# MITIGATING LIABILITIES OF FOREIGNNESS: INVESTIGATING THE CONSUMER LEGITIMACY OF POST-DISASTER PHILANTHROPY INITIATIVES OF MULTINATIONAL ENTERPRISES

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#### **ABSTRACT**

This study investigates whether the consumer legitimacy of philanthropy initiatives by multinational enterprises mitigate the liability of foreignness (LoF) in the aftermath of a national disaster. A major disaster restructures the social landscape, creating an avenue for corporate contributions to play a role in recovery and relief efforts. This social restructuring offers multinational enterprises (MNEs) a valuable opportunity to establish strong local ties. In turn, MNE contributions at such times have a stronger impact on their local acceptance. Thus, MNEs can use these events to strengthen their position in the community and mitigate LoF. Using the vignette (scenario), which captures consumers' perception of post-disaster philanthropy initiatives regarding a domestic firm and an MNE, which implement and does not implement postdisaster philanthropy, we test hypotheses with responses of 383 undergraduate consumers from a State University in Sri Lanka. We found that in the aftermath of the disaster, the increase in MNE contributions was much larger and less strongly tied to promotional activities than the increase in contributions from domestic firms, and this difference persisted over time. Moreover, the performance implication of post-disaster philanthropy was stronger for MNEs than for domestic firms. These findings suggest that philanthropy plays a more strategic role for MNEs in the aftermath of a disaster, and it has a pronounced effect on mitigating LoF.

**Keywords**: Liabilities of Foreignness (LoF), Consumer Legitimacy, Post-disaster Philanthropy, Multinational Enterprises.

## INTRODUCTION

Much discussion is of the notion that Multinational Enterprises (MNEs) require focusing on firm-specific advantages in making Foreign Direct Investment (FDI) for competing successfully abroad in terms of profitability, advertising, spending on R&D, possessing intangible assets (Buckley & Casson, 1976; Caves, 1974; Dunning, 1973; Horst, 1972; Morch & Yeung, 1992; Mulaik et al., 1989; Pugel, 1978; Vernon, 1971). However, considering the specific disadvantagesthe foreign subsidiaries face in host countries, Zaheer (1995) conceived that foreign firms haveto suffer additional costs, considered Liabilities of Foreignness (LoF), a central theme in international business. Moreover, Hymer (1960) provided a precursor to the existing theoretical framework of LoF, describing that domestic firms share better information about their country than host country MNE subsidiaries, especially concerning its economy, language, law, and politics. In a similar vein, Zaheer (1995) recognizes multiple sources of LoF in terms of the spatial distance cost between the parent firm and the subsidiary, unfamiliarity costs faced by the subsidiary related to the host country environment, economic nationalism, and the lack of legitimacy experienced by the subsidiary in their respective host country and finally costs related

to sales restriction imposed by the home country. Broadly, most scholars view foreignness as an economic cost in terms of national barriers to entry that they might face (Mezias, 2002). Nevertheless, the study by Zaheer (1995) focused on foreignness as more of asocial cost.

In the backdrop, it is probable to claim that the lack of legitimacy held by host country stakeholders such as customers, suppliers, host country government, employees, etc., towards MNEs can be seen as a specific disadvantage and a driver of LoF, which might ultimately leadto a differential or even adverse treatment by host country stakeholders (Denk et al., 2012). It is well-accepted that consumers are major host country stakeholders and are more likely to verify the acceptance of MNEs through their willingness to buy offerings (Randrianasolo, 2020). Moreover, the more a brand represents the values and norms of the important others, such as consumers, the more likely the particular brand would experience a perceived cultural fit with these consumers, resulting in preferences among consumers towards its offering (Rose et al., 1994). Similarly, authentic brand perception can be attributed to the perception of a brand as a legitimate entity (Kates, 2004), and it can be suggested that when consumers are constituents in this institutional environment, firm legitimacy can be gained and measured from consumers.

