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Doing Well by Doing Good: The Benevolent Halo of Corporate Social Responsibility

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Corporate social responsibility is commonly viewed solely as a tool for enhancing company reputations and engendering goodwill among customers. In contrast, this research shows that the impact of corporate social responsibility can extend beyond public relations and customer goodwill to influence the way consumers evaluate a company's products. Specifically, this research documents that acts of social goodwill—even when they are unrelated to the company's core business, as in the case of charitable giving—can alter product perceptions, such that products of companies engaged in prosocial activities are perceived as performing better. More important, the data show that inferences drawn from a company's prosocial actions are strong enough to alter the product evaluations even when consumers can directly observe and experience the product. The data further show that this effect is a function of the moral undertone of the company's motivation for engaging in socially responsible behavior and is attenuated when consumers believe that the company's behavior is driven by self-interest rather than by benevolence. By documenting that social goodwill can benefit consumer perceptions of product performance, these findings show that doing good can indeed translate into doing well.

In the past decade, there has been an unprecedented surge in company involvement in socially responsible activities, such as charitable giving, focused on promoting various social causes unrelated to the company's core business. Despite this upswing in corporate social responsibility, socially responsible programs have been viewed almost exclusively as a tool for enhancing reputations and engendering goodwill among customers. This view raises the question of whether the impact of socially responsible activities is indeed limited to a company's reputation or whether it extends beyond public relations and customer goodwill to influence the way consumers evaluate a company's products.

Managers' beliefs about the impact of socially responsible activities on perceived product performance converge on the idea that corporate social responsibility programs are unlikely to benefit the company above and beyond their potential to strengthen reputations and mitigate corporate crises. A survey of more than 300 CFOs, investment analysts, and corporate social responsibility experts reports that the vast majority believe the most important way these programs create value is by enhancing the company's reputation (McKinsey & Company 2009). Furthermore, the survey found that even though managers believed that socially responsible activities can help maintain a good corporate reputation and strengthen a company's brand, they did not consider these activities to have a material impact on perceived product performance.

The pervasive managerial belief that corporate social responsibility is unlikely to influence consumer perceptions of product performance is also mirrored by a survey we conducted in 2012 with a group of 44 senior managers participating in an executive development seminar. The survey asked managers to indicate their beliefs about whether a company's socially responsible actions, such as donating to social causes, can influence consumer perceptions of the functional performance of company products. The results show that 86% of the respondents believed that company prosocial behavior would not affect perceived product performance, with the remaining 14% split in suggesting a positive or negative effect. These findings further underscore the conventional wisdom that socially responsible behavior, although beneficial to society and corporate reputations, is unlikely to have a significant impact on consumer beliefs about the performance of a company's products.

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Despite the abundant research examining the impact of socially responsible behavior on consumer attitudes toward a company, relatively little research has examined its impact on consumer beliefs about product performance. Moreover, the extant research has failed to reach a consensus regarding whether and how a company's socially responsible behavior will influence perceived product performance. The goal of this research, therefore, is to examine the validity of the prevailing belief among managers that the impact of a company's socially responsible activities is limited to corporate reputation and is unlikely to influence the perceived performance of a company's products.

In this research we show that acts of corporate social responsibility—even when they are unrelated to the company's core business, as in the case of charitable giving to socially responsible causes—can influence consumer perceptions of the functional performance of the company's products. In this context, we identify conditions under which corporate social responsibility can strengthen perceived product performance, such that products of companies engaged in socially responsible activities are likely to be perceived as having higher levels of performance. We further document that a company's prosocial activities are strong enough to alter consumer experiences with the product and that this effect can occur even when actual product performance is readily observable and consumers can directly experience the product. We present the theoretical background of our predictions and the empirical data in the following sections.

THEORETICAL BACKGROUND

The Impact of Corporate Social Responsibility on Financial Performance and Company Image

Prior research has argued that socially responsible firms are likely to deliver superior financial performance—an argument supported by a number of studies demonstrating a positive link between investing in corporate social responsibility and a firm's financial performance (Orlitzky, Schmidt, and Rynes 2003; Russo and Fouts 1997). This finding is consistent with research showing that a company's reputation for social responsibility tends to decrease consumers' price sensitivity and increase their brand loyalty (Green and Peloza 2011; Marin, Ruiz, and Rubio 2009). Similarly, consumers were found to be more willing to advocate for socially responsible companies (Du, Bhattacharya, and Sen 2007) and to defend them against criticism (Klein and Dawar 2004; Murray and Vogel 1997). It has also been argued that a company's socially responsible behavior is likely to increase sales by motivating consumers to reward the company for its prosocial behavior (Mohr, Webb, and Harris 2001) and giving consumers the option to attain moral satisfaction from the "warm glow of giving" (Andreoni 1990; Kahneman and Knetsch 1992).

Despite the voluminous research documenting that corporate social responsibility can benefit a company's bottom line, definitive empirical evidence demonstrating a consistent directional link between social goodwill and company profitability has eluded scholars (Peloza and Shang 2011; Tang, Hull, and Rothenberg 2012). Thus, in addition to research suggesting the absence of a direct link between investing in corporate social responsibility and financial performance, it has been argued that investing in corporate social responsibility can have a negative impact on a company's bottom line. The most common argument for a negative link builds on the logic that relative to firms that do not engage in such activities, firms that engage in socially responsible activities incur additional costs for behaviors that have few measurable economic benefits (Bromiley and Marcus 1989; Fogler and Nutt 1975).

In addition to examining the impact of corporate social responsibility on a company's financial performance, prior research has shown that engaging in socially responsible behavior can benefit consumers' overall attitudes toward the company's brand (Sen and Bhattacharya 2001; Wigley 2008). For example, consumers have been shown to have more favorable attitudes toward organizations known to engage in cause-related activities (Sen, Bhattacharya, and Korschun 2006; Webb and Mohr 1998)—an effect documented even for companies with negative reputations (Yoon, Gürhan-Canli, and Schwarz 2006). It has further been shown that consumers view companies engaged in socially responsible activities as being warmer (Aaker, Vohs, and Mogilner 2010), more compassionate (Lichtenstein, Drumwright, and Braig 2004), more ethical (Hoeffler and Keller 2002), more trustworthy (Hansmann 1981), and less blameworthy in the midst of corporate crises (Klein and Dawar 2004).

