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Article — Published Version

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Corporate Social Responsibility and Environmental Management

Provided in Cooperation with:

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Suggested Citation: Theis, Jochen; Nipper, Marvin; Meier, Marco (2023) : The influence of corporate philanthropic donations on private investors' valuation judgments: Experimental evidence, Corporate Social Responsibility and Environmental Management, ISSN 1535-3966, John Wiley & Sons, Inc., Chichester, UK, Vol. 31, Iss. 1, pp. 540-554, <https://doi.org/10.1002/csr.2584>

This Version is available at:

<https://hdl.handle.net/10419/288231>

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RESEARCH ARTICLE

The influence of corporate philanthropic donations on private investors' valuation judgments: Experimental evidence

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Abstract

Corporate donations towards disaster relief efforts, often called corporate philanthropic disaster relief (CPDR), are commonplace practice and one critically observed subcategory of CSR, with high visibility in the global media. We investigate whether private investors value firms differently based on their perception of firm's engagement in CPDR. Therefore, we created an experimental investment scenario in which we manipulate the magnitude of a hypothetical Firm Y's CPDR efforts to evaluate investment decisions of private investors recruited from Amazon's Cloud Research platform. Our findings suggest that higher CPDR generally affects private investors' assessment of a firm's value positively. Using a structural equation model and the CSR skepticism concept to examine private investors' motive attribution to firms' CPDR, we find that private investors perceive high CPDR as an indicator for honest and values-driven corporate social behavior and a low CPDR as an ingratiating attempt to win favor. Thus, we extend prior research by unveiling through which channels of impact CPDR potentially affects firm value and find an explanation why CPDR can have adverse effects on firm value.

KEYWORDS

corporate philanthropic disaster response, corporate social responsibility, CSR skepticism, investors' perception, valuation judgment

JEL CLASSIFICATION

M14, G41

1 | INTRODUCTION

One subcategory of CSR that is critically observed by investors are corporate donations towards disaster relief efforts (Berleemann & Steinhardt, 2017; Van Aalst, 2006). These donations, called CPDR, are a commonplace practice (Jin & He, 2018) and often fill the headlines of global newspapers, as they play a deciding role for the success of the disaster response and mainly consist of cash donations as well as the provision of goods and services (Muller & Whiteman, 2009).

Previous research finds that CPDR announcements can entail both positive and negative capital market reactions (Chen et al., 2008; Muller & Kräussl, 2011a), and thus are not always beneficial for the donating companies, as the case of Amazon shows anecdotally. In 2020, as response to the Australian bushfires, Amazon announced that it will donate \$1 (Australian dollars) million in assistance to wild-life recovery. This led to furor in major news outlets and on Twitter, because the amount was perceived as too small and therefore symbolic, especially relative to the size of the company (Business Insider,

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2020). Additionally, the large greenhouse-gas emissions of Amazon's core business, its corporate policies and controversial partnerships with oil and gas companies were seen as contribution to the conditions that made the wildfires disastrous (Piper, 2020).

However, research has not unveiled yet which particular mechanisms affect whether the capital market reacts positively or negatively towards CPDR. As climate change fosters the frequency and severity of natural disasters (Berlemann & Steinhardt, 2017; Van Aalst, 2006), this is an increasingly relevant issue. We contribute to this literature by examining how private investors perceive CPDR and what motives they attribute to firms' that engages in CPDR.

Specifically, empirical literature has not yet examined when and why private investors might consider CPDR as truly philanthropic or, on the contrary, assess CPDR skeptical and potentially egoistic-driven. Especially for private investors it is complicated to distinguish between philanthropically conscious donations and donations rooted in self-interest, because private investors often rely on third-party information (Cohen et al., 2011; Parguel et al., 2011). Still, private investors tend to question why companies engage in CPDR and critically assess if philanthropic donations are connected to a true philanthropic motive or rather suggest greenwashing (Vanhamme & Grobбен, 2009).

To reach our research aim, we are creating an experimental investment scenario in which we evaluate the investment decisions of private investors in search of new investments. In our experiment, participants recruited from Amazon's Cloud Research platform learn about a hypothetical firm (Firm Y) and its CPDR efforts in response to a hurricane catastrophe. We manipulate the magnitude of Firm Y's CPDR efforts and vary its financial and sustainability performance in order to increase the generalizability of our experiment. We ask participants to indicate how likely they are to invest in Firm Y. In addition, we record how participants perceive Firm Y's motivation for engaging in social and environmental activities using measures from the CSR skepticism concept to examine the motives private investors attribute to Firm Y's CPDR efforts (Skarmеas & Leonidou, 2013).

In our baseline analysis, we find that private investors' perception of the magnitude of Firm Y's CPDR is positively associated with their valuation judgment. Our result is robust to the variation of Firm Y's financial and sustainability performance. Using a SEM and the CSR skepticism concept (Skarmеas & Leonidou, 2013) to analyze what underlying motives private investors attribute to Firm Y's CPDR efforts, we find that for higher CPDR private investors attribute values-driven motives to Firm Y's CPDR efforts, which then reduces participants' CSR skepticism and increases their valuation judgment. Thus, we find that, if private investors perceive CPDR as high, they believe the donation's purpose is to contribute to society by mitigating the consequences of the natural disaster, thereby expressing moral, ethical, and social ideals. In line with Skarmеas and Leonidou (2013) we also consider an alternative SEM in which we examine whether the attributions of stakeholder-, strategic-, values-, and egoistic-driven motives directly affect investor valuation. Here, we find evidence that for low CPDRs, private investors perceive Firm Y's motives as egoistic, which reduces their valuation judgment. In both

SEMs, we continue to also find a direct effect of CPDR magnitude on participants' valuation of Firm Y. Hence, we find evidence that both the motives private investors attribute to a firm's CPDR and the sole magnitude of the CPDR affect how private investors alter their valuation judgment when learning about the firm's CPDR efforts.

Our study extends the behavioral finance literature, especially prior research on CSR induced attributions (Ellen et al., 2006; Forehand & Grier, 2003; Skarmеas & Leonidou, 2013; Vlachos et al., 2009), by revealing that private investors perceive a firm's CPDR activities differently depending on the CPDR's magnitude. Our results furthermore contribute to the recent behavioral finance literature that examines the influence of CSR activities on investors' assessment of a firm's value by showing that the magnitude of CPDR affects investor valuation; both through motive attribution and a direct effect of the CPDR's magnitude. Collectively, our article is the first to provide explanation on why CPDR can result in both positive and negative capital market reactions. Therefore, our article offers relevant implications for firms that reflect on the impact of their CPDR efforts on the capital market and extends the understanding of how private investors perceive firms' CSR efforts.

We proceed as follows. In Section 2 we discuss related research and develop our hypotheses. Section 3 describes our methodology, while Section 4 discusses our results. Section 5 concludes our article.

