES

Introduction

The two pilot studies reported in this chapter are combined into one main study for this dissertation. Following feedback that the two studies reported in this chapter could be done in one experiment they were combined into study one. Study two was added to further examine results from study one in the reactive condition. Two pilot studies are conducted to assess the effectiveness of the manipulations and the general direction of the mean scores on the dependent variables: corporate associations, brand evaluations, and consumer patronage intentions for the overall market and specifically targeted markets. The design for pilot study one is 2X2 with two categories of philanthropic activity, (directed vs. general); two groups, [targeted (African-American) vs. non-targeted (all other ethnic groups)]; and two control groups for a total of 6 cells. The first cell contains a news release profile including a brand/product description and a donation to the American Health Institute (general philanthropy) due to a corporate belief in contributing to society and non-targeted subjects. Cell two contains the same release and targeted subjects. In the third cell the profile contains the same brand/product information. However, the donation is to the African-American Health Institute and the respondents are non-targeted. Cell four contains the same profile as cell three with targeted respondents. Cells five and six serve as control groups where the news release consists of the brand/product information only, and five will have non-targeted respondents and six will have targeted respondents.

Pilot study two is a 2X2X2 design with two categories of philanthropic activity, (directed vs. general); two groups, [targeted (African-American) vs. non-targeted (all

other ethnic groups)]; strategic implementation (reactive vs. proactive), and two control groups with targeted and non-targeted subjects, for a total of twelve cells. The same profiles for cells one thru four in the first study are the same in study two. These four cells compose the proactive conditions. In the reactive conditions the profiles state that the philanthropic activity is in response to a racial scandal within the firm instead of due to a corporate belief in contributing to society (as in the proactive condition). The control cells consist of the news release including the scandal without a philanthropic response with non-targeted respondents in cell 9 and targeted respondents in cell 10. A news release without a scandal or any philanthropic activity with non-targeted respondents in cell 11 and targeted respondents in cell 12 comprise the last two cells.

Subjects are undergraduate students from two southern universities: one is a predominately Caucasian university with an approximately 8 percent African-American student population; the other is a historically Black university with an approximately 7 percent Caucasian student population.

Stimuli

The stimuli present a news release profile concerning a new athletic shoe by an actual brand for study one and a fictitious brand for study two from the AP Newswire. An actual brand is used in the first study for increased external validity. Athletic shoes were chosen as the product category due to their extensive use in the consumer research literature and relevance to a college student sample (Netemeyer et al. 2001; Ahluwalia 2000; Ahluwalia & Gurhan-Canli 2000; Costley & Brucks 1990; Kirmani 1990). Reebok was chosen as the actual brand because prior studies indicate that with regard to brand equity variables, Reebok scores in the middle when compared to high equity brands (i.e.,

Nike) and lower equity brands (i.e., Fila) of athletic shoes (Netemeyer et al. 2001; Pullig 2000). The midrange perceptions of Reebok allow for possible fluctuations both up and down due to non-product related issues (i.e., scandal and philanthropic activity). The fictitious brand (Accent) of athletic shoe, in the second study is being used to replicate and extend the results of the first while controlling for possible brand or company effects that may already be associated with a particular organization. The news release presents a brief story regarding the release of a new line of athletic shoe with a description of new technology used in the new line, which remains constant across all cells. The rest of the AP story discusses the company's philanthropic activity, negative event, and reaction to the negative event representing each treatment condition.

The general philanthropy scenario lists a million dollar donation to the American Health Institute, and the directed philanthropy scenario lists a million dollar donation to the African-American Health Institute. A fictitious charity was used to control for effects that may already be associated with an existing charitable organization. An internet search using three search engines was conducted to verify that neither of these charities actually exists. Ross, Stutts, and Patterson (1991) found that consumer perceptions were different for local, regional and national causes. Therefore, the stimuli presents only national causes due to the data being collected in two different cities. Reactive versus proactive philanthropy is operationalized by positioning the philanthropic activity as part of a response to a racial discrimination scandal as opposed to positioning the same activity by the same company due to a belief in contributing to society. Experimental stimuli may be seen in Appendix A.

Dependent Variables

The dependent variables include corporate associations, brand evaluations, and purchase intentions. Corporate associations are measured with a three-item scale adopted from similar measures used by Netemeyer et al. (2001), Pullig (2000), Keller and Aaker (1995), and Brown and Dacin (1997). Brand evaluations are measured by three perceived quality measures from Netemeyer et al. (2001). Purchase intentions are measured by a two-item scale, which assesses how likely one would consider purchasing a product. Examples of the questionnaires for Accent and Reebok in the general philanthropy condition may be seen in Appendix B.

Pilot Study One

Pilot study one is designed to assess the effectiveness of the manipulations and the general direction of the mean scores on corporate associations, brand evaluations, and consumer patronage intentions for the first proposed main study of this dissertation. The design for pilot one is a 2X2 with two categories of philanthropic activity, (directed vs. general); two groups, [targeted (African-American) vs. non-targeted (all other ethnic groups)]; and two control groups for a total of 6 cells. Forty seven undergraduate business students participated in this study. Sample sizes for each of the six cells ranged from 7 to 9 subjects per cell. The sample was almost evenly split between targeted (24; 51%) and non-targeted (23; 49%) subjects.

Each subject was randomly assigned to one of the cells and received an experimental booklet that consisted of a consent form and instructions on the outside cover. Following consent and instructions, the subjects opened the booklet, read the news release manipulation and responded to the appropriate questionnaire described in

the stimuli and the dependent variables sections above. The items used to measure the dependent variables demonstrate sufficient reliabilities or correlation among items: corporate associations ($\alpha = .85$), brand evaluations ($\alpha = .78$), and consumer patronage intentions ($r = .92$).

Manipulation Checks

Manipulation checks were included to assess whether or not subjects properly interpreted the event manipulations. Two items were used to assess the manipulations. The first item asked if a donation was made to a charity directed toward African-Americans to determine if subjects processed the proper category of philanthropy. The 14 subjects in the general condition all correctly responded. Of the 18 subjects in the directed condition, 4 incorrectly indicated that there was no donation to a charity directed toward African-Americans¹. In the control condition there were 15 subjects, and all subjects made the appropriate response. The second item was a seven-point scale where subjects were asked to what extent was the philanthropy in the news release directed toward African-Americans. Subjects in the directed condition had a significantly higher mean than subjects in the general condition (directed = 5.56; general = 2.31; p -value < .001).

Multivariate Results

A MANOVA was used to test the hypotheses for pilot study one. All of the dependent variables significantly correlated (all p -values < 0.01). Multivariate and univariate results of the MANOVA are shown in Table 3.1. A post hoc test using the Bonferroni method was conducted for type, due to type having three levels (general,

¹ All tests were conducted with the full sample and with deleting the subjects that missed the manipulation. There was no differences in the data therefore the full sample analysis was used.

directed, and control). None of the results for the MANOVA or the post hoc tests were significant. This was expected due to the small sample size, as the pilots were conducted to assess the general direction of the means and test the manipulations.

Hypotheses Tests

Hypothesis 1 posits that general proactive corporate philanthropic activity will increase consumer evaluations of corporate associations, brand evaluations, and patronage intentions. The means are in the hypothesized directions for all dependent variables. The means were: in the control condition 3.98 and 4.33 in the general conditions for corporate associations; 4.02 in the control condition and 4.45 in the general condition for brand evaluations; and 3.63 for control and 3.68 for general for purchase intentions. See Table 3.2 for all means.

Table 3.1 MANOVA

Source:	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
Main Effects							
Type	.553		.854	6	.822	.398	.002
Group	.471		.857	3	.012	.399	.532
Interactions							
Type X Group	.305		1.22	6	.666	1.650	.955

None of the results are significant

Hypothesis 2a posits that directed proactive corporate philanthropic activity would increase both a targeted group (African Americans) and a non-targeted group (all other ethnic groups) evaluations of corporate associations, brand evaluation, and patronage intentions over that of a control group. The direction of the means are in the hypothesized direction for the targeted group (corporate associations control = 3.75 directed = 4.70; brand evaluations control = 3.50 directed = 4.37; and purchase intentions control = 3.62 directed = 4.38). For the non-targeted group; however, the means stayed

relatively constant or declined (corporate associations control = 4.24 directed = 4.29; brand evaluations control = 4.62 directed = 4.15; and purchase intentions control = 3.64 directed = 2.944).