Corporate Social Responsibility and Perceived Product Performance

Despite the plethora of research documenting the relationship between corporate social responsibility on the one hand and a company's financial performance and brand image on the other, there has been relatively little research examining how a company's charitable giving influences consumer beliefs about the performance of its products. Furthermore, the extant research fails to come to a consensus about the nature of this effect. Thus, it has been argued that because corporate social responsibility has little relevance to the company's ability to produce goods or services, it is unlikely to influence perceived product performance (Brown and Dacin 1997; Luchs et al. 2010). In the same vein, Keller and Aaker (1998) suggest that a corporate image based on corporate social responsibility, rather than on innovation, would not influence perceived product performance in unrelated domains.

In addition to research implying that corporate social responsibility is unlikely to influence perceived product performance, extant research has also argued that there may be a positive effect. For example, Du et al. (2007) report an association (but not causation) between consumers' awareness of a firm's engagement in socially responsible activities and their brand-specific beliefs in the case of companies that integrate social responsibility into their competitive positioning. Similarly, Luchs et al. (2010) propose that people tend to believe that companies prioritizing sustainability will produce products superior on gentleness-related attributes because ethical firms are perceived as gentler.

Contrary to the research suggesting a positive impact of corporate social responsibility on perceived product performance, it has also been argued this impact can be negative rather than positive (Ottman 1998; Pickett-Baker and Ozaki 2008). For example, it has been shown that products made by companies known to engage in activities that promote sustainability are likely to be perceived as underperforming on strength-related attributes (Essoussi and Linton 2010; Luchs et al. 2010; Newman, Gorlin, and Dhar 2014). It has further been argued that consumers tend to believe that social responsibility comes at the expense of product performance even when the socially responsible behavior has no clear performance implications (Luo and Bhattacharya 2006; Sen and Bhattacharya 2001). These findings are consistent with the notion that whereas socially responsible firms tend to be perceived as being warmer, more ethical, and more compassionate, they also tend to be perceived as less competent in their core area of expertise (Aaker et al. 2010) and, hence, likely to produce functionally inferior products compared to those made by companies not engaged in prosocial behavior.

In this research we argue that in the case of prosocial activities unrelated to the company's technological competencies and/or products, corporate social responsibility can have a positive impact on perceived product performance. This argument is based on the notion that in the absence of a direct relationship between the company's prosocial activities and its products, compensatory inferences that have been shown to negatively influence perceived product performance are less likely to occur (Luchs et al. 2010; Newman et al. 2014), leaving the door open for a positive spillover effect. Thus, we expect that corporate social responsibility involving charitable giving is likely to have a positive impact on consumers' perceptions of product performance. We discuss the nature of this positive spillover effect—referred to as a halo effect—in the following section.

The Benevolent Halo of Social Goodwill

The halo effect refers to the tendency of overall evaluations of a person/object to influence evaluations of the specific properties of that person/object in a way that is consistent with the overall evaluation (Asch 1946; Nisbett and Wilson 1977; Thorndike 1920; Wells 1907). For example, it has been shown that physically attractive people tend to be perceived as more sociable, mentally healthy, and intelligent than physically unattractive people (Feingold 1992). The halo effect also has been demonstrated in the domain of consumer behavior, documenting that in the absence of attribute-specific information, consumers' evaluation of a product's performance on a particular attribute is likely to be influenced by their overall impression of the product (Beckwith and Lehmann 1975; Boatwright, Kalra, and Zhang 2008; Han 1989). For example, it has been shown that health and nutrient-content claims on food packages induce a "health halo" that leads people to rate these products higher on other health attributes not mentioned in the claims (Andrews, Netemeyer, and Burton 1998; Roe, Levy, and Derby 1999; Wansink and Chandon 2006).

Given the ubiquitous nature of the halo effect documented in prior research (Cooper 1981), we expect that a company's prosocial behavior can give rise to a halo effect that will influence the perceived performance of the company's products. Our theorizing builds on the notion that corporate social responsibility tends to invoke moral judgments that can permeate all aspects of consumer judgment and decision making. Indeed, prior research has argued that morality and moral identity are central constructs guiding some of the key aspects of an individual's cognitive and affective processes (Aquino and Reed 2002; Kohlberg 1981; Reed, Aquino, and Levy 2007). In this context, a halo effect stemming from individuals' moral judgments has been shown to influence their judgments across a variety of domains including food consumption (Stein and Nemeroff 1995), politics (Smith and Overbeck 2014), financial markets (Brown and Perry 1994), and managerial decision making (Rosenzweig 2007).

Building on prior research, we argue that the halo effect stemming from the moral undertone of the company's socially responsible activities can influence not only the overall company image but also the perceived performance of company products, such that the products made by companies engaged in prosocial activities are perceived to have superior performance. This proposition further implies that the impact of a company's prosocial behavior on the perceived performance of its products is a function of several key factors.

First, as an inference-making process, the halo effect is likely to involve a degree of uncertainty associated with the perceived product performance. Indeed, extant research in the domain of information processing has argued that individuals are more likely to draw inferences, such as those based on a company's prosocial behavior, in scenarios in which they do not have well-articulated preferences (Broniarczyk and Alba 1994; Dick, Chakravarti, and Biehal 1990; Feldman and Lynch 1988). In the same vein, researchers have argued that the halo effect, which is likely to influence the evaluations of the specific properties of an object, is likely to be more pronounced when these properties are ill defined in the minds of the individuals (Thorndike 1920; Wells 1907). Consumer research has also shown that individuals are less likely to rely on inferential processes such as the halo effect when they are able to draw on their domain expertise to evaluate a product's performance based on its intrinsic characteristics (Han 1989; Maheswaran 1994). Building on this research, we expect the halo effect associated with a company's prosocial activities to be more pronounced when expertise is low rather than high.