2 | BACKGROUND AND HYPOTHESES DEVELOPMENT

2.1 | Background

Climate change is believed to have an impact on the severity and frequency of natural disasters, such as cyclones/hurricanes and floods (Berlemann & Steinhardt, 2017). While governments and non-governmental organizations (NGOs) generally lead the disaster relief efforts, companies also play a major role for the success of the disaster response, particularly through CPDR, which consists in cash donations and providing goods and services (Muller & Whiteman, 2009). We deliberately chose CPDR, rather than corporate philanthropy (or CSR activities) in general as the object of study, because CPDR is an increasingly important element of corporate philanthropy (Muller & Whiteman, 2009). In addition, philanthropy can be positively received by investors, according to prior research (Chen et al., 2008), but only if it is visible. When firms announce CPDR, intentionally or unintentionally it often fills the headlines of major global newspapers (Jin & He, 2018). Thus, CPDR can positively affect a firm's reputation among consumers and investors (Martin & Moser, 2016). Summarizing, CPDR is a particularly visible part of philanthropy and is therefore important for our study.

Often, natural disasters cause not only huge economic losses, but also strongly affect social and environmental structures (Deryugina, 2017; Martin & Moser, 2016; Muller & Kräussl, 2008). For example, cyclones and hurricanes often cause substantial beach erosions, massive tree loss, and water contamination



(Chapman et al., 2008; Tidwell, 2006). Above that, there are social damages, such as increased unemployment and medical expenses as well as a higher need for social support (Deryugina, 2017; Weems et al., 2007). Further, it is arguable that natural disasters bring uncertainty about economic impact. Disruption of supply chains, strain on employees, deterioration of employee performance, or diversion of attention (Godfrey et al., 2009; Kleindorfer & Saad, 2005) might be anticipated by investors as financial impacts of the disaster of significant consequence to the company, and therefore philanthropic giving may be a controversial decision for investors at this time (Muller & Kräussl, 2011a).

Literature suggests that firms engage in CPDR for business strategic reasons as a part of their corporate identity (Jin & He, 2018). Hence, firms also might use these donations in the context of greenwashing, because of their high visibility. For example, Muller and Kräussl (2011b) show that firms with a reputation for social irresponsibility experienced the greatest drop in stock prices when Hurricane Katrina made landfall and also had the greatest likelihood of making a charitable donation. Therefore, it must be assumed that some firms also use CPDR to cover their neglect of CSR efforts. In this sense, research has not yet fully unveiled whether and under which circumstances investors perceive CPDR as truly philanthropic and what leads investors to doubt a firm's philanthropic intention behind CPDR activities. This is an important question considering the increasing interest of investors to invest in a more socially responsible way, even if this entails a loss of return (Gutsche & Ziegler, 2019).

2.2 | Hypotheses development

We investigate whether private investors value firms differently based on their perception of how firms engage in CPDR, because it seems that there is a change in how corporate philanthropy¹ and especially CPDR is perceived. Over the past few years, critics of big philanthropy emerged saying that donations by the ultra-rich are part of a broken system where good public relations prevent policy changes (Piper, 2020). This is a point that is underscored by the example of public backlash towards Amazon's CPDR for assisting wildlife recovery in Australia, as Amazon is a big greenhouse-gas emitter, defends controversial partnerships with oil and gas companies and is taking advantage of various exemptions and loopholes in Australia's tax code. Thus, we expect that private investors critically observe if philanthropic donations are connected to a true philanthropic motive or rather suggest greenwashing.

Corporate philanthropy has theoretically been proposed to contribute to a firm's value via several channels of impact, for example by facilitating cooperation with different stakeholders (Godfrey, 2005; Sen et al., 2006; Wang et al., 2008), but empirical results are mixed (Chen et al., 2008; Orlitzky et al., 2003; Saiia et al., 2003; Seifert et al., 2004). While Bartkus et al. (2002) propose that charitable contributions have no clear relevance for firm value, Hess et al. (2002) as well as Porter and Kramer (2002) argue that CPDR can yield tangible benefits for the firm and therefore influences investors' assessment of

its value. These tangible benefits, for instance, are positive reputation effects (Brammer & Millington, 2005; Fombrun & Shanley, 1990), "insurance" like policies against adverse effects of negative events (Godfrey et al., 2009; Peloza, 2006), enhanced trust among key stakeholders (Hillman & Keim, 2001; Jones, 1995) and reduced transaction costs, risk mitigation, and improved access to vital resources (Arthur, 2003; Wang et al., 2008). Empirically, whether philanthropy actually contributes to firm value remains an open question (Orlitzky et al., 2003; Patten, 2008; Saiia et al., 2003; Seifert et al., 2004).

Recent research has uncovered several factors moderating the relationship between corporate philanthropy and an investors' assessment of a firm's value, for example, a firm's visibility and sensitivity to consumer perception (Lev et al., 2010) and, whether donations are considered as surprising (Brammer & Millington, 2008) and the level of uncertainty and anxiety present in the market (Muller & Kräussl, 2011a; Tilcsik & Marquis, 2013). Godfrey (2005), Dean (2003) and McGuire et al. (2003) emphasize the perception of philanthropy as determining firm value effects. Previous research has also examined the role of the donation amount/CPDR magnitude. While Chen et al. (2008) find a positive association between the CPDR magnitude and the capital market's reaction, measured by cumulative abnormal returns, in the context of the 2004 tsunami, Muller and Kräussl (2011a) present a negative association between abnormal returns and CPDR magnitude. Therefore, we contribute to the empirical research on the effect of CPDR magnitude by experimentally examining private investors' reaction to CPDR announcements. As empirical evidence for the effect of the CPDR magnitude on firm value are inconclusive, we propose two competing baseline hypotheses for the direct effect of CPDR magnitude on private investors' valuation decision.

Hypothesis 1a. The magnitude of a firm's CPDR positively affects private investors' assessment of a firm's value.

Hypothesis 1b. The magnitude of a firm's CPDR negatively affects private investors' assessment of a firm's value.

As of now, research has not yet examined through which channel CPDR can affect firm value and how the magnitude of CPDR is perceived by investors. We therefore investigate the underlying motives attributed to CPDR. As can be seen in Figure 1 further below, we will thereby hypothesize through a cascade of hypotheses that the impact of donation magnitude on investor valuation is (partly) mediated by investors' attribution of motives and associated CSR skepticism. While the back part of the cascade of hypotheses is not unique to this study and may seem intuitive as it refers to well-established directions of connections (e.g., between the different motives and CSR skepticism in H3a-d or between CSR skepticism and investor valuation in H4), the front part of the cascade, that is, H2a-d provides the tension: The question of interest in this study is how donation magnitude impacts the attribution of different motives (being an open question), which then induces CSR skepticism, which in turn drives investor valuation

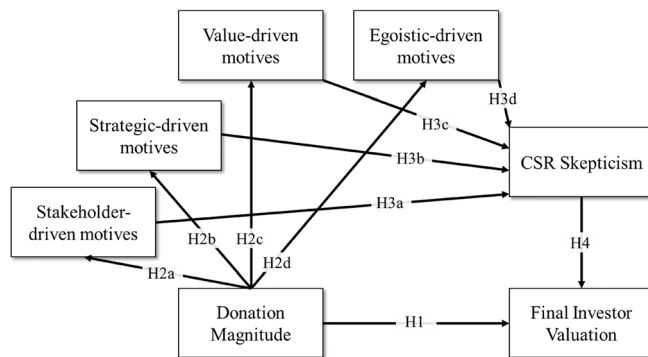


FIGURE 1 Structure of hypotheses.

