

# **Cause-Related Marketing – Led Corporate Social Responsibility in International Business-to-Business Markets: The Contingent Roles of Host-Country Sustainable Development**

## **Abstract**

### **Purpose:**

Cause-related marketing (CRM) focuses on the use of marketing tools to publicize a firm's corporate social responsibility (CSR) activities. Drawing on legitimacy theory, this study investigates the impact of CRM-led CSR in international business-to-business (B2B) markets. In particular, we examine the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement in an international B2B setting. We also test how the foreign customer's host-country sustainable development level moderates this relationship.

### **Design/methodology/approach**

We collect and analyze dyadic data from multiple sources including 1) dyadic data from a supplier and its 90 foreign customers, 2) the supplier's internal company records, and 3) publically available data.

### **Findings**

We find that supplier CRM-led philanthropic CSR reputation positively affects foreign customer business engagement. Furthermore, we find that this positive relationship is stronger when host-country environments are characterized by achieving a higher level of environmental wellbeing development. In contrast, this positive relationship is weaker when the foreign customer host-country environment is characterized by achieving a higher level of economic wellbeing development.

### **Originality/value**

We examine that impacts of CRM-led CSR in international B2B markets and differentiate the contingent roles of foreign customer host-country sustainable development in moderating such impacts.

## Introduction

Corporate social responsibility (CSR) reflects a firm's actions to address its stakeholders' concerns regarding its ethical and philanthropic objectives (Hadjikhani et al., 2016; Randle et al., 2019; Yim et al., 2019). In recent years, engagement in CSR activities has emerged as an important strategic option that enables a firm to gain both investor and consumer confidence. For example, a study shows that more than 85% of the S&P 500 companies published reports that documented their CSR activities in 2017, in comparison, fewer than 20% of the S&P 500 companies published such reports in 2011 (G&A Institute, 2018). Cause-related marketing (CRM) is a critical component of a firm's overarching CSR strategy. It focuses on using marketing tactics to publicize a firm's CSR activities (Bronn and Vrioni, 2001; Christofi et al., 2018; Maignan and Ferrell, 2004). In this paper, we use the term "CRM-led CSR" to describe an organization's strategic focus on designing and communicating its CSR activities in a way that enhances its organizational reputation and profitability.

Despite the increasing academic interest in CRM-led CSR, two aspects of this topic remain underdeveloped. First, the extant literature highlights the critical role of CRM-led CSR in building customer relationships in business-to-consumer (B2C) markets (e.g., Du et al., 2010; Howie et al., 2018; Van den Brink et al., 2006; Vlachos et al., 2009). However, few studies have examined the influence of CRM-led CSR on customer relationships in business-to-business (B2B) markets (e.g., Homburg et al., 2013; Vlachos et al., 2010). Second, scholars have explored the implementation and impacts of CRM-led CSR from the region-/country-specific business perspectives, such as the UK (e.g., Liston-Heyes and Liu, 2010), Japan (e.g., Chéron et al., 2012), and others (e.g., Chéron et al., 2012; Duarte and Silva, 2018), but have paid relatively little attention to investigating CRM-led CSR opportunities from a cross-border international business perspective (e.g., Eteokleous et al., 2016; La Ferle et al., 2013; Strizhakova and Coulter, 2019).

To address these research gaps, we develop a conceptual framework (see Figure 1) that explains the impacts of CRM-led CSR in international B2B markets. We build our argument on legitimacy theory (Deegan et al., 2002; Suchman, 1995). According to the theory, the literature considers CRM-led CSR as a type of disclosing strategy that a supplier adopts to communicate its CSR activities and legitimate its operations within the respective society (Liston-Heyes and Liu, 2010; Waller and Lanis, 2009). From this perspective, supplier CRM-led philanthropic CSR reputation reflects the foreign customer's perceptions of its CRM-led CSR activities. A strong supplier CRM-led philanthropic CSR reputation signals a supplier's organizational legitimacy. When a supplier operates legitimately, its foreign customers are more likely to seek more profound levels of business engagement with the supplier (Kumar and Das, 2007; Persson et al., 2011). From this perspective, we consider whether supplier CRM-led philanthropic CSR reputation has a positive effect on foreign customer business engagement in the B2B context. Legitimacy theory also posits that legitimacy concerns regarding how a firm should conduct its operations vary from country to country (Campbell et al., 2012; Rathert, 2016). Accordingly, we develop a contingent perspective to examine how foreign customer host-country sustainable development moderates the influence of supplier CRM-led philanthropic CSR reputation. We examine our framework by analyzing dyadic data from multiple sources.

“Insert Figure 1 here.”

Our efforts contribute to the extant literature in two important ways. First, our study sheds new light on the CRM-led CSR strategy by examining the customers' perception of its implementation and corresponding reactions regarding the supplier-customer relationship in the B2B context. Second, by considering foreign customer host-country sustainable development as a pivotal vehicle that moderates the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement, our study offers a

more nuanced understanding of the impact of CRM-led CSR in different international markets. Overall, our study contributes to the extension and integration of CRM-led CSR in the B2B marketing and international marketing research.

In the next section, we review the relevant literature on CRM-led CSR, before discussing legitimacy theory and the central constructs of our conceptual framework. We then develop the arguments regarding the path relationship presented in our conceptual framework and formerly state our research hypotheses, accordingly. Afterward, we explain the research method and present our findings. At the end of this paper, we discuss the theoretical and managerial implications of the study, as well as the limitations and future research opportunities.

## **Theoretical Background and Hypotheses**

### *Literature Review*

In recent years, the notion of CRM-led CSR has attracted increasing academic attention. One crucial consequence of implementing CRM-led CSR is the enhanced relationship between a firm and its customers. For example, Du et al. (2010) suggest that a firm can foster customer loyalty by clearly communicating the societal impact of its CSR activities. Vlachos et al. (2009) show that a firm's CRM-led CSR efforts can help to build trust in its relationship with its customers. This research line has generated powerful, enduring theoretical insights and helped to establish the role of CRM-led CSR as an essential customer relationship management instrument. Yet, most of the studies on this aspect of CRM-led CSR focus on its impacts on the supplier-customer relationship in the B2C context (e.g., Howie et al., 2018; Maignan et al., 1999; Randle et al., 2019; Vaaland et al., 2008; Van den Brink et al., 2006). Even though what we learn about CRM-led CSR from the B2C research may be transferable to some degree to the practices in the B2B context, there remain, however, considerable differences between the

organizational buyers and individual customers (Brennan et al., 2017). In other words, CRM-led CSR may function differently in the B2B context (Homburg et al., 2013).

Several scholars have investigated the influence of CRM-led CSR in terms of affecting the parties' behaviors in the B2B firm-customer relationship. For example, Pai et al. (2015) show that CSR perceptions of industrial buyers are more strongly and positively related to brand advocacy and brand equity when industrial buyers interpret the CSR activities of their suppliers as driven by intrinsic more than extrinsic motives. Homburg et al. (2013) find that philanthropic CSR reputation can foster trust, customer-company identification and ultimate customer loyalty in B2B markets. Busse (2016) reports that the visible green, social and ethical attributes of a supplier's business operation can help to improve the trust and collaboration in the firm-customer supply chain relationship. Nevertheless, to date, only limited efforts have centered on understanding the consequences of CRM-led CSR implementation in B2B firm-customer relationships.

