The nexus between corporate philanthropy and customer citizenship behavior: The role of corporate reputation and customer socialization.

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Abstract

Corporate philanthropy is one of the most debated topics among scholars for socially responsible firms. This study examines the impact of corporate philanthropy on customer citizenship behavior. Furthermore, this study aims to investigate the mediation effect of corporate reputation as well as the moderation effect of customer socialization on the relationship between corporate philanthropy and customer citizenship behavior. The population of this study consists of 393 students from one university in North Cyprus. Using the regression analysis method, the findings of this study revealed that corporate philanthropy positively affects customer citizenship behavior and such a relationship is partially mediated by corporate reputation. The result of the interaction effect reported for a positive significant effect of customer socialization on the relationship between corporate philanthropy and customer citizenship behavior. The research contributes to the literature by providing empirical findings on the relationship between corporate philanthropy and customer citizenship behavior as well as examining the underline mechanisms of how and under what conditions corporate philanthropy enhances customer citizenship behavior.

Keywords

Corporate social responsibility, customer citizenship behavior, corporate reputation, customer socialization.

Article History

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1. Introduction

In today’s global business, philanthropic activities became the most popular issue for socially responsible firms, responding to growing calls for greater social responsibilities of business. Social problems becoming prevalent in our society. It generally involves a different number of problems facing the world today. Poverty, unemployment, antisocial behavior, and economic deprivation are long-standing problems that present in a society that affects the real world and society, as well as how society reacts to certain situations. Corporations are increasingly adopting socially responsible actions and activities as part of its humanitarian calling, focusing on the modern era of corporate social responsibility, philanthropy is one special class of CSR that take the form of the social movement that attempt to prevent and solve social problems rather than just providing a temporary solution to the current problem, ending in a positive change on the factors that cause the problem (Carroll, 1991). Philanthropy with its all form of business giving became the most debated topic in today’s global business which has lots of definitions made by the stakeholders. The general definition of philanthropy is the human desire to give to human causes, expressed with a particular donation of money to good causes. Philanthropic responsibilities fall into Carroll’s pyramid of Corporate Social Responsibility, which encompasses four-part definitions of CSR; the economic, legal, ethical, and philanthropic responsibilities (Carroll, 1991).

Research has been increased on how corporate philanthropy and corporate donations have an impact on the community as well as business (Epstein & Buhovac, 2014). Current researches on corporate philanthropy are evolving
rapidly and is being a debated top for businesses’ understanding of corporate philanthropy (Liket & Simaens, 2013). The effect of corporate philanthropy on consumer behavior has been well documented. For instance, the study of Williams and Barrett (2000) examined the influence of corporate giving programs on corporate reputation and found a positive relationship between corporate philanthropy initiatives and corporate reputation. Another study contacted by Yusof, Manan, Karim, and Kassim (2015) contacted a study in the retail banking industry and revealed that involvement in philanthropic initiatives plays a critical role in increasing customer loyalty. Other studies found the philanthropic initiatives positively affect repurchase intention (Kim, Song, Lee, and Lee, 2017), customer trust, and commitment (Park & Choi, 2016).

Despite the important effect of corporate philanthropic initiatives on consumer behavior, little attention has been paid to examine the effect of corporate philanthropic initiatives involuntary behavior such as customer citizenship behavior. This study investigates the relationship between corporate philanthropic and customer citizenship behavior. Further, it explores the mediation effect on the corporate reputation on the relationship between corporate philanthropic and customer citizenship behavior. Besides, customer socialization will also be investigated as the moderator factor between corporate social responsibility and customer citizenship behavior.

This paper is organized as follows. In the next section, we discuss some concepts related to the study’s constructs. Then the conceptual framework is proposed and the hypotheses are generated. Next, we provide a detailed methodology followed to test the study’s hypotheses. Finally, we discuss the study findings, limitations, and suggestions for future studies.

