

SOCIAL AUDIENCE EVALUATION TOWARDS CORPORATE SUSTAINABILITY DISTINCTIVENESS: A MEANS-AND-ENDS SOCIAL JUDGMENT PERSPECTIVE

In the realm of corporate sustainability, firms encounter dual pressures: (1) the need to conform to baseline expectations from stakeholders and (2) the desire to differentiate by leveraging corporate social responsibility (CSR) strategy to stand out from peers. This research introduces an ends-and-means framework to analyse CSR distinctiveness, distinguishes between *objective-wise distinctiveness* and *practice-wise distinctiveness* in firm's CSR strategy and examine how these dimensions independently and interactively influence social audience sentiment. Using computational text analysis on a dataset of sustainability reports from 5,652 publicly traded companies across various sectors listed on major exchanges worldwide from 2016 to 2020, and matching it with media sentiment data provided by FactSet Insight, we identified an expected inverted U-shaped relationship between objective distinctiveness and social favourability, consistent with prior conclusions in optimal distinctiveness research (Zhao & Glynn, 2022). Additionally, we discovered a puzzling U-shaped relationship between practice distinctiveness and social favourability.

These results suggest that different dimensions of distinctiveness require varying levels of cognitive effort from audiences for legitimacy assessment. Specifically, understanding CSR practices demands more analytical cognition compared to CSR objectives for causal and efficiency inference (Durand & Paolella, 2013). Drawing on research in cognitive categorization, we argue that audiences tend to group information into categories based on central features and form cognitive schemas with shared category rules and standards (Durand, Rao, & Monin, 2007). Organizational cues related to CSR objectives can be efficiently processed using audiences' established category schemas, such as sorting a firm's CSR initiatives based on frameworks like the UN's 17 Sustainable Development Goals (SDGs) or stakeholder typologies (e.g., consumers, employees, community). For instance, Patagonia showcases CSR objective distinctiveness by equally prioritizing societal impacts, setting it apart from most sportswear firms, which primarily focus on environmental footprints. Here, CSR objective distinctiveness reflects a firm's prioritization among established issues and a different configuration of these issues, making it less cognitively demanding or ambiguous and less likely to be perceived as illegitimate. Based on the optimal distinctiveness tradition, the relationship between a firm's CSR distinctiveness (both objective- and practice-wise) and social audience evaluation is influenced by a combination of a linear mechanism of competitive benefits and a concave-curve mechanism of cognitive legitimacy loss (Haans, 2019). Overall, the objective distinctiveness of a firm has an inverted U-shaped relationship with audience evaluations (Haans, Pieters, & He, 2016). The most favourable evaluation is anticipated when the firm exhibits a medium level of CSR objective distinctiveness.

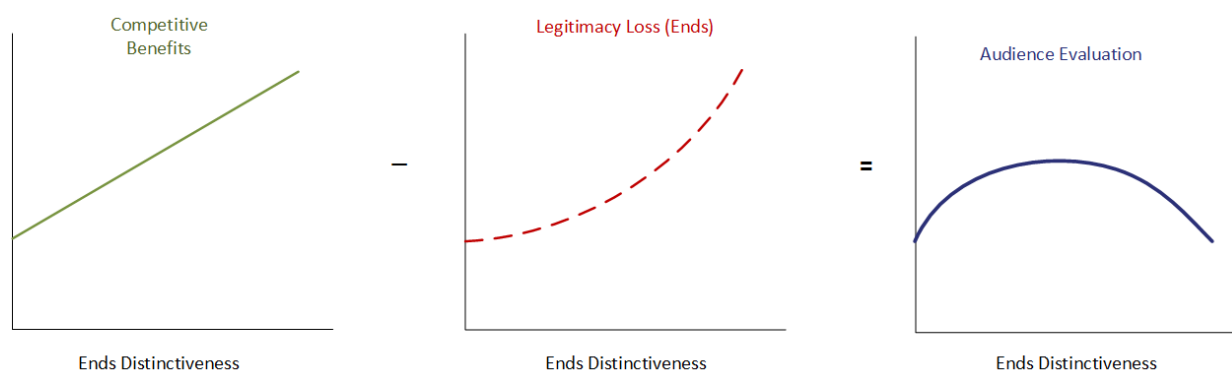


Fig. 1 An illustration of the mechanisms that result in an inverted U-shaped relationship between objective (ends) distinctiveness and audience evaluation.

