

# Social Perception Microfoundations of Corporate Social Responsibility and Irresponsibility

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**Abstract:** This study examines how social perception of corporate social responsibility (CSR) and irresponsibility (CSI) affects specific outcomes. Drawing from the social psychology literature on stereotypes, we argue that two fundamental dimensions of social perception—warmth and competence—mediate and moderate the effects of socially responsible and irresponsible practices. We propose that firms engaging in CSR are perceived as higher in warmth and, by default, competence than firms engaging in CSI; moreover, different perceptions of warmth and competence of the organization can moderate rewards and penalties for CSR and CSI. We conduct two experiments: Experiment 1 links CSR with perceptions of warmth and competence, and shows that warmth perceptions mediate the relationship between CSR and important outcomes, such as purchase intentions and reputation. Experiment 2 adds information on firms' countries of origin to show that CSR rewards and CSI penalties will differ depending on the (mis)alignment of CSR strategy with country stereotypes. We find that firms from high-warmth countries (USA, Portugal) receive lower benefits for CSR and pay higher penalties for CSI than firms from low-warmth countries (Germany, Pakistan); furthermore, this effect reverses when combined with high competence. This micro-macro study extends management and strategic CSR literatures by building its microfoundations.

**Key words:** corporate social ir/responsibility, social perception, stereotypes, experiment, competence, warmth, international management

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Corporate social responsibility (CSR) has grown massively in the past decade both as an important phenomenon in practice and as a critical field in academia. We have theorized about its institutional (Campbell, 2007; Ioannou & Serafeim, 2012) and organizational drivers (Aguilera, Rupp, Williams, & Ganapathi, 2007; McWilliams & Siegel, 2001) as well as examined its effect on firm performance (Berman, Wicks, Kotha, & Jones, 1999; Cochran & Wood, 1984; McGuire, Sundgren, & Schneeweis, 1988; Orlitzky, Schmidt, & Rynes, 2003; Russo & Fouts, 1997; Waddock & Graves, 1997) and other outcomes (Berrone & Gomez-Mejia, 2009; Flammer, 2013; Turban & Greening, 1997; Yoon, Gürhan-Canli, & Schwarz, 2006). Yet CSR is primarily studied at the macro level (i.e., institutional or organizational level) compared to the micro level (i.e., individual level) of analysis: recent review of the CSR literature shows that only 4% of all studies examine individual level, while only 5% address CSR at two or more levels of analysis (Aguinis & Glavas, 2012). Accordingly, in this paper we address the need for micro studies of CSR with a multilevel approach (Morgeson, Aguinis, Waldman, & Siegel, 2013) in order to understand the underlying processes (i.e., mediating effects) and conditions under which (i.e., moderating effects) CSR leads to specific outcomes.

In particular, we still know very little about the microfoundations of CSR: how CSR and importantly, corporate social irresponsibility (CSI) (Lange & Washburn, 2012; Surroca, Tribó, & Zahra, 2013) are perceived by individuals, and what effect this perception might have on the relationship between CSR and specific outcomes at individual and organizational levels of analysis. For example, we know that CSR positively affects company reputation (Turban & Greening, 1997) – one of our outcomes – but *why* and what *mediates* this relationship at the individual level is still unclear. A small but growing literature on the micro approaches to CSR shows that involvement in CSR positively influences employee performance, behaviors, and

attitudes, such as employee engagement (Caligiuri, Mencin, & Jiang, 2013), organizational citizenship behavior (Rupp, Shao, Thornton, & Skarlicki, 2013), identification with the firm and retention (Jones, 2010), in-role performance, and commitment, as well as attractiveness to prospective employees (Turban & Greening, 1997). Yet, few studies go beyond employees (existing or prospective) as a stakeholder (e.g., consumers). Our study applies to all individuals, including employees, customers, suppliers, environmentalists, the community as a whole, and owners/shareholders, because it examines *general individual* judgments and perceptions.

In addition, existing research investigating CSR at the individual level of analysis relies on yet a different set of theoretical frameworks, such as organizational justice, social influence, needs, and self-determination theories (Aguinis & Glavas, 2012). In this paper we draw from social psychology research on social perception and stereotypes to argue that CSR influences and is influenced by two fundamental dimensions of social perception—warmth and competence—which mediate and moderate the effects of CSR and CSI on outcomes. Again, the few prior studies at the individual level examine different mediators and moderators, such as trust (or whether, how, and when consumers’ perceptions of motives directly influence consumer responses to CSR) (Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009), customer satisfaction (Luo & Bhattacharya, 2006), organizational pride and identity (Jones, 2010), while we focus on novel individual-level concepts of warmth and competence.

Warmth and competence serve as universal dimensions of social judgment (Cuddy, Fiske, & Glick, 2004; Fiske, Cuddy, & Glick, 2007; Fiske, Cuddy, Glick, & Xu, 2002). Warmth is defined as perceptions related to *intent*, including friendliness, trustworthiness, helpfulness, sincerity, and morality, whereas competence is conceptualized as perceptions related to *ability*, including skill, intelligence, creativity, and efficacy (Cuddy, Fiske, & Glick, 2008). With the

help of these two dimensions, one can portray social perceptions of activities, individuals, organizations, and even countries (Cuddy, Fiske, & Glick, 2007). Moreover, social judgment of various degrees (i.e., high or low) of warmth and/or competence can predict a distinct emotion and behavior towards a target: e.g., being perceived as high on warmth and/or competence is beneficial, while being low on one of the dimensions is costly (Aaker, Vohs, & Mogilner, 2010).

While previous research mainly examines CSR, we apply these two fundamental dimensions of social perception to understand the microfoundations of CSR *and* CSI. Not surprisingly, our basic argument is that CSR generates a greater warmth and (by default, without any other information) competence perception than CSI. We extend this logic to argue that this perception of warmth in turn mediates CSR and CSI effects on outcomes (i.e., CSR rewards and CSI penalties – the effects above and below the control condition). Importantly, we then argue that different perceptions of warmth and competence of the organization from other sources (in this paper based on its country of origin) moderate CSR rewards and CSI penalties depending on the (mis)alignment of CSR strategy with the (home country) stereotype. Using two experiments with 674 participants and the warmth and competence variation across four countries (i.e., USA, Germany, Portugal, Pakistan), we show that warmth and competence perceptions explain causal effects of CSR and CSI on purchase intentions and reputation. Moreover, consistent with the stereotype content model, firms from high-warmth countries (USA, Portugal) receive lower benefits for CSR and pay higher penalties for CSI than firms from low-warmth countries (Germany, Pakistan); moreover, this effect reverses when combined with perceptions of high competence (USA, Germany).

Our study has several important theoretical implications for the management literature on CSR, social cognition, and international business as well as practical applications. First, in

comparison to a few existing micro studies of CSR, we incorporate a different theoretical mechanism by bringing in the research on stereotyping and individual perception: the two fundamental dimensions of social judgment may be affecting how stakeholders evaluate CSR, which in turn may have direct effects on important outcomes. Second, we examine a novel moderator not studied in past research that also speaks to our underlying individual perception mechanism: in particular, we show that actions that either confirm or disconfirm stereotypes influence important outcomes and perceptions. Third, while most prior studies focus on only one organizational practice, we distinguish between CSR and CSI – crucial for moving the CSR literature forward. Fourth, even though reputation has been previously studied as an outcome of CSR, very little work (except in marketing) examines purchase intentions as a dependent variable – it appears novel in comparison to the outcomes traditionally studied in organizational behavior literature. Finally, we extend the international management literature by showing that initial social judgments about the origin of the firm may improve or worsen outcomes based on the choice of CSR strategy. This has important practical implications, particularly for managers of firms that expand abroad for the first time.

## **THEORY AND HYPOTHESES**

### **Social Perception**

The ability to quickly judge another individual is a fundamental evolutionary skill. It helps us to ascertain whether “they” are a part of our social group and to assess the goodness of their motives and competence to enact these good motives (see Fiske et al., 2007, for a review). Despite common beliefs that we need (and use) a wealth of knowledge to form judgments about other individuals, research shows that we make trait inferences spontaneously (Newman &

Uleman, 1993; Winter & Uleman, 1984; Winter, Uleman, & Cunniff, 1985). For instance, when observing a fictional character, Donald, help an old lady cross the street, we quickly (and rather permanently) conclude that Donald is a kind and helpful individual—despite our having only limited information about him. Related work on “thin slicing” shows that a mere 30 seconds watching a college professor teach is sufficient to predict their end-of-term teaching evaluations (see Ambady & Rosenthal, 1992, for a review). Thus, despite the wealth of social information at our disposal, individuals rely on quick social judgments of others, and filter all subsequent social information based on the first impression of someone (Newman & Uleman, 1993; Ross, Lepper, & Hubbard, 1975).

