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The moderating role of national philanthropic environment in the relationship between advertising intensity and corporate social responsibility

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ABSTRACT

Research concerning the relationship between advertising intensity and corporate social responsibility has yielded mixed results. Some scholars have found a positive link, supporting a complementary perspective, while others have found a negative link, supporting a substitute perspective. The authors of this current study employ a contingency perspective to propose that the focal relationship is moderated by national philanthropic environments, which reflects the propensity of a nation to be philanthropic. With a sample of 271 firms from 13 countries, a hierarchical linear model analysis was conducted, and the findings support the contingency perspective. Specifically, the results showed that in countries with high levels of national philanthropic environments there is a positive link between advertising intensity and corporate social responsibility, while in countries with lower national philanthropic environments, there is a negative link.

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Introduction

Within recent years, the relationship between advertising and corporate social responsibility (CSR) has become increasingly important for industry and academia alike. Global consumers expect and at times demand companies to go beyond profit-seeking activities and embark on causes that positively impact society (Hayes and Duff 2022; Hayes, Holiday, and Park 2022). American consumers and employees increasingly make purchase and employment decisions based on company CSR efforts (Stobierski 2021). While international organizations encourage global advertisers to adapt new standards for practicing and reporting CSR (ICAS 2019), and some large U.S. companies have begun to focus on balancing profits with CSR (Business Roundtable 2019), many companies are still criticized for advertising CSR without actually becoming socially responsible (Fou 2020). Thus, there is a need to enhance industry understandings of

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the advertising/CSR relationship and provide companies with practical implications of this relationship (Business Roundtable 2019; Hayes, Holiday, and Park 2022).

International advertising research has investigated this dynamic and its relations to phenomena such as corporate-nonprofit partnership CSR advertisements (Waymer, Gilliland, and Barbour 2022), corporate social advocacy (Li, Kim, and Alharbi 2022), and post-crisis CSR advertising (Wu and Overton 2022). However, a recent editorial (Taylor 2018) and the International Journal of Advertising's special issue on advertising and CSR (Hayes and Duff 2022) call for research to better understand the contextual nature of this relationship. A recent study found that country context plays a crucial role in the stakeholders' response to CSR (Randrianasolo and Semenov 2021). Thus, we address these calls by investigating the contextual nature of the advertising/CSR link.

CSR refers to firm actions that further social good and goes beyond the economic and legal interests of the firm (McWilliams and Siegel 2001). One perspective in research posits that advertising intensity may influence CSR (e.g. McWilliams, Siegel, and Wright 2006). This perspective argues that a firm's ability to raise awareness of their CSR actions is dependent on its ability to allocate advertising resources towards promoting such actions. From this view, CSR is a resource, and is dependent on advertising, because 'For CSR differentiation to be successful, potential customers must be fully aware of CSR characteristics' (McWilliams and Siegel 2001, 120). In other words, there is a positive relationship between advertising intensity and CSR (Maury 2022).

Contradicting this perspective, some scholars argue that with finite resources, firms elect to either invest in advertising or CSR to achieve superior performance. Specifically, advertising and CSR are substitutes, rather than complements (Lloyd-Smith and An 2019) and the relationship is negative (Rashid et al. 2020).

These mixed results indicate that the advertising intensity/CSR relationship is conditional. In specific instances, the two focal constructs may be complementary or have a positive relationship, while in other instances, they may be substitutes or have negative relationship. In this paper, the authors seek to investigate the conditions under which advertising intensity and CSR complements and those under which they are substitutes, thus emphasizing a contingency perspective on this relationship. In doing so, this paper answers calls from recent research (Hayes and Duff 2022; Pope 2018; Taylor 2018) to further refine the knowledge on the focal relationship by asking *when* and *where* advertising is positively and significantly related to CSR. The research question here is: *under which conditions are advertising intensity and CSR complementary, and under which conditions are they substitutes?*

Building off prior research, this paper envisions both advertising intensity (Singh 2009) and CSR (Battisti et al. 2022) as firm resources. As such, rooted in the resource-based view (RBV), the successful development of sustainable competitive advantages is reliant on a firm's proper configuration of such resources. Therefore, understanding when advertising intensity and CSR should be complementary, and when they should be substitutes is crucial to the development of sustainable competitive advantages.

Along with RBV, this paper employs institutional theory to advance the contingency perspective and propose that national philanthropic environment (NPE), or the

propensity of a nation to be philanthropic (Randrianasolo and Semenov 2021), influences whether advertising intensity and CSR are complementary or substitutes. The theoretical position here is that in countries where the institutional environment pressures firms to be socially responsible (high NPE), the advertising intensity/CSR relationship is positively significant (complementary), while it is negatively significant (substitutes) in countries where there is low pressure to be socially responsible (low NPE).

Why is this important? Theoretically, research suggests that the configuration of resources such as advertising intensity and CSR should be considered only within their environmental contexts (Manolopoulos, Chatzopoulou, and Kottaridi 2018). By investigating the institutional contexts under which these resources should be complements and when they should be substitutes, this research supports the theoretical premise that resources have boundaries and should only be employed under appropriate contexts. Thus, the major contribution of this study is to identify the boundary conditions of specific firm resources and extend the applications of institutional theory to the advertising/CSR relationship.

Practically, international marketing managers must understand when to align advertising intensity with CSR, and when to focus advertising intensity on other efforts. By investigating the moderating role of NPE on the advertising intensity/CSR link, this research provides guidance to managers faced with such a decision. To achieve this paper's objective, the following sections first review the relevant literature, adopt a theoretical position to develop a hypothesis, empirically test the hypothesis, and finally discuss the results and implications.

