Competition-motivated corporate social responsibility

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ABSTRACT

Despite corporate social responsibility (CSR) having become a key strategy for firms to use in advancing on a sustainable path, the role of CSR for firm performance outcomes remains poorly understood. Thus, in a large empirical study across several industries and countries, we examined CSR as moderator of the relationship between marketing capabilities and firm performance. Our study also follows prior research that calls for an inclusion of competitive intensity as a boundary condition to this moderation effect. As hypothesized, three-way interactions among competitive intensity, CSR, and marketing capabilities had significant relationships with firm performance. For firms in industries with high competitive intensity, marketing capabilities have a stronger positive impact on performance when CSR is high versus low. This research sheds light on the interplay between CSR and marketing by showing that vigorously competing firms should use CSR as a major lever for increasing the impact of marketing on performance.

1. Introduction

Executives regularly raise the issue of how much corporate social responsibility (CSR) is sufficient to fulfill the organization's primary function of generating profit (Smith, 2009). Managers in environments of both intense competition and dire economic straits often raise the challenging question of whether or not their CSR initiatives (e.g., supporting local communities with monetary donations, reducing the organization's carbon footprint) are worth the financial investment.

Prior research fails to resolve these managerial uncertainties about the effects of CSR. In particular, debate rages regarding how and under what conditions CSR lead to increased firm performance (Margolis & Walsh, 2003; Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009). Prior studies report various results for the direct and unconditional impact of CSR on performance, whether positive, negative, or neutral (cf. Margolis & Walsh, 2003).

As such, extant research does not provide a consistent depiction of the direct performance effect of CSR. Some authors therefore propose modeling CSR as a moderating variable of the relationship between performance drivers and performance outcome variables, such as economic performance (Handelman & Arnold, 1999) or customer attitudes (Vlachos et al., 2009), thus emphasizing its role as an enabler rather than a direct success factor. However, designs considering CSR as a contingency factor have thus far remained rare (but see Handelman &

Arnold, 1999; Brik, Rettab, & Mellahi, 2011). Moreover, calls for investigating boundary conditions for instances in which CSR might serve as a significant enabler (Berens, van Riel, & Van Rekom, 2007) have largely remained unanswered; little knowledge exists on the potential limits of a moderation effect of CSR.

By introducing the level of competitive intensity as an important boundary condition to CSR, this research adds to the debate on the role of CSR as a moderator of the link between performance drivers and outcomes. The study here focuses on competitive intensity for three reasons. First, the impact of a firm's socially responsible actions is highly contingent on the firm's competitive surrounding (McWilliams & Siegel, 2000; Neville, Bell, & Menguc, 2005). Second, firms should carefully consider their CSR investments, especially when under competitive pressure (Husted, 2003). Third, the study of competitive intensity as a boundary condition to CSR is a timely matter (Berens et al., 2007), given that the effectiveness of CSR initiatives is questioned by management, especially in times of an economic downturn.

The study here extends past research efforts and fills a gap in the extant literature at the intersection of marketing strategy and CSR by simultaneously investigating the joint effects of marketing capabilities (as major performance drivers in the marketing literature; e.g., Song, Di Benedetto, & Nason, 2007; Vorhies & Morgan, 2005), competitive intensity, and CSR on firm performance. By means of a three-way interaction, our research demonstrates that, in industries with high competitive intensity, marketing capabilities have a stronger positive impact on firm performance when CSR is high.

This paper is organized as follows. Section two lays out the theoretical background of our study and develops a three-way interaction hypothesis regarding the joint effect of competitive intensity, CSR, and

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marketing capabilities on firm performance. Section three presents the method and section four the results from a large-scale empirical study across several industries and countries. Section five discusses implications both for managers and for further research.

2. Conceptual background and hypothesis development

2.1. CSR and marketing

CSR is an increasingly important concept in the field of marketing (Garriga & Melé, 2004; Peattie & Crane, 2005). Our research follows the conceptualization of CSR by Lichtenstein, Drumwright, and Braig (2004), who define CSR as a firm's commitment to contributing part of its profits to nonprofit organizations and charitable causes. We adopt this definition for three reasons: (1) other researchers employ the definition (e.g., Barnett, 2007; Becker-Olsen, Cudmore, & Hill, 2006; Russell & Russell, 2010); (2) its conciseness and observability make the definition particularly amenable to empirical measurement; and (3) the definition reflects both the philanthropic aspect (i.e., improving quality of life by contributing to the community) and the ethical aspect (i.e., doing what is right, just, and fair) of CSR (Carroll, 1991).

Marketing research has approached CSR from different perspectives. A substantial part of this fragmentation occurs in terms of both the unit of analysis and the investigated CSR dimensions (see Maignan & Ferrell, 2004 for a review of CSR in marketing). Specifically, the units of analysis that have been used in prior research are consumer reactions to CSR activities (e.g., Handelman & Arnold, 1999; Lichtenstein et al., 2004; Sen & Bhattacharya, 2001; Stanaland, Lwin, & Murphy, 2011), the role of the corporate citizen (Maignan, Ferrell, & Hult, 1999), and the perceived relevance of CSR to marketing managers (Singhapakdi, Vitell, & Franke, 1999), among others. Investigations of CSR dimensions include charitable causes (e.g., Lichtenstein et al., 2004) and environmental protection (e.g., Menon & Menon, 1997).

Available studies fail to answer the questions of how and under which conditions CSR leads to increased firm performance (Margolis & Walsh, 2003; Vlachos et al., 2009). Recent research indicates that CSR may serve as a moderator of the link between performance drivers and performance outcomes (e.g., Handelman & Arnold, 1999; Vlachos et al., 2009). The study here follows this novel approach and focuses on marketing capabilities as relevant drivers of firm performance.

