DO PERCEIVED CORPORATE SOCIAL RESPONSIBILITY MOTIVES AND PERCEPTIONS OF CONSUMERS INFLUENCE CORPORATE REPUTATION?

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ABSTRACT

The current study attempts to present a process model to examine the influence of perceived corporate social responsibility motives and perceptions of consumers on corporate reputation. I introduce a new construct called corporate genuinity to represent the consumer perceptions of CSR as a noble and genuine act performed by organizations towards its stakeholders. Additionally, I propose the moderating role of perceived quality of products or services on the relationship between CSR perceptions and corporate reputation. Implications and future research directions are discussed.

Keywords: Corporate Social Responsibility (CSR), Corporate Reputation, Perceived quality

INTRODUCTION

Globalization and increased competition has created an everlasting race for performance among organizations. In this race for financial performance, organizations have an additional responsibility of taking care of intangibles like trust, image and most of all reputation. Past research suggests corporate reputation as symbolic of firms' financial and non-financial performance, and is based on consumers’ or stakeholders’ evaluation of the firm. Corporate reputation is known to play a crucial role in attenuating the negative effects of competition on the organizations, and facilitating the consumers and stakeholders in making decisions pertaining to product evaluations, purchasing intentions, investment decisions, career decisions and the overall value of the firm to the society (e.g. Fombrun, 1996; Fombrun and Shanley, 1990). Hence, favorable reputation of the firms enables them to have a competitive advantage. In addition, research suggests globalization has led to increase in concerns pertaining to the environmental, social and ethical hazards, in terms of pollution, questionable business practices and so on. Some scholars argue internationalization to exploit the social and environmental conditions of the host country (c.f.Strike, Gao and Bansal, 2006; Low and Yeats, 1992, Lucas et al., 1992). Alternatively, organizations are known to be performing corporate social responsibility as an act of doing welfare to its stakeholders, community and environment. In the given scenario, CSR performed by the organizations might be viewed with skepticism, as an act to counter the negative actions performed by them or as an act to maintain their corporate reputation or image.
(Luo and Bhattacharya, 2006; Porter and Kramer, 2004). Research scholars argue that consumers perceive the underlying motives of organizations for performing CSR (Ellen, Web, and Mohr, 2006) and build perceptions about CSR. Their perceptions of CSR influence their general impression about the organization. This alters their attitudes towards the products or services, produced or delivered, respectively by the organization. Additionally, Fombrun and Shanley (1990) argue that firm’s response to society or community facilitates in enhancing its reputation. Hence, “being known” for good causes (Lange, Lee, and Dai, 2011; Rindova et al., 2005) (corporate reputation) is critical for organizations. Alternatively, Rindova et al., (2005) argue perceived quality as an indicator of reputation of an organization. Consistent with Vlachos et al (2009), I argue that perceived quality of the products or services associated with the organization might affect the CSR perceptions and corporate reputation relationship.

From the afore-mentioned arguments, we can infer that consumer perception of CSR motives and subsequent CSR perceptions are important and will influence corporate reputation. In addition, perceived quality might have an influence on corporate reputation. Furthermore, I found that there is a lack of a process model explaining the relationship between CSR and corporate reputation. The main contribution of this paper is to develop a process model to explain the relationship between consumers' perception of CSR (attributable to the perceived motives of CSR) and corporate reputation. I attempt to address two major research questions. First, how do consumer perceptions of CSR, because of perceived CSR motives affect corporate reputation? Second, does the perceived quality of products or service influence the relationship between CSR perceptions and corporate reputation? I draw upon four perceived CSR motives namely, egoistic-driven, stakeholder-driven, values-driven and strategic driven motives (Ellen et al., 2006) to explain how the motives explain CSR perceptions and corporate reputation. I consider two major consumer CSR perceptions of organizations as “corporate hypocrisy” (Wagner, Lutz and Weitz, 2009) and “consumer genuinity”. I added this new construct “consumer genuinity” to capture the influence of a positive perception of CSR on the corporate reputation.