Many of these quick social judgments about other individuals result from stereotypes. Stereotypes are cognitive beliefs about the characteristics of another group (c.f. Fiske, 1998). Fiske and colleagues (Cuddy et al., 2008; Fiske et al., 2007; Fiske et al., 2002) identified two fundamental dimensions of all stereotypes used to evaluate people and social groups: warmth and competence. The Stereotype Content Model (SCM) posits that all social groups fit into one of four quadrants based on whether they are high or low on warmth and competence. Further research (Cuddy et al., 2008; Fiske et al., 2007; Fiske et al., 2002; Fiske, Xu, Cuddy, & Glick, 1999) has demonstrated the robustness of the warmth and competence dimensions, and the fact that they can be used to classify not only individuals but also social groups (e.g., elderly people, Jews, housewives, immigrants, and the homeless) and even national cultures.

Importantly, this work on social perception has a behavioral analog, the Behaviors from Intergroup Affect and Stereotypes (i.e., the BIAS map) (Cuddy et al., 2007). Based on the dimensions of warmth and competence, the BIAS map predicts not only cognitions derived from group stereotypes but also specific behaviors toward the group. Warmth and competence evoke

active and passive behaviors, respectively: in particular, while high-warmth targets are helped, low-warmth targets are harmed, and whereas high-competence targets are passively facilitated, low-competence targets are neglected (Cuddy et al., 2007). Furthermore, each combination of the two trait dimensions predicts a distinct emotion or behavior toward the target: people admire those who are high in both competence and warmth; they feel contempt toward those who are low-competence and low-warmth; they envy those who are competent but not warm; and they pity those who are incompetent but warm (Fiske et al., 2002; Lee & Fiske, 2006).

### **Firms as Subject to Stereotypes**

Although originally developed to explain personal and social group perception, the SCM has been extrapolated to non-human objects. Kervyn, Fiske, and Malone (2012) in their “Brands as Intentional Agents” framework show that consumers perceive brands in the same way they perceive people. Cuddy et al. (2007) use the SCM to map social perceptions of EU countries. Aaker et al. (2010) apply the SCM to organizations, explaining for-profit and not-for-profit firms’ success and failure, and showing that not-for-profit organizations are associated with higher warmth and lower competence than for-profit firms.

It is not surprising that organizations are often anthropomorphized into human beings—famously so in the movie “The Corporation” and in recent decisions by the U.S. Supreme Court, such as in the *Citizens United* case. In management studies, organizations are often perceived to possess actions, thoughts, opinions (Knobe & Prinz, 2008), goals, tastes, styles, personalities (c.f. Pfeffer, 1981), and even attention (Ocasio, 1997). In fact, they are viewed as social actors similar to individuals precisely because the features that distinguish humans as actors are functionally equivalent to the features common to organizational actors (King, Felin, & Whetten, 2010). Yet,

when compared to human beings, organizations are thought to have equal capability for agentic (i.e., competence) behavior (Gray & Wegner, 2010; Haran, 2013; Knobe & Prinz, 2008) but are less likely to be seen as experiencing emotions and feelings (Gray & Wegner, 2010).

Nonetheless, a large literature in marketing demonstrates that people perceive brands to have personalities (Aaker, 1997) and that people form “relationships” with various brands and products (Aaker & Fournier, 1995; Fournier, 1998). We build off this previous literature by going beyond brands and products and examining the perceptions of organizational practices. Specifically, in this paper we will compare perceptions of socially responsible and irresponsible organizations, predicated on social perception dimensions developed to classify individuals and social groups. Before we discuss how socially (ir)responsible activities may generate social perception of warmth and/or competence, we need to define CSR and CSI.

### **Corporate Social Responsibility, Irresponsibility, and Social Perception**

CSR, sustainability, corporate citizenship, and other terms are generally used to describe a portfolio of socioeconomic activities, including environmental, social, and corporate governance actions of the firm (Gardberg & Fombrun, 2006). Because these voluntary actions are aimed at improving social or ecological conditions (McWilliams & Siegel, 2001), many observers regard CSR as an activity that benefits firms, markets, and societies (Orlitzky, 2013).

We propose that CSR represents organizational behavior that connotes warmth and that as such it should lead to perceptions of greater warmth. Why should CSR be associated with warmth? Individuals and social groups associated with high warmth are associated with behaviors that are trustworthy and moral (Fiske et al., 2007). By definition, CSR includes a trustworthy behavior (i.e., “responsible” in its name); furthermore, prior literature distinguishes

CSR—social actions motivated by moral obligation—from corporate social performance—social actions of firms—to highlight that CSR is primarily a moral behavior (Baron, 2009).

At the individual level, people who engage in warmth behaviors are themselves perceived as having higher levels of warmth (Fiske et al., 2007). Hence, at the level of organizations, firms who engage in warmth behaviors, like CSR, will generate a social perception of higher warmth for themselves. For example, socially responsible organizations regularly donate to charities: because such activity generates social perception of warmth, such firms will be perceived as warm by social evaluators.

In turn, to distinguish between CSR and CSI, we will follow Campbell's threshold (2007): if corporations (a) knowingly do something that could harm their stakeholders—their investors, employees, customers, suppliers, or the local community within which they operate—and (b) do not rectify the harm caused by them (whenever it is discovered and brought to their attention), the minimum behavioral standard with respect to the corporation's relationship to its stakeholders is broken, and such corporate behavior becomes socially irresponsible. For example, CSI behavior includes using child labor, sweatshops, and polluting facilities in manufacturing operations. CSR behavior, on the other hand, includes charity, volunteering, community engagement, fair labor practices, and environmentally friendly manufacturing facilities. In comparison to CSI, CSR behavior resembles the same set of attributes that social psychologists traditionally associate with being high in warmth. Therefore, as our baseline hypothesis, we propose that

*Hypothesis 1: Ceteris paribus, firms engaging in CSR will be perceived as having higher levels of warmth than firms engaging in CSI.*

## Spillover and Primacy Effects of Warmth Judgments

Warmth perceptions have two effects that are worth discussing: halo effects (c.f. Nisbett & Wilson, 1977) and the primacy of warmth over competence. First, let us discuss the halo effect: that is, when the presence (or lack) of warmth spills over into our judgments of competence (Cuddy et al., 2008; Fiske et al., 2007; Singh & Teoh, 2000; Tausch, Kenworthy, & Hewstone, 2007). This effect is particularly salient when we have no information beyond that on warmth. Thus, we automatically assume—in the absence of further information—that an individual possessing warmth also possesses some degree of competence.

In our setting, this will mean that in comparison to CSI firms, in the absence of further information, because CSR firms are associated with higher warmth they will also be associated with higher competence. We argue that this will be the case because the limited information on CSR practices suggests to the evaluator that the organization mastered at least one skill and therefore is intelligent and competent. Competence is conceptualized as perceptions related to *ability*, including skill, intelligence, creativity, and efficacy; therefore, in comparison to firms engaging in CSI demonstrating their *inability* to be a corporate citizen and behave in socially responsible ways, the perception of competence will be greater for firms engaging in CSR.

This prediction is consistent with recent work in consumer research: products of companies engaged in prosocial activities are perceived as performing better – due to the moral undertone of the company’s motivation for engaging in socially responsible behavior; more importantly, this effect holds even when consumers can directly observe and experience the product *and* when the acts of social goodwill are unrelated to the company’s core business (Chernev & Blair, 2015). Another alternative explanation why CSR engagement may be perceived high in competence is that in comparison to CSI, it can improve firm reputation,

performance and other outcomes (Choi & Wang, 2009; Margolis, Elfenbein, & Walsh, 2007; Yoon et al., 2006) traditionally associated with competence.

A counter-argument will require a discussion of the purpose of the firm (Friedman, 1970), market actors as social evaluators, and more information on other organizational practices, activities, or performance. For example, if evaluators were market actors (particularly in earlier years), they might have assumed that firms engaging in CSR were less competent because CSR investment requires diverting scarce resources from other more strategic or core business activities of the firm. However, in comparison to CSI, recent strategy work shows that CSR engagement is now making organizations more competent because they perform better even in financial markets (Cheng, Ioannou, & Serafeim, 2013; Eccles, Ioannou, & Serafeim, 2014; Ioannou & Serafeim, Forthcoming). Therefore, due to the “halo effect” of warmth as well as other alternative explanations listed above, we propose that

*Hypothesis 2: Ceteris paribus, firms engaging in CSR will be perceived as having higher levels of competence than firms engaging in CSI.*

Second, let us discuss the primacy effect of warmth judgment. Although the SCM is predicted on two dimensions—warmth and competence—when it comes to forming a social perception, a large body of research highlights the primacy of warmth (Cacioppo, Gardner, & Berntson, 1997; Kenworthy & Tausch, 2008; Wojciszke, Bazinska, & Jaworski, 1998). That is, we anchor on perceptions of warmth and adjust—albeit insufficiently—based on perceptions of competence. At the individual level, this happens because information needed to determine warmth (e.g., facial expressions, interpersonal skills) is simply more readily available during the beginning of social interactions than information needed to determine competence (e.g., skills, knowledge, and abilities). Hence, when it comes to initial social judgments, warmth information

carries more weight than competence information (Cuddy et al., 2008: 89-92; Singh & Teoh, 2000; Tausch et al., 2007).