Another consideration is the implications of CRM-led CSR for international business. Previous studies explored CRM-led CSR implementation and its impacts in various regional/country contexts. For example, Liston-Heyes and Liu (2010) compare the implementation of CRM-led CSR by UK-based firms from the financial and retail industries and examine how they differ with regard to the selection of social alliance partners to improve both their corporate reputation and their CSR press coverage. Kropp et al. (1999) conclude that female customers in Australia appear to have somewhat more positive attitudes toward CRM-led CSR than their male counterparts. Chéron et al. (2012) show that, in Japan, consumers view CRM-led CSR campaigns more positively when they perceive a good match between the brand and the cause. However, few studies have explored the CRM-led CSR consequences in the international marketing dimension. There are some notable exceptions. For instance, La Ferle et al. (2013) report that Indian consumers are also more positive when an Indian company

undertakes a campaign compared to a multinational corporation. Anuar and Mohamad (2011) conclude that female customers in Malaysia prefer to support a local over an international cause. Strizhakova and Coulter (2019) show that nationalistic consumers in Russia favor domestic firms (vs. foreign firms) when the firms engage in cause-related marketing and focus on proximal causes.

The current research extends the above two literature streams about CRM-led CSR's consequences. To advance the research on CRM-led CSR in B2B markets, we introduce a new B2B supplier-customer relationship consequence – foreign customer business engagement. We test whether supplier CRM-led philanthropic CSR reputation, arising from the implementation of CRM-led CSR by a supplier, can positively affect foreign customer business engagement. To advance the research on CRM-led CSR in international markets, we explore the contingent role of the foreign customer host-country's sustainable development in affecting the positive association between the supplier's CRM-led philanthropic CSR reputation and foreign customer business engagement. Overall, we develop a further understanding of the supplier-customer relationship's consequences that arise from the implementation of CRM-led CSR in international business. We draw strong conclusions about the consequences of CRM-led CSR in managing the international B2B relationship.

### *Theory and Constructs*

We anchor our study in legitimacy theory, which explains a firm's motives and behaviors to ensure that it is operating within the bounds of its respective society (Ellerup Nielsen and Thomsen, 2018; Suchman, 1995). According to legitimacy theory, a firm should operate within the expectations imposed by its stakeholders within its respective society in order to enjoy continued access to resources (Gray et al., 1995). When a firm performs according to its stakeholders' expectations, it is said to be acting "legitimately." In this paper,

we focus on foreign customers (one of the firm's primary stakeholder groups) as the legitimate claimants (Homburg et al., 2013) to interpret the firm's actions in relation to the societal norms in the foreign customer host-country and then confirm or challenge the firm's organizational legitimacy accordingly.

In our theoretical framework, we conceptualize supplier CRM-led philanthropic CSR reputation as the independent variable of this study (see Figure 1). This conceptualization builds on legitimacy theory, which argues that a firm can legitimate its business operations by disclosing to its stakeholders its contribution to society's wellbeing in order to shape its stakeholders' opinions about the firm (Deegan et al., 2002; Gray et al., 1995; Michelon et al., 2019). From this perspective, scholars consider CRM-led CSR a type of disclosing strategy that allows a firm to communicate its CSR efforts and establish a philanthropic reputation to acquire organizational legitimacy (Jahdi and Acikdilli, 2009; Liston-Heyes and Liu, 2010). Applying this to our context, we consider a supplier's philanthropic CSR reputation to be a foreign customer's perception about its achievements to improve society's wellbeing (Peloza and Shang, 2011; Wagner et al., 2009). Previously, Homburg et al. (2013) tested the impact of philanthropic CSR reputation in a B2B context. In light of previous work viewing CRM as a marketing tactic to publicize CSR performance (Jahdi and Acikdilli, 2009; Maignan and Ferrell, 2004; Varadarajan and Menon, 1988), we define supplier CRM-led philanthropic CSR reputation as the extent to which a foreign customer can generate favorable perceptions about a supplier's contribution to society's wellbeing via its marketing communication efforts.

We also conceptualize foreign customer business engagement as the dependent variable in our framework. In particular, we view foreign customer business engagement as indicating a robust supplier-customer business relationship. This consideration builds on legitimacy theory, according to which, when a firm operates in a legitimate manner (conforms to its stakeholders' expectations), it can build long-term, mutually beneficial relationships with its

stakeholders and generate stakeholder support (e.g., purchase products, provide labor and financial capital, etc.) to operate continuously (Deegan et al., 2002; Liu, 2012). We define foreign customer business engagement as the extent to which foreign customers decide to engage with the supplier in a business relationship. This perspective draws on prior research that emphasizes the potential customers' strong preference for establishing robust business relationships (e.g., doing more business, etc.) with the supplier after ascertaining a supplier's CSR efforts (i.e., via marketing communication) (Bendixen and Abratt, 2007; Du et al., 2010; Homburg et al., 2013; Pai et al., 2015).

Drawing further on legitimacy theory, we conceptualize various dimensions of customer host-country sustainable development as moderating variables that influence the impact of supplier CRM-led philanthropic CSR reputation on foreign customer business engagement. Specifically, although legitimacy theory postulates that stakeholders' expectations regulate how a firm should conduct its operations (Deegan et al., 2002; Michelon et al., 2019; Suchman, 1995), this theory acknowledges that geographical and regional differences will affect the stakeholders' expectations in different regions (Kostova and Zaheer, 1999). This implies that the effectiveness of a firm's legitimation action (e.g., CSR) varies from country (geographical region) to country (Brammer et al., 2009; Campbell et al., 2012; Rathert, 2016). A country's sustainable development reflects its progress toward building a "sustainable society" that is economically viable, environmentally sound, and socially responsible (Saisana and Philippas, 2012; Sironen et al., 2015). Previous studies emphasize that an international firm faces different stakeholder expectations regarding how a firm should conduct its operations to legitimate its existence in different countries with distinct economic, environmental and social settings (Asgary and Mitschow, 2002; Baldini et al., 2018; Li et al., 2007; Rathert, 2016; Rugman and Verbeke, 2001). We build on these studies and investigate how different levels of foreign customer host-country sustainable development moderate the impacts of a supplier's



CRM-led CSR. More precisely, we focus on examining the three dimensions of sustainable development, as moderating variables in our framework. These are: *human* wellbeing (the level to which a country is socially responsible), *environmental* wellbeing (the level to which a country is environmentally sound), and *economic* wellbeing (the level to which a country is economically viable) (Kaivo-oja et al., 2014; Saisana and Philippas, 2012; SSI Index, 2019) (see Figure 1).

