COMPARING THE EFFECT OF ALTRUISTIC- AND STRATEGIC- GIVING: AN EXPERIMENTAL DESIGN EXAMPLE

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ABSTRACT

The purpose of this study is to examine if people feel corporate giving is altruistic, and if this perception extends to affect the firm's reputation and purchase intention. An experiment using stray animal shelter as the donated non-profit organization was conducted. The results show that when a company implements altruistic-giving, consumers perceive more that the company is willing to help the society and so have stronger positive attitude towards the firm, which makes them accredit the firm higher reputation and purchase intention. In contrast, when a company implements strategic-giving, consumers perceive it implements the giving because of the sales or pressure from stakeholders and so have a weaker positive attitude towards it.

Keywords: Corporate philanthropic giving, experimental design, altruistic-giving, strategic-giving, firm reputation

BACKGROUND AND OBJECTIVES

Corporate philanthropy stresses the acts of a company that promotes the welfare of others via charitable donations of funds or talents to existing non-profit organizations. The talents can be in the form of use of the company's facilities or volunteer time offered by the company's employees. This definition, although is altruistic, is in certain degree contrary to the traditional definition of business for profit making. Specifically, philanthropy in business is in many ways a compromise of two seemingly contradictory perspectives: Corporations may take altruistic actions, but they do so under profit constraints [5]. Regardless, businesses doing non-business social works, known as strategic giving, is demonstrated beneficial to a firm's strategic position and ultimately its outcome (e.g., [9]). They may even think philanthropy is strategy-oriented, because the causes can help them with strategic assets such as reputational capital, employee commitment, trust, and eventually consumers' recognition of their brands and products. Our question thus is: For a corporate giving, will people detect such strategic essence? Or will they simply view it as a signal of altruism? Either way, how people connect such a giving to the firm's social image? Previous studies tend to look at corporate giving as a strategic business avenue. This study corrects this by proposing that this avenue could be even more beneficial when it is designed to be more altruistic.

To answer the question, this study draws on corporate philanthropic responsibility complement with signaling theory to conduct an experimental survey. We select stray animal shelter as the donated non-profit organization for the experiment, because Mahatma Gandhi, the Father of India, once cited: “The moral progress of a nation and its greatness should be judged by the way it treats its animals.” Two fictitious pet food companies separately conducting the altruistic-giving and the strategic-giving activities are designed. The purpose is to distinguish the signaling effects of altruism between the two, and how such a signal is related to the firm’s standing, including its social responsibility, firm reputation, and purchase intention responded by consumers.

REVIEW OF LITERATURE AND HYPOTHESES

More than 90% of the *Fortune* 500 companies have shown explicitly social initiatives (Kotler and Lee 2004; Lichtenstein, Drumwright, and Bridgette 2004). For instance, cause-related marketing (CRM) has been a practice of promoting a product, service, brand, or company’s reputation that associates the firm’s sales to a charity or social cause via a non-profit organization [1]. CRM is not necessarily based on a donation. The term “cause” can be used more broadly to generally include corporate philanthropy that involves specific donations. Regardless, whether the cause is money or non-money involved, research has evidenced the win-win situation in a cause: The nonprofit cause receives the needed supports, and the company earns sales and visibility, because through such partnership, the public portray the two parties as social responsible mindedness, even patriotism image [11] [12]. Mainly, the cause, acting as a signal, makes consumers more favorable for the brands that are tied to the cause as compared to those that are not.

Signaling refers to action triggered by one party to influence the view and behavior of the other party. In business, signaling theory explains the relationship between signals and the inferred quality, showing why some signals are reliable and others are not, to explain the behavior interacted between the two parties [2]. The core of the theory consists of analyzing various types of signals and the situations in which they are used [10]. Because of the information asymmetry [3], the signaler typically know better the information than the receiver. For example, in the seller-buyer situation, the theory in general consists of the statement: “Signals convey information about seller characteristics and buyers examine them to evaluate the credibility and validity of a seller’s qualities” [8].

The theory of signal accentuates that some signals are reliable and others are not, and that the costs of falsifying a signal surpass the benefits [2]. The traditional economic theory asserts that increasing shareholder’s value is the sole objective of a corporation. In Firedman’s view [4], corporate giving is practically the same as managers of the firm stealing from shareholders. Therefore, there appears no altruistic reasons for a corporation to give away shareholders’ money purely for philanthropy ([5]. Under this premise, it thus is natural for the public to suspect if the motive of a corporation in the use of cause or other social giving is simply altruistic. The public may even self-interpret and turn a well-intentioned cause into a bad intent if the cause is detected concealing clumsy commercialism. According to the negativity of unreliable signaling, such turning may pose risks to the firm's goodwill and reputation.

