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Ethical and Unethical Company: The role of Reputation on the perception of pro social advertising

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Introduction

Corporate Social Responsibility has gained wide attention both from practitioners and researchers. In the last decades a good part of the literature has focused on the impact and utility that implementing CSR initiatives can have for businesses and, in particular, the effect of CSR initiatives on Corporate Reputation has been studied deeply.

The following work derives from the gap in the literature in discussing the opposite relationship: does Corporate Reputation have an effect on how CSR initiatives are perceived?

As such, this paper investigates firstly what Corporate Social Responsibility is, why company should implement it, how they can do so and whether has a profitable positive impact for them; secondly, we question the Corporate Reputation construct, how it is defined, measured and its financial impact on the firm; thirdly, we research how the CSR Communication works, meaning what features of the initiative are better perceived by the stakeholders – and, therefore, should be emphasized – and what are the outcomes of a successful CSR campaign.

Lastly, we conduct an experiment on the effect of a positive/negative Corporate Reputation, particularly focusing on the ethical dimension, on the perception of pro social advertising, communicated as either related or unrelated to the business.

Chapter 1

Corporate Social Responsibility: definition, implementation and effects

The meaning of the term Corporate Social Responsibility has yet no consensus in the scientific community, even though the issue itself has gained an increasing importance in the last decades. (Sheehy, 2015) (Caroll & Shabana, 2010)

Van Marrewijk (2003) recalls Göbbels (2002) citing Votaw and Sethi (1973), who affirmed that the term "means something, but not always the same thing to everybody".

Whatever definition might be used for CSR, it's however undeniable its link with corporate and brand reputation. CSR in the form of corporate philanthropy has been practiced since late 1800s by corporations and, according to some theories, it has been in an attempt to influence the perception of the company's reputation by its stakeholders (Bronn & Vrioni, 2001).

This chapter is meant not only to discuss the several definitions of Corporate Social Responsibility according to various theories on the topic, but also why it matters and how it is practically interpreted by businesses nowadays.

1.1.The Evolution of the CSR concept

The definition of the concept of CSR has a long history since its first appearance in the 1950s. (Carroll, 1999) (Rahman, 2011)

One of the earliest contributors to the topic is Howard R. Bowen, who referred to the topic simply as Social Responsibility. In his writings, and in particular in his book "Social Responsibilities of the Businessman" in 1953, he focused on the question "What responsibilities to society may businessman reasonably be expected to assume?".

According to (Davis, 1960), Bowen (1953), SR referred to the duties of businessman to make actions and decisions in the interests of society's values and goals. Because of this early definition, Carroll (1999) identifies him as the "Father of Corporate Social Responsibilities".

In the same decade, other scholars followed on the work of Bowen, such as Heald, and they contributed in making managers aware of their positions within society, as well as their responsibilities towards it (Rahman, 2011).

However, at the beginning of 1960s the concept was still at a primordial stage, and it was during that decade that scholars attempted to expand more on it and formulate a comprehensive definition. (Carroll, 1999)

Keith Davis (1960) was one of the most prominent authors of that period (Rahman, 2011), affirming that the term referred to the "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis, 1960, p. 70).

He expanded on this idea saying that the social responsibilities of businesses should balance their social power; in the case in which businesses didn't take on themselves the appropriate amount of social responsibilities, such inaction would erode their own social power. (Davis, 1960)

In the same years, William C. Frederick was another influential scholar on the matter. In his view, social responsibilities are embedded in the operations of the company, meaning that the business should employ production methods which are themselves increasing economic welfare, and resources are not used only for the private interests of the company. (Frederick, 1960)

Even though other scholars revised the concept of CSR during the 60s, such as Joseph W. McGuire and Robert Blomstrom (Carroll, 1999), a main contribution came in 1967 from Clarence C. Walton, who recognized that businesses and society's close relationship should be kept in mind by managers in their pursue of their objectives. (Walton, 1967).

The following decade saw an even deeper interest in CSR, with papers from Morrell Heald (1970), Milton Friedman (1970), Harold Johnson (1971), Preston & Post (1975), Caroll (1979), and many more. (Carroll, 1999) (Rahman, 2011)

Noble Prize economist Friedman, in article for the New York Times Magazine in 1970, wrote, quoting his book "Capitalism and Freedom" (1962), and distancing himself from all previous views on CSR: "there is one and only one social responsibility of business– to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”.

Harold Johnson (1971), instead, presented and critiqued various approaches to CSR: the first view regarded the positions that CSR was the balancing of interests, by a company, of the various interests of different stakeholders; the second view stated that CSR consists in social actions by a corporation with the purpose of increasing profits; the third one affirmed that CSR, for a business, meant that managers are not interested only in profits but in the “well-being […] of others members of the enterprise” (p.68); lastly, he reviewed the concept that CSR was just one of the objectives among the various ones of a company, which are ranked according to their importance level that is defined by a variety of factors.

Preston & Post (1975) continued on this critique of the many views of CSR, following both Johnson and Votaw, as they referred only to a “vague and highly generalized sense of social concern” (p.9). They, instead, preferred the term “Public Responsibility”, in the sense of the duties that a corporation should carry within the public life, underlining their influence in the process for public policies more than other aspects such as ethics.

At the end of the period Carroll (1979), an important thinker on the subject, first underlined the requirements for a company in order to engage in Corporate Social Performance, and then defined CSR itself: “The social responsibility of the business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Caroll, 1979, p.500).

In 1980, a new interesting point of view was presented by Thomas M. Jones, who defined CSR as the obligation that businesses have towards society, beyond their stakeholders, composed by two main characteristics: a deliberate willingness to carry out CSR, independent from laws or contracts; the broad nature of such willingness, extending over the companies' traditional duties towards societal groups.

Tuzzolino and Armandi (1981) proposed, instead, a need-hierarchy framework for CSR based on Maslow's needs pyramid, where they affirm that corporations, as people, have needs to fulfill; as shown in Table 1, CSR falls within the "Self-actualization" level, top of the hierarchy, meaning that such actions can be taken only when the other levels of the pyramid are satisfied.

Organizational Need Hierarchy

Need	Criteria
1. Physiological	profitability (classical model)
2. Safety	dividend policy payout ratio integration - vertical - horizontal conglomeration competitive position closure organizational slack
3. Affiliative	trade association industry publications lobby group bargaining huddling cooptation
4. Esteem	market position product leadership financial ratios and margins market share image creation price leadership
5. Self-actualization = f(1,2,3,4)	*Internal* (employee relations) job enrichment compensation policy pension plan work centrality goal alignment *External* (community and government relations) corporate philanthropy affirmative action pollution abatement product reliability

Table 1.1: Tuzzolino & Armandi (1981)

Dalton and Cosier (1982) propose another model in the form of a 2x2 framework, in which four aspects of Corporate Social Responsibility are categorized according to "legal/illegal" and "irresponsible/responsible", where they found out, as expected, that the "legal/responsible" category corresponded to the best strategy for a corporation.

Freeman (1984) expands his famous stakeholder theory to the CSR field, affirming that all the stakeholders of a corporations – competitors, suppliers, customers, employees and so on – need to fully partake in the CSR activities in order for it to be successful.

At the end of the 80s an additional definition of CSR came from Edwin M. Epstein (1987), who said that it concerns in accomplish goals in issues that are beneficial to corporate stakeholders.

In the 1990s, fewer notable definitions of CSR were presented (Carroll, 1999): some relevant contributions came from Hopkins (1998), Woodward-Clyde (1999) and Carroll & Buchholtz (2000).

Hopkins (1998) stressed the notion that CSR involved treating internal and external shareholders ethically. Woodward-Clyde (1999) defined the issue as a “contract” between society and businesses, for which the company was able to operate only through a “grant” given by the society under the understanding that it wouldn’t harm it. Caroll & Buchholtz (2000), regarded CSR as the concept for which corporations are held responsible for their acts within the societal system.

During such decade, minor definitions came to light (Rahman, 2011), but mainly scholars used CSR as a starting point in order to develop other concepts such as Corporate Social Performance, corporate citizenship and business ethics theory. (Carroll, 1999)

In the 21st century, institutions joined scholars in the definition of the concept, and it gained more and more considerations among businesses, also due to the strengthening of government regulations regarding the subject. (Rahman, 2011)

The European Commission defined, in 2002, CSR as the “concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. (Rahman, 2011)

The World Business Council for Sustainable Development gave also its own definition in 2008, as “the continuing commitment by a business to behave ethically and contribute to economic development while improving the quality of life […] of the local community and society at large". (Rahman, 2011)

1.2. Clustering CSR Theories

With such a proliferation of different theories in the past 50 years, the confusion regarding Corporate Social Responsibility is understandable.

In the last few years, it appears that scholars, more than further expand on the concept, are actually trying to map the existing definitions in order to gain a clearer view on the subject, as have done Lance Moir (2001), Elisabet Garriga & Domènec Melé (2004), and Safiqur Rahman (2011).

Garriga & Melé (2004) proposed a division according to dimensions of social reality: economics, politics, social and ethics – in order to underline the interaction between business and society.