### *Hypothesis Development*

Legitimacy theory posits that a firm with a high degree of organizational legitimacy is more likely to build mutually beneficial relationships with its stakeholders and benefit from their strong and continuous support for its operations (Deegan et al., 2002; Liu, 2012). According to this theory, we anticipate a positive relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement. First, supplier CRM-led philanthropic CSR reputation is a strong indicator of a firm's positive organizational characteristics. Prior work found that customers consider a firm to be an honest, reliable, and trustworthy entity when it has a strong reputation for supporting social and environmental initiatives (Bhattacharya et al., 2009; Howie et al., 2018; McWilliams and Siegel, 2001). Second, supplier CRM-led philanthropic CSR reputation is a strong indicator of a firm's efforts to demonstrate care for the local community in which the stakeholders reside. In order to develop a strong supplier CRM-led philanthropic CSR reputation, a firm must participate extensively in supporting local causes (or nonprofit organizations) (Liu and Ko, 2011; Strizhakova and Coulter, 2019; Varadarajan and Menon, 1988).

Both stances suggest that supplier CRM-led philanthropic CSR reputation signals organizational legitimacy. This is also true in the B2B context, as prior studies show that a supplier engages in signaling certain qualities by means of publicizing its CSR efforts to

convey legitimacy (Homburg et al., 2013; Müller et al., 2017; Pai et al., 2015). Thus, in this study context, we argue that a supplier adopts CRM to communicate to foreign customers about its CSR performance. This allows a supplier to demonstrate that its legitimation efforts operate within the bounds of the foreign customers' expectations by being an honest, reliable, and trustworthy business entity, as well as supporting the development of the local community (Jahdi and Acikdilli, 2009; Liston-Heyes and Liu, 2010). According to the logic of legitimacy theory, we, therefore, expect that foreign customers are more likely to have a strong intention to engage with the supplier in a business relationship. This is because a supplier with a strong CRM-led philanthropic CSR reputation is acting in a legitimate manner in the eyes of its customers (Jean et al., 2016). An awareness of such a favorable reputation will increase foreign customers' desire to seek further business involvement with the supplier. Based on the above discussion, we propose:

*Hypothesis 1: Supplier CRM-led philanthropic CSR reputation positively relates to foreign customer business engagement.*

We expect that customer host-country sustainable development affects the strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement. According to legitimacy theory, a firm can achieve organizational legitimacy by operating in a way that satisfies its stakeholders' expectations (Campbell et al., 2012; Michelon et al., 2019; Suchman, 1995). A country's sustainable development reflects its progress toward building a sustainable society (Sironen et al., 2015; SSI Index, 2019). As the prior research shows, individuals and organizations (i.e. stakeholders) from different countries that have progressed variously in different dimensions of sustainable development (i.e. environmental) have dissimilar expectations regarding how a firm should conduct its operations (Asgary and Mitschow, 2002; Baldini et al., 2018; Li et al., 2007; Rathert, 2016; Rugman and Verbeke, 2001). Building on these insights, we derive hypotheses related to the

moderating effects of foreign customer host-country sustainable development – such as human, environmental, and economic wellbeing – on the impacts of supplier CRM-led philanthropic CSR reputation.

When a country has a reputation for achieving a high level of human wellbeing in sustainable development, the foreign customers (firms) operating within that country accept and highly value a supplier's CRM-led CSR adoption. This is because a supplier can design CRM-led CSR to safeguard the health and vitality of human life (e.g., access to food, healthy life-related services) or support personal and social development (e.g., education, gender equality) – all of which are indicators of human wellbeing (Saisana and Philippas, 2012; Sironen et al., 2015). Accordingly, a foreign supplier that adopts CRM-led CSR aligns itself with the host-country customers' expectations regarding performing socially responsible practices. Therefore, foreign customers will consider that such a supplier operates in a legitimate manner.

Supplier CRM-led philanthropic CSR reputation reflects foreign customers' favorable perceptions of the supplier's participation in CRM-led CSR. This means that foreign customers whose host-country has a reputation for achieving a high level of human wellbeing in sustainable development are more likely to grant legitimacy to a supplier with a strong CRM-led philanthropic CSR reputation. Subsequently, they are more likely to seek further business involvement with this supplier. Generally speaking, supplier CRM-led philanthropic CSR reputation is likely to be a more important signal of organizational legitimacy when foreign customer host-country human wellbeing sustainable development is high. Thus, we propose:

*Hypothesis 2: The strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement increases in a country with a reputation for achieving a higher level of human wellbeing in sustainable development.*

A similar rationale can also justify the moderating role of foreign customer host-country environmental wellbeing sustainable development on the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement. The causes related to preserving nature and the environment, tackling climate change, and developing renewable resources and energy (De Roeck and Delobbe, 2012; Sironen et al., 2015) are highly desired by foreign customers who live and operate within a country with a reputation for achieving a high level of environmental wellbeing in sustainable development. A supplier can address these causes in its CRM-led CSR. In so doing, its actions will be seen as proper and desirable in this country's business environment (Jahdi and Acikdilli, 2009; Rivera-Camino, 2007) as they signal the supplier's efforts to respond to the host-country customers' expectations regarding environmentally responsible performance (De Villiers and Van Staden, 2010; Xiao et al., 2005).

More precisely, a supplier with a strong CRM-led philanthropic CSR reputation (derived from engaging in CRM-led CSR activities) is more likely to acquire organizational legitimacy from foreign customers who are from a country with a high level of environmental wellbeing in sustainable development. As a result, such a supplier is more likely to develop a robust business relationship with customers who intend to engage in more business with it. This means that the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business involvement will be stronger when the level of environmental wellbeing in the customer host-country is high. Thus, we propose:

*Hypothesis 3: The strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement increases in a country with a reputation for achieving a higher level of environmental wellbeing in sustainable development.*

Foreign customers who operate within a country with a high level of economic wellbeing in sustainable development consider steady economic development (i.e., GDP, employment, genuine savings, etc.), an indicator of economic wellbeing (Saisana and Philippas,

2012; Sironen et al., 2015), to be an appropriate and desirable situation. In this setting, a supplier's CRM-led CSR activities, that primarily address social and environmental concerns, are less relevant to foreign customers' expectations on economic development. Legitimacy theory posits that customers are more likely to support a firm's operations (i.e., buy more of a firm's products) when its actions are consistent with their expectations, and withdraw their support when they consider its actions to be illegitimate (Deegan et al., 2002; Gray et al., 1995; Michelon et al., 2019). Applied to our context, foreign customers are less likely to grant legitimacy to a supplier when its CRM-led CSR activities fail to conform to their expectations. This means that foreign customers are less likely to consider a supplier's CRM-led philanthropic CSR reputation as a signal of organizational legitimacy in this situation. As a result, the supplier's adoption of CRM-led CSR will have fewer effects on foreign customers' intention to seek further business involvement in a country that has achieved a high level of economic wellbeing. In summary, the value of supply CRM-led philanthropic CSR decreases when the foreign customer host-country has a reputation for having a high level of economic wellbeing in sustainable development. Thus, we propose:

*Hypothesis 4: The strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement decreases in a country with a reputation for achieving a higher level of economic wellbeing in sustainable development.*

## **Research Method**

### *Empirical Context*

The empirical context of this study is the cosmetics industry in the Asia Pacific market. We choose this context for several reasons. First, using local agents (firms) to distribute cosmetics products has been widely adopted by multi-national cosmetics companies intending to enter foreign markets (HKTC Research, 2018; Luk, 1998). Second, firms in the cosmetics industry widely adopt CRM-led CSR to overcome their stakeholders' concerns about various issues, such as the use of synthetic chemicals, animal testing, etc. (Chun, 2016; Sahota, 2014).

