Social interactions for economic value? A marketing perspective

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Chapter 1

Introduction

In the aftermath of the economic crisis, consumers' expectations of companies seem to have changed. Prior to the economic downturn, in 2006, for example, US consumers ranked a company's strong financial performance as the third priority for building trust, after high quality products and a strong customer orientation. By 2010, however, a company's reputation was judged mainly by its transparency, honesty and trustworthiness, while the importance of financial returns dropped to rank ten (Edelman, 2010). Moreover, consumers lost confidence in corporate information provided by CEOs, and demanded more stakeholder engagement (Edelman, 2009). This included a clear expectation that companies partner with nonprofit organizations (NPOs) and governments to address societal issues or problems that go beyond the bottom line. In addition, fuelled by technological developments, consumers demand to become more involved themselves, and increasingly interact, share, collaborate, and engage with companies and other consumers online (Hampton, Goulet, Rainie and Purcell, 2011; Trendwatching, 2009).

These recent developments in society, which seem to hint at a trend towards more interactions across a variety of stakeholders, are also reflected in the academic literature, which calls for a broadened marketing perspective that includes several stakeholders and integrates economic and social value. More generally, changes in the marketing environment, such as economic or technological developments, raise questions about marketing's role and responsibility in a broader sense, which has important implications for practitioners, scholars and educators (cf. Gundlach, 2007; Sheth and Uslay, 2007). Perceptions of marketing have evolved over the years, which is also reflected in the academic debate on marketing definitions. While earlier definitions of marketing focused primarily on exchanges between consumers and the company[1], recent definitions embrace

[1] American Marketing Association's (AMA) marketing definition of 1985: "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to *create exchanges that satisfy individual and organizational goals*" (Gundlach and Wilkie, 2009: 259, footnote 1, emphasis added)

a broader, more extensive perspective. The American Marketing Association (AMA), whose marketing definition is widely known and generally accepted by the academic marketing community as well as by practitioners, adopted the following definition in 2007: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (AMA, 2007). This definition appears to reflect a shift in focus from 'exchange' to 'value' (cf. Sheth and Uslay, 2007), and moves beyond the dyad of the company and the consumer by including a variety of stakeholders, and society more generally. Additionally, it seems to hint at a move beyond mainly self-interested or economic exchanges, towards value creation for several stakeholders, suggesting a potential win-win situation (Sheth and Uslay, 2007).

While many scholars have welcomed these changes in focus, the 'new' definition has also been criticized, as it, for example, still concentrates on companies and their marketing activities, with less attention for the fact that value can often only be created in an interaction with other stakeholders (Lush, 2007; Sheth and Uslay, 2007). Sheth and Uslay (2007) also put forward that even consumers may be the primary drivers of value creation, while the role of other actors is reduced to that of a facilitator, for instance, in the case of online social network sites. Interestingly, the focus on economic value indicated by earlier marketing definitions (e.g., benefiting the organization[2]), seems to have shifted towards a stronger emphasis of social value by explicitly addressing society's needs, reflecting the role of corporate social responsibility in today's society. This evolution represents a departure from the traditional divide between economic concerns, which are usually attributed to the private sector, and social ones, seen to belong to the realm of public/nonprofit sectors (Porter and Kramer, 2011). However, rather than regarding social value (e.g., benefits created for society through interactions between business and nonprofit actors, such as improved health), and economic value as conflicting or a trade-off, recent publications stress the opportunity and importance of combining them.