2. Theoretical background
2.1. Corporate philanthropy
Corporate philanthropy refers to corporate initiatives that are in response to the community’s expectations that businesses be good corporate citizens (Aguinis, 2010). It is a term that has been used to discuss the different forms of companies' charitable support including conditional and unconditional support (Varadarajan & Menon, 1988). Many companies responded by engaging in philanthropic charitable support (e.g., humanitarian, voluntary efforts, social programs, and community) as a part of their CSR strategy. According to the conceptualization of Carroll (1999) of CSR, corporate philanthropic falls under the umbrella of CSR alongside economic, legal, and ethical CSR. One of the major differences between philanthropic responsibility is that other types of CSR are either required or expected, while philanthropic responsibility is a socially desired responsibility (Windsor, 2001). The concept of philanthropy is marked by a high level of discretion (Hadani & Coombes, 2015). According to the study of Leisinger (2007) philanthropy represents the highest point of the pyramid of CSR and it's an example of excellence in CSR. Corporate philanthropy (CP) includes voluntary or discretionary actions. It is defined in terms of voluntary activities and the unconditional transfer of money and any additional private company assets for community purposes (Young, 1994). It involves actions of an intentional voluntary commitment to the well-being of customers (Schuyt, 2010). Certainly, the nature of these actions and activities is voluntary or discretionary, they are conducted to the desire of businesses to be a part of the social activities within different societies and communities.

By observing our today’s society and businesses, we can see a large number of companies engaging in philanthropic activities with it all forms of corporate giving - product and service donations and any other discretionary or community contribution or any of the key stakeholder groups that make up the society, in a way to prove good citizenship for them. Leisinger (2007) considers the practices of philanthropy as an indication of responsibility excellence. In his study, corporate philanthropy is defined as giving some resources to help systematized efforts that are prepared for social practices. These resources given could be money, merchandise,
time, and the usage of different facilities. Similarly, Lee and Kotler (2009) argued corporate philanthropy as a corporation direct interacts with a charity. Where there is the main difference between philanthropy and charity, stating that charity tends to be a short term, whereas philanthropy is a long term focusing on addressing and underlying the causes of the social problems to make a positive social change in the condition that causes the social problem. Two factors motivate companies to engage in philanthropic initiatives; business motives and corporate benevolence (Campbell, Gulas, & Gruca, 1999). The business motives refer to using corporate philanthropic as a marketing strategy that may increase business profits. The rationale behind this motive is that consumers will have favorable attitudes toward companies who show their philanthropy (Winters, 1988). Corporate benevolence -also known as social responsiveness- incorporates empathy as it is inspired by the firm’s altruism and its feeling of being socially responsible.

2.2. Customer citizenship behavior
Customer citizenship behavior has increasingly gotten the attention of scholars in recent years (Hur, Kim, & Kim, 2018; Karaosmanoglu, Altinigne, & Isiksal, 2016). It has been defined as “helpful, constructive gestures exhibited by customers that are valued or appreciated by the firm, but not related directly to enforceable or explicit requirements of the individual’s role” (Gruen, 1995, p. 451). Customer citizenship behavior has been used interchangeably with the terms “customer extra-role behavior” and “customer voluntary performance” (Bettencourt, 1997; Karaosmanoglu et al., 2016). It includes behaviors such as treating the employees in a good pleasant manner, sharing a positive experience with other customers within the firm, reporting problems to employees, and driving more convenient outlets that help customers in their purchasing decisions. According to the study of Gretzel and Yoo (2008), the customer is being motivated to engage in citizenship behavior by different desires such as giving feedback to support services and increase customer experiences. Customer citizenship behavior has been considered as a source of competitive advantage by improving the performance of an organization by improving the customer-company relationship (Rosenbaum & Massiah, 2007).