Third, the market size of the beauty and personal care industry is expanding annually. The global cosmetics market is expanding continuously and the forecast is that it will be worth \$429.8 billion by 2022 (Allied Market Research, 2016). The predominant cosmetics and beauty products are makeup, sun care, skincare, hair care, deodorants, color cosmetics, fragrances, etc. In 2016, the beauty and personal care market was valued at approximately US\$141 billion (Statista, 2019). Meanwhile, the Asia Pacific region is one of the fastest-growing markets in the cosmetics industry (Euromonitor International, 2016; KPMG International Cooperative, 2016).

Our study focuses on the relationship dyad between a supplier (hereafter Supplier XYZ for confidentiality) and its foreign B2B customers. Supplier XYZ is based in Taiwan. The targets of its high-end personal beauty products are high-end beauty salons, holiday hotels and resorts, and surgical treatment. Supplier XYZ adopted the Japanese business model by focusing on a training scheme in a beautician school and directly selling personal beauty products in the early developmental stage in its home market. For its overseas expansion, Supplier XYZ adopts the strategy of using local agents (firms) to distribute cosmetics products to the Asia Pacific markets, such as Cambodia, Mainland China, Indonesia, Japan, Malaysia, Myanmar, Philippines, and Vietnam.

#### *Measurement and Data Collection*

We collected dyadic data from multiple sources (see Appendix 1). Supplier XYZ's customers in Cambodia, Mainland China, Indonesia, Japan, Malaysia, Myanmar, the Philippines and Vietnam completed the survey items about the independent variable – “Supplier CRM-led philanthropic CSR reputation” – and control variables – “firm size”, “firm age”, “length of relationship”, and “competitive intensity.” Supplier XYZ's Marketing Manager completed the survey items about the control variable – “commitment level” – for

each customer. Supplier XYZ's internal records provided the data about the dependent variable – “foreign customer business engagement” – and the control variables – “customer loyalty” and “supplier support.” Finally, we used the Sustainable Society Foundation's 2016 sustainable society index (an available public record) to generate data for the moderators – “human wellbeing,” “environmental wellbeing,” and “economic wellbeing.”

For supplier CRM-led philanthropic CSR reputation (*the independent variable*), we adopted and modified measurement items from Homburg et al. (2013) to assess the extent to which a customer can generate favorable perceptions about a supplier's contribution to society's wellbeing via Supplier XYZ's marketing communication efforts. We measured these variables using Likert-type scales (Cronbach's alpha = .782).

For foreign customer business engagement (*the dependent variable*), we used the levels of the business relationship as a proxy to assess the extent to which customers decide to engage with the supplier in a business relationship. Prior work suggested that customers are more willing to build and maintain a stronger business relationship with a supplier when they have a greater intention to do more business with the supplier (Čater and Čater, 2010; Tellefsen, 2002). Supplier XYZ views its business relationships with foreign customers at three levels. In *level 1*, foreign customers only focus on distributing Supplier XYZ's cosmetics products to the end customers. In *level 2*, foreign customers focus not only on distributing Supplier XYZ's cosmetics products to the end customers, but also on joining the beauty clinic franchise to offer aesthetics medicines and cosmetics/plastic surgery services to the end customers. In *level 3*, foreign customers perform cosmetics product distribution and beauty clinic franchise activities, and also take on a regional representative role to recruit and manage the level-1 and level-2 customers in a given region. We coded the foreign customer business engagement for each of Supplier XYZ's customers based on the level of business relationship (variable ranging from 1 to 3, with 3 the highest business engagement level).

In terms of the moderating variables, we used Sustainable Society Foundation 2016 sustainable society index data (SSI Index, 2019) (the latest version of the index data at the time of writing) to assess the level of foreign customer host-country sustainable development. In particular, we divided countries into two groups (high vs. low) based on their ranking in the index regarding the dimensions of human, environmental, and economic wellbeing (see Appendix 1 for more details). We applied dummy code 1 for customers in a country that has a high level of sustainable development in these dimensions.

Finally, we considered seven control variables – firm size, firm age, length of partnership, commitment level, competitive intensity, customer loyalty, and supplier support – that can potentially affect foreign customer business engagement (Čater and Čater, 2010; Palmatier, 2008; Tellefsen, 2002). For *firm size*, we asked a foreign customer to indicate its annual revenue in 2018. For *firm age*, we asked a foreign customer to indicate the number of years since the firm’s establishment. For *length of partnership*, we asked a foreign customer to indicate how long it had had a relationship with Supplier XYZ. We applied log transformation for firm size, firm age and length of partnership to avoid extreme values and account for the diminishing marginal effects at the tail end of the distribution (Feng et al., 2016). For *commitment level*, we adopted and modified the measurement from Palmatier et al. (2013) to assess a supplier’s perceptions of the foreign customer’s desire to maintain a valued relationship with the supplier. From Wang et al. (2013), we adopted and modified the measurement for *competitive intensity* to assess a foreign customer’s perceptions regarding the degree of competition in the industry. We measured the commitment level (Cronbach's alpha = .902) and competitive intensity (Cronbach's alpha = .791) variables using Likert-type scales. Table 1 provides descriptive statistics and correlations.

“Insert Table 1 here.”



To assess *customer loyalty*, we used the history of the Supplier XYZ-customer relationship. Internally, Supplier XYZ divides its foreign customers into three groups. Group 1 contains foreign customers who have already left the Supplier XYZ-customer relationship. Group 2 contains foreign customers who have threatened to leave the Supplier XYZ-customer relationship but stayed after accepting discount deals. Group 3 contains foreign customers who have maintained the Supplier XYZ-customer relationship. Supplier XYZ views group 3 customers as having a high loyalty status, group 2 customers as having a mid-loyalty status and group 1 customers as having a low-loyalty status. We followed Supplier XYZ's method to code the customers' loyalty level (variable ranging from 1 to 3, with 3 being the highest loyalty level). Finally, Supplier XYZ offers eight additional forms of support to its customers, including regional and international events, a reward scheme, sponsorship, brand placement, a beautician program, sales training courses, medical/surgical advice (twice yearly), an annual corporate bonus, and VIP credit terms. We assessed the level of *supplier support* by counting the number of forms of support that customers received from Supplier XYZ.

