1. The horn that didn't toot: The surprisingly weak relationship from advertising to CSR

Shawn Pope

INTRODUCTION

One of the enduring questions in the literature on corporate social responsibility (CSR) is – why do companies engage in CSR? As with most highly generative research questions, at the center of this one is a contradiction: companies are, ostensibly, profit motivated and, yet, CSR is activity that (often by definition) is not profit oriented, but directed toward increasing social welfare. While inquiry into this puzzling research question has spawned complex conceptual models that put forward myriad CSR motivations at multiple levels of organizational analysis (e.g., Aguilera et al., 2007), the answers in general tend to carry two themes: strategy and politics (Pope, 2015; Pope and Meyer, 2016).

Regarding strategy, the most active and well-developed line of CSR inquiry concerns the idea that CSR is ultimately profitable. Because CSR is, according to numerous surveys, demanded worldwide by the general public (e.g., Hiscox and Smyth, 2006; Mohr and Webb, 2005), researchers have inferred and often documented that many stakeholder groups will reward businesses for CSR. For example, consumers might have a higher willingness to pay for CSR products (De Pelsmacker, Driesen, and Rayp, 2005; Hustvedt and Bernard, 2008); employees might be more motivated to work for CSR companies (Meister, 2012; Raub and Blunschi, 2013); and governments might allow more self-regulation to companies in industries with institutionalized CSR frameworks (Delmas and Montiel, 2008; Vogel, 2010).

With regard to power, theorists with a conflict-theory orientation have suggested that because (genuine, substantial, effective) CSR is inherently very costly and, perhaps further, because consumers do not give nearly as much purchasing support to CSR-practicing companies as they claim to do in surveys (Dahlmann, Brammer, and Millington, 2008; Eckhardt, Belk, and Devinney, 2010; Vermeir and Verbeke, 2006), CSR must therefore be imposed upon corporations from the outside through strategic stakeholder activism (Katz, 2010; King and Soule, 2007; Soule, 2009). Indeed, numerous tactics have been observed by which stakeholders have successfully pushed companies to adopt CSR. Activists have constructed and promulgated new CSR organizational rankings (Muli, 2013; Scalet and Kelly, 2009) and utilized online media platforms to shame laggards (Cho and Hong, 2009), as well as drawn upon more traditional tactics such as boycotts and the filing of shareholder resolutions at companies' annual meetings (O'Rourke, 2002; Reid and Toffel, 2009). More generally, conflict theorists are likely to construe CSR as 'essentially a contested concept' (Okoye, 2009) and to perceive the contemporary CSR field as a 'political settlement' among companies and their loyal opposition, a hard-fought outcome in which none of the parties have acquired all the concessions they would have wished (Bartley, 2007a).

Turning to the specific argument of the current chapter, both strategic and political

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accounts of CSR mutually reinforce one another in the expectation of a positive relationship from advertising to CSR. Strategic accounts expect such a relationship because they envision CSR as a tool for companies to differentiate themselves or their products from the competition. A relationship with advertising is often suggested because the companies that are the most likely to use CSR for differentiation purposes are thought to be those that are in highly competitive industries or those that are sensitive to emerging consumer demands for CSR (both of which can also be proxied by the degree of advertising intensity). The usage of CSR for branding purposes, which is thought to be very widespread, ties into contentious debates about whether the modern CSR movement is *merely* a branding exercise on the part of large, consumer-oriented multinational companies, and therefore a movement that is incapable of generating true social change beyond the narrow economic interests of these firms (Alves, 2009; Pope and Wæraas, 2016; Soederberg, 2007).

Political theorists, for their part, tend to expect a relationship from advertising to CSR based on a different logic. This is that firms with high advertising have higher public visibility and thus are more subject to the activist pressure that is thought to have ushered in the contemporary CSR movement. Activists, according to this logic, are highly strategic but resource strapped. They purposefully direct their energies to winning highly symbolic CSR victories from the most visible companies. Such symbolic victories may resonate with the general public and be amplified through media coverage. Highly visible companies, of course, may anticipate this dynamic and engage in CSR preemptively. Otherwise, as a function of the extensive market research that precedes their advertising campaigns, these companies may simply be more attuned to external stakeholder preferences and demands, which are increasingly for CSR.

Taking justification from both logics, over 30 empirical studies that I gather, array, and assess later in this chapter have attempted to establish a relationship from advertising to CSR. These studies, surprisingly, have struggled to do so. This is despite the ascendance of the strategic and political logics of CSR motivation that, together, mutually reinforce the expected relationship. By collecting and evaluating this growing literature, I hope to provide some clues for future researchers seeking to refine this literature by asking *when* and *where* the relationship from advertising to CSR will be positive, rather than assuming a general relationship. It is becoming clearer, in this regard, that future research will need to elaborate new theoretical angles to have a better chance of detecting the relationship, or else, abandon the search in favor of alternative explanations that feature moral, ethical, normative, or institutional accounts of CSR motivation; accounts that do not hinge on the expectation of advertising expenditures before or after CSR adoption.

The second contribution of the chapter is to add original quantitative evidence to this research area. The chapter conducts its own panel study of the relationship from advertising to CSR. The panel study is notable for having a sample that is international, for its efforts to increase statistical power by collating advertising expenditures from several financial databases (a variable that is notorious for having excessive missing values), and for its parsimonious model estimation to increase as much as possible the chance of detecting a small relationship. This original study, as well, fails to provide robust evidence in favor of an advertising-to-CSR relationship. The study ends with a rounded discussion of the findings of the literature review and panel study to direct future scholars toward more promising lines of inquiry.

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Key Terms

Key terms are used in this chapter in a manner that is consistent with conventional definitions. CSR refers to '[a]ctions that appear to further some social good, beyond the interests of the firm and that which is required by law' (McWilliams and Siegel, 2001, p. 117). This common definition features 'actions,' but CSR may relate to statements, policies, and reports, which are not actions as much as official, aspirational, or discursive representations. Thus, throughout this chapter 'CSR activity' (or just 'CSR') subsumes CSR actions, discourse, adoption, and other forms of CSR activity. Since there are debates about the general quality of contemporary CSR practices, it is necessary also to define CSR performance. CSR performance is the perception of high-quality, effective, or substantive CSR as assessed by an absolute standard or relative to company peers (Brower and Mahajan, 2013; De Quevedo-Puente, De La Fuente-Sabaté, and Delgado-García, 2007; Waddock and Graves, 1997). CSR performance is measured in this chapter by the Thomson-Reuters ASSET4 ratings, which are comprehensive, long-standing, company-level, continuous measures of CSR performance at the international level. 'Advertising' is 'any message or other programming material which is broadcast or otherwise transmitted, published, displayed or distributed in exchange for any remuneration, and which promotes or markets any company, service, facility or product' (Ligos and Guritz, 1994, quoting from the US Internal Revenue Service Prop. Reg. 1.513-4[b]). In an influential typology, advertising has been dichotomized into the modes of information dissemination and persuasive appeal (Santilli, 1983). Advertising as information dissemination involves the spread of objective, verifiable information about company practices and product attributes (Nelson, 1974). Advertising as persuasive appeal involves the use of suggestion, rhetoric, or visual discourse to link corporations or their products to 'power, wealth, and status,' or to other desirable qualities such as generosity, creativity, or moral probity (Crisp, 1987, p. 413). Advertising levels are measured later for sample companies rather straightforwardly as advertising expenditures reported on financial statements or gathered through special surveys by a leading trade group in the advertising industry.