I have presented the process model in the below paragraphs followed by the major implications of the study. Finally, I discuss the limitations of the study and recommend future research directions.

THE PROCESS MODEL AND PROPOSITIONS

In order to explain the process model, I explain the main concepts in the model and explain the relationships. Following this, I present the process model and propositions.

Corporate Reputation

In this study, our focus is on the conceptualization of corporate reputation as “being known for something” i.e. corporate social responsibility (CSR) in particular. The current paper draws from Robertz and Dowling (2002: 1078) that corporate social reputation is the “extent to which
external stakeholders see the firm as ‘good’ and not ‘bad’ (c.f. Lange et al., 2011). Therefore, corporate reputation is considered as a positive evaluation of the firm. Some research scholars consider corporate reputation symbolic of familiarity, which can lead to both positive admiration and publicity or negative rejection. However, for this study I conceptualize corporate reputation as a positive evaluation of a firm as favorable or good, among its stakeholders. Another assumption considered in this study is I hold the corporate reputation of the firm as a temporary evaluation of the firm or organization momentarily. We do not consider the influence of past reputation on a firms’ future reputation (reputation spill over). Additionally, the paper does not consider the influence of information cues or media publicity (Deephouse, 2000) as a source or a cause for corporate reputation.

Corporate Social Responsibility

Secondly, the term of corporate social responsibility (CSR) can be understood as an organization’s way of “giving back” to the community, or its stakeholders by volunteering in activities associated with the welfare and well-being of the employees, consumers, society and environment. The activities performed by the firms towards the welfare of the society have a very significant impact on the stakeholders such as employees, stockholders and of all the consumers. Research scholars suggest positive influence of CSR perceptions on consumer behaviors (e.g. Brown and Dacin, 1997; Creyer and Ross, 1997). In addition, Sen and Bhattacharya(2001) argue that in addition to the organization’s product quality and financial performance- “corporate ability”(CA), the CSR perceptions play a vital role in company evaluations and purchase intentions of the consumers.

Corporate Social Responsibility Motives

Besides the CSR activities performed by an organization, some scholars (e.g. Gilbert and Malone, 1995; Vlachos et al., 2009) argue that consumers form perceptions about the motives or intentions of the organizations behind the CSR activities. These perceptions of CSR motives play a pivotal role in forming perceptions about the CSR. Ellen et al (2006) studied about the CSR motives and argue that consumers’ response will vary based on the attributions they make regarding a firm’s CSR initiative. Ellen and colleagues extended the traditional motives of “self-centered” motives and “other-centered” motives of CSR (Handelman and Arnold, 1999; Webb and Mohr, 1988). They put forth four major attributions to motives behind CSR namely egoistic-driven, strategic-driven motives stakeholder-driven and values-driven. Egoistic-driven motives are the motives, which are based on the ideology of taking advantage of the social cause to enhance the organization’s image or indirectly cater to business goals. Strategic driven motives can be understood as the motives where the organization exploits the social cause as a reason to accomplish its strategic goals of increasing profits, expand and retain its consumers. Stakeholder driven motives are associated with firm’s intention to support a social or environmental cause due to external pressure from its stakeholders. In other words, the organization is obligated to involve in CSR because their stakeholders expect from them. Value driven motives are associated with motives of organization where it is involved in CSR because of its value system, and moral obligation to reciprocate towards the community. Ellen and colleagues suggested value-driven and strategic driven attributions to have a positive consumer response towards the
firm. Additionally, stakeholder driven motives are perceived negatively and had negative consumer response towards purchase intentions.

**Corporate Social Responsibility Perceptions**

I argue organizations perform CSR activities in order to maintain their corporate image, under pressure of the stakeholder’s expectations or they might perform genuinely as act of doing welfare to the community. One can argue that both these CSR activities are benefiting the community. However, our emphasis is to argue that stakeholders, especially consumers perceive the above-mentioned CSR scenarios very differently and this might have an influence on their responses towards the organization. I propose that consumers perceive CSR as either corporate hypocrisy (Wagner et al., 2009) or corporate genuinity.

