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Social interactions for economic value? A marketing perspective

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Chapter 6

Discussion and Conclusion

This dissertation shed light on two emerging phenomena in the marketing environment, business-nonprofit partnerships and online social networks, which might be vehicles for integrating social value with companies' economic interests. In particular, this thesis aimed to explore how social interactions at the organizational level (i.e., between business and nonprofits) and individual level (i.e., among consumers in an online network) can influence consumers as well as companies. The four chapters suggest that, under certain conditions, value created for consumers can be integrated with companies' economic interests as well as with society's interests more broadly. The findings and implications are discussed in more detail below.

Business-nonprofit partnerships

Chapter two is a conceptual piece of work that draws on insights from the marketing, psychology, organizational and economic literatures to explore potential diffusion mechanisms of business-nonprofit partnerships. First, we suggested that there exist potential trickle-down, trickle-up and trickle-round effects of partnership outcomes between different levels, including society (macro level), the partnering organizations (meso level) and interactions among individuals (micro level). Second, focusing on the micro level, we conceptualized how partnership-related perceptions and behaviors may spread among managers, employees and consumers of the company partner. With regard to the micro level, this theoretical study brought forward a number of propositions. In particular, we suggested that participative and transformational leadership styles, as well as an open communication climate would be positively related to organizational members' engagement in partnership-related conversations with their superiors (trickle-up), their

peers within and across the partnering organizations (trickle-round), and subordinates (trickle-down). Equally, our conceptual model suggested that theories on social exchange and contagion, social learning and attraction-selection-attrition may explain how partnership-related evaluations and behaviors trickle up, down and round among managers, employees and consumers.

Our conceptualization suggests how partnerships may be effectively diffused among individuals within and across the partnering organizations. By doing so this study contributes to the academic literature that has called for more research on the processes of cross-sector collaboration, as “organizational benefits not only stem from the outcomes of the interaction but also from the process of interaction” (Seitanidi and Ryan, 2007: 256). Similarly, Berger, Cunningham and Drumwright (2006) underlined that partnerships need to be diffused successfully within organizations in order to be sustained. Most previous research on business-nonprofit partnerships has concentrated either on the categorization of partnerships/individual organizations, or on partnership outcomes at the organizational level (meso). While these studies identified factors that may advance or inhibit successful collaboration between the partners at the meso level, the focus of the current theoretical exploration is on processes that might explain the successful implementation of a partnership at the micro level (i.e., within organizations). Through the identification of specific theoretical constructs that can be used in future empirical studies, this chapter fosters theory building with regard to micro-level interactions. More specifically, we applied theories that have mostly been used to explain organizational top-down effects to a partnership context and suggest that these same theories could also explain trickle-up and trickle-round effects. This reasoning is explained by the collaborative nature of value creation in business-nonprofit partnerships, which – as a matter of principle – abandons hierarchical structures.

The micro level of business-nonprofit partnerships introduced in chapter two was further explored in chapters three and four by considering potential effects on employees and most notably, on consumers. In particular, similar to chapter two, chapter three theoretically established a link between employees and consumers. By paying specific attention to the service-profit chain concept and related psychological mechanisms, this study illustrated how employees’ active participation in partnership activities might impact consumers either favorably (i.e., high consumer self-interest), or unfavorably (i.e., low self-

interest). In chapter two we introduced theories that stress the consistency of perceptions among employees and consumers, by arguing that (un)favorable thoughts about the partnership would spill-over from one actor to the other. In chapter three we elaborated further on this by suggesting that consumers could object to the partnership if they feel neglected by employees, even though employees may enjoy being involved in the partnership and hence support it. Drawing on studies from different disciplines, chapter three bridges insights from the marketing and organizational literature, and contributes a conceptual framework for future empirical investigations.