Such repartition unfolds as follows:

1. Instrumental Theories: corporations are only an instrument for wealth creation; as such, they do not have any social obligation and its activities are accepted only for corporate earnings. Scholars who belong to this clusters, among others, is Friedman (1970).
2. Political Theories: corporations are recognized as having social power; as such, they have duties associated with it, and the responsibility to partake in social cooperation. Davis (1960) belongs to this group.

3. Integrative Theories: corporations must integrate in themselves the social component; this is due to the fact that the existence on the corporation itself, as well as its growth and sustainability, depends on society. Preston & Post (1975) and Carroll (1979) fall into this group.
4. Ethical Theories: corporations and society's relationship have intrinsic ethical values and, as such, corporations' main duty and objective is to accept ethical responsibilities and pursue societal objectives. Freeman (1984) is a representative of this group.

Each category has repartition among itself, however they all share the same underlying relation between corporation and societies.

Shafiqur Rahman (2011) proposes as different grouping approach, in which he differentiates the theories according to each decade, which represent a different dimension of Corporate Social Responsibility:

a) 50s Dimension: focus on the duties that the corporations have towards society;
b) 60s Dimension: concern with the relationship between corporations and society;
c) 70s Dimension: interest in social welfare, well being of citizens, quality of life and economic, legal, ethical responsibilities;
d) 80s Dimension: focus on voluntariness, economic profitability and legal, ethical and economic aspects;
e) 90s Dimension: concern with both an obligation towards society and involvement of stakeholders, but also environment etc.;
f) 21st Century Dimension: interest in quality of life's improvement, environment, ethicality, human and labour rights etc.;

As such, he identifies 10 main dimensions of the CSR construct, which are: i. obligation to society, ii. Involvement of stakeholders, iii. Quality of life's improvement, iv. Economic development, v. ethical practices for businesses, vi. Lawfulness, vii. Voluntariness, viii. Human rights, ix. Protection of Environment, x. Accountability and Transparency.

1.3. Public Regulations on CSR: focus on the European Union

As many of the theories previously underlined show, voluntariness seems to be an essential element in the carrying out of CSR activities. Nevertheless, governments have shown great interest in the subject, both at national and international level. (Dentchev, van Balen, & Haezendonck, 2015)

Several institutions and organizations provide guidelines for businesses in their CSR practices, and some scholars even argue that there has been a shift from voluntarism to a more regulated approach, especially in the EU.

Bhaduri & Selarka (2016) cover the main policies regarding the topic of international organizations UN and OECD. They mainly refer to:

1) the Millennium Development Goals, which however were substituted in 2016 by the Sustainable Development Goals (General Assembly of the United Nations, 2015),
2) The United Nations Global Compact (UNGC),
3) The New Guiding Principles on Business and Human Rights,
4) The OECD Guidelines for Multinational Enterprises.

The Sustainable Development Goals (SDGs) are contained in the UN Resolution A/RES/70/1, and consist in 17 objectives that range from ending poverty to reduce inequality and, in general, achieving a sustainable future. (General Assembly of the United Nations, 2015)

Table 1.2 (The United Nations, s.d.)

In order to guide businesses through the necessary changes needed to make the reaching of these goals a reality, the United Nations have instated the "UN Global Compact", an initiative whose objectives are to support companies in taking actions towards the accomplishment of the SDGs.

According to Gavin Power, Deputy Director on the UN Global Compact: "There is a growing understanding –especially by business leaders […] – that it is not enough for companies to concern themselves only with short term profits because natural disasters, social unrest or economic disparity can damage long-term prosperity." (Power, s.d.)

The United Nations Guiding Principles on Business and Human Rights, instead, concern the countries' duties to protect human rights against third parties, including businesses.

(Buhmann, 2016) They provide standards for both States and corporations in order to "achieve tangible results for affected individuals and communities, and thereby also contributing to socially sustainable globalization". (UN Human Rights Council, 2011)

However, such principles do not provide international law obligations, but should be seen as recommendations on the measures to take for a "social license to operate". (Buhmann, 2016)

Lastly, the OECD Guidelines for Multinational Enterprises of 2011 consists in a non-binding business conduct principles for multinational companies in 44 adhering governments, concerning different topics such as employment, environment, human rights, consumer interests and more. (OECD, 2011)

The first part of the document consists in a description of the several principles, while the second part regards the implementation of such guidelines by corporations, such as the setting by governments of National Contact Points for answering doubts that might arise from different parties.

It should be underlined how all the previously mentioned objectives respect the voluntariness aspect of CSR, as they consist in non mandatory goals and recommendations.

The UNGP appeared to have a heavy influence also on the EU's 2011 CSR Communication, as it contains a section on human rights as one of the main aspects of CSR and on the UNGP application itself. (European Commission, 2011) (Buhmann, 2016)

However, as previously mentioned, the European Union is shifting to a more binding approach (Buhmann, 2016), especially with the EU Directive on Non-Financial Reporting (EU, 2015), which would require large EU based companies to disclose information regarding environmental, human rights, anticorruption, diversity matters by 2017.

Denmark, among the EU countries, has pioneered the concept, as compulsory non financial reporting for large companies has been implemented by an act instated by the Minister for Economic and Business Affairs since January 2009 in such act, companies were required not to adopt corporate social responsibility policies, but to disclose whether they had none. (Ioannou & Serafeim, 2011) Moreover, in 2012 the government furthered the reporting obligations, including human rights policies. (Buhmann, 2016)

1.4. Types of CSR Strategies

Having established that Corporate Social Responsibility plans are becoming more and more essential for corporations, the question lies in how can such plans be actuated and integrated into businesses.

In a paper by Yuan, Bao & Verbeke (2011), the scholars identify seven patterns in which companies implement their CSR plans:

1. Born CSR oriented,
2. Patching: creating and establishing new CSR core practices,
3. Thickening: creating and establishing CSR practices at a peripheral level, as an extension of the core business,
4. Positioning: creating and establishing CSR practices at a peripheral level, that are independent from the core business,

5. Relabeling: identifying already existing routines, either core related, peripheral or independent, as CSR practices,
6. Trimming: eliminating activities that do not allow for CSR practices, before actuating a plan through Patching, Thickening, Positioning or Cooperating,
7. Cooperating: establishing an alliance through which enable the CSR practices.

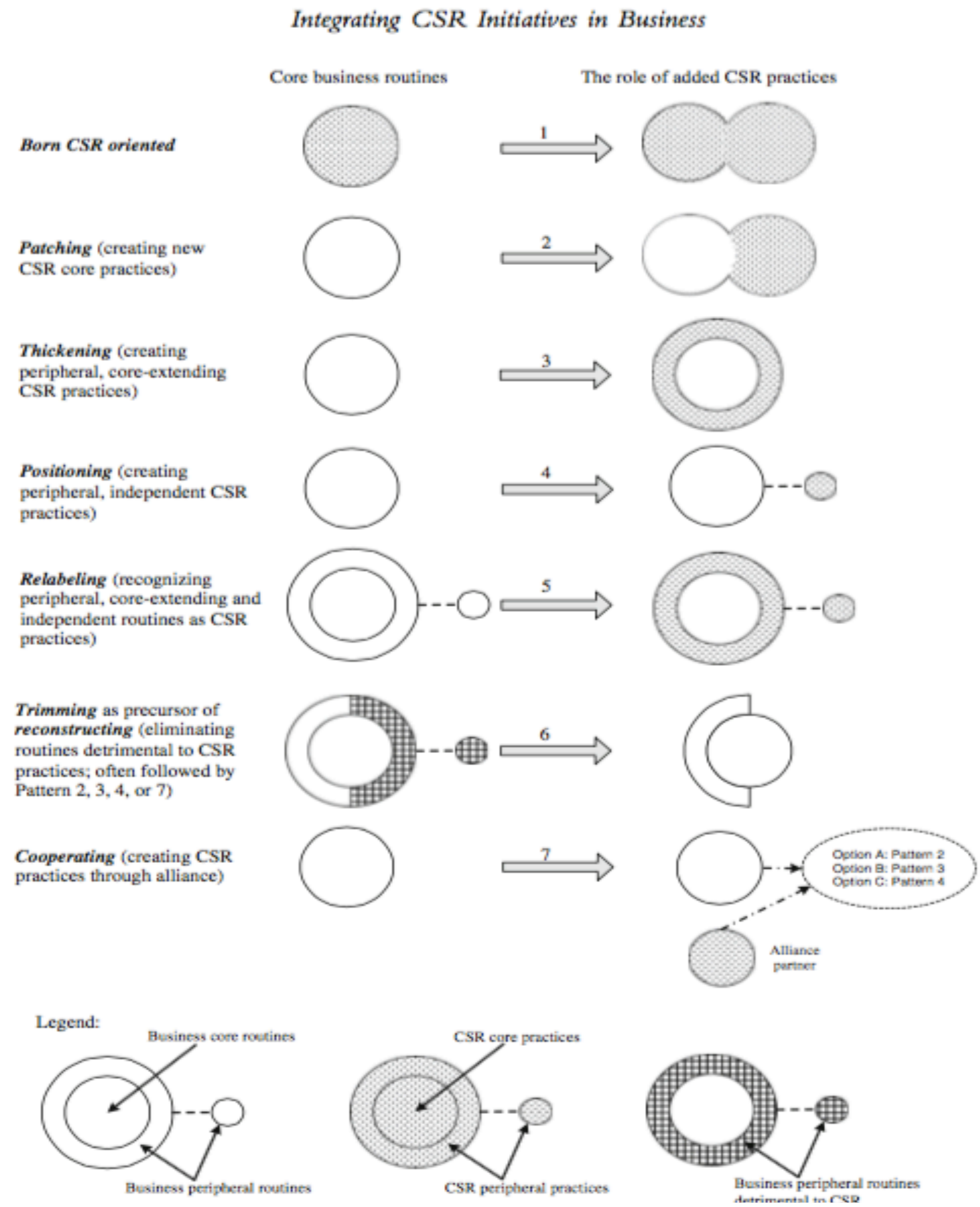


Table 1.3 Yuan, Bao & Verbeke (2011)