**Corporate Hypocrisy**

The paper draws the definition of corporate hypocrisy from Wagner et al (2009). Wagner and colleagues define corporate hypocrisy as “the belief that a firm claims to be something that it is not”. I argue that consumers perceive the CSR activities performed by organizations not only from a surface level (outward benefit to the society), but also from a deep level (intentions behind CSR). I used the concept of corporate hypocrisy to capture or measure the consumer perceptions of CSR, which are motivated by institutional pressure rather than a moral act of doing good to the community.

**Corporate Genuinity**

I introduce a new concept- “corporate genuinity” to distinguish the CSR perceptions that are considered “real” from both a surface level and deep level. I define corporate genuinity as the belief that a firm is genuinely interested in the welfare of its stakeholders and considers CSR as a service or duty towards community. I argue that organization whose CSR activities are part of the organization culture might be perceived as genuine.

**Perceived Quality**

Perceived quality can be considered as an essential component for an organization’s success. I argue that while CSR can be considered as an additional benefit provided by the organization to the community, producing or delivering quality products and services is the main purpose of an organization. Accordingly, past studies suggest in the light of strong corporate abilities in terms of product or service quality, CSR might not have significant influence on consumer’s evaluation of the firm (e.g. Berens et al., 2007). Additionally, scholars (e.g. Love and Kratz, 2009) suggest product quality i.e. “technical efficacy” of the firm to be an important dimension for corporate reputation.

In this study, I consider both perceived product quality and perceived service quality as a corporate ability of the firm or organization. The paper considers perceived quality as a necessary but sufficient attribute in consumer’s evaluation of the organization.
Process Model

Figure 1 presents a process model to explain the influence of consumers' perception of CSR motives and CSR on corporate reputation. I propose that consumers are concerned about the organization’s underlying motives behind performing CSR. Based on the perceptions of the CSR motives, consumers make perceptions about the organization’s CSR, which might influence the overall reputation of the organization. A detailed explanation of the various relationships between the constructs and the hypotheses will be described in the following sections.

![Process model relating CSR motives and perceptions on corporate reputation: Moderating role of perceived quality](image)

Consumer Perceptions of motives and CSR Perceptions

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Figure 1. Process model relating CSR motives and perceptions on corporate reputation: Moderating role of perceived quality

Consumer Perceptions of motives and CSR Perceptions

With a fair knowledge of consumer’s perception of motives based on Ellen et al (2006), I explain how it influences the consumer perceptions of CSR. As mentioned in the conceptual framework, Ellen and colleagues argue that egoistic driven motives and stakeholder driven motives have a negative influence on the consumer’s response towards firm’s actions and offer. According to neo-institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), a firm has to gain legitimacy to have access to resources. DiMaggio and Powell, 1983 suggests that firms undergo isomorphism bound by the institutional pressures to be perceived as socially responsible. CSR can be viewed as a way to gain legitimacy and build image among stakeholders. I argue when consumer’s perceive a firm’s CSR initiative based on a self-centered motive of benefiting from the social cause, the consumers are skeptic about the organization and might perceive the organization as a hypocrite. Therefore, we put forth our first hypothesis-

_Hypothesis 1(H1):_ Consumers’ perception of egoistic-driven motives towards the CSR performed by an organization is associated with CSR perception as corporate hypocrisy.
Despite the other-centered motive of stakeholder-driven motives, consumers might perceive that the firm is involved in CSR activity due to social pressure from its stakeholders and to look good among its competitors. The fact that the consumers do not perceive the firm’s CSR action as genuine, but bound by stakeholder obligations, they might perceive the CSR as corporate hypocrisy.

**Hypothesis 2 (H2):** Consumers’ perception of stakeholder-driven motives towards the CSR performed by an organization is associated with CSR perception as corporate hypocrisy.