Hence based on the above premises, it can be claimed that intention to purchase products by consumers and Perceived Brand Authenticity (PBA) can be attributed as a specific outcome measure for the specific LoF experienced by MNEs, which is the lack of legitimacy held by host country consumers towards them (MNEs). There are both defensive and offensivemechanisms in paying attention to strategies to mitigate these LoFs (Luo et al., 2002). Some of them include legitimacy-enhancing strategies such as governance strategies (Yang et al., 2012), employee training (Esteban-Lloret et al., 2018) Eweje (2006), hiring local workforces (Forstenlechner & Mellahi, 2011), environmentalism (Bansal & Clelland, 2004) as well as enviropreneurial marketing strategies (Randrianasolo, 2020). Mithani (2017) argues that MNEs can strategicallyuse philanthropy to reduce or even overcome LoF, especially in the aftermath of a national disaster. Moreover, MNEs are considered to be the highest philanthropical contributors in national disasters such as the Indian Ocean tsunami in 2004 (Wharton University of Pennsylvania, 2017) or the Covid 19 pandemic. With this in mind, this study investigates the consumer legitimacy of post-disaster philanthropical initiatives by MNEs as one of the legitimacy-seeking strategies that mitigate the LoF in the context of Fast-moving consumer goods (FMCG) brands.

#### LITERATURE REVIEW

## Purchase Intentions and Perceived Brand Authenticity of MNEs FMCG Brands

In paying attention to the limited LoF literature focused on consumers, only a few have investigated consumers' attitudes towards foreign products (Watson & Wright, 2002; Zarkada et al., 2002). Consumers are indicated to exercise their voice individuallythrough purchasing power (Waddock, 2004) such as willingness to pay more to certain goods and services (Smith, 1990). In contrast to the findings of Maruyama & Wu (2015) that value-for-money retail mix attributes overcome the LoF, the study by Randrianasolo (2020), focusing on the positive impact of envriopreneurial marketing strategies on the willingness to purchase products and Word of Mouth (WoM) intention of consumers concerning products offered by MNEs. In paying attention to Perceived Brand Authenticity (PBA), it refers to the extent to which consumers perceive a brand to be faithful towards itself (continuity), true to its consumers (credibility), motivated by caring and responsible (integrity), and able to support consumers in being true to

themselves (symbolism) (Mohart et al., 2015). Additionally, on a similar note related to Perceived Brand Authenticity (PBA), it is important to recognize that being intrinsically rather than extrinsically motivated to produce a product increases authenticity perception, even for brands that are passionate about making a product that consumers dislike (Cinelli & Leboeuf, 2019). Similarly, Dwivedi & McDonald (2018) have suggested that in situations where low involvement, mass-marketed product categories are offered by companies, they can shape consumer perception of brand authenticity through brand communication, which ultimately reinforces the view that authenticity judgments are not limited to high-end brands. In this light, it can be suggested that consumers' purchase intentionsconcerning FMCG brands offered by MNEs and Perceived Brand Authenticity (PBA) FMCGbrands, as specific outcome measures of the host country consumer legitimacy experienced by MNEs.

## Relationship between Liabilities of Foreignness (LOF) and the Institutional Theory

Focussing on LoF as a construct includes variables that measure the disadvantages experiencedby a foreign subsidiary against local rivals due to spatial distance, lack of familiarity, and discrimination by various host country stakeholders (Sethi & Guisinger, 2002). It can be claimed that LoF as a construct has evolved from the construct of CDBA mainly due to its focus on institutions and the use of the term 'distance' as a metaphor (Tihanyi et al., 2012). Thisis mainly because the focus of LoF literature has gradually shifted from barriers to entry and industrial organization (Bain, 1956) to Scott (1995) three institutional pillars of regulatory, normative, and cognitive pillars. Accordingly, foreignness is considered the core antecedent of LoF, and the disadvantages are moderated by an institutional distance such that greater the distance, which is likely to generate greater LoF (Eden & Miller, 2004). Hence, based on this background related to LoF literature, it can be suggested that the primary source of LoF is due to the institutional distance of an MNE subsidiary from its host country environment (Eden & Miller, 2004; Luo et al., 2002; Zaheer, 2002).

A most prominent theoretical lens that understands LoF would be the institutional theory (DiMaggio & Powell, 1983; DiMaggio, (1988); Meyer & Rowan, 1977; Scott, 1995). Scholars such as Cantwell et al. (2010); Cuervo-Cazurra & Genc (2008); Doh et al. (2017); Edman (2016); Eriksson et al. (1997); Escalas (2004); Insch & Miller (2005); Kaiser & Sofka (2016) have identified the link between LOF and the institutional theory. Hence, it can be suggested that institutional differences between the home and the host country will lead to unfamiliarity with local needs and expectations and thereby leading to a lack of legitimacy that results in discrimination and adverse treatment by host country stakeholders (Eden & Miller, 2004; Luo & Shenkar, 2011; Mezias, 2002; Zaheer, 1995).