Hypothesis 2b posits an interaction where the targeted group will exhibit higher levels of corporate associations, brand evaluations, and patronage intentions than the non-targeted group in the directed philanthropy condition but lower levels than the non-targeted group in the general philanthropy condition. The directions for the means are in the hypothesized direction for only one of the three dependent variables. For purchase intentions, the targeted group has a higher mean in the directed condition (mean = 4.39) than does the non-targeted group (mean = 2.94), and in the general condition, the non-targeted group has a higher mean (mean = 3.79) than the targeted group (mean = 3.57). For corporate associations (ca) and brand evaluation (be) the targeted group was higher in the general (ca mean = 4.43, be mean = 4.57) and the directed conditions (ca mean = 4.70, be mean = 4.37) than the non-targeted group in the general (ca mean = 4.24, be mean = 4.33) and the directed conditions (ca mean = 4.29, be mean = 4.15).

Table 3.2 Means

	Control		General		Directed	
Corporate Associations	Targeted	3.75	Targeted	4.43	Targeted	4.70
	Non-Targeted	4.24	Non-Targeted	4.24	Non-Targeted	4.30
	Total	3.98	Total	4.33	Total	4.50
Brand Evaluations	Targeted	3.50	Targeted	4.57	Targeted	4.37
	Non-Targeted	4.62	Non-Targeted	4.33	Non-Targeted	4.15
	Total	4.02	Total	4.45	Total	4.26
Purchase Intentions	Targeted	3.63	Targeted	3.57	Targeted	4.39
	Non-Targeted	3.64	Non-Targeted	3.78	Non-Targeted	2.94
	Total	3.63	Total	3.68	Total	3.67

Discussion of Pilot Study One Results

The results from this pilot study demonstrate the effectiveness of the event manipulations. Although there are no statistically significant results, the means are in the hypothesized direction for hypothesis H1 and for the targeted group in hypothesis H2a. For the non-targeted group the directed condition decreased slightly from the control group. A full study with an adequate sample size is needed to determine whether or not these decreases are significant. The non-targeted group in this context may have such a low level of involvement with the directed philanthropy that no change from the control group may occur. For hypothesis H2b only the means for purchase intentions present the hypothesized pattern of a disordinal interaction. However, examining how close the means are suggests purchase intentions and corporate associations may have an ordinal interaction with little or no difference in the general condition and a larger difference in the directed condition. As with all of the hypotheses tested, a study with an adequate sample size is needed to properly interpret the results.

Pilot Study Two

Pilot study two is designed to assess the effectiveness of the manipulations and the general direction of the mean scores on corporate associations, brand evaluations, and consumer patronage intentions for the second proposed main study of this dissertation. The design for pilot study two is a 2X2X2 design with two categories of philanthropic activity, (directed vs. general); two groups, [targeted (African-American) vs. non-targeted (All other ethnic groups)]; strategic implementation (reactive vs. proactive), and two control groups with targeted and non-targeted subjects for a total of twelve cells. One hundred and twelve undergraduate business students participated in this pilot study.

Sample sizes for each of the six cells ranged from 7 to 11 subjects per cell. The sample was almost evenly split between targeted (50; 45%) and non-targeted (62; 55%) subjects.

Each subject was randomly assigned to one of the cells and received an experimental booklet that consisted of a consent form and instructions on the outside cover. Following consent and instructions, the subjects opened the booklet, read the news release manipulation and responded to the appropriate questionnaire described in the stimuli and the dependent variable sections above. The items used to measure the dependent variables demonstrate sufficient reliabilities or correlation among items: corporate associations ($\alpha = .86$), brand evaluations ($\alpha = .82$), and consumer patronage intentions ($r = .83$).

Manipulation Checks

Manipulation checks were included to assess whether or not subjects properly interpreted the event manipulations. Four items were used to assess the manipulations. The first item asked if a donation was made to a charity directed toward African-Americans to determine if subjects processed the proper category of philanthropy. Of the 37 subjects in the general condition all correctly responded. Of the 36 subjects in the directed condition 3 incorrectly indicated that there was no donation to a charity directed toward African-Americans. In the control condition there were 39 subjects, and all subjects made the appropriate response. The second item asked if a donation was made to a charity in response to a scandal to determine if subjects processed the proper strategic implementation for philanthropic activity. Of the 36 subjects in the reactive condition 7 incorrectly indicated that there was not a donation made in response to a

scandal². The third item was a seven-point scale where subjects were asked to what extent was the philanthropy in the news release directed toward African-Americans. Subjects in the directed condition had a significantly higher mean than subjects in the general condition (directed = 5.83; general = 2.27; p-value < .001). The fourth item was also a seven-point scale where subjects were asked to what extent was the philanthropy in the news release in response to a scandal. Subjects in the reactive condition had a significantly higher mean than subjects in the proactive group (reactive = 5.33; proactive = 2.00; p-value < .001). A MANOVA was conducted to check for a possible interaction between the manipulations. The results again indicate a significant main effect for both type (Wilks' $\lambda = .390$; F-value = 52.37; p-value < .001) and implementation (Wilks' $\lambda = .418$; F-value = 46.73; p-value < .001). The interaction effect was not significant (type x implementation Wilks' $\lambda = .987$; F-value = .458; p-value = .635).

Multivariate Results

Two MANOVAs were used to test the hypotheses for pilot study two. All of the dependent variables significantly correlated (all p-values < 0.01). The first analysis only examined the data in the proactive condition to replicate the first study. Multivariate and univariate results of the MANOVA are shown in Table 3.3. A post hoc test using the Bonferroni method was conducted for type, due to type having three levels (general, directed, and control). The second MANOVA was conducted including all cells to assess the proactive versus reactive hypotheses proposed for study two. Multivariate and univariate results of the MANOVA are shown in Table 3.4. Again a post hoc test using the Bonferroni method was conducted.

² Tests were conducted with the full sample and clean sample. There was one additional effect for type, but no differences in the hypothesized relationships. Therefore the full sample analysis was used.

In the first MANOVA, as expected, due to the small sample size most of the multivariate results for the MANOVA were not significant. However, there was a significant multivariate effect for group (Wilks' $\lambda = .804$; F-value = 3.99; p-value < 0.05). Additionally, there were some significant results in the post hoc tests and the univariate tests. In the second MANOVA a similar pattern held. The group effect was strengthened (Wilks' $\lambda = .807$; F-value = 7.83; p-value < 0.01), and there were additional significant univariate effects for type. Though all of these significant results cannot be properly interpreted due to the lack of multivariate significance, these results are encouraging as the pilot studies were conducted to assess the general direction of the means.

Hypotheses Tests

Hypothesis one posits that general proactive corporate philanthropic activity will increase consumer evaluations of corporate associations, brand evaluations, and patronage intentions. The means are in the hypothesized directions for two of the three dependent variables. The means were: in the control condition 3.98 and 4.19 in the general conditions for corporate associations; and 3.37 for control and 3.60 for general for purchase intentions. The direction of the means did not hold for brand evaluations: the means were 3.83 in the control condition; and 3.70 in the general condition.

Hypothesis 2a posits that directed proactive corporate philanthropic activity would increase both a targeted group and a non-targeted group evaluations of corporate associations, brand evaluation, and patronage intentions over that of a control group. The directions of the means are in the hypothesized direction for both the targeted group and the non-targeted group, except for purchase intentions for the non-targeted group. The

means were: for the targeted group (corporate associations control = 3.64 directed = 4.16; brand evaluations control = 3.54, directed = 4.11; and purchase intentions control = 2.64, directed = 3.75) and the non-targeted group (corporate associations control = 4.41 directed = 5.28, brand evaluations control = 4.19, directed = 4.33; and purchase intentions control = 4.27, directed = 4.25).