Consistent with Ellen et al (2006), I argue that consumers might perceive the CSR initiatives driven by strategic business goals of profits, customer retention and promotion positively. Drawing from the social exchange theory, reciprocity of “folk belief” suggests that “people get what they deserve” (Cropanzano and Mitchell, 2005: 876; Gouldner, 1960), I assert that consumers perceive firms’ CSR initiatives for accomplishing their strategic goals as acceptable in exchange for the well-being of the stakeholders. Hence, strategic-driven motives will be related to CSR perception as corporate genuinity.

**Hypothesis 3 (H3):** Consumers’ perception of strategic-driven motives towards the CSR performed by an organization is associated with CSR perception as corporate genuinity.

Value-driven motives of the firms are associated in a positive sense by the consumers. By attributing value-driven attribution to a firm’s CSR, consumers perceive genuine feelings of the firm towards the well-being of community. Consistent with Vlachos et al (2009), I argue that Correspondence theory suggests the natural tendency of the firm to “give back” to the community, to be associated to CSR perception as corporate genuinity.

**Hypothesis 4 (H4):** Consumers’ perception of value-driven motives towards the CSR performed by an organization is associated with CSR perception as corporate genuinity.

**Mediating role of CSR Perceptions on Corporate Reputation**

Considering the consumer perceptions of the CSR motives of the firms, I argue that consumers form an impression or perception about the CSR initiative, which turn influences the overall reputation of the firm. Williams et al (2006) suggest CSR as a source of building corporate reputation. According to Brown and Dacin (1997), individual’s cognition regarding corporate association of a firm influences its reputation. I argue that the cognitive evaluation of the CSR perceptions will enhance or hamper the corporate reputation. Therefore,

**Hypothesis 5 (H5):** CSR perceptions mediate the relationship between perceived CSR motives and corporate reputation.

Additionally, scholars suggest that negative perceptions of CSR have greater negative influence on consumer responses such as product evaluations, while positive perceptions of CSR will enhance consumer responses towards the firm (e.g. Brown and Dacin, 1997; Vlachos, et al., 2009). Fombrun and Shanley (1990) suggest in addition to economic performance, stakeholders also evaluate firms based on non-economic performance such as CSR. I argue that consumer’s
perception of CSR, as corporate hypocrisy will hamper the corporate reputation while its perception of CSR as corporate genuinity will enhance the corporate reputation. Therefore,

*Hypothesis 5a (H5a):* Corporate hypocrisy will be negatively associated with corporate reputation.

*Hypothesis 5b (H5b):* Corporate genuinity will be positively associated with corporate reputation.

**Moderating role of Perceived Quality**

Past studies suggest that perceived quality of products and services is considered as a prime attribute in evaluating a firm. Additionally, Berens et al (2007) suggests that in the presence of a high-perceived quality of products or services associated with a firm, CSR might not affect its reputation or evaluation significantly. Vlachos et al (2009) asserts perceived service quality to represent a lower level need or a basic need of the consumers than CSR, which is a higher order need. Hence, we can infer that perceived quality might negate the negative effects of CSR perceptions in case of CSR perception as corporate hypocrisy. Alternatively, a higher perceived quality of the firm’s product or service will enhance the corporate reputation when the CSR perception is corporate genuinity. I put forth three hypotheses as follows-

*Hypothesis 6(H6):* Perceived quality of products or services moderates the relationship between CSR perceptions and corporate reputation.

*Hypothesis 6a (H6a):* Perceived quality of the product or service associated with an organization will moderate the relationship between corporate genuinity and corporate reputation such that higher perceived quality of the product to service will strengthen the relationship between corporate genuinity and corporate reputation.

*Hypothesis 6b (H6b):* Perceived quality of the product or service associated with an organization will moderate the relationship between corporate hypocrisy and corporate reputation such that higher perceived quality of the product to service will weaken the relationship between corporate hypocrisy and corporate reputation.