Born CSR corporations are companies that have integrated CSR practices in their core business since their beginnings. The example offered by Yuan, Bao & Verbeke (2011) is that of Ben & Jerry’s, a renowned ice cream company that has been integrating socially responsible values since its foundation in 1978. (Ben & Jerry's, s.d.) Few years later, in 1984, the company established a public stock offering, in order to raise money for a new manufacturing plant, accessible only for Vermont residents, so that the local community could benefit from the investment. The following year they established the Ben & Jerry’s Foundation, and in 1989 they promoted a campaign against bovine artificial growth hormones. In general, they explain in their website that “linked prosperity defines our success” (Ben & Jerry's, s.d.), reporting annually on their efforts to reduce the manufacturing processes’ footprint and being deeply involved in giving back to the community.

Another example of CSR born company, coming as well from Vermont, is Seventh Generation Inc. (Seventh Generation Inc., 2011) The company is a certified “B Corp”, which is a company certified to be socially responsible by the nonprofit B Lab. (B Corporation, s.d.)

Seventh Generation Inc. produces home care, baby care and personal care products with bio-based, eco-friendly and not animal tested ingredients; moreover, the apply the same concept to their packaging, using 100% recycled bottles. (Seventh Generation, s.d.)

The second path of CSR implementation is “Patching”, intended as a company who modifies its core business at a second time so that it involves new CSR practices; this involves a great effort from the company side as it has to change core and organizational processes and competencies. (Yuan, Bao, & Verbeke, 2011) The example offered by the scholars is the one of ENEL, the Italian largest power company which, as of January 2016, implemented the strategic approach to which they refer as to “Open Power”; such approach leaded the company to undertake environmental, engineering, economic and social solution within their value chain. (ENEL, s.d.) Yuan, Bao & Verbeke (2011) expand on prior initiatives of the company, such as the adoption of a central CSR control structure and the use of the company since 2006 of 314 KPI both for financial and environmental performance.

Another example of this CSR path is Ford, who established the "Blueprint for Sustainability" (Ford Motor Company, s.d.), a strategic plan for which the company has incorporated sustainable manufacturing solutions, such as human rights protection policies and emission reporting. (Ford Motor Company, s.d.) Moreover, the automobile producer was also the first of the category to joining the Industry Citizen Coalition, a non profit of electronics companies committed to ensure social, environmental and ethical standards in their supply chain. (Ford Motor Company, 2016)

The third pattern is Thickening, which regards the creation of creating peripheral CSR activities related to the core business. Two elements characterize this activity: changes in the core activities influence the peripheral one – but not vice versa – and the peripheral activity reinforces the core ones. Retailers offering organic food are an example (Yuan, Bao, & Verbeke, 2011). An Italian retailer who applied such a strategy is Coop, who launched the "Vivi verde" line, a series of environmental friendly and biological products (Coop Italia, s.d.) Yuan, Bao & Verbeke (2011), quoting Skapinker (2008), provide another example in Wal-Mart, who convinced a retailer in reducing their packaging, thus fewer freight container.

The fourth pattern concerns Positioning, meaning the creation of completely separated and peripheral CSR practices. Yuan, Bao & Verbeke (2011) do not offer a specific example for this type of CSR implementation, simply underlining general activities that fall in the category, such as corporate philanthropy practices and CSR reports. A different approach to this fourth CSR implementation type can be seen in Wind Tre S.p.A., who created the Wind Transparency Forum a magazine who reports and maps sustainable projects, in the specific regarding transparency, all over Italy, even instituting a Transparency Award Contest in which users can choose the best among them, resulting in prizes for the winners in order to fund the initiative. (Wind Tre S.p.A., s.d.) The Wind Transparency Forum follows the rules set by Yuan, Bao & Verbeke (2011), as it's an independent initiative that does not affect the company's core business.

The fifth pattern is Relabeling; it consists into recognizing pre existing practices, whether core, core-extending or independent, as CSR. For example, Nestlé's relies on local farmers for the milk value chain and, when they arrived in Moga, India, they trained farmers and gave them assistance in order to implement their supply chain. As Porter and Kramer (2006) point out, however, the objective of the company wasn't to implement a CSR action, but to do business. The Inditex Group, which includes Zara, Stradivarius and more brands, seems to have involuntary taken a similar approach. The founder, Amancio Ortega, started the business in Galicia, a region of Spain, opening the first store in A Coruna in 1975. Since then, the company has become one of the biggest fast-clothing producers and retailers in the world and, although they now outsource 30% of the manufacturing abroad, their core operations remain in the region. (Lukac, 2006) The company employees 100,000 people worldwide, 6,000 of which are from Galicia, and according to some estimates the company, through its subcontracts, provide 500 million euros' worth of business. (Morris, 2011)

The sixth way is Trimming, meaning the elimination of practices that are counter productive to Corporate Social Responsibility, before implementing patterns 2, 3, 4, or 7. Marks and Spencer's, the British retailer, has taken this road: even though some overfished species were among the best sellers to consumers, the company decided to remove them. (Yuan, Bao, & Verbeke, 2011) In general, companies that decide to eliminate non-CSR practices, then follow up taking a CSR action on the same matter.

Starbucks is among those types of companies: the corporation was previously accused of exploiting poor coffee beans farmers, but now has switched to promoting fair trade (Yuan, Bao, & Verbeke, 2011); they are firmly committed to buying 100% ethically sourced coffee, and also investing in programs such as the Global Farmer Fund (Starbucks, s.d.)

The last and seventh pattern is Cooperating, meaning the alliance among firms, non-governmental organizations (NGOs), non-profit organizations (NPOs) or other groups in order to achieve CSR objectives. (Yuan, Bao, & Verbeke, 2011)

For example, the partnership of Satoil and an NGO called Pro-Natura lead to the implementation of the Akassa project in Nigeria; Satoil provided the founding of the initiative, while Pro-Natura had knowledge of the operational part and led researches on the local community and got multiple stakeholders involved. (Frynas, 2005)

An additional partnership is the one between EarthWatch, an international environmental charity, and Microsoft, where the relevant employees of the latter underwent a training program in Paradise Wood on the importance of environmental sustainability for business practices and the connection of Microsoft’s activities to climate change issues. (EarthWatch Institute, s.d.)

1.5. CSR and financial performance

Many scholars have tried to analyze the relationship between Corporate Social Responsibility – in the specific Corporate Social Performance – and the Financial Performance of businesses, but there are significant differences in the results; overall, the literature cannot agree on whether the relationship is positive, negative or whether there is a relationship at all. (van Beurden & Gossling, 2008)

To some extent, this difference in findings is due to the several indexes used to measure both Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). Van Beurden & Gossling (2008) reviewed the literature on the topic up to 2008, summarizing the different findings according to the different indexes used.

	CORPORATE SOCIAL PERFORMANCE	CORPORATE FINANCIAL PERFORMANCE
1	Social concern	Market-based measurements
2	Social action	Accounting-based measurements
3	Corporate reputation rating	

Table 1.4 Adapted from Van Beurden & Gossling (2008)

Even though the literature is strongly divided on the actual relation of CSP and CFP, it is still important to have an overview of the literature findings. It is true that, as seen before, Corporate Social Responsibility is becoming compulsory for corporations; however, its impact on the financial performance might undoubtedly influence the decision making of the firms in how and to what extent implement CSR program.