Porter and Kramer (2011), for example, recently highlighted the need for more strategic approaches to combine and maximize social and economic value for a variety of

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[2] AMA marketing definition of 2004: " Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that *benefit the organization and its stakeholders*." (Gundlach and Wilkie, 2009: 259, emphasis added).

stakeholders, an idea they termed 'shared value creation'. They contrast this approach, which also includes strategic collaboration between for-profit and nonprofit actors, with more traditional forms of corporate social responsibility, such as philanthropy, which they describe as "separate from profit maximization" (p. 16). Such a strategic focus is in line with the growing body of literature on business-nonprofit partnerships, which suggests that collaboration across sectors can lead to social value for society (e.g., reduced poverty, improved health and education), while creating economic value for the partnering organizations (e.g., an improved reputation, access to new markets and complementary resources) (Austin, 2010). Strategic approaches to capitalize on social interactions, however, are not restricted to value that is created through collaboration across sectors. Online social networks are another domain in which value creation depends on social interactions among other actors, namely individuals. Due to the specific nature of value creation in such networks, through interactions between consumers, and the limited role of network providers, companies need to think about viable revenue models to capture economic value.

This dissertation, which adopts a broadened marketing perspective, aims to explore emerging social interactions in relation to economic value. More specifically, it analyzes how social interactions at the organizational and individual level may affect individual consumers and companies economically as well. To help shed light on this broad theme, the Ph.D. thesis focuses on two emerging phenomena, namely business-nonprofit partnerships (chapters two to four), and online social networks (chapter five). Both will be briefly introduced in the following sections.

Business-nonprofit partnerships

Strategic interactions among business and nonprofit sectors have increased strongly over the years. Business-nonprofit partnerships are one of four types of cross-sector collaboration, including cooperation between government and business (frequently referred to as public private partnership), government and nonprofit organizations, and trisector partnerships, which involve actors from the state, the market and from civil society

(Seitandi and Crane, 2009; Selsky and Parker, 2005). Three chapters of this dissertation focus on partnerships between business and nonprofit sectors, which have also been termed 'social alliances' in the marketing literature (Berger, Cunningham and Drumwright, 2004 & 2006).

This emerging form of collaboration has been defined as "close, mutually beneficial, long-term partnerships designed to accomplish strategic goals for both entities" (Berger et al., 2004: 59). As such they go beyond more traditional forms of corporate social responsibility (CSR), such as cause-related marketing, philanthropy or sponsorship (Berger et al., 2006; Seitanidi and Ryan, 2007), which have mainly been associated with marketing goals and resources. Different from such charitable or transactional activities, business-nonprofit partnerships address problems or public policy issues of mutual concern that are usually too big or complex to be solved by one actor alone (Ashman, 2001; Selsky and Parker, 2005). Motivated by a lack of critical competences to tackle such issues (Selsky and Parker, 2005), partnerships make "synergistic use of organizational core competencies and resources to address key stakeholders' interests and to achieve both organizational and social benefits" (McAlister and Ferrell, 2002: 690). This win-win approach for society and the partnering organizations stresses the strategic nature of partnerships.

An example is the long-term partnership between TNT, an international transport and logistics company, and the United Nations World Food Program (WFP), a humanitarian organization fighting famine. Since 2002, TNT has used its core business skills and expertise in logistics to help the WFP, for instance, with optimizing transport routes and efficiency. Moreover, TNT provides resources such as warehouses, airplanes or trucks to support WFP's emergency food deliveries. This type of strategic partnerships between the business and nonprofit sectors is part of a wider trend. A recent survey among businesses and nonprofit organizations shows that 90% of practitioners believe that business-nonprofit partnerships will become increasingly important during the next few years. Among companies, 72% also expect to increase their investment in such alliances (C&E, 2010).

As companies and nonprofit organizations usually possess distinct resources and capabilities, collaboration across sectors may help to overcome problems that are too complex to be addressed by one single actor (Austin, 2010). Furthermore, companies are experiencing increasing external pressures from a variety of stakeholder groups, including customers, investors, interest groups and the media (cf. Pedersen, 2005; Selsky and Parker, 2005). In addition, these external forces that drive cross-sector collaboration are accompanied by partner organizations' internal motivations, such as a lack of critical resources or competences, the aim to improve the corporate image or brand reputation, need for higher visibility, and access to the partner's network, managerial or technical skills, and new markets (Austin, 2000; Kolk et al., 2008; Selsky and Parker, 2005).