## Pragmatic, Moral, and Cognitive Legitimacy of MNEs Offering FMCG Brands

Organizational legitimacy has been defined as accepting organizational behavior and the importance of such acceptance for survival and success (Dowling & Pfeffer, 1975). It should be noted that organizational legitimacy is an umbrella concept that encompasses several sociological theories of organization, most notably the institutional theory (Barkemeyer, 2007; Brinkerhoff, 2005). From the perspective of an MNE, legitimacy can be equated to being an insider in a host country, which gives them a right to operate in a foreign market as a domestic firm (Eden & Molot, 2002; Kostova & Zaheer, 1999). Legitimacy can exist in terms of pragmatic legitimacy (evaluation of practical consequences of an organization), moral (normative evaluation of an organization's actions based on what is right or wrong), and cognitive legitimacy

(affirmative backing of the organization as necessary or being inevitable) (Randrianasolo & Arnold, 2020; Suchman, 1995; Asmussen & Coerzen, 2013). However, since MNEs are less likely to achieve this status of taken-for-granted from host country stakeholders (consumers), it appears that cognitive legitimacy has not been given prominence to measuring the legitimacy of MNEs(Randrianasolo & Arnold, 2020).

## Post-Disaster Philanthropy Initiatives by MNEs Offering FMCG Brands

Corporate Social Responsibility (CSR) initiatives can be considered a strategy of MNEs to overcome LoF (Campbell et al., 2012). Moreover, Corporate Citizenship programs, in which corporate philanthropy is constituent, are said to create legitimacy, reputation, and competitive advantage for MNEs to overcome LoF (Fombrun, 1996; Hymer, 1976; Zaheer, 1995). Furthermore, some past studies (for example, Comiteau, 2003; Gallanis, 2000; Gamliel & Herstein (2011); Garg (2019); Godfrey, 2005; Sen et al., 2006; White, 2001) have indicated that a corporation's initiative of corporate philanthropic activities results in positive attitudes as well as purchase behaviors (Becker-Olsen & Hill, 2006). Additionally, it can be suggested that a context of a national disaster can be a foundation for greater local acceptance of MNEs (Mithani, 2017). Particularly in emerging markets, it is more likely that the suspicion held by host communities towards MNEs makes it necessary for these MNEs to demonstrate a very visible philanthropic engagement (Eden & Miller, 2004; Kostova & Zaheer, 1999). These establish their commitment to providing material help and allay concerns regarding their lack of local sensitivity (Zhang & Luo, 2013). Furthermore, it can be argued that these post-disaster philanthropy initiatives can be considered even as an extension of 'strategic philanthropy.' According to prior literature, strategic philanthropy tends to produce long-term advantages for organizations by enhancing institutional contexts and creating intangible assets (Fombrun, 1996; Fombrun et al., 2000; Godfrey, 2005; Porter & Kramer, 2002). Moreover, it can be suggested that strategic philanthropy improves market positions, increases consumer name recognition (Smith, 1994), and improves consumer attitudes towards the particular organization (Campbell et al., 1999).

## HYPOTHESES DEVELOPMENT

It can be claimed that charitable activities are a form of legitimacy seeking behavior (Dowling & Pfeffer, 1975; Johnson, 1966; Nelson, 1970; Nusair & Hua, 2010), and apparently, these charitable activities (which include philanthropy) become more or less important under various contexts or over different periods (Dowling & Pfeffer, 1975), i.e., in the aftermath of a national disaster. Post- disaster philanthropy, a form of discretionary responsibility of organizations, can impact consumer preference from a transactional perspective, mainly through positively influencing purchase intentions (Creyer & Ross, 1997; Mohr & Webb, 2005). It can be suggested that an alignment between social and business interests when a company supports a social cause tend to contribute to the welfare of its consumers, and this reciprocity is not considered to be a 'zero- sum game' but a symbiotic or win-win relationship that enhance the welfare of both businessesand consumers (Du et al., 2008). Thus, we surmised that

*H*<sub>1</sub>: Pragmatic legitimacy mediates the relationship between perceived post-disaster philanthropy initiatives implemented by MNEs as a strategy to mitigate LoF and the purchase intentions of Sri Lankan consumers about MNE FMCG brands.