PREVIOUS RESEARCH

There are 32 regression-based studies that test a relationship from advertising to CSR, according to my query of the Google Scholar database primarily with the search terms 'CSR' (or 'philanthropy') and 'advertising intensity' (or just 'advertising'), followed by a search for additional qualifying studies appearing in the citation trees of the preliminary search results. Table 1.1 arrays the final search results by their methodological features, such as observation windows, codings of advertising, and general findings. As a general summary, this body of literature tends to find that the relationship from advertising to CSR is positive, but insignificant. Only about a third of this literature (11 studies) is able to document a significant relationship from advertising to CSR. The confirmatory studies, it should be noted, have several methodological limitations. About half are cross-sectional, rather than longitudinal, and about half predict philanthropic giving, rather than general CSR performance. There are no studies that attempt to rule out endogeneity, although the diagnostic tests of one of the studies finds that the relationship is potentially endogenous

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Table 1.1 Observational CSR studies using advertising to predict CSR

No.	Study	Sample	Period	Advertising	Method	Dep. Var.	Relationship
1.	Harjoto and Jo (2011)	2500 US firms	1993–2004	Advertising/Sales	Panel study	KLD Analytics	Positive, significant
2.	Chintrakarn et al. (2016)	~800 US firms	2001–04	Advertising/Assets	Panel study	KLD Analytics	Positive, significant
3.	Zhang et al. (2009)	703 listed Chinese firms	2008	Advertising/Sales	Cross-sectional	Dummy variable: philanthropic giving	Positive, significant
4.	Casey and Grenier (2015)	102 822 US firm-years	1993–2010	Industry-level advertising/Assets	Sequential logit random effects	GRI reporting	Positive, significant
5.	Lys, Naughton, and Wang (2015)	5928 US firms	2002–10	Advertising/Sales	Industry and year effects	ASSET4 Scores	Positive, mixed significance
6.	Fry, Keim, and Meiners (1982)	American firms	1946–73	Advertising/Sales	Cross-sectional regression; ANCOVA	Philanthropic giving	Positive, significant
7.	Harjoto, Laksmana, and Lee (2015)	1489 US firms	1998–2001	Advertising/Sales	Industry and year effects regressions	KLD scores	Positive, significant
8.	Kabongo, Chang, and Li (2013)	4438 US firms	1991–2009	Advertising/Assets	Industry, year, and firm effects regressions	Corporate philanthropy	Positive, mixed significance
9.	Harrison and Coombs (2012)	1060 US firms	2000–11	Advertising/Assets	Industry and year effects regressions	KLD community relations score	Positive, significant but endogenous
10.	Gao and Hafsi (2015)	2122 Chinese firms	2007	Advertising/Assets	Logistic cross-sectional regressions	Philanthropic giving	Positive, significant
11.	Amato and Amato (2007)	719 US companies	1999	Industry-level advertising intensity	Cross-sectional regressions	Firm-size class-aggregated philanthropic giving	Positive, significant

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12.	Chen and Lin (2015)	13 public Taiwanese companies	1996–2011	Advertising/Sales	Panel regression	Corporate philanthropy	Negative, insignificant
13.	Masulis and Reza (2015)	406 US firms	1996–2006	Advertising/Sales	Cross-sectional regression	Program and foundation philanthropic giving	Mixed, insignificant
14.	Walls, Berrone, and Phan (2012)	313 US firms	1997–2005	Advertising/Sales	OLS random effects	KLD environmental performance scores	Positive, insignificant
15.	Navarro (1988)	249 US firms	1978, 1981, 1983	Advertising/Sales	OLS and WLS cross-sectional regressions	Corporate philanthropy/Sales	Positive, insignificant
16.	Amato and Amato (2012)	636 firm-years of US retail firms	1999–2004	Advertising/Sales	OLS regressions	Philanthropic giving/ Sales	Mixed, insignificant
17.	Brammer, Pavelin, and Porter (2009)	305 FTSE listed companies	2002	Dummy variable of inclusion in Top 100 advertisers	Cross-sectional regression	Philanthropic giving/ Sales	Positive, insignificant
18.	Hapitan (2013)	30 banks in the Philippines	2009	Advertising/Sales	Cross-sectional regression	Philanthropic giving	Positive, insignificant
19.	Brammer and Millington (2005)	500 UK firms	1999	Dummy variable (appearance on top adv. list)	Cross-section	Philanthropic donations	Positive, insignificant
20.	Melo and Garrido-Morgado (2012)	320 listed US firms	2003–07	Dummy variable	Panel study	KLD Analytics	Positive, insignificant
21.	Madsen and Rodgers (2015)	470 US firms	2004, 2005, 2010, 2011	Advertising expenditures	Event study	Participation in disaster relief programs	Positive, insignificant
22.	Shabana, Bucholtz, and Carroll (2016)	Fortune 500 firms	1992, 1997, 2002, and 2006	Advertising/Sales	Repeated cross-section	GRI reporting	Negative, insignificant

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Table 1.1 (continued)

No.	Study	Sample	Period	Advertising	Method	Dep. Var.	Relationship
23.	Liu and Wu (2016)	3377 US firms	1997–2011	Advertising/Assets	Panel study	KLD Analytics	Negative, insignificant
24.	Lodhi and Makki (2008)	25 leading Pakistani firms	2002–06	Advertising expenditures	Repeated cross-section	Philanthropy donation	Generally positive, insignificant
25.	Muller and Kräussl (2011)	442 US Fortune 500 firms	2004	Advertising/Sales	Event study	Philanthropy donation	Negative, insignificant
26.	Hyun et al. (2016)	1102 US firms	2000–09	Advertising/Sales	Panel study	KLD Analytics	Negative, insignificant
27.	Strike et al. (2006)	222 US firms	1993–2003	Industry-level advertising/Sales	Time series cross-sectional data	KLD Analytics	Positive, insignificant
28.	Lerner and Fryxell (1988)	130 US firms	1979–84	Advertising expenditures in 1984	Cross-sectional	Nine indicators of CSR	Generally positive, generally insignificant
29.	Mishra and Modi (2013)	192 US firms	2000–09	Advertising/Sales	Panel study	KLD Analytics	Negative, insignificant
30.	Jiraporn et al. (2014)	2516 US firm-years	1995–2007	Advertising/Sales	Panel study	KLD Analytics	Positive, insignificant
31.	Fernandez-Kranz and Santalo (2010)	3630 US firms	1994–2001	Dummy variable	Panel study	KLD Analytics	Mixed
32.	Brower and Mahajan (2012)	447 US firms	2000–07	Advertising/Sales	Panel study	KLD Analytics	Positive, insignificant

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(Harrison and Coombs, 2012). As a whole, this literature casts doubt on the widespread belief that there is a positive, robust, significant relationship from advertising to CSR.