This study is consistent with previous research on organizational capabilities in marketing, such as Song et al.'s (2007) work on strategic type as a moderator of the relationship between capabilities and financial performance, Ramaswami, Srivastava, and Bhargava's (2009) research on market-based capabilities and their effect on financial performance and firm value, and Menguc and Auh's (2006) study on the moderating impact of innovativeness on the link between market orientation and performance. In summary, this study advances knowledge on the conditions (i.e., CSR and competitive intensity) under which marketing capabilities are particularly instrumental to firm performance.

2.2. Marketing capabilities

According to the resource-based view (e.g., Srivastava, Fahey, & Christensen, 2001; Wernerfelt, 1984), marketing capabilities include knowledge of competition and customers, as well as skills in segmenting and targeting markets, pricing, product development, distribution, and communication, and in integrating these activities (Kemper, Schilke, & Brettel, 2013; Song et al., 2007). Specifically, we focus on the four most central marketing capabilities (Vorhies & Morgan, 2005) that are based on the marketing mix (Van Waterschoot & Van den Bulte, 1992): (1) pricing capability (the ability to obtain the optimal revenue from customers (e.g., Dutta, Zbaracki, & Bergen, 2003)); (2) product development capability (the processes by which firms develop and manage goods and services (e.g., Dutta, Narasimhan, & Rajiv, 1999)); (3) distribution capability (the ability to establish and maintain channels of distribution that deliver value to end-user customers (e.g., Brettel, Engelen, Müller, & Schilke, 2011)); and (4) marketing communication capability (the ability to manage customer value perceptions (e.g., McKee, Conant, Varadarajan, & Mokwa, 1992)).

2.3. Competitive intensity

Competitive intensity is the level of direct competition that a firm faces within its business domain (Jaworski & Kohli, 1993). Competitive intensity impacts the relevance of socially responsible marketing (Menon & Menon, 1997). Based on the notion that firms that are not market-oriented and are not responsive to customers' needs and wants are likely to perform particularly poorly in markets of high competitive intensity (Jaworski & Kohli, 1993), CSR activities are likely more effective in boosting the impact of marketing on performance in highly competitive markets than in markets with low competitive intensity. CSR activities in highly competitive industries likely have a greater impact on the relationship between marketing capabilities and firm performance than similar activities in industries with less competitive intensity.

Looking in greater detail at each of the four central marketing capabilities listed above, in highly competitive markets where competition for the best price is often fierce, firms with strong CSR activities drive customers' attention away from merely looking at price (McWilliams & Siegel, 2000), thus resulting in larger margins than the competition. Therefore, CSR likely has a stronger impact on the relationship between pricing capability and firm performance in more competitive markets.

In industries with intense competition, marketing managers need to differentiate their product offerings (Day & Nedungadi, 1994). As such, CSR initiatives may serve as additional product differentiators because they add value to the core product attributes (McWilliams & Siegel, 2001), resulting in a greater impact of CSR on the link between product capability and firm performance when competitive intensity is high.

Furthermore, we predict that firms under intense competition can also leverage CSR to increase the impact of their distribution capability on firm performance. For example, lowering the carbon footprint of a firm's distribution network or engaging in "fair trade" may serve both as an additional differentiator (resulting in increased revenues and profits) as well as a potential cost saver (e.g., a modern distribution fleet of trucks uses less fuel and thus results in cost savings).

Finally, the greater the competitive intensity of a market, the more crucial the firm's reputation will be (Mahon, 2002; Neville et al., 2005). Thus, CSR activities likely have a greater impact on the link between marketing communication capability and performance in highly competitive markets than in less competitive markets.

On the basis of these assessments, the study proposes and tests the following hypothesis.

H1. In environments where competitive intensity is high rather than low, higher CSR results in (a) pricing capability having a stronger positive relationship with firm performance; (b) product development capability having a stronger positive relationship with firm performance; (c) distribution capability having a stronger positive relationship with firm performance; and (d) marketing communication capability having a stronger positive relationship with firm performance.

Fig. 1 summarizes the conceptual framework implied by our hypothesis, showing the direct impact of the four marketing capabilities on firm performance, the moderating impact of CSR on the links between marketing capabilities and performance, and competitive intensity as a boundary condition of these moderating relationships. Overall, the framework proposes that a three-way interaction among marketing capabilities, CSR, and competitive intensity influences firm performance.

3. Method

3.1. Sampling frame and data collection procedure

This study primarily builds on prior research that has been conducted in the United States (Kumar, Scheer, & Steenkamp, 1995). However, as firms grow increasingly international in character, the need to establish the cross-national validity of theoretical concepts and models of marketing becomes more germane (Frazier, Gill, & Kale, 1989), particularly in light of country-level variations in ethics perceptions and policies (Schlegelmilch & Robertson, 1995). Consequently, in order to generate more generalizable results, we test our hypothesis with a comprehensive set of firms from four different national cultures.

We collected key informant and archival data on a set of 891 firms headquartered in the United States, Germany, Hong Kong, and China. In the US, Germany, and Hong Kong, we used a three-wave emailing approach to gather key informant data (Dillman, 2000). We received a total of 292 usable answers from US firms (25.7% response rate), 280 from German firms (12.8% response rate), and 134 from firms in Hong Kong (17.3% response rate). In China, 185 usable responses were obtained by means of personal interviews conducted in the region of the Yangtze Delta.

This approach is consistent with Gao, Zhou, and Yim (2007), who argue that face-to-face interviews are the most appropriate method in an emerging market setting like China because they increase the response rate and tend to generate more valid information than do traditional mail surveys. This mixed mode approach (online and face-to-face) is associated with specific challenges. In particular, differences in the mode of survey administration may cause systematic differences in measurement error. We tried to ameliorate mode effects by closely following Dillman's (2000) recommendation to adopt a unimode approach to questionnaire construction so that questions are identical in content and format across survey modes, thus providing a common mental stimulus. However, since our survey design did not incorporate within-country variation in survey mode, we are unable to quantify potential mode effects, resulting in a limitation of this study.