	Author (Year)	Type of CSP	Type of CFP
POSITIVE	He et al (2007)	CSP2	CFP2
	Luo and Bhattacharya (2006)	CSP3	CFP1
	Barnett and Salomon (2006)	CSP3	CFP1
	Peinado – Vara (2006)	CSP2	CFP2
	Shnietz and Epstein (2005)	CSP3	CFP1
	Goll and Rasheed (2004)	CSP2	CFP2
	Kumar et al. (2002)	CSP2	CFP1
	Ruf et al. (2001)	CSP3	CFP2
	Carter et al. (2000)	CSP2	CFP2
	Dowell et al. (2000)	CSP3	CFP1 and CFP2
	Graves and Waddock (1999)	CSP3	CFP1 and CFP2
	Brown (1998)	CSP3	CFP1
	Judge and Douglas (1998)	CSP2	CFP2
	Stanwick and Stanwick (1998)	CSP3	CFP2
	Russo and Fouts (1997)	CSP3	CFP2
	Waddock and Graves (1997)	CSP3	CFP2
	Preston and O'bannon (1997)	CSP3	CFP2
	Hart and Ahuja (1996)	CSP2	CFP1 and CFP2
	Klassen and McLaughlin (1996)	CSP2	CFP1
	Pava and Krausz (1996)	CSP3	CFP1 and CFP2
	Blacconiere and Pattern (1994)	CSP1	CFP1
	Herremans et al. (1993)	CSP3	CFP2
	Freedman and Stagliano (1991)	CSP1	CFP1
NON-SIGNIFICANT	Van de Velde et al. (2005)	CSP3	CSP1
	Seifert et al. (2004)	CSP2	CSP1
	Seifert et al. (2003)	CSP2	CSP1 and CSP2
	Moore (2001)	CSP3	CSP2
	McWilliams and Siegel (2000)	CSP3	CSP2
	Balabanis et al. (1998)	CSP3	CSP1 and CSP2
	Guerard (1997)	CSP3	CSP1
	Hamilton et al. (1993)	CSP3	CSP1
	Arlow and Ackelsberg (1991)	CSP2	CSP2
NEGATIVE	Brammer et al. (2006)	CSP3	CSP1
	Boyle et al. (1997)	CSP2	CSP1

Table 1.5 Adapted from van Beurden & Gosslin (2008)

The table above, thus, shows the indexes of CSP and CFP used in the studies analyzed by van Beurden & Gossling (2008), with the relative results. Out of the 34 papers, 23 of them show a positive correlation between CSP and CFP, while only 2 show negative relation and the remaining 9 studies show no significance. Therefore, there is reason to believe that CSR practices have a positive influence on financial performance, obviously taking into account the samples, different metrics used and other biasing factors that might have influenced such results.

Chapter 2

Corporate Reputation: definition, measurements and effects

In 1997, Charles Fombrun and Cees Van Riels inaugurated the first issue of the Corporate Reputation Review, with the intention of remedying both to the lack of a universally accepted meaning of the term within the academic community and lack of understanding of the effect that corporations' reputation has on competitive position and overall value of the company. (Fombrun & Van Riel, 1997)

Fombrun and Van Riels, in fact, lamented that the variety of points of view on the subject prevented the creation of a systematic and integrative steam of studies on the subject, thus inviting practitioners to converge the different facets of the corporate reputation into one definition.

In this chapter it will be explored the historical evolution of the definition of Corporate Reputation, as well as the different frameworks through which it can be measured, and the relationship that scholars have found with corporate performance.

2.1. Corporate Identity, Corporate Image and Corporate Reputation: evolution and differences

The concept of Corporate Reputation has evolved through time, especially in relation to other concepts with which it is often confused: Corporate (or Organizational) Identity and Corporate (or Organizational) Image.

In order to understand the unique attributes of each element, first it will be underlined the definition of Corporate Reputation through the main scholars on the subjects over the last decades; subsequently, the constructs of Corporate Identity and Corporate Image will be reviewed.

2.1.1. The evolution of Corporate Reputation

Walker (2010) attempted a review of the literature on Corporate Reputation, finding that of the 43 article on his sample, only 19 presented a definition. Following his work, here are presented the relevant definitions on the subject in chronological order, so that to understand how scholar have changed their view on the matter over the years; however, his research is, then, integrated with the most recent papers on the subject.

The indepth stream of research on Corporate Reputation started around 1988, where Weigelt and Camerer (1988) complained that the literature had just started fomalizing the role of reputaton and its impact within the business environment. In that same paper, they defined Corporate Reputation as a series of attributes deriving from the past actions of the company but, more than defining the dimensions of the concept, they focused prevalently on its effect on game theory and business behavior.

Fombrun & Shanley (1990) expand on Weigelt and Camerer (1988), proposing themselves a model to measure and understand why firms invest on reputation, but considering the institutional context in which they operate, taking into account several “expressions” of reputations such as market performane and market risk, dividend policy, social responsibility and more; as such, their definition of corporate reputation is linked to the one of Spence, (1974), for which it is the “outcome of a competitive process in which firms signal their key characteristics to constituents to maximize their social status” (Fombrun & Shanley, 1990, p. 234).

Fombrun returns on subject in 1996, in his book “Reputation”, where he describes it as the perception of the past activities and presumptive future ones of a firm that represents the corporation appeal on the eyes of its key stakeholders with respect to its competitors; again, in 1997, Van Riels and he continue on the previous definition, affirming that the past and future forecast of the firm’s activity describe the company’s capability of give value to its stakeholders, both internal and external, within a competitive environment (Fombrun & Van Riel, 1997).

At the beginning of the new millenium Cable & Graham (2000) entered the discussion, studying how job seekers’ valuate the corporate reputation of employers; here, they take the definitions previously underlined by Fombrun and interpret it as the “public’s affective evaluation of a firms’ name relative to other firms” (Cable & Graham, 2002, p. 929).

In the same year, Deephouse (2000) offered his definition, in a broader research on the media industry, affirming that reputation consists in the stakeholders' evaluation of a firm following their own knowledge, prediction and influence.

Bromley (2001) concerned his paper on the link between personal and corporate reputation, thus defining the latter as the various opinions on a subject – or entity – of a specific interest group, meaning a group that has some interest on the subject itself, such as stakeholders.

Mahon (2002), instead, does not provide his own definition, quoting instead Webster (1983), who affirms that its an estimation, either positive or negative, of an individual, entity or action by others.

Whetten & Mackey (2002) review the concepts of corporate image and reputation, underlying the dimensions of each constructs; as such, corporate reputation is explained as being an assessment given to a corporation by its stakeholders on its believeableness; such assessment are based on the historical actions of the corporation.

Rindova et al. (2005) underline the different definitions of Reputation according to several perspective: Management/Economics/Game-Theory one, Institutional one, Marketing one, Economics one, Sociology; in general, they define it according to two dimensions: the perceived quality, meaning whether stakeholders perceive positively or negatively the value attributes of the organization, and the prominence dimensions, or the entity of the recognition gained by the organization.

Rhee & Haunschild (2006) take a different approach on the construct, and their interpretation of Corporate Reputation relies on the consumer perception of the quality of the goods/serviced provided by the company; this definition differs largely from the ones highlighted before, as it doesn't concern all the stakeholders of the firm but focuses only on consumers.

In the same year, Carter (2006) interprets the definition given by Bromley (2003) and characterize corporate reputation by the various attributes given to the company by its stakeholders, following the stream of study antecedent to Rhee & Haunschild (2006).

Barnett, Jermier, & Lafferty (2006) review the previous literature on the subject, thus clustering definitions according to three dimensions: Assessment, Awareness and Asset. As such, they give their definition of Corporate Reputation is "observers' collective judgements of a corporation based on assessment of the financial, social, and environmental impact to the corporation over time" (Barnett, Jermier, & Lafferty, 2006, p. 34).

According to Abratt & Kleyn (2012), instead, Corporate Reputation is defined as the result of the relation between stakeholders and the corporation over time; as such, it's not a static construct, but changes over the years, and stakeholders form their assessment of the company through brand-stimuli.

Most recently, Downling (2016) has presented his own definition of Corporate Reputation as being "the admiration and respect a person holds of an organization ad a point in time" (Downling, 2016, p. 218).

Such statement follows the dimensions that the scholar identified in his study of the literature, namely: i) defined object, whether being one or more corporations; ii) the attributions of judgement, be it admiration, respect of other conceptions that fit the notion of CR; iii) a rater entity, meaning the person or group who confers the judgement; iv) a central conceptual theme, meaning the ability of the rater entity to confer judgement; v) stability, in the sense that the definition must be expressed at a particular point of time.

2.1.2. Comparing Corporate Reputation to Corporate Identity and Corporate Image

The lack of consensus on the meaning of Corporate Reputation has led to much confusion on the subject, especially when related to two other constructs with which CR is often confused: Corporate Identity and Corporate Image. As such, several scholars disagree on whether and which of these elements represents the either desider or actual perception of either internal or external stakeholders on the company. (Brown, Dacin, Pratt, & Whetten, 2006) (Walker, 2010) (Shamma, 2012) (Cian & Cervai, 2014) (Downling, 2016)

David Whetten (1997) explained the difference within identity, image and reputation, following his previous works in 1985 and 1992. In his opinion, identity addresses the question "Who do we believe we are?", and it encompasses all those core and unique characteristics of the company; image, on the other hand, concerns the desired opinion that the company wants to achieve; reputation, instead, concerns the actual opinion that others have of the company.

Gray & Balmer (1998) define Corporate Identity as the unique characteristics of the firm or, in general, what makes the company what it is. Corporate Image, instead, is the mind picture that the recepients have of the corporation. Corporate Reputation is how stakeholders consider the company, whether positevely or negatively. The scholars also explain how these different constructs interact with each other, as shown in the table below.