It might be said that there is a certain convergence between business and nonprofit sectors, particularly with regard to value creation, stakeholder management, organizational structure and the mobilization of capital (Austin, Gutierrez, Ogliastri and Reficco, 2007). With nonprofits globally earning 57% of their income from the sale of goods and services, a clear separation between sectors based on social versus economic value creation no longer holds (Austin et al., 2007). The blurring between sectors seems to require a different managerial mind-set, driven by perceptions of interdependence rather than by a focus on 'us' versus 'them' (Austin et al., 2007). In order to capture the synergies from both sectors and to truly benefit society, companies and nonprofit organizations need to collaborate and learn from each other. Bouwen and Taillieu (2004), for instance, argue that actors need to form networks across sectors as classical bureaucratic and hierarchical designs are no longer appropriate to meet requirements for efficiency and innovativeness. Value can hence be created collectively through organizational interactions for the benefit of society (macro level), the partnering organizations (meso level), and individuals more broadly, including employees and consumers (micro level).

Despite this positive potential, many partnerships fail to deliver the desired effects. One of the main challenges identified by the practitioner community is the experienced difficulty to convince and engage the partner organizations' internal and external constituents (C&E, 2010; Tennyson and Harrison, 2008). A recent survey shows that 70% of partnering business organizations regard the engagement of stakeholders and effective communication as one of the key factors to a successful partnership with nonprofits (C&E, 2010). Nevertheless, a lack of coordinated communication and management of partnerships has been identified as a major obstacle for creating enthusiasm among important stakeholders (Tennyson and Harrison, 2008).

This need for more managerial guidance is also reflected by a scarcity of academic marketing and management research that focuses on the micro level of business-nonprofit partnerships, that is, the level of individual actors within or outside the partnering organizations. In particular, Seitanidi and Ryan (2007: 256) called for more research at the micro level of partnerships as “organizational benefits not only stem from the outcomes of the interaction but also from the process of interaction”. Similarly, other authors highlighted the importance of understanding stakeholders’ needs and how benefits for different stakeholder groups derived from business-nonprofit collaboration can be integrated into organization’s strategies (McAlister and Ferrell, 2002). Chapters two to four of this thesis aim to contribute to the theoretical and managerial issues raised above by paying specific attention to the micro level of business-nonprofit partnerships, including the role of consumers, whose responses towards partnerships have been hardly studied from a marketing perspective.