Table 3.3 MANOVA 1

<i>Source:</i>	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
Main Effects							
Type	.888	.058	1.00	6	2.213	1.773	.725
Group	.804	.196	3.99 ^b	3	12.347 ^b	5.194 ^b	7.346 ^b
Interactions							
Type X Group	.305	.058	.999	6	.328	.680	.624

^b p < 0.05

Table 3.4 MANOVA 2

<i>Source:</i>	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
Main Effects							
Type (T)	.905	.049	1.67	6	4.236 ^b	3.014 ^c	2.862 ^c
Group (G)	.807	.193	7.83 ^a	3	19.007 ^a	14.006 ^a	12.886 ^a
Implementation (I)	.968	.032	1.06	3	3.257 ^c	.573	1.639
Interactions							
T x G	.972	.014	.461	6	.669	.087	.022
T x I	.977	.012	.382	6	.011	.420	.202
G x I	.983	.017	.552	3	.393	.566	.086
Y x G x I	.939	.031	1.04	6	.039	.720	.987

^a p < 0.01

^b p < 0.05

^c p < 0.10

Hypothesis 2b posits an interaction effect where the targeted group will exhibit higher levels of corporate associations, brand evaluations, and patronage intentions than

the non-targeted group in the directed philanthropy condition, but lower levels than the non-targeted group in the general philanthropy condition. The directions for the means were in the opposite direction. For each of the dependent variables, the non-targeted group has higher mean scores than the targeted group for both the general and directed conditions. For corporate associations (ca), brand evaluation (be), and purchase intentions (pi) the non-targeted group means were higher in the general (ca mean = 4.69, be mean = 4.08, pi mean = 4.08) and the directed conditions (ca mean = 5.20, be mean = 4.33, pi mean = 4.25) than the targeted group in the general (ca mean = 4.17, be mean = 3.05, pi mean = 2.79) and the directed conditions (ca mean = 4.17, be mean = 4.11, pi mean = 3.75). See Table 3.5 for all the means in the proactive condition and Table 3.6 for the reactive condition.

Hypothesis 3a posits that there will be a main effect for philanthropy implementation where corporate associations, brand evaluations, and patronage intentions will be lower for reactive philanthropy compared to proactive philanthropy. The means for all of the dependent variables were in the hypothesized direction. For corporate associations the mean for the reactive condition was 4.30, and 4.91 for the proactive condition. The univariate test was marginally significant for corporate associations (F -value = 3.257, $p < 0.10$). For brand evaluations and purchase intentions, the means in the reactive condition were (be = 3.75) and (pi = 3.26). In the proactive condition the means were (be = 3.92) and (pi = 3.68).

Hypothesis H3b posits that when a company receives negative publicity (i.e., the scandal due to racially insensitive practices), reactive philanthropy as a part of a recovery strategy compared to a recovery strategy with no philanthropic activity will increase

consumer evaluations of corporate associations, brand evaluations, and patronage intentions. The means for all of the dependent variables are in the hypothesized directions. For corporate associations the control mean is 3.67, while the total mean for reactive philanthropy is 3.87. For brand evaluations the control mean is 3.54 while the total in the reactive condition is 3.75, and for purchase intentions the control is 3.03 and the reactive condition is 3.26.

Table 3.5 Means Proactive

	Control		General		Directed	
Corporate Associations	Targeted	3.64	Targeted	3.33	Targeted	4.17
	Non-Targeted	4.41	Non-Targeted	4.69	Non-Targeted	5.28
	Total	3.98	Total	4.19	Total	4.91
Brand Evaluations	Targeted	3.55	Targeted	3.05	Targeted	4.11
	Non-Targeted	4.19	Non-Targeted	4.08	Non-Targeted	4.33
	Total	3.83	Total	3.70	Total	4.26
Purchase Intentions	Targeted	2.64	Targeted	2.79	Targeted	3.75
	Non-Targeted	4.28	Non-Targeted	4.08	Non-Targeted	4.25
	Total	3.38	Total	3.61	Total	4.08

Table 3.6 Means Reactive

	Control		General		Directed	
Corporate Associations	Targeted	3.33	Targeted	3.07	Targeted	3.96
	Non-Targeted	3.91	Non-Targeted	4.26	Non-Targeted	4.63
	Total	3.67	Total	3.66	Total	4.29
Brand Evaluations	Targeted	2.96	Targeted	3.26	Targeted	3.56
	Non-Targeted	3.97	Non-Targeted	3.96	Non-Targeted	4.66
	Total	3.54	Total	3.61	Total	4.11
Purchase Intentions	Targeted	2.69	Targeted	2.44	Targeted	3.17
	Non-Targeted	3.27	Non-Targeted	3.33	Non-Targeted	4.61
	Total	3.03	Total	2.89	Total	3.89

Hypothesis H3c posits that proactive-directed philanthropy will have higher evaluations of corporate associations, brand evaluations, and patronage intentions for the targeted group than all other combinations of philanthropy and consumer groups. This hypothesis was not supported. In fact, the non-targeted group had higher evaluations than the targeted in all conditions.

Hypothesis H4 posits that for reactive philanthropy there will be an interaction between group and type of philanthropy where the targeted group's corporate associations, brand evaluations, and patronage intentions will be lower than the non-targeted groups in the directed condition but higher in the general condition. The direction of this hypothesis was not supported. As stated above for H3c the non-targeted group had higher evaluations than the targeted group in all conditions.

Discussion of Pilot Study Two Results

As with the first pilot, results from pilot study two demonstrate the effectiveness of the event manipulations. Even though there are no statistically significant results, the means are in the hypothesized direction for both hypotheses H1 and H2a. These results are generally consistent with pilot study one. The additional main effect hypotheses for H3a and H3b are generally in the hypothesized directions as well. Neither of the interaction hypotheses, H2b and H4, was directionally supported. For H4, it is possible that the philanthropic activity in the reactive condition may not be strong enough to create the incongruity in the schema necessary to produce the affect to create the interaction. Without process induced affect, it would stand to reason that both groups would rate directed philanthropy higher than general philanthropy in a reactive condition and that the targeted group would be lower. There is no definitive explanation for the

results for H2b and H3c. A potential explanation is found following a closer examination of the data. Results indicate that there may be brand effects for both the actual brand in the first study and the fictitious brand in the second. In both studies the targeted group rated the brand lower in the proactive control condition. In the second study, where there were significant multivariate results for group, further univariate analysis shows that the targeted group was significantly lower than the non-targeted group on all three dependent variables: corporate associations ($F = 3.017$ p -value < 0.10); brand evaluations ($F = 3.669$ p -value < 0.05); and purchase intentions ($F = 5.052$ p -value < 0.05). This suggests that even using a fictitious brand may not eliminate brand effects. Because of this outcome, the manipulations the main studies are modified by using a real brand with equal quality ratings across targeted and non-targeted groups as identified by the pretest in the next section.

Brand Identification Pretest

To identify a real brand with equal quality ratings across groups, a pretest was conducted. Six different brands of athletic shoes, computers, and portable stereos were used. Similar to athletic shoes, both computers (Kahn & Isen 1993; Urbany, Bearden, & Weilbaker 1988) and stereo/cd players (Brown & Carpenter 2000; Park, Mothersbaugh, & Feick 1994; Mick 1992) are used in the consumer research literature, and were tested to identify the best possible brand to use in the main studies. Respondents were asked to rate the degree they perceived each brand as a low or high quality brand on a seven point scale. All the brands and their mean scores are listed in Table 3.7. Perceived quality was chosen as the dependent variable because it is the primary construct in the brand evaluation scale. Of the six brands of athletic shoes, the means for two of the six brands

were not significantly different between the targeted (African Americans) and non-targeted (other ethnics groups) groups. For computers, the means for four of the six brands were not significantly different between the groups. As for portable stereos, none of the brands were rated differently between the groups.

Table 3.7

Computers	Mean	F-value	Stereos	Mean	F-value	Shoes	Mean	F-value
Dell	5.85	.061	Sony	6.42	.123	Nike	6.36	10.11 ^b
Gateway	5.72	4.83 ^b	Kenwood	5.63	.256	Addidas	5.33	8.55 ^b
IBM	5.28	1.13	Techniques	3.49	.036	Reebok	4.97	6.64 ^b
Compaq	5.00	5.97 ^b	Samsung	4.28	2.22	Converse	3.62	.528
Packard Bell	4.48	1.927	JVC	4.90	.691	Fila	3.31	.004
Apple	4.34	2.253	Panasonic	5.64	7.04	New Balance	5.19	28.9 ^a

^a p < 0.01

^b p < 0.05

The total means for Converse, Techniques, and Samsung are close to the midpoint of the scale. Because there is no obvious advantage for one of the brands in the other product categories and athletic shoes being used in the pilot studies, Converse is the brand used for the main studies for this dissertation. The stimuli for main studies one and two can be found in Appendix C.