At the level of organizations, we argue that this primacy effect will be important in the relationship between CSR and outcomes, particularly those that involve a single immediate evaluation or a first encounter with the firm because just like at the individual level, information needed to determine warmth is simply more readily available during the beginning of social interactions with this social actor (King et al., 2010) than information needed to determine competence. CSR studies have long examined the effect of CSR on firm performance (Cochran & Wood, 1984; Waddock & Graves, 1997) among other organizational outcomes (Sen & Bhattacharya, 2001; Turban & Greening, 1997), generally finding a significant positive effect (Margolis et al., 2007). We distinguish between outcomes that involve a single immediate evaluation (i.e., a purchase intention or reputation assessment based on the first encounter with the firm) and those involving an ongoing evaluation (e.g., by market analysts and investors that collect information over time, accumulate more information contributing to a competence perception of the firm, and value competence over warmth in their judgment).

We argue that for first-time encounters, the warmth perception that CSR generates could in fact act as the mechanism by which CSR affects these outcomes. In particular, we suggest that in the absence of further information, the primacy of warmth over competence will play a mediating role in this relationship. We previously argued that when individuals evaluate CSR, they perceive greater levels of warmth and, by default, competence than when they evaluate CSI. Now we argue that when observers make single immediate evaluations of CSR/CSI behavior, they will pay more attention to the warmth than to the competence perception. There are three reasons for this. First, cognitively, people prove more sensitive to warmth information than to

competence information. Second, they judge warmth faster than they do competence (Cuddy et al., 2008: 90). Third, higher warmth leads to higher levels of helping behavior (Cuddy et al., 2007); in an organizational context, help can be conceptualized as positive evaluations and willingness to purchase from the firm. Therefore,

*Hypothesis 3: Warmth perceptions will mediate the relationship between CSR/CSI and outcomes that involve single immediate evaluation.*

### **Stereotype Fulfillment and Violation**

When we evaluate people from other social groups or cultures, stereotypes act as cognitive shortcuts. For instance, we meet a rule-abiding, formal German and our stereotype of German people is confirmed (i.e., high competence, low warmth; Cuddy et al., 2007). But what happens when we meet a bubbly, scatterbrained German? Social judgments broadly fall into two categories: assimilation and contrast (Biernat, 2005; Newman & Uleman, 1993; Sherif & Hovland, 1961). Assimilation occurs when we judge the target according to the held stereotype (e.g., rule-abiding, formal German), and contrast occurs when we differentiate the target from our traditionally held stereotype (e.g., bubbly, scatterbrained German). In the absence of contradictory evidence, assimilation is relatively automatic (Dijksterhuis, Spears, & Lépinasse, 2001); otherwise, contrast takes place.

The effect of contrasting social judgments can be both positive and negative. For instance, professionals—perceived as highly competent—receive differential treatment based on their gender after having a baby (Cuddy et al., 2004). Professional women are seen as less competent and do not experience a boost in perceived warmth from motherhood to make up for their newly perceived lack of competence. Men, on the other hand, receive increased perceptions

of warmth and maintain their competence, gaining a net benefit from parenthood (Cuddy et al., 2004). Likewise, agentic women—violating the female stereotype—experience a backlash when they apply for feminized jobs, whereas prototypical women do not (Rudman & Glick, 1999, 2001). These studies suggest that additional information on other sources of warmth and/or competence perception for the subject of interest (e.g., gender) can help explain the benefits and detriments of certain behavior. The mechanism is that additional information may strengthen the original stereotype through assimilation, or change it through contrast.

In order to examine how CSR and CSI behaviors affect outcomes based on social perceptions they generate, and under what conditions they generate greater (lower) outcomes, we also add another piece of information about the firm that exogenously changes perceptions of its warmth and competence. As discussed in Study 2, we achieve this by adding cues on the firm's origin: Cuddy and colleagues (2007) portrayed stereotypes of countries on the two dimensions of warmth and competence, finding significant variation. In this section, to further our understanding of CSR as a warmth strategy, we mainly focus on the warmth dimension of the firm (or its origin); this helps to disentangle the mediating or supplemental warmth effects, if any, of CSR. This also helps address a potential reverse-causality issue: if firms perceived to be high in warmth are the ones who engage in CSR in the first place, this section of our theory (and analysis) helps to identify the leftover effect, if any, of CSR as a warmth strategy.

Based on prior CSR literature, we assume that CSR generates rewards—and CSI, penalties—for the firm<sup>1</sup>. We are interested in how social perception of the firm based on other sources of information (i.e., its origin) affects CSR rewards and CSI penalties. In particular, if firms engaging in CSR are perceived higher in warmth and this warmth perception mediates the

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<sup>1</sup> We operationalize them through our control condition: rewards are above and penalties are below the means in the control condition

effect of CSR on our outcomes (H1 and H3), does additional bump in warmth help improve (attenuate) these outcomes for firms engaging in CSI (CSR)? We suggest that because of assimilation with the existing stereotype (i.e., a match between low-warmth country of origin and low-warmth practice of CSI), firms perceived to be low in warmth will be forgiven for CSI behavior, and therefore, will not be punished as harshly. High-warmth firms, on the other hand, assimilate with CSR, not CSI, so when they engage in socially irresponsible practices, contrast occurs, and the penalty is high (i.e., a mismatch between high-warmth country of origin and low-warmth practice of CSI results in greater punishment).

A similar logic applies to CSR firms: if a high-warmth firm engages in CSR, this demonstrates stereotypical behavior for this kind of a firm (i.e., assimilation occurs); hence the benefits are mediocre. If a low-warmth firm engages in CSR, on the other hand, that contradicts the stereotype and, as a result, generates greater rewards from the surprised but positive reaction of the firm's observers. Hence,

*Hypothesis 4: The higher the perception of warmth of the firm, the higher the penalties for CSI.*

*Hypothesis 5: The higher the perception of warmth of the firm, the lower the rewards for CSR.*

Our key hypothesis is that CSR is predominantly perceived as influencing warmth. However, given that warmth and competence are orthogonal factors that can be present simultaneously, and given previous research on halo and compensation effects between warmth and competence (Cuddy et al., 2004), we believe that the different degrees of perceived competence can further influence the processes proposed in Hypotheses 4 and 5. In particular, prior research found that although not-for-profit organizations were perceived to be high in

warmth, consumers were less willing to buy from them *unless* they perceived them highly competent (Aaker et al., 2010). We speculate that the presence of high levels of perceived competence in addition to high warmth may reverse the direction in the above relationships.

In particular, for high-warmth firms paying higher penalties for CSI (i.e., H4), high competence can compensate for the contrasting social judgment (i.e., highly competent organizations must be aware of what they are doing) and as a result reduce the penalties. In turn, for high-warmth firms getting lower rewards for CSR (i.e., H5), high competence can signal to a stakeholder that the organization has mastered socially responsible practices like no one else, and hence it will be rewarded to a greater extent than low-warmth, low-competence organizations. Therefore, we predict that the simultaneous presence of high warmth and high competence will amplify the positive impact of CSR and attenuate the negative impact of CSI. This supplemental effect can also be explained by the concept of a holistic organization: organizations high in both competence and warmth are perceived as one unity, able to overcome any obstacles by drawing on high levels of either perceived competence or warmth, or both.

*Hypothesis 6: The higher the perception of warmth and competence of the firm, the lower the penalties for CSI.*

*Hypothesis 7: The higher the perception of warmth and competence of the firm, the higher the rewards for CSR.*

## **METHODS**

We conducted two experimental studies to examine the causal links between CSR and social perceptions. In Study 1, we manipulated CSR and CSI to examine perceptions of warmth and competence as well as such outcomes as purchase intentions and reputation. In addition,

thanks to the temporal order in our experimental design, we were able to infer warmth mediation. In Study 2, thanks to the differences in the domain of the country of origin, we manipulated our Study 1 mediator, warmth, as well as competence, and examined how CSR and CSI influenced firm outcomes. Specifically, we examined four countries representing each quadrant of the warmth–competence BIAS map (i.e., USA, Germany, Portugal, and Pakistan) and three CSR conditions (i.e., CSR, CSI, and control).