Background and hypothesis

Prior research finds that both advertising intensity and CSR are resources. RBV states that resources are tangible and intangible entities that firms may employ to produce valuable market offerings (Barney 1991). Marketing capabilities such as advertising is a firm resource (Singh 2009). From this stance, a firm's marketing competency and capabilities to effectively employ proper advertising is a resource that can lead to competitive advantages (Griffith and Yalcinkaya 2010). Advertising intensity is defined here as the amount of advertising expenditures in relation to a company's resources (Rahman, Rodríguez-Serrano, and Lambkin 2017).

Similarly, CSR is proposed here to be a firm resource. CSR has been conceptualized as a key value-enhancing firm capability that can lead to competitive advantages and superior performance (Berchicci, Dowell, and King 2012). This view holds that capabilities related to social responsibility, such as capabilities to improve environmental performance, is rooted in tacit knowledge, and can be employed to boost advantages and performance (Berchicci, Dowell, and King 2012; Margolis and Walsh 2001). CSR thus reflects an intangible resource rooted in tacit knowledge that firms may employ to build competitive advantages. However, research suggests that the influence of such capabilities is more likely to increase performance when complemented by appropriate resources (Christmann 2000). We propose that such resources include advertising intensity in certain contexts. The subsections below review the literature on positive (complementary), negative (substitute), and contingency perspectives on the advertising intensity/CSR relationship.

The complementary perspective

Following McWilliams and Siegel (2001) work which suggests that advertising intensity is a determinant of firm CSR, some scholars posit that advertising intensity positively influences CSR. For example, in his review of literature on this relationship, Pope (2018) proposes several logical positions as to why advertising intensity positively influences CSR. First, firms that have high advertising intensity exist in highly competitive industries, and advertising intensity is high in these firms because they must compete at a high level. Within these highly competitive industries, firms also utilize CSR as a differentiation tool to develop inimitable resource advantages such as higher legitimacy and reputation (He and Li 2011; Pope 2018). In other words, from this logic, as competition rises in an industry, so do advertising intensity and CSR; meaning that advertising intensity and CSR are methods firms employ to compete and rise together. The second logical position is that CSR and advertising are proxies for a company's closeness to its consumers. Specifically, sensitivity to consumer interests and the need to be 'close' to consumers foster the positive advertising intensity/CSR relationship (Lerner and Fryxell 1988; Pope 2018). Finally, the third logical position is that both advertising and CSR are promotional activities that are meant to enhance firm reputation, and both also build customer loyalty. In other words, as promotional tools that seek to increase firm reputation, advertising and CSR have a positive relationship (Pope 2018).

Indeed, many scholars have found a positive advertising intensity/CSR link, and thus support this view. For example, Fernandez-Kranz and Santalo (2010) posit that firms that invest a lot in advertising tend to be also more socially responsible; Servaes and Tamayo (2013) find that CSR is positively related to firm value in firms with high customer awareness, where customer awareness is proxied by advertising intensity; and Maury (2022) finds that firm prospector strategies improve the performance of CSR activities, where prospector strategies are associated with high R&D and advertising expenses.

Along with studies that examine the direct relationship between the two focal variables, some scholars have opted to examine how these two variables interact to produce positive outcomes such as performance. For example, Rahman, Rodríguez-Serrano, and Lambkin (2017) find that advertising intensity positively moderates the relationship between CSR and market share; Assaf et al. (2017) find that CSR positively moderates the relationship between advertising spending and firm performance; and Bashir (2022) finds that advertising intensity moderates the relationship between CSR intensity and corporate reputation. These findings support the view that advertising intensity and CSR are complementary in a firm's goal to increase performance, however, some research finds the opposite effect and suggest that these constructs are substitutes, as discussed below.

The substitute perspective

Contradicting the complementary perspective, the substitute perspective proposes that CSR functions as a differentiation mechanism that takes the place of advertising or there is a negative advertising/CSR link (Hu et al. 2018; Rashid et al. 2020). This

perspective holds 'when a firm undertakes social responsibility and advertises heavily, such advertisements will be regarded as a redundant means and corporate social responsibility activities as a kind of cover up for their improper behavior, which may elicit a negative stakeholder response' (Hu et al. 2018, 6).

In support of this view, some scholars have found a negative relationship between advertising intensity and CSR. For example, Hu et al. (2018) find that advertising intensity negatively moderates the relationship between CSR and firm value; Fisman, Heal, and Nair (2006) show that visible CSR is more prominent in advertising-intensive industries and that firm performance is negatively correlated with visible CSR only in industries with low advertising intensity; Rashid et al. (2020) find that advertising intensity negatively influences CSR disclosures; and Lloyd-Smith and An (2019) find that advertising and CSR are substitutes in a firm's process of building reputation, which interestingly directly contradicts Bashir's (2022) aforementioned findings that advertising intensity positively moderates the relationship between CSR and corporate reputation. These findings support the view that advertising intensity and CSR are substitutes. They do not work together to aid firms in reaching goals (e.g. increase performance), but rather firms should invest in one or the other.

Contingency perspective

Along with scholars that have found a positive advertising intensity/CSR link, and those that have found a negative link, some research finds no significant relationship between the two focal constructs. For example, in their investigations of CSR in firm international diversification, Strike, Gao, and Bansal (2006) found that there is no significant influence of advertising intensity on CSR, yet the coefficient had a positive sign. Dupire and M'Zali (2018) also find no significant influence of advertising intensity on CSR, yet the coefficient had a negative sign in their study. These findings indicate that even among studies that find no significant advertising intensity/CSR relationship, there is ambiguity in the sign of the coefficients, providing more ambiguity in the focal relationship. Thus, the current study proposes that to address the ambiguity and enhance our understanding of the relationship, scholars may adopt a contingency perspective.