Consistent with the recommendations of Kumar, Stern, and Anderson (1993) on the use of key informants, we selected respondents with substantial knowledge of their firm's extent of CSR, its marketing practices and policies, and its competitive environment.

Thus, we chose executives whose understanding and areas of expertise pertain to the organization as a whole, most notably managing directors (54%) and senior managers (41%). Since our objective was to capture a wide variance in our moderating variables (CSR and competitive intensity), firms were affiliated with several industries, including chemicals/health care, electronics, engineering, infrastructure, IT/media, professional services, and retail. Table 1 provides descriptive information on the sample composition.

3.2. Test for potential biases

Following the recommendations of Armstrong and Overton (1977), we assessed nonresponse bias by comparing the responses of early and late respondents. Where available, we tested all indicator and demographic variables (e.g., firm size, number of employees, industry) for differences. The results of the t tests for the four samples and the combined sample indicated no significant differences ($p > .05$), suggesting that nonresponse bias is not an issue with our data.

Common method bias may also be a problem when data on two or more constructs are collected from the same informant and correlations between these constructs need to be interpreted (Podsakoff & Organ, 1986). To control for this possibility, the study includes four steps. First, we constructed the questionnaire so that measures of the dependent variable followed, rather than preceded, those of the independent variables (Salancik & Pfeffer, 1977). Second, we performed Harman's one-factor test, in which multiple factors were extracted (Podsakoff & Organ, 1986). Third, we investigated the effect of an unmeasured latent method factor being added to the structural model (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Reimann, Schilke, & Thomas, 2010). All items originating from the same source were then double loaded onto both its substantive latent variable and the method variable. A comparison of the standardized parameter estimates when common method variance was and was not controlled for revealed that the significance of the relationships between each of the four marketing capabilities and firm performance was not affected. Fourth, following recommendations by Homburg, Klarmann, Reimann, and Schilke (2012), we used archival data to triangulate subjective performance information. Archival performance information was publicly available for a subset of 220 firms in our sample.
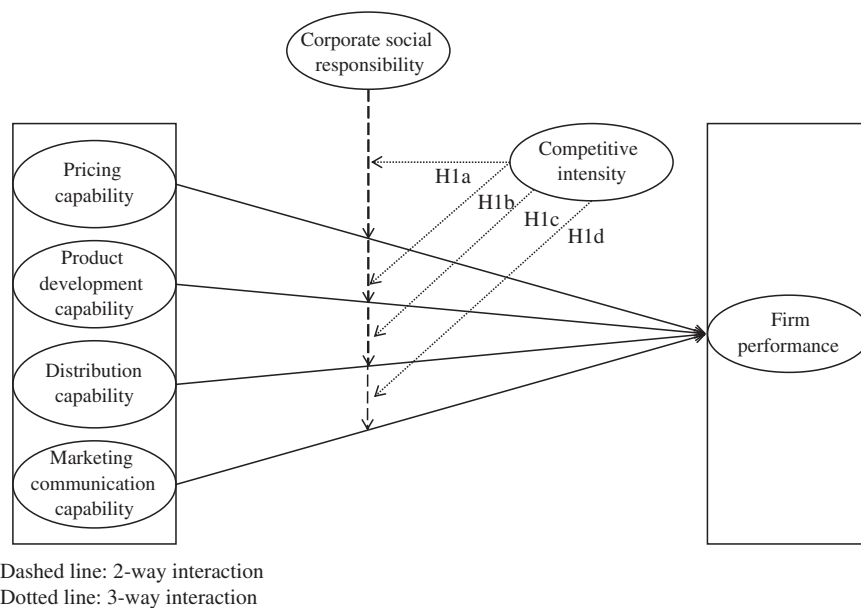

Dashed line: 2-way interaction
Dotted line: 3-way interaction

Fig. 1. Conceptual framework.

Table 1
Composition of sample.

	Overall	United States	Germany	China	Hong Kong
	%	%	%	%	%
Firm age (years since incorporation)					
0–5	17	3	20	36	14
6–10	20	10	18	35	25
11–15	14	11	14	17	17
16–20	13	14	12	6	23
21–50	24	45	18	4	17
>50	13	18	18	3	4
Firm size (number of employees)					
<10	26	26	29	14	37
10–50	32	32	31	36	28
51–100	14	13	11	24	9
101–250	11	9	13	15	6
251–500	6	7	5	3	7
501–1000	4	4	4	2	4
>1000	8	8	9	7	8
Industry					
Chemicals/health care	9	6	12	13	6
Electronics	6	3	9	4	12
Engineering	14	14	21	6	13
Infrastructure	13	20	12	10	4
IT/media	16	13	22	12	13
Professional services	29	35	16	42	24
Retail	13	10	8	14	28
Position of respondents					
Managing director	54	53	74	23	60
Senior management	41	42	20	77	36
Other	4	5	6	0	4

We determined the average sales growth rate, earnings before interest and tax (EBIT) margin, and employee growth rate over the last three years. We then correlated this archival information with the corresponding information provided by the managers. Information from both data sources was found to be highly correlated (sales growth: p = .59, p ≤ .01; EBIT margin: p = .53, p ≤ .01; employee growth: p = .85, p ≤ .01). This high level of convergence suggests that the managerial performance evaluations are valid and are not influenced by other questions in the survey, as would be the case if common method bias was present. The results of all of these analyses indicate that common method bias is not a serious concern in this study.

3.3. Measures

We adapted the measures used in our survey from prior studies. As our research was conducted in four countries with different official languages, all measures were professionally translated into three foreign languages (i.e., German, Mandarin Chinese, and Cantonese) and back-translated into English in order to ensure conceptual equivalence (e.g., Reimann, Lünemann, & Chase, 2008). We applied seven-point Likert answer scales, except for firm age and firm size. Furthermore, we used only reflective measurement models, with the items being manifestations of the respective underlying construct (MacCallum & Browne, 1993). (A complete list of items and constructs appears in Table 3 in the results section.)