For the survey items, two of Supplier XYZ's authors and four of its senior managers, who are all fluent in both English and their home national languages, translated the questionnaire, that contained all of the measurements, into the home language of the country where the data collection took place. To ensure correct understanding, we then pilot tested the translated questionnaire among employees of the local agents (firms). The pilot test enabled further revision that led to a final version of the survey for the primary data collection. Next, we invited 125 of Supplier XYZ's customers to participate in the survey and 90 responded (72% response rate) from eight different Asian Pacific markets: Cambodia (9 firms), Mainland China (19 firms), Indonesia (9 firms), Japan (9 firms), Malaysia (13 firms), Myanmar (13 firms), the Philippines (5 firms), and Vietnam (13 firms). To ensure that non-response bias was not an issue, we compared the answers between the early and late respondents and found no

significant differences between them (Armstrong and Overton, 1977). Supplier XYZ managers at the headquarters, who are responsible for managing the customer relationships in the specific Asian Pacific markets, then completed the supplier side of the survey and provided Supplier XYZ's internal records for each customer in the given market. We also obtained a sustainable society index for 2016 from the Sustainable Society Foundation's website. We used data from multiple sources to assess the independent variable (customer survey), dependent variable (Supplier XYZ's internal records), and moderator (sustainable society index in 2016 published by Sustainable Society Foundation), which minimizes any common method bias concerns (Podsakoff et al., 2003)

### **Analysis and Results**

We performed multivariate regression analysis with an ordinary least squares estimator using IBM SPSS version 22. Table 2 presents the results of our analysis. Model 1 shows a positive relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement (Model 1:  $\beta = .329$ ,  $p < .010$ ), in support of H<sub>1</sub>. We reason that a supplier uses its CRM-led philanthropic CSR reputation to legitimate its operations in the eyes of its foreign customers (Hadjikhani et al., 2016; Jean et al., 2016). Foreign customers will have a stronger intention and willingness to do more business with a supplier who appears to have greater legitimacy. Consistent with our reasoning, we find support for the premise that a supplier with higher levels of CRM-led philanthropic CSR reputation is more likely to attract foreign customers to build and maintain a stronger business relationship with the supplier.

To test our moderating hypotheses (hypotheses 2-4), we adopted the approach suggested by Jaccard and Turrisi (2003). First, we created the interaction terms by calculating the product of the independent variable (supplier CRM-led philanthropic CSR reputation) and each moderator (human, environmental, and economic wellbeing, respectively). Second, we

tested – one by one – the effect of each interaction term while controlling for all of the main effects (see Models 2-4). Model 2 shows that the interaction effect of supplier CRM-led philanthropic CSR reputation and human wellbeing on supplier delivery performance is not significant (Model 2:  $\beta = .887$ ,  $p > .100$ ). Thus, we rejected H<sub>2</sub>. This is contrary to what we expected. One possible explanation is that a country with high level of a human wellbeing has sufficient support in place to satisfy its citizens' basic needs (e.g., food), to advance the development of issues related to personal (e.g., education) and health factors (e.g., healthy life), and so achieve a well-balanced society (e.g., income distribution) (Saisana and Philippas, 2012; SSI Index, 2019). As a result, individuals and organizations from such a country perceive that a supplier's CRM-led CSR engagement, that focuses on promoting human welfare and goodwill outside the firm's business operations (Homburg et al., 2013; Pelozo and Shang, 2011), are insufficient to grant legitimacy to the foreign supplier.

“Insert Table 2 here.”

Our data also reveal a positive moderating effect of environmental wellbeing on the link between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement (Model 3:  $\beta = 1.289$ ,  $p < .050$ ), but a negative moderating effect of economic wellbeing on the same link (Model 4:  $\beta = -1.716$ ,  $p < .050$ ). Thus, this supports H<sub>3</sub> and H<sub>4</sub>. These findings are consistent with our reasoning that the level of foreign customer host-country sustainable development in different dimensions reflects the foreign customers' expectations of how firms should conduct their operations to achieve organizational legitimacy in a given country (Brammer et al., 2009; Rathert, 2016). In other words, supplier CRM-led philanthropic CSR reputation meets foreign customers' expectations in appropriately signalling organizational legitimacy in a country with a reputation for achieving a high level of environmental wellbeing in sustainable development (Jean et al., 2016). Foreign customers in a country with a reputation for achieving a high level of economic wellbeing in sustainable

development, on the other hand, do not view CRM-led philanthropic CSR reputation as an appropriate legitimacy signal that firms are operating in a legitimate manner. We present the interaction plots for each moderating effect in Figure 2 (a) and (b).

“Insert Figure 2 Here”

## **Discussion and Concluding Remarks**

### *Theoretical Contributions*

This study makes several important theoretical contributions to the marketing literature. First, previous studies primarily examined the role of CRM-led CSR in building B2C relationships (e.g., Du et al., 2010; Howie et al., 2018; Randle et al., 2019; Van den Brink et al., 2006; Vlachos et al., 2009); however few studies examined the influence of CRM-led CSR on B2B relationships (e.g., Homburg et al., 2013; Vlachos et al., 2010). Foreign customer business engagement is a relatively underexplored indicator for a robust B2B relationship. In this research, we find a strong, positive relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement. One insight is that a supplier with a strong CRM-led philanthropic CSR reputation is acting in a legitimate manner in the eyes of customers. Our empirical results confirm our logic in light of legitimacy theory (Ellerup Nielsen and Thomsen, 2018; Suchman, 1995), that suggests that CRM-led philanthropic CSR reputation is an important signal of a supplier’s organizational legitimacy. Thus, this study adds to legitimacy theory and is the first to demonstrate empirically the positive effect of CRM-led philanthropic CSR reputation on foreign customer business engagement.

Second, research on CRM-led CSR from a cross-border international business perspective is largely absent, with some notable exceptions, such as Eteokleous et al. (2016), La Ferle et al. (2013), Strizhakova and Coulter (2019) and a few others. In this study, we add to this literature stream by examining the contingent role of countries’ differences in

sustainable development regarding the relationship between CRM-led philanthropic CSR reputation and foreign customer business engagement. The findings show that the level of human wellbeing in a given country is not a critical boundary condition with respect to the influence of supplier CRM-led philanthropic CSR reputation on foreign customer business engagement. At the same time, our findings also show the differential effects of environmental and economic wellbeing in moderating such a relationship. More specifically, we find that environmental wellbeing strengthens the positive relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement, while economic wellbeing weakens it. Despite the rejection of Hypothesis 2, our findings still provide important academic insights. More specifically, This study demonstrates that the strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement may differ depending on countries' sustainable development. These insights advance legitimacy theory (Gray et al., 1995; Suchman, 1995) and prior work that has focused on strategies of legitimation (e.g., Brammer et al., 2009; Rathert, 2016) by developing and testing a contingent view of foreign customer host-country sustainability development when a supplier adopts CRM-led CSR as a legitimation tool in cross-border international business.

Taken together, our theoretical logic and empirical findings indicate that supplier CRM-led philanthropic CSR reputation is an important predictor of foreign customer business engagement in the B2B international market setting. Our findings also reveal that the effects of CRM-led CSR are conditional on foreign customer host-country sustainable development. These findings illustrate the importance of matching suppliers' CRM-led CSR and foreign customer host-country's sustainable development to affect positively foreign customers' business engagement in the host-country. This study attempts to push legitimacy theory into a new context to explain international CRM-led CSR strategies in B2B markets.