Online social networking

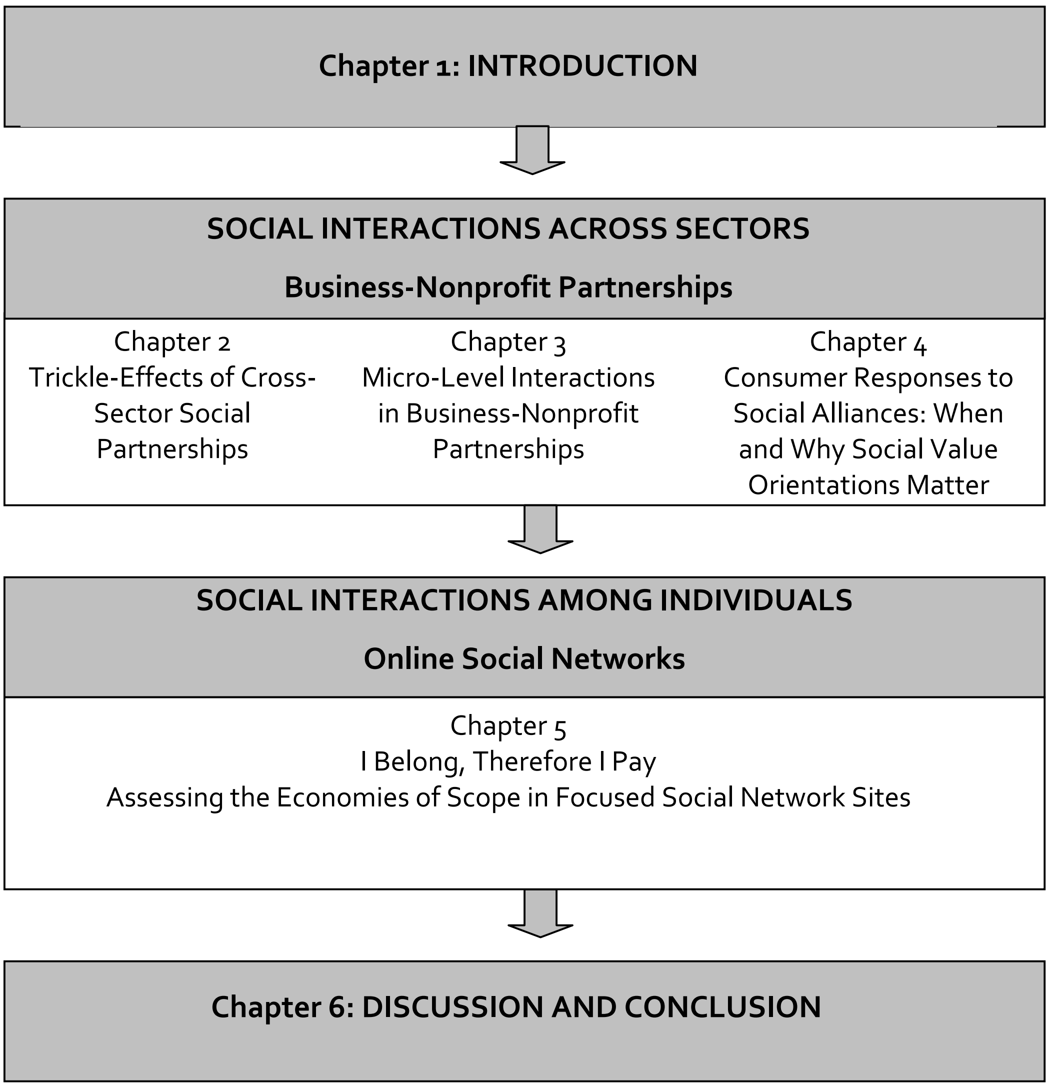
Social network sites, such as Facebook, LinkedIn, or Twitter, are online communities that facilitate communication and interactions among members and allow them to share personal content (Trusov, Bucklin and Pauwels, 2009; Enders, Hungenberg, Denker and Mauch, 2008). They help members to create networks including friends, family, acquaintances and colleagues in order to build and maintain social and professional relationships (Trusov et al., 2009). In Europe, about four out of every 10 internet sessions include a visit to a social network site, with women spending somewhat more time on social networks (24.3%) than men (16.8%). With 84.4% of internet users engaging in online social networks, penetration in Europe is slightly lower compared to North America (89.8%). However, ongoing growth for social network site use has been predicted for 2011 (comScore, 2010).

The creation of online social communities has been facilitated by the advent of Web 2.0, a term inspired by new technologies enabling online platforms for collaboration, interaction and content sharing. These developments are considered a “paradigm shift” from consuming content that is provided by the website operator, to content or value created by active members through their interactions with others (Enders et al., 2008: 199; Ritzer and Jurgenson, 2010). As value creation depends on consumers’ online interactions, the website operator's role is reduced to that of a facilitator who builds and maintains network services. This limited role of social network site operators raises the question about viable value propositions for members, as well as about profitable revenue models for operators who increasingly aim to capitalize on members' online interactions (Ritzer and Jurgenson, 2010). On the one hand it has been suggested that large online networks, relative to small, focused ones, may offer more value to their members due to increased possibilities for interaction and lower switching costs (Aschoff, Aschoff and Schwabe, 2010). On the other hand, many members of mega social network sites such as Facebook feel increasingly uncomfortable to share information with their network that often includes their friends, family, but also colleagues and business contacts (Sharp, 2009). In fact, the 2011 Edelman Trust Survey (Edelman, 2011) showed that on average, users of Facebook only know about 100 out of 500 individuals they list as 'friends' on their profile. While generally opinions of peers or 'people like me' are considered important for the creation of trust (Edelman, 2007), the 2011 survey suggests that credibility in peers is hampered in such mega networks. In line with these observations, the practitioner community predicts an increase of niche social network sites (Sharp, 2009), which underlines the importance of managerial and theoretical insights, which will be addressed in chapter five of this thesis. In particular, chapter five aims to explore how social interactions among members of a niche social network site can be translated into economic value for network site providers.