Second, we theorize that the impact of a company's pro-

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social activities on the perceived performance of its products is a result of a halo effect stemming from individuals' moral judgments. This implies that the proposed effect of corporate social responsibility on perceived product performance is not merely a function of the act of charitable giving but that it stems from the company's underlying motives. Thus, prior research has documented that corporate social responsibility does not benefit a company's image when consumers believe that a company's actions are motivated by self-interest rather than benevolence (Sen and Bhattacharya 2001; Wagner, Lutz, and Weitz 2009; Yoon et al. 2006). Accordingly, we expect that the halo effect associated with a company's prosocial activities is likely to be more pronounced in cases when it is motivated by benevolence rather than when it is motivated by self-interest.

The argument that the impact of a company's prosocial activities on the perceived performance of its products stems from individuals' moral judgments further implies that this effect should be a function not only of the company's motivation but also of consumers' moral orientation. This argument is consistent with the notion that to be effective, moral actions need to be aligned with an individual's moral values (Blasi 1980; Monin and Jordan 2009; Saerom, Winterich, and Ross 2014). Thus, we expect the moral undertone of the company's prosocial behavior to have a greater impact on perceived product performance when the motive behind the company's actions is aligned with consumers' moral values and, specifically, the importance they place on social goodwill.

EXPERIMENTAL STUDIES

We examine the impact of corporate social responsibility on consumer perceptions of product performance in a series of four experiments. The first experiment aims to test our main hypothesis that consumers tend to draw inferences from a company's socially responsible behavior, such that products produced by companies involved in charitable giving are evaluated as performing better than those produced by companies not known for their charitable work. This experiment further examines the role of the halo effect by testing whether the impact of the company's prosocial behavior is a function of consumers' expertise with the evaluated product.

Building on the findings of the first study, experiment 2 examines how a company's motivation for engaging in corporate social responsibility affects consumer evaluations of the performance of company products. Specifically, this study aims to examine whether and how the moral undertone of a company's motivation for engaging in socially responsible actions—benevolence or self-interest—can influence the impact of charitable giving on perceived product performance.

Experiment 3 further examines the moderating effect of the motivation underlying the company's socially responsible behavior on perceived product performance by using an alternative manipulation of the company's motivation for engaging in socially responsible activities. Specifically, this study examines the impact of the source of information about the company's socially responsible behavior—company advertising versus an independent source—on perceived product performance.

Finally, experiment 4 aims to provide additional evidence for how the motivation underlying the company's socially responsible activities influences perceived product performance by investigating the degree to which the company's motivation is consistent with consumers' moral orientation. Specifically, this study shows that a company's motivation for engaging in acts of corporate social responsibility tends to influence perceived product performance only for consumers who believe that companies are morally obligated to engage in such activities.

All four experiments examine scenarios in which consumers are able to observe the actual product performance and hence form fairly objective performance-related judgments. This is important because prior research has argued that the halo effect tends to be more pronounced when direct experience is not readily available and individuals form evaluations using memory-based judgments (Cooper 1981; Kardes, Posavac, and Cronley 2004). Accordingly, past research suggests that the halo effect is likely to be weaker or even disappear when consumers can form judgments based on their direct experience of the product. In this context, documenting that the halo effect stemming from corporate social responsibility can influence product evaluations even when consumers can directly experience the product has important conceptual and managerial implications.

Furthermore, the four experiments reported in this research test the impact of a company's involvement in corporate social responsibility on readily observed product performance in the context of different product categories: wine, a hair loss treatment, a teeth-whitening product, and resolution-enhancing software. Thus, the impact of corporate social responsibility on observed product performance is tested across different modalities, including taste, density assessment, color comparison, and resolution assessment. We describe the methodology for examining the impact of corporate social responsibility on consumer evaluations of the functional performance of company products and the empirical results in the following sections.

EXPERIMENT 1

Experiment 1 aimed to demonstrate that a company's socially responsible activities can have a significant positive impact on consumer perceptions of the functional performance of company products. Specifically, we examined whether and how information about a company's charitable giving influences consumer taste perceptions in the context of a wine-tasting task.

To test the validity of our theorizing, we also examined whether and how the hypothesized impact of corporate social responsibility on perceived product performance varied as a function of individuals' familiarity with the evaluated product. Specifically, we argued that if a company's prosocial actions indeed produce a halo effect on perceived product performance, this effect is likely to be more pronounced for respondents with lower levels of product expertise (i.e., wine novices) compared to those with higher levels of product expertise (i.e., wine connoisseurs).

Method

Fifty-six participants in an executive education seminar were recruited to take part in a wine-tasting experiment. The choice of wine as an experimental stimulus is consistent with prior research (Chernev 2006; Lynch and Ariely 2000), enabling us to provide respondents with an opportunity to experience the actual product and examine whether corporate social responsibility information would influence their evaluations.

Each participant was given a sample of red wine in a small, unmarked plastic cup, along with a card introducing the winery that purportedly produced it. The winery was described as follows: "Our wines are balanced by an underlying structure of natural acidity for an elegant wine that provides both drinkability and ageability. Exceptional wine can only be made with exceptional grapes. We start by planting the right grape in the right place, then capture and carefully nurture the natural flavors and structure without treading on the inherent qualities of the fruit. Each wine brings the finest characteristics of both the vineyard and the vintage to your table."

Following the general information about the winery, some of the respondents were also informed that the company engages in socially responsible activities. Specifically, these respondents were told that the company donates 10% of its sales revenues to the American Heart Association. Thus, all respondents received the same description of the winery, but some were also informed about its charitable donations.

After reading the description, respondents sampled the wine and were asked to rate its taste on a 9-point scale anchored by 1 = Very bad, 5 = Average, and 9 = Very good. To test our hypothesis that consumers' product expertise would moderate the impact of the company's prosocial activities on perceived product performance, we also measured respondents' self-reported wine expertise. After rating the taste of the sampled wine, participants were also asked to rate how much they knew about wine on a similar 9-point scale with anchors 1 = Very little, 5 = Average, and 9 = Very much. At the end of the experiment respondents were debriefed and thanked for participating.