(both being well established by previous literature). The value of the following deliberations therefore lies in applying the implications of attribution theory to the specific context of this study and to argumentatively connect donation magnitude—via the different motives and CSR skepticism—to investor valuation.

As discussed above, private investors have a strong interest in understanding why companies adopt CSR practices (Gilbert & Malone, 1995; Wang et al., 2015) and less confidence that these companies are just only “good corporate citizens” (Ellen et al., 2006). We make use of the attribution theory to analyze these backgrounds in more detail. Attribution theory belongs to the field of behavioral finance, which moves away from the classical assumption of people acting as the homo economicus, that is, a rational utility maximizer. Attribution theory provides an appropriate framework to explore CSR skepticism as it decodes the way private investors perceive corporate social commitment, attribute causes to it and how this cognitive perception influences their attitudes and behavior (Ellen et al., 2000; Kelley & Michela, 1980; Vlachos et al., 2009). CSR activities are defined as a voluntary contribution by companies towards the sustainable development that goes beyond the legal requirements (European Commission, 2011). Some firms may engage in CPDR in order to maintain a preexisting reputation for social and environmental responsibility and show their predictability and reliability in the CSR arena (Rindova & Fombrun, 1999). CPDR activities can therefore be seen as part of a firm’s CSR efforts (Muller & Kräussl, 2011b). Theory states that causal analysis is inherent in people’s need to understand events and that they attribute motives to the actions of organizations. These attributions influence their subsequent response to the organization (Boush et al., 1994; Campbell & Kirmani, 2000; Schmitt & Branscombe, 2002). Consequently, investors do not respond to the company’s action itself but develop persuasion knowledge through attributional inferences (Kelley & Michela, 1980; Lange & Washburn, 2012). Persuasion knowledge helps private investors learn to interpret and evaluate the persuasion agents’ goals and tactics and use this knowledge to cope with persuasion attempts (Friestad & Wright, 1994).

In the context of CPDR, the event related to attribution theory is the donation of a company and the accompanied press release. The donating company represents the persuasion agent whose goal is to

be credible. We assume that the magnitude of a firm’s donation is used by private investors to build up persuasion knowledge. Thus, it influences the cognitive perception of private investors and the attribution of motives to CPDR activities of a company. The recent literature in the context of corporate social engagement is driven by (1) the framework of Du et al. (2007) distinguishing intrinsic and extrinsic attributions, as mutually exclusive and (2) the framework of Ellen et al. (2006) suggesting four different types of causal inferences (motives) that can be attributed to the actions of organizations. These are egoistic-, values-, strategic-, and stakeholder-driven motives (Vlachos et al., 2009). We think because of the complexity of human cognitive processes, a distinction between intrinsic and extrinsic attributions falls short and go with Ellen et al. (2006). According to their framework (intrinsic and extrinsic) motives can occur independent and thereby co-exist, or being a mixed form itself, for example, strategic-driven motives. While this literature suggests that the magnitude of a firm’s CPDR is associated with the four above-mentioned motives, the specific direction of the effect remains an open empirical question. Thus, we formally state the following non-directional hypotheses:

Hypothesis 2a. The magnitude of a firm’s CPDR affects private investors’ perception of stakeholder-driven motives.

Hypothesis 2b. The magnitude of a firm’s CPDR affects private investors’ perception of strategic-driven motives.

Hypothesis 2c. The magnitude of a firm’s CPDR affects private investors’ perception of values-driven motives.

Hypothesis 2d. The magnitude of a firm’s CPDR affects private investors’ perception of egoistic-driven motives.

In line with Ellen et al. (2006) and Vlachos et al. (2009), we now connect these four motives to the construct of CSR skepticism. Skepticism describes a person’s tendency to doubt, disbelieve or question (Boush et al., 1994; Forehand & Grier, 2003). In the corporate context, skepticism has been identified as a possible consumer/ investor response to advertising, promotion and public relations (Boush et al., 1994; Obermiller et al., 2005). Corporate social marketing (Forehand & Grier, 2003), environmental claims (Mohr et al., 1998), cause-related claims (Singh et al., 2009), CSR communication during crises (Vanhamme & Grobbsen, 2009) and CSR programs (Pirsch et al., 2007) have been the subject of research. Skepticism is considered both as a personality trait (Boush et al., 1994; Obermiller & Spangenberg, 1998) and as a state that is elicited independently of personality traits and varies according to context and situation (Forehand & Grier, 2003; Mohr et al., 1998; Vanhamme & Grobbsen, 2009). An elementary characteristic of skeptical individuals is that they may change their minds when presented with sufficient

evidence (Mohr et al., 1998). Thus, skepticism is a cognitive reaction that can result from situational factors (Forehand & Grier, 2003).

As described above CPDR activities are a complex event towards which private investors are likely to identify plausible causal inferences for corporate social engagement (Öberseder et al., 2011). Relevant to the impact on CSR skepticism is how private investors perceive the company's motives (Ellen et al., 2006; Vlachos et al., 2009). Two primary types of motives (causal inferences) are distinguished: company-related motives (stakeholder-, strategic- and egoistic-driven motives), which emphasize the potential benefits for the company itself, and publicity-related motives (values-driven motives), which focus on the potential benefits for people outside the company (Barone et al., 2000; Forehand & Grier, 2003). Company-related motives are generally perceived negatively, as they signify an individualistic perspective, and public-related motives positively, as they show an increased social interest (Becker-Olsen et al., 2006).

Stakeholder-driven motives refer to the belief that the company engages in CSR activities to meet the expectations of various stakeholders (Vlachos et al., 2009). Following the theory, CSR activities are consequently seen by private investors as extrinsically motivated and serve to avoid punishment by stakeholders (Ellen et al., 2000; Vlachos et al., 2009). Applied to CPDR, this would mean, that CPDR seems not to be in line with the company's beliefs (Smith & Hunt, 1978), as it does not seem to be motivated by true altruistic motives but is rather caused by external pressure. Investors potentially assume that CPDR is a particular incentive, as these activities are often displayed in the media. In the case of less high-profile decisions, private investors could fear, that the company does not behave in a similarly ethical and moral manner (Franklin, 2008) and will not continue to honor promises, when nobody forces these actions (Bhattacharya et al., 1998).

To provide formal, theoretical support for these effects we make use of the correspondence theory (Jones & Davis, 1965). Correspondence theory can be found in the behavioral finance literature which moves away from the assumption that people act as a homo economicus, that is, a rational utility maximizer. It attempts to posit a relationship between thoughts or statements on one hand, and things or facts on the other. It states the truth of a statement is determined by how it relates and corresponds to the world (David, 2015). Stakeholder-driven motives are non-correspondent, representing a behavior in contrast with the firm's true beliefs, and thus are viewed negatively (Smith & Hunt, 1978).

We therefore assume that such attribution of stakeholder-driven motives leads to higher skepticism towards the company's CSR activities, because private investors see them as not corresponding with the company's true values and beliefs. In line with the relevant literature on CSR skepticism (Ellen et al., 2006; Vlachos et al., 2009) we formally state the following hypothesis:

Hypothesis 3a. Stakeholder-driven motives relate positively to CSR skepticism.