Introduction of the chapters and objectives

This thesis consists of a collection of four papers based on one theoretical study (chapter 2), and three empirical studies (chapters 3, 4 and 5). These four chapters illuminate the two general topics outlined above, with the following three chapters (i.e., 2, 3, 4) discussing business-nonprofit partnerships, and chapter five dealing with online social networks (see Figure 1 for a graphical depiction of chapters and their titles). As common in article-based dissertations, each chapter forms a separate study which can be read independently. This explains some overlap with regard to theory and method descriptions across chapters. The papers presented in chapters two to five were conducted in collaboration with other (co-)authors. Therefore, in this thesis, 'we' is used instead of 'I' to refer to the (co-) authors of the research papers. While the articles presented in chapters two and three are already published and forthcoming, respectively, the articles based on chapters four and five are currently prepared for submission to academic journals.

Figure 1. Graphical depiction of chapters



Business-nonprofit partnerships: chapters two, three and four

The second chapter is based on a conceptual study and outlines potential diffusion mechanisms of business-nonprofit partnerships. First, drawing on the economics and marketing literature we refer to potential diffusion effects of partnerships as "trickle-down", "trickle-up", and "trickle-round". We theorize that these three processes can explain how (positive) outcomes of such alliances are diffused across the macro (i.e., societal), meso (i.e., organizational) and mirco (i.e., individual) levels. This conceptualization attempts to demonstrate that the success or failure of cross-sector partnerships might have much more multifaceted implications than previous studies implied, which have mainly focused on only one of these three levels. Second, as most extant research on partnerships has focused on the macro and meso perspectives, chapter two pays specific attention to the micro level by considering interactions among individuals within and across organizations (i.e., employees, consumers). The aim of this micro study is to conceptually explore factors that might promote or hamper the successful diffusion of partnerships within and across organizations. According to Berger et al. (2006: 134), "(t)o be successful and long lived, alliances must be diffused throughout organizations, enhancing the relationships between employees and their organizations". To date, however, theoretical and managerial understanding on how to ensure internal and external stakeholders' involvement with a partnership has remained undeveloped. Based on theories from various disciplines we attempt to explain potential spill-over effects between superiors', subordinates' and customers' evaluations of the partnership and their respective behaviors, such as telling others about the initiative or actively participate in it.

The third chapter focuses on the micro level of business-nonprofit partnerships and combines a theoretical and empirical approach. First, this study zooms in on potential interactions among employees and consumers as illustrated in chapter two. It draws on various theoretical perspectives from both marketing and management to conceptually relate potential partnership outcomes for employees and consumers. More specifically, we theorize how partnerships, and active employee participation in particular, may affect employees, and how those effects may in turn spill over to consumers. This study proposes that employee participation in partnerships could have favorable (i.e., high self-interest) or unfavorable effects (i.e., low self-interest) for consumers. In a second step, we empirically investigate how consumers respond to perceptions of high versus low self-interest. In particular, we build on attribution research and consistency theories to hypothesize that consumers' responses towards the company will not always be more positive in the case of high self-interest. Rather, we suggest that their responses will depend on the level of company-cause fit. The aim of this study is two-fold: first, although employees have been identified as important advocates of business-nonprofit partnerships who may even create awareness among external constituents (Berger et al., 2004; Drumwright, 1996), to our knowledge, no studies so far have explicitly related employees' behaviors with regard to such partnerships to consumers' responses. By conceptualizing this link we hope to pave the way for future research on this topic. Second, considering company-cause fit as potential boundary condition, this study aims to contribute to the academic debate on the (relative) importance of self-interest as a motivator for consumers' beliefs and behavioral intentions.