2.3. Corporate philanthropy and customer citizenship behavior
Customer citizenship behavior is defined as a voluntary action performed by customers towards a company as an appreciation of the customer to the company (Bove, Pervan, Beatty, & Shiu, 2009). Such appreciation could be rooted in social exchange theory (Blau, 1986). According to the social exchange theory, customers and companies interact with each other to maximize benefits and minimize costs in relational exchange. A company that engages in philanthropy initiatives will be received as an altruistic company that cares about the interests of others (Lii & Lee, 2012). When a company’s activity is driven by an intrinsic desire to benefit the community, customers tend to support the fulfillment of the company’s interests as a reciprocal exchange (Su, Lian, & Huang, 2020). That is, customers may engage in voluntary behavior (e.g., citizenship behavior) as a reward for companies that care about them and involve in philanthropy behaviors. Empirical findings seem to support this point. For instance, the study of Lii & Lee (2012) reveals that a company’s engagement in CSR initiatives (e.g., philanthropic initiatives) stimulates consumer favorable behavior and encourage them to engage in voluntary behaviors. Thus, we propose the following hypothesis;

H1. Corporate philanthropy has a positive impact on customer citizenship behavior

2.4. The mediating role of corporate reputation
Corporate reputation refers to the total perceptions of a firm made by the stakeholders on the ability of the company to achieve the stakeholders’ needs and fulfill their expectations, as well as enticing the customers’ interests (Fombrun, 1996). It has been also defined as the emotional capital of several stakeholder’s evaluations about the firms’ past actions and their future actions and the incomparable intangible assets (Ribbink, Streukens, Van Riel, & Liljander, 2004). It is the result of repeated interactions and increasing experiences (Martín de Castro,
According to Mishina, Block, and Mannor, (2012), corporate reputation is the evaluation of key stakeholders concerning the organization’s ability to establish a value based on its features and qualities. Engaging in philanthropic activities will help to gain a competitive advantage in the company (Porter & Kramer, 2002).

The number of firms that position themselves as socially responsible companies is increasing as corporate giving and engaging in philanthropic activities is becoming a major issue for today’s businesses. Provided that corporate reputation is seen as the collective opinions of stakeholders of the organization, achieving the business goals requires the attention of the importance of corporate reputation by the organization (Sobol & Farrelly, 1988). Carroll (1991) declared that the public is taking in concerns if CSR activities can control the responsibilities of business and society relationships. Several studies have argued the positive relationship between corporate giving and corporate reputation. For instance, the study of Fombrun and Shanley (1990) argued the positive relationship between corporate philanthropic initiatives and corporate reputation. By screening 184 firms listed in fortune 500 the study of Williams and Barrett (2000) revealed that corporate involvement in the charitable initiatives has a significant positive effect on corporate reputation. Similarly, the study of Sen and Bhattacharya (2001) revealed that customer perceptions toward the company can be strongly affected by corporate social responsibility. Thus, we propose the following hypothesis;

\[ H_2 \text{. Corporate philanthropy has a positive impact on the corporate reputation} \]

The evaluation of the corporate reputation has been always the managerial interest where it has been grown through the years, thus the academics began to incorporating the corporate reputation as a major element in their conceptual model (Fombrun, Gardberg, & Sever, 2013). In this vine, the positive effect of corporate reputation on customer citizenship behavior has been empirically examined in prior studies. For instance, the study of Bartikowski & Walsh (2011) uses a sample of 583 service customers who evaluate the reputation of services and found that a high level of corporate reputation leads customers to engage in citizenship behavior such as helping other customers and helping the company. Thus, we expect that corporate reputation will have a positive effect on customer citizenship behavior. Hence, we propose the following hypothesis:

\[ H_3 \text{. Corporate reputation has a positive impact on customer citizenship behavior} \]

Drawing on the research second and third hypotheses, we expect that corporate reputation plays a mediating role in the relationship between corporate philanthropy and customer citizenship behavior. Thus, we hypothesize:

\[ H_4 \text{. The positive relationship between corporate philanthropic and customer citizenship behavior is mediated by corporate reputation.} \]

2.5. The moderating role of customer socialization
The concept of customer socialization was first introduced by Ward (1974). His study defined customer socialization as “processes by which young people acquire skills, knowledge, and attitudes relevant to their functioning as customers in the marketplace”. It could be accomplished through training and incentives (Lengnick-Hall, 1996). Two sources of customer socialization are proposed in the existing literature; individual-based and firm-based customer socialization (Groth, 2005). Customer socialization helps the customer to understand, improve, and motivate their performance toward a company (Evans, Stan, & Murray, 2008). The study of Zeithaml and Bitner (1996) argued that customer socialization is a pre-requisite for the effective fulfillment of their participation roles in a company. In this study, we expect the interaction of customer
socialization with corporate philanthropic will generate a stronger effect on customer citizenship behavior. Therefore, we hypothesize:

**H5.** The positive relationship between CP and CCB is moderate by customer socialization.

Figure 1 illustrate the research conceptual model.