This perspective can explain existing mixed results by suggesting that other factors (e.g. firm internal resources and capabilities, external country environment, differences between home and host country, and industry conditions) determine whether advertising intensity and CSR are complementary or substitutes. This perspective emphasizes that it is not whether advertising intensity and CSR are complementary or substitutes, rather when they are complementary or substitutes. Moreover, when examining country conditions, country differences, or industry effects, a multi-theoretical perspective can enrich the understanding of the relationship.

A recent literature review on the advertising intensity/CSR relationship provides support for a contingency perspective and the use of multi-theoretical lenses (Pope 2018). Specifically, out of the 32 studies Pope (2018) reviews that examine this link, only 11 studies find a significant relationship, while the rest generally find a positive, but insignificant link. Understanding these findings, Pope (2018) established a call for research to further refine the knowledge on this relationship by asking *when* and *where* advertising positively and significantly influences CSR. Furthermore, Pope (2018)

states that future research on this topic should ‘elaborate new theoretical angles to have a better chance of detecting the relationship’ (Pope 2018, 4). The studies that examine the advertising intensity/CSR link from Pope (2018) are presented in Table 1.

As shown in Table 1, all the studies examined in Pope (2018)’s review used samples from single countries, with a majority using US firms. This current paper posits that utilizing single country samples may contribute to the ambiguity in the findings of previous research on the focal relationship. Specifically, there may be countries where this relationship is positive for firms and others where this relationship is negative, however, a direct correlation between these two variables may not exist across different countries. Institutional theory is adopted here to support this notion.

Advertising intensity and CSR

Institutional theory states that firm actions are dictated by the regulative, normative, and cognitive structures that exist within the firm’s institutional environment (Scott

Table 1. Studies that examine the advertising intensity/CSR link from Pope (2018) and the current study.

Authors of study	Samples used	Theories used
Harjoto and Jo (2011)	2500 US firms	Agency/Stakeholder Theory
Chintrakarn et al. (2016)	800 US firms	Conflict Resolution Hypothesis
Casey and Grenier (2015)	102922 US firm years	Meta-Theoretical Perspective
Lys, Naughton, and Wang (2015)	5928 US firms	Charity Hypothesis/Investment Hypothesis/ Signaling Hypothesis
Harjoto, Laksmana, and Lee (2015)	1489 US firms	Stakeholder Theory
Kabongo, Chang, and Li (2013)	4438 US firms	Resource dependence theory
Harrison and Coombs (2012)	4438 US firms	Agency/Stakeholder Theory
Gao and Hafsi (2015)	2122 Chinese firms	Institutional Theory/Resource Dependence Theory
Amato and Amato (2007)	719 US firms	Slack Resource Theory/Perspective of Philanthropy as a Business Strategy
Chen et al. (2015)	13 Taiwanese firms	Value Enhancement Theory/Agency Cost Theory
Masulis and Reza (2015)	406 US firms	Agency Theory/Optimal Contracting Theory
Walls, Berrone, and Phan (2012)	313 US firms	Fact-Based Research Perspective
Navarro (1988)	249 US firms	Profit Maximization Perspective
Amato and Amato (2012)	636 firm-years for US retail firms	Slack Resource Theory/Business Giving as Business Strategy Theory
Brammer, Pavelin, and Porter (2009)	305 UK Firms	Stakeholder Theory
Hapitan (2012)	30 banks in the Philippines	Signaling Model of Corporate Philanthropy
Melo and Garrido-Morgado (2012)	320 US firms	Instrumental Stakeholder Theory
Madsen and Rodgers (2015)	470 US firms	Stakeholder Theory
Shabana et al. (2017)	189 US firms	Institutional Theory
Liu and Wu (2016)	3377 US firms	Industry Perspective
Makki and Lodhi (2008)	25 Pakistani firms	Slack Resource Theory/Organization Theory
Muller and Kräussl (2011)	442 US firms	Strategic Perspective on Corporate Magnanimity
Hyun et al. (2016)	1102 US firms	Gender Socialization Theory
Strike, Gao, and Bansal (2006)	222 US firms	RBV/Bargaining Theory
Lerner and Fryxell (1988)	130 US firms	Multi-dimensional Perspective
Mishra and Modi (2013)	192 US firms	Stakeholder Theory
Jiraporn et al. (2014)	2516 US firms	Geographic Proximity Perspective
Fernandez-Kranz and Santalo (2010)	3630 US firms	Theory of Competition
Brower and Mahajan (2013)	447 US firms	Stakeholder Theory
Current study	271 companies from 13 countries	RBV/Institutional theory

1995). The regulative dimension reflects the formal rules and procedures within an environment, the normative dimension reflects the norms and values within an environment, and the cognitive dimension reflects the widely held beliefs within an environment (Scott 1995). Research finds that institutional environments have implications on both advertising and CSR.

Regarding advertising, a firm's advertising intensity is dependent on its institutional environment. Advertising is dependent on the institutional environment's beliefs and attitudes towards advertising (O'Donohoe 1995). The institution of advertising differs across different countries' institutional environments (Petrovici and Marinov 2007). For example, Andrews, Durvasula, and Netemeyer (1994) find that there is a more favourable attitude towards the institution of advertising in the US than there is in Russia.