In addition to the theoretical approaches used in chapters two and three, chapters three and four were based on empirical studies and investigated the relative importance of consumers' self-interested motivations from different perspectives. While chapter three theorized how self-interest can be created equally for all consumers (i.e., through interactions with employees), chapter four viewed self-interest versus other-interest from the perspective of personality traits. Both studies are similar in a way that they suggest that self-interested motivations would impact consumers' responses towards business-nonprofit partnerships in terms of their evaluative and behavioral responses with regard to the company. Furthermore, we hypothesized that these effects would be moderated by the level of fit between the company and the cause (i.e., company-cause fit). In both studies we found that consumers' self-interested motivations, whether they are induced by the company's actions or inevitably related to a person's personality, only seem to influence consumers' responses in the case of high-fit partnerships, whereas in the case of low fit such motivations did not seem to matter.

More specifically, chapter three suggests that neither high consumer self-interest, nor high company-cause fit should be regarded as a panacea for favorable consumer evaluations and behaviors. While self-interest is often considered as "the cardinal human motive" (Holmes, Miller and Lerner, 2002), and high fit should evoke more positive consumer responses than low fit according to congruence theory (e.g., Lafferty, 2007), our findings suggest that both tactics may only deliver the desired results for companies when communicated in combination. This reasoning is supported by consistency theories, according to which consumers try to avoid dissonance among their thoughts and expectations (Simpson, Irwin and Lawrence, 2006). It seems that any information related to either low self-interest or low fit is perceived as unfavorable, and undermines potential

positive effects of either high self-interest or high fit. These results contribute to the emerging academic debate in the marketing field that calls for more understanding on how corporate social responsibility (CSR) may benefit individual stakeholders' interests in order to understand its effects for the company (Bhattacharya, Korschun and Sen, 2009; Pelozo and Shang, 2011).

Consumers' individual self-interest was also addressed empirically in chapter four. However, instead of theorizing that self-interest is created equally for all consumers, as we did in chapter three, chapter four studied the importance of self-interest versus other-interest from the perspective of personality traits. Drawing on the social value orientation (SVO) literature, which differentiates between prosocials and proselfs (Van Lange, De Bruin, Otten and Joireman, 1997), chapter four suggests that identical information about a partnership and the level of fit may signal different meanings to prosocials and proselfs. Whereas prosocials appear to reward companies for their engagement with a well-fitting cause in terms of positive evaluations and word-of-mouth intentions, proselfs rather punish them for high fit. Drawing on consumers' attributions to fit, congruence and social identity theories, our reasoning challenges and extends prevailing conceptions of the CSR literature. In particular, previous CSR studies drawing on congruence or consistency theories maintained that consumers' responses to high-fit alliances would be more favorable compared to low fit, as individuals strive for harmony and consistency among cognitive elements (Lafferty, Goldsmith and Hult, 2004; Jagre, Watson and Watson, 2001). However, as prosocials and proselfs value different things and interpret identical situations differently (Van Lange and Kuhlman, 1994), it is likely that consistency is not established equally for all consumers. This reasoning was also confirmed by our findings that prosocials and proselfs perceive a company's product quality and innovativeness differently according to the information on fit. While high fit seems to signal high corporate abilities to prosocials, the opposite is true for proselfs, which also explains their responses towards the company in terms of attitude and trust, which in turn influence their recommendation intentions.

In summary, chapters three and four suggest that congruence or consistency theories may provide a meaningful lens to study consumer responses to business-nonprofit alliances beyond the context in which these theories have hitherto been applied. In particular, while congruence theory has mainly been used to underline the importance of high company-cause fit (e.g., Jagre et al., 2001; Lafferty et al., 2004), our studies imply that

consumers' positive or negative responses towards companies depend on whether information on fit is consistent with their interactive and relativistic experiences (Holbrook, 2006). Put differently, individual customer value seems to be created through business-nonprofit partnerships to the extent that consumers' thoughts evoked by information about the partnership are in line with their subjective values and other experiences with the company.