CHAPTER FOUR: MAIN STUDIES

Study One

Overview

This study is designed to empirically assess the effects of the various types and implementation strategies of strategic corporate philanthropy on consumer perceptions of brand equity variables as identified by the 2X2 classification schema identified in Chapter One. Study one is a 2X2X2 design with two categories of philanthropic activity, (directed vs. general); two groups, [targeted (African-American) vs. non-targeted (all other ethnic groups)]; strategic implementation (reactive vs. proactive), and two control groups with targeted and non-targeted subjects, for a total of twelve cells. The same profiles for cells one thru four in the first study are the same in study two. These four cells compose the proactive conditions. In the reactive conditions the profiles state that the philanthropic activity is in response to a racial scandal within the firm, instead of due to a corporate belief in contributing to society (as in the proactive condition). The control cells consist of the news release including the scandal without a philanthropic response with non-targeted respondents in cell 9 and targeted respondents in cell 10. A news release without a scandal or any philanthropic activity with non-targeted respondents in cell 11 and targeted respondents in cell 12 comprise the last two cells.

Stimuli

The stimuli present a news release profile concerning a new athletic shoe by Converse Brand Athletic Shoes. Athletic shoes were chosen as the product category due to their extensive use in the consumer research literature and relevance to a college student sample (Netemeyer et al. 2001; Ahluwalia 2000; Ahluwalia & Gurhan-Canli

2000; Costley & Brucks 1990; Kirmani 1990). Converse was chosen due to pretest results in Chapter Three. The news release presents a brief story regarding the release of a new line of athletic shoe with a description of new technology used in the line, which remains constant across all cells. The rest of the AP story discusses the company's philanthropic activity, negative event, and reaction to the negative event representing each treatment condition.

The general philanthropy scenario lists a million dollar donation to the American Health Institute, and the directed philanthropy scenario lists a million dollar donation to the African-American Health Institute. A fictitious charity was used to control for effects that may already be associated with an existing charitable organization. An internet search using three search engines was conducted to verify that neither of these charities actually exists. Reactive versus proactive philanthropy is operationalized by positioning the philanthropic activity as part of a response to a racial discrimination scandal as opposed to positioning the same activity by the same company due to a belief in contributing to society. Experimental stimuli may be seen in Appendix A.

Subjects

Undergraduate students were given extra credit for identifying two non-student adults, one African-American and one non African-American, to participate in the experiment. Each student was given two experimental booklets that consisted of a consent form and instructions on the outside cover. Following consent and instructions, the students were instructed to have the subjects open the booklet, read the news release manipulation and respond to the appropriate questionnaire described in the stimuli and the dependent variables sections above. In total, 293 experimental booklets were

completed. Following the removal of the respondents that failed to process the manipulation check correctly, the sample demographics were 55% male and 45% female, 49% African-American, 5% Asian-American, 40% Caucasian-American, 4% Hispanic-American, and 2% reported other. Age and income ranges were 40% 18-25, 25% 26-35, 15% 36-45 and 19% 46 and over, while 37% made \$19,999 or less, 21% were between \$20,000 and \$29,999, 15% were between \$30,000 and \$39,000, 8% were between \$40,000 and \$49,999, and 18% were over \$50,000 in annual income.

Dependent Variables

The dependent variables include corporate associations, brand evaluations, and purchase intentions. Corporate associations are measured with a three-item scale adopted from similar measures used by Netemeyer et al. (2001), Pullig (2000), Keller and Aaker (1995), and Brown and Dacin (1997). Brand evaluations are measured by three perceived quality measures from Netemeyer et al. (2001). Purchase intentions are measured by a two-item scale, which assesses how likely one would consider purchasing a product. Examples of the questionnaires may be seen in Appendix D.

The items used to measure the dependent variables demonstrate sufficient reliabilities or correlation among items: corporate associations ($\alpha = .88$), brand evaluations ($\alpha = .86$), and consumer patronage intentions ($r = .91$).

Manipulation Checks

Manipulation checks were included to assess whether or not subjects properly interpreted the event manipulations. Two items were used to assess the manipulations. The first item asked if a donation was made to a charity directed toward African-Americans to determine if subjects processed the proper category of philanthropy. Of the

115 subjects in the general condition, 36 responded incorrectly indicating that the donation was targeted toward African-Americans. Of the 96 subjects in the directed condition, 12 incorrectly indicated that there was no donation to a charity directed toward African-Americans. In the control condition there were 81 subjects, and all subjects made the appropriate response. The second item asked if a donation was made to a charity in response to a scandal to determine if subjects processed the proper strategic implementation for philanthropic activity. Of the 157 subjects in the reactive condition 39 incorrectly indicated that there was not a donation made in response to a scandal. Overall 49 subjects incorrectly responded to one or both of the first two items. These subjects were not used in any further analysis. The third item was a seven-point scale where subjects were asked to what extent was the philanthropy in the news release directed toward African-Americans. Subjects in the directed condition had a significantly higher mean than subjects in the general condition (directed = 5.25; general = 2.22; p -value < .001). The fourth item was also a seven-point scale where subjects were asked to what extent was the philanthropy in the news release in response to a scandal. Subjects in the reactive condition had a significantly higher mean than subjects in the proactive group (reactive = 5.43; proactive = 2.25; p -value < .001). A MANOVA was conducted to check for a possible interaction between the manipulations. The results again indicate a significant main effect for both type (Wilks' λ = .541; F -value = 66.08; p -value < .001) and implementation (Wilks' λ = .509; F -value = 75.10; p -value < .001). The interaction effect was not significant.

Table 4.1 MANOVA – Proactive

<i>Source:</i>	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
Main Effects							
Type	.887	.058	2.44 ^b	6	3.442 ^b	2.056	.273
Group	.964	.036	1.46	3	2.116	2.456	3.773 ^b
Interactions							
Type X Group	.970	.015	.611	6	.693	.347	.469

a=p < 0.01

b=p < 0.05

c=p < 0.10

Table 4.2 MANOVA – Reactive

<i>Source:</i>	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
Main Effects							
Type	.943	.029	1.079	6	1.254	1.499	.625
Group	.963	.037	1.388	3	.969	.743	3.885 ^b
Interactions							
Type X Group	.974	.013	.479	6	.005	.555	.066

a=p < 0.01

b=p < 0.05

c=p < 0.10

Table 4.3 MANOVA – Overall

<i>Source:</i>	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
Main Effects							
Type (T)	.073	.049	1.515	6	4.284 ^b	.628	.642
Group (G)	.998	.193	.171	3	.067	.308	.004
Implementation (I)	.917	.032	6.929 ^a	3	19.995 ^a	8.950 ^a	4.181 ^b
Interactions							
T x G	.987	.014	.483	6	.349	.362	.302
T x I	.954	.012	1.828 ^c	6	.157	3.046 ^b	.266
G x I	.966	.017	2.684 ^b	3	2.931 ^c	2.979 ^c	7.584 ^a
Y x G x I	.981	.031	.749	6	.264	.555	.271

a=p < 0.01

b=p < 0.05

c=p < 0.10

Table 4.4 Means Proactive

	Control		General		Directed	
Corporate Associations	Targeted	4.36 ^c	Targeted	4.70	Targeted	4.81
	Non-Targeted	3.74 ^a	Non-Targeted	4.71	Non-Targeted	4.43
	Total	4.04	Total	4.71	Total	4.62
Brand Evaluations	Targeted	4.08	Targeted	3.95	Targeted	4.33
	Non-Targeted	3.49 ^b	Non-Targeted	3.48 ^b	Non-Targeted	4.23
	Total	3.78	Total	3.71	Total	4.28
Purchase Intentions	Targeted	3.47	Targeted	3.73	Targeted	3.58
	Non-Targeted	2.89 ^c	Non-Targeted	2.70 ^b	Non-Targeted	3.33
	Total	3.18	Total	3.19	Total	3.45

Bold indicates highest mean

Table 4.5 Means Reactive

	Control		General		Directed	
Corporate Associations	Targeted	3.33 ^a	Targeted	3.77 ^a	Targeted	3.67 ^a
	Non-Targeted	3.54 ^a	Non-Targeted	4.04 ^a	Non-Targeted	3.93 ^a
	Total	3.43	Total	3.91	Total	3.80
Brand Evaluations	Targeted	3.07 ^a	Targeted	3.76 ^c	Targeted	3.16 ^a
	Non-Targeted	3.56 ^b	Non-Targeted	3.65 ^b	Non-Targeted	3.36 ^a
	Total	3.29	Total	3.70	Total	3.27
Purchase Intentions	Targeted	2.38 ^a	Targeted	2.67 ^b	Targeted	2.57 ^b
	Non-Targeted	2.81 ^c	Non-Targeted	3.32	Non-Targeted	3.26
	Total	2.57	Total	3.00	Total	2.93

a = different from highest mean at .01 level

b = different from highest mean at .05 level

c = different from highest mean at .10 level

Multivariate Results

A series of MANOVAs were used to test the hypotheses for study one. All of the dependent variables significantly correlated (all p-values < 0.01). The first analysis examined the data in the proactive condition. The second analysis examined the data in the reactive condition, and the final analysis contained all variables to test for differences in implementation. Multivariate and univariate results of the MANOVA are shown in Table 4.1 – 4.3. A post hoc test using the Bonferroni method was conducted for type, due to type having three levels (general, directed, and control).