CSR is also dependent on a firm's institutional environment. Specifically, country-specific institutional forces influence firm CSR (Eteokleous, Leonidou, and Katsikeas 2016). Demirbag et al. (2017) find that CSR differs between countries with common law contexts versus countries with civil law contexts, indicating that the regulative institutional environment influences firm CSR.

Employing institutional theory, this current research posits that both advertising and CSR are dependent on country-level institutional environments. Therefore, no significant relationship is expected between advertising intensity and CSR within this paper, since some institutional contexts may require the two constructs to be complementary, while others may require them to be substitutes.

Advertising intensity, CSR, and NPE

Although we propose no direct relationship between advertising intensity and CSR, we employ a multi-theoretical perspective to hypothesize on the moderating role of NPE in the relationship. National philanthropic environment (NPE) is defined as the propensity of a nation's people and organizations to voluntarily contribute to a social good or cause through the donation of money, time, resources, or other valuable entities (Randrianasolo and Semenov 2021). Adopting a theoretical position from previous research (i.e. Randrianasolo and Semenov 2021), we take the position that NPE reflects the normative institutional pressures for firms to be more philanthropic. Coupling this institutional theoretical perspective with RBV, we hypothesize on the moderating role of NPE as discussed below.

Prior research emphasizes that institutional environments influence resource complementarity (e.g. Grimpe and Hussinger 2014). Further, the interaction of resources and institutions influence firm behaviours, and previous scholars have emphasized the importance of combining institution- and resource-based views to gain richer insights into international business (Lindsay, Rod, Achill 2017; Meyer et al. 2009). Thus, we posit that the relationship between two resources, advertising intensity and CSR, is moderated by a component of the normative institutional environment, NPE.

Proponents of the complementary perspective regarding the relationship between advertising intensity and CSR resources take the view that CSR is dependent on advertising intensity to be effective. Taking a multi-theoretical and a contingency perspective, we hypothesize that this complementary perspective is contingent on

the institutional environment having high NPE. Specifically, in countries with high NPE, where the normative institutional environment includes high pressure to participate in socially responsible behaviours (Randrianasolo and Semenov 2021), the advertising intensity/CSR relationship is positively significant. Countries with high NPE value organizations that voluntarily contribute to a social good, therefore, the visibility of firm CSR is crucial in these environments. Thus, advertising intensity will be complemented by CSR resources in such environments to satisfy normative institutional pressures to be philanthropic.

Conversely, in countries with low NPE, there is low institutional pressure to participate in socially responsible behaviours, and we propose that these two resources serve as substitutes in such environments. Proponents of the substitute perspective posit that CSR functions as a differentiation mechanism that takes the place of advertising (e.g. Hu et al. 2018). With a multi-theoretical and a contingency perspective, we hypothesize that this substitute perspective is contingent on the institutional environment having low NPE. Specifically, in countries with low NPE, where the institutional environment has low pressure to be philanthropic, firms may employ either advertising intensity or CSR resources to build competitive advantages since the institutional environment does not pressure high CSR visibility, and therefore advertising does not need to be complemented by CSR. In such countries, we hypothesize a negative advertising intensity/CSR relationship.

The theoretical position here is that in high NPE countries, the institutional environment pressures firms to participate in CSR, and therefore firms align advertising intensity with their CSR efforts to communicate their CSR to stakeholders within the institutional environment. Advertising intensity and CSR are complements in such countries. In low NPE countries, however, this institutional pressure is low, and advertising may serve as a substitute for CSR, rather than a complement. The hypothesis is formalized:

Hypothesis: In countries with higher (lower) NPE levels, there is a positive (negative) relationship between advertising intensity and CSR

Methodology

Sample and data collection

The data for this study was collected from multiple sources. Firm CSR was measured with CSR ratings from the CSRHub database. CSRHub rates 8,419 companies worldwide on four categories: governance, environment, community, and employees. The final overall CSR ratings are aggregate scores of these four categories and range between 0 and 100, where 100 is the highest score.

NPE was measured with the Global Philanthropy Environment Index, published by the Indiana University-Purdue University in Indianapolis' Lilly Family School of Philanthropy and encompasses a philanthropic environment score for 79 countries that reflects each of the countries' philanthropic enabling environment on a scale of 1.0 to 5.0 (IUPUI 2019). This index measures five key factors of philanthropic environments: ease of operating philanthropic organizations, tax incentives, cross-border flows, political environment, and sociocultural environment.

The data for the Global Philanthropy Environment Index was collected by the Indiana University-Purdue University from each country via a questionnaire. The experts in each country were asked to assess their environment for philanthropy. The expert questionnaire included 10 indicator questions to measure the five key factors on the scale from 1= the least favourable environment to 5= the most favourable environment for philanthropy. 11 regional reviewers and the experts from each country discussed the scores. The experts and reviewers included academics, legal experts, nonprofit leaders, and national or regional researchers. Next, the average values for each indicator and factor at the country level was calculated by a research team from the Indiana University. Finally, the members of the advisory board validated the final scores.

Advertising, total sales, year of incorporation, number of employees, industry profitability, and industry competition were collected from the Bloomberg database. The database was searched for information on the companies with CSR ratings and resulted in 1,883 firms from 22 countries. Next, the data on advertising of these 1,883 firms were searched in Bloomberg and company annual reports. Firms that did not provide advertising data were eliminated. Companies from the countries without the Global Philanthropy Environment Index were also eliminated. The final sample consisted of 271 companies from 13 countries. A series of t-tests were conducted to examine the differences in company size between those included and excluded from the final sample based on both elimination criteria. No significant differences were found ($p < .05$).