Online social networks

Similar to chapters three and four, congruence or consistency theories may provide a meaningful lens to study consumer responses to online social networks as well. In particular, in addition to the direct effects of social capital and entitativity on willingness to invest in membership fees, we find that members' payment intentions also depend on the value (i.e., social versus economic) they derive from the community phenomena social capital and entitativity. However, as hypothesized, not all members' intentions to invest in fees seem to be motivated equally by these values. Whereas non-paying members appear to be driven mainly by economic value (e.g., realized financial advantage, finding a job or housing through the online network), upgraded members who already pay subscription fees are motivated to extend their paid membership period rather by social value. Interestingly, upgraded members even seem to strongly reject economic value as a driver to extend their subscription period, which might be rooted in the communally-oriented relationships they seem to maintain on their online networks. Therefore, members' willingness to invest financial resources in the form of membership fees seems to depend on whether the realized benefits (i.e., economic versus social value) are consistent with the relationship norms that govern members' online interactions (i.e., exchange versus communal relation). Economically motivated behavior seems to be inconsistent with the communal relationship paradigm where individuals truly care about the other's welfare, and may hence cause negative feelings (cf. Ryu and Feick, 2007).

More generally, chapter five contributes to the hitherto inconclusive academic debate on the potential success of subscription-based online revenue models. While some literature highlights social network site members' general reluctance to pay subscription fees due to the nature of value creation in such networks (Ritzer and Jurgenson, 2010),

others refer to the indispensability of a “critical mass of users” (Enders, Hungenberg, Denker and Mauch, 2008: 209). While this discussion may bear indirect (adverse) implications for niche social network sites, the academic literature has remained largely silent on niches. Therefore, our results lend support for the emerging literature suggesting that subscription fees may provide a viable online revenue model for social network site providers, even in the context of a niche.

Finally, the findings of chapter five add new insights to the available literature on online value propositions, which, to our knowledge, has not yet addressed the specific context of a niche. While social capital theory has been suggested as a value proposition for online communities by previous research (e.g., Chiu, Hsu and Wang, 2006; Mathwick, Wiertz and de Ruyter, 2008; Wasko and Faraj, 2005), our study adds the concept of entitativity, which seems particularly meaningful to capture the narrow scope of a niche. Entitativity describes to what extent a group is perceived as a single, meaningful, coherent entity (Igarashi and Kashima, 2011; Lickel, Hamilton, Wierzchowska, Lewis, Sherman and Uhles, 2000). The concept hence closely resembles a niche, which has been defined as a relatively homogenous group of customers with similar attributes or needs (cf. Dalgic and Leeuw, 1994). The results of our empirical investigation show that members who perceive their online social network as high in entitativity derive more social and economic value. These findings also advance previous studies on entitativity, which – to our knowledge – have not yet applied the concept in an online context. Our preliminary findings may spur future investigations on entitativity in the (online) marketing field.

In summary, all studies to some extent seem to reflect the overall struggle and objective to balance and integrate social and economic needs, which seems to apply for organizations as well as for consumers. While consumers are willing to engage in social interactions, thereby contributing to social value, either directly (chapter 5), or indirectly by supporting business-nonprofit partnerships (chapters 3, 4), this readiness is accompanied by economic considerations as well (e.g., self-interest, importance of high corporate abilities, economic value). Similarly, at an organizational level, companies increasingly contribute to and facilitate social interactions (e.g., by providing online social networks, or through the collaboration with other actors in society), while at the same time they strive to capitalize on the social value that is created.

Implications for practice

While our findings pose some managerial challenges, they also depict important implications. First, the empirical findings of this thesis suggest that customer value is not created equally for all consumers. While companies may be able to manage consumers' expectations to some extent, for instance, by choosing or communicating an appropriate level of fit, or by stressing specific benefits (e.g., consumer self-interest, social or economic value), they have to accept that certain aspects are beyond their control. Individuals' social value orientations, for example, are beyond companies' sphere of influence. Similarly, as suggested by our post-hoc analyses in chapter five, common segmentation criteria, such as differentiating between fee-paying and non-paying social network members, might not fully explain consumers' expectations or needs. Rather, members' subjective perceptions of entitativity seem to provide an additional explanation for which benefits in fact drive regular members' behavioral intentions, which, however, will be difficult for companies to assess.