### *Managerial Implications*

Our findings have important managerial implications. First, supplier CRM-led philanthropic CSR reputation is an important predictor of customer business engagement in the foreign market. Suppliers who wish to enter foreign B2B markets can adopt CRM-led CSR practices to legitimate their operations and positively affect foreign customer business engagement. For example, a supplier can deliberately inform its foreign customers about how it is integrating charitable contributions into business activities and giving donations to local charitable organizations (Liu and Ko, 2011; Varadarajan and Menon, 1988) in order to generate a philanthropic CSR reputation in the foreign marketplace. Such reputation will make the foreign supplier's operations appear more legitimate in the eyes of the customers. As a result, the customers will have a stronger intention to stay in a business relationship with the supplier and greater willingness to do more business with the foreign supplier.

Second, we advise suppliers to adjust their use of CRM-led CSR according to the foreign markets that they wish to enter. Our finding shows that the positive impact of supplier CRM-led philanthropic CSR reputation on foreign customer business engagement is stronger in a country that has a high level of environmental wellbeing. This means that a supplier should adopt CRM-led CSR as its legitimation strategy to affect foreign customer business engagement when conducting business in a foreign market with a reputation for achieving a high level of environmental wellbeing regarding sustainable development. Using examples from our data, the positive effect of CRM-led philanthropic CSR reputation on customer business engagement is stronger in higher-ranked environmental wellbeing countries, such as Cambodia (36<sup>th</sup>), the Philippines (39<sup>th</sup>), Indonesia (44<sup>th</sup>), and Vietnam (66<sup>th</sup>). Conversely, our finding shows that the strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement is lower in a country with a high

level of economic wellbeing. Accordingly, in practice, a supplier should not adopt the CRM-led CSR strategy in a foreign market with a reputation for achieving a high level of economic wellbeing in sustainable development. Using examples from our data, the strength of the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement is lower in higher-ranked economic wellbeing countries, such as Mainland China (38th), the Philippines (39th), Indonesia (48th), and Malaysia (50<sup>th</sup>). In these countries, a foreign supplier should consider adopting alternative legitimation strategies to influence foreign customer business engagement.

#### *Limitations and Further Research*

This study has several limitations that further research should address. First, although the use of data from multiple sources minimizes any common method bias concerns (Podsakoff et al., 2003), the cross-sectional nature of our study limits tests of causality. Researchers in the future might employ a longitudinal research design to confirm these causal linkages that we have empirically proposed in our model. Second, we measure several variables indirectly by capturing foreign customers' activities (e.g., foreign customer business engagement, supplier support). However, it is difficult to justify the validity and reliability of such proximal measures. Future research should develop a better measure to capture the dynamics of behaviors in a B2B relationship. Thirdly, our sample is limited to a supplier's international CRM-led CSR strategy in the Asia Pacific market. The generalizability of our findings remains limited to firms within a regional market context. Future studies of different countries would help to generalize our findings.

Finally, our findings also lead to several possible future research opportunities. To illustrate, Homburg et al. (2013) identify two types of CSR reputation: business practice CSR reputation and philanthropic CSR reputation. In this study, we argue that a firm's CRM efforts

can generate philanthropic CSR reputation and test its impact on foreign customer business engagement. Additional research might explore the influence of business practice CSR reputation derived from a firm's CRM efforts (CRM-led business practice CSR reputation - the extent to which a foreign customer can generate favorable perceptions about a supplier's contribution to the wellbeing of its employees and customers via the suppliers' marketing communication efforts) in the international marketplace.

Furthermore, we examine the relationship between supplier CRM-led philanthropic CSR reputation and foreign customer business engagement in this research. Further research might adopt our approach to examine the impact of supplier CRM-led philanthropic CSR reputation on other characteristics of the international business relationship, such as social capital (e.g., Urzelai and Puig, 2019) or joint/collaborative activity (e.g., Liu et al., 2019). Lastly, we examine the influence of a country's sustainable development on the supplier CRM-led philanthropic CSR reputation-foreign customer business engagement relationship in this research. In the same vein, future research might adopt our approach to explore how other types of moderators may affect the strength of this relationship in a host-country institutional environment, such as the legal enforcement efficiency, or in a market environment, such as demand uncertainty (Sheng et al., 2011).

Under the current business conditions, B2B firms must take advantage of the opportunities available within the international marketplace. The adoption of CRM-led CSR may help a supplier to obtain organizational legitimacy in foreign countries and foster customers' intention to engage with it in a business relationship. However, a supplier should exercise caution regarding its use of CRM-led CSR in foreign countries with different levels of sustainable development. We hope that further research will continue to explore and document the use of CRM-led CSR as the legitimation strategy in internationalization as well as its performance implications in B2B relationship building.



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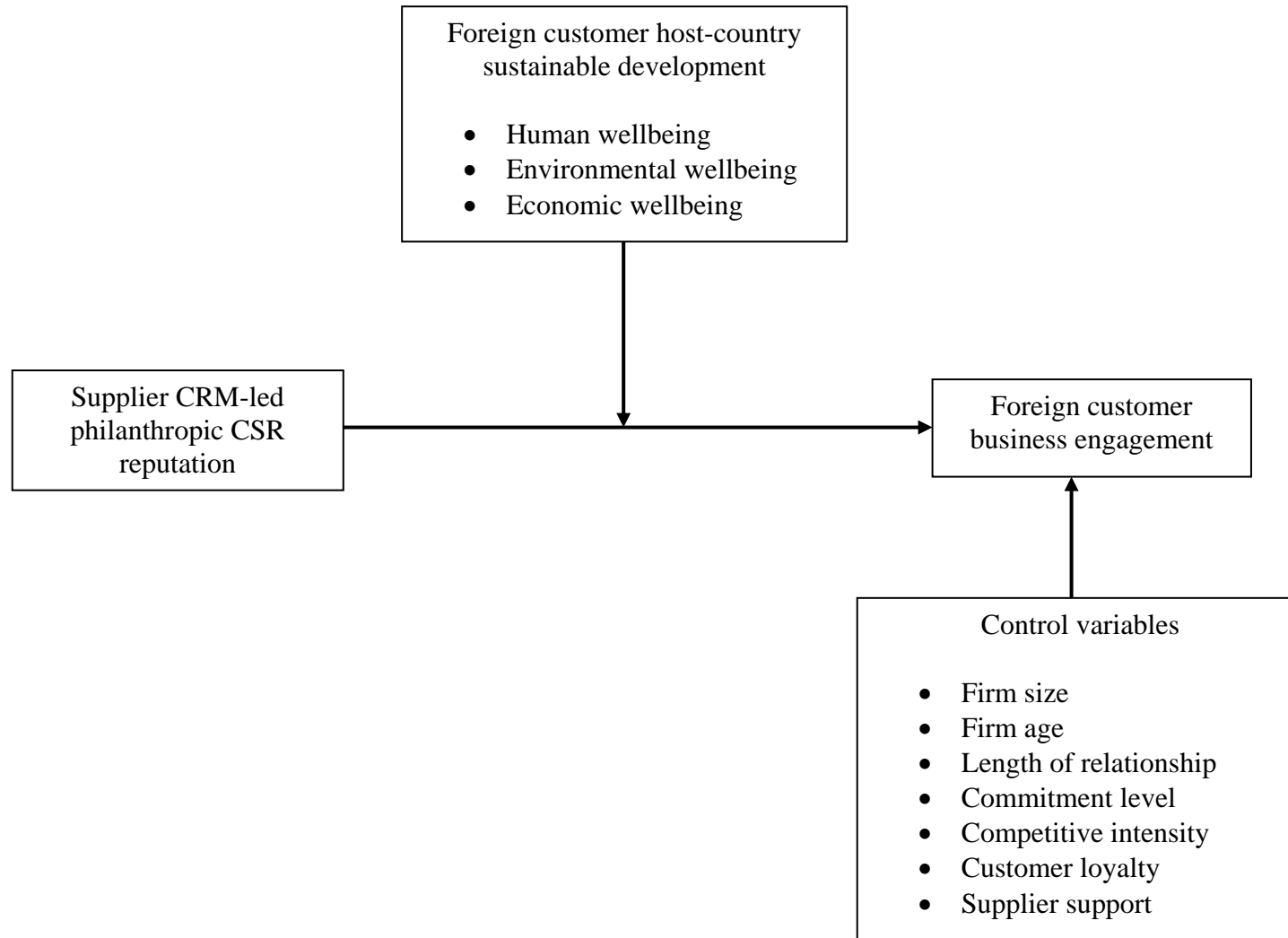
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**Figure 1: Theoretical Framework**