3.3.1. Pricing capability, product development capability, distribution capability, marketing communication capability

To operationalize the four marketing capabilities, we adapted the scales introduced by Vorhies and Morgan (2005). The respondents were asked to benchmark their firm's capabilities relative to its major competitors.

3.3.2. Firm performance

To conceptualize performance in terms of a firm's success compared to its major competitors, we followed Slater and Olson (2000) and Walter, Auer, and Ritter (2006) by measuring market performance, profitability, and growth as crucial aspects of firm performance. Profitability was measured in terms of satisfaction with the company's operating income projections for the next several years. Growth was construed as satisfaction with the company's growth compared to its main competitors.

3.3.3. Control variables

In line with Danneels (2008) and Li, Poppo, and Zhou (2008), we included (1) firm age, (2) firm size, and (3) industry as control variables. First, Stinchcombe's (1965) liability of newness arguments suggest a potential positive link between firm age and performance. We measured firm age in terms of the natural logarithm of the number of years since the formation or incorporation of the firm. Second, there is reason to expect a positive link between firm size and performance, given that potential scale economies may cause performance differences between larger and smaller firms (Vorhies & Morgan, 2005). We measured firm size with a single item representing the number of employees. (Seven answer categories were provided: <10, 10–50, 51–100, 101–250, 251–500, 501–1000, >1000.) Finally, the importance of the industry in which a firm competes as a predictor of firm-level outcomes is widely recognized in the literature (Dess, Ireland, & Hitt, 1990), making it imperative to control for industry effects on firm performance (Peng & Luo, 2000). For this reason, we asked respondents to classify their firms' industry. On the basis of the seven industries represented in our study, we included six dummy variables in the structural model to control for the industry of the firm.

3.3.4. Moderating variables

The scales for CSR and competitive intensity were adapted from Lichtenstein et al. (2004) and Jaworski and Kohli (1993), respectively.

4. Results

Before examining relationships among constructs that were measured in different countries, one must ensure that these measures are not culturally bound (Triandis, 1982). Following Kumar et al. (1995) and in line with Hair, Black, Babin, Anderson, and Tatham (2006), our data analysis procedures thus combine (1) an adaptation of Anderson and Gerbing's (1988) two-step approach to assess first the measurement model and then the structural model with (2) the process for analyzing data from multiple countries used by Durvasula, Andrews, Lysonski, and Netemeyer (1993).

Table 2
Mean differences.

Variable	United States	Germany	China	Hong Kong
Pricing capability	4.99[2,4]	4.51[1,3]	4.86[2,4]	4.30[1,3]
Product development capability	4.71[4]	4.76[4]	4.81[4]	4.37[1,2,3]
Distribution capability	4.73[4]	4.92[4]	4.81[4]	4.02[1,2,3]
Marketing communication capability	4.63[2,4]	4.07[1,3]	4.54[2,4]	3.89[1,3]
Corporate social responsibility	4.15[2,3]	3.40[1,3,4]	4.71[1,2]	4.40[2]
Competitive intensity	5.06[3]	4.93[3]	4.60[1,2,4]	4.99[3]
Firm performance	4.99[2,3,4]	4.65[1,3,4]	4.32[1,2,4]	3.99[1,2,3]

Note: The superscripted numbers 1, 2, 3, and 4 represent the USA, Germany, China and Hong Kong, respectively. For any construct, the superscripts indicate the countries from which this mean differs on the basis of a chi-square test at the .05 level. For example, for Germany and Hong Kong, the mean of marketing communication capability is significantly different from the marketing communication capability means of China and the United States.

Table 3
Measurement scales.

				Item loadings
Pricing capability				
(Reflective, 7 point Likert answer scale, (1) much worse–(7) much better than competitors)	α = .82	CR = .82	AVE = .60	
Please rate your company relative to your major competitors in terms of its capabilities in the following areas:				
1a Using pricing skills and systems to respond quickly to market change.				.78
1b Knowledge of competitors' pricing tactics.				.85
1c Monitoring competitors' prices and price changes				.71
Product development capability				
(Reflective, 7 point Likert answer scale, (1) much worse–(7) much better than competitors)	α = .88	CR = .88	AVE = .71	
Please rate your company relative to your major competitors in terms of its capabilities in the following areas:				
2a Ability to develop new products/services.				.85
2b Developing new products/services to exploit R&D investment.				.86
2c Successfully launching new products/services.				.82
Distribution capability				
(Reflective, 7 point Likert answer scale, (1) much worse–(7) much better than competitors)	α = .94	CR = .94	AVE = .80	
Please rate your company relative to your major competitors in terms of its capabilities in the following areas:				
3a Strength of relationships with distributors.				.88
3b Attracting and retaining the best distributors.				.93
3c Adding value to our distributors' businesses.				.91
3d Providing high levels of service support to distributors.				.87
Marketing communication capability				
(Reflective, 7 point Likert answer scale, (1) much worse–(7) much better than competitors)	α = .83	CR = .83	AVE = .63	
Please rate your company relative to your major competitors in terms of its capabilities in the following areas:				
4a Developing and executing advertising programs.				.74
4b Public relations skills.				.79
4c Brand image management skills and processes.				.85
Firm performance				
(Reflective, 7 point Likert answer scale, (1) strongly disagree–(7) strongly agree)	α = .89	CR = .89	AVE = .74	
To what extent do you agree with the following statements?				
5a We are satisfied with our company's development compared to our main competitors.				.92
5b We are satisfied with our company's growth compared to our main competitors.				.94
5c We are satisfied with our company's operating income projections for the next years.				.70
Corporate social responsibility				
(Reflective, 7 point Likert answer scale, (1) strongly disagree–(7) strongly agree)	α = .90	CR = .90	AVE = .70	
To what extent do you agree with the following statements?				
6a My company is committed to using a portion of its profits to help nonprofits.				.83
6b My company gives back to the communities in which it does business.				.82
6c Local nonprofits benefit from my company's contributions.				.91
6d My company integrates charitable contributions into its business activities.				.79
Competitive intensity				
(Reflective, 7 point Likert answer scale, (1) very little–(7) very much)	α = .76	CR = .76	AVE = .51	
Please comment on the characteristics of the industry you are active in:				
7a Extent of competitive intensity.				.67
7b Similarity in competitors' product offerings.				.72
7c Extent of price-based competition.				.75