While at first sight this might seem problematic from a managerial point of view, insights from the literature on online (brand) communities may provide interesting avenues, even in the context of business-nonprofit partnerships. More specifically, similar to brands that engage in online communities, companies that facilitate or stimulate interactions among different actors in the marketing environment abandon control as well. For instance, in business-nonprofit partnerships, companies share their well-guarded core business related expertise with their nonprofit partner, and providers of online social networks fully rely on their members to create value through interactions. Rather than seeking control, the literature on brand communities recommends managers to nurture and facilitate communities by creating beneficial conditions, and by trying to understand developments in the community rather than steering them. Similarly, it is advocated that consumer loyalty should be regarded as a "reward for meeting people's needs", rather than as a motive to set-up a community, and that these needs may differ across consumers (Fournier and Lee, 2009: 107).

Applying these insights to the findings of this thesis, companies should refrain from viewing social interactions (e.g., business-nonprofit partnerships, online social networks) as a marketing tool to boost economic returns. Rather, social interactions, either at the

organizational or individual level, should be evaluated based on their potential to create differential value for a variety of stakeholders. Acknowledging that consumers have different needs and seek diverse values, companies should make sure that social interactions do not only contribute to consumers' social, but also their economic benefits, and that they can choose a value proposition that suits them most in a certain situation. Strategic business-nonprofit partnerships seem particularly suitable to achieve this aim. By partnering with a nonprofit organization that complements a company's lacking skills or helps the business to innovate (cf. Holmes and Smart, 2009), partnerships can appeal to consumers' social *and* economic needs. Moreover, companies could offer different levels of stakeholder engagement in these partnerships, for instance for employees, managers and consumers, to meet different audiences' interests in such initiatives.

Second, and related to the previous implication, companies face a variety of possibilities with regard to whether, what and how to communicate about their CSR initiatives. Whereas many companies are cautious to inform important stakeholders about their good deeds, desired business returns depend on whether these constituents are aware of and support the company's CSR efforts (Du, Bhattacharya and Sen, 2010). The findings of this thesis suggest that the issues companies should stress in their CSR communication depend on what they want to achieve. While priming consumers' self-interest can have a direct and positive impact on a company's bottom line (in terms of buying and switching intentions), effects on the corporate image in terms of favorable attitudes or trust are less likely, at least, if not accompanied by a high level of fit between the company and the cause. Although this finding seems to imply that it is advisable for companies to choose a nonprofit partner with a high fit, such a notion should be taken with caution in view of the findings revealed in chapter four. In particular, chapter four suggests that companies selecting a high-fit cause face a dilemma. On the one hand, high fit seems to signal good corporate abilities to prosocials, who will hence reward the company. On the other hand, high fit seems to imply low corporate abilities to proselfs, who thus punish companies. While business organizations might not be able to specifically target prosocials and proselfs, they should make sure consumers are aware of their strong corporate abilities to avoid potential pitfalls of CSR communication in the first place.

It should be noted, though, irrespective of consumers' preferences for fit, that the choice for a high-fit partnership seems more advisable from the viewpoint of ensuring the

success of business-nonprofit collaboration. Similarities in the partners' missions, cultures and core business facilitate understanding and interactions between the partners (Berger, Cunningham and Drumwright, 2004). High fit may thus seem a logic choice from a strategic point of view. From a societal perspective, however, a company's deliberate choice for a high-fit partner could also have detrimental effects, as certain urgent causes simply might not fit well with most companies' objectives, and might therefore be neglected as potential partners. Overall, considering the pros and cons, it seems advisable for companies to choose a high-fit cause that is best equipped to help address pressing societal issues, and meets the company's strategic objectives. At the same time, however, they should ensure that consumers have no reason to believe that the partnership activity might be carried out at the expense of the company's corporate abilities or its customer orientation.