**Table 1: Descriptive Statistics and Correlations**

	1	2	3	4	5	6	7	8	9	10	11	12
<b>1. Firm size</b>	1											
<b>2. Firm age</b>	.060	1										
<b>3. Length of relationship</b>	.108	.648*	1									
<b>4. Commitment level</b>	.177	.112	.236*	1								
<b>5. Competitive intensity</b>	.160	.234*	.337*	-.031	1							
<b>6. Customer loyalty</b>	-.070	-.168	-.308*	.020	-.017	1						
<b>7. Supplier support</b>	.403*	.024	.060	.194	.173	-.185	1					
<b>8. Supplier CRM-led philanthropic CSR reputation</b>	-.074	.180	.121	-.070	.561*	.006	-.037	1				
<b>9. Human wellbeing</b>	.316*	.031	.039	.014	.125	.139	.093	-.371*	1			
<b>10. Environmental wellbeing</b>	.085	-.158	-.235*	.023	-.342*	.110	-.018	-.449*	.583*	1		
<b>11. Economic wellbeing</b>	-.111	.284*	.256*	-.151	.337*	-.059	-.017	.454*	-.200	-.200	1	
<b>12. Foreign customer business engagement</b>	.494*	-.089	.021	.189	.059	-.162	.281*	.146	.020	-.005	-.016	1
<b>Means</b>	5.950	.980	.660	3.690	3.510	2.090	3.300	3.120	.400	.400	.511	2.140
<b>Standard deviation</b>	.154	.275	.281	.845	.927	.788	1.033	.726	.493	.493	.503	.894

Note:

N = 90; p < .050

**Table 2: Results**

	<b>Outcome variable</b>			
	<b>Foreign customer business engagement</b>			
	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
<b>Control variables</b>				
Firm size	.492 (4.975)***	.498(4.727)***	.510(4.914)***	.465(4.493)***
Firm age	-.202(-1.717)†	-.197(-1.632)	-.211(-1.776)†	-.220(-1.850)†
Length of relationship	.045(.342)	.053(.384)	.055(.406)	.044(.324)
Commitment level	.118(1.237)	.124(1.252)	.117(1.197)	.120(1.230)
Competitive intensity	-.185(-1.538)	-.191(-1.341)	-.170(-1.210)	-.104(-.709)
Customer loyalty	-.140(-1.447)	-.159(-1.581)	-.176(-1.768)†	-.161(-1.633)
Supplier support	.080(.794)	.081(.788)	.072(.705)	.067(.654)
<b>Independent variables</b>				
Supplier CRM-led philanthropic CSR reputation	329(2.958)**	.303(2.137)*	.255(1.792)†	.894(3.033)**
<b>Moderators</b>				
Human wellbeing		-.886(-1.194)	-.025(-.171)	-.082(-.538)
Environmental wellbeing		.052(.389)	-1.248(-1.949)†	.101(.742)
Economic wellbeing		.037(.331)	.028(.264)	1.349(2.067)*
<b>Interactions</b>				
Supplier CRM-led philanthropic CSR reputation x Human wellbeing		.887(1.247)		
Supplier CRM-led philanthropic CSR reputation x Environmental wellbeing			1.289(2.036)*	
Supplier CRM-led philanthropic CSR reputation x Economic wellbeing				-1.716(-2.079)*
<b>Model statistics</b>				
F-value	5.981	3.496	4.287	4.310
P-value	.000	.000	.000	.000
R-square	.367	.381	.401	.402

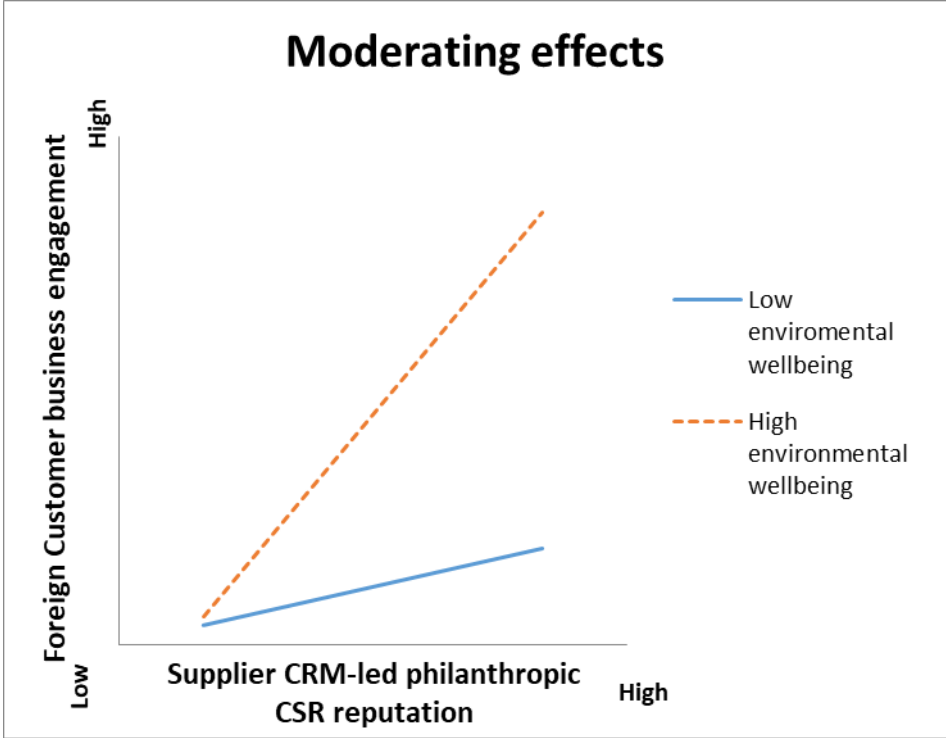
Note:

N = 90; p &lt; .001; \*\* p &lt; .010; \* p &lt; .050; † p &lt; .100

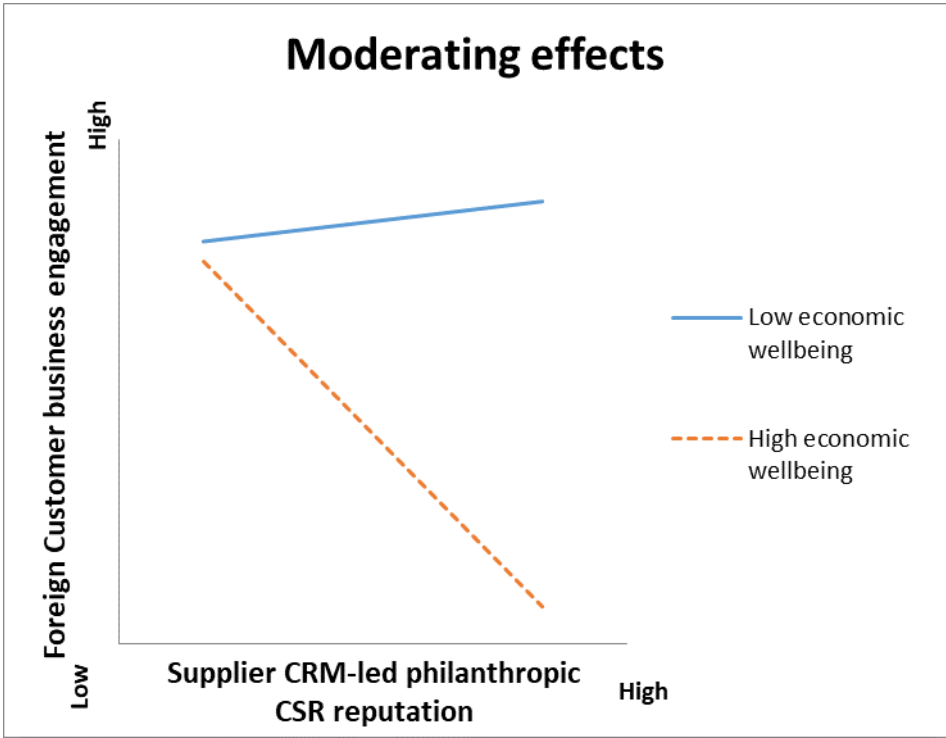
Standardized coefficients are reported with t-value in parentheses

Figure 2: Graphical Representation

A.



B.



## Appendix 1: Variables and Measurement

Variables	Measurements	Source
Firm size	Log transformation of 2018: the customer's annual revenue	Customer survey
Firm Age	Log transformation of the years since the establishment of the customer	Customer survey
Length of relationship	Log transformation of the length of relationship in years with the supplier	Customer survey
Commitment level	Likert-type scale survey items (1 ~ 5; 5 = "strongly agree") – Cronbach's alpha = .902 1. ZZZ* are willing "to go the extra mile" to work with us. 2. We feel that ZZZ is committed to our relationship. 3. In aggregate, we have a high caliber relationship with ZZZ.	Supplier XYZ survey
Competitive intensity	Likert-type scale survey items (1 ~ 5; 5 = "strongly agree") – Cronbach's alpha = .791 (1 = "strongly disagree," 5 = "strongly agree"). 1. Price competition is a hallmark of our industry. 2. There are many "promotion wars" in our industry***. 3. There are many competitors in our industry.	Customer survey
Customer loyalty	The history of Supplier XYZ-customer relationship (Variable range 1 to 3; 3 = highest loyalty level). 1. Left the supplier-customer relationship before. 2. Threatened to leave the supplier-customer relationship but stayed after accepting the discount deals. 3. Stay with the supplier-customer relationship.	Supplier XYZ's internal records
Supplier support	The additional support received by the customer (from the supplier). (count number of "yes"; variable range 1 to 8; 8 = highest support) 1. Regional and international event – yes/no. 2. Reward scheme – yes/no 3. Sponsorships – yes/no 4. Brand placement – yes/no 5. Beautician program and sales training course – yes/no 6. Medical/surgical advice (twice a year) – yes/no 7. Annual corporate bonus – yes/no 8. VIP credit terms – yes/no	Supplier XYZ's internal records
Supplier CRM-led philanthropic CSR reputation	Likert-type scale survey items (1 ~ 5; 5 = "strongly agree") – Cronbach's alpha = .782 1. Our company has been deliberately informed by XXX** that XXX gives back to the communities in which it does business. 2. Our company has been deliberately informed by XXX that XXX integrates charitable contributions into its business activities. 3. Our company has been deliberately informed by XXX that local nonprofits benefit from XXX contributions. 4. Our company has been deliberately informed by XXX that XXX is involved in corporate giving.	Customer survey
Human wellbeing	Split eight countries into two groups based on their human wellbeing ranking (high/low) in the 2016 Sustainable Society Index. • Higher ranked countries – Japan (15 <sup>th</sup> ), Indonesia (69 <sup>th</sup> ), Vietnam (71 <sup>st</sup> ) and Philippines (74 <sup>th</sup> ) – Dummy coding = 1. • Lower ranked counties – Malaysia (76 <sup>th</sup> ), China (85 <sup>th</sup> ), Cambodia (98 <sup>th</sup> ), and Myanmar (112 <sup>th</sup> ) – Dummy coding = 0.	2016 Sustainable Society Index
Environmental wellbeing	Split eight countries into two groups based on their environmental wellbeing ranking (high/low) in the 2016 Sustainable Society Index. • Higher ranked countries – Cambodia (36 <sup>th</sup> ), Philippines (39 <sup>th</sup> ), Indonesia (44 <sup>th</sup> ), and Vietnam (66 <sup>th</sup> ) – Dummy coding = 1. • Lower ranked counties – Myanmar (84 <sup>th</sup> ), China (116 <sup>th</sup> ), Japan (120 <sup>th</sup> ) and Malaysia (126 <sup>th</sup> ) – Dummy coding = 0	2016 Sustainable Society Index
Economic wellbeing	Split eight countries into two groups based on their economic wellbeing ranking (high/low) in the 2016 Sustainable Society Index. • Higher ranked countries – China (38 <sup>th</sup> ), Philippines (39 <sup>th</sup> ), Indonesia (48 <sup>th</sup> ), Malaysia (50 <sup>th</sup> ) – Dummy coding = 1. • Lower ranked counties – Myanmar (61 <sup>st</sup> ), Vietnam (66 <sup>th</sup> ), Cambodia (68 <sup>th</sup> ), and Japan (99 <sup>th</sup> ) – Dummy coding = 0.	2016 Sustainable Society Index
Foreign customer business engagement	The levels of the business relationship (variable range 1 to 3; 3 = highest business engagement level): 1. Cosmetics product distribution. 2. Cosmetics product distribution, beauty clinic franchise (aesthetics medicine and cosmetics/plastic surgery). 3. Cosmetics product distribution, beauty clinic franchise (aesthetics medicine and cosmetics/plastic surgery), regional business representative.	Supplier XYZ's internal records

Notes:

\* ZZZ – The name of each specific customer

\*\* XXX – The name of the Supplier XYZ

\*\*\* Item deleted due to poor loading