Data for cultural dimensions was collected from Hofstede Insights. Economic Freedom of the World report published by Fraser Institute (Gwartney et al. 2019) was used to collect the data on government regulatory conditions of the countries in the sample. The Gini index that measures economic inequality in a population of a country and gross domestic product (GDP) per capita were collected from The World Bank (2019). Descriptive statistics of firms by industry, means, standard deviations, and correlations of the variables in the study, and country variables are shown in Tables 2–4, respectively.

Measures

We calculated a numeric average of each firm- and industry-level variable based on the data for the years 2016–2018. We employ this 3-year average rather than a one-year lagged model because research finds that lagged models often have issues of simultaneous bias and auto-correlation problems (Ali Shah and Akbar 2008).

Dependent variable

Guided by prior research (Randrianasolo and Semenov 2021), CSRHub ratings were used to measure firm CSR. 634+ sources which cover all aspects of CSR such as ratings, rankings, and reports are used to collect CSRHub data. Thus, CSRHub data eliminates biases that might result from using a single source CSR data.

This paper envisions that companies which pour more resources into their CSR strategies have higher CSR ratings. This is consistent with prior research that has used

Table 2. Descriptive statistics of firms by industry.

Industry	Number of firms
Communication services	11
Consumer discretionary	46
Consumer staples	31
Energy	6
Financials	1
Health care	27
Independent power and renewabl	1
Industrials	75
Information technology	30
Materials	36
Real estate	1
Utilities	6
Total	271

CSRHub to measure CSR levels (Randrianasolo and Semenov 2021), CSR practices (Keong, Ramakrishnan, and Hishan 2018), and firm resource allocation to CSR (Lin et al. 2019).

Independent variables

Advertising intensity is the first independent variable in this study. In his literature review, Pope (2018) demonstrated that advertising intensity, measured as advertising expenditures divided by total sales was commonly used to examine the relationship between advertising intensity and CSR. The second independent variable is NPE, which was measured with The Global Philanthropy Environment Index.

Control variables

Existing research demonstrated that CSR can be influenced by external, internal, and industry conditions (Eteokleous, Leonidou, and Katsikeas 2016). Thus, this study controls for (1) country characteristics such as culture, regulations, economic inequality, and level of economic development; (2) firm characteristics such as firm age and size; and (3) industry effects such as industry, industry profitability, and industry competition.

Country culture was captured by using four of Hofstede's cultural dimensions: individualism, masculinity, uncertainty avoidance, and long-term orientation. Power distance and indulgence were excluded from the analyses because these dimensions are not theoretically related to CSR. Country regulations were captured by the regulation rating from the Economic Freedom of the World: 2019 Annual Report. Economic inequality was measured with GINI index and level of economic development was measured with GDP per capita. Both measures were obtained from the World Bank: World Development Indicators.

Firm age was measured as the natural logarithms of actual firm age in years. Firm size was measured as the natural logarithms of the number of employees.

Firm industry was captured by Global Industry Classification Standard (GICS) code from the Bloomberg database. Industry profitability was measured as industry average return on assets (ROA). Finally, industry competition was captured by industry advertising to sales ratio, where higher ratio represents greater competition (Chen and Lin 2015).

Table 3. Descriptive Statistics, means, standard deviations, and correlations of the variables in the study.

Variables	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. CSR	53.76	8.20														
2. Advertising intensity	0.11	0.11	0.08													
3. National Philanthropic Environment	4.06	0.80	-0.03	.23**												
4. Firm Size (LN_Employees)	9.51	1.41	.26**	-0.05	-.22**											
5. Firm Age (LN_Year)	3.37	0.83	-0.09	-0.06	.23**	-0.05										
6. Industry (GICS Dummy)	27.71	11.37	-0.05	.19**	0.05	-.16**	-0.03									
7. Industry Profitability	0.06	0.04	-0.04	-0.17**	-.71**	.19**	-0.11									
8. Industry Competition	4.04	5.65	0.07	.21**	.22**	.12*	0.02	-0.04								
9. Individualism	51.53	21.13	0.07	.35**	.89**	-.17**	.19**	-0.01	-.71**	.27**						
10. Masculinity	57.20	27.19	-0.21**	-.27**	-.151*	.13*	-0.09	0.06	.35**	-.17**	-.44**					
11. Uncertainty Avoidance	55.78	25.24	-0.21**	-0.10	.60**	-0.08	.15*	0.10	-.41**	0.08	.27**	.50**				
12. Long Term Orientation	73.51	17.71	-0.20**	-.27**	-.36**	.17**	-.22**	0.08	.42**	-0.09	-.63**	.74**	.21**			
13. Regulation	7.62	0.77	-0.12*	.16**	.90**	-.24**	.31**	0.06	-.54**	0.11	.77**	0.01	.55**	-.26**		
14. GINI Index	33.96	5.52	0.08	-.143*	-.57**	.20**	-.14*	0.02	.37**	-.17**	-.45**	.32**	-.22**	.13*	-.54**	
15. GDP Per Capita	39027	21596	0.01	.27**	.84**	-.23**	.24**	0.04	-.54**	.19**	.81**	-.26**	.26**	-.38**	.86**	-.64**

* $p < .05$, ** $p < 0.01$.

HLM results for direct effects of advertising intensity on CSR and moderating effects of NPE

To test the hypothesis, we used hierarchical linear modelling (HLM) because the outcome variable (CSR) is at the firm level while predictor variables are at both the firm (advertising intensity) and country (NPE) levels of analyses. Firms (level-1) were nested within countries (level-2). HLM allows the level-1 parameters to vary across groups. The variance and covariance of the level-2 residuals are also estimated (Bryk and Raudenbush 1992). Additionally, to measure fixed effects, HLM estimates the random effects of the intercepts and slopes in a model.