Consumers' perception of the legitimacy of post-disaster philanthropy initiatives (a discretionary responsibility) is likely to depend on what they perceive to be desirable, proper, or

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appropriate (Abdulrazak & Amran, 2017). On a similar note, without consumer support, post-disaster philanthropy initiatives are most likely to be ineffective (Kiessling et al., 2015), because ultimately, as a primary stakeholder of any organization, whether it be an MNE or a domestic firm, it is the consumers which reward the particular organization that does good andat the same time punish the organization if they do bad (Brammer et al., 2011). Hence, for this study, we surmised that,

**H<sub>2</sub>:** Moral legitimacy mediates the relationship between perceived post-disaster philanthropy initiatives implemented by MNEs as a strategy to mitigate LOF and the purchase intentions of Sri Lankan consumers about MNE FMCG brands.

Extant literature suggests that brand authenticity does not reflect an object's inherent (objective) quality; instead, it reflects consumer interpretation/perception of observed brand behavior (Beverland & Farreley, 2010; Grayson & Martinec, 2004). Moreover, it is important to note that brand authenticity is context-dependent (Grayson & Martinec, 2004). Post-disaster philanthropy, which is a form of discretionary corporate social responsibility of organizations from a relational perspective, is reported to humanize the firm and earn admiration as well as respect from consumers (Du et al., 2007), positive evaluation of a firm (Brown & Dacin, 1997), more attractive to customers and enable them to seek out and match their values and beliefs with that of the firm (Marin & Ruiz, 2007). Thus, we surmised that:

*H*<sub>3</sub>: Pragmatic legitimacy mediates the relationship between perceived post-disaster philanthropy initiatives implemented by MNEs as a strategy to mitigate LOF and Perceived Brand Authenticity held by Sri Lankan consumers about MNE FMCG brands.

In the aftermath of a natural disaster, philanthropical initiatives can instill a sense of integrity into the brand through its socially conscious behavior leading to moral legitimacy (Mohart et al., 2015). Therefore, such positive normative evaluations might lead to consumer perceptions that its brand is being unique, genuine, or original (Bruhn et al., 2012), since Perceived Brand Authenticity is when a brand is evaluated in light of consumer beliefs, expectations, and perspectives (Mohart et al., 2015). Therefore, it is probable that this would lead to LOF mitigation. For this study, we, therefore, surmised that:

**H<sub>4</sub>:** Moral legitimacy mediates the relationship between perceived post-disaster philanthropy initiatives implemented by MNEs as a strategy to mitigate LOF and Perceived Brand Authenticity held by Sri Lankan consumers about MNE FMCG brands.

## **Conceptual Framework**

The conceptual framework for this study has been developed based on two theories *viz* the institutional theory and the theory of LOF. Whereas the institutional theory has identified numerous determinants of organizational legitimacy and characteristics of the legitimation process (Meyer & Rowan, 1977; Powell & DiMaggio, 1991; Scott, 1995; Selznick, 1957; Suchman, 1995; Zucker, 1983), the theory of LOF mentioned its structural, relational, and legitimacy dimensions (Zaheer, 2002). When organizations engage in CSR, there is a sense of 'reciprocity, which can be considered as a powerful norm governing social relationships acrossall cultures (Cialdini & Trost, 1998). This argument can be suggested to build the foundation for the impact of post-disaster philanthropy initiatives of MNEs on the purchase intentions and PBA of MNE FMCG brands. Here, social responsibility has been considered a legitimacy- seeking strategy to influence legitimacy (Campbell et al., 2012) and ultimately influence stakeholders such as consumers and employees (Randrianasolo, 2020). Therefore, the perception of social

responsibility can be considered an antecedent to consumer legitimacy (Randrianasolo & Arnold, 2020). Moreover, this study links the institutional theory and LOF by considering purchase intentions and Perceived Brand Authenticity (PBA) to be specific outcome measures of consumer legitimacy since the lack of legitimacy held by host country consumers can expose MNEs to LOF (Zaheer, 1995). Thus, the study's conceptual framework is an extension of the work of Randrianasolo (2020) Figure 1.