Having read each study in detail, I can attest that the collective difficulty of establishing the relationship from advertising to CSR has not been appreciated by the individual scholars in Table 1.1. Future researchers will need to do more to theorize why this relationship is absent or to discover the boundary, mediating, and moderating conditions that govern the relationship. The sections that follow will assist in this effort by clarifying the prevailing logics that justify an expected relationship from advertising to CSR and by providing yet more evidence that the relationship from advertising to CSR is not very robust.

THEORY AND SCHEMA

Strategic Logics

Several logics reinforce the expectation that advertising generates CSR. Figure 1.1 separates these logics into two groups: those related to strategy and those related to politics. There are three logics in the strategic category. Each logic has a critical background condition – strong support for CSR in the general public or among targeted consumers. This background condition is well documented: consistent evidence of positive public

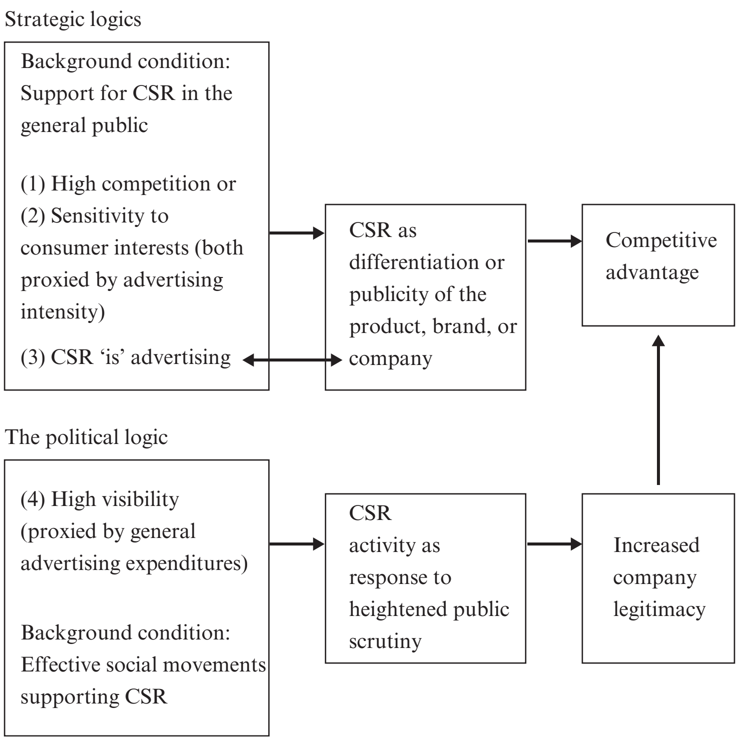

Figure 1.1 Logics supporting a pathway from advertising to CSR

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sentiment toward CSR-practicing companies is found in surveys of not only consumers (Nielsen, 2013), but also investors (World Economic Forum and International Business Leaders Forum, 2003), employees (Turban and Greening, 1997), supply-chain partners (Strangberg Consulting, 2013), and business leaders themselves (Bolívar, Garde Sánchez, and López Hernández, 2014). It is this robust support for CSR across stakeholders that allows CSR, much like advertising, to be used as a form of company differentiation and, some have argued, to be used in a manner that is nearly equivalent to advertising, such that CSR and advertising are substitutable.

The first strategic logic is that high competition generates CSR because CSR enables firms to differentiate themselves from their competitors. 'It might happen,' in other words, 'that firms subject to more competitive environments increase their expenditure in R&D or advertisement in addition to undertaking CSR initiatives' (Fernandez-Kranz and Santalo, 2010, p. 463). This is because CSR, much like R&D, can be the basis of a differentiation campaign, as CSR is presumably costly (and thus not easily imitable) and as it allows firms to align themselves and their products with emerging consumer CSR preferences (He and Li, 2011; Melo and Garrido-Morgado, 2012).

CSR can provide brand differentiation in numerous ways. It can improve consumer attitudes toward companies (Menon and Kahn, 2003; Wang, 2009). It may mitigate consumer mistrust of companies in the wake of a scandal (Mattila, Hanks, and Kim, 2010). It may raise consumer purchase intent or willingness to pay (Archer, Kozak, and Balsillie, 2005; Hiscox and Smyth, 2006). Overall, studies finding positive economic effects of CSR are diverse, spanning theoretical postulation (McWilliams and Siegel, 2001), survey data (Madden, Roth, and Dillon, 2012), content analysis (Cox, 2008), practitioner interviews (Nicholson, 2007), field experiments (Hiscox and Smyth, 2006), and laboratory experiments (Menon and Kahn, 2003). These studies are diverse also in industrial setting, including the food (Jones, Comfort, and Hillier, 2007), retail (Hiscox and Smyth, 2006), cosmetic (Zhao, 2012), and banking industries (Mattila et al., 2010).

Large advertisers are probably well positioned to gain these differentiation effects from CSR. These companies will be the best able to generate consumer awareness of their CSR deeds, a necessary condition to profit from CSR activity. Indeed, several large-scale regression analyses of American companies have found that CSR communication intermediates between CSR and financial returns (Servaes and Tomayo, 2012; Wagner, 2010). This has led many academics to argue that companies are falling short of their potential by not advertising CSR activities more comprehensively (Birth et al., 2008; Carrigan, 1997).

The second logic construes both advertising and CSR as a proxy for the closeness of companies to consumers. This logic has been stated explicitly in regard to philanthropy, a classic CSR domain. 'Sensitivity to consumer interests,' that is, 'will help to explain a significant, positive relationship between philanthropy and advertising expenditures' (Lerner and Fryxell, 1988, p. 952). Reflecting this logic, there have been numerous quantitative studies attempting to predict CSR from the closeness of the companies to their consumers, as measured sometimes by advertising expenditures but also by whether a company is in a consumer-facing industry, such as retail or household items (Galaskiewicz, 1997; Giovannucci, Von Hagen, and Wozniak, 2014).