![Conceptual Model](image)

**Fig. 1.** Conceptual model

### 3. Research methodology

#### 3.1. Sampling and data collection method

The target population in this research was students of one university in North Cyprus. Convenience sampling method – also known as accidental sampling- has been used to collect data. The chosen sampling method involves gathering data from students who are close to hand and are available to participate in collecting the necessary data in this study. The university campuses and the different facilities within the university campus such as the library, university's restaurants, and copy centers have been targeted for questionnaire distribution. Approximately 560 questionnaires have been distributed, of which 393 complete and valid questionnaires were analyzed after excluding the incomplete respondents. Participants have been informed that the response will be anonymous and participation is voluntary.

#### 3.2. Measurements

Following the recommendation of Kline (2005) by using multiple items to measure a variable rather than using a single item, this study used multiple items to measure the constructs of the study. Corporate philanthropy has been measured by adopting six items (e.g., the university provides a variety of donations) from Hsu (2012). Customer citizenship behavior was measured with five items (e.g., I would refer fellow students or friends to be a part of # family) adopted from Groth (2005). The three items of Arli, Grace, Palmer, & Pham, (2017), along with three items of (S.-B. Kim & Kim, 2017) were adopted to measure corporate reputation. An illustration item is “the university has a reputation of being honest”. Customer socialization was measured by adopting six items (e.g., I understand the university policies) from Groth (2005). Appendix 1 includes all items in detail.

### 4. Results

#### 4.1. Respondents’ demographic profiles

Over half of the respondents were male (61.8 %), and 38.2 % were female. The majority of respondents aged between 19 and 21 years old (47.6 %), followed by participants aged between 22 and 24 years old (33.3 %), then participants aged above 25 years old (15 %). About 73.3 % of participants hold a bachelor degree, and 21.6 % hold a master degree. Only 1.3 % of participants hold a PhD degree.
4.2. Reliability analysis
The statistical software IBM SPSS 24.00 has been employed to perform the statistical analysis. Cronbach’s Alpha analysis has been conducted to examine the reliability of constructs. Cronbach (1951) has defined Cronbach Alpha as a wide measurement used to measure the consistency (reliability) within the social and managerial sciences. It was firstly named Alpha in 1951 by Lee Cronbach. It investigates the strength of every variable within the questionnaire as well as it investigates the internal consistency for every section in the study. An alpha value of less than 0.70 is seen as weak reliability while an alpha greater than 0.70 is seen as strong reliability (Nunnally, 1978). As shown in Appendix 1, the alpha value for all constructs ranged between 71.8 (corporate philanthropy) and 84.3 (corporate reputation). Which in turn ensure the reliability of the research constructs.

4.3. Hypothesis testing
The regression analysis has been employed to test the direct effect (Table 1). The assumptions were checked before analysis; none was violated. As shown in Table, corporate philanthropy was significantly and positively related to customer citizenship behavior ($\beta = 0.47; p < 0.000$). Thus hypothesis 1 is strongly supported. The standardized beta coefficient between corporate philanthropy and corporate reputation reported a significant and positive relationship ($\beta = 0.30; p < 0.000$). Therefore, hypothesis 2 is supported. Similarly, the relationship between corporate reputation and customer citizenship behavior was reported for a positive and significant beta coefficient ($\beta = 0.36; p < 0.000$), providing strong support to hypothesis 3.