Before testing the hypothesis, we needed to show the appropriateness of HLM by demonstrating variance between CSR. An unconstrained (null) model with no predictors was estimated and showed the level-2 residual variance of the intercept (τ_{00}) of 10.54 ($\chi^2(12)=64.54, p<.000$) and an ICC1 of .16¹, suggesting that 16% of the variance in CSR is at a country level (level-2) and 84% is at a firm level (level-1). The significance of chi-square indicates that there is variance in CSR by the country grouping, thus justifying the use of HLM.

The following steps were taken to test the proposed relationships: (1) all firm level variables were introduced, (2) the country level variable was added, and (3) a cross-level interaction between advertising intensity and NPE was introduced (hypothesis testing). Based on previous research (e.g. Preacher, Curran, and Bauer 2006), variables at the firm level, were group-mean-centred. The industry variable was not centred. The country level variables were grand-mean-centred. The model below was used to test the hypothesis.

Level 1 Model (Firm Level):

$$\begin{aligned} CSR_{Firm} = & \beta_{0j} + \beta_{1j}(\text{Advertising Intensity}) + \beta_{2j}(\text{Industry Code}) \\ & + \beta_{3j}(\text{Industry Competition}) + \beta_{4j}(\text{Industry Profitability}) \\ & + \beta_{5j}(\text{Firm Size}) + \beta_{6j}(\text{Firm Age}) + r_{ij} \end{aligned}$$

Level 2 Model (Country Level):

$$\begin{aligned} \beta_{0j} = & \gamma_{00} + \gamma_{01}(\text{National Philanthropic Environments}) \\ & + \gamma_{02}(\text{Individualism}) + \gamma_{03}(\text{Masculinity}) + \gamma_{04}(\text{Uncertainty Avoidance}) \\ & + \gamma_{05}(\text{Long Term Orientation}) + \gamma_{06}(\text{Regulation}) \\ & + \gamma_{07}(\text{GINI Index}) + \gamma_{08}(\text{GDP Per Capita}) + u_{0j} \end{aligned}$$

$$\beta_{1j} = \gamma_{10} + \gamma_{11}(\text{National Philanthropic Environments}) + u_{1j}$$

$$\beta_{2j} = \gamma_{20} + u_{2j}$$

$$\beta_{3j} = \gamma_{30} + u_{3j}$$

$$\beta_{4j} = \gamma_{40} + u_{4j}$$

$$\beta_{5j} = \gamma_{50} + u_{5j}$$

$$\beta_{6j} = \gamma_{60} + u_{6j}$$

Table 5 shows the results of the HLM analyses. The second and third sections of Table 5 show firm and country main effects. At the firm level, only firm size significantly and positively affects CSR ($\gamma = 1.63, p < .01$). Advertising intensity was not significantly related to CSR ($\gamma = 0.01, p > .05$). At the country level, none of the variables were significantly related to CSR. Our paper provides theoretical support for the moderating effect of NPE. Thus, following the Aguinis, Gottfredson, and Culpepper (2013) recommendations, we proceeded with testing the hypothesis (Figure 1).

To test the NPE moderation, we estimated a slope-as-outcome model. The cross-level interaction was significant ($\gamma = 9.34, p < 0.05$). Figure 2 shows the pattern of the significant interaction. The values for the end points of advertising intensity for Figure 2 were selected at one standard deviation above and below the mean (Aiken and West 1991). The results demonstrate that in high NPE countries, the advertising intensity-CSR link is positive, while in lower NPE countries, the advertising intensity-CSR relationship is negative, supporting the hypothesis.

Discussion

The advertising/CSR relationship has garnered widely increased attention in advertising research within recent years as marketers seek to balance social good against profit-seeking activities in their decision-making processes (Hayes, Holiday, and Park 2022). This increased interest is due to global consumer concerns for companies to make positive impacts within society (Hayes and Duff 2022). With this increased focus, international advertising scholars have investigated topics such as employing CSR advertising as a post-crisis response strategy (Wu and Overton 2022), the role of individuals' perceptions of likelihood of sustained commitment in corporate nonprofit partnership CSR advertisements (Waymer, Gilliland, and Barbour 2022), and the role of issue involvement and brand attachment in shaping consumer response toward corporate social advocacy initiatives (Li, Kim, and Alharbi 2022). However, little research examines the role of context in the advertising intensity/CSR link.

The findings of this paper provide evidence that country conditions such as NPE are crucial for understanding the advertising intensity/CSR relationship. A country's propensity to be philanthropic might be a 'missing link' that helps scholars and advertisers resolve the existing debate of when and where advertising influences CSR, and are complements, as well as when they are substitutes. Theoretically, this implies that scholars should consider NPE not only in further investigations of the advertising/CSR relationship, but also in all considerations for antecedents or outcomes of CSR. Practically, this implies that managers should examine the normative values (e.g. NPE) in the institutional environments of their firms' markets before employing advertising resources towards CSR, as further discussed below.

Theoretical contributions

Most commonly, the existing literature utilized either the complementary or the substitute perspective to examine the advertising intensity/CSR relationship. Pope (2018) shows that a majority of the 32 studies he examines find mixed or inconclusive

Table 5. HLM results for CSR.