We hence assume that the public will sense a higher level of altruism and so will be more positive about the firm's social works and reputation when a firm implements altruistic-giving, because it passes a signal of helping the society without anticipating payback. While when a firm implements strategic-giving, the public will think that it conducts the giving because of sales pressure and so are less positive.

H1: Altruistic giving will give the public a higher level of altruism than strategic giving, because the former let people feel the firm is more socially responsible than the latter.

H2: The public will sense a higher level of altruism and so will be more positive about the firm's reputation when it implements altruistic-giving than one that implements strategic giving, and this impact will go further to affect consumers' purchase intention.

RESEARCH PROCEDURE

To verify the propositions, we utilizes experimental design approach to testify the hypotheses. Stray animal shelter is chosen as the donated non-profit organization. A questionnaire, each with a storyline and four measurements other than respondent's profile, is developed. We describe the details according to the order of scenarios, measurements, and sampling below.

The Scenarios

People exhibit patterns of decision making in relation to information framing in that different frames may change people's mindset for decision choices. Of the framing, attitude or perception act as the key factor in explaining people's responses to a firm's doings. We starts with two posters introducing the stray animal protection activities of two fictitious pet food corporations A and B, where Company A is framed altruistic giving and Company B is framed strategic giving. The scenarios are as below:

"Company A wants their employees to volunteer two hours per week at Stray Animal Shelter, including feeding the animals, clearing up the environment, and adoption assistance."

"Company B announces that if you buy a bag of 15 kilogram pet food, they will donate 1 kilogram to the Stray Animal Shelter under your name. The more you buy, the more you donate."

Measurements

Two separate questions follow to ask respondents about their perception of the two companies is altruistic or self-interested. The choice option is on a semantic differential seven-point scale item (-3~ -1 = altruistic; 0 = neutral; 1~3 = self-interested), with name 'Company A' and 'Company B' on the left of the two separately. That is, respondents were asked to rate on the left if they felt the company was altruistic, otherwise, they rated on the right if they felt the company was self-interested. The purpose is to confirm which giving is more altruistic for Hypothesis 1.

After reading the experimental stimuli, respondents were asked to answer three sets of questions: Perceived socially responsible (7 items), firm reputation (3 items), and purchase intention (6 items), for comparing their perceptions of the two companies. The choice option also uses a seven point Likert scale on a semantic differential seven-point scale item (-3~ -1 = company A; 0 = no difference; 1~3 = company B), so that we can have a relative comparison between the two firms. That is, respondents were asked to rate on the left if they felt Company A fits the question more than Company B, otherwise, they rated on the right if they felt conversely. For example, if they think company A is more socially responsible, they should rate on the left of 0, otherwise they should rate on the right of 0. The three sets of measurement applies the same semantic differential scale. The seven perceived socially responsible items were further factor analyzed into two factors: Altruistic and strategic giving behavior.

Sampling

In attempt to investigate a sample of broader demographic characteristics, different questionnaire distribution channels such as direct distribution in shopping malls and supermarkets, online surveys via Facebook and PTT were all used simultaneously to approach the general public.

In order to ensure the design validity, a manipulation check that ask which company asks to buy applies to eliminate respondents who do not pay attention fully to the story. A total of 302 valid questionnaires were returned. Of the total sample profile, there were 37.1% male and 61.9% female, and about 40% were students, 60% were working persons. The age distribution was 17.9%, 35.1%, 38.4%, and 8.6% for those under 20, 21-30, 31-40, and over 41 respectively. Most respondents have a college degree (70.2%), follow by those with a master degree (25.2%).

RESULTS

Figure 1 shows the rating of respondents in their perceptions of altruism or self-interest extent of the two companies, where they rated Company A -2.21 and Company B 2.07 on average. Apparently, the two companies are on the two different side of neutral 0 with a gap of 4.28 significantly at a seven point scale. Thus, as designed, these data reveal that the respondents perceive the giving of company A is altruistic while company B is self-interested.