While in chapter three self-interest was theorized to be created equally for all consumers, chapter four explores the role of self-interest versus other-interest based on personality traits. Drawing on the literature of social value orientation (SVO), this empirical study differentiates between prosocials and proselfs. While individuals characterized as prosocials generally strive for cooperation and equality and consider the consequences of their choices on others, proselfs first and foremost aim to maximize their personal and relative advantage (Van Lange, De Bruin, Otten and Joireman, 1997). This chapter aims to explore empirically for which type of consumer (i.e., prosocial versus proself) business-nonprofit partnerships matter more. Moreover, as in chapter three, the level of company-cause fit is considered as a potential moderating factor. In an attempt to explain the hypothesized differential responses by prosocials and proselfs, this study also takes consumers' corporate ability perceptions into account, which are expected to be influenced by consumers' individual social value orientation and their perceptions of fit. By doing so this study aims to contribute to the literature on social value orientation and fit.

Online social networks: chapter five

Chapter five is based on an empirical study that attempts to enhance our understanding of viable value propositions for niche social network sites, which are enjoying growing popularity in response to mega social network sites such as Facebook or Myspace (Holahan, 2007; Sharp, 2009). Moreover, we are interested whether and how niche social network site providers can transform members' perceived value into economic returns in the form of paid subscription fees. This study draws on existing research on online communities which adopted social capital theory to explain members' commitment towards the network (e.g., Mathwick, Wiertz and de Ruyter, 2008). To capture the narrow focus of a niche social network site, we add entitativity, a concept from psychology that still needs to pave its way into the marketing literature. Entitativity describes to what extent a group is perceived as a single, meaningful, coherent entity (Igarashi and Kashima, 2011; Lickel, Hamilton, Wieczorkowska, Lewis, Sherman and Uhles, 2000). While this concept seems particularly insightful in the context of online social networks and may spur future marketing research, we also attempt to contribute to the existing entitativity literature more generally. Furthermore, we investigate whether entitativity and social capital may – directly and indirectly – impact niche social network site members' willingness to invest in membership fees. By doing so, this chapter also aims to contribute to the academic debate on the success of subscription-based online revenue models (e.g., Enders et al, 2008; Pauwels and Weiss, 2008), which has hitherto been inconclusive. Table 1 provides an overview of the studies discussed in chapters 2, 3, 4 and 5.

The final chapter of this thesis, chapter six, discusses the main findings and conclusions of the four studies presented in chapters two to five. It outlines the main theoretical contributions and practical implications of this thesis. Finally, it depicts some implications for future research by embedding the findings in the broader academic and societal debate, and also addresses potential limitations.

Table 1: Overview of studies discussed in chapters two to five

Chapter	2	3	4	5
Topic	Business-Nonprofit Partnerships			Online Social Networks
Levels of social interaction	cross-sectoral and individual			individual
Individual actors considered	Managers, Employees, Consumers	Employees, Consumers	Consumers	Consumers
Main concepts/ theories: Predictors	Leadership style, Open communication climate, Social exchange & contagion, Social learning, Attraction-selection-attrition	Self-interest, Fit	SVO, Fit Corporate abilities	Entitativity, Social capital Social value Economic value
Outcomes	Partnership-related evaluations and behaviors	Attitude, Trust, Word of Mouth, Switching, Buying	Attitude, Trust, Word of Mouth	Willingness to invest
Main contributions	Conceptualization of trickle-up, -down and -round effects to explain potential diffusion mechanisms of business-nonprofit partnerships at the macro, meso and micro levels	Conceptualization of spillover effects of partnerships from employees to consumers; Empirical investigation on whether and when consumer self-interest to be derived from partnerships is important	Empirical investigation on whether, when and why stable personality traits (SVO) matter with regard to consumers' responses to partnerships	Empirical investigation of viable value propositions for niche social network sites, considering paying and non-paying members