Third, a broadened stakeholder perspective seems not only advisable with regard to company-cause fit, but for business-nonprofit partnerships more generally. As implied by our conceptualizations in chapters two and three, such initiatives may not only benefit society and the partnering organizations, but bear important implications for individual constituents (consumers, employees, managers) as well. In order to align the needs and expectations of different stakeholders, companies should strive for concerted efforts by various organizational departments. Instead, the responsibility for partnerships, and CSR more generally, is often assigned to the marketing (or CSR) department alone, and usually only constitutes one task among many. Coordination across departments may help to tackle problems of uncoordinated communication and poorly managed engagement of stakeholders, two aspects that have been identified as key impediments for the success of business-nonprofit partnerships (C&E, 2010; Tennyson and Harrison, 2008).

While our conceptual model in chapter two still requires empirical validation, more attention to potential trickle-up effects might be desirable. To facilitate employee engagement among lower levels of the organizational hierarchy, management may need to ensure that employees can openly exchange their ideas about the partnership, or that they are able to initiate partnership-related activities (such as fundraising or knowledge sharing) themselves. To create such an environment, management may also need to pay attention to (team) leaders and their ways of interacting with subordinates. Managers' indispensable commitment towards the partnership, as already advocated by previous studies (Collier and Esteban, 2007; Waldman, Siegel and Javidan, 2006), seems even more important when

considering more subtle diffusion mechanisms implied by for instance, social exchange, contagion or learning theories. The long-term and integrative character of partnerships provides promising possibilities for engagement of and interaction with a variety of stakeholders and could be an adequate vehicle to consolidate a variety of needs of different stakeholder groups.

Fourth, companies should also consider accommodating consumers' desire for more online interactions with business, as well as among individuals (Trendwatching, 2010). In particular, chapter five of this thesis suggests how individuals' online interactions on niche social network sites may be translated into economic returns for social network site providers. As niche social network sites, different from their 'big brothers', do not have scale advantages available, the general value proposition of 'connectivity' seems insufficient to attract and retain a stable crowd of members. Rather, our findings suggest that by focusing on the right people for the right purpose, niche social network sites are able to attract a relatively homogenous group of members with similar interests or needs. The group-feeling that connects these members, together with community norms arising in the form of social capital, provide value for group members. Our results imply that members are willing to pay subscription fees in order to sustain the group and the value they derive. Niche social network site providers are hence advised to stimulate perceptions of entitativity among members, for instance by focusing on a specific purpose or common interest that strengthens members' perceptions of similarity to or proximity with other group members. Moreover, as not all niche social network site members are motivated equally to participate in the network, providers should stress the potential realization of economic value for non-paying members, while highlighting social value and the fun of interaction to address paying members.

Limitations and future research directions

Although chapters two to five have already discussed limitations of the individual chapters and provided many suggestions for future research, this section attempts to highlight some general constraints and overarching ideas.

First, the need for more collaboration across organizational departments to successfully manage, implement and diffuse business-nonprofit partnerships, as indicated in the managerial implications above, is also reflected by a need for more cross-disciplinary research on this topic. A broadened stakeholder perspective is needed to grasp the multiple effects on a variety of actors. While our conceptualizations in chapters two and three provide a first step into that direction by integrating literature from the marketing, psychology, organizational and economics disciplines, they still require an empirical investigation, which points at a limitation of this thesis. In addition to a conceptual study, and the empirical studies of components of a more comprehensive model, empirical investigations of the entire model depicted in chapter two, ideally including multiple informants to study their interactions (e.g., employees at various organizational levels, consumers, members of nonprofit organizations), seem a promising and interesting avenue for future research.

Unfortunately, the collection of primary data on corporate social responsibility can be very difficult, for instance, due to the emergent nature of specific CSR issues (Hahn, Kolk and Winn, 2010; Kolk and van Tulder, 2010), or when it aims to include a variety of stakeholders. Our call for cross-departmental data collaboration with regard to partnerships also responds to the difficulties we experienced concerning data collection. This issue was particularly pressing during the economic crisis, when interests of the CSR/marketing department seemed to clash with those of the human resource management department. While the CSR manager of a company that we approached was committed to data collection among employees and underlined the importance of the company's ongoing commitment towards the partnership during the crisis, the human resource management department had to deal with upcoming layoffs, and considered the timing of approaching employees with partnership-related issues as inappropriate.