Strategic-driven motives represent the most common business case for CSR and yet are the most complex to understand. The private

investors are thereby convinced that the company creates a win-win situation as it achieves its business objectives by undertaking and subsequently promoting social activities (Ellen et al., 2006; Vlachos et al., 2009). For private investors, this poses a complex valuation problem, as a company must be economically viable for such behavior to be perceived as legitimate (Ellen et al., 2006). Consumers may legitimize profit motivated CPDR, since corporate survival requires retaining customers (Vlachos et al., 2009). Skarmas and Leonidou (2013) find that strategic-driven attributions neither facilitate nor alleviate CSR skepticism, which is an indication that private investors are tolerant of strategic motives for corporate social engagement. (Skarmas & Leonidou, 2013). Formal theoretical support for this view can be found in the social exchange theory's principle of reciprocal reinforcement (Zafirovski, 2003), often used in the behavioral finance literature.

However, we anticipate that private investors are unwilling to accept for-profit behavior to be mixed with CSR activities (Barone et al., 2000; Hollender, 2004) and would perceive for-profit giving based on economic rather than moral considerations (Vlachos et al., 2009). Arguing with the correspondence theory it can be stated that strategic-driven motives are non-correspondent, because there is a partly contrast between firm's true convictions and its actions. Strategic-driven motives thus are viewed negatively (Smith & Hunt, 1978). In addition, it can be argued that private investors could initially have doubts about a company's CSR activities if they would attribute them to the for-profit motive, regardless of whether they ultimately consider these activities legitimate. Thus, we formally state the following hypothesis:

Hypothesis 3b. Strategic-driven motives relate positively to CSR skepticism.

Values-driven motives, in the context of CPDR, are understood by private investors to mean that a company donates solely to contribute to society by mitigating the consequences of the natural disaster, thereby expressing its moral, ethical and social ideals (Becker-Olsen et al., 2006; Ellen et al., 2000). The theory states that CSR will be interpreted as an authentic interest in social problems private investors in these cases, because they consider the firm to be acting from sincere and benevolent intentions (Vlachos et al., 2009). Applying this on CPDR, it would mean that private investors uncritically accept donations, when attributing values-driven motives and observe the CSR activities of such a company less critical. In terms of the correspondence theory values-driven motives are correspondent attributions, representing the true intention and dispositions of the firm, and are viewed positively (Smith & Hunt, 1978). Thus, we formally state the following hypothesis:

Hypothesis 3c. Values-driven motives relate negatively to CSR skepticism.

In case of egoistic-driven motives private investors are convinced that the donor company exploits the natural disaster for good

publicity and is not primarily interested in supporting the victims (Ellen et al., 2006; Vlachos et al., 2009). Following the theory, CPDR, as a part of a company's CSR activities, arisen from egoistic-driven motives is seen by private investors as unethical and as a deliberate attempt to mislead them into wrong conclusions because the company is exclusively pursuing its own interests (Forehand & Grier, 2003; Vlachos et al., 2009). We anticipate that private investors become more skeptical about a company's CSR activities, when they attribute egoistic-driven motives. Correspondence theory provides support for these effects, because egoistic-driven motives are non-correspondent, representing a behavior in contrast with the firm's true beliefs (Smith & Hunt, 1978). We therefore formally state the following hypothesis:

Hypothesis 3d. Egoistic-driven motives relate positively to CSR skepticism.

Prior literature has shown that CSR skepticism is an important driver of stakeholders' attitudes towards a company (Brown-Liburd & Zamora, 2015; Godfrey, 2005; Klein & Dawar, 2004; Luo & Bhattacharya, 2006; Sen & Bhattacharya, 2001). If stakeholders, for example, customers or investors, are not convinced about the genuine social consciousness of the company and express doubts about its ethical standards and social responsibility, their attitudes towards and perceptions of the company diminish (Brown-Liburd & Zamora, 2015; Skarmas & Leonidou, 2013). Thus, negative CSR associations play an important role in private investors' assessment of a firm's value directly, but possibly also indirectly. Investors may additionally factor in that CSR skepticism negatively affects consumers' purchase decisions, and a reduction of (accumulated) purchasing decisions in turn may reduce a firm's future net inflows and ultimately its enterprise value (Damodaran, 2020). Additionally, prior literature reveals, that CPDR can be expected to generate "reputational capital" (Godfrey, 2005, p. 779), which is a part of the firm's value. This 'reputational capital' and thereby firm value can easily be lost in the presence CSR skepticism.

Interestingly, in the context of hurricane Katrina, Muller and Kräussl (2011a) find a negative and significant association of both a firm's CSR performance and donation magnitude with abnormal returns to donation announcements. In this sense, also Godfrey (2005) highlights that corporate philanthropy can negatively affect firm value when it is perceived as "an ingratiating attempt to win favor". We expect that, if private investors perceive that a firm is trying to take advantages of the situation by donating to disaster relief efforts and private investors are skeptical about the motives behind the donation, this skepticism will lead to a lower valuation. Thus, we formally state the following hypothesis:

Hypothesis 4. CSR skepticism negatively affects private investors' assessment of a firm's value.

Figure 1 illustratively summarizes our hypotheses.

3 | METHOD

3.1 | Participants

We analyze the decision-making of private investors in a between-participants experimental setting recruiting participants from Amazon's Cloud Research (ACR) platform (formerly Mechanical Turk). Prior studies show that ACR participants are representative of the overall population (Berinsky et al., 2012; Buhrmester et al., 2011; Paolacci et al., 2010) and that they produce results similar to and consistent with in-person studies (Casler et al., 2013; Horton et al., 2011). Buchheit et al. (2017) find that measures of intelligence for ACR participants and traditional participants are similar, while Crump et al. (2013) prove the same for problem-solving and learning tasks. We require that participants reside in the United States, have completed at least 100 other ACR assignments, and have at least a 95% approval rate from prior assignments. The minimum compensation per participant is \$1.50. In total, we obtain 365 observations and it took participants on average slightly more than 8 min to complete our survey. 55% of our participants are male, 44% are female and 1% identify themselves as "other". On average, our participants are 41 years old. 64% of our sample report having at least a Bachelor's degree.

3.2 | Design and procedure

Participants assume the role of a private investor in search of new investments. We explain that, in the process of searching for new investments, they come across Firm Y. They learn that Firm Y is a mature, global manufacturer and distributor based in the United States and view financial and sustainability information of Firm Y. The information has been adapted from real-world examples² and comprises the income statement for the year 2020 and a sustainability performance report. We vary Firm Y's relative financial performance to its peers (above industry average vs. below industry average) and Firm Y's relative sustainability performance (outperformer vs. underperformer) to increase the generalizability of our results. In the below industry average financial performance conditions, Firm Y's return on sales is 1.9% with a dividend per share of \$0.31, which we indicate to participants to be "well below industry average" (cited from experimental instrument). In the above industry average financial performance conditions, Firm Y's return on sales is 9.6% with a dividend per share of \$0.98, which we indicate to participants to be "well above industry average" (cited from experimental instrument). For our sustainability performance variation, we manipulate a label stating under- versus outperformer. The label is similar to common established ratings from a reputable third party.³ The participants see either a label indicating an outperformer sustainability performance report with an overall score of 80 or a label indicating an underperformer sustainability performance report with a score of 20 (scale ranges from 0 to 100). After participants view the information about Firm Y's financial and sustainability performance, they indicate how likely they are to invest in Firm Y on a 10-point Likert-scale (Initial valuation judgment).⁴

Next, participants learn that a hypothetical Hurricane A has moved across southeastern USA with severe social, economic, and

ecological disaster. In this context, we explain to participants that Firm Y donates \$500,000⁵ in our low donation condition (\$5,000,000 in our high donation condition) as emergency aid to support the relief and recovery efforts and thus, also manipulate the magnitude of Firm Y's donation to the disaster relief efforts of Hurricane A. After that, we ask participants again to indicate how likely they are to invest in Firm Y on a 10-point Likert-scale (Final valuation judgment).⁶ After that, participants answer post experimental questions.