## STUDY 1

Study 1 examines the relationship between CSR activities and perceptions of warmth and competence. It also examines whether warmth and competence serve as mediating mechanisms between CSR and important organizational outcomes, such as purchase intentions (Sen & Bhattacharya, 2001) and reputation (Wagner, Lutz, & Weitz, 2009).

### Sample and Procedures

**Participants and design.** One hundred two participants (66 males,  $\text{mean}_{\text{age}} = 31$ ,  $\text{s.d.} = 10.11$ ) were recruited from Amazon’s Mechanical Turk (Buhrmester, Kwang, & Gosling, 2011; see also O’Reilly, Robinson, Berdahl, & Banki, 2014, for recent management research using this data source) in exchange for \$0.30 in Amazon credits. All participants were based in the United States and were employed full-time. All participants passed attention filters embedded in the survey (i.e., “*I will choose ‘disagree’ to demonstrate that I am paying attention*”), and all participants had a unique IP address located within the United States. We used a one-factor design that assigned participants to either a CSR, CSI, or control condition randomly.

**Procedure.** Participants were told that they would read a brief business scenario and provide their opinions. Participants completed the study online.

**CSR manipulation.** Participants read about “Company X,” a fictitious company that engaged in either CSR or CSI activities, involving fair/unfair manufacturing processes overseas – the vignette established in prior literature (Sen & Bhattacharya, 2001). We also included a control condition with no information on CSR.

## Measures

**Warmth and competence.** Immediately following the CSR manipulation, participants rated whether they believed Company X to possess various attributes. Specifically, they rated whether Company X was *tolerant, warm, good-natured, and sincere* (warmth  $\alpha = .93$ ; Fiske et al., 2002), and *competent, confident, independent, competitive, and intelligent* (competence  $\alpha = .86$ ; Fiske et al., 2002). These items were randomly embedded in other, unrelated attribute items.

**Additional dependent variables.** After rating Company X on the dimensions of warmth and competence, participants answered questions about two additional dependent variables. First, participants indicated their purchase intentions. Specifically, they were asked: “If the products from Company X were available for purchase, what is your likelihood of purchasing a product from Company X?” (1 = *not at all likely*, 7 = *very likely*). After rating their purchase intentions, participants rated their perceptions of the firm’s reputation: *favorable, good, pleasant, positive* (reputation  $\alpha = .97$ ; Homer, 1995; Wagner et al., 2009). Then participants completed another manipulation check, regarding the content of the CSR scenario, and provided demographic data.

## Study 1: Results and Discussion

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Insert Table 1 about here

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**H1: Warmth.** A one-way ANOVA showed that participants who were assigned to CSR, CSI, or control manipulations were more likely to judge the firm as possessing significantly different levels of warmth:  $F(2, 99) = 133.43, p < .000, \eta_p^2 = .729$  (see Table 1). Results of a post-hoc Tukey test indicated that participants assigned to the CSR condition (mean = 4.33, s.d. = 0.58) were more likely to view the firm as warm than were participants assigned to the CSI condition (mean = 2.02, s.d. = 0.61,  $p < .000$ ) or to our control condition (mean = 3.20, s.d. = 0.59,  $p < .000$ ). Participants in the control condition perceived the firm as having significantly higher levels of warmth than did those in the CSI condition ( $p < .000$ ). The means are displayed in Table 1 and provide support for H1.

**H2: Competence.** A one-way ANOVA showed that participants who were assigned to CSR, CSI, or control manipulations were more likely to judge the firm as possessing significantly different levels of competence:  $F(2, 99) = 15.65, p < .000, \eta_p^2 = .240$  (see Table 1). Results of a post-hoc Tukey test indicated that participants assigned to the CSR condition (mean = 4.14, s.d. = 0.48) were more likely to view the firm as competent than were participants assigned to the CSI condition (mean = 3.30, s.d. = 0.88,  $p < .000$ ). The CSR was not significantly different from the control condition, however (mean = 3.93, s.d. = 0.50,  $p = .367$ ), even though participants in the control condition perceived the firm as having significantly higher levels of competence than did participants in the CSI condition ( $p < .000$ ). The means are displayed in Table 1 and provide support for H2.

**Purchase intentions.** To check the validity of our assumption that CSR generates rewards and CSI generates penalties, we assigned participants to CSR, CSI, and control conditions and used a one-way ANOVA to analyze the different intentions to purchase from the firm. The model was statistically significant:  $F(2, 99) = 52.15, p < .000, \eta_p^2 = .513$  (see Table 1). Results of a post-hoc Tukey test indicated that participants assigned to the CSR condition (mean = 5.61, s.d. = 1.15) were more likely to have higher purchase intentions than participants assigned to the CSI condition (mean = 2.70, s.d. = 1.38,  $p < .000$ ) or to our control condition (mean = 4.82, s.d. = 1.03,  $p = .02$ ). Moreover, participants in the control condition had higher purchase intentions than participants in the CSI condition ( $p < .000$ ). These results support our assumption (i.e., rewards are above and penalties are below the control condition—see Table 1 for means).

**Reputation.** We ran the same check for our second dependent variable. Participants who were assigned to CSR, CSI, or control manipulations perceived significantly different levels of firm reputation:  $F(2, 99) = 134.71, p < .000, \eta_p^2 = .731$  (see Table 1). Results of a post-hoc Tukey test indicated that participants assigned to the CSR condition (mean = 4.57, s.d. = 0.63) perceived the firm as having a better reputation than did participants assigned to the CSI condition (mean = 1.84, s.d. = 0.73,  $p < .000$ ) or to our control condition (mean = 3.48, s.d. = 0.72,  $p < .000$ ). Participants in the control condition perceived the firm as having a significantly better reputation than did participants in the CSI condition ( $p < .000$ ). This test supports our assumption (i.e., rewards are above and penalties are below the control condition—see Table 1 for means).

**H3: Warmth and competence as mediators.** Using Hayes's (2013) Process and Mediate macros and the bootstrap method, we ran multiple mediational analyses, predicting two

dependent variables: purchase intentions and firm reputation. We used the bootstrap model of Preacher and Hayes (2004) to estimate the indirect effect of warmth based on 10,000 bootstrap samples. This method is preferred to the traditional method proposed by Baron and Kenny (1986), as it does not rely on the assumption that the sampling distribution of the mediation effect is normal. Following Hayes and Preachers's (in press) guidelines for analyzing multi-categorical independent variables, we created two dummy variables to account for our three levels of the independent variables sequentially; we included them in the models simultaneously. This process gave us the relative effect of each dummy variable on our criterions. We ran it twice for warmth and competence for our two dependent variables, purchase intentions and reputation.

Even though previous research posits the primacy of warmth as the foundation of social judgment (Cuddy et al., 2008; Fiske et al., 2007; Singh & Teoh, 2000; Tausch et al., 2007), in theory warmth and competence function in conjunction with each other, making the independent analysis of warmth and competence somewhat artificial. To account for this, we ran an additional model with both warmth and competence as mediating variables.<sup>2</sup>

***Results for purchase intentions.*** First, we constructed a mediation model in which CSR predicted purchase intentions, with warmth as a mediator. Warmth predicted purchase intentions ( $\beta = 1.15, t = 11.36, p < .000$ ), just like our CSR manipulation ( $\beta D1 = 2.12, t = 7.08, p = .000, \beta D2 = 0.73, t = 2.71, p = .008$ ). The 95% confidence interval (CI) for the bootstrap estimation of the indirect pathway (i.e., CSR influences purchase intentions through warmth) did not overlap with 0 ( $\beta D1 = 1.1025, 95\% \text{ CI: } [.5718, 1.5865]; \beta D2 = 1.0244, 95\% \text{ CI: } [.5601, 1.5474]$ ), indicating that warmth mediates the relationship between CSR and purchase intentions.

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<sup>2</sup> Using Hayes's (2012) Process macro (Model 6), we can examine the primacy of warmth versus competence in a joint mediational analysis. We used sequential coding (CSI = -1, Control = 0, CSR = 1), as Process cannot examine multi-categorical independent variables simultaneously.

Second, we ran this model with competence as a mediator. Competence was a significant determinant of purchase intentions ( $\beta = 1.56, t = 8.78, p < .000$ ). However, the 95% CI for the bootstrap estimation of the indirect pathway (i.e., CSR influences purchase intentions through competence) did overlap with 0 ( $\beta DI = 0.6043, 95\% \text{ CI: } [.2783, 1.0074]; \beta D2 = 0.2024, 95\% \text{ CI: } [-.0892, .5241]$ ), indicating that there is no mediating relationship between competence, CSR, and purchase intentions. These two tests provide support for H3.