Results

We argued that consumers who were aware of the company's socially responsible behavior would perceive its products as being functionally superior—a perception that in the current experiment translated to better taste. To test this prediction, we analyzed the standardized data using a regression model in which perceived product performance was a function of the company's engagement in socially responsible behavior, consumer expertise, and their interaction. Consistent with our prediction, analysis at mean levels of expertise revealed that respondents who were aware of the winery's monetary donations to a charitable cause rated the wine as tasting better ($M = 5.07$, SD = 1.30; $N = 28$) than did those who were unaware ($M = 4.36$, SD = 1.70; $N = 28$; $\beta = .49$, SE = 26, $p < .05$). This effect further varied as a function of respondents' self-reported expertise ($\beta = -.46$, SE = .26, $p < .05$), whereby it was more pronounced for respondents reporting lower levels of wine expertise (novices) than for respondents reporting higher levels of wine expertise (connoisseurs).

We explored this interaction using a spotlight analysis (Aiken and West 1991) at 1 standard deviation above and below the mean of expertise (see fig. 1). The analysis at one standard deviation below the mean of expertise indicated that knowledge of the winery's charitable donations resulted in a significant increase in taste perceptions for wine novices ($\beta = .95$, SE = .37, $p = .01$). In contrast, the corresponding analysis at 1 standard deviation above the mean of expertise revealed that charitable giving had no impact on taste perceptions for wine connoisseurs ($\beta = .03$, SE = .37, NS). This pattern of results suggests that the impact of a company's socially responsible behavior on consumer evaluations of product performance is a function of their expertise, such that it is stronger when consumers' ability to evaluate performance based on a product's intrinsic characteristics is low (novices) compared to when it is high (connoisseurs).

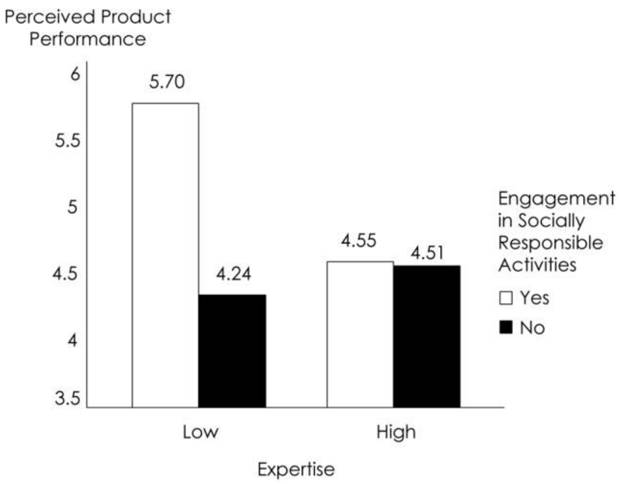
Discussion

The findings reported in this study lend support to our theorizing that acts of corporate social responsibility can strengthen consumer evaluations of the functional performance of company products. Thus, participants who were told that the winery donates a portion of its revenues to charity rated the same wine as tasting better than did participants who were not informed of this. More important, we show that this effect is a function of expertise, such that corporate social responsibility is more likely to influence product beliefs (taste ratings) when consumers are less able to evaluate product performance based on intrinsic characteristics (novices vs. connoisseurs). This dependency of the observed effect of prosocial behavior on perceived product performance is consistent with the findings reported by prior research: that halo-based inferences are more likely to occur when product properties are ill defined in the minds of the consumers.

We theorized that the effects reported in this experiment could be attributed to the halo effect, whereby consumers' evaluation of the company's moral behavior influences the way they perceive the functional performance of its products. This theorizing implies that the positive impact of corporate social responsibility on perceived product performance is not merely a function of the act of charitable giving but that it stems from the moral undertone of the act. Accordingly, in experiment 2 we test the role of the moral aspect of the halo effect by manipulating consumer beliefs about the motives that underlie a company's decision to engage in socially responsible behavior. Consistent with our

FIGURE 1

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON PERCEIVED PRODUCT PERFORMANCE AS A FUNCTION OF DOMAIN EXPERTISE (EXPERIMENT 1)



NOTE.—Values on the vertical axis represent estimates of participants' ratings of the taste of wine on a 9-point scale, with higher values indicating better perceived taste. The horizontal axis represents consumers' self-reported wine expertise. For presentation purposes, respondents were divided into two groups (low expertise vs. high expertise corresponds to −1 SD vs. +1 SD from the mean); statistical analysis was performed treating expertise as a continuous variable (binary analysis yielded similar results). The data show that the positive effect of a company's prosocial behavior on perceived product performance is significant only for consumers with low domain expertise (novice wine drinkers).

theorizing, we expect that the positive effect of corporate social responsibility on consumer evaluations of the functional performance of the company's products documented in the first experiment will be more pronounced when consumers believe that the company's behavior is motivated by benevolence rather than by self-interest.

EXPERIMENT 2

The goal of experiment 2 was to test the role of the moral undertone of a company's prosocial activities on perceived product performance. Specifically, we aimed to show that the positive impact of corporate social responsibility on perceived product performance is more pronounced when consumers believe that a company's charitable giving is motivated by benevolence rather than by self-interest. We examine this proposition in the context of a decision task that involves density judgment, namely, evaluating the density of surface coverage associated with the use of a hair loss treatment.

Method

Two hundred thirty-six participants recruited using Amazon Mechanical Turk were assigned to conditions in a 2 (socially responsible behavior: yes vs. no) × 2 (company motive: benevolence vs. self-interest) between-subjects design. In this study, we manipulated a company's motive for engaging in corporate social responsibility by focusing respondents' attention on either benevolence or self-interest as a reason behind the socially responsible behavior. Specifically, respondents in the benevolence condition read, "Companies often make donations to charity because they believe it is the moral thing to do. What do you think about companies that donate for moral reasons?" In contrast, respondents in the self-interest condition read, "Companies often make donations to charity because they want the publicity. What do you think about companies that donate for selfish reasons?" The goal of this manipulation was to raise the prominence in consumers' minds of benevolence and self-interest as alternative motives for engaging in corporate social responsibility.