3.3 | Measures

Among these questions are items that measure how participants perceive Firm Y's motivation for engaging in social and environmental activities, such as the donation to the disaster relief efforts (Skarmeas & Leonidou, 2013). Well-established measures were identified from existing research. The items measuring egoistic-, values-, strategic-, and stakeholder-driven motives are derived from prior work of Ellen et al. (2006) and Vlachos et al. (2009) and presented in Table 1. There are three items grasping the construct of egoistic-driven motives and each four items measuring the constructs of values-, strategic-, and stakeholder-driven motives, respectively. For each item the participants expressed their level of agreement or disagreement with possible explanations for the donation described in experimental case on a 7-point Likert-scale, ranging from strongly disagree (1) to strongly agree (7). Our study also includes a measure for CSR skepticism following the paper of Skarmeas and Leonidou (2013). CSR skepticism was therefore assessed by a four-item construct. The participants expressed their level of agreement or disagreement with a statement given for each item on a 7-point Likert-scale, ranging from strongly disagree (1) to strongly agree (7).

The constructs for empathy and sustainability record how empathetic the respective respondent is, as well as his or her attitude towards sustainability. We use the 17-item Environmental Attitudes Scale (EAS) (Ebenbach et al., 1998; Kortenkamp & Moore, 2001) to measure sustainability attitude. To measure participants' empathy, we use two 7-item empathy subscales developed by Davis (1980), the perspective-taking scale and the empathic-concern scale, which assess participants' ability to "adopt the perspective [...] of other people" and the "ability to experience feelings of [...] compassion and concern for others undergoing negative experiences" (Dietz & Kleinlogel, 2014). For each item the participants expressed their level of agreement or disagreement with the statement given on a 7-point Likert-scale, ranging from strongly disagree (1) to strongly agree (7). Table 2 provides descriptive statistics for participants' answers to our investment likelihood questions and to the motives and skepticism items, as well as participant demographics.

3.4 | Dependent and explanatory variables

We manipulate the magnitude of Firm Y's donation to the disaster relief efforts associated with Hurricane A's impact. Regarding this donation manipulation, for our participants it might be unclear

TABLE 1 Description of items used to capture attribution theory constructs.

Item	Description (Please indicate your agreement with the following statements concerning firm Y's motivation to donate to Hurricane A disaster relief: I believe that firm Y...)
<i>Attribution of stakeholder-driven motives</i>	
STAKEHOLDER1	... feels its employees expect it.
STAKEHOLDER2	... feels its customers expect it.
STAKEHOLDER3	... feels its stockholders expect it.
STAKEHOLDER4	... feels society in general expect it.
<i>Attribution of strategic-driven motives</i>	
STRATEGIC1	... wants to keep its existing customers.
STRATEGIC2	... hopes to increase its profits.
STRATEGIC3	... wants to gain new customers.
STRATEGIC4	... hopes to increase its competitiveness.
<i>Attribution of values-driven motives</i>	
VALUE1	... has a long-term interest in society and the environment.
VALUE2	... is trying to give back something to society and environment.
VALUE3	... has an ethical responsibility to help society and the environment.
VALUE4	... feels morally obligated to help society and the environment.
<i>Attribution of egoistic-driven motives</i>	
EGOISTIC1	... is trying to capitalize on the growing social and ecological movement.
EGOISTIC2	... is taking advantage of the cause to help their own business.
EGOISTIC3	... is trying to benefit from the increased awareness of social and ecological problems.
<i>CSR Skepticism</i>	
SKEPTICISM1	... is a socially and environmentally responsible firm.
SKEPTICISM2	... is concerned about improving the well-being of society and the environment.
SKEPTICISM3	... follows high ethical standards.
SKEPTICISM4	... acts in a socially and environmentally responsible way.

whether the donation amount (\$500,000 or \$5,000,000) is above or below the industry average. Furthermore, some participants might perceive \$500,000 as a high donation, while others rate \$5,000,000 as average, due to their specific income, financial situation, or experience with money in corporate environments. Therefore, to observe how Firm Y's donation affects participants' valuation judgment, it seems more reasonable to use how participants perceive Firm Y's donation as explanatory variable instead of a dummy variable capturing our manipulation. We measure our participants perception of our donation manipulation by capturing their agreement with the statement: "Firm Y's donation to Hurricane A disaster relief can be

TABLE 2 Descriptive statistics for our sample of 365 participants.

Participants (N = 365)	Mean	SD	Min	Max
Initial valuation	4.967	2.769	0	10
Final valuation	5.567	2.734	0	10
Financial performance	0.584	0.494	0	1
Sustainability performance	0.499	0.501	0	1
Perceived donation magnitude	4.12	0.911	1	5
Stakeholder-driven motives	4.683	1.179	1	7
Strategic-driven motives	5.274	1.250	1	7
Values-driven motives	4.977	1.310	1	7
Egoistic-driven motives	4.512	1.441	1	7
CSR skepticism	3.001	1.424	1	7
Age	41.071	11.555	18	77

Note: N: sample size; SD: standard deviation; Min: minimum; Max: maximum. "Perceived donation magnitude" captures participants' agreement with the following statement: "Firm Y's donation to Hurricane A disaster relief can be considered as high". Financial performance and sustainability performance present the variation of Firm Y's financial and sustainability performance.

considered as high" on a five-point Likert-scale and find that our donation manipulation significantly affects participants' agreement with the statement (4.387 vs. 3.875, $p < 0.001$). However, even for the condition in which Firm Y donates \$500,000 (low donation condition) participants' agreement with the statement is on average 3.875, which is above the mean (3) of the scale (five-point Likert-scale ranging from 1 to 5). Therefore, this supports our above-mentioned considerations underlining that it is reasonable to use how participants perceived Firm Y's donation rather than the donation manipulation itself, as participants also considered our \$500,000 donation condition as a relatively high donation.

For our dependent variable, we follow Johnson et al. (2020) and use participants' final valuation as dependent variable, while we use their initial valuation as explanatory variable. This approach captures both participant's final valuation relative to other participants (between participant differences) and the difference between participants initial and final valuation (within participant differences). Thus, this approach is superior compared to using the difference between participant's valuation judgments, as this would only capture the magnitude of the difference between the two valuation judgments and not the relative magnitude of the final valuation judgment compared to other participants.