4.1. Measure validation

To ensure a rigorous examination of the cross-national equivalence of the measures, we evaluated the metric equivalence of the measures through a series of analyses at the national, multigroup, and pooled-data levels (Durvasula et al., 1993; Kumar et al., 1995). The national-level analysis examines whether the psychometric properties of the measures exhibit a similar pattern across the different countries. For this purpose, the discriminant validity, dimensionality, and internal consistency of the four marketing capabilities, CSR, competitive intensity, and firm performance were assessed on a country-by-country basis (Durvasula et al., 1993). For each of the four countries, we found that the seven-factor measurement model produced a significantly better fit than a one-factor model (p ≤ .01). Also, the CFI values of each seven-factor model clearly exceeded the .9 threshold, and composite reliabilities (CR) were invariably above .7. In sum, the discriminant validity, dimensionality, and internal consistency estimates indicated that the study's focal variables were metrically similar across country samples.

In addition, we employed a multigroup approach, which looks for an invariant pattern of parameter estimates across all countries. Specifically, we tested for measurement invariance by equating the factor loadings in the four groups. Examining the effect of this constraint, we found that it did not lead to a significant decrease in model fit (p > .05), thus providing further support for measurement equivalence.

Further, the pooled analysis attempts to remove culturally idiosyncratic patterns from the data by standardizing the responses to each item separately in each country. This treatment allows the data to become "decultured"; in other words, the true correlation between any two items is not affected by culture-specific factors, because the average score in each sample is now zero (Bond, 1988). The decultured data were then pooled across countries and analyzed as an aggregate. Consistent with the national-level and multigroup analyses, the pooled analysis indicates a high level of cross-national equivalence at the measurement level for the various constructs.

As a final step, we performed individual variable mean tests. In Table 2, the superscripted numbers 1, 2, 3, and 4 represent the United States, Germany, China, and Hong Kong, respectively. For any construct,

the superscripts indicate the countries from which its mean differs based on a Chi-square test at the .05-level. These mean differences suggest varying perceptions about the variables among the countries. Nonetheless, the model captured the communality of the relations among constructs. Given the focus of our study, we decided not to elaborate on mean differences. Mean differences are a substantive/practical issue; thus, the mean difference tests offered here should be viewed as a final step in cross-national theory testing (Durvasula et al., 1993).

Next, we inspected the measurement model for the pooled data, using AMOS 16.0 software (Arbuckle, 2007) and applying the maximum likelihood (ML) procedure. We found that the measurement model fit the data well ($\chi^2 = 516.28$, df $= 209$, $\chi^2/$df $= 2.47$, CFI $= .98$, TLI $= .97$, NFI $= .96$, RMSEA $= .04$, SRMR $= .03$). We then assessed the reflective multi-item measures by analyzing the estimated factor loadings, Cronbach's alphas, composite reliabilities (CR), and average variances extracted (AVE). All factor loadings are positive and significant ($p \le .01$). Cronbach's alphas and composite reliabilities range from .76 to .94 and .76 to .94, respectively (see Table 3), exceeding the common cut-off value of .7. Finally, AVE exceeds the threshold of .5 in all cases. These findings support the indicator and construct reliability of our measures.

Subsequently, we assessed discriminant validity on the basis of the procedure proposed by Fornell and Larcker (1981). The square root of the average variance extracted by the measure of each factor was larger than the correlation of that factor with all other factors in the model (see Table 4). In addition, pairs of scales were examined twice in a series of two-factor confirmatory factor models (Bagozzi, Yi, & Phillips, 1991), first freeing the correlation between the constructs and then fixing the parameter to 1. Every restricted model exhibited a significantly worse fit than the unrestricted model. On the basis of these findings, we conclude that there are no problems in this study with respect to discriminant validity.

4.2. Structural model

Subsequently, we examined a structural model relating the four marketing capabilities to firm performance. The goodness-of-fit measures for this model showed satisfactory values ($\chi^2 = 295.07$; df $= 94$; $\chi^2/$df $= 3.14$; CFI $= .98$, TLI $= .97$, NFI $= .97$, RMSEA $= .05$, SRMR $= .03$). Consistent with prior research, we found that pricing ($\beta = .25$, $p \le .01$), product development ($\beta = .10$, $p \le .05$), distribution ($\beta = .13$, $p \le .01$), and marketing communication ($\beta = .21$, $p \le .01$) capabilities are positively related to firm performance.

4.3. Control variables

We included firm age, size, and industry as control variables that could affect marketing capabilities and firm performance. Table 5 summarizes the respective estimates from our extended structural model.

4.4. Moderation analyses

Applying regression analysis with interaction terms, we first explored the possibility of a moderating impact of CSR on the link between marketing capabilities and firm performance. Based on recommendations by Aiken and West (1991), we standardized the predictor and moderator variables before computing the interaction terms to reduce multicollinearity. (The results remain robust when predictor and moderator variables are mean-centered rather than standardized.)

The results displayed in Table 6 reveal that the effects of CSR on the links between marketing capabilities (i.e., pricing, product development, distribution, and marketing communication capabilities) and firm performance are all non-significant ($p > .05$).

Subsequently, we tested our hypothesis, which proposes that in environments where competitive intensity is high rather than low, the four marketing capabilities have a stronger positive relationship with firm performance when CSR is high. The results in Table 7 support the hypothesis, revealing that the three-way interaction terms explain additional significant variance with respect to all four marketing capabilities (for recent applications of three-way interaction analysis in the marketing literature, see for example Leenders & Wierenga, 2008; Merlo & Auh, 2009). The model's condition index of 19.23 indicates moderate collinearity (Pedhazur, 1997). Inspection of variance inflation factors among the explanatory variables revealed the highest VIF to be 2.54, suggesting that no problematic multicollinearity is present (Kleinbaum, Kupper, & Muller, 1988).