Following the motive manipulation task, all respondents participated in a different study in which they were told that a pharmaceutical company was conducting clinical trials for a new hair loss treatment. The company's engagement in socially responsible behavior was manipulated by informing some of the respondents that the company donates 20% of its revenues to charities that provide medicine to the underprivileged.

Respondents were then shown two pictures of a man's scalp that were said to be before-and-after pictures showing the results of using the company's hair loss treatment. Respondents were asked to rate how much hair grew after the treatment on a 7-point scale (1 = Very little, 7 = A lot). This measure served as the dependent variable and was chosen so that respondents could form a direct evaluation of product effectiveness.

Results

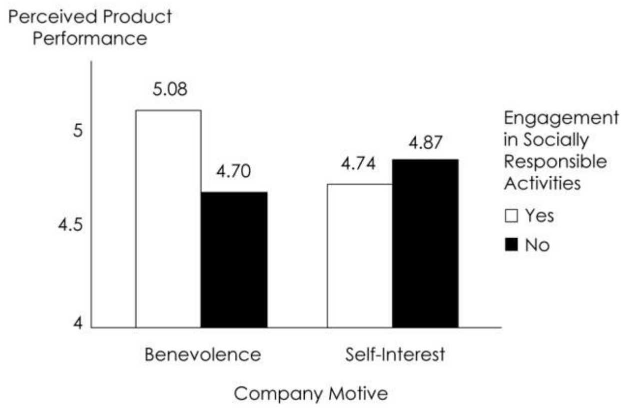
We argued that the impact of corporate social responsibility on perceived product performance would be more pronounced when consumers believed the behavior was motivated by benevolence rather than by self-interest. The data illustrated in figure 2 were consistent with this prediction.

The data show that the effect of corporate social responsibility on perceived product performance was significantly influenced by consumer beliefs about the company's motivation for engaging in socially responsible activities, as indicated by the significant interaction effect ($F(1, 232) = 3.92$, $p < .05$). This finding lends support to our prediction that the impact of corporate social responsibility on perceived product performance is more pronounced when the company actions are motivated by benevolence rather than self-interest.

Specifically, respondents in the benevolence condition rated the hair loss treatment as resulting in better hair growth when they were aware of the company's prosocial behavior

FIGURE 2

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON PERCEIVED PRODUCT PERFORMANCE AS A FUNCTION OF COMPANY MOTIVE (EXPERIMENT 2)



NOTE.—Values on the vertical axis represent participants' performance estimates on a 7-point scale, with higher values indicating greater perceived performance. The data show that corporate social responsibility has a positive effect on perceived product performance when the company's motive is believed to be benevolence (the difference between the white and black bars on the left), but that this effect is weaker when the motive is believed to be self-interest (the difference between the white and black bars on the right).

than when they were not ($M = 5.08$, SD = .87 vs. $M = 4.70$, SD = 1.03; $F(1, 232) = 4.14$, $p < .05$)—a finding consistent with the data furnished by experiment 1 that corporate social responsibility can bolster product performance beliefs. In contrast, performance ratings by respondents in the self-interest condition were essentially the same ($M = 4.74$, SD = 1.01 vs. $M = 4.87$, SD = .91; $F(1, 232) < 1$, NS)—a finding consistent with the notion that the observed effect is driven by a halo stemming from the moral undertone of the company's prosocial activities. Finally, the main effects of both corporate social responsibility and company motive were nonsignificant (all $p > .30$), indicating that the positive halo of corporate social responsibility can be weakened in cases when consumers believe that the firm is motivated by self-interest rather than benevolence.

Discussion

The data furnished by experiment 2 lend further support to the notion that a company's socially responsible behavior can influence consumers' perception of actual product performance. Specifically, we show that the impact of corporate social responsibility on perceived product performance is a function of the moral undertone of the company's motivation for engaging in socially responsible activities. Thus, the positive impact of prosocial behavior on perceived product performance was more pronounced when consumers believed that a company's charitable donations were motivated by benevolence rather than self-interest. This finding is consistent with the theory that the halo effect associated with corporate social responsibility implies the presence of a positive moral sentiment toward the firm's actions, and that the halo effect is likely to be less pronounced or even disappear in the absence of a benevolent motive.

Documenting that the impact of corporate social responsibility is a function of the company's motivation also provides evidence for the mechanism underlying the halo effect. Indeed, one could argue that the beliefs of increased product performance observed in the first experiment were performance driven, whereby giving to charity signals superior market performance that results in superior products. In this context, showing that the effect of corporate social responsibility is a function of the company's motivation for engaging in prosocial behavior can provide more direct evidence of the moral nature of the halo effect.

In experiment 2 we examined the role of company motivation by directly informing respondents about the rationale for why companies tend to engage in socially responsible behavior. An alternative approach to examining whether and how the moral intentions of the company's actions influence the perceived performance of its products is by varying the source of information about a company's socially responsible activities—namely, whether the information is provided by the company or by an independent source. The rationale for this manipulation stems from prior research showing that consumers are more likely to suspect a company's true motive is self-interest rather than benevolence when the company touts its socially responsible behavior in its own communications, whereas consumers are more likely to take the company's actions at face value and assume the motive is benevolence when the same communications are provided by an independent source (Yoon et al. 2006). In this context, varying the source of information about the company's prosocial behavior can provide further evidence for the moral underpinnings of the halo effect hypothesized to drive the effects observed in the first two experiments. We test this prediction in the following experiment.

EXPERIMENT 3

The goal of experiment 3 was to further examine the moral underpinnings of the halo effect of a company's socially responsible behavior on consumer evaluations of its products by using a different manipulation of the company's motivation for engaging in socially responsible activities. Specifically, rather than directly priming respondents with information about a company's motivation for engaging in acts of corporate social responsibility as in experiment 2, experiment 3 varied the source of the information about the company's activities—either the company itself or an independent source. We examined this proposition in the context of a decision task that involved color judgment, namely, evaluating different shades of white associated with the use of a teeth-whitening product.