Hypotheses Tests

Hypothesis one is designed to demonstrate that in general, philanthropy has an overall positive effect. Specifically H1 posits that general proactive corporate philanthropic activity will increase consumer evaluations of corporate associations, brand evaluations, and patronage intentions. The results support H1 for corporate associations, but not for brand evaluations and patronage intentions. The results show a significant multivariate main effect for type in the proactive condition and a significant univariate F-value for corporate associations. (See table 4.1.) The means for corporate associations are in the hypothesized direction, 4.04 for the control and 4.71 in the general condition. The means for brand evaluations and patronage intention are virtually identical. (See table 4.4.) The results partially support H1.

Hypothesis 2a is designed to examine the effects of directed philanthropic activity on segments for which the activity is targeted and on those for which it is not. Specifically H2a posits that directed proactive corporate philanthropic activity would increase both a targeted group and a non-targeted group evaluation of corporate

associations, brand evaluation, and patronage intentions over that of a control group. The directions of the means are in the hypothesized direction for both the targeted group and the non-targeted group, for all dependent variables. However the results were significant only for the non-targeted group for corporate associations (control = 3.74 directed = 4.43 $p < .05$). The results partially support H2a.

Hypothesis 2b posits an interaction effect between the type of philanthropy and groups for which the activity is targeted and on those for which it is not; where the targeted group will exhibit higher levels of corporate associations, brand evaluations, and patronage intentions than the non-targeted group in the directed philanthropy condition, but lower levels than the non-targeted group in the general philanthropy condition. There were no significant results in support of this hypothesis. For corporate associations, the means were in the hypothesized direction. In the directed condition the means for the targeted group was higher than the means for the non-targeted on all dependent variables; however, the pattern of means were inconsistent in the general condition. (See table 4.5.) The results do not support H2b.

Hypothesis 3a posits that there will be a main effect for philanthropy implementation where corporate associations, brand evaluations, and patronage intentions will be lower for reactive philanthropy compared to proactive philanthropy. The results show a significant multivariate main effect for implementation and significant univariate F-values for corporate associations, brand evaluations, and patronage intentions. (See table 4.3.) The interaction effect between group and implementation is significant, but ordinal, and has no effect on the interpretation of the main effect. The pattern of the interaction suggests that both the targeted group as well as the non-targeted group rates

proactive philanthropy higher than reactive philanthropy on all dependent variables, but it shows the targeted group lower than the non-targeted in the reactive condition and higher than the non-targeted in the proactive condition. However, further analysis shows that none of the differences between the groups in either condition are significant for any of the dependent variables. The results support H3a.

Hypothesis H3b posits that when a company receives negative publicity (i.e., the scandal due to racially insensitive practices), reactive philanthropy as a part of a recovery strategy, compared to a recovery strategy with no philanthropic activity will increase consumer evaluations of corporate associations, brand evaluations, and patronage intentions. The means for all of the dependent variables are in the hypothesized directions where the control groups are lower than both general and directed philanthropy in the reactive conditions, but none are significant. (See table 4.5.) The results do not support H3b.

Hypothesis H3c posits that proactive-directed philanthropy will show higher evaluations of corporate associations, brand evaluations, and patronage intentions for the targeted group than all other combinations of philanthropy and consumer groups. The results show that the targeted-proactive-directed cell has the highest absolute mean than the other cells for corporate associations and brand evaluations. T-tests show that the differences between the targeted-proactive-directed cell and the other cells are significant for most all other conditions. As for purchase intentions, the targeted-proactive-directed cell was the second highest cell, although it was not significantly different than the highest cell. Additionally the targeted-proactive-directed cell was different from the

other conditions at the same level as the highest condition. (See tables 4.4 and 4.5 for means and difference tests.) The results partially support H3c.

Hypothesis H4 posits that for reactive philanthropy there will be an interaction between group and type of philanthropy where the targeted group's corporate associations, brand evaluations, and patronage intentions will be lower than the non-targeted groups in the directed condition but higher in the general condition. The results did not support this hypothesis. In the reactive condition the non-targeted group had higher evaluations than the targeted group. In addition the means in the general condition were higher than in the directed condition for all three dependent variables for both groups. (See table 4.5.)

Discussion of Study One Results

Results from study one support the view that corporate philanthropy does have an overall positive effect on consumer perceptions of corporate associations. However the effects did not transfer to brand evaluations or patronage intentions. These results may be due to the dual influences of corporate ability and corporate social responsibility on product evaluation found by Brown and Dacin (1997). The corporate association in this research is similar to the corporate social responsibility construct in the study by Brown and Dacin (1997). They found corporate ability to have a much larger effect than corporate social responsibility in both of their studies. The results of this research may indicate that corporate philanthropy, which would only effect the social responsibility construct, may not have a large enough effect on corporate associations to effect consumer brand evaluations or patronage intentions. The fact that there was no significant effect on patronage intentions is also theoretically important because it is

inconsistent with the results reported in the literature (Drumwright 1996, Ross, Stutts, & Patterson 1991, Ross, Patterson, & Stutts 1992, and Michael Peters Group 1991).

The dual influence model also offers an explanation as to why there was only a significant effect for corporate associations when examining the effects of directed philanthropy on segments for which the philanthropy is directly targeted and on those for which it is not. However it does not explain why the non-targeted group mean increased significantly while the targeted group's increase was not significant. Post hoc analysis shows that in the control condition the targeted group had a higher mean than the non-targeted group (4.36 vs. 3.74 $p = .078$), and there may have been a ceiling effect for the targeted group.

The group versus category interaction hypothesis, H2b, was based on the reasoning that the targeted group would have a higher level of involvement with the cause than the non-targeted group. To measure involvement with the cause, three items are used from the Personal Involvement Inventory (Zaichkowsky 1985). Post hoc analysis revealed no significant difference for involvement across groups. In the proactive condition this may be due to consumers viewing health issues as personally relevant regardless of race, and explain why the data did not support the hypothesis.

These results may also support the negativity effect. The possibility that the negative event simply overshadowed the philanthropic activity is a potential explanation as to why there were no significant effects for a recovery response with reactive philanthropy when compared to one without. Another possible explanation is that the philanthropic activity was not viewed as a possible remedy and seen as only a good will gesture. This possibility was explored further in second study. Although there was no

significant support for H4, based on incongruent schemas creating process induced affect, it was interesting that all of the actual means across all of the dependent variables in the reactive condition were higher for general philanthropy versus directed philanthropy for both the targeted as well as the non-targeted group. This suggests the possibility of some systemic negative affect attached to the directed reactive philanthropy condition.

As stated in the theoretical overview, it was reasoned that process induced affect might activate a schemer schema in the targeted group. Additional post hoc analyses were conducted to assess possible schemer schema effects. To assess these effects respondents were asked to what extent they felt the philanthropy was sincere and appropriate. There were no significant differences between groups on either item. The lack of significant effects on these items is consistent with the lack of statistical support of H4. The lack of effects for reactive philanthropy has interesting implications in that it may provide little if any direct benefit in thwarting negative publicity. Study two reexamines reactive philanthropy.