We also vary Firm Y's financial and sustainability performance to examine the robustness of the donation magnitude for different levels of financial- and sustainability performance and thus include dummy variables in our model. These variations are more straightforward than our manipulation of Firm Y's donation, because in both cases it is clear if Firm Y performs better than the industry average or not. We include an attention check for both our variations to examine whether participants assessed the sustainability and financial performance in each condition differently. Therefore, we ask participants to agree (disagree) with the following statements: "Firm Y's sustainability

performance was very good" and "Firm Y's financial performance was very good". Participants answer on a five-point Likert-scale ranging from 1 = "strongly disagree" to 5 = "strongly agree". We find a significant difference for participants' agreement with the statement that "Firm Y's sustainability performance was very good" between our two sustainability performance conditions (4.280 vs. 2.098, $p < 0.001$). Also, our financial performance variation results in significant differences of participants' agreement with the statement that "Firm Y's financial performance was very good" between our two financial performance conditions (4.028 vs. 2.737, $p < 0.001$).

4 | RESULTS

4.1 | Analysis and test of hypotheses

In our baseline analysis, we use a regression model using the perceived donation magnitude as independent variable, while controlling for sustainability performance, financial performance, and participants' initial valuation. Participants' final valuation is our dependent variable. Table 3 shows the results of our regression model. We find that the perceived donation magnitude is positively and significantly associated with participants' final valuation judgment (0.354, $p < 0.001$). Therefore, our results suggest that a higher donation, as perceived by the private investors, increases private investor's valuation of the firm. Consequently, we find support for H1a and not for H1b.⁷

Next, we examine if our result for the donation magnitude is affected by our sustainability or financial performance variation. We consider a sample split based on our variation of the sustainability- and financial performance. Table 4 presents the results for the sample split analysis. The effect of how participants perceived Firm Y's CPDR is less pronounced for the low financial performance case compared to the high financial performance case (0.415, $p < 0.001$ for the high financial performance; 0.278, $p = 0.073$ for the low financial performance). However, using seemingly unrelated estimation (suest test), we do not find that the coefficients are statistically different

TABLE 3 Regression-model of participants final valuation.

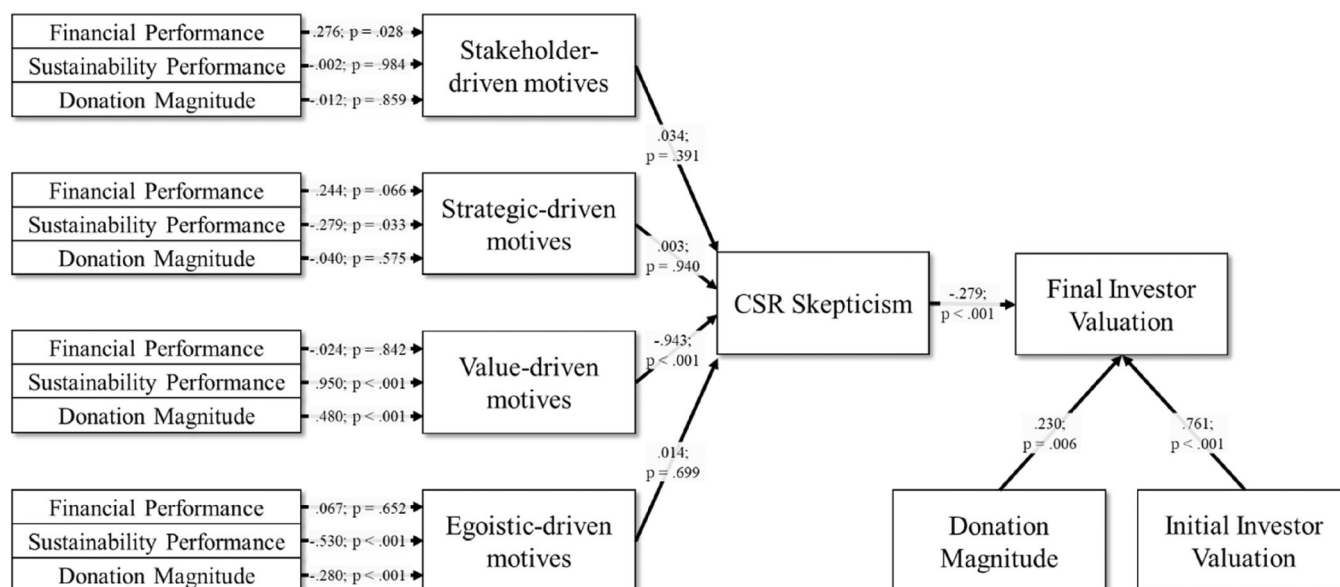
Variables	Final valuation	
	β	Two-tailed p -value
Constant	0.270	0.939
Financial performance	0.086	0.603
Sustainability performance	-0.187	0.275
Perceived donation magnitude	0.354***	<0.001
Initial valuation	0.830***	<0.001
N	365	
Adj. R^2	0.7339	

Note: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$. N: sample size; β : beta; Adj. R^2 : adjusted R -squared. Financial and sustainability performance are equal to 1 for the high financial and sustainability performance variant respectively.

TABLE 4 Regression-model of participants final valuation for the financial and sustainability performance variants.

Variables	Final valuation			
	High financial performance	Low financial performance	High sustainability performance	Low sustainability performance
Constant	0.054 (0.896)	0.224 (0.733)	-0.172 (0.749)	-0.043 (0.932)
Financial performance			-0.026 (0.910)	0.187 (0.435)
Sustainability performance	-0.182 (0.362)	-0.186 (0.544)		
Perceived donation magnitude	0.415*** (<0.001)	0.278* (0.073)	0.345*** (0.003)	0.370*** (0.002)
Initial valuation	0.797*** (<0.001)	0.861*** (<0.001)	0.850*** (<0.001)	0.817*** (<0.001)
Suest test	0.445		0.878	
N	213	152	182	183
Adj. R ²	0.713	0.669	0.644	0.710

Note: P-values in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$. N: sample size; Adj. R²: adjusted R-squared. Financial and sustainability performance are equal to 1 for the high financial and sustainability performance variant respectively.

**FIGURE 2** Results for the structural equation model. P-values based on two-tailed tests. To improve the readability of Figure 2, we include financial performance, sustainability performance, and donation magnitude for each motive. However, of course each variable is only included once in our model.

($p = 0.445$). Thus, our results for the effect of private investors' perceived donation magnitude are similar for high and low financial performance. Also, for both high and low sustainability performance, the perceived donation magnitude is positively and significantly associated with participants' valuation judgment (0.345, $p = 0.003$ for the high sustainability performance; 0.370, $p = 0.002$ for the low sustainability performance). Again, using the suest test, we find that the coefficients for the perceived donation magnitude are not significantly

different ($p = 0.878$). Thus, our results for the effect of private investors' perceived donation magnitude are also similar for high and low sustainability performance.

To test our remaining Hypotheses H2a-H4, we employ a structural equation model (SEM). Figure 2 shows the design and corresponding results of our maximum likelihood SEM. We find that the perceived donation magnitude is significantly and positively associated with values-driven motives (0.480, $p < 0.001$) and negatively and

significantly associated with egoistic-driven motives (-0.280 , $p < 0.001$). The associations with both stakeholder-driven motives and strategic-driven motives are not statistically significant (-0.012 , $p = 0.859$ for stakeholder-driven motives; -0.040 , $p = 0.575$ for strategic-driven motives). Therefore, we find support for H2c and H2d but not for H2a and H2b. Our results suggest that a higher donation is associated with private investors perceiving the firm's social and ecological activities as values-driven and less egoistically. Vice versa, a smaller donation leads private investors to believe that the firm follows egoistic motives with pursuing social and ecological activities.