Method

One hundred and ninety-four respondents were recruited using Amazon Mechanical Turk and assigned to conditions in a 2 (socially responsible behavior: yes vs. no) × 2 (company motive: benevolence vs. self-interest) between-subjects design. Respondents were informed that Ultradent is a major producer of dental products, including teeth-whitening kits. The company's engagement in socially responsible behavior was manipulated by informing some of the respondents that Ultradent makes sizable donations to UNICEF, a humanitarian organization that provides assistance to children and mothers in developing countries, whereas the remaining respondents were not provided with this information.

Unlike experiment 2, which primed participants with different motives—benevolence or self-interest—for the company's socially responsible behavior, in this study we used a more subtle manipulation of the company's motive that involved varying the source of the information about the company's socially responsible activities. Specifically, respondents in the benevolence condition were told that the information they received was an excerpt taken from a recent news story on the company by an independent news organization that monitors corporate behavior. In contrast, respondents in the self-interest condition were told that the information was an excerpt taken from a recent company advertisement. Consistent with prior research (Yoon et al. 2006), we reasoned that respondents would be more likely to believe that the socially responsible activities were motivated by self-interest rather than benevolence when they learned about these activities from a company advertisement emphasizing the company's moral character than when they learned about it from an independent source.

Respondents subsequently were shown two pictures of tooth images from a standard dental shade guide used by dental practitioners. These images, one shade apart on the shade guide, were described as before-and-after pictures showing the results of using Ultradent's teeth-whitening product. The tooth image with the slightly darker shade was said to be the before picture and the tooth image with the slightly lighter shade was said to be the after picture. Respondents were asked to rate on a 7-point scale (1 = Very poorly, 7 = Very well) how well they thought the teeth-whitening product performed. As in the previous experiment, this measure was chosen to enable respondents to provide an unbiased evaluation of product performance (shades of white) and form product judgments based on the readily available information.

Results

We expected that the impact of corporate social responsibility on perceived product performance would be stronger when respondents learned about the company's charitable giving from an independent source (signaling benevolence) rather than from a company advertisement emphasizing its socially responsible behavior (signaling self-interest). The data summarized in figure 3 were consistent with this prediction.

The data show that the effect of corporate social responsibility on perceived product performance was significantly influenced by consumer beliefs about the company's motivation for engaging in socially responsible activities, as indicated by the significant interaction effect ($F(1, 190) = 6.31$, $p = .01$). This finding is consistent with our prediction that the impact of corporate social responsibility on perceived product performance is more pronounced when the company's actions are believed to be motivated by benevolence rather than self-interest.

Specifically, the data show that when information about the company's socially responsible activities was said to come from an independent source (benevolence condition), respondents rated the teeth-whitening product as performing better than when the information came from the company $M = 4.06$, SD = 1.37 vs. $M = 3.32$, SD = 1.73; $F(1, 190) = 5.85$, $p < .05$)—a finding consistent with the data reported in the first two experiments showing that acts of prosocial behavior can bolster perceived product performance. In contrast, when the information about the company's socially responsible activities was said to come from a company advertisement (self-interest condition), performance ratings by respondents were essentially the same ($M = 3.36$, SD = 1.48 vs. $M = 3.73$, SD = 1.52; $F(1, 190) = 1.35$, NS)—a finding consistent with the notion that the observed effect is driven by a halo stemming from the moral undertone of the company's prosocial activities. Finally, the main effects of both corporate social responsibility and company motive were nonsignificant (all $p > .40$), indicating that the positive halo of corporate social responsibility can be weakened in cases when consumers believe that the firm is motivated by self-interest rather than benevolence.

Discussion

The results of experiment 3 show that corporate social responsibility can bolster perceptions of product performance and that this effect is more pronounced when consumers believe that a company's motivation for engaging in prosocial behavior is benevolence rather than self-interest. We further show that the presence of subtle cues can provide a sufficient basis for consumers to make inferences about a company's motivation for engaging in prosocial activities, and that these inferences are strong enough to influence perceptions of product performance. Specifically, we document that the positive impact of a company's socially responsible activities on perceived product performance is more pronounced when consumers learn about these activities from an independent source than when they learn about them from a company advertisement emphasizing its charitable donations.

The differential impact of the source of information about the company's prosocial behavior is important in light of the research suggesting that the impact of corporate social

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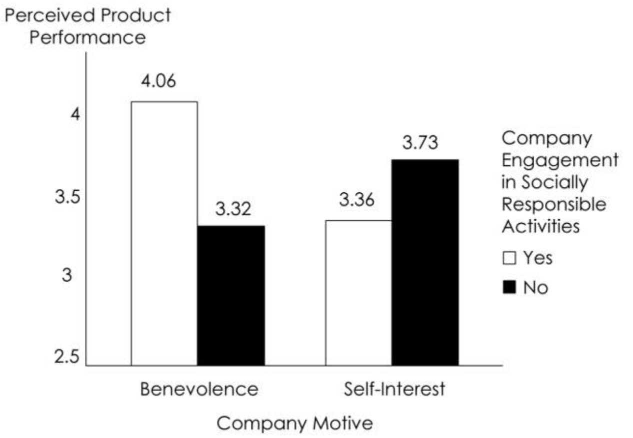
FIGURE 3

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON PERCEIVED PRODUCT PERFORMANCE AS A FUNCTION OF COMPANY MOTIVE (EXPERIMENT 3)



NOTE.—Values on the vertical axis represent participants' performance estimates on a 7-point scale, with higher values indicating greater perceived performance. The data show that corporate social responsibility has a positive effect on perceived product performance when the company's motive is believed to be benevolence (the difference between the white and black bars on the left), but that this effect is weaker when the motive is believed to be self-interest (the difference between the white and black bars on the right).

responsibility activities on the value of the firm is positively related to advertising intensity, whereby publicizing a firm's corporate social responsibility activities is a necessary condition for these activities to benefit the firm (McWilliams and Siegel 2001; Servaes and Tamayo 2013). In this context, we show that the effect of publicizing a company's prosocial activities depends on the manner in which this publicity is generated: It is more likely to have a positive effect on perceived product performance (and hence create value for the company) in cases when the company's activities are communicated by a third party than when touted by the company itself.