To facilitate interpretation of the interactions, we plotted relationships. High and low levels of each marketing capability, competitive intensity and CSR are indicated by values one standard deviation above and below the mean (Aiken & West, 1991). Fig. 2 illustrates the significant moderator effects of CSR in combination with competitive intensity on the links between pricing capability and firm performance ($\beta_{\text{3-way interaction}} = .11$, $p \le .01$), product development capability and firm performance ($\beta_{\text{3-way interaction}} = .12$, $p \le .01$), distribution capability and firm performance ($\beta_{\text{3-way interaction}} = .14$, $p \le .01$), and marketing communication capability and firm performance ($\beta_{\text{3-way interaction}} = .11$, $p \le .01$). If the levels of both CSR and competitive intensity are high, the

Table 4
Correlations and discriminant validity.

Factor	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Pricing capability	**4.69**	**1.35**	**.78**														
2 Product development capability	**4.71**	**1.45**	.37	**.84**													
3 Distribution capability	**4.75**	**1.38**	.46	.45	**.90**												
4 Marketing communication capability	**4.31**	**1.46**	.41	.44	.39	**.79**											
5 Firm performance	**4.51**	**1.59**	.42	.35	.36	.39	**.86**										
6 Firm age	**2.72**	**1.03**	.16	.20	.19	.29	.15	**n.a.**									
7 Firm size	**2.80**	**1.80**	.14	.14	.19	.12	.04	.06	**n.a.**								
8 Corporate social responsibility	**4.13**	**1.97**	.02	.01	.12	.03	−.09	.18	−.03	**.84**							
9 Competitive intensity	**4.86**	**1.74**	.09	.16	.15	.16	.11	.16	.15	.39	**.66**						
13 Industry dummy 1 (infrastructure)	**.13**	**.33**	−.02	−.07	−.03	.01	−.05	.07	−.01	.06	.02	**n.a.**					
14 Industry dummy 2 (chemicals/health care)	**.09**	**.29**	−.00	.04	.01	−.02	.05	−.03	−.04	.01	.05	−.12	**n.a.**				
15 Industry dummy 3 (electronics)	**.06**	**.24**	−.04	.00	.02	−.07	−.03	.03	.01	.01	.01	−.10	−.09	**n.a.**			
16 Industry dummy 4 (IT/media)	**.16**	**.36**	−.05	.07	−.04	.01	.01	−.10	−.00	−.12	−.11	−.17	−.14	−.11	**n.a.**		
17 Industry dummy 5 (professional services)	**.29**	**.45**	.07	−.01	.01	.10	.05	.06	.05	−.08	−.04	−.24	−.20	−.17	−.27	**n.a.**	
19 Industry dummy 6 (engineering)	**.14**	**.35**	−.02	−.03	.02	−.01	−.02	−.03	−.05	.20	.05	−.16	−.13	−.11	−.18	−.26	**n.a.**

Note: Bold numbers on the diagonal show the square root of AVE, numbers below the diagonal are the correlations.
Correlations $> |.09|$ are significant at 1% level, $> |.07|$ at the 5% level.

Table 5
Effects of control variables.

Variables	Pricing capability		Product capability		Distribution capability		Marketing communication capability		Firm performance	
	Path coefficient	Probability	Path coefficient	Probability	Path coefficient	Probability	Path coefficient	Probability	Path coefficient	Probability
Firm age	$\beta=-.02$	$p>.10$	$\beta=-.06$	$p>.10$	$\beta=.09$	$p\le.10$	$\beta=-.04$	$p>.10$	$\beta=-.17$	$p\le.01$
Firm size	$\beta=.09$	$p\le.01$	$\beta=.13$	$p\le.01$	$\beta=.09$	$p\le.01$	$\beta=.12$	$p\le.01$	$\beta=.05$	$p\le.05$
Industry dummy 1 (infrastructure)	$\beta=-.13$	$p>.10$	$\beta=-.21$	$p>.10$	$\beta=-.08$	$p>.10$	$\beta=.15$	$p>.10$	$\beta=.08$	$p>.10$
Industry dummy 2 (chemicals/health care)	$\beta=-.05$	$p>.10$	$\beta=.16$	$p>.10$	$\beta=.03$	$p>.10$	$\beta=-.04$	$p>.10$	$\beta=.32$	$p\le.10$
Industry dummy 3 (electronics)	$\beta=-.11$	$p>.10$	$\beta=.07$	$p>.10$	$\beta=.11$	$p>.10$	$\beta=-.26$	$p>.10$	$\beta=.15$	$p>.10$
Industry dummy 4 (IT/media)	$\beta=-.11$	$p>.10$	$\beta=.30$	$p\le.10$	$\beta=.04$	$p>.10$	$\beta=.04$	$p>.10$	$\beta=.22$	$p>.10$
Industry dummy 5 (professional services)	$\beta=.15$	$p>.10$	$\beta=.01$	$p>.10$	$\beta=.07$	$p>.10$	$\beta=.30$	$p\le.05$	$\beta=.14$	$p>.10$
Industry dummy 6 (engineering)	$\beta=-.08$	$p>.10$	$\beta=-.06$	$p>.10$	$\beta=.03$	$p>.10$	$\beta=.08$	$p>.10$	$\beta=.25$	$p>.10$

positive relationships between all four marketing capabilities and firm performance are stronger than if CSR is high but competitive intensity is low.

To test these differences more rigorously, we used the slope difference test introduced by Dawson and Richter (2006). Table 8 illustrates that slopes at high levels of CSR and competitive intensity differ significantly from slopes at high levels of CSR but low levels of competitive intensity. Thus, our hypothesis is fully supported by these results.