Another difficulty in measuring the effects of the (intra-organizational) diffusion of business-nonprofit partnerships relates to our observation that some partnerships, or CSR activities more generally, are not well-diffused in terms of awareness or active engagement (yet), even though they are communicated to internal and external audiences. The measurement of the effects of partnerships and the identification of effective ways to diffuse them throughout organizations, however, requires that managers and employees are aware of and actively engage in partnership activities. Despite these complexities, we

recently managed to start a research collaboration with a company to empirically study the intra-organizational diffusion of partnerships based on (parts of) the conceptual model developed in chapter two.

Second, in addition to spill-over effects within and across organizations, as well as between employees and consumers, it could be interesting to consider effects on families or friends of employees and consumers as well. As suggested in chapter two, individuals hold multiple roles in society simultaneously, including being an employee, a consumer and a family member. Employees getting actively involved with a cause through a corporate partnership program might as well pay more attention to partnership initiatives of other companies in their role as a consumer. Similarly, they may tell their friends and family members about the partnership, or even try to engage them (e.g., by inviting them to a partnership-related event or asking them to donate money), which could in turn fuel those friends' enthusiasm as well, potentially even in their roles as employees or consumers. Such spill-over effects go beyond recommending a CSR-active company to others, an aspect that has been investigated in extant CSR research. Furthermore, taking individuals' multiple roles into account in an online social network context could be another fascinating avenue for future research. With the global proliferation of online social network use, and the gigantic growth of mass SNS such as Facebook or Twitter, friends, family, colleagues, acquaintances and members of leisure clubs are increasingly combined in one network. As it has been suggested that many people feel uncomfortable sharing information with such broad audiences online (Sharp, 2009), the question whether overlapping roles indeed hamper, or rather fuel customer value derived from online social networks seems an exciting one to explore.

Third, insights from online social network studies could also be applied in the context of business-nonprofit partnerships. It has been suggested that partnerships have the potential to facilitate the creation of social capital among individuals through the active participation of managers, employees and consumers (Austin, 2010). Such interactions might facilitate informal contacts with other intra- or inter-organizational members to whom one otherwise would not have access. The joint contribution to a cause could then contribute to a flattening of hierarchies and might even contribute to a feeling of unity, as suggested in chapter two. Therefore, future research on partnerships at the micro-level could empirically investigate whether and to what extent social capital and entitativity are

created in a partnership context. More specifically, perceptions of entitativity could arise among a group of employees, potentially including members of the for-profit and the nonprofit partner, who collaborate on a partnership-related project for the benefit of a social or environmental cause. Strong group feelings, driven by group members' collective goals or similarities, might derive benefits for the participating members, and fuel their willingness to invest time, effort or even money to sustain the existence of the group, and hence the partnership initiative. It might also be worthwhile to explore whether partnership-related online social networks, set up either by the company, the nonprofit partner or employees themselves, might strengthen the creation of a group feeling among participants.

Similar to value creation in online social networks, collaboration for a social cause is likely to create social and psychological value for those involved. Moreover, in an organizational context it might also mean that individuals are able to build a valuable network that could benefit them economically as well. Similar to differences between paying and non-paying members of online social networks, employees who actively contribute to a partnership, for instance by volunteering their time or knowledge or by donating money, may be primarily motivated to continue their support due to social value they derive from their involvement, rather than for realized economic advantages. However, employees who are not at all or less involved in the partnership (e.g., they might be aware of it, but have not contributed actively themselves), might be motivated to invest time or money for less intrinsic reasons. For instance, they might decide to participate to improve their intra-organizational network and relationships or career opportunities. More generally, employees' (differential) motivations to participate in business-nonprofit partnership activities seem an interesting topic for future research as well.