We argued that the effect observed in the first three studies stems from the moral halo of the company's socially responsible activities. Specifically, we attributed the halo effect of the firm's socially responsible behavior on the functional performance of its products to consumers' positive moral sentiment toward the firm's actions. This argument further implies that the effect should be a function not only of the company's motivation but also of the consumer's value system, such that the effect will be more pronounced when the motive behind the company's actions is aligned with consumers' moral values. We test this prediction in the following experiment, in which we examine whether the positive effect of a benevolent rather than self-interested motive for corporate social responsibility is stronger for individuals who believe in the importance of giving back to society.

EXPERIMENT 4

The first three studies provide converging evidence that consumers perceive products made by socially responsible companies to have superior performance. Building on these findings, experiment 4 aims to provide deeper insight into how a company's motivation for engaging in prosocial activities (benevolence vs. self-interest) and the subjective importance of social goodwill influences perceived product performance. We examine these two factors in the context of a decision task that involves evaluating the perceived sharpness of text generated by scanning software.

Method

Respondents were 77 participants in an executive seminar who volunteered to participate in the experiment. The design included two factors, one of which was manipulated between subjects (company motive: benevolence vs. self-interest) and one of which was measured (subjective importance of social goodwill). Each participant was presented with a description of SmartScan, a fictitious company producing software that helps digitize and preserve print content by improving the resolution of text scanned from books. Participants were also informed that SmartScan donates 3% of its profits to the American Cancer Society.

Next, respondents in the benevolence condition were told that the company continued its charitable work even in the toughest economic times because giving back to society was aligned with their values. In contrast, respondents in the self-interest condition were told that the company's primary motivation for donating was public image and that company executives did not care about the particular charity as long as it generated positive press.

Next, respondents were shown a sample text illustrating the effectiveness of SmartScan's technology. The sample consisted of two sets of printed letters that varied in resolution. The lower resolution text was labeled "Without SmartScan," and the higher resolution text was labeled "With SmartScan." Perceived product performance was measured by asking respondents to rate how much SmartScan improved the text resolution on a 7-point scale (1 = Not at all, 7 = Very much). We measured the subjective importance of social goodwill by asking respondents to indicate the degree to which corporate benevolence was important to them personally ("How important do you think it is for companies to give back to society?") on a 7-point scale (1 = Not at all important, 7 = Very important).

Results

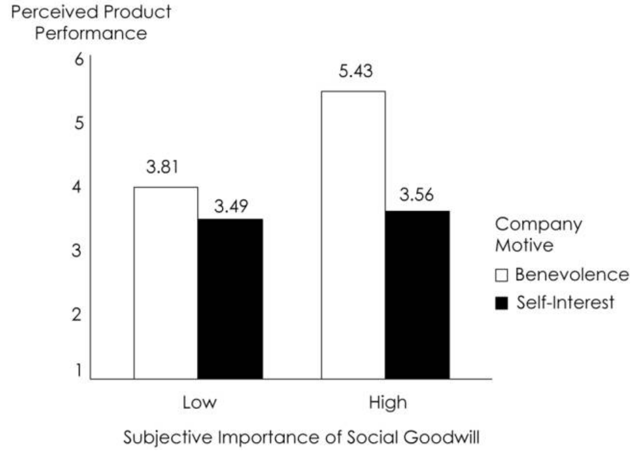
We expected that the impact of the company's motive for engaging in socially responsible activities (benevolence vs.

self-interest) on perceived product performance would be stronger for respondents who believed it was important for companies to give back to society. To test the validity of this prediction, we analyzed the standardized data using a regression model in which perceived product performance was a function of company motive, subjective importance of social goodwill, and their interaction. Analysis at mean levels of importance revealed that respondents perceived that SmartScan improved the text resolution to a greater extent when they were in the benevolence condition (M = 4.62, SD = 1.34) than when they were in the self-interest condition (M = 3.53, SD = 1.22; β = .79, SE = .20, p = .001)—a finding consistent with the data reported by experiments 2 and 3.

More important, the effect of company motive on perceived product performance was a function of the subjective importance of social goodwill (β = .56, SE = .20, p < .01). We explored this interaction using a spotlight analysis (Aiken and West 1991) at 1 standard deviation above and below the mean of importance (see fig. 4). At 1 standard deviation above the mean of importance (respondents who believed more strongly in the importance of social goodwill), perceived product performance was significantly higher when the company's motive was benevolence rather than self-interest (β = 1.35, SE = .28, p < .001). In contrast, the corresponding analysis at 1 standard deviation below the mean of importance (respondents who expressed lower conviction in the importance of social goodwill) indicated that the company's motive had no effect on perceived product performance (β = .23, SE = .28, NS). These findings lend support to our prediction that the impact of the company's motive for engaging in charitable giving on perceived product performance is a function of respondents' moral values.

FIGURE 4

IMPACT OF COMPANY MOTIVE FOR ENGAGING IN SOCIALLY RESPONSIBLE ACTIVITIES ON PERCEIVED PRODUCT PERFORMANCE AS A FUNCTION OF CONSUMER VALUES (EXPERIMENT 4)



NOTE.—Values on the vertical axis represent participants' performance estimates on a 7-point scale, with higher values indicating greater perceived performance. For presentation purposes, respondents were divided into two groups (low vs. high importance corresponds to −1 SD vs. +1 SD from the mean); statistical analysis was performed treating importance as a continuous variable. The data show that perceived product performance is higher when a company's prosocial behavior is motivated by benevolence (vs. self-interest) but that this effect occurs only for consumers who believe that companies are morally obligated to engage in social goodwill (white bar on right vs. black bar on right). Company motive had no effect for those consumers who do not believe social goodwill is important (white bar on left vs. black bar on left).