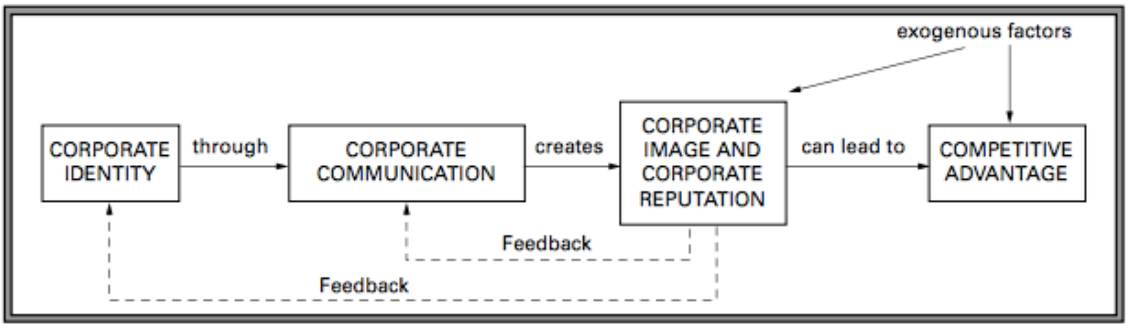


Table 2.1 Gray and Balmer (1998)

Gary et al. (2001) interpret the differences between the three concepts differently. According to them, Corporate Image regards the actual view of the company by external stakeholders, Corporate Identity concers the internal stakeholders' view of the company, and Corporate Reputation becomes the sum of the previous two, meaning the actual perception of the corporation by all stakeholders.

Balmer & Greyser (2006) create a framework of what they call the 6C, or the corporate marketing mix, composed of: Character (Corporate Identity), Culture (Organizational Identity), Conceptualisations (Corporate reputation), Covenant (Corporate brand management), Constituencies (Marketing and stakeholder management) and Communication (Corporate communications). In their paper, Corporate Identity is the totality of what makes the company unique while Corporate Reputation is the perception that stakeholders have of the company; however, Balmer & Greyser (2006) are not concerned with Image.

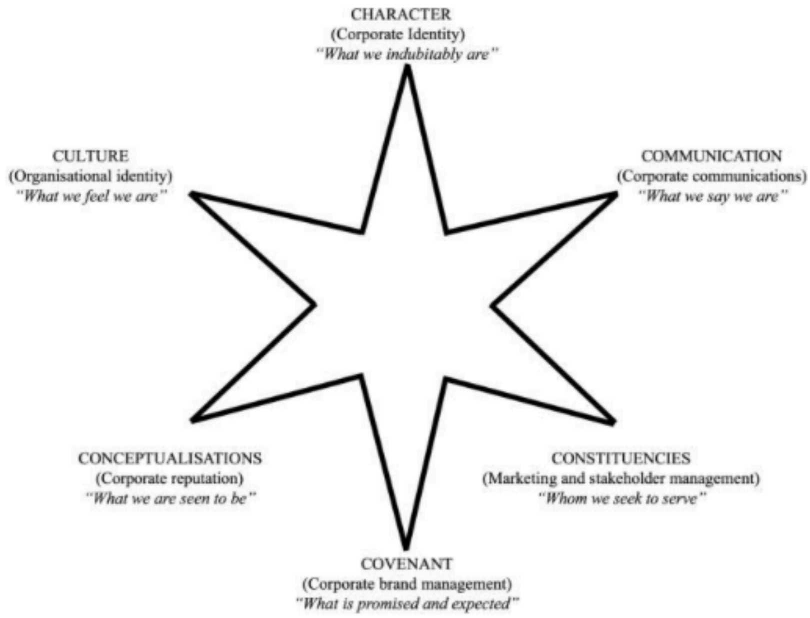


Table 2.2 Balmer and Greyser (2006)

Walker (2010), after reviewing the previous literature, draws his own conclusions on the three concepts: Organizational (Corporate) Identity consists on the perception of the company given by internal stakeholders, Organizational (Corporate) Image concerns the perceptions of external stakeholders, and Corporate Reputation is the sum of the previous, meaning the perception of both internal and external stakeholders.

Lastly, Cian & Cervai (2014) draw from previous literature as well, concluding that Corporate Image is the perception of the company by external stakeholders, Organizational (Corporate) Identity concerns how the internal stakeholders see the company, and (Corporate) Reputation includes the perception of all the stakeholders of the company.

The table below is meant to summarize the various definitions given in several studies above, so that to understand in which category each construct falls in.

	Corporate Reputation		**Corporate Identity**		**Corporate Image**	
	Actual or Desire	**Internal or External**	**Actual or Desire**	**Internal or External**	**Actual or Desire**	**Internal or External**
Whetten (1997)	Actual	External	Actual	Internal	Desired	External
Gray & Balmer (1998)	Actual	Internal and External	Actual	Not specified	Actual	External
Gary et al. (2001)	Actual	Internal and External	Actual	Internal	Actual	External
Balmer & Greyser (2006)	Actual	Internal and External	Actual	Not specified	Not applicable	Not applicable
Walker (2010)	Actual	Internal and External	Actual	Internal	Actual	External
Cian & Cervai (2014)	Actual	Internal and External	Actual	Internal	Actual	External

Table 2.3

It is, therefore, possible to conclude that:

a) Corporate Reputation consists in the actual perception that all (internal and external) stakeholders have of the company,

b) Corporate Identity consists in the actual perception that only internal stakeholders have of the company,
c) Corporate Image consists in the actual perception that only external stakeholders have of the company.

2.2. Measuring Corporate Reputation

As Corporate Reputation represents an intangible asset for the company, it is no surprise that scholars have contraddictory opinions on how to measure it and which dimensions to use.

Berens & van Riel (2004) identified three main streams of research in the previous fifty years:

1. Social expectations: reputation is estimated based on the behaviour that stakeholders expect from companies,
2. Corporate personality: reputation is calculated based on the personality traits that stakeholders associate with the companies,
3. Trust: reputation is measured based on the stakeholders' perception that a company is credible, honest and, generally, ethical.

The "Social Expectations" stream includes Fombrun's Reputation Quotient scale and the World Most Admired Companies survey by Fortune. (Berens & van Riel, 2004) However, as the Reputation Quotient has been developed even farther by Fombrun into the RepTrak® System (Fombrun, Ponzi, & Newburry, 2015), the latter will be taken into consideration.

The dimensions of the RepTrak® System are 7:

1) Products & Services, meaning whether the offering of the company meets the consumers' expectations;
2) Innovation, meaning the company ability to quickly change according to the environment and to provide customers with new products;
3) Governance, that is the structure of thr organization;
4) Workplace, or the the employees' satisfaction with the company and how it treats them;
5) Citizenship, meaning whether the company is environmentally responsible and supports good causes;
6) Leadership, in the sense of whether managers and CEOs are perceived as visionary and strongly capable;
7) Performance, or the profitability and ability of the company to meet the interests of different stakeholders. (Fombrun, Ponzi, & Newburry, 2015)

The World's Most Admired Company survey, instead, is a ranking developed by Fortune magazine in partership with Hay Group, circulated among directors and top executives who are asked to evaluate major companies' reputation. (Hay Group, s.d.)

The WMAC is defined according to the following dimensions (Hay Group, s.d.):

1. Talent people retaining ability,
2. Quality of Management,
3. Social and Environmental responsibility,
4. Innovation,
5. Product and Services Quality,

6. How Corporate Assets are used,
7. Financial Soundness,
8. Value of Long Term Investments,
9. Ability of operating globally.

Table 2.4. shows the 2017 rankings of the top 10 companies. (Fortune, 2017)

Ranking in 2017	Company
1	Apple
2	Amazon.co
3	Starbucks
4	Berkshire Hathaway
5	Disney
6	Alphabet
7	General Electric
8	Southwest Airlines
9	Facebook
10	Microsoft

Table 2.4 Adapted from Fortune (2017)

The "Corporate Personality" stream began with Spector (1961), who was one of the first scholars to suggest that companies could be seen as people, thus attaching them the same personality dimensions which are applied to individuals. (Berens & van Riel, 2004)

The scale he proposed was composed of six basic factors:

a) Dynamic: it concerns the ability of the corporation to be innovative and a pioneer in its field, as well as its capability of changing in order to adapt to its environment;
b) Co-operative: this dimension regards whether the company is well-liked and friendly, even though it is not specified whether it is so towards internal or external stakeholders;
c) Business-wise: it includes traits such as effectiveness, efficient, and other business characteristics;
d) Character: it concerns whether the company is regarded as respectful, responsible, ethical and so on;

e) Successful: it regards the financial aspect of the firm and, in general, whether it is financially sound and has a good performance;

f) Withdrawn: it measures how much the company is secretive and cautious.

In more recent years, Davies and his fellow scholars (Davies et al., 2003) have taken an interest in this theory, developing their own model, as reported by Berens & van Riel (2004).

Their model, the Corporate Personality Scale, is composed of six dimensions and relative subdimensions, as shown in Table 2.5.

Dimension	Sub-Dimension	Examples of Items
Agreeableness	Warmth	Friendly, Open, Pleasant
	Empathy	Supportive, Agreeable
	Integrity	Honest, Trustworthy, Sincere
Enterprise	Modernity	Young, Trendy
	Adventure	Innovative, Up-to-date
	Boldness	Daring
Competence	Coscientious	Secure, Reliable
	Drive	Ambitious, Leading
	Technocracy	Corporate, Technical
Ruthlessness	Egotism	Assertive, Arrogant, Selfsh
	Dominance	Authoritarian, Controlling
Chic	Elegance	Stylish, Charming
	Prestige	Exclusive, Refined
	Snobbery	Elitist

Informality Machiso		Mascuile, Casual, Simple, Tough

Table 2.5 Davies et al. (2003) "Corporate Personality Scale", adapted from Berens and van Riel (2004) p. 171

The third and last main stream is "Trust" (Berens & van Riel, 2004), better expressed in the creation of the Corporate Credibility Scale by Newell and Goldsmith (2001).