Finally, we ran a combined model with both warmth and competence to assess whether competence acts in conjunction with warmth in predicting purchase intentions. Both warmth ( $\beta = .85, t = 7.00, p < .000$ ) and competence ( $\beta = .74, t = 3.94, p < .000$ ) predict purchase intentions in conjunction with each other. The 95% CI for the bootstrap estimation of the indirect pathway (i.e., CSR influences purchase intentions through warmth and competence) did not overlap with 0 when examining warmth ( $\beta DI = 0.5866, 95\% \text{ CI: } [.1253, 1.1088]; \beta D2 = 0.5709, 95\% \text{ CI: } [.1189, 1.0737]$ ) but did contain 0 when examining competence ( $\beta DI = 0.4623, 95\% \text{ CI: } [.0581, .6638]; \beta D2 = 0.1584, 95\% \text{ CI: } [-.0449, .3256]$ ). This further indicates that warmth mediates the relationship between CSR and purchase intentions, whereas competence does not, further substantiating H3.

**Results for reputation.** First, we constructed a mediation model in which CSR predicted firm reputation, with warmth as a mediator. Warmth predicted firm reputation ( $\beta = 1.06, t = 21.22, p < .000$ ), just like our CSR manipulation ( $\beta DI = 1.63, t = 9.60, p = .000, \beta D2 = 1.09, t = 6.54, p = .000$ ). The 95% CI for the bootstrap estimation of the indirect pathway (i.e., CSR influences firm reputation through warmth) did not overlap with 0 ( $\beta DI = 0.9135, 95\% \text{ CI: } [.6276, 1.2322]; \beta D2 = 0.8911, 95\% \text{ CI: } [.6078, 1.2026]$ ), indicating that warmth mediates the relationship between CSR and firm reputation.

Second, we ran this mediation model to examine competence. Competence was a significant determinant of reputation ( $\beta = 1.04, t = 7.01, p < .000$ ). However, the 95% CI for the bootstrap estimation of the indirect pathway (i.e., CSR influences firm reputation through competence) did overlap with 0 ( $\beta D1 = 0.2409, 95\% \text{ CI: } [.0910, .4448]; \beta D2 = 0.0807, 95\% \text{ CI: } [-.0358, .2217]$ ), indicating that there is no mediating relationship between competence, CSR, and purchase intentions, offering further support for H3.

Finally, we ran a combined model with both warmth and competence to assess whether competence acts in conjunction with warmth in predicting firm reputation. Warmth ( $\beta = 1.05, t = 16.32, p < .000$ ) predicts firm reputation, but competence is not a significant predictor ( $\beta = 0.02, t = .20, p = .84$ ). The 95% CI for the bootstrap estimation of the indirect pathway (i.e., CSR influences firm reputation through warmth and competence) did not overlap with 0 when examining warmth ( $\beta D1 = 0.8871, 95\% \text{ CI: } [.5835, 1.2239]; \beta D2 = 0.8634, 95\% \text{ CI: } [.5630, 1.1934]$ ). This further indicates that warmth mediates the relationship between CSR and firm reputation, whereas competence does not, as our H3 suggests.

**Discussion.** Study 1 provides support for Hypotheses 1 through 3. When “Company X” engaged in CSR activities, it was judged to be significantly higher in warmth than both control and CSI firms (supporting H1). Per traditional halo effects in psychological research (c.f. Ross & Nisbett, 1991) as well as other alternative explanations, we observed a positive relationship between warmth and competence ratings (supporting H2). However, although ratings of competence differed between CSR and CSI conditions, the control condition was not significantly different from the CSR condition ( $p > .4$ ), indicating that competence is not directly related to the *presence* of CSR activities but is rather related to their *absence* (i.e., CSI). Next, we established further evidence of CSR as a warmth strategy in our mediational analyses.

Specifically, warmth, not competence, mediates the relationship between CSR/CSI and purchase intentions, as well as between CSR/CSI and firm reputation (supporting H3). This evidence confirms previous research on the primacy of warmth when forming social judgments (Cuddy et al., 2008; Fiske et al., 2007; Singh & Teoh, 2000; Tausch et al., 2007).

Although this study represents, to our knowledge, one of the first empirical links between corporate strategy and social perception, many questions remain. These results are about “Company X”—a fictitious organization used to maintain experimental control. Typically we know more about an organization when making a purchase and evaluating firm reputation (e.g., country of origin, size, status/brand of the firm). Much of this auxiliary information can be related to the dimensions of warmth and competence. Our results so far suggest that just like stereotypes of organizations (Aaker et al., 2010), stereotypes of organizational practices indeed exist, and warmth and competence are in fact organizing dimensions that help individuals categorize companies and their strategies (i.e., CSR or CSI). Moreover, warmth perceptions mediate the relationship between CSR/CSI and outcomes. However, if this is the case, do warmth and competence perceptions of organizations from a whole spectrum of these organizing dimensions color the way in which CSR and CSI are evaluated? Could they shift individual willingness to buy or evaluation of firm reputation or other behavioral outcomes of CSR and CSI? Experiment 2 was designed to address these questions.

## **STUDY 2**

Study 1 examined the relationship between a firm’s CSR activities and perceptions of warmth and competence to establish CSR as a warmth strategy. Study 2 focuses on the warmth-competence moderating effect: if CSR (CSI) is perceived higher (lower) on both warmth and

competence, then do low (high) warmth and competence perceptions of the organization from other sources (i.e., country of origin) help attenuate (improve) the effects of CSR (CSI) on outcomes? In other words, under what conditions do firms achieve greater rewards (penalties) for CSR (CSI) in terms of favorable (unfavorable) evaluations? To test this, we *manipulate* the perception of the organization by changing a firm's country of origin to reflect different levels of warmth and competence (i.e., high or low). Just as the national origin of immigrants guides majority members' perceptions of them (Lee & Fiske, 2006), we expect the country of origin to affect the social perception of the firm.

### **Sample and Procedures**

***Participants and design.*** Five hundred seventy-two participants (357 males, mean<sub>age</sub> = 32.13, s.d. = 11.12) were recruited from Amazon's Mechanical Turk (Buhrmester et al., 2011) in exchange for \$0.50 in Amazon credits. To avoid the out-of-group bias (e.g., rating a U.S. firm differently if you were based outside the U.S.), all participants were based in the U.S. and passed attention filters embedded in the survey. We used a three-factor design that randomly assigned participants to a CSR state (i.e., CSR, CSI, or control), country-of-origin warmth (i.e., high, low), and competence (i.e., high, low). We also included a pure control condition that did not manipulate country of origin; its inclusion did not change the significance or pattern of our results. However, because this experiment tests Hypotheses 4 through 7 using warmth and competence perceptions of the countries of origin and this pure control condition does not specify any country (and hence, warmth or competence), we do not include it in the final analyses.

**Procedure.** Participants completed the study online. They were asked to read a brief business scenario and to provide their opinions by rating the warmth and competence of the firm's country of origin as well as their perceptions of the firm based on the CSR vignette. These tasks were counterbalanced, such that half the sample rated the firm's country of origin prior to reading the CSR vignette, and the other half of the sample rated the country of origin after reading the CSR vignette and evaluating the firm on our dependent variables. This served as a manipulation check of our warmth and competence experimental manipulations.

**CSR manipulation.** Participants read the same vignettes as in Study 1 (Sen & Bhattacharya, 2001), modified to manipulate warmth and competence via country of origin.

**Warmth and competence manipulations.** Based on previous research we chose the in-group to represent the high-warmth, high-competence country (in our sample, the U.S., as all participants were based in the U.S.) (c.f. Cuddy et al., 2008). We chose Germany (low warmth, high competence) and Portugal (high warmth, low competence) as the two European countries farthest from each other on the BIAS map (see Cuddy et al., 2007). Finally, we chose Pakistan as our low-warmth, low-competence country with the lowest ranking on the BIAS map (see Cuddy et al., 2007).<sup>3</sup> To manipulate warmth and competence, we changed the name of the organization in the vignette to include the country of origin: USA Tech Corp., Pakistan Tech Corp., German Tech Corp., Portugal Tech Corp., and Company X for the control condition.

## Measures

**Measures of warmth and competence.** Participants completed the same warmth and competence items as in Study 1 (Fiske et al., 2002: warmth  $\alpha = .94$ , competence  $\alpha = .84$ ). They

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<sup>3</sup> It also has one of the lowest scores on the Corruption Perception Index: in 2013, Pakistan scored 127 out of 177 countries, 139 in 2012, 134 in 2011, 143 in 2010, and 139 in 2009. See <http://cpi.transparency.org/> for more.

completed them twice: once for the firm's country of origin (counterbalanced throughout the survey) and again immediately following the vignette.