Variables	CSR					R ^{2b}
	Coefficient	S.E.	t	d.f.		
Null Model						
Intercept	54.86***	1.072	51.14	12		
Level 1 (Firm-Level)						
Intercept	54.84***	1.46	37.44	4		0.10
Industry (GICS Dummy)	0.03	0.24	0.13	12		
Industry Profitability (Industry ROA)	-0.80	25.62	-0.03	12		
Industry Competition (Industry Advertising to Sales)	-0.17	0.20	-0.84	12		
Firm Size (LN_Employees)	1.63**	0.47	3.46	12		
Firm Age (LN_Year)	-0.27	0.74	-0.36	12		
Advertising Intensity	0.01	5.09	0.00	11		
Level 2 (Country Level)						
National Philanthropic Environment	8.79	4.90	1.79	4		0.33
Individualism	-0.14	0.11	-1.22	4		
Masculinity	0.02	0.06	0.41	4		
Uncertainty Avoidance	-0.06	0.06	-0.98	4		
Long Term Orientation	-0.15	0.07	-2.12	4		
Regulation	-7.15	3.35	-2.13	4		
GINI Index	0.07	0.19	0.38	4		
GDP Per Capita	0.00	0.00	0.49	4		
Level 1 × Level 2 (Cross-Level Interaction)						
Advertising Intensity × National Philanthropic Environment	9.34*	4.86	1.96	11		

Note: Restricted Maximum Likelihood Estimation.

^aFirm-Level n=271, Country Level n=13.

^bIndicates the proportion of variance extracted at each level; i.e. level-1 within-country variance, level-2 between-country variance, and cross-level interaction.

$R_{total}^2 = R_{within-group}^2 \times (1 - ICC1) + R_{between-groups}^2 \times ICC1$. $R_{CSR\ total}^2 = 0.14$.
* $p < .05$; ** $p < .01$; *** $p < .001$.

results. Perhaps these results are due to the exclusion of institutional contextual variables such as NPE. Specifically, of the 32 studies examined in Pope's (2018) research, 31 of the studies use single country samples, and out of those 31, 24 of studies use only US firms. The current study provides more generalizable results because it focuses on 271 firms from 13 countries. The findings of the current study can be used not only by domestic but also international advertisers.

One of the major contributions of this paper is that by applying a contingency perspective, we provide clarity to the complementary vs. substitute nature of the advertising intensity/CSR relationship. We demonstrate that country environment (NPE) determines when advertising and CSR complement each other and when they are substitutes. Generally, we provide additional evidence that although firm resources can be employed to gain competitive advantages, the value of resources is applicable within the firm's market context (Barney, Wright, and Ketchen 2001). Advertising intensity represents intangible technical and marketing related resources and capabilities that can affect firm competitive advantages (Chatterjee and Wernerfelt 1991; Sharma and Kesner 1996). Such resource can be complemented

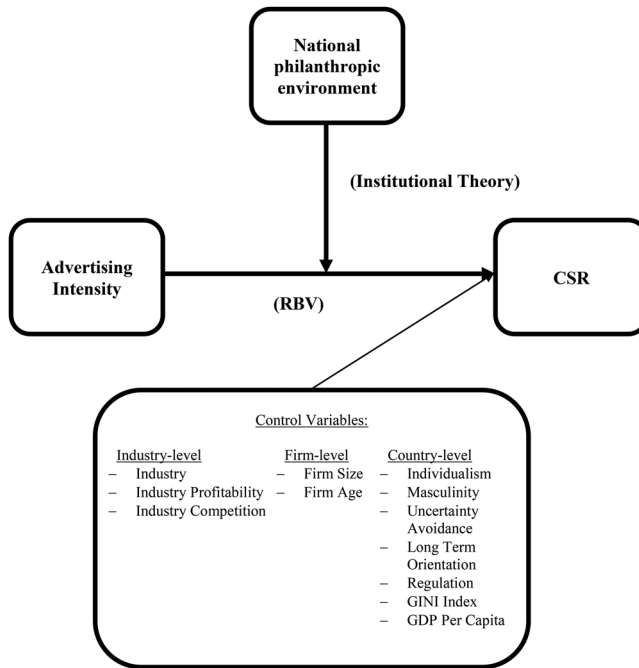


Figure 1. Model of Advertising Intensity, CSR, and NPE.

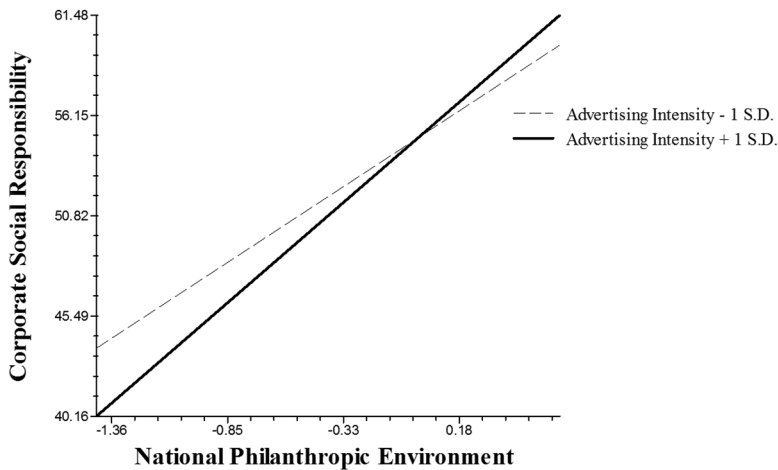


Figure 2. The interaction effects of advertising intensity and NPE on CSR.

by CSR in the countries with high NPE and will be a substitute for CSR in low NPE countries.