Study Two

Overview

Study two takes a closer look at using reactive philanthropy as a remedy in the unambiguous support model. Unambiguous support consists of assumption of responsibility, an apology, and some form of remedy (Dawar & Pillutla 2000). The experimental manipulation in this study is modified by removing the statement that the employees were fired and placing the philanthropic activity in the opening line of the response. This was done to position the reactive philanthropy as the only tangible action to go along with the apology and assumption of responsibility.

Study two is a 2X2 design with two categories of philanthropic activity, (directed vs. general); and groups, [targeted (African-American) vs. non-targeted (All other ethnic groups)] with two control groups for a total of six cells. The cells contain all of the reactive condition cells in study one with the modifications to the stimuli discussed above.

Subjects

As in the previous study undergraduate students were given extra credit for identifying two non-student adults, one African-American and one non African-American, to participate in the experiment. Each student was given two experimental booklets that consisted of a consent form and instructions on the outside cover. Following consent and instructions, the students were instructed to have the subjects open the booklet, read the news release manipulation and respond to the appropriate questionnaire described in the stimuli and the dependent variables sections above. In total, 159 experimental booklets were completed. Following the removal of the respondents that incorrectly processed the manipulation check, the sample demographics were 47% male and 53% female, 51% African-American, 7% Asian-American, 27% Caucasian-American, 11% Hispanic-American, and 4% reported other. Age and income ranges were 37% 18-25, 28% 26-35, 20% 36-45 and 13% 46 and over, while 35% made \$19,999 or less, 23% were between \$20,000 and \$29,999, 15% were between \$30,000 and \$39,000, 17% were between \$40,000 and \$49,999, and 10% were over \$50,000 in annual income.

Dependent Variables

As in study one the dependent variables include corporate associations, brand evaluations, and purchase intentions. The same measures in study one were used for study two. Examples of the questionnaires may be seen in Appendix D. The items used to measure the dependent variables demonstrate sufficient reliabilities or correlation among items: corporate associations ($\alpha = .81$), brand evaluations ($\alpha = .86$), and consumer patronage intentions ($r = .84$).

Manipulation Checks

Manipulation checks were included to assess whether or not subjects properly interpreted the event manipulation. Two items were used to assess the manipulation. The first asked if a donation was made to a charity directed toward African-Americans to determine if subjects processed the proper category of philanthropy. Of the 54 subjects in the general condition, 7 responded incorrectly indicating that the donation was targeted toward African-Americans. Of the 58 subjects in the directed condition, 12 incorrectly indicated that there was no donation to a charity directed toward African-Americans. Those that responded incorrectly were excluded from the analyses. In the control condition there were 47 subjects, and all subjects made the appropriate response. The second item was a seven-point scale where subjects were asked to what extent was the philanthropy in the news release directed toward African-Americans. Subjects in the directed condition had a significantly higher mean than subjects in the general condition (directed = 5.32; general = 2.68; p -value < .001).

Multivariate Results

A MANOVA was used to test the hypotheses for study two. All of the dependent variables significantly correlated (all p-values < 0.01). Multivariate and univariate results of the MANOVA are shown in Table 4.4. A post hoc test using the Bonferroni method was conducted for type, due to type having three levels (general, directed, and control). None of the multivariate results were significant.

Table 4.6 MANOVA

<i>Source:</i>	Multivariate Results				Univariate F-Values		
	Wilks' λ	η^2	F-Value	df	Corporate Associations	Brand Evaluations	Purchase Intentions
<i>Main Effects</i>							
Type (T)	.960	.020	.842	6	.493	1.218	.140
Group (G)	.963	.032	1.576	3	2.847 ^c	3.101 ^c	.401
<i>Interactions</i>							
T x G	.924	.039	1.673	6	1.182	.407	2.775 ^c

c=p < 0.10

Table 4.7 Means

	Control		General		Directed	
Corporate Associations	Targeted	2.83	Targeted	3.15	Targeted	3.20
	Non-Targeted	3.49	Non-Targeted	3.17	Non-Targeted	3.57
	Total	3.16	Total	3.16	Total	3.39
Brand Evaluations	Targeted	3.01	Targeted	3.53	Targeted	3.23
	Non-Targeted	3.42	Non-Targeted	3.65	Non-Targeted	3.83
	Total	3.22	Total	3.58	Total	3.54
Purchase Intentions	Targeted	2.80	Targeted	2.85	Targeted	2.25
	Non-Targeted	2.48	Non-Targeted	2.58	Non-Targeted	3.40
	Total	2.64	Total	2.73	Total	2.84

Hypotheses Tests

Study two again examines hypotheses H3b and H4. Hypothesis H3b posits that when a company receives negative publicity (i.e., the scandal due to racially insensitive practices), reactive philanthropy as a part of a recovery strategy, compared to a recovery strategy with no philanthropic activity will increase consumer evaluations of corporate associations, brand evaluations, and patronage intentions. The results are almost identical to the results found in study one. Again, the means for all of the dependent variables are in the hypothesized directions where the control groups are lower than both general and directed philanthropy in the reactive conditions, but none are significant. (See table 4.7.) The results do not support H3b.

Hypothesis H4 posits that for reactive philanthropy there will be an interaction between group and type of philanthropy where the targeted group's corporate associations, brand evaluations, and patronage intentions will be lower than the non-targeted groups in the directed condition but higher in the general condition. There is some support for this hypothesis. Further examination of the univariate results indicates a marginally significant interaction for purchase intentions. The means stayed relatively consistent for the other dependent variables. (See table 4.7.) The results partially support hypothesis H4.

Discussion of Study Two Results

Results from study two mirror those of study one when assessing philanthropy as a part of a recovery strategy. Over both studies the means are consistently higher for the recovery response including philanthropy than a response without philanthropic activity. However, none are even marginally significant. The results from study two are even

more interesting in that post hoc analysis shows that removing the information about firing the employees did have an effect. Unlike in the first study, there was a significant difference in the perceived appropriateness of directed philanthropy. The non-targeted group rated the philanthropic act significantly more appropriate than the targeted group (5.14 vs. 3.95; F -value = 6.578, p -value < .05). The sincerity ratings were all on the low end of the scale suggesting that the respondents may have viewed reactive philanthropy as insincere but appropriate. This may explain why recovery strategies including philanthropic activity are rated consistently higher but not significantly higher. The pattern of means for sincerity and appropriateness were the same in study one though no significant differences were found. This suggests that consumers may take a “this is the least they can do attitude,” expecting the firm to make some retribution. Another possibility for the lack of significant effects and a potential area for further research is that for non-product related crisis the unambiguous support model may not be applicable, or philanthropy may not be sufficient as a potential remedy.

Hypothesis H4 was partially supported, showing some support for incongruent schemas producing process induced affect. The pattern of means was not as consistent as in study one; however, for the targeted group the means for purchase intentions and brand evaluations did decrease in the directed condition. It was suggested that process induced affect would have more of an effect on the targeted group, and across both studies their means fell in the reactive directed condition for all dependent variables except for corporate associations in study two. Additionally there was a marginally significant univariate interaction for purchase intentions in the hypothesized direction.

As with the results of study one there appears to be some level of systemic negative affect, particularly in the targeted group.

Contributions of the Studies

This proposed research makes several contributions to the existing marketing literature. First, it extends the current empirical findings regarding consumer attitudes toward corporate philanthropy by using a controlled experiment to isolate the effects of philanthropic activity. Most previous studies use consumer opinion surveys (Drumwright 1996, Ross, Stutts, & Patterson 1991, and Michael Peters Group 1991), or uses a quasi experiment without a control group (Ross, Patterson, & Stutts 1992).

Second, using the 2X2 framework these studies examined the varying effects of philanthropic activity on multiple consumer segments. Previous studies have not examined consumer perceptions based on whether or not the philanthropic activity is directed toward a particular segment, and how that might effect consumer perceptions within and outside of the particular segment. Third, this is the first marketing study to empirically assess corporate philanthropy as a recovery strategy from a negative event that offends a specific group of consumers. Although this use of corporate philanthropy is used in practice and makes conceptual sense as suggested by Varadarajan & Menon (1988), it has yet to be empirically verified in the marketing literature, and the results from this dissertation suggest that it may only have very limited value in a reactive context. The final contribution is the proposed 2X2 classification schema of strategic corporate philanthropy that helps to aid further empirical research and strategic managerial decision making. This research has important managerial implications alluding to the strengths and the weaknesses of philanthropy as a strategic option.