***Additional dependent variables.*** After rating the firm on the dimensions of warmth and competence, participants answered the same questions constituting our two dependent variables as in Study 1. To more deeply explore the psychological reactions to CSR/CSI with a cue for different warmth/competence levels of the organization, they also rated their emotional reactions to the firm in the scenario (*envy, contempt, admiration, pity*; Cuddy et al., 2007). Participants then completed a manipulation check regarding the content of the CSR scenario and provided demographic information.

## **Study 2: Results and Discussion**

***Data analysis strategy.*** Hypotheses 4 through 7 predict asymmetric benefits and penalties of engaging in CSR or CSI, contingent on the warmth and competence of the firm. Given that the asymmetry hypotheses predict *relative* differences (as opposed to *mean* differences), instead of straight ANOVA we use dummy coded regression analysis (see Cohen, Cohen, West, & Aiken, 2003). The use of regression analysis allows us to test for the main effects of CSR, CSI, home-country warmth, and competence, and, importantly, the interactions between these conditions. The interaction terms show the *relative* differences between CSR/CSI and the warmth/competence manipulations. For instance, if the interaction between CSR and high warmth is not significant, we can simply interpret the main effects of CSR and warmth and conclude that the effect of home-country warmth does not get amplified or mitigated due to CSR engagement. However, if the interaction between CSR and high warmth is significant, it tells us

that both being high in warmth and engaging in CSR provides unique explanatory power as compared with solely being high in warmth or engaging in a CSR strategy.

Given the design of Study 2, we have two highest-order interactions (Warmth  $\times$  Competence  $\times$  CSR; Warmth  $\times$  Competence  $\times$  CSI) corresponding to Hypotheses 6 and 7, in addition to four 2-way interactions between warmth, competence, and CSR/CSI corresponding to Hypotheses 4 and 5. These are in addition to our main effects of warmth, competence, CSR, and CSI, and a first-order interaction between warmth and competence. The data are coded such that 1 indicates the presence of CSR/CSI and being “high” on the dimension of warmth or competence. If our hypotheses are correct, we would expect to see a significant and negative sign on the coefficient for our four interaction terms (CSR  $\times$  warmth; CSR  $\times$  competence; CSI  $\times$  warmth; CSI  $\times$  competence) and a significant and positive sign on the coefficient for our two highest-order interactions (CSR  $\times$  warmth  $\times$  competence; CSI  $\times$  warmth  $\times$  competence). Given our coding scheme, a negative interaction term between our two conditions indicates that being high in warmth/competence and engaging in CSR/CSI provides (1) less benefits for engaging in CSR while being high in warmth/competence, and (2) increased penalties for engaging in CSI while being high in warmth/competence (Hypotheses 4 and 5). The highest-order interaction terms, high on both warmth and competence, should have positive coefficients, demonstrating that being high on both dimensions attenuates the asymmetry hypotheses (Hypotheses 6 and 7).

***Country-of-Origin Manipulation Check.*** First, we examined whether our country-of-origin factors successfully manipulated warmth and competence. This measure was counterbalanced, such that it was either the first or the last set of questions in the study. We examined only the pre-measures not confounded by our CSR manipulation. We performed a one-way ANOVA to assess whether participants who were assigned to the USA, Germany, Portugal,

or Pakistan manipulations were more likely to judge the country as possessing warmth. The overall ANOVA is statistically significant:  $F(3, 263) = 37.34, p < .000, \eta_p^2 = .299$ . Results of a post-hoc Tukey test indicated that all conditions were significantly different from each other (all  $ps < .04$ ), except Germany and Pakistan ( $p > .88$ ). Given that Germany and Pakistan are both in our low-warmth condition, this confirms that our manipulation was successful.

Likewise, we performed a one-way ANOVA to assess whether participants who were assigned to the USA, Germany, Portugal, or Pakistan manipulations were more likely to judge the country as possessing competence. The overall ANOVA is statistically significant:  $F(3, 263) = 34.98, p < .000, \eta_p^2 = .285$ . Results of a post-hoc Tukey test indicated that all conditions were significantly different from each other (all  $ps < .01$ ), except Germany and the U.S. ( $p > .38$ ). Given that Germany and the U.S. are both in our high-competence condition, this confirms that our manipulation was successful. Although other simple effects are significantly different among other levels of our manipulated variables, they are in the theoretically predicted directions based on the BIAS map (c.f. Cuddy et al., 2007). Including these measures in our analyses as covariates does not change the significance or pattern of our results.

**Reputation.** Table 2a presents four regression models predicting reputation. Table 2b presents the mean levels of reputation for each condition. Given that the highest-order interaction in Model 4 is significant, we interpret all standardized regression coefficients from Model 4. The main effects for CSR ( $\beta = 0.41, p = .000$ ), CSI ( $\beta = -0.52, p = .000$ ), country-of-origin warmth ( $\beta = 0.21, p = .001$ ), and country-of-origin competence ( $\beta = 0.24, p = .000$ ) were all statistically significant in the predicted direction. Hypotheses 4 and 5 concern the two-way interactions between CSR/CSI and the high-warmth countries. Consistent with H4, the interaction between CSI and Warmth had a significant negative effect ( $\beta = -0.22, p = .001$ ) such that high-warmth

organizations engaging in CSI experienced a larger decrease in reputation ( $\Delta M = -1.69$ ) than low-warmth firms did ( $\Delta M = -1.46$ ). Likewise, in support of H5, the interaction between CSR and Warmth had a negative effect ( $\beta = -0.16, p = .02$ ) such that high-warmth organizations engaging in CSR experienced a relatively smaller increase in reputation ( $\Delta M = 1.12$ ) than low-warmth firms did ( $\Delta M = 1.14$ ).

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Insert Tables 2a and 2b about here

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Our highest-order interactions predict that competence attenuates these asymmetries. Consistent with H6, a significant positive sign emerged on the interaction for CSI ( $\beta = 0.18, p = .007$ ), such that being high in both warmth and competence ( $\Delta M = -1.94$ ) yielded a significantly smaller change in perceived reputation than simply being high in warmth ( $\Delta M = -2.24$ ) or high in competence ( $\Delta M = -2.03$ ). Likewise, consistent with H7, a significant positive sign emerged on the interaction for CSR ( $\beta = 0.16, p = .02$ ), such that being high in both warmth and competence ( $\Delta M = 0.62$ ) yielded a significantly higher perceived reputation than simply being high in warmth ( $\Delta M = 0.59$ ) or high in competence ( $\Delta M = 0.40$ ). These effects provide support for our predictions of asymmetric reputation outcomes for firms engaging in CSR and CSI.

We also measured various emotional reactions to the firms (envy, contempt, admiration, pity), in line with Cuddy and colleagues (2007). Admiration—deeming something impressive or worthy of respect—fully replicated the pattern and significance of the reputation results, giving further support to our hypotheses. No other emotions produced significant hypothesized results.

***Purchase intentions.*** Table 3a presents four regression models predicting purchase intentions. Table 3b presents the mean levels of purchase intentions for each condition. We interpret all standardized regression coefficients from Model 4. The main effects for CSR ( $\beta =$

0.38,  $p = .000$ ), CSI ( $\beta = -0.38, p = .000$ ), country-of-origin warmth ( $\beta = 0.18, p = .03$ ), and country-of-origin competence ( $\beta = 0.20, p = .02$ ) were all statistically significant in the predicted direction. Hypotheses 4 and 5 concern the two-way interactions between CSR/CSI and the high-warmth countries. Consistent with H4, the interaction between CSI and Warmth had a significant negative effect ( $\beta = -0.23, p = .007$ ), such that high-warmth organizations engaging in CSI experienced larger decreases in purchase intentions ( $\Delta M = -1.79$ ) than low-warmth firms ( $\Delta M = -1.36$ ). Likewise, in support of H5, the interaction between CSR and Warmth had a significant negative effect ( $\beta = -0.17, p = .04$ ), such that high-warmth organizations engaging in CSR experienced a relatively smaller increase in purchase intentions ( $\Delta M = 1.25$ ) than low-warmth firms ( $\Delta M = 1.42$ ).

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Insert Tables 3a and 3b about here

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Our highest-order interactions predict that competence attenuates these asymmetries. Consistent with H6, a marginally significant interaction emerged for CSI ( $\beta = 0.15, p = .07$ ), such that being high in both warmth and competence ( $\Delta M = -2.38$ ) yielded higher purchase intentions than simply being high in warmth ( $\Delta M = -2.40$ ) or high in competence ( $\Delta M = -2.43$ ). Likewise, consistent with H7, a marginally significant interaction emerged for CSR ( $\beta = 0.15, p = .09$ ), such that being high in both warmth and competence ( $\Delta M = 0.73$ ) yielded significantly higher purchase intentions than simply being high in warmth ( $\Delta M = 0.59$ ) or high in competence ( $\Delta M = 0.61$ ). These effects provide support for our hypotheses predicting asymmetric purchase intention outcomes for firms engaging in CSR and CSI activities.