In contrast, practice distinctiveness—reflecting a firm's differentiation through strategic actions or methods—requires more analytical cognition from the audience. This is necessary not only to comprehend the actions themselves (and categorize similar actions) but also to infer the feasibility and efficiency of these actions in achieving specific objectives. This process involves causal attribution, where the link to the achievement of

ends is not inherently obvious (Parker, Krause, & Devers, 2019) and often does not align neatly with existing categorization systems, introducing high levels of uncertainty and complexity (Gouvard & Durand, 2023). For example, Patagonia’s initiatives, such as purchasing and donating parklands for conservation or endorsing political candidates supporting environmentalism, exhibit high levels of practice distinctiveness. Evaluating Patagonia’s practices demands more extensive cognitive processing for audiences due to their deviation from, and incommensurability with, existing, well-recognized practices for reducing environmental footprints in the sportswear sector, potentially leading to ambiguous and uncertain outcomes. Hence, practice distinctiveness, which cannot be easily assessed through comparison with established category standards alone and requires additional information or causal inferences, is more likely to be perceived as an illegitimate means by audiences. Consequently, for practices, the marginal loss of legitimacy from deviating from prevailing, common methods are likely to be greater than for distinctive objectives, as indicated by a convex curve with higher marginal losses at the beginning (compared to the concave curve for ends). The marginal loss in legitimacy may exceed the marginal benefits in competitiveness at medium levels of practice distinctiveness (Haans et al., 2016; Zhao et al., 2017), which justifies the U-shaped relationship between the CSR practice distinctiveness the social favourability.

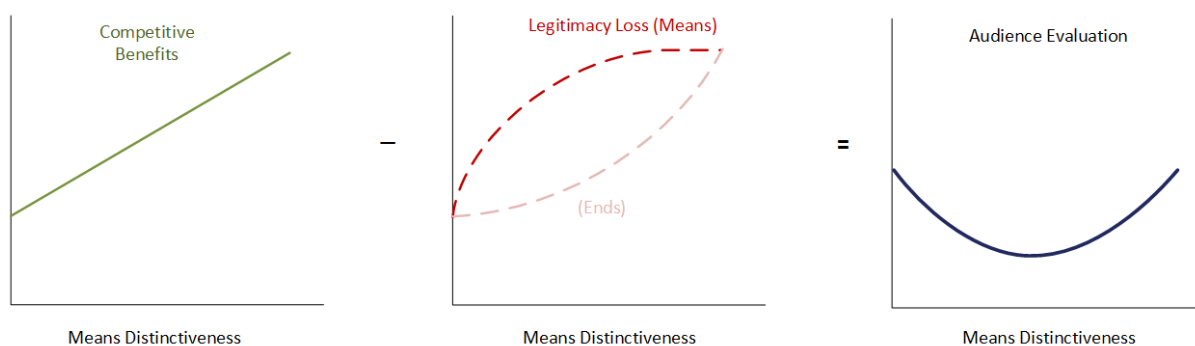


Fig. 2 An illustration of the mechanisms that result in a U-shaped relationship between practice (means) distinctiveness and audience evaluation.

Furthermore, distinctive objectives moderate and attenuate the U-shaped curve of practice distinctiveness. From a signal consistency perspective (Bettinazzi et al., 2023; Plummer, Allison, & Connelly, 2016), distinctive practices are likely to be evaluated more positively by audiences when the firm demonstrates a similarly distinctive orientation towards its objectives, which serves as credible proof. However, empirical evidence shows that the interaction effects between objective and practice distinctiveness are only marginally significant. These findings advance the understanding of optimal distinctiveness by highlighting its multilevel nature and contextual contingencies.

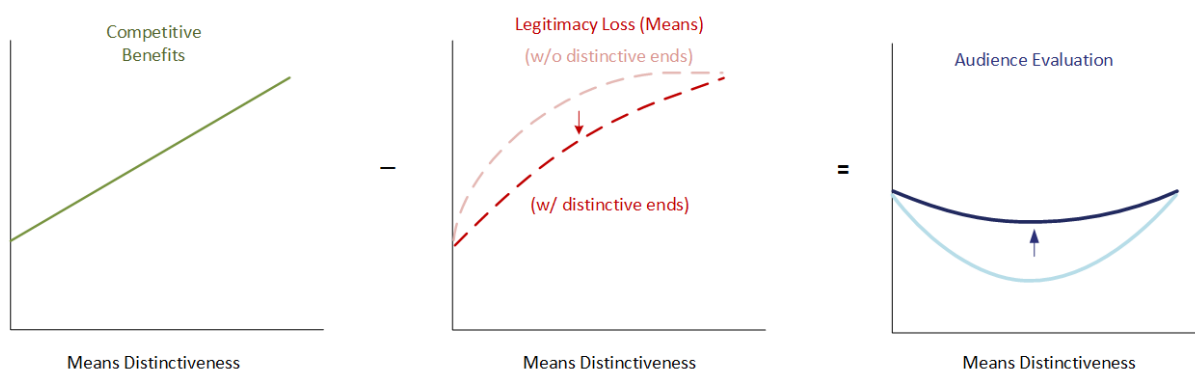


Fig. 3 Moderation of objective (ends) distinctiveness: Curve attenuation in the U-shaped relationship between CSR practice (means) distinctiveness and audience evaluation