Extending the first two logics, the third logic draws an equivalence between CSR and advertising. CSR and advertising, here, are each promotional activities intended to enhance corporate reputations. 'Since CSR promotes the reputation of the firm,' in

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other words, 'it may substitute for advertising' and 'social spending is akin to advertising' (Jiraporn et al., 2014, pp. 513 and 505). This logic has also been apparent in scholarship on corporate philanthropy. That is, both philanthropy and advertising may build consumer loyalty: 'As in most cases both corporate philanthropy and advertising serve the common purpose of building customer loyalty, we predict that firms with large advertising expenses will tend to have higher likelihood of giving and to donate larger amounts' (Zhang et al., 2009, p. 40). Indeed, Brammer and Millington (2005, p. 519) suggest that a low marginal cost of philanthropy, compared to the gains in consumer exposure from philanthropy, will generate a shift in resources from advertising to philanthropy. If CSR and advertising are thus equivalent, high advertisers might reasonably be the most likely companies to engage in CSR, either directly or to substitute advertising for CSR.

The hypothesis below, drawing from the three logics above, features the concept of advertising intensity. Advertising intensity is most commonly indicated in empirical research by total advertising expenditures divided by sales, although sometimes assets are the denominator (see Table 1.1). The use of advertising intensity as the key independent variable in empirical research has become conventional, owing in part to its use in one of the earliest studies in this domain (Fry et al., 1982) and to its suggested use by a highly cited agenda-setting piece for CSR research (McWilliams and Siegel, 2001, p. 120). Even so, the quantitative analyses of this chapter, as a check on robustness, test other indicators of advertising, such as total advertising expenditures, both logged and unlogged, and advertising expenditures in which missing values are replaced with a zero.

Our first hypothesis is thus as follows:

H1a: There is a positive relationship from advertising intensity to corporate social responsibility

While the foregoing suggests that general advertising increases CSR, a slightly different conceptualization may provide a tighter test of the logic of the strategic hypotheses. This conceptualization replaces CSR (in general) with CSR reporting. If CSR is nearly equivalent to advertising, according to the third logic above, then CSR reporting is an even closer equivalent. CSR reporting, as a crude definition, is the standardized dissemination of CSR information to stakeholders often through third-party reporting platforms such as the Carbon Disclosure Project or Global Reporting Initiative (Meyer, Pope, and Isaacson, 2015; Pope and Meyer, 2015; Pope and Lim, 2017). CSR reporting is similar to advertising in that both provide positive informational and persuasive messages about companies to the general public. To justify further an expected relationship between advertising and CSR reporting, since large advertisers have well-practiced corporate identities and longstanding relationships with marketers, they may face lower adoption costs of CSR reporting. At the very least, observers have drawn parallels between CSR reporting and advertising. For example, the CSR reports of global frameworks, for example, the Global Compact and Global Reporting Initiative, are sometimes called 'forms of green marketing in themselves' (Alves, 2009, p. 8) and 'public relations operations' (Capdevila, 2007, p. 1), which allow firms to obtain an undeserved 'branding makeover' (Hildebrandt, 2003, p. 103), 'project a good image' (Utting, 2000, p. 8), and receive a 'free public relations ride' (Thérien and Pouliot, 2006, p. 68). Due to the similarities between advertising and CSR reporting, it is reasonable to expect the following:

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H1b: There is a positive relationship from advertising intensity to CSR reporting

Political Logics

There is one major political logic. It renders advertising as a proxy for visibility and suggests, further, that visibility leads to CSR through the mechanism of public scrutiny. 'Advertising. . .can also play a role in increasing the visibility of the firm. . . The bigger or more visible, the more susceptible corporations will be to public scrutiny and the more encouraged. . .to engage in strategic CSR' (Melo and Garrido-Morgado, 2012, p. 20). In this logic, visibility, indicated by advertising, prompts CSR in response to present or anticipated pressure from activists.

The power of visibility to promote CSR does not necessarily hinge on advertising as a proxy. Visibility can be operationalized also as company size. Udayasankar (2008), for example, argues that: 'smaller firms may face fewer pressures, or gain little recognition from CSR, given their comparatively lower visibility.' Visibility can also be operationalized as public ownership. Blombäck and Wigren (2009, p. 259), for example, argue that private firms are less visible and thus less likely to undertake CSR. When operationalized as size or public ownership, visibility has been found to have a very consistent relationship with CSR, as evidenced by numerous surveys on ownership structure and CSR (KPMG, 2011, p. 6; Lee, 2009; Li and Zhang, 2010) and by several meta-studies on company size and CSR (Blombäck and Wigren, 2009; Lepoutre and Aimé, 2006; Stanwick and Stanwick, 1998).

The background condition for the political logic, of course, is the presence of social movements that, first, promulgate and enforce CSR norms and, second, do so strategically by targeting highly visible firms. In the first regard, those who take a conflict-theory view of CSR have chronicled many new tactics and platforms by which social movements have compelled companies to improve their CSR performance. For instance, activists have used negative messaging campaigns on Twitter to 'Tweetjack' companies into discontinuing irresponsible practices (Lyon and Montgomery, 2013). They have used similar tactics in the comments sections of news stories and on Facebook pages (Cho and Hong, 2009). They have appropriated and satirized company logos to associate the company with its perceived injustices (Klein, 1999). Their more organized efforts have resulted in the creation of organizational rankings that monitor and ultimately discipline companies according to such metrics as the percentage of women on executive boards and the pounds of carbon emissions (Gjølberg, 2009; Parguel et al., 2011).

In the second regard, quantitative researchers have indeed documented that highly visible firms are targeted more often for social movement activism, even controlling for CSR performance. Bartley (2007b), for example, found that firms with larger assets and higher reputations were targeted with greater intensity by the anti-sweatshop movements of the late 1990s. King (2008) has provided a mechanism to explain this behavior. He has argued and documented that the 'amount of media coverage to any particular boycott is partly a function of the overall salience and visibility of the firm' (p. 405). It is reasonable to expect that social movements, which like other organizations are resource-constrained, may selectively target highly visible firms on the basis that the boycott's power will be magnified by the greater media coverage of highly visible firms. Thus, if there is considerable social movement activism in favor of CSR, if advertising increases a firm's visibility,

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if activists strategically target visible firms, and especially if media organizations amplify these campaigns, the following is likely:

H2: There is a positive relationship from advertising to corporate social responsibility

METHODS

Sample

The sample of the chapter is the 2010 Fortune Global 500, compiled by *Fortune* magazine, an American bi-weekly for popular and business audiences with a circulation of about 800 000. Global 500 companies are the largest in the world by annual revenues. A common academic sample (e.g., Carroll and Sapinski, 2010), the Global 500 includes public, private, and state-owned companies (about 75 percent are public), with representation from all ten sectors of the Global Industrial Classification Scheme (GICS) and from 35 countries. Global 500 companies, it should be noted, are not necessarily international. Many are state-owned, nationally oriented companies such as China National Petroleum and Japan Post Holdings (both ranked in the top 50). Thus, to increase international representation in the current sample, Global 500 companies are supplemented with the lists of 100 Largest Transnationals from 1999 to 2010 (including the sublists 'The World's Most Transnational Banks' and 'The World's Most Transnational Companies from Developing Nations'). Produced by the United Nations Conference on Trade and Development and published annually in the *World Investment Report*, these lists rank companies by the average of their percentage of employees, sales, and foreign assets. The final combined sample has 705 companies.