**Discussion.** There are several implications of Study 2. First, consistent with our hypotheses, the effectiveness of a CSR/CSI strategy was contingent on the warmth and

competence perception of the organization's country of origin. Specifically, companies from low-warmth countries (Germany, Pakistan) received relatively greater benefits for engaging in CSR while averting the higher penalties associated with CSI behavior. We theorize that these effects are driven by assimilation (CSI) and contrast (CSR) effects from the stereotypes associated with low-warmth countries. In addition, as predicted, competence attenuated the effects of stereotype fulfillment and violation, such that firms with high warmth and competence perception (U.S. firms in this study) did relatively better than firms high on only one dimension. Importantly, this study provides insight into why some organizations fare better or worse depending on their corporate strategies. The attributes of the firm—conceptualized as country-of-origin warmth and competence in this study—significantly influenced important organizational perceptions such as reputation, purchase intentions, and admiration.

Second, this study explores the question of endogeneity regarding whether high-warmth organizations are more likely to engage in CSR behavior in the first place—to earn greater benefits from it. We find that these firms gain the least unless they are also perceived to be high in competence. Indeed, the pattern of results for competence mirrors that of warmth, suggesting that the firms who benefit the most from a CSR strategy are those at the extremes of both ends of the warmth/competence continuums. Likewise, the penalties for engaging in irresponsible behavior are also the highest for organizations high on only one dimension.

In conclusion, Study 2 demonstrates that a firm's country of origin (manipulating warmth and competence perceptions) influences the success or failure of its CSR strategies. Specifically, we find that CSR can supplement for low-warmth (and low-competence) country of origin, and that low-warmth country of origin shields organizations from harsher judgments of CSI.

## DISCUSSION AND CONCLUSION

In this paper we describe two experimental studies that examine how CSR relates to the two fundamental dimensions of social perception. We argue and find evidence that CSR is a warmth strategy; moreover, warmth perceptions mediate CSR effects on specific outcomes (be it CSR rewards or CSI penalties in terms of better or worse purchase intentions and company reputation compared to the control). By exploiting the variation in country-level warmth and competence, we also find that regardless of CSR strategy (i.e., CSR or CSI), low-warmth firms are better off than high-warmth firms with regard to CSR/CSI effects on outcomes. In particular, low-warmth firms that engage in CSR are not consistent with the stereotype, and, as a result, they get higher rewards in terms of purchase intentions, admiration, and evaluations of firm reputation than do high-warmth firms. On the other hand, due to their consistency with the stereotype, low-warmth firms do not get punished as harshly for CSI behavior as high-warmth firms. However, this effect reverses if the firm has competence in addition to warmth: the rewards for CSR are greater and penalties for CSI are lower for firms coming from a high-warmth, high-competence country. So the combination of perceived warmth and competence from other sources can benefit firms engaging in both CSR and CSI. These findings demonstrate the importance of social judgment and underlying dimensions of social perception for CSR/CSI effects on outcomes.

### **Theoretical Implications**

This paper is critically important in terms of understanding the microfoundations of CSR – a notorious “black box” in CSR research (Morgeson et al., 2013). As Devinney recently noted, “microfoundations can be a key platform in moving the management field forward. It opens up

the possibilities of bridging the macro-micro divide that pervades management research by serving as a conceptual forum to debate whether it is possible for us [to] come up with a more unified and parsimonious characterization of our field (2013: 84).” In doing so, this study offers several theoretical contributions. First, for the growing CSR literature, particularly on CSR’s relationship to outcomes, this study helps tease out the conditions under which the link could be weaker or stronger (i.e., moderators), demonstrating the underlying mechanisms linking CSR with outcomes (i.e., mediators). We show that first of all, CSR increases our warmth perception of the firm, and second, increased warmth perception yields lower benefits for CSR and higher penalties for CSI, yet this effect could be rendered if the firm is also perceived to be high in competence. All together, these findings uncover the underlying processes and conditions that help explain the causal linkages between CSR and specific outcomes at the individual level of analysis – a significant knowledge gap in this area of research (Aguinis & Glavas, 2012).

Second, we go beyond miniscule but growing research investigating CSR at the individual level of analysis that relies on yet a different set of theoretical frameworks, including organizational justice, social influence, needs, and self-determination theories. In order to understand the factors that affect individual perceptions of CSR, a significant gap in our knowledge (Morgeson et al., 2013), we introduce the concepts of warmth and competence from the social psychology literature: they help understand the underlying mechanisms of value creation from CSR activity. To social evaluators CSR represents warmth and, as a result, competence (due to halo effects and other mechanisms); moreover, due to the primacy of warmth in social judgment, all effects of CSR on outcomes are mediated by warmth perceptions. This means that at least for outcomes that involve immediate first-time evaluations, CSR as a high-warmth strategy can be helpful. Nonetheless, even for these outcomes, firms may be judged on

warmth and/or competence from other sources: thus, CSR can be viewed as a potential supplement for low-warmth (and low-competence) firms—an important strategic tool as discussed below.

Third, by separating the effects and determining the microfoundations of CSR *and* CSI, we help explain how social perception of such activity is formed and how it may affect different organizations in different ways. Previous research mainly focuses on CSR or in rare cases CSI, while we provide a more grounded understanding of both types of activities. We also build a more general theory in this paper by examining *individual* judgments and perceptions of *all* individuals (they could be employees, customers, suppliers, environmentalists, the community as a whole, and owners/shareholders). We acknowledge, however, that social judgment by all stakeholders matters for the ultimate success of the firm, yet some stakeholders may have more say (Harrison & Freeman, 1999; Mitchell, Agle, & Wood, 1997), particularly for firm performance (Berman et al., 1999; Schuler & Cording, 2006), so future research shall examine how particular/different stakeholder judgments can influence CSR/CSI outcomes.

We also make contributions to the social cognition and strategy literatures by finding a link between corporate strategy and the SCM: to our knowledge, this is one of the first studies to suggest such a link (Aaker et al. (2010) showed a link between the type of the organization – for-profit or not – and warmth/competence perceptions). We confirm that social perception matters with regard to CSR strategy, especially judgments about perceived warmth. Engaging in high-warmth strategies, such as CSR, leads to better outcomes, in terms of perceived reputation and purchase intentions, especially for firms lacking warmth in the first place. We demonstrate that these evolutionary and individual-level processes influence organizational-level outcomes – an additional contribution to the CSR literature, only 5% of which is currently studying CSR at

multiple levels of analysis (Aguinis & Glavas, 2012). We address this gap by studying micro-level variables as mediators of relationships involving higher-level variables.

Finally, this research is also important to the international management literature. By drawing from the SCM to explain how firms from different countries are perceived, based on warmth and competence stereotypes of their countries of origin, we add another dimension to country distance (as perceived by social evaluators) and discuss a potential strategy to deal with such social perceptions. Thus, firms from low-warmth countries may find it helpful to engage in CSR if their managers have the needed resources and aim for higher rewards than their competitors from high-warmth countries. Ironically, if low-warmth firms lack these resources, it will not hurt them as much to engage in CSI as it would firms from high-warmth countries. This asymmetry of benefits and costs of CSR/CSI behavior is important to understand and explain, not only to academics seeking to find a uniformly positive link between CSR and outcomes but also to managers.

### **Practical Implications**

It is no secret that managers should be and are aware of their CSR choices, as institutional (Lim & Tsutsui, 2012; Marquis & Qian, 2013) and stakeholder pressures for CSR are ever-increasing (Kassinis & Vafeas, 2006; Surroca et al., 2013). However, they have limited resources to respond to such pressures (Delmas & Toffel, 2008; Weaver, Trevino, & Cochran, 1999), and understanding how CSR and CSI choices will be perceived is important in their decision-making. We find that CSR connotes warmth and therefore might be helpful in times of crisis, as a risk-management strategy (Godfrey, 2005), or at the time of the first interaction with the firm when the other party has no prior information about the firm (e.g., for start-ups). In

addition, if the firm is perceived to be low in warmth, CSR may help boost its perceived competence, whereas CSI may not hurt the firm as much as if it was perceived to be high in warmth. In addition, knowing that firms are evaluated on warmth–competence dimensions for other firm attributes beyond their CSR/CSI behavior (e.g., country of origin), managers can make more thoughtful decisions, allocating those scarce resources.