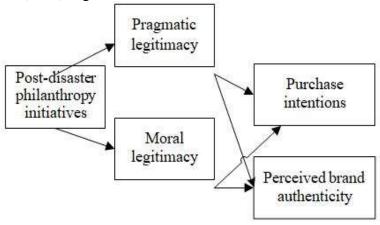


FIGURE 1 CONCEPTUAL FRAMEWORK

#### **Research Methods**

This study is based on a hypothetical scenario-based survey, and 1634 undergraduates were selected conveniently from a state University in Sri Lanka as a sample. Prior studies also used a similar unit of analysis in past scenario-based survey studies (Cerri et al., 2019; Glac, 2009; Gaur et al., 2011; Reifler, 2020; Wallander, 2009; Wason et al., 2002). Moreover, the utilization of undergraduate consumers can also be justified in terms of past studies related to consumer legitimacy (Randrianasolo, 2020), consumer behavior (Cerri et al., 2019), perceived brand authenticity (Dviwedi & McDonald, 2018; Napoli et al., 2016; Reifler, 2020; Roderick, 2016; Riefler, 2020) and also because most undergraduate consumers are likely to be millennials who tend to prefer authenticexperiences (Holt, 2002).

Data were collected by self-administering a two-part questionnaire along with a scenario. The first part collected data about respondents' demographic information such as gender, age, household gross income level, highest educational level. The second part included questions relating to post-disaster philanthropy initiatives, moral and pragmatic legitimacy of MNEs, ethnocentrism, purchasing intention of FMCG brands, and Perceived Brand Authenticity. In developing the questionnaire post-disaster philanthropy initiatives, questions were adapted from the instrument used by Lee et al. (2009) and the moral and pragmatic legitimacy of MNEsquestions were adapted from the instrument used by (Randrianasolo & Arnold, 2020). Whileethnocentrism was captured through questions adapted from the instrument used by Shimp & Sharma (1987), purchasing intention of FMCG brands was captured through the questions adapted from the instruments used by Curraz-Perez et al. (2009) and from (Putrevu & Lord, 1994). The Perceived Brand Authenticity of MNE FMCG brands questions were adapted from the instrument used by Dwivedi & McDonald (2018). All questions in the second part were on a five-point Likert scale anchoring strongly disagree (1) to strongly agree (5). Respondents were asked to circle the

response that best described their agreement level with the statements. The questionnaire was shared through Google survey forms and received 383 responses. The response rate was 23.4%, similar to previous studies related to authenticity (Antonides & Kroft, 2005; Dwivedi & McDonald, 2018; Napoli et al., 2016). Hypothesized relationships between the study's variables were tested with the Structural Equation Method (SEM), using AMOS 23. The estimation method used was the maximum likelihood estimation with varimax rotation.

#### RESULTS AND DISCUSSION

Respondents are aged 21-23 years, with 69.5% females and 31.5% males. A majority of themhave observed post-disaster philanthropy initiatives through social media (56.9%), and also, the majorities are aware of post-disaster philanthropy initiatives by MNEs (71.3%). Data model fit indices are given in Table 1. A Confirmatory Factor Analysis (CFA) was performed to testthe measurement model with first-order latent constructs of Post-disaster philanthropy initiatives (PDP), Moral legitimacy (ML), Pragmatic legitimacy (PL), Purchase intentions (PI), and Perceived brand authenticity (PBA). The measurement model resulted in an adequate fit and the model fit indices were:  $X^2$ =851.1, df=224,  $X^2$ /df=3.800, GFI=0.836, CFI=0.852, and RMSEA = 0.081. Finally, the parsimony fit indices of PGFI = 0.678 and PNFI = 0.717 reflect values above the threshold value of 0.5.

| Table 1<br>DATA MODEL FIT INDICES |       |       |                 |       |       |       |               |       |       |  |
|-----------------------------------|-------|-------|-----------------|-------|-------|-------|---------------|-------|-------|--|
| Absolute fit                      |       |       | Incremental fit |       |       |       | Parsimony fit |       |       |  |
| CMIN/df                           | GFI   | AGFI  | RMR             | RMSEA | NFI   | TLI   | CFI           | PGFI  | PNFI  |  |
| 3.800                             | 0.836 | 0.797 | 0.069           | 0.086 | 0.810 | 0.832 | 0.852         | 0.678 | 0.717 |  |