Dependent Variables

For H1a and H2, CSR is indicated by the CSR ratings of the Thomson-Reuters ASSET4 database. This database, retrieved through Datastream and active since 2002, assigns 4300 of the largest global companies (members of leading stock indices around the world such as the S&P 500 and the MSCI Emerging Markets) a score on their environmental, social, and governance performance (the score ranges from 0 to 100 to reflect the percentile rank of companies), based on a complex proprietary methodology that includes 18 data categories, which are based on 250 key performance indicators, which are themselves based on 750 data points. Since corporate governance is not commonly perceived to be a core dimension of CSR, it is excluded from the present analyses.

For H1b, CSR reporting is indicated by three binary variables for yearly participation in three leading global CSR reporting initiatives. These are the Global Compact (GC), Global Reporting Initiative (GRI), and Carbon Disclosure Project (CDP). Figure 1.2 reports summary statistics and key details about each initiative. The initiatives were selected from globally oriented CSR guidebooks and compendiums (e.g., Visser et al., 2010) as those satisfying these requirements: longstanding (greater than ten-year history), independent (not administered by firms themselves), global (participation in scores of nations), pan-industry, and mostly firm-level membership (not factories, subsidiaries, or

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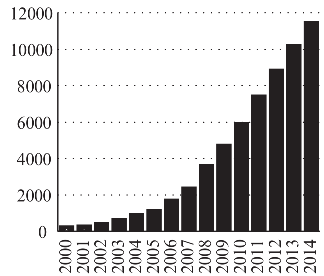
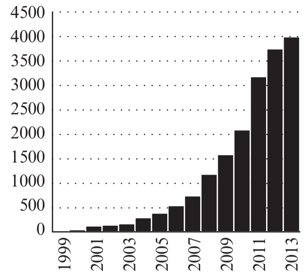
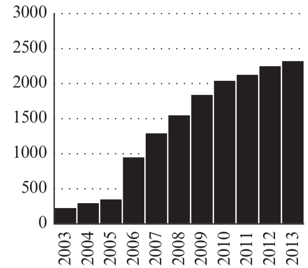
	Global Compact	Global Reporting Initiative	Carbon Disclosure Project
Members by Year			
Countries with participants	101	86	54
Sponsor	United Nations	Global Reporting Initiative	Carbon Disclosure Project
Headquarters	New York	Amsterdam	London
Typical participant	Medium and large corporations	Large corporations	24% multinational companies; 65% large companies; 11% small and medium enterprises
% Fortune 500	~45%	~63%	~85%
Major reporting areas	Human rights, labor, corruption, the environment	Materials; energy; water; biodiversity; emissions & waste; products & services; compliance; transport; & overall	Climate change; water use; deforestation; and supply chain management
Quality of reports	Low	High	Medium
Integrity measures	Voluntary external auditing of reports; third-party grievance procedures; delisting of non-reporters	Voluntary external auditing of reports; reports are self-declared according to three levels of stringency	Leadership index for companies that make especially extensive disclosures
Membership requirements	Sustainability reporting and voluntary participation in national 'local networks'	Sustainability reporting	Sustainability reporting
Membership types	Business or labor, non-governmental, university,city, or public sector group	Mostly companies, but organizations of any type can produce a GRI report	Companies; cities

Note: Carbon Disclosure Project members include only those companies that returned the questionnaire and exclude those companies that were sent the questionnaire but did not return it. Countries represented and average participants' size are for the year 2013.

Sources: Websites unglobalcompact.org; globalreportinginitiative.org; and special data request to the CDP office.

Figure 1.2 Comparison of three leading global CSR reporting initiatives

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nation-states). Each initiative requires the production of a voluntary annual report with standardized CSR disclosures at the corporate level. Each initiative has dramatically increased its membership roster since the turn of the millennium, with the GC now having more than 8000 members, the GRI 4000, and the CDP 2000. Figure 1.2 shows that the substance of the reports that are required for membership in each initiative is wide ranging, with coverage that spans the topics of human rights, supply chain management, and biodiversity. GC is coded as 1 for members in good standing. GRI is 1 in the years a firm submits a GRI report to the GRI offices. CDP is 1 in the years a company responds to the main CDP survey (companies not sent the survey are dropped from analysis).

Independent Variables

The first and most standard indicator of advertising (see the previous studies in Table 1.1) is annual advertising expenditures divided by annual sales, an indicator known as advertising intensity. Because sales, but not advertising, can be negative, negative sales and thus negative advertising intensities are dropped from the analysis. A few cases are also dropped where revenues are less than advertising, constraining advertising intensity to a fraction between 0 and 1. Given that advertising intensity, according to previous research, does not have a track record of a positive, significant relationship with CSR, I have also included other codings of advertising. More specifically, I include in the models total advertising expenditures (logged and unlogged) and an indicator of advertising intensity in which missing values are replaced with zeros (following Servaes and Tamayo, 2012). I note that replacing missing advertising expenditures with zeros, in my opinion, may introduce a lot of empirical slippage, given that there are notable companies that are reported to have missing advertising expenditures but that clearly have them in all years (e.g., Walt Disney).

Excessive missing data is common for advertising expenditures that are retrieved from major financial databases. American-listed firms, for example, are not required to report expenditures to the Securities and Exchange Commission – and most do not. Compustat lacks advertising for as much as 74 percent of company-years in recent studies (Baron, Harjoto, and Jo, 2009, p. 22). Excessive missing data has prompted coping mechanisms. Researchers have dropped the variable (Tashman and Rivera, 2010); assigned non-reporters a value of zero (Servaes and Tamayo, 2012); assigned industry averages (Hull and Rothenberg, 2008); and created dummies for whether advertising is reported (Baron et al., 2009) or for appearance in trade-journal lists of top advertisers (Bartley and Child, 2012). A better approach that does not sacrifice granularity is to chase down missing values by merging multiple financial databases, as individual databases are not always thorough in their data capture. This study gathers company-level, USD, annual, worldwide expenditures not only from Compustat (following previous studies), but also from Thomson-Reuters, Capital IQ, and the Top 100 Global Marketers lists from 2000–14 of *Advertising Age*.[1] Compiling across databases yields more company-years than does any single database – 2445 – versus the 1171 of Compustat, 2009 of Thomson-Reuters, 1163 of Capital IQ, and 1055 of *Advertising Age*. In the few cases with discrepancies across the databases, priority went to Thomson, then Compustat, then Capital IQ, and then *Advertising Age*.