Managerial Implications

Three key managerial implications follow from the results of this dissertation. The first important implication suggested by study one is that traditional philanthropy is effective for corporate or brand image objectives, but ineffective for brand evaluation and purchase objectives. This suggests that philanthropy is a viable strategic option for brand managers looking to create positive affect toward their brand, but if the manager is looking to impact sales, cause related marketing would be a better alternative. A second important finding is that philanthropy directed toward a particular segment also has a positive effect on consumers outside of that segment. This gives brand managers some options to contribute to the overall brand image while targeting a specific segment. Finally, philanthropy as a part of a recovery strategy appears to have a consistent but marginal effect on consumer perceptions of brand equity variables. This seems to suggest that in cases where the objective is to simply thwart negative publicity, reactive philanthropy may not be a viable strategic option to brand managers. However, if the objectives include creating relationships and influence with important stakeholders as suggested by the institutional power model the marginal increase in consumer perceptions can be an added value.

Limitations and Future Research

This research has several limitations as well as areas for future research. One important limitation is timing. In these manipulations respondents received the response at the same time as they read about the crisis. This generally will not happen in actual situations. Another limitation and an area for future research is there was no control or manipulation for any history between the company and the target segment in the directed

philanthropy conditions. Exposure to previous philanthropic activity may moderate the relationships found in this study.

An additional criticism of this study, as with any using scenario manipulations, could be the good subjects phenomenon where subjects determined the purpose of the study and answered in a way they believed the researcher wanted them to. However, with the lack of results on a number of hypotheses it appears unlikely that this was the case.

Though this research extends the current marketing literature examining corporate philanthropy, there are still a number of important and interesting questions that are not addressed by these proposed studies. First, does cause-related marketing and traditional philanthropy have the same effects? In a proactive context it seems that consumer perceptions would be similar. However, in a reactive context it seems that cause-related marketing would be perceived as more cause exploitive than traditional philanthropy and may not be viable as a part of a recovery strategy. A second question to be addressed by further research is the effects of the image of the organization receiving the support. In other words would a gift to a barely known organization offering scholarships to African-American students have the same effect as a gift to a well known organization with an overall positive image like the UNCF.

Finally, there are other important questions involved in communicating an organization's philanthropic activity. In order for strategic philanthropy to have any affect on an organization's image, consumers must be informed of the philanthropic activity. To ensure consumers are aware of the organization's philanthropic activity, advertising or some other form of company controlled communication is likely to be

used. In this context, an examination of various message mediums may be an important issue. Does a televised press conference have a greater effect than a televised talk show? If advertising is used, is there a number of exposures where the ad may be perceived as braggadocios and insincere? These are important issues for future research.

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APPENDIX A: EXPERIMENTAL STIMULI

Proactive General Reebok

**Reebok Releases its New Line
and Philanthropic Initiative**

(AP Newswire) Reebok announces the release of its newest line of athletic shoes. Reebok executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. Additionally, Reebok executives announced a million dollar contribution to the American Health Institute as part of its philanthropic activity. Reebok's CEO stated; "helping to improve society is a core value at Reebok."

Proactive Directed Reebok

Reebok Releases its New Line and Philanthropic Initiative

(AP Newswire) Reebok announces the release of its newest line of athletic shoes. Reebok executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. Additionally, Reebok executives announced a million dollar contribution to the African-American Health Institute as part of its philanthropic activity. Reebok's CEO stated; "helping to improve society is a core value at Reebok."

Control Reebok

Reebok Releases its New Line

(AP Newswire) Reebok announces the release of its newest line of athletic shoes. Reebok executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries.

Proactive General Accent

**Accent Releases its New Line
and Philanthropic Initiative**

(AP Newswire) Accent, a new brand of athletic shoe designed to compete with leading brands, announces the release of its latest line. Accent executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. Additionally, Accent executives announced a million dollar contribution to the American Health Institute as part of its philanthropic activity. Accent's CEO stated; "helping to improve society is a core value at Accent."

Proactive Directed Accent

Accent Releases its New Line and Philanthropic Initiative

(AP Newswire) Accent, a new brand of athletic shoe designed to compete with leading brands, announces the release of its latest line. Accent executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. Additionally, Accent executives announced a million dollar contribution to the African-American Health Institute as part of its philanthropic activity. Accent's CEO stated; "helping to improve society is a core value at Accent."

Reactive General Accent

Accent Releases its New Line in the Midst of Racial Scandal

(AP Newswire) Accent, a new brand of athletic shoe designed to compete with leading brands, announces the release of its latest line. Accent executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. However Accent's excitement was dampened when a number of their senior managers admitted to racial discrimination against African-American employees when confronted with recordings of some high level meetings that surfaced. Accent officials promise a statement very soon.

Accent Responds to Racial Scandal

(AP Newswire) Accent CEO announced that the company fired the six senior executives involved in racial discrimination practices at Accent. The CEO added that he does not believe that the action of the six individuals in question in any way reflect the values or beliefs of the thousands of men and women in the Accent organization, however Accent must take responsibility and apologize to the employees that were effected. Additionally, he stated the Accent would make a million dollar contribution to the American Health Institute.

Reactive Directed Accent

Accent Releases its New Line in the Midst of Racial Scandal

(AP Newswire) Accent, a new brand of athletic shoe designed to compete with leading brands, announces the release of its latest line. Accent executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. However Accent's excitement was dampened when a number of their senior managers admitted to racial discrimination against African-American employees when confronted with recordings of some high level meetings that surfaced. Accent officials promise a statement very soon.

Accent Responds to Racial Scandal

(AP Newswire) Accent CEO announced that the company fired the six senior executives involved in racial discrimination practices at Accent. The CEO added that he does not believe that the action of the six individuals in question in any way reflect the values or beliefs of the thousands of men and women in the Accent organization, however Accent must take responsibility and apologize to the employees that were effected. Additionally, he stated the Accent would make a million dollar contribution to the African-American Health Institute.

Control No Scandal Accent

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Control Scandal Accent

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APPENDIX B : PILOT STUDY QUESTIONNAIRES

Reebok General

Questionnaire

A. While considering the information contained in the news release, please answer the following questions regarding Reebok brand athletic shoes.

1. Compared to other brands of athletic shoes Reebok is of very high quality.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

2. Reebok consistently performs better than all other brands of athletic shoes.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

3. If you were considering the purchase of a pair of athletic shoes, how likely is it that you would purchase Reebok?

Highly unlikely						Highly likely
1	2	3	4	5	6	7

4. Reebok is a socially responsible company.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

5. I can always count on Reebok brand of athletic shoes for consistent high quality.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

6. Reebok is a good corporate citizen.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

7. Rate the probability that you would buy Reebok's if you were considering the purchase of athletic shoes.

Not at all probable						Very probable
1	2	3	4	5	6	7

8. Reebok is a company that benefits society.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

B. Please circle the appropriate response regarding the new release you read.

1. In the news release was there a donation to a charity directed toward African Americans?

yes **no**

2. In the news release was there a donation made in response to a scandal?

yes **no**

3. To what extent was the philanthropy in the new release directed toward African-Americans?

To no extent **To a great extent**
1 2 3 4 5 6 7

4. To what extent was the philanthropy a part of the response to the scandal?

To no extent **To a great extent**
1 2 3 4 5 6 7

C. These last questions are for classification purposes only.

1. What is your gender? (please circle one)

Male **Female**

What is your ethnic background? (please check one)

African-American _____

Asian-American _____

Caucasian-American _____

Hispanic-American _____

Other (please specify) _____

B. Please circle the appropriate response regarding the new release you read.

1. In the news release was there a donation to a charity directed toward African Americans?

yes **no**

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yes **no**

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To no extent **To a great extent**
1 2 3 4 5 6 7

4. To what extent was the philanthropy a part of the response to the scandal?

To no extent **To a great extent**
1 2 3 4 5 6 7

C. These last questions are for classification purposes only.

1. What is your gender? (please circle one)

Male **Female**

What is your ethnic background? (please check one)

African-American _____

Asian-American _____

Caucasian-American _____

Hispanic-American _____

Other (please specify) _____

APPENDIX C: MAIN STUDY EXPERIMENTAL STIMULI

Proactive General Converse

Converse Releases its New Line and Philanthropic Initiative

(AP Newswire) Converse Inc. announces the release of its latest line of athletic shoes. Converse executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. Additionally, Converse executives announced a million dollar contribution to the American Health Institute as part of its philanthropic activity. Converse' CEO stated; "helping to improve society is a core value at Converse."