Credibility is seen as the totality of the perceptions hold by the receivers towards a subject (Newell & Goldsmith, 2001), a definition which is quite similar to the Corporate Reputation ones underlined before. The scholars focused the development of their scale on two main constructs: Expertise and Credibility; these concepts are used as they embrace both honesty and reliability, meant as whether the company is trustworthy and follow on his promises. (Berens & van Riel, 2004)

Table 2.6. shows the items of Newell and Goldsmith's (2001) Corporate Credibility Scale.

Dimension	*Items*
Expertise	The XYZ Corporation has a great amount of experience The XYZ Corporation is skilled in what they do The XYZ Corporation has great expertise The XYZ Corporation does not have much experience
Trustworthiness	I trust the XYZ Corporation The XYZ Corporation makes truthful claims The XYZ Corporation is honest I do not believe what the XYZ Corporation tells me

Table 2.6 Newell and Goldsmith's (2001) Corporate Credibility Scale, taken from Berens & van Riel (2004), p. 173

2.2.1. Considerations on the role of Ethics in Corporate Reputation

Unsurprisingly, almost all the models for the measurement of Corporate Reputation shown above have an element that can be inserted into the domain of business ethics. The table below (2.6) summarizes the dimensions of each framework that underline the elements of ethicality, honesty and trustworthiness.

Model and Author	**Element of Business Ethics**
RepTrak® System (Fombrun, Ponzi, & Newburry, 2015)	"Citizenship".
WMAC (Fortune, 2017)	"Social and Environmental Responsibility".
Spector (1961)	"Character".
Corporate Personality Scale (Davies et al., 2003)	"Agreeableness", especially the "Integrity" dimension.
Corporate Credibility Scale (Newell and Goldsmith, 2001)	"Trustworthiness"

Table 2.7

Therefore, there is no doubt that the perception that the company is ethical – meaning that it is socially responsible, follows social rules, is trustworthy and has integrity – influences the Corporate Reputation of the firm itself.

2.3. The effect of Corporate Reputation on Financial Performance

As for Corporate Social Responsibility (see Chapter 1), Corporate Reputation may be considered relevant by firms only when it impacts their financial performance.

The Corporate Reputation models described above often include an element of financial soundness and capability into the calculation of Reputation, thus there is little doubt that Financial Performances has a positive effect on Corporate Reputation; however, several studies have also researched the opposite connection and link between these two factors, as shown by Gatzert (2015).

As for CSR, one of the problems in these types of research lies on the variety of ways in which both Corporate Reputation and Financial Performance are measured, and the different indexes taken into account might lead to different ending results.

Both Lee & Roh (2012) and Gatzert (2015) have reviewed the literature and compared the literature in order to understand such relations according to empirical studies over the years.

The table below (2.8) is meant to summarize such findings and see whether there is a strong accordance on whether the correlation is positive, negative, neutral or non existence.

Author and year	**Corporate Reputation index**	**Financial Performance index**	**Relationship**
Aupperle et al. (1985)	CSR orientation	ROA	Neutral
McGuire et al. (1990)	Fortune Ranking 1977-1981	Accounting and Market Measures	Positive
Worren et al. (1991)	Layoffs Announcement	Stock price reaction	Positive
Klassen and McLaughlin (1996)	Enviromental award/crisis announcement	Stock price reaction	Positive
Teoh et al. (1999)	Involvement in boycotting US firms	Stock price reaction	Neutral
McWiliams and Siegel (2000)	Domini 400 social index	Accounting profits	Neutral
Deephouse (2000)	Media reputation (according to news articles)	ROA	Positive
Kotha et al. (2001)	Reputation building activities	Sales Growth and Market Value	Positive

Roberts and Dowling (2002)	Fortune Index	Return on sales and Market return	Positive
Rose and Thomsen (2004)	Corporate Images	Market-to-book equity value	Neutral
Wagner and Schaltegger (2004)	Environmental strategy and performance	Economic Performance	Negative
Eberl and Shwaiger (2005)	Organizational competence and sympathy	Net income (after tax and depreciation)	Positive
Carmeli and Tishler (2005)	Self assessment (by the CEO of each firm) of Perceived organizational reputation.	Self assessed financial performance compared to competitors	Positive
Inglis et al. (2006)	Corporate Image	ROA, ROE, stock market reaction etc.	Neutral
Sanchez and Sotorrio (2007)	Spanish MERCO Index	Economic returns, margin differentiations etc.	Positive
Lai et al. (2010)	CSR	Brand equity and performance	Positive

Stuerbs and Sun (2010)	Fortune rankings 2006-2008	Labour Productivity	Positive
Raithel and Schwaiger (2015)	13 telephone surveys	Future Stakeholders Value	Positive

Table 2.8 Adapted from Lee & Roh (2012) and Gatzert (2015)

Out of the 18 studies highlighted before, 12 show a positive effect of Reputation on Financial Performance; it is, therefore, possibile to affirm that the literature converges in supporting a positive effect of the first on the latter.

Chapter 3

Communicating CSR: how, where and why

In Chapter 1 it has been broadly discussed what Corporate Social Responsibility is, how it is defined and how companies implement their CSR Strategies, as well as its relation with financial performance; however, as much of the interest in CSR practices in based on how stakeholders perceive them, in this chapter it will explored a fundamental element of CSR strategies: CSR Communication.

Du, Bhattacharya, & Sen (2010) constructed a framework for CSR Communication, underlining both the component of CSR Communications and its outcomes (Table 3.1).

For the purpose of this paper, the focus will be kept majourly on the content of CSR Communication and the Channels in which it is delivered to stakeholders, as wel as the outcomes of a proper Communication strategy, both internal and external.

CSR COMMUNICATION	**CSR COMMUNICATION OUTCOMES**
MESSAGE CONTENT: - Issue - Importance - Initiative - Commitment, Impact - Motives, Fit	INTERNAL OUTCOMES: - Awareness - Attributions - Attitudes, Identification - Trust
MESSAGE CHANNEL: CORPORATE - Csr Report - Corporate Website - Public Relations - Point of Purchase INDEPENDENT - Media Coverage - Word-of-Mouth/ Word-of-Mourse	EXTERNAL OUTCOMES: CONSUMERS - Purchase - Loyalty - Advocacy EMPLOYEES - Productivity - Loyalty - Citizenship Behaviour - Advocacy INVESTORS - Invested Amount - Capital - Loyalty

Table 3.1. Adapted from Du, Bhattacharya, & Sen (2010)

3.1. CSR Communication

Du, Bhattacharya and Sen (2010) highlight two elements of CSR Communication: the Message Content, meaning what to focus on in the Communication strategy, and the Channels (Corporate and Independent), meaning how it is appropriate to convey message to the wanted stakeholders.

3.1.1. The Message Content

The issue that company decides to address with their CSR practices is one of the main variables for a successful CSR strategy; such a decision it is influenced by many factors related to the very own corporate organization of the company, as underlined in the first chapter. However, it is important to consider the impacts that such decision can have on the stakeholders' perception in the communication phase.

Assuming that the CSR issue the company is undertaking is made well before the communication step, the message that the communication strategy relates to the stakeholders must focus on certain specific aspects of the CSR initiative, such as the Commitment, the Impact, the Motives and the Fit. (Du, Bhattacharya, & Sen, 2010)

The concept of Commitment relates to the promise – implicit or explicit – that the relationship among the parties is reliable and will not be broken off abruptly (Dwyer, Schurr, & Oh, 1987); in this case, that the company is willing to undertake the CSR initiative reliably.

Dwyer, Schurr, & Oh (1987) find three dimensions of commitment:

1. Inputs: the company provides a substantial amount of resources – that can be financial, human, technological capital etc. – to the initiative.
2. Durability: the company is involved in the initiative in a stable manner over a continuous amount of time.
3. Consistency: the inputs provided by the company have little to no fluctuation, meaning that are reliable over time.

In the CSR Communication, the company might decide to focus on one or more aspects of Commitment. (Du, Bhattacharya, & Sen, 2010)
To provide an example, this is the statement of Starbucks about their social venture Ethos Water, retrieved from their website:

> "For every bottle of Ethos® water sold in the United States, 5 cents is directed to the Ethos© Water Fund to help finance water programs around the world. Since 2005 $13.8 million has been granted through the Ethos Water Fund […]." (Starbucks, s.d.)

The statement contains all the previous elements: the amount of inputs (i.e. $13.8 million), the durability of the commitment (i.e. since 2005) and the consistency of the action (i.e. 5 cents per bottle).
As reported by Du, Bhattacharya, & Sen (2010), previous researches have found that the durability of the CSR commitment, in particular, tends to lessen the stakeholders' doubt of ulterior motives by the company in their CSR initiative.
Instead of communicating the inputs of their strategy, the company might decide to put more relevance on its Impact, meaning the results that the initiative have accomplished or aims to accomplish.
An example of this approach, if not the most famous one, is the P&G Pampers and UNICEF partnership. (Pampers, s.d.)