5. Discussion

This study helps clarify under which conditions CSR moderates the impact of marketing capabilities on firm performance. Three-way interaction analyses suggest that high competitive intensity is an enabling factor to the moderating influence of CSR on the marketing capabilities–performance relationship. Our results have important theoretical and managerial implications.

5.1. Theoretical implications

The study adds to the understanding of how and when CSR affects performance, showing that CSR works as a moderator of the link between marketing capabilities and performance under some, but not all, conditions. The specific condition under investigation in this research – competitive intensity – is shown to function as a boundary condition of the moderation effect. Our results reveal that CSR's simple moderation effect (i.e., the two-way interaction) on the marketing capabilities–performance relationship is not significant; however, once we introduce competitive intensity to the framework, CSR operates as a significant moderator in situations of highly intense competition. As such, the key contribution of our work is the identification of competitive intensity as an industry-level mechanism regulating the effect of CSR as a facilitator of marketing capabilities. This finding adds important insights to existing studies on CSR, which may have oversimplified the issue by assuming either that CSR has general, context-independent performance consequences or that it acts as a "simple" moderator of performance relationships.

In addition, our study adds to the body of knowledge on the performance implications of marketing capabilities. Several empirical studies have investigated the relationship between marketing capabilities and firm performance (e.g., Ramaswami et al., 2009; Song et al., 2007; Vorhies & Morgan, 2005). While the results regarding the marketing capabilities–performance link often vary in terms of magnitude (Krasnikov & Jayachandran, 2008), the predominant view of prior research is that marketing capabilities associate positively with performance (Day, 1994). The findings from the present study support this conclusion.

However, in order to provide implementable guidance to practitioners, Newbert (2007, 2008) suggests that research must also consider the specific industry setting and how the setting interacts with the firm's organizational capabilities in order to provide managers with more fine-tuned advice that fits with their idiosyncratic industry environment. This procedure is clearly in line with related research streams, such as examination of the market orientation construct, where contingency studies have added substantial insights into the nature of the performance relationship (Kirca, Jayachandran, & Bearden, 2005). Our study follows Newbert's (2007, 2008) advice by showing that competitive intensity is an important environmental contingency that affects the way in which marketing capabilities add value. More precisely, under industry

Table 6
Results of 2-way interaction term moderation analysis.

Relationship	Estimates	Probability
Pricing capability × Corporate social responsibility → Firm performance	$\beta=.01$	$p>.10$
Product development capability × Corporate social responsibility → Firm performance	$\beta=.00$	$p>.10$
Distribution capability × Corporate social responsibility → Firm performance	$\beta=.06$	$p>.05$
Marketing communication capability × Corporate social responsibility → Firm performance	$\beta=-.01$	$p>.10$

Table 7
Results of three-way interaction term moderation analysis.

| Relationship	Estimates	Probability
Pricing capability × Corporate social responsibility → Firm performance	$\beta=-.00$	$p>.10$
Pricing capability × Competitive intensity → Firm performance	$\beta=-.01$	$p>.10$
Pricing capability x Corporate social responsibility × Comptitive intensity → Firm performance	$\beta=.11$	$p\le.01$
Product development capability × Corporate social responsibility → Firm performance	$\beta=-.01$	$p>.10$
Product development capability × Competitive intensity → Firm performance	$\beta=.10$	$p\le.01$
Product development capability × Corporate social responsibility × Comptitive intensity → Firm performance	$\beta=.12$	$p\le.01$
Distribution capability × Corporate social responsibility → Firm Firm performance	$\beta=.05$	$p\le.10$
Distribution capability × Competitive intensity → Firm performance	$\beta=.05$	$p>.10$
Distribution capability × Corporate social responsibility × Comptitive intensity → Firm performance	$\beta=.14$	$p\le.01$
Marketing communication capability × Corporate social responsibility → Firm Firm performance	$\beta=-.03$	$p>.10$
Marketing communication capability × Competitive intensity → Firm performance	$\beta=.02$	$p>.10$
Marketing communication capability × Corporate social responsibility × Comptitive intensity → Firm performance	$\beta=.11$	$p\le.01$
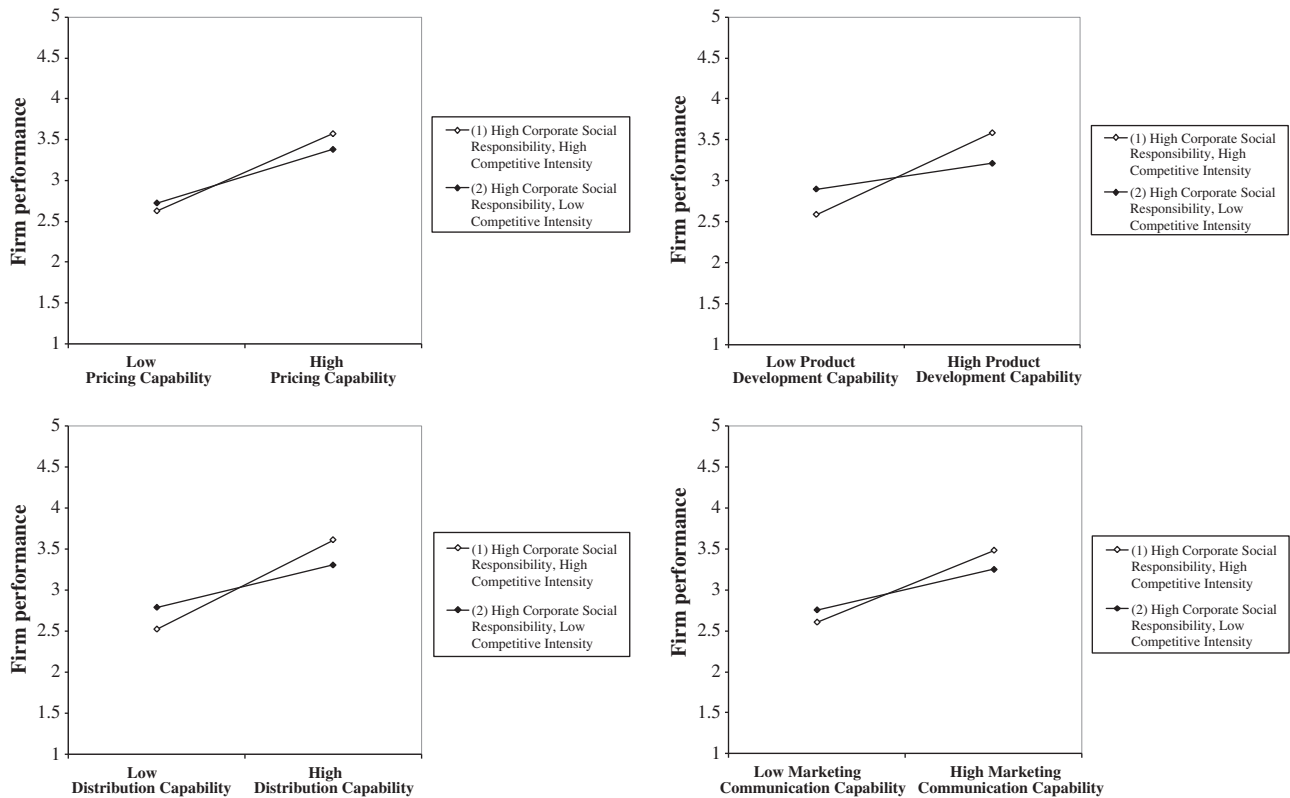
Fig. 2. CSR and competitive intensity as moderators of the relationship between the four marketing capabilities and firm performance.