Discussion

The results of experiment 4 provide converging evidence in support of our proposition that a company's prosocial behavior can benefit the perceived performance of its products and that this effect tends to be more pronounced when consumers believe the company's actions are motivated by benevolence rather than self-interest. More important, we also show that this effect varies as a function of consumers' moral orientation, whereby a benevolent (vs. self-interested) company motive improves perceived product performance only to the extent that consumers believe companies are morally obligated to engage in social goodwill. These findings are consistent with our thesis that the effect of corporate social responsibility on perceived product performance is driven by the moral halo stemming from consumers' evaluation of the company's benevolent motive.

In addition to its conceptual contribution, experiment 4 documents the robustness of the effects documented in the first three experiments by demonstrating the hypothesized effects in a different product category (software) and in a different performance domain (text resolution). Furthermore, this study helps address the possibility that the effect of socially responsible actions on perceived product performance reported in experiments 2 and 3 was a result of increased trust in largely untrustworthy categories such as hair restoration and teeth whitening. Experiment 4 helps alleviate this concern by documenting this effect in the trust-neutral category of resolution-enhancement software.

GENERAL DISCUSSION

In this research we show that a company's socially responsible behavior can actually change consumers' perceptions of how the company's products perform, such that products created by socially responsible companies are experienced as performing better. We further show that this effect depends on consumers' expertise, such that corporate social responsibility is more likely to influence perceived performance for consumers who are less familiar with the particular product category. We also document that the positive impact of corporate social responsibility on product performance is a function of the moral undertone of the company's prosocial behavior, such that the positive impact of corporate social responsibility is attenuated when consumers believe that the company's actions are driven by self-interest rather than by benevolence. In this context, we show that a company's prosocial behavior is more likely to benefit perceived product performance when it is aligned with consumers' moral values. Furthermore, we document the impact of corporate social responsibility even when actual product performance is readily observable and consumers directly experience the product. The fact that we find significant effect across different consumption domains, including taste, density assessment, color comparison, and resolution assessment, reflects the robustness of the effect of corporate social responsibility on perceived product performance.

This research focused on the impact of corporate social responsibility on perceived product performance in scenarios in which the domain of a company's prosocial behavior was unrelated to its core competencies and the functional performance of its products. An important question not addressed in this research involves the impact of corporate social responsibility in cases when the prosocial behavior is in the same domain as the company's core competencies, such as in the case of product innovations involving socially responsible technologies. In this case, one could argue that the observed effect of corporate social responsibility on perceived product performance might be reversed, whereby the halo effect would be replaced by compensatory inferences that weaken rather than strengthen perceived product performance (Chernev 2007; Chernev and Carpenter 2001; Newman et al. 2014). Investigating the impact of corporate social responsibility on perceived product performance as a function of the nature of company's prosocial behavior is a promising direction for further research.

From a theoretical standpoint, our findings contribute to the research on inference making by documenting that irrelevant information, such as a company's charitable activities, can influence consumers' actual product experience —an important finding given the conventional wisdom that inferences are unlikely to occur when relevant product-specific information is readily accessible (Chernev and Hamilton 2008; Dick et al. 1990; Hoch and Ha 1986). We further show that these inferences are relatively strong and can change performance evaluations even when consumers can directly experience the product.

Our findings further contribute to the literature on corporate social responsibility (Brown and Dacin 1997; Creyer and Ross 1997; Sen and Bhattacharya 2001) by demonstrating that the benefit of social goodwill is not limited to creating positive associations about the company—as assumed by most prior research—and that social goodwill can also enhance the perceived performance of a company's products. In this context, we identify conditions in which social goodwill is likely to influence perceived product performance and document the role of consumer beliefs about the company's underlying motivation for engaging in prosocial behavior.

From a managerial standpoint, our findings help foster investments in socially responsible activities by documenting that doing good can indeed translate into doing well. Contrary to the popular view among many executives that corporate social responsibility is unlikely to benefit the company's performance, our findings suggest that in addition to benefiting society, corporate social responsibility can contribute to the company's bottom line by improving consumers' evaluations of the company's products. Our findings further suggest that the impact of corporate social responsibility on consumer perceptions of product performance is likely to be particularly relevant in cases when product quality is not readily observable and/or consumers do not have clearly articulated preferences. Thus, the more ambiguous the product experience is, the greater the likelihood that a company's prosocial behavior will positively influence this experience, strengthening consumer preferences and increasing the likelihood of buying the product.

The finding that doing good is a precursor to doing well lends support to the principle of shared value, which advocates creating economic benefits for the firm in a way that benefits the society (Porter and Kramer 2011). Consistent with the principle of shared value, our findings suggest that in order to derive economic benefits from corporate social responsibility, the company needs to internalize societal values and align its motivation with these values. In this context, our findings underscore the importance of communicating the company's motivation for engaging in prosocial behavior. This is important because managers commonly characterize socially responsible behavior primarily in terms of the specific cause being supported and the magnitude of the contribution, rarely articulating the company's underlying motivation. By documenting the role of the company's motives for engaging in prosocial behavior, our research advances the development of effective communication strategies that will ensure that benevolent companies are rewarded for their prosocial behavior.

Our research further highlights the importance of the means used by the company to create awareness of its socially responsible activities. Specifically, our findings imply that advertising might not be the best approach to inform customers about the company's charitable activities and that information stemming from third-party sources is likely to be more effective in convincing the public of the benevolent nature of the company's actions. Thus, social media and public relations rather than the company's own advertising may be the venues of choice to facilitate the positive impact of corporate social responsibility on the perceived performance of the company's products.

The ubiquity of social media and the increasing impact of product ratings on brand choice have dramatically expanded the role of actual product experience in the consumer decision process. As products become commoditized and technology-based differentiation becomes more difficult, consumers tend to rely more heavily on the shared experiences of their peers, captured in product reviews, ratings, and recommendations. In this context, by fostering positive product experiences that are, in turn, amplified by the power of social media, corporate social responsibility can play a key role in differentiating the company's products.

DATA COLLECTION INFORMATION

The first author supervised the collection of data for the first and the fourth studies in an executive education seminar at the Kellogg School of Management in the fall of 2009 and in the winter of 2014. The second author analyzed these data. The second author managed the collection and analysis of data for studies 2 and 3 using Amazon Mechanical Turk in the fall and summer of 2012.

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