Furthermore, Figure 2 also shows that only values-driven motives are significantly associated with CSR skepticism (-0.943 , $p < 0.001$). Thus, we only find support for H3c but not for H3a, H3b, and H3d. Furthermore, we find a strong negative and significant association between CSR skepticism and participants' final valuation judgment (-0.279 , $p < 0.001$), supporting our H4. Consequently, our SEM suggests that the perceived donation magnitude also affects private investors valuation judgment via CSR skepticism, and particularly values-driven motives. It seems that a higher donation leads private investors to believe that a firm's social and environmental activities are truly driven by moral, ethical and social ideals of the firm, which ultimately leads to less skepticism about these activities and a higher valuation judgment of private investors. However, we simultaneously still find the direct association of the perceived donation magnitude on participants' final valuation judgment to be positive and significant (0.230 , $p = 0.006$). Thus, the CSR skepticism construct only partially mediates the direct effect.

However, our results of the SEM only provide evidence for a mediocre fit to the data ($\chi^2_{(365)} = 112.29$; $p < 0.001$; comparative fit index = 0.939—the generally accepted minimum is 0.95, Byrne, 2013; Root Mean Square Error of Approximation = 0.139, the rule of thumb is < 0.05 , MacCallum et al., 1996).

4.2 | Rival model

In line with Skarmas and Leonidou (2013), we consider an alternative model in which we examine whether the attributions of stakeholder-, strategic-, values- and egoistic-driven motives directly affect investor's valuation judgment. Dropping the CSR skepticism construct significantly improves the fit of the model ($\chi^2_{(365)} = 26.631$; $p < 0.001$; comparative fit index = 0.980; root mean square error of approximation = 0.097).⁸ Thus, Figure 3 shows the results for this alternative model. We find significant effects for strategic-driven motives (0.174 , $p = 0.022$), values-driven motives (0.243 , $p < 0.001$), and egoistic-driven motives (-0.231 , $p = 0.001$) on participants' final valuation. As the perceived donation magnitude is significantly associated with both values-driven motives and egoistic-driven motives, we find further evidence on how donations affect investor valuation judgment. First of all, the result for our original SEM continue to hold as values-driven

motives positively and significantly affect participants' final valuation judgment. Above that, we also find that small donations lead to participants perceiving the social and ecological activities of a firm as egoistic, which negatively affects their valuation judgment. In summary, also considering the direct effect of the perceived donation magnitude, we find that higher donation positively affects private investor valuation judgment, as these donations are perceived as values-driven, while small donations generally foster private investors to perceive these activities as egoistic.

5 | CONCLUSION

The public demand for sustainable corporate behavior is omnipresent and firms intensively invest in CSR activities (Johnson et al., 2020; Moser & Martin, 2012). As CSR investments have become mainstream (Hales et al., 2016; Moser & Martin, 2012), the challenge for accounting scholars to engage in wider and deeper research related to CSR within the accounting space has grown (Hales et al., 2016). Therefore, we are creating an experimental investment scenario, recruiting participants from Amazon's Cloud Research platform, in which participants learn about a hypothetical firm (Firm Y) and its CPDR efforts in response to a hurricane catastrophe. We manipulate the magnitude of Firm Y's CPDR efforts to evaluate the investment decisions of private investors in search of new investments and vary its financial and sustainability performance in order to increase the generalizability of our experiment. Thus, we explore the impact of the magnitude of a firm's CPDR (perceived as high or low) on private investors' assessment of a firm's value. Using a SEM and the CSR skepticism concept (Skarmas & Leonidou, 2013) to analyze what underlying motives private investors attribute to Firm Y's CPDR efforts, consistent with the theoretical foundation, our results indicate that a firm's engagement in CPDR affects private investors' assessment of a firm's value positively, when the engagement is perceived as high. Furthermore, we show that the magnitude of a firm's CPDR affects private investors' perception of the firm's motives, which determines their CSR skepticism. In line with the existing literature, we can also demonstrate that CSR skepticism negatively affects private investors' assessment of a firm's value. Our results are robust to the variation of Firm Y's financial and sustainability performance.

Both our theory and experimental findings suggest that investors expect a higher magnitude of a firm's CPDR as an indicator for honest and values-driven corporate social behavior. Thus, private investors appreciate this form of authentic interest in social problems and reward it with a higher assessment of a firm's value, but if CPDR is perceived as an ingratiating attempt to win favor, corporate philanthropy can negatively affect firm value.

Hence, our study extends the behavioral finance literature, especially prior research on CSR-induced attributions (Ellen et al., 2006; Forehand & Grier, 2003; Skarmas & Leonidou, 2013; Vlachos et al., 2009), by revealing that a higher donation magnitude is

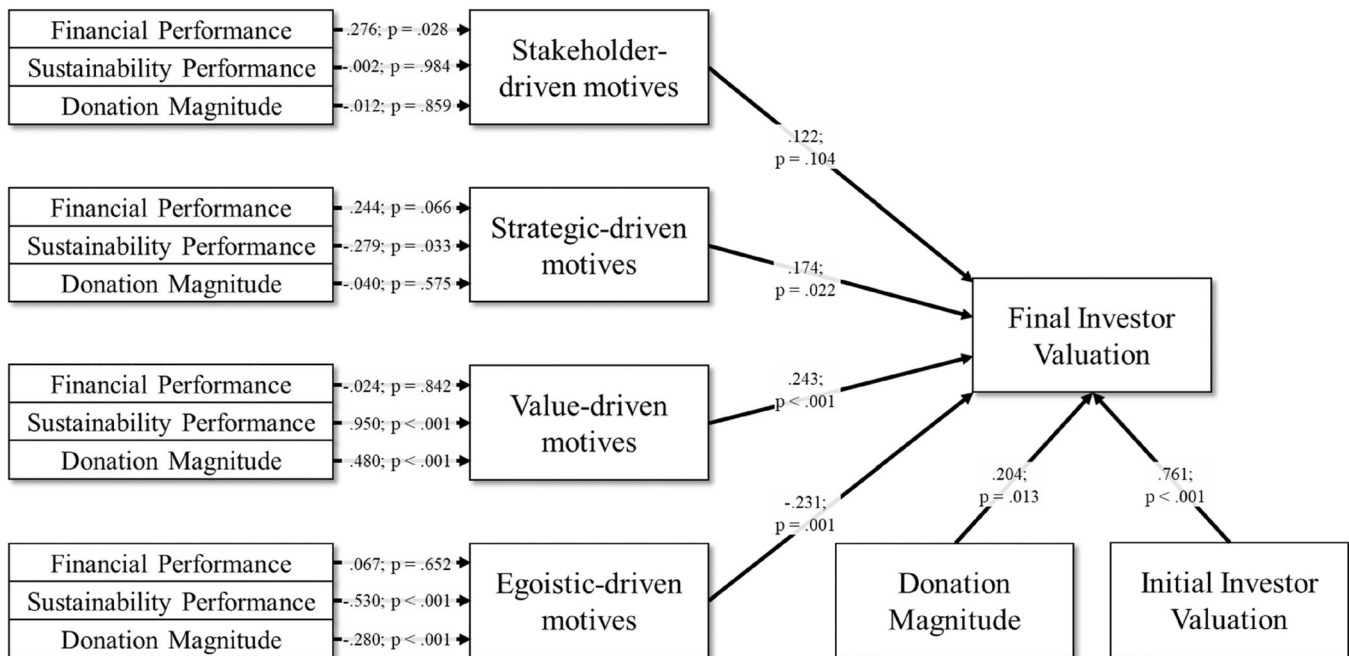


FIGURE 3 Results for the rival structural equation model. *P*-values based on two-tailed tests. To improve the readability of Figure 3, we include financial performance, sustainability performance, and donation magnitude for each motive. However, of course each variable is only included once in our model.