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Control Variables

Potential confounds include dummies for year, headquarters region (Europe, Asia and the Pacific, Africa and the Middle East, Latin America and the Caribbean, and Canada and the United States) and the ten sectors of the GICS. These controls are broad (regions versus countries, sectors versus industries) to avoid overspecification and, relatedly, to reduce Type II errors (given the prominence of the view that advertising increases CSR, a false positive that supports this hypothesis seems preferable to a false negative that contradicts it). Size is another control – annual, USD, total assets rather than revenues, which are present already in the denominator of advertising intensity. Assets are logged due to a right skew that causes a rejection of the null hypothesis that skewness and kurtosis approximate a Gaussian distribution ($p < 0.01$; sktest in Stata).

Models

For H1a and H2, to predict ASSET4 scores, which are positive and nearly continuous variables, OLS panel regressions are specified in Stata 11. Residuals are company clustered and Huber-White robust standard errors are used as a basic guard against inconsistent heteroscedasticity. For H1b, the models predicting membership in the leading CSR reporting platforms are logistic regressions, since this membership is best coded as a binary variable.

RESULTS

Univariate statistics appear in Table 1.2. The measures of advertising are moderately (0.02 to 0.28) and generally significantly ($p < 0.05$) associated with the measures of CSR. In terms of the hypotheses, the strongest correlations are between logged total advertising expenditures and all measures of CSR.

Table 1.3, which tests H1a and H2 (that advertising increases CSR) does not yield very robust evidence in favor of the hypotheses. As with previous literature in this research area, the relationship between the two constructs is generally positive and generally insignificant. As with the univariate statistics, however, the relationship appears to be stronger when logged total advertising expenditures are used as the advertising indicator, resulting in coefficients that are significant and positive for both the social and environmental scores of ASSET4. Even so, these findings as a whole do not robustly support a relationship from advertising to CSR.

H1b predicts that advertising increases CSR reporting. As additional descriptive evidence, Figure 1.3 is a bar chart showing the number of companies in the global CSR reporting initiatives by industry (using the industry coding format as reported in each database). At a glance, the bar charts give little indication that the industries that are consumer facing, or that are otherwise heavy advertisers, have outsized initiative participation. For the Global Compact, the most represented industry by far, having a margin of over 2000 companies over the next most represented industry, is 'Industrial Goods and Services.' Companies in this industry tend to be intermediate manufacturers that are not oriented toward consumers, but to other companies. Moreover, when

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Table 1.2 Univariate statistics

No.	Variable	Min.	Max.	μ	σ	1	2	3	4	5	6	7	8	9	10
1	Carbon Disclosure Project	0.00	1.00	0.19	0.39	1.00									
2	Global Compact	0.00	1.00	0.22	0.41	0.41*	1.00								
3	Global Reporting Initiative	0.00	1.00	0.75	0.43	0.28*	0.26*	1.00							
4	ASSET4 Social Score	3.42	98.79	73.47	25.49	0.37*	0.38*	0.45*	1.00						
5	ASSET4 Environmental Score	8.25	97.18	72.83	27.74	0.33*	0.38*	0.53*	0.73*	1.00					
6	Advertising Expend. (mn)	0.53	10.2k	857.99	1305.94	0.14*	0.18*	0.14*	0.21*	0.24*	1.00				
7	Advertising Expend. (log)	0.43	9.23	5.68	1.712	0.14*	0.21*	0.26*	0.28*	0.32*	0.70*	1.00			
8	Advertising Intensity	0.00	0.71	0.03	0.05	0.10*	<0.01	0.05	0.12*	0.11*	0.57*	0.43*	1.00		
9	Advertising Intensity (missing values = 0)	0.00	0.71	0.01	0.01	0.05*	0.04*	0.02	0.08*	0.08*	0.55*	0.43*	0.99*	1.00	
10	Assets ($m, log)	2.62	15.11	10.22	1.79	0.26*	0.26*	0.25*	0.28*	0.26*	0.23*	–0.41*	0.05*	0.03*	1.00

Note: * $p < 0.05$. The country breakdown of the sample is: United States (149 companies); Japan (76); China (49); France (46); Germany (42); United Kingdom (40); Hong Kong (34); Taiwan (27); Singapore (19); South Korea (18); Canada (17); South Africa (17); Malaysia (14); Switzerland (14); Italy (13); India (12); Netherlands (12); Russia (12); Spain (12); Mexico (11); Australia (10); Brazil (10); Sweden (9); Belgium (6); Kuwait (5); Turkey (4); Norway (3); Chile (2); Denmark (2); Finland (2); Ireland (2); Thailand (2); Argentina (1); Austria (1); Egypt (1); Israel (1); Luxembourg (1); Philippines (1); Poland (1); Portugal (1); Qatar (1); Saudi Arabia (1); United Arab Emirates (1); Venezuela (1). The sector breakdown of the sample is: Financials (134 companies); Industrials (125); Consumer Discretionary (88); Consumer Staples (73); Materials (61); Information Technology (54); Energy (53); Utilities (41); Telecommunication Services (39); Healthcare (35).

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Table 1.3 Panel OLS regressions predicting CSR reporting from advertising levels, 2000–13

	Thomson-Reuters ASSET4 Scores							
	Social Score Model 1	Environ. Score Model 2	Social Score Model 3	Environ. Score Model 4	Social Score Model 5	Environ. Score Model 6	Social Score Model 7	Environ. Score Model 8
Advertising Expend. ($bn)	0.86	–0.35						
	(0.69)	(0.77)						
Advertising Expend. (log)			1.76*	2.15*				
			(0.82)	(0.90)				
Advertising Intensity					9.31	–0.11		
					(13.65)	(14.91)		
Advertising Intensity (missing values = 0)							18.41	4.24
							(12.86)	(13.69)
Assets ($m, log)	2.70**	7.14***	1.87†	5.74***	3.50***	7.80***	4.88***	6.16***
	(1.01)	(1.09)	(1.12)	(1.20)	(1.01)	(1.04)	(0.60)	(0.63)
Constant	14.16	–34.85†	13.63	–32.26†	5.50	–40.88*	23.01**	4.52
	(17.75)	(18.20)	(17.45)	(17.61)	(17.56)	(17.21)	(7.69)	(8.07)
Region dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1351	1351	1351	1351	1349	1349	3829	3829
R^2 (overall)	0.19	0.28	0.20	0.32	0.19	0.30	0.23	0.25
Wald Chi^2	220.12***	388.22***	223.97***	396.55***	245.31***	425.60***	610.65***	920.08***

Note: Standard errors in parentheses; † $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; all independent variables are lagged by one year. Company-clustered standard errors. Unstandardized coefficients.