**Perceived Quality and Corporate Reputation**

Past research has conceptualized corporate reputation to include perceived quality (product) as a dimension (e.g. Rindova et al., 2005). Lyod (1990) suggests consumer’s perceived service quality as a source of corporate reputation. Additionally, Deustch and Ross (2003) suggest that a firm can develop reputation by virtue of high quality products (c.f. Davies et al., 2010). I argue that before an organization can be known for its CSR, consumers will evaluate and form an impression about it by the products and services it offers. Therefore,

*Hypothesis 7(H7):* Perceived quality of product or service is positively associated with corporate reputation.
DISCUSSION AND IMPLICATIONS

In this study, I developed a process model to explain how consumer perceptions of CSR motives and CSR perceptions matter corporate reputation. My emphasis has been on how consumers perceive the “why” of CSR initiatives than the “what” of CSR. I related how the CSR perceptions of the consumers through corporate motives of CSR affect corporate reputation.

I attempted to analyze perceived quality as both a moderator and an antecedent to corporate reputation. Corporate reputation was the dependent variable in the study, considering recent studies claiming corporate reputation as a source of competitive advantage and “a firm-level resource” (Reuber and Fischer, 2005). According to DiMaggio and Powell (1983), the neo institutional theory, argues that firms’ involvement in CSR to cater to the institutional needs, might fetch it corporate reputation. However, the model emphasizes that by merely portraying CSR involvement might be detrimental to the corporate reputation of the firm. The firm has to be aware of the signals pertaining to its motives being captured by its stakeholders. Hence, firms have to be careful while promoting their CSR activities, in case it might be perceived as an egoistic-driven motive. I assert that a safe way for firms to communicate their CSR activities would be as an organizational value to do good for the society, so as to be perceived as “genuine”. Therefore, I lay emphasis on the communication of CSR initiatives of the firm. For example, Waller and Conaway (2011) analyzed the communication strategies of Nike to protect its corporate reputation due to CSR. Another implication of the paper is that while the firms cannot control CSR perceptions of consumers, the firms can have a better control over perceived quality of products and services offered by them. The current paper suggest that by providing better quality products and services, firms can negate the negative influence of CSR perceptions on corporate reputation. Although the paper does not claim a direct and tangible impact, I assume that perceived quality is certainly under the control of the firm. With this process model, I suggest the firms to have better control on the reputation and to strategize their CSR activities.

LIMITATIONS AND FUTURE RESEARCH

Despite an attempt to provide a process model to explain the relationship between CSR and corporate reputation, I believe this paper has many limitations, which will pave the way for future research. Firstly, I considered only consumer’s perception on CSR motives and CSR perceptions. I believe that consumers do form a significant set of stakeholders. However, it would be interesting and informative to look into the perceived CSR motives and perceptions from an employee point of view. Additionally, it would be very insightful to consider the interaction of perceptions of consumers and employees and their influence on internal and external reputation (Davies et al., 2010) of the firm. Secondly, the paper did not consider the direct influence of financial performance of the firm in the model. I presume the interaction of financial performance and CSR perceptions of consumers on corporate reputation would be interesting. Scholars have been studying the influence of media on reputation (Deephouse, 2000). I believe studying the influence of third party information cues, and media on CSR might have an influence on reputation of the firm. It would be an interesting area to venture into, in the
future. Fourthly, I considered corporate reputation as a temporary, rather a ‘current’ phenomenon. The paper has ignored the influence of prior reputation for CSR and its influence on the present reputation for CSR. For example, a firm that has been well known for its CSR activities suddenly faces a dip in reputation for its current actions, may be in different geographical location. This is very relevant for firms, which have international presence. Strike et al (2006) discusses about how firms tend to put down their reputation by being socially irresponsible (“Corporate Irresponsibility”) when they diversify internationally. I believe this would be another area to venture in the future. In summary, I believe the proposed model will enable us to understand how to manage corporate reputation by understanding the consumer’s perception of motives of CSR initiatives. CSR motives have not been explored much in the CSR literature. Therefore, I attempt to contribute by considering perceived motives of CSR to understand how overall CSR perceptions influence corporate reputation.

REFERENCES