Source: Survey data

Therefore, we evaluated the psychometric properties of the measurement model using convergent validity, discriminant validity (Bock et al., 2005; Hu & Bentler, 1998; So & Bolloju, 2005), and content validity. Convergent validity, the extent to which indicators of a specific construct "converge" or share a high proportion of variance in common, was measured using CR and AVE (Hair et al., 2010). Discriminant validity, the extent to which a construct is trulydistinct from other constructs, was measured. Following Bagozzi & Yi (1988) and Hair et al. (2010) proposition that CR should exceed 0.6, the CR of the constructs was confirmed since all constructs demonstrated a value of 0.6 or above (Table 2). Further, AVE re- confirmed the convergent validity of the constructs by reporting a value above 0.5 (see Table 2), as suggested by Fornell & Larcker (1981); Hair et al. (2014). Descriptive statistics of the study's key variables, along with Composite Reliability (CR), Average Variance Extracted (AVE), Cronbach Alpha, and Discriminant validity, are presented in Table 2.

| Table 2 COMPOSITE RELIABILITIES (CR), AVERAGE VARIANCE EXTRACTED (AVE), CRONBACHALPHA AND DISCRIMINANT VALIDITY |       |       |          |       |       |       |    |            |
|-----------------------------------------------------------------------------------------------------------------|-------|-------|----------|-------|-------|-------|----|------------|
| Latent                                                                                                          | CR    | AVE   | Cronbach | PDP   | ML    | PL    | PΙ | <b>PBA</b> |
| construct                                                                                                       |       |       | Alpha    |       |       |       |    |            |
| PDPI                                                                                                            | 0.908 | 0.622 | 0.907    | 0.789 |       |       |    |            |
| ML                                                                                                              | 0.768 | 0530  | 0.764    | 0.523 | 0.673 |       |    |            |
| PL                                                                                                              | 0.803 | 0.507 | 0.803    | 0.430 | 0.936 | 0.712 |    |            |

| I | PI  | 0.754 | 0.509 | 0.738 | 0.369 | 0.649 | 0.650 | 0.714   |     |
|---|-----|-------|-------|-------|-------|-------|-------|---------|-----|
|   | PBA | 0.836 | 0.561 | 0.837 | 0.434 | 0.681 | 0.685 | 0.6350. | 679 |

Note: N = 383. Post-disaster philanthropy initiatives (PDPI), Moral legitimacy (ML), Pragmatic legitimacy(PL), Purchase intentions (PI) and Perceived brand authenticity (PBA).

The structural model is shown in Figure 2.

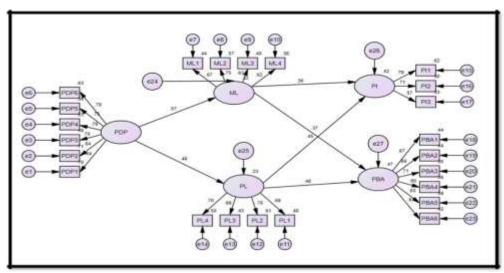


FIGURE 2 STRUCTURAL MODEL

Table 3 shows the results of the hypotheses testing. As suggested, the results support hypothesis 1 that pragmatic legitimacy mediates the relationship between perceived post-disaster philanthropy initiatives ( $\beta$ =0.461 p<0.00). Similarly relationship proposed in hypothesis 2 ( $\beta$ =0.409 p<0.00), hypothesis 3 ( $\beta$ =0.438 p<0.00) and hypothesis 4 ( $\beta$ =0.461 p<0.00) were supported. Moreover, as suggested, a full mediation effect is reported in H1 and H2 ( $\beta$ =0.339; p<0.00) and H3 and H4 ( $\beta$ =0.316 p<0.00) in the presence of both pragmatic and morallegitimacy.