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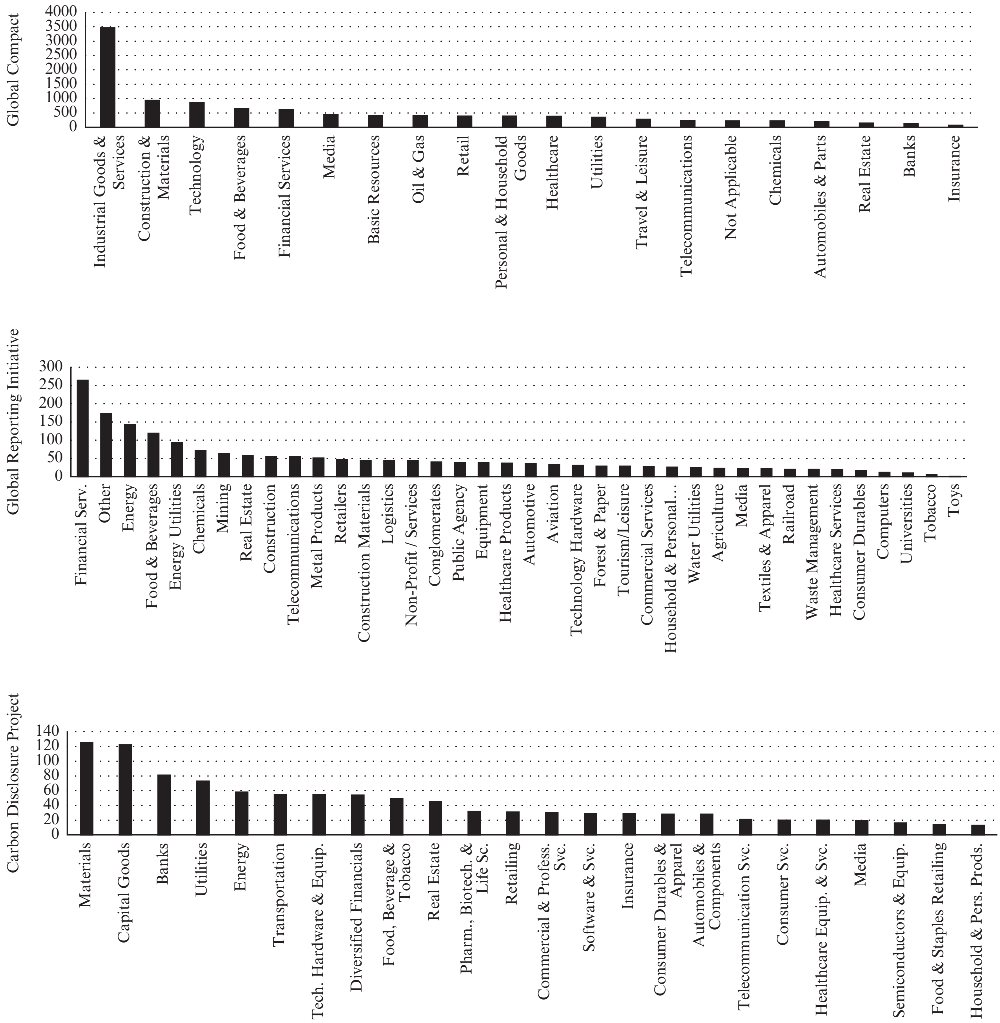

Note: CDP data are for the year 2011; industry codes were not provided for later years.

Figure 1.3 Number of participants in global CSR reporting initiatives by industry

broken down by subindustries (an analysis that is not shown for reasons of space), the largest subindustry in the Global Compact is Support Services. There are 1651 members in this subindustry, many more members than those in the next largest subindustry ('Construction & Materials,' 940 members). Companies in the Support Services industry include accountants, consultants, and placement agencies, which receive almost all their revenues from other companies rather than consumers. By contrast, industries that one might expect to have high advertising intensities are not well represented in the initiatives. For example, retail companies are ranked 9th in the Global Compact, 12th in the Global Reporting Initiative, and 12th in the Global Compact. Similarly,

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'Personal & Household Goods' rank 10th in the Global Compact and last in the Carbon Disclosure Project.

As additional descriptive evidence, Figure 1.4 presents another way to visualize the relationship between industry-level advertising intensity and industry-level participation in the global CSR initiatives. Each bubble in Figure 1.4 represents a two-digit industry of the Standard Industrial Classification scheme that is represented in the current sample. The bubbles are plotted along two axes. The x-axis represents the average number of years that companies in each industry are members of the respective CSR initiatives. The y-axis represents the average advertising intensity by industry of companies in the current sample. The dotted line is a trend line fitted by the method of ordinary least squares. For each initiative, the industry-level relationship between advertising intensity and initiative participation is negative. That is, industries with higher advertising intensity tend to have lower rates of initiative participation. This relationship contradicts the assumption that there is a strong positive relationship between advertising intensity and initiative participation.

The regressions in Table 1.4 are also not very supportive of the hypothesis that advertising increases CSR reporting. Here, as with the above, the coefficients of advertising are generally positive and generally insignificant. The sole exception is when advertising is treated as logged total advertising, generating a coefficient that is significant and positive for GRI membership. It must be noted, however, that this same variable is negative and marginally significant ($p < 0.10$) when predicting GC membership, and thus that the relationship is not robust across initiatives.

DISCUSSION

Scholarly investigations into whether advertising generates CSR are well underway, but the results of these inquiries have not been very supportive. On average, only about a third of studies have been able to document a positive relationship from advertising to CSR. The present study, likewise, has not improved the evidence in favor of the expected relationship. The present findings have been weak and mixed, despite models that were specified parsimoniously and despite extensive efforts to increase statistical power by chasing down missing values for advertising expenditures from multiple databases.

It should be mentioned that the present findings, which failed to observe a relationship from advertising to CSR, may appear more credible alongside a growing body of research that has failed to document the other direction of causality. This body of research shows that CSR, in general, fails to result in increased advertising to promote awareness of the good deeds. It is true that this body of research has been limited by the inability to gather expenditures on CSR advertising specifically, in contrast with total advertising generally, precluding researchers from conducting long-T, large-N quantitative studies. However, the literature has included many cross-sectional and qualitative studies, such as surveys, interviews, and case studies (e.g., Nicholson, 2007; Pomering and Dolnicar, 2009; Russo and Tencati, 2008; Tixier, 2003). The results of these studies have been remarkably consistent: many, perhaps most CSR-practicing companies, do not advertise their good deeds. Moreover, the ones that do advertise their good deeds tend to engage only in local, limited, internal, or ad hoc advertising.