The indirect effect of corporate philanthropy on customer citizenship behavior through corporate reputation was smaller ($\beta = 0.54; p < 0.000$) than the direct effect ($\beta = 0.63; p < 0.000$), pointing out to the partial mediation effect of corporate reputation on the relationship between corporate philanthropy and customer citizenship behavior. Thus, hypothesis 4 is supported. The interaction effect of customer socialization on the relationship between corporate reputation and customer citizenship behavior was reported for a positive significant effect ($\beta = 0.39; p < 0.000$). Thus, hypothesis 5 is supported.

<table>
<thead>
<tr>
<th>From $\rightarrow$ To</th>
<th>CCB</th>
<th>Corporate reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independents variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate philanthropy</td>
<td>0.47***</td>
<td>0.30***</td>
</tr>
<tr>
<td>Corporate reputation</td>
<td>0.36***</td>
<td></td>
</tr>
<tr>
<td>Customer socialization</td>
<td>0.16**</td>
<td></td>
</tr>
<tr>
<td><strong>Interaction effect</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate philanthropy $\times$ customer socialization</td>
<td>0.39***</td>
<td></td>
</tr>
<tr>
<td><strong>Mediation effect</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct effect</td>
<td>0.63***</td>
<td>Partial mediation</td>
</tr>
<tr>
<td>Indirect effect</td>
<td>0.54***</td>
<td></td>
</tr>
</tbody>
</table>

Note: ***: $p <0.000$; **: $p <0.01$

5. Discussion
This research was originally designed to investigate the relationships between corporate philanthropy and the CCB. Multiple questions were asked to achieve the aim of this study. The main purpose of the study is to understand the relationship between corporate philanthropy and CCB. Further, the research investigated the mediation role of the corporate reputation as well as to the moderation effect of customer socialization. The findings from the analysis show and approve that corporate philanthropy does have a significantly high impact on the CCB. The findings also showed that corporate reputation partially mediates the relationship between corporate philanthropy and CCB. Besides, the interaction effect analysis reported for a significant moderator
effect of customer socialization on the relationship between corporate reputation and CCB. The analysis can be the key to enhance and improves companies’ position in the market as well as enhancing the relationship with their customers and build a new base for a potential customer to join them.

5.1. Theoretical implication
Three main theoretical implications can be inferred from the findings of this research. The majority of prior CSR studies (e.g., Karaosmanoglu et al. (2016) have a focus on the effect of overall CSR on customer citizenship behavior and little attention has been paid to examine the direct effect of dimensions of CSR (philanthropic CSR) on customer citizenship behavior. This study contributed to the literature by examining the direct effect on corporate philanthropic on customer citizenship behavior. The findings of this research have revealed that the philanthropic initiatives of companies play a significant role in enhancing customer citizenship behavior. Moreover, this study also contributes to the literature by explaining the factor that explains why corporate philanthropic may affect customer citizenship behavior which has been paid little attention by prior studies. The findings of our study revealed that corporate reputation plays a significant role in the relationship between corporate philanthropic and customer citizenship behavior. Most importantly, the finding of this study revealed that corporate reputation only partially mediates the relationship between corporate philanthropic and customer citizenship behavior. This means that there could be other factors that may mediate such a relationship, which need to be explored.

Furthermore, this study also contributes to the literature by the first time, to the best of the author’s knowledge, examining the role of customer socialization in the relationship between corporate philanthropic and customer citizenship behavior, which has been ignoring in the prior studies. The finding of this study revealed that the positive relationship between corporate philanthropic and customer citizenship behavior is moderated by customer socialization.

5.2. Practical implications
The findings of this study have several managerial findings. According to the finding of this study, to increase customer citizenship behavior, companies should involve in philanthropic initiatives. Further, companies should work extensively on increasing customer awareness about their philanthropic initiatives to get favorable responses by customers. Moreover, corporate reputation is a mediator that explains the positive relationship between corporate philanthropy and customer citizenship behavior in this study. This means companies should also invest more in increasing corporate reputation for the most effective output of their philanthropic initiatives. Finally, companies should increase the knowledge of and interaction of their customers with the company to increase the effectiveness of corporate philanthropic initiatives on customer citizenship behavior.