In the company’s webpage celebrating the ten-year-long partnership, in fact, it is stated that Pampers has funded 300 million vaccines, “helping to protect 100 million mums and their babies worldwide”. (Pampers, s.d.) It is possible to observe that the statement itself remains very vague concerning the actual inputs invested, focusing instead on the outcomes.

On this element, Du, Bhattacharya, & Sen (2010) quote previous studies which seemed to document a positive correlation between the CSR activities’ impact on society and consumers perception of the company itself.

Whether underlining the inputs or outputs, communicating the CSR strategy through facts as been proven, by prior research, to have a positive impact on stakeholders.

In 1995, Gilbert and Malone suggested that people are more concerned on why a company is implementing a certain action than what the action itself is. Building on this concept, in the CSR realm the perceived motive for which a company is engaging in the CSR activity might have an impact on how the initiative is viewed by stakeholders. Accordingly, several authors have found different motives that drive companies to implement CSR initiatives.

Ellen, Webb, & Mohr (2006) underlined three main motives for which a company engages in CSR activities:

1. Economic driven motives: the firm’s objective is related to the financial performance, such as sales, returns on the investment and profit;
2. Socially driven motives: the firm’s objective is related to social welfare, a sincere interest in society’s wellbeing;

3. Stakeholders driven motives: the firm's objective is to respond to the pressure coming from internal and/or external stakeholders.

Groza, Pronschinske, & Walker (2011), instead, divided CSR motives in two categories: Proactive and Reactive. A Proactive CSR engagement means that the company supports social initiatives before stakeholders receive any negative information about it; on the other hand, Reactive CSR is a response to damaging informations. As such, Proactive CSR is perceived as more driven by strategic and value reasons than Reactive CSR, thus having a more favourable effect.

However, Forehand and Grier (2003) found that the acknowledgement of an egoistic motive inhibits stakeholders' skepticism and negative perception and might actual increase the company's credibility.

Given the previous elements, Du, Bhattacharya, & Sen (2010) suggest that companies should highlight the convergence of both firm and social motives in their communication strategy; however, the balance of this two opposite elements is undoubtly very delicate.

An additional element in the perception of CSR initiatives is the perceived fit between the company's business and the activity itself (Du, Bhattacharya, & Sen, 2010). The literature is unsure on whether a higher fit has a positive or negative effect on stakeholders' perception, with several studies finding contrasting results, as shown in Table 3.2.

Higher fit leads to a positive effect	**Higher fit does not have a significant effect**	**Higher fit leads to a negative effect**
Becker-Olsen et al (2006)	Charnev and Blair (2015)	Bloom et al (2006)
Becker-Olsen and Hill (2006)	Lafferty (2007)	Drumwright (1996)
Ham and Han (2012)	Lafferty (2009)	Ellen et al. (2000)
Ham et al. (2013)		Kim (2011)
Kim et al. (2012)		
Koschate-Fisher et al. (2012)		
Kuo and Rice (2015)		
Prajecus and Olsen (2004)		
Samu and Wymer (2009)		
Simmons and Becker Olsen (2006)		

Table 3.1 Adapted from de Jong & van de Meer (2015)

Several reasons are given for both positive and negative effects, as presented by de Jong & van de Meer (2015).

The positive effect is justified by two streams of reasoning: decreased cognitive elaboration and the presence of synergies. The first stream is supported by Du, Bhattacharya, & Sen (2010), who state that it may result from the associations that the brand shares with the cause, and that a low fit results in a higher skepticism by stakeholders that, not seeing a logical connection between the firm and its CSR action, might consider egoistic reasons more evidently. Becker-Olsen, Cudmore, & Hill (2006), on the same effect, affirm that a low fit will lead stakeholders to think longer about the the reason why the company is implementing the initiative, have negative perception of the firm's motive, and thus a negative perception of the firm itself.

The second stream follows the idea that a higher fit will make consumer perceive the company as more competent, as it is getting involved into areas of which is already knowledgeable, and that it is more probable that the company is integrating the initiative into its core business instead of it being just a random, non committal compensation.

The scholars that support that a higher fit has a negative effect on stakeholders' perception, on the other hand, affirm that CSR is viewed as more of an effort and "not easy" when it is unrelated to the core business.

If one were to assume – given the the majority of the papers indicated above – that a higher fit has a positive impact on perception, one fact that might influence this relation is Corporate Reputation. Some scholars have studied this link, but the findings do not converge in a unanimous result.

Elving (2013) found that, when a company with a bad reputation engaged in a CSR activity correlated to its core business, the stakeholders have decreased levels of skepticism, thus perceive the initiative more positevely.

On the other hand, Yoon, Gurhan-Canli, & Schwarz (2006) that, when a company with a bad reputation – such as a tobacco company – supports a CSR activity related to its core business, meaning with high benefit salience, both the company and the cause itself were viewed negatively.

Given such opposite findings, it is unclear whether company reputations with a bad company should underline or not the firm-cause fit in their CSR communication.

3.1.2. The Message Channel

Once decided what to communicate, the company must choose the right channel in order to reach its stakeholders.

Du, Bhattacharya, & Sen (2010) consider two main types of channels: Corporate and Indipendent.

Corporate channels are CSR reports, corporate website, PR, advertising and Point of Purchase.

Concerning reporting, the KPMG 2005 survey indicates that it has risen up to 50% and almost 80% if the 250 largest companies worldwide have implemented it (Du, Bhattacharya, & Sen, 2010). A variety of procedures have emerged (Ellerup Nielsen & Thomsen, 2007), and the reasoning behind it has been explained in Chapter 1.

Companies might also decide to communicate their CSR activities through their Corporate websites, but this choice presents some challenges. Gomez & Chalmeta (2010) have investegated 50 U.S.A. corporate websites, finding that most of them were “informing” but not “communicating”, meaning that the website did not allow for two-way diaogue; however, it also appeared that content and presentation were more developed.

The third most studied communication channel, after CSR reporting and Corporate website, is advertising. Advertising is a more intense way of publicizing the company’s social and environmental activities, as it allows for exposure to a larger public. One example of a recent campaign that has gained wide recognition is the P&G Always 'Like a Girl', aimed at challenging the role of women in society and building young girl's confidence. (Joseph, 2015)

Perks, Farache, Shukla, & Berry (2013) point out the use of endorsed CSR communication, meaning when a company associate itself with a non profit in order to reduce stakeholders' skepticism, and that, in such partnership, the for-profit benefits more than the non-profit from this relation.

An additional channel is Public Relations. Kim & Reber (2008) researched the role of PR according to practitioners of the sector, who highlighted four roles: Management role, Philantropic role, Value-driven role and Communication role. Concering the Communication aspect, respondent stressed their promoting of CSR activities expecially to external stakeholders, such as the public and media, as well as limiting the impact of negative news.

The last corporate channel are Points of Purchase. In a 2007 study, Anselmsson & Johansson found that, in using this type of communication channel, packaging is particularly important for consumers' to evaluate CSR. Du, Bhattacharya, & Sen (2010) report the example of Stonyfield Farm, who printed a message regarding their health and environmental activities on the lids of their yogurts.

For what concerns Indipendent Message channels, Du, Bhattacharya, & Sen (2010) identify two types: Media Coverage and Word of Mouth.

Zyglidopoulos, Georgiadis, Carroll, & Siegel (2011) describe the media as not only means to rely exactly the firms' actions, but underlined their role in shaping facts either in a positive or negative light; as such, their role in communicating a certain message and influencing stakeholders perception is central. However, they also admit that getting medias' cooperation can be a challenge. Media will report the firm's CSR activities in a positive light only if they have incentives to do so; such incentives might depend from the fact that the public is more inclined to believe news that are consistent with their previous assumptions about the company, therefore companies with a previous positive CSR reputation are more probable to receive a favourable media coverage for their most recent CSR initiatives (Cahan, Chen, Chen, & Nguyen, 2015).

The last channel considered is Word-of-Mouth.

Both employees and consumers can be considered a reliable source of informations and be able to advocate the company through their social networks. As reported by Du, Bhattacharya, & Sen (2010), Dawkins (2004) conducted a research that found out that about a third of employees had adviced at least a person to employ their company's services because the company had implemented some act of social responsibility.

On the other hand, consumers can also have a central role in communicating a company's CSR, especially through the use of social media and Word-of-Mouse. Kesavan, Bernacchi, & Mascarenhas (2013) argue that social media is growing to be perceived more trustworthy by consumers than traditional media, as it also allow them to be more in control of both content and channel of informations. The scholars provide the examples of Facebook as a platform on which consumers can interact directly with the company, feeling personally involved with the company's message and, thus, spreading it to their own netweork.

Using, again, the example of P&G and the Always 'Like a Girl' campaign, as of the writing of this paper the video has earned on YouTube around 63.922.000 views, and it is proof of the reach that a viral video, through the public sharing, can reach. (P&G Always, 2014)

Depending on the used channel, stakeholders receive and perceive the informations differently. Yoon, Gurhan-Canli, & Schwarz (2006) found out, in their study, that CSR activities are better perceived when communicated through exteranal – or independent – channels, than internal – or corporate – ones. Consumers are more suspicious when learning of a CSR activity through a corporate channel, as it puts in doubt the honesty and sincerity of both the company and the action.