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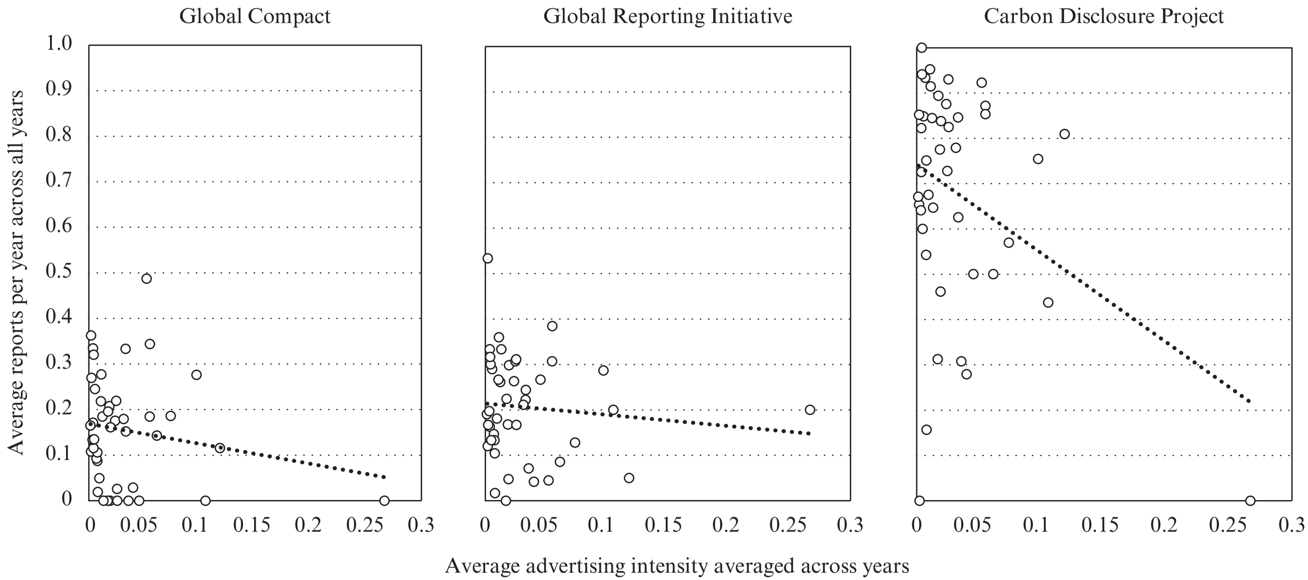

Figure 1.4 *For the two-digit SIC codes (hollow bubbles) of companies in the current sample, average advertising intensity by average participation in the global CSR Initiatives 2000–13*

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Table 1.4 Panel logistic regressions predicting CSR reporting from advertising levels, 2000–13

	GC Model 9	GRI Model 10	CDP Model 11	GC Model 12	GRI Model 13	CDP Model 14	GC Model 15	GRI Model 16	CDP Model 17	GC Model 18	GRI Model 19	CDP Model 20
Advertising Expend. ($bn)	–0.33	0.09	0.19									
	(0.30)	(0.14)	(0.24)									
Advertising Expend. (log)				–0.44†	0.34*	0.30						
				(0.27)	(0.14)	(0.19)						
Advertising Intensity							7.99	–2.76	6.63			
							(6.24)	(2.33)	(5.78)			
Advertising Intensity (missing values = 0)										7.68	–1.10	4.95
										(5.40)	(2.00)	(4.15)
Assets ($m, logged)	1.12***	0.81***	1.35***	1.36***	0.61***	1.17***	0.94**	0.89***	1.41***	1.03***	0.73***	1.12***
	(0.34)	(0.16)	(0.29)	(0.41)	(0.17)	(0.31)	(0.34)	(0.16)	(0.28)	(0.18)	(0.09)	(0.13)
Constant	–18.31***	–10.82***	–16.35***	–21.66***	–10.61***	–16.06***	–19.79***	–11.51***	–16.85***	–15.78***	–8.88***	–9.39***
	(4.75)	(2.17)	(3.66)	(5.01)	(2.12)	(3.54)	(4.87)	(2.20)	(3.67)	(2.06)	(1.10)	(1.54)
Region dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	2089	2101	1347	2089	2101	1347	2078	2089	1342	7137	7166	3993
Wald Chi^2	179.22***	276.98***	116.60***	230.49***	278.54***	118.75***	234.62***	277.84***	116.01***	560.43***	916.73***	313.67***

Note: Standard errors in parentheses; † $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; all independent variables are lagged by one year. Company-clustered standard errors. Unstandardized coefficients.

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This finding of an absent relationship from CSR to advertising is particularly puzzling given the obvious growth in CSR advertising in recent decades. This growth has been documented quantitatively by longitudinal content analyses (Ahern, Bortree, and Smith, 2013; Leonidou et al., 2011; Lill, Gross, and Peterson, 1986; Mögele and Tropp, 2010). Reflecting this growth, advertisements with a CSR theme are now common on television and in print (Mögele and Tropp, 2010). New CSR advertising techniques have been deployed, such as corporate–non-profit alliances and cause-related marketing (Varadarajan and Menon, 1988). Company websites feature the advertisements, often as links to glossy electronic CSR reports or to mission statements that feature CSR language (Hooghiemstra, 2000). Product labels are another medium, and packaging is now common that advertises 'fair trade' and 'sustainability,' for example, in the coffee (Basu and Hicks, 2008), apparel (Hustvedt and Bernard, 2008), timber (Archer et al., 2005), seafood (Gudmundsson and Wessells, 2000), orange juice (Grankvist and Lekedal, 2007), and meat industries (Binnekamp and Ingenbleek, 2008).

Notwithstanding this apparent growth in CSR advertising, it is becoming clearer with each new quantitative study that there is not a very strong link between advertising and CSR or between CSR and advertising, despite the prominence of several lines of strategic CSR theory that would expect such an outcome. Future researchers will need to do much more to determine why a presumed relationship between advertising and CSR is absent. My own suspicion is that researchers will succeed if they devote more consideration to the alternative explanation that CSR tends to be adopted for reasons that are not narrowly strategic.

Along these lines, in my own meta-study of 200 surveys conducted since the late 1990s that ask managers why they engage in CSR (Pope, 2016), the most common explanation in all world regions and across all years is that CSR is adopted for ethical, moral, and normative reasons, rather than for strategic or political reasons (the very reasons that suggest a relationship from advertising to CSR). Clearly CSR that is adopted, for example, due to ethical motivations, does not necessitate high advertising expenditures before or after adoption. The adoption itself satisfies the initial motivation. However, this conception of CSR adoption very much runs against the strategic and political accounts that dominate the CSR literature. While *some* companies may engage in political and strategic CSR, *most* companies probably adopt CSR for normative reasons, especially as CSR has become a popular, international, and perhaps taken-for-granted movement in recent decades.

NOTE

1. *Advertising Age* is a trade journal with 40 000 subscribers and perhaps the 'industry leading source for marketing and media news' (MeritDirect, 2013). Lists are available by subscription ($80/year) to the 'AdAge Datacenter' and compiled from surveys of advertising agencies and media monitoring firms in more than 95 countries. 2014 lists included mostly public companies (~80 percent), spanned eight of ten Global Industry Classification Standard (GICS) sectors, skewed toward Consumer Staples (32 percent) and Consumer Discretionary (31 percent), and contained 14 headquarter nations, with the USA as the mode (48 percent). Utilizing these lists ensures that the dataset has complete expenditures for the largest advertisers.

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