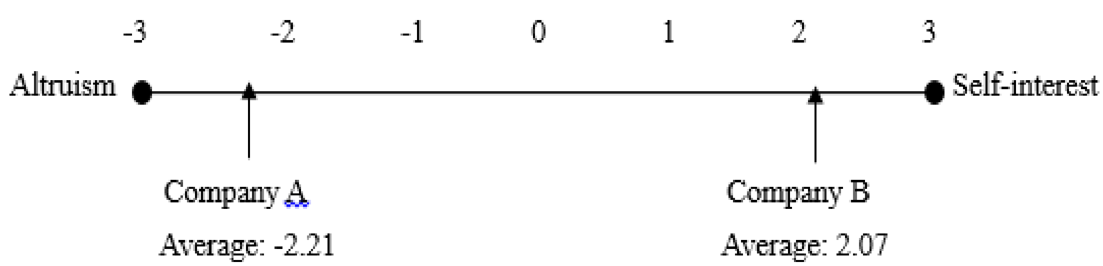

Figure 1. The altruism/self-interest scores of the two companies

Figure 2 shows the respective scores of the two companies on their perceived socially responsible behavior. Two factors, altruistic and strategic giving were extracted. Their respective scores are -1.52 for Company A and 0.75 for Company B based on a semantic differential seven-point scale. The gap is 2.27 and significant. These results indicate that the respondents think the activities of company A is inclined to altruistic giving, while those of company B is more about strategic giving.

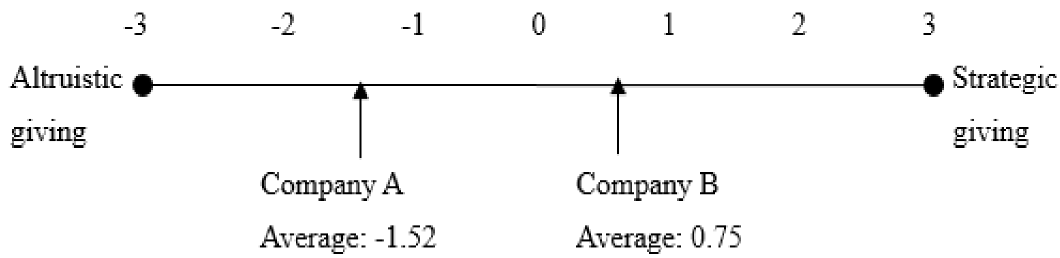

Figure 2. Perceived type of corporate giving between the two companies

Table 1 shows the result of regression of the two types of corporate giving behavior on firm reputation and purchase intention. Relatively, as Model 1 displays, the impact of altruistic giving on firm reputation is more significant compared to the one given by strategic giving. Further, as Model 2 and Model 3 indicate, this impact goes further on purchase intention, when altruistic giving is treated as a mediator.

Table 1. Result of regression: The impact of the two corporate giving behavior

	Firm reputation	Purchase intention	
	Model 1	Model 2	Model 3
Altruistic giving (Company A)	0.697***	0.629***	0.196***
Strategic giving (Company B)	0.064	0.042	0.003
Firm reputation			0.622***
Covariates			
Monthly allowance	0.062	0.058	0.020
Concern of the issue	-0.087*	-0.031	0.023
Have pet?	-0.015	0.015	0.024
F-Value	67.838***	42.933***	73.977***
R^2	0.534	0.420	0.601
R^2 increment	0.459	0.373	0.180

***p< .001, **p< .01, *p< .05

CONCLUSION

This article shows that when a firm implements altruistic-giving signal, the public will believe that it truly wants to help the society and so will be more positive about the firm; while when a firm implements strategic-giving signal, the public will think that it conducts the activities because of sales pressure and so are less positive. The reason behind may be because that consumers believe that a firm of altruistic-giving endeavor is more willing to help the society without an expectation of self-benefit; in turn, they credit it higher reputation. On the contrary, if it is strategic-giving, consumers would rate a weaker reputational attitude toward the firm.

This study shows that consumers prefer altruistic-giving social behavior more than strategic-giving in cause marketing. This conclusion directly leads to two implications. Firstly, a firm should implement altruistic-giving effort, such as adoption of volunteer programs, because in this way consumers are more likely to believe that the firm feels obligated to help the society without expecting feedback, and in turn generate a good image of it. Secondly, consumers often interpret a firm's motive with philanthropic perspective. Relatively, because strategic-giving connects charitable behavior to strategic target, such as products or sales, consumers appear to consider such firms egoistic and in turn less like it.

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