Proactive Directed Converse

**Converse Releases its New Line
and Philanthropic Initiative**

(AP Newswire) Converse Inc. announces the release of its latest line of athletic shoes.

Converse executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. Additionally, Converse executives announced a million dollar contribution to the African-American Health Institute as part of its philanthropic activity. Converse' CEO stated; "helping to improve society is a core value at Converse."

Reactive General Converse

Converse Releases its New Line in the Midst of Racial Scandal

(AP Newswire) Converse Inc. announces the release of its latest line of athletic shoes. Converse executives are very excited about their new adjustable cushion technology that makes this new line extremely responsive and lightweight, cutting down on potential injuries. However Converse' excitement was dampened when a number of their senior managers admitted to racial discrimination against African-American employees when confronted with recordings of some high level meetings that surfaced. Converse officials promise a statement very soon.

Converse Responds to Racial Scandal

(AP Newswire) Converse CEO announced that the company fired the six senior executives involved in racial discrimination practices at Converse. The CEO added that he does not believe that the action of the six individuals in question in any way reflect the values or beliefs of the thousands of men and women in the Converse organization, however Converse must take responsibility and apologize to the employees that were effected. Additionally, he stated the Converse would make a million dollar contribution to the American Health Institute.

Reactive Directed Converse

Converse Releases its New Line in the Midst of Racial Scandal

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Control No Scandal Converse

Converse Releases its New Line

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Control Scandal Converse

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Reactive General Converse Study 2

Converse Releases its New Line in the Midst of Racial Scandal

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Converse Responds to Racial Scandal

(AP Newswire) Converse CEO announced that the company would make a million dollar contribution to the American Health Institute. The CEO added that he does not believe that the action of the individuals in question in any way reflect the values or beliefs of the thousands of men and women in the Converse organization, however Converse must take responsibility and apologize to the employees that were effected.

Reactive Directed Converse Study 2

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Converse Responds to Racial Scandal

(AP Newswire) Converse CEO announced that the company would make a million dollar contribution to the African-American Health Institute. The CEO added that he does not believe that the action of the individuals in question in any way reflect the values or beliefs of the thousands of men and women in the Converse organization, however Converse must take responsibility and apologize to the employees that were effected.

Control Scandal Converse Study 2

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APPENDIX D : MAIN STUDY QUESTIONNAIRES

Questionnaire Converse proactive

Questionnaire

A. While considering the information contained in the news release, please answer the following questions regarding Converse brand athletic shoes.

1. Compared to other brands of athletic shoes Converse is of very high quality.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

2. Converse consistently performs better than all other brands of athletic shoes.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

3. If you were considering the purchase of a pair of athletic shoes, how likely is it that you would purchase Converse?

Highly unlikely						Highly likely
1	2	3	4	5	6	7

4. Converse is a socially responsible company.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

5. I can always count on Converse brand of athletic shoes for consistent high quality.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

6. Converse is a good corporate citizen.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

7. Rate the probability that you would buy Converse's if you were considering the purchase of athletic shoes.

Not at all probable						Very probable
1	2	3	4	5	6	7

8. Converse is a company that benefits society.

Strongly disagree						Strongly agree
1	2	3	4	5	6	7

B. Please circle the appropriate response regarding the new release you read.

1. In the news release was there a donation to a charity directed toward African Americans?

yes **no**

2. In the news release was there a donation made in response to a scandal?

yes no

3. To what extent was the philanthropy in the new release directed toward African-Americans?

To no extent To a great extent
1 2 3 4 5 6 7

4. To what extent was the philanthropy a part of the response to the scandal?

To no extent To a great extent
1 2 3 4 5 6 7

5. To what extent do you think the philanthropic donation by Converse was sincere?

To no extent To a great extent
1 2 3 4 5 6 7

6. To what extent do you think the philanthropic donation was appropriate?

To no extent To a great extent
1 2 3 4 5 6 7

C. Please indicate in your judgment how you perceive the African-American Health Institute by circling the appropriate response.

important 1 2 3 4 5 6 7 unimportant
relevant 1 2 3 4 5 6 7 irrelevant
significant 1 2 3 4 5 6 7 insignificant

D. These last questions are for classification purposes only.

1. What is your gender? (please circle one)

Male Female

2. What is your ethnic background? (please check one)

African-American _____ Asian-American _____ Caucasian-American _____
Hispanic-American _____ Other (please specify) _____

3. What is your age range?

18 – 25 _____ 26-35 _____ 36-45 _____ 46-Over _____

4. What is your income range?

Under - \$19,999 _____ \$20,000 - \$29,999 _____ \$30,000 - \$39,999 _____ \$40,000 - \$49,000 _____
\$50,000 and Over _____

Questionnaire Converse Reactive

Questionnaire

A. While considering the information contained in the news release, please answer the following questions regarding Converse brand athletic shoes.

1. Compared to other brands of athletic shoes Converse is of very high quality.

Strongly disagree 1 2 3 4 5 Strongly agree 6 7

2. Converse consistently performs better than all other brands of athletic shoes.

Strongly disagree 1 2 3 4 5 Strongly agree 6 7

3. If you were considering the purchase of a pair of athletic shoes, how likely is it that you would purchase Converse?

Highly unlikely 1 2 3 4 5 Highly likely 6 7

4. Converse is a socially responsible company.

Strongly disagree 1 2 3 4 5 Strongly agree 6 7

5. I can always count on Converse brand of athletic shoes for consistent high quality.

Strongly disagree 1 2 3 4 5 Strongly agree 6 7

6. Converse is a good corporate citizen.

Strongly disagree 1 2 3 4 5 Strongly agree 6 7

7. Rate the probability that you would buy Converse's if you were considering the purchase of athletic shoes.

Not at all probable 1 2 3 4 5 Very probable 6 7

8. Converse is a company that benefits society.

Strongly disagree 1 2 3 4 5 Strongly agree 6 7

B. Please circle the appropriate response regarding the new release you read.

1. In the news release was there a donation to a charity directed toward African Americans?

yes no

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To no extent To a great extent
1 2 3 4 5 6 7

4. To what extent was the philanthropy a part of the response to the scandal?

To no extent To a great extent
1 2 3 4 5 6 7

5. To what extent do you think the philanthropic donation by Converse was sincere?

To no extent To a great extent
1 2 3 4 5 6 7

6. To what extent do you think the philanthropic donation was appropriate?

To no extent To a great extent
1 2 3 4 5 6 7

C. Please indicate in your judgment how you perceive the African-American Health Institute by circling the appropriate response.

important 1 2 3 4 5 6 7 unimportant
relevant 1 2 3 4 5 6 7 irrelevant
significant 1 2 3 4 5 6 7 insignificant

D. These last questions are for classification purposes only.

1. What is your gender? (please circle one)

Male Female

2. What is your ethnic background? (please check one)

African-American _____ Asian-American _____ Caucasian-American _____
Hispanic-American _____ Other (please specify) _____

3. What is your age range?

18 – 25 _____ 26-35 _____ 36-45 _____ 46-Over _____

4. What is your income range?

Under - \$19,999 _____ \$20,000 - \$29,999 _____ \$30,000 - \$39,999 _____ \$40,000 - \$49,000 _____
\$50,000 and Over _____

VITA

Joe M. Ricks, Jr., was born in Portsmouth, Virginia. While spending most of his childhood in Los Angeles, California, he completed high school in New Orleans, Louisiana where he now calls home. After high school he enlisted in the United States Army and served four years on active duty. After completing his tour on active duty he join the Louisiana Army National Guard and attended college at Southeastern Louisiana University in Hammond, Louisiana. He was activated for Operation Desert Shield in 1990, and received a bachelor of arts degree in marketing in 1991 from Southeastern. After college he worked for Dillard's Department Stores, and for the State of Louisiana Office of Family Support. He also enrolled in the master of business administration program at the University of New Orleans. After completing his master's degree he became an instructor at Xavier University of Louisiana. He entered the doctoral program in marketing with a minor in cognitive psychology at Louisiana State University. As a doctoral student he has co-authored publications in the Journal of Vocational Behavior, and the Journal of Business Research. He is currently an instructor at Xavier University were he has obtained funding from 3M to develop a curriculum in sales and customer service.