associated with private investors perceiving the firm's social and ecological activities as values-driven and less egoistically. In line with prior research our results show that value-driven motives reduce CSR skepticism (Skarmas & Leonidou, 2013). Our results furthermore contribute to the recent behavioral finance literature that examines the influence of CSR activities on investors' assessment of a firm's value, by showing that CSR skepticism influences private investors' assessment of a firm's value negatively. Collectively, our research extends prior research by providing evidence on how the magnitude of a firm's CPDR affects private investors' assessment of a firm's value. Our findings demonstrate that corporate policymakers should be cognizant that engaging in CPDR programs can backfire unless they pay particular attention to investors' attributions for CSR engagement. Therefore, our study contributes to the literature on CPDR and CSR skepticism. Employing the CSR skepticism construct, our article is the first to provide explanation on why CPDR can both result in positive or negative reactions and shows that the donation magnitude affects which motives investors attribute to the CPDR efforts. Therefore, our article also has relevant implications for firms that reflect on the impact of their CPDR efforts on the capital market.

However, our article is of course not without limitations. First, we conduct our experiment with private investors' who have mostly limited investing experience. Prior research suggests, that nonprofessional investors accept a lower return on invest if the company engages in CSR activities that expresses their own values and moral views (Cheah & Phau, 2011; Cohen & Simnett, 2015), because they want to support socially responsible behavior of firms' (McLachlan & Gardner, 2004). Professional and institutional investors behave more rationally in their investment decisions, as they often cannot decide

independently, and their investment proposals go through several instances' before decisions are made. Therefore, investment proposals must be defended on a formal approach (e.g., valuation schedules using key performance indicators). In addition, professional and institutional investors can be expected to adopt a more traditional shareholder perspective (Eccles et al., 2011), because they are in competition and must meet the yield requirements of their clients. Thus, it is possible that professional and institutional investors would not be comparably impacted by the sustainability performance and the magnitude of a firms' donation for CPDR. Future studies could explore whether professional investors have the same perception-based imputation towards a firms' CPDR activities.

A second limitation of our study is that we manipulate the amount of the donation for CPDR based on archival evidence at very specific levels. Therefore, it is possible that different levels of CPDR produce different results. In this regard, we find that some of our participants in the low donation condition perceive the donation as high and vice versa. Thus, it seems that specific participant characteristics might influence how participants perceive the donation magnitude, which could be a starting point for future research.

A third limitation is that we analyze the effects of CPDR on private investors' perceptions using a US regulatory and corporate context, which may limit the generalizability of our insights to other regulatory settings. An avenue for future research possibly emerging from this limitation is to conduct an experiment in another regulatory context, for example, that of the EU, and with focus on the EU's recent sustainability initiatives.

As a final limitation it could be argued that the results of our study are driven by the specific type of donations used in the

experiment and therefore are not generalizable to other forms of donation. Another avenue of future research could therefore be to investigate a situation where donations are not made in response to times of crisis. The area of political donations may be promising in this regard (Liang & Renneboog, 2017).

A final suggestion for future research emerges from the point, that the objective of our study is to measure the isolated effect of CPDR on investment decisions, but it is reasonably arguable, that private investors use their perception of a firm's decision around CPDR also to interpret the firm's underlying broader CSR performance. Future research could thus explore the extent to which a firm's decision around CPDR and investors' interpretation of it, helps to inform and interpret the firm's underlying broader CSR performance and possible spillover effects.

ACKNOWLEDGMENT

Open Access funding enabled and organized by Projekt DEAL.

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ENDNOTES

- ¹ According to the widely used concept of Carroll (1979, 1991), philanthropic responsibility, is a component of social responsibility, and belongs to the four categories of CSR that build on each other, along with economic responsibility, legal responsibility and ethical responsibility. Therefore, we consider CPDR as a part of corporate philanthropy, which in turn is a dimension of CSR (Godfrey, 2005; Wang et al., 2008).
- ² We examined the profit and loss statements of the largest 200 firms of the world (based on the Fortune Global 500) and used the averages to derive our financial information for Firm Y. However, for the variation of the financial performance, we altered the profitability in both the high and low financial performance condition.
- ³ The labels were adapted from a report produced by Sustainalytics, a recognized global leader in research and ratings for corporate sustainability. Consistent with Elliott et al. (2014) and Johnson et al. (2020), we use a third-party report to avoid issues of disclosure credibility and signaling if Firm Y were to self-report its CSR performance. Furthermore, survey studies indicate that investors commonly use third-party CSR performance reports and believe that these reports provide important information (Cohen et al., 2011).
- ⁴ Our valuation judgment scale is derived from Johnson et al. (2020) and captures participants' beliefs about the value of Firm Y's. It is similar to other scales used in prior research (see Bonner et al., 2014; Chen et al., 2016; Elliott et al., 2017).
- ⁵ We examined the donation activity of the largest 200 corporations listed in the Fortune Global 500 for the following disasters: Australian Bushfires, Hurricanes Dorian, Florence, Michael, Harvey and Maria, Cyclone Idai, Amazonas Fires, Typhoon Hagibis, and California Camp Fire. The dollar amount of the donations was on average \$772,500 and ranged from \$50,000 to \$10,000,000. Based on these donations, we concluded that it corresponds most closely to reality if we manipulate the donations of our hypothetical Firm Y to the levels of \$500,000 in our low donation condition and \$5,000,000 in our high donation condition.
- ⁶ Our valuation judgment scale is designed to capture participants' beliefs about the value of Firm Y's common stock and is consistent with similar

scales used in prior research (Asay et al., 2017; Bonner et al., 2014; Chen et al., 2016; Elliott et al., 2017; Johnson et al., 2020). While using a general scale such as this may lead to different interpretations about what constitutes a low versus high common stock valuation, random assignment of participants to conditions should negate any differences across conditions attributable to scale interpretation.

- ⁷ We addressed the effects of sampling on external validity by asking subjects "Have you invested in individual stocks in the past?" We thus ensure that the subjects are also real investors and do not reflect the general population. Our results hold even if we only include subjects who answered "Yes" to this question.
- ⁸ However, while dropping the CSR skepticism construct improves our SEM, our alternative model still does not reach some of the thresholds that are generally considered to indicate a good fit to the data.

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How to cite this article: Theis, J., Nipper, M., & Meier, M. (2024). The influence of corporate philanthropic donations on private investors' valuation judgments: Experimental evidence. *Corporate Social Responsibility and Environmental Management*, 31(1), 540–554. <https://doi.org/10.1002/csr.2584>