6. Limitation and directions for future studies
This study like another study has several limitations. First, the convenience sampling method that has been applied in this study may limit the generalizability of the research findings. Future studies may follow other methods for data collection (e.g., random sampling method). Second, hypotheses have been testing without control variables. Thus, we don’t know, for instance, how gender or age may affect the relationship between the construct of the study. Third, the result of the mediation analysis reported for a partial mediation effect of corporate reputation on the relationship between corporate philanthropy and customer citizenship behavior. This means that other factors could explain the underline mechanism of why corporate philanthropy affect customer citizenship behavior, which needs to be explored. Finally, this study explored the moderator effect of customer socialization on the relationship between corporate philanthropy and customer citizenship behavior.
Future studies may examine other factors (e.g., customer culture, country of origin) that may play a moderator factor in the relationship between corporate philanthropy and customer citizenship behavior.

7. Conclusion
A growing interest in studying the effect of CSR initiatives on consumer behavior has been praised in recent years. In this study, we examined the effect of corporate philanthropy on customer citizenship behavior taking into consideration the mediating effect of corporate reputation and the moderating effect of customer socialization. It hoped that this work provides an insightful contribution to the body of the literature and enhances our understanding of the natural relationship between the constructs of the study.

References


### APPENDIX I: Measurements

<table>
<thead>
<tr>
<th>Corporate philanthropy (Hsu, 2012)</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP1 # develops a campaign for the needy</td>
<td></td>
</tr>
<tr>
<td>CP2 # provides variety of donations</td>
<td>71.8</td>
</tr>
<tr>
<td>CP3 # is committed to build better community</td>
<td></td>
</tr>
<tr>
<td>CP4 # participate in variety of volunteer activities</td>
<td></td>
</tr>
<tr>
<td>CP5 # committed to donate in case of human catastrophe</td>
<td></td>
</tr>
<tr>
<td>CP6 # develops programs to support the charity</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer citizenship behavior (Groth, 2005)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CCB1 I would refer fellow students or friends to be a part of # family.</td>
<td></td>
</tr>
<tr>
<td>CCB2 I would participate in their philanthropic activities.</td>
<td>78.0</td>
</tr>
<tr>
<td>CCB3 I would recommend # as a university to others.</td>
<td></td>
</tr>
<tr>
<td>CCB4 I would guide new students inside the campus.</td>
<td></td>
</tr>
<tr>
<td>CCB5 I would carefully observe the rules and the policies of #.</td>
<td></td>
</tr>
<tr>
<td>CCB6 I would help other employees to make their job easier.</td>
<td></td>
</tr>
<tr>
<td>CCB7 I would keep the university environment clean.</td>
<td></td>
</tr>
<tr>
<td>CCB8 I would help in protecting the university belongings.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate reputation (Arli et al., 2017; Kim &amp; Kim, 2017)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CR1 # has a reputation of being honest.</td>
<td></td>
</tr>
<tr>
<td>CR2 # has a reputation of being trustworthy.</td>
<td></td>
</tr>
<tr>
<td>CR3 # is committed to well-defined ethics principles.</td>
<td></td>
</tr>
<tr>
<td>CR4 # is well established university.</td>
<td>84.3</td>
</tr>
<tr>
<td>CR5 # is very successful university.</td>
<td></td>
</tr>
<tr>
<td>CR6 # is highly regarded university.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer socialization (Groth, 2005)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CS1 I understand the university policies.</td>
<td></td>
</tr>
<tr>
<td>CS2 I feel comfortable in this university.</td>
<td></td>
</tr>
<tr>
<td>CS3 I understand the value and the norms of #.</td>
<td></td>
</tr>
<tr>
<td>CS4 I understand the university purpose.</td>
<td>80.0</td>
</tr>
<tr>
<td>CS5 I spend my time in the university.</td>
<td></td>
</tr>
<tr>
<td>CS6 I use the library as a book reference.</td>
<td></td>
</tr>
</tbody>
</table>