### **Limitations and Directions for Future Research**

There are several limitations in this study that we hope will provide direction for future research. First, even though the choice of our method (i.e., controlled experiments) is our strength, because it helps to compare a control group to CSR and CSI conditions by isolating the causal effect of CSR/CSI at the individual level, by design (i.e., using scenarios previously established by Sen & Bhattacharya, 2001) it has some weaknesses that may offer several future research avenues. These could include using other scenarios (e.g., firms in other industries, engaging in CSR/CSI behavior outside of overseas manufacturing), other social evaluators (e.g., external or internal stakeholders with direct interest/stake in the company), and other outcomes (e.g., regulatory approval, analyst ratings, employee satisfaction). For ideas, see Clarkson (1995).

Second, some may wonder if our results can be attributed to a ceiling effect (i.e., participants select the maximum value on the scale). We believe this concern is mitigated by the fact that our dependent variables were measured on different scales: purchase intentions on a 7-point scale with mean values around 5, and reputation on a 5-point scale with high mean values just above 4 (on a four-item scale). This suggests that we have no ceiling effect in our data.

Third, the limited choice of countries in our second study could be expanded to include more countries along the warmth–competence continuums. In addition, given that firms cannot

control their origin, examining other firm-level and country-level attributes (e.g., size, status) that could mediate the effect of warmth and/or competence is warranted. We hope that by collecting “real world” data, future research could also examine whether warmth–competence perceptions of countries affect country-level social evaluations, such as ratings on the Corruption Perception Index, or The Most Innovative Countries List, among others. Obviously, since first-time judgments are crucial to regulatory approval in international expansion of firms, another intriguing area of research includes testing the ideas presented in this paper in a large-scale quantitative study (e.g., in the context of cross-border M&As).

Fourth, our study was tested in a single industry (even though one can infer two industries from the scenarios – technology and manufacturing). Thus, another research opportunity lies in adding industry stereotypes to the existing study: this kind of information (e.g., “dirty” versus “clean” industry) can provide additional insight on the process of generating social perception. Importantly, our study provides a basis for testing our findings in other industry settings with longitudinal or experimental data.

Finally, the issue of decoupling by design could not have been sufficiently addressed in this study: future research could look into the social perception or potentially even a stereotype that “green-washing” firms generate in the minds of various stakeholders. Based on our study we would predict that such behavior would almost certainly generate the perception of CSI; however, the mechanisms by which this happens and the dynamics by which stakeholders receive information about a firm’s symbolic and substantive CSR actions require further attention. In addition, future research would benefit from disentangling the effects of the various CSR actions on social perception as well as organizational outcomes: while some activities (e.g.,

philanthropy) may generate the perception of warmth, others may relate to competence more directly (e.g., cutting organizational waste).

## **Conclusion**

This truly cross-disciplinary research (including management, strategy, marketing, psychology, and organizational behavior) shows that social perception serves an important role in organizational life, as it affects not only emotions but also behaviors towards the firm. By introducing the concepts of warmth and competence from the social psychology literature to the management area of CSR, this study extends the boundaries of existing research to include the microfoundations of corporate strategy in our understanding of the differential effects of certain activities on outcomes. These findings create broad implications for CSR, international business, and management scholarship by highlighting the critical importance of social perception of the firm based on several of its attributes. Our hope is that this study will spark interest in comparing the differential impacts of social perception of different practices on distinct performance outcomes as well as move the CSR field forward by addressing knowledge gaps regarding underlying processes and mechanisms and insufficient work at the individual level of analysis.

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**TABLE 1**  
**Summary of Results (showing post-hoc Tukey tests)**

Study 1 (one-way ANOVA)				
Condition	Warmth (1–5 scale)	Competence (1–5 scale)	Purchase Intentions (1–7 scale)	Reputation (1–5 scale)
<b>CSR</b>	4.33 (0.58)**	4.14 (0.48)**	5.61 (1.15)**	4.57 (0.63)**
<b>CSI</b>	2.02 (0.61)**	3.3 (0.88)**	2.7 (1.38)**	1.84 (0.73)**
<b>Control</b>	3.2 (0.59)**	3.93 (0.5)	4.82 (1.03)*	3.48 (0.72)**

\*\*  $p < 0.01$ , \*  $p < 0.05$

Table 1 shows means with standard deviations in brackets.

CSR = corporate social responsibility; CSI = corporate social irresponsibility.

**TABLE 2a**  
**Summary of Regression Analysis for Variables Predicting Reputation (N = 505)**

Variable	Model 1			Model 2			Model 3			Model 4		
	<i>B</i>	<i>SE B</i>	<i>B</i>	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Competence	.046	.055	.017	.186	.092	.070*	.348	.135	.130**	.643	.167	.241***
Warmth	-.060	.065	-.022	.080	.092	.030	.215	.135	.094 <sup>†</sup>	.546	.167	.205**
CSR	.696	.080	.249***	.690	.080	.247***	.949	.139	.339***	1.143	.159	.409***
CSI	-1.90	.081	-.679**	-1.91	.081	-.681*	-1.67	.139	-.597**	-1.46	.160	-.520*
	7		*	2		**	8		*	0		**
Competence × Warmth				-.276	.129	-.091*	-.283	.129	-.093*	-.854	.232	-.280**
CSR × Warmth							-.159	.159	-.045	-.554	.226	-.158*
CSI × Warmth							-.336	.160	-.095*	-.779	.227	-.220*
												*
CSR × Competence							-.345	.159	-.098*	-.740	.226	-.211*
												*
CSI × Competence							-.120	.160	-.034	-.564	.227	-.159*
CSR × Warmth × Competence										.770	.317	.163**
CSI × Warmth × Competence										.867	.319	.181*
$R^2$		.704			.706			.712			.717	
$F$ for change in $R^2$		297.47***			4.54*			2.40*			4.37*	

*tp* < .10. \**p* < .05. \*\**p* < .01. \*\*\**p* < .000.

Dummy Codes: High Warmth = 1, Low Warmth = 0; High Competence = 1, Low Competence = 0; CSR = 1, other = 0; CSI = 1, other = 0.

**TABLE 2b**  
**Mean Levels of Reputation**

	CSI	Control	CSR
<b>USA</b> (high, high)	1.60	3.54	4.16
<b>Germany</b> (low, high)	1.82	3.85	4.25
<b>Portugal</b> (high, low)	1.51	3.75	4.34
<b>Pakistan</b> (low, low)	1.74	3.20	4.35

Reputation was measured on a 5-point scale.

**TABLE 3a**  
**Summary of Regression Analysis for Variables Predicting Purchase Intentions (N = 505)**

Variable	Model 1			Model 2			Model 3			Model 4		
	<i>B</i>	<i>SE B</i>	<i>B</i>	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Competence	.022	.112	.006	.051	.160	.014	.351	.234	.098	.700	.292	.195*
Warmth	-.042	.112	-.012	-.013	.160	-.004	.295	.234	.082	.645	.292	.179*
CSR	.836	.139	.222***	.835	.139	.222***	1.179	.241	.314***	1.417	.278	.377***
CSI	-2.16	.139	-.573**	-2.16	.140	-.573**	-1.61	.242	-.426**	-1.361	.279	-.360**
	6		*	7		*	2		*			*
Competence × Warmth				-.057	.224	-.014	-.070	.224	-.017	-.746	.405	-.182 <sup>†</sup>
CSR × Warmth							-.328	.277	-.070	-.812	.394	-.172*
CSI × Warmth							-.562	.278	-.118*	-1.071	.397	-.225**
CSR × Competence							-.339	.277	-.072	-.823	.394	-.174*
CSI × Competence							-.526	.278	-.111 <sup>†</sup>	-1.035	.397	-.217**
CSR × Warmth × Competence										.995	.556	.154 <sup>†</sup>
CSI × Warmth × Competence										.945	.553	.148 <sup>†</sup>
<i>R</i> <sup>2</sup>		.513			.513			.521			.525	
<i>F</i> for change in <i>R</i> <sup>2</sup>		132.02***			.064			2.00 <sup>†</sup>			2.00	

*tp* < .10. \**p* < .05. \*\**p* < .01. \*\*\**p* < .000.

Dummy Codes: High Warmth = 1, Low Warmth = 0; High Competence = 1, Low Competence = 0; CSR = 1, other = 0; CSI = 1, other = 0.

**TABLE 3b**  
**Mean Levels of Purchase Intentions**

	CSI	Control	CSR
<b>USA</b> (high, high)	2.32	4.70	5.43
<b>Germany</b> (low, high)	2.41	4.81	5.40
<b>Portugal</b> (high, low)	2.32	4.75	5.36
<b>Pakistan</b> (low, low)	2.74	4.11	5.52

Purchase Intentions was measured on a 7-point scale