Our paper also contributes to the CSR literature. Considering the social nature of CSR, studies should take institutional environmental contexts into consideration when examining CSR and its antecedents. This current paper therefore contributes to theory by finding evidence that environmental contexts represented by a nation’s normative

values such as NPE should be considered not only in the study of the advertising intensity/CSR relationship, but in all research focused on CSR.

The contribution of this paper is aligned with Eteokleous, Leonidou, and Katsikeas (2016) suggestion for CSR research to take on multi-theoretical perspectives by utilizing both the RBV and institutional theoretical perspectives. Although some studies on the advertising intensity/CSR relationship use multiple theoretical lenses (e.g. Amato and Amato 2007; Masulis and Reza 2015), none of the studies examined the relationship from the complementary perspectives of RBV and institutional theory. By providing evidence that supports the use of these two theories on the hypothesized relationship, this paper suggests that both internal (advertising intensity) and external (NPE) constructs are relevant to understanding firm CSR.

In sum, we address Hayes and Duff (2022), Pope (2018), and Taylor (2018)'s calls for better understandings of the advertising/CSR relationship by examining when and where advertising is positively and significantly related to CSR. We do so by providing evidence that NPE significantly moderates this focal relationship, indicating that normative institutional values (NPE) influence the effectiveness of resource configurations (advertising intensity and CSR) since in high NPE countries, these resources are complimentary, while they are substitutes in low NPE countries. Thus, scholars should consider both the resource-based view along with institutional theory when seeking to further investigate the dynamics of advertising and CSR.

Practical implications

Recent reports (e.g. Stobierski 2021) indicate that CSR plays a crucial role in consumer purchase decisions and employee employment decisions in the U.S. Some reports indicate that global consumers expect companies to engage in CSR and make positive social impacts (Cone Communications 2017). However, in support of the former and contrary to the latter reports, our findings demonstrate that practitioners must consider country context to understand the advertising/CSR relationship. Considering that the U.S. has high NPE, companies should communicate their CSR efforts via advertising. Yet, they should not assume that the same strategy is appropriate globally.

This paper provides a framework for managers to better understand the advertising intensity/CSR link and how NPE affects the relationship. This framework allows firms to account for NPE and assess whether they need to complement advertising intensity with CSR or substitute CSR for advertising intensity. The results indicate that managers should look to complement advertising intensity and CSR only in high NPE markets. Advertising expenditures can be employed to improve constructs such as a company's brand relevance, esteem, knowledge, and brand equity (Chaudhuri 2002; Ford 2021). One-way advertising intensity can boost such elements is by complementing this resource with CSR resources, however, as the results show, this complementary approach should only be taken in high NPE countries.

In addition to the theoretical framework, the current study provides advertisers with a useful practical tool. Based on this study's findings, a nation's propensity to be philanthropic affects the advertising intensity/CSR relationship. Thus, advertisers need to understand country's philanthropic environment before deciding on whether they should couple advertising intensity resources with CSR. They can use the Global

Philanthropy Environment Index to determine the NPE levels. Global Philanthropy Environment Index scores vary from 1 to 5. The closer a country's score is to 5, the higher the propensity to be philanthropic (high NPE). Conversely, the lower to 1 a country's score is, the lower the propensity to be philanthropic (low NPE). With an increase in the Global Philanthropy Environment Index score, the pressure for companies to be philanthropic and socially responsible will increase as well. Thus, firms should complement advertising intensity with CSR to accommodate the pressure, achieve competitive advantages, and ultimately increase performance. With a decrease in the score, the pressure for companies to be philanthropic and socially responsible will decrease. Thus, firms should allocate the resources either to advertising or CSR. By increasing advertising intensity, firms could increase competitive advantages, and ultimately performance. However, stakeholders can negatively respond to increasing CSR, because it can be perceived as a cover up of improper behavior (Hu et al. 2018).

In sum, managers faced with the decision to either complement advertising with CSR or treat these two resources as substitutes should consider the country's NPE levels. This implication provides guidance for international advertising managers' tasks relating to resource allocation and configuration to develop competitive advantages in foreign markets. This implication is especially crucial within the current global climate as some consumers increasingly seek socially responsible brands and products, and thus effectively configuring and implementing finite resources within appropriate markets becomes more crucial for firm performance.

Limitations and future research

This paper shows that institutions affect the advertising intensity/CSR relationship, thereby supporting the notion that multi-theoretical perspectives should be taken when considering the combined effects of the intangible resources and country conditions. Future research could revise and extend the current studies that have used only a single-theory perspective or have found mixed results pertaining the focal relationship.

CSR research demonstrates that other country conditions such as economic conditions, home country institutions, and regulatory forces can influence CSR (Banerjee, Iyer, and Kashyap 2003; Julian and Ofori-dankwa 2013; Marano, Tashman, and Kostova 2017). We did not control for all possible country conditions nor compare their effects with the effects of NPE on advertising intensity/CSR link because the main purpose of the current study was to address the inconsistencies in the advertising intensity/CSR research. Thus, future studies can introduce different environmental factors in the advertising intensity/CSR link. Current studies can be extended by future research that simultaneously incorporates home/host country institutional conditions and CSR as a strategy or a tangible resource on marketing outcomes such as brand choice or corporate reputation.

Note

1. $ICC > 0$, even as small as .10 (Kahn 2011), suggests that there might be a variable at the firm level that explains heterogeneity of CSR across the firms.

Data availability

The data analyzed in this article was collected from CSRHub database; the Global Philanthropy Environment Index, published by the Indiana University-Purdue University in Indianapolis' Lilly Family School of Philanthropy; the Bloomberg database; Hofstede Insights, Economic Freedom of the World report, and the World Bank report.

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