conditions of fierce competition, the interplay between marketing capabilities and CSR becomes particularly critical to firm performance.

This finding also contributes to the literature on the general role of marketing within firms. Recent research observing the decline in the role of marketing in the last few decades has questioned the importance of marketing in general in building firm value (Verhoef & Leeflang, 2009). The present research indicates that marketing capabilities are robust performance drivers, thereby confirming the recent meta-analytical results by Krasnikov and Jayachandran (2008) and adding the insight that marketing capabilities have a significant relationship with performance when CSR and competitive intensity are strong.

Table 8
Marketing capabilities-firm performance relationships for combinations of high CSR and high or low competitive intensity.

Slope differences	Firm performance	
	t-Value	Probability
Pricing capability: ΔCorporate social responsibility[high], competitive intensity[high]/Corporate social responsibility[high], competitive intensity[low]	1.977	p ≤ .05
Product deve1opment capability: ΔCorporate social responsibility[high], competitive intensity[high]/Corporate social responsibility[high], competitive intensity[low]	4.091	p ≤ .01
Distribution capability: ΔCorporate social responsibility[high], competitive intensity[high]/Corporate social responsibility[high], competitive intensity[low]	3.487	p ≤ .01
Marketing communication capability: ΔCorporate social responsibility[high], competitive intensity[high]/Corporate social responsibility[high], competitive intensity[low]	2.410	p ≤ .05

5.2. Avenues for further research

The study here offers several avenues for further research. First, since this paper reports only a single key informant study, additional research is necessary to replicate our results with different methods. Second, consider other environmental variables (e.g., market dynamism (Slater & Narver, 1994)) as potential boundary conditions to the marketing–CSR interaction. Frequent changes and innovations in competitors' product offerings and sales strategies may overwrite the effectiveness of a firm's CSR activities as a lever for marketing differentiation. Third, given the moderating roles of competitive intensity and CSR on the relationships between marketing capabilities and performance, the next logical step is to examine antecedents to implement certain marketing capabilities and CSR initiatives under strong competitive intensity. Research to date provides few insights on how to implement marketing capabilities and CSR in general; given the performance consequences in this particular setting, identifying drivers is a research topic of high relevance. Fourth, while this study made use of multi-country data for the purpose of establishing the cross-national validity of our results, future research should take up the challenge of clarifying the complex effects of cultural contingencies on the role of CSR.

5.3. Managerial implications

In highly competitive industries, CSR does indeed serve as an effective tool for leveraging the impact of marketing on performance. At least two important managerial implications were derived from this finding. First, the key role of competitive intensity found in this research indicates that to assess the effectiveness of CSR initiatives, managers should measure and be aware of the level of competition in their specific industry.

Second, while firms that are intensely competing with other players in the marketplace ought to use CSR as an important tool for increasing

the impact of marketing on performance, companies in less competitive markets may instead want to restrict their CSR efforts. For example, firms in industries with intense competition should initiate broad CSR actions such as sharing profits with widely-recognized, nonprofit organizations or donating money to highly visible causes. These initiatives can raise the socially responsible firm's reputation among customers and help to differentiate its products, thus providing additional value.

Conversely, the findings imply that CSR in markets with low competitive intensity may not work as an equally powerful lever for increasing the effect of marketing on performance. Managers in these industries may opt to engage in only those CSR activities that best fit the firm's business strategy; for example, CSR actions that are aimed at legal and economic responsibilities (Carroll, 1991).

Overall, our results indicate that managers should recognize that the effectiveness of investing in CSR is dependent on the competitive surrounding. Consequently, managers should align their CSR actions with the industry environment of their particular firms.

6. Conclusion

The study here sheds new light on the intersection of the competitive environment, marketing, and corporate sustainability. Specifically, the study examines the interactions of competitive intensity, marketing capabilities, and CSR, as well as their influence on firm performance. The findings underscore the need to move beyond a focus on direct links in seeking to understand the mechanisms and conditions that influence how and when CSR affects firm success. The results support the position that inconsistencies in prior research might be explainable by boundary conditions to CSR. The finding that CSR becomes a significant moderator of the link between marketing capabilities and performance only in industries of high competitive intensity supports this conclusion.

Acknowledgments

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