| Table 3 SUMMARY OF HYPOTHESIS TESTING RESULTS |                                                                   |                  |         |          |  |  |  |  |
|-----------------------------------------------|-------------------------------------------------------------------|------------------|---------|----------|--|--|--|--|
| Path                                          | Hypothesis                                                        | Standard β value | p value | Decision |  |  |  |  |
| Pragmatic_Legitimacy←Pos                      | Pragmatic legitimacy mediates the relationship                    | 0.376            | 0.000   | Accepte  |  |  |  |  |
| t_Disaster_Philanthropy                       | between perceived post disaster philanthropy initiatives implemen |                  |         | d        |  |  |  |  |
|                                               | ted by MNEs as a strategy to mitigate LOF and the purchase        | 0.461            | 0.000   | Accepte  |  |  |  |  |
| atic_Legitimacy                               | intentions of Sri Lankan consumers about MNE FMCG brands          |                  |         | d        |  |  |  |  |
| Moral_Legitimacy←                             | Moral legitimacy mediates the relationship between perceived pos  | 0.406            | 0.000   | Accepte  |  |  |  |  |
| Post_Disaster_Philanthropy                    | t disaster philanthropy initiatives implemented by MNEs as a      |                  |         | d        |  |  |  |  |
| Purchase_Intentions←                          | strategyto mitigate LOF and the purchase intentions of Sri Lankan | 0.409            | 0.000   | Accepte  |  |  |  |  |
| Moral_Legitimacy                              | consumers about MNE FMCG brands                                   |                  |         | d        |  |  |  |  |
| Pragmatic_Legitimacy←                         | Pragmatic legitimacy mediates the relationship between perceived  | 0.376            | 0.000   | Accepte  |  |  |  |  |
| Post_Disaster_Philanthropy                    | post-disaster philanthropy initiatives implemented by MNEs as     |                  |         | d        |  |  |  |  |
| Pragmatic_Legitimacy←                         | strategy to mitigate LOF and the Perceived Brand Authenticity     | 0.438            | 0.000   | Accepte  |  |  |  |  |

| Perceived_Brand_Authentici | held by Sri Lankan consumers about MNE FMCG brands.               |       |       | d       |
|----------------------------|-------------------------------------------------------------------|-------|-------|---------|
| ty                         |                                                                   |       |       |         |
| Moral_Legitimacy←          | Moral legitimacy mediates the relationship between perceived      | 0.406 | 0.000 | Accepte |
| Post_Disaster_Philanthropy | post-disaster philanthropy initiatives implemented by MNEs as a   |       |       | d       |
| Perceived_Brand_Authentici | strategy to mitigate LoF andthe Perceived Brand Authenticity held | 0.461 | 0.000 | Accepte |
| ty←Moral_Legitimacy        | by Sri Lankan consumers about MNE FMCG brands.                    |       |       | ď       |

The finding of the first hypothesis is consistent with findings similar study of Creyer & Ross (1997), which investigated whether ethical behavior of organizations affects the purchase intentions of consumers through a survey of 280 parents of children attending an elementary public school in the USA and the findings of Du et al. (2008) that revealed the social and business returns of a corporate oral health initiative aimed at disadvantaged Hispanic families in the US by surveying 305 Hispanic parents. Therefore, it can be suggested that when MNEs engage in post-disaster philanthropy initiatives, consumers are likely to purchase their products as a way of supporting their social action in the context of a national disaster. Accepting our second hypothesis suggests that the consequence of philanthropical initiatives in the aftermath of a national disaster, when the host country community needs help, might generate an intentionfor host country consumers to purchase FMCG brands offered by MNEs. Such an event is likely to mitigate LOF. The finding of this research is consistent with previous studies of Brammer et al. (2011); Abdulrazak & Amran (2017); Sen & Bhattacharya (2001).

The findings of the third hypothesis that investigates the mediating effect of pragmatic legitimacy on the relationship between perceived post-disaster philanthropy initiatives implemented by MNEs as a strategy to mitigate LOF and Perceived Brand Authenticity held by Sri Lankan consumers about MNE FMCG brands confirmed results of existing studies of Du et al. (2007) that investigated the role of competitive positioning of organizations by reaping relational rewards from CSR and also the findings of Brown & Dacin (1997) as wellas Marin & Ruiz (2007). Moreover, findings of our fourth hypothesis that investigate mediating effect moral legitimacy on the relationship between perceived post-disaster philanthropy initiatives implemented by MNEs as a strategy to mitigate LOF and perceived brand authenticity of Sri Lankan consumers about MNE FMCG brands is consistent with the findings of Aguilera et al. (2007), and Mohart et al. (2015). They asserted that when MNEs engage in philanthropical initiatives in the aftermath of a natural disaster, it can instill a sense of integrity into the brand through its socially conscious behavior leading to moral legitimacy(Mohart et al., 2015).

The paper has several contributions. First, this study contributes to the theory by extending the concept of organizational legitimacy mainly rooted in the institutional theory (Kostova & Zaheer, 1999; Meyer & Rowan, 1977; Powell & DiMaggio, 1991; Scott, 1995; Selznick, 1957; Suchman, 1995; Zucker, 1983) and Liabilities of Foreignness (LOF) (Hymer, 1976; Hulland, 1999; Zaheer, 1995; Zaheer & Mosakowski, 1997) through identifying purchase intentions and perceived brand authenticity of MNE FMCGs held by consumers as specific drivers of consumer legitimacy issues faced by MNEs. Second, the study contributes towards the institutional theory by considering the concept of organizational legitimacy in the form of the pragmatic and moral legitimacy of MNEs increases as a result of post-disaster philanthropy initiatives. Third, the study contributes to the extant LoF literature related to consumers, to mitigating LOF, legitimacy of MNEs, and brand authenticity literature (Cinelli & Lebouf, 2019; Leigh et al., 2006; Mohart et al., 2015; Napoli et al., 2016) especially in terms of studies related to perceivedbrand authenticity of Fast Moving Consumer Goods (FMCGs), with a low level of inherent authenticity, where it

seems that there is a dearth of research (Dwivedi & McDonald, 2018; Fritz et al., 2017). Fourth the study contributes to the Corporate Social Responsibility (CSR) initiatives by MNEs by responding to calls by Srinivasan (2011) that CSR research is very weak in Asian regions such as South Asia and Southeast Asia. Fifth, the current study extends studies that have described various characteristics of undergraduate consumers, mostly Millenials or Gen Z individuals (Dimock, 2019). Bae & Cameron, 2006; Elving, 2013; Kim & Austin, 2019; Shim & Yang, 2016; Zasuwa, 2017).

Finally, this study contributes to the practice by attracting the attention of managers towards the FMCG industry; despite the fact it is often overlooked due to their mass-produced, frequently purchased, low involvement, and limited inherent authentic nature (Dwivedi & McDonald, 2018), this industry is likely to reach \$14 trillion by the year 2025 (McKinsey, 2015).

This research has a few limitations. Notwithstanding, the study and its findings have contributions, as discussed in the preceding section. First, it appears that considering philanthropical initiatives under the context of national disasters rather than CSR tend to be more reactive (Kim & Austin, 2019) since it directly contributes to a specific cause. Second, the sample used for this study which includes undergraduate consumers tends to be less representative of the entire society (Orr & Scott, 2008; Peterson & Merunka, 2014), and accordingly, the generalisability of the study is likely to be less (Kim et al., 2016). Third, also the fact that the sample only draws on undergraduates with a similar education level and narrow age bracketis a limitation. These homogeneous attributes of the respondents may create a cohort effect andmay affect the results and findings. Another limitation of this study is that the study is based on a cross-sectional survey design, which is likely at risk of participation bias. Therefore, it would be interesting for future studies to use heterogeneous samples and different CSR components such as to cause promotion, corporate social marketing, community volunteering, and cause-related marketing (Kotler & Lee, 2005; Zarkada-Fraser & Fraser, 2002).. Although this study has employed post- disaster philanthropy initiatives as a legitimacy-seeking strategy to mitigate LOF, future researchers can use Human Resource Management (HRM) practices, financial decisions, product development, lean manufacturing practices, etc. (Bhattacharya & Michael, 2008; Marano et al., 2016).

## **CONCLUSION**

This study has been devised to investigate the consumers' perceived 'love' or 'respect' towards MNE FMCG brands in light of legitimacy-seeking strategies such as post-disaster philanthropically initiatives of MNEs aiming at advancing existing knowledge of LOF experienced by MNEs by host country consumers and the use of Corporate Social Responsibility (CSR) by Multi-National Enterprises (MNEs) to improve host country consumer legitimacy. The study formulated four hypotheses based on the mediating effect of the pragmatic and moral legitimacy of MNEs to the relationship between post-disaster philanthropy initiatives as a strategy to mitigate LOF and the purchase intentions and perceived brand authenticity of MNE FMCG brands. These hypotheses were supported, suggesting that pragmatic legitimacy and moral legitimacy fully mediate the positive relationship between post-disaster philanthropy initiatives as a strategy to mitigate LOF and the purchase intentions and perceived brand authenticity of MNE FMCG brands. Reception of brand authenticity MNE FMCG brands is not different under each scenario.

#### **COMPETING INTERESTS**

The authors declare that no competing financial interests or personal relationships could have appeared to influence the work reported in this paper.

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