Therefore, even though independent channels require more effort from the company's side, as they have less control over them, the firm should strongly consider using them in order to reduce stakeholders' skepticism.

3.2. CSR Communication Outcomes

If CSR is communicated in the adequate manner, the corporation can be rewarded with a series of results.

Sen, Bhattacharya, & Korschun (2006) identify the outcomes of a proper CSR strategy as either Internal, meaning related to feelings and thoughts, or External, meaning related to action.

3.2.1. Internal Outcomes

Internal Outcomes are Awareness, Attributions, Attitudes, Identification and Trust.

Awareness is obviously a key element in order to receive a (positive) perception of the CSR activities.

As reported by Du, Bhattacharya, & Sen (2010), many studies on CSR communication take for granted that stakeholders are aware of the initiative, but more recent studies show that awareness is actually usually quite low. An exception to this are, of course, companies that are particularly well positioned within the CSR realm, such as Ben and Jerry's. In general, however, the low awareness of CSR initiative is an important obstacle for CSR communication (Bhattacharya & Sen, 2004).

The second outcome of CSR Communication is Attributions. Brown and Dacin (1997) describe Attributions as the set of information that a stakeholder holds about the company, from knowledge of the company's actions to the emotions that the person experience with respect to the firm. In particular, CSR associations are linked to the "organization's status and activities with respect to its perceived societal obligations" (Brown & Dacin, 1997, p. 68). Attributions influence reputation, motives, but also other Communication outcomes, such as purchase intent and consumers' behavior. Within CSR motives, for example, the more stakeholders attribute genuine concern for the cause, the more they will react positevely towards it (Sen, Bhattacharya, & Korschun, 2006), as explained more in depth previously.

Attitudes is defined as the overall evaluation that a stakeholders makes based on informations or experiences. (Pirsch, Gupta, & Landreth Gaur, 2007)

In studying the attitudes towards CSR of business students, Kolodinsky, Madden, Zisk, & Henkel (2009) have underlined four predictors of CSR attitudes:

1. Idealism: the extent to which an individual is truly concerned in avoiding actions that could harm others.

2. Relativism: the extent to which universal moral principles are considered in making moral evaluations.
3. Spirituality: the extent to which an individual believes has a relationship with a superior power, which gives him/her purpose.
4. Materialism: the extent to which an individual is interested to fullfill material needs with respect to spiritual ones.

Unsurprisingly, the scholars found that Idealism wa positevely associated with CSR attitude, while Relativism and Materialism were negatively correlated; Spirituality showed no effect.

Identification is a social identity construct, defined as the mental state for which the consumer (stakeholder) feels a link with the company. It regards the inclusion of the company as part as ones' own identity, meaning that the individual sees him/herself as part of the firm, emphathizing the similarities with those that are part of that group and the differences with those who are not. Identification influences stakeholders' loyalty, as it implies long term commitment and a stable individual-company relationship (Martinez & Rodriguez del Bosque, 2013).

Lastly, Trust is the intent of depending on a partner, on which the individual has confidence. (Sirdeshmukh, Singh, & Sabol, 2002) Trust is a key construct as it allows to have a long-term relationship with stakeholders, and it leads to loyalty. (Martinez & Rodriguez del Bosque, 2013)

Sirdeshmukh, Singh, & Sabol (2002) identify two aspects of Trust: Competence and Benevolence.

Competence regards the expectations that the company is able to carry out the expected tasks in a sustainable and stable manner, meaning that it has the skills to meet the stakeholders' expectations.

Benevolence, instead, concerns the perception that the company puts the stakeholders' interest ahead of its own, meaning that it will not take unfaire advantage of them and show goodwill.

3.2.2. External Outcomes

External Outcomes can be either related to Consumers (Purchase, Loyalty, Advocacy), Employees (Productivity, Loyalty, Citizenship Behaviour, Advocacy) or Investors (Invested Amount, Capital, Loyalty).

Since many elements are relative to more than one stakeholders' group, they will be presented as such:

1. Purchase – relative to Consumers.
2. Loyalty – relative to Consumers, Employees, and Investors.
3. Advocacy – relative to Consumers and Employees.
4. Productivity – relative to Employees.
5. Citizenship Behavior – relative to Employees.
6. Invested Amount and Capital – relative to Investors.

Several studies have researched the connection between CSR Communication and Consumers' purchase intention. David, Kline, & Dai (2005) have found various papers that try to understand the several aspects of this link.

Murray and Vogel (1997 found out that some CSR initiatives could predict purchase intention, while Creyer and Ross (1997) discovered that purchase intentions were related to the ethics of the company and whether it went beyong the consumers' expectations on it; Brown and Dacin (1997), instead, studied the connection between purchase and the overall evaluation of the company, discovering a positive relation.

On the other hand, other studies have found no direct effect of CSR activities on purchase, such as Smith and Stoghill (1994). Purchase intention are also dependable on perceived motive (Ellen, Mohr, & Webb, 2000) and message (Sen & Bhattacharya, 2001).

Loyalty is the willingness to perform different actions that show the motivation to keep a relationship with the company, such as Purchase, Word-of-Mouth and so on (Sirdeshmukh, Singh, & Sabol, 2002).

Specifically, Consumer Loyalty is defined as a deep commitment to buy and advice others to buy a product or service consistently in time, despite other influences to squitch product/servic. (Martinez & Rodriguez del Bosque, 2013), while Employee Loyalty concerns the commitment and dedication that an individual has to their company, thus reducing the internal turnover rate (Lee, Park, & Lee, 2013)

Loyalty is strongly related to Trust, as it is a consequence of it: a stakeholders trust in the company will lead to an increased commitment to it in order to maintain a long-term relationship (Sirdeshmukh, Singh, & Sabol, 2002).

Loyalty can also be influenced by the presence of a match between the individual and the company's value, which increases the consumer desider to carry on the relationship and commit to it. (Sirdeshmukh, Singh, & Sabol, 2002)

Good CSR Communication strategies can also lead to Advocacy behaviors, such as willingness to pay a premium price, skepticism against negative news about the company and positive W-o-M (Du, Bhattacharya, & Sen, 2010), as previously explained.

Consumer/Employees Advocacy concerns the company's promotion or shielding against negative reactions, as a result of a strong realtionship between the firm and the stakeholder. In reasearching the effect of Advocacy, many scholars have used W-o-M as a proxy, but the fundamental difference with it is that Advocacy regards the spreading of only positive information about the company or defence against critics. The positive elements of Advocacy, therefore, are similar to those of positive W-o-M, meaning that the independency of the source and the fact that it comes from peers makes it a very effective marketing element. (Walz & Celuch, 2010)

CSR Communication influences Employees Productivity as well. Many studies have underlined the effect of CSR on financial performance, one dimension of which is Productivity. Sun & Stuebs (2013) refer to two papers regarding this effect: Porter and Kramer (2006), who argued that CSR can bring social and financial benefits through opportunities and innovation, and Vilanova et al. (2009) that stress that the implementation of CSR activities foster learning, who in turns increases innovation. Starting from these inputs, Sun & Stuebs (2013) test whether CSR is positevely related to productivity in the U.S. chemical industry, finding that the results support the hypothesis.

The Citizenship notion relates to the idea that a firm has to make a contribution to the society within it operates. Citizenships regards the concept that a firm has to engage at the local level in order to return to the communities that they affect through their operations, in order to be perceived as part of those communities themselves. (Newell P. , 2005)

CSR initiative should aim at reaching that goal and communicate that the company is part of that community, thus giving back to it. To better explain the concept we look back at one of the examples priorly used (Chapter 1): Ben & Jerry’s, and ice cream company widely renowned as having one of the best CSR reputations, established in 1984 a public stock offering available only for Vermont residents, so that the citizens could profit from investing in the firm (Ben & Jerry's, s.d.); as such, they were able to create the perception that Ben & Jerry’s weren’t simply an external corporation, but part of Vermont.

Lastly, we analyze Investors reactions to CSR strategies. Hockerts & Moir (2004) identify two types of investors interested in CSR: the “mainstream” investors and the “social responsible” ones.

The first type of investors cares about CSR only if it affects the cost of capital of the firm or the company organization,meaning that they are not concerned if it’s only a marketing move for appearances.

The social responsible investor, on the other hand, have a genuine interest, and they could act in three ways: i) invest in firms with high CSR, as it might lead to higher value (such as innovation, as indicated previously), ii) avoid investing in companies with low CSR concerns, such as firms in specific industries – tobacco, alcohol – or with an irresponsible reputation; iii) actively stimulate change through engagement.

Chapter 4

Ethical Reputation and Related/Unrelated Pro Social Advertising: the case of Disney and Philip Morris

The elements analysed in the previous three chapters – namely Corporate Reputation, Corporate Social Responsibility and its Communication – are obviously closely related, but there is strong dispute among scholars on how they do so.

A number of papers have investigated how CSR actions impact on Reputation, but few have actually tried to examine the opposite relationship, meaning how a positive or negative Reputation – expecially the Ethical dimension – influences the perception of the CSR initiatives; additionally, there are split researches as well on whether such CSR initiatives should be related or not to the core business of the firm. As such, clarity on the subject is strongly necessary.

This chapter is meant to investigate the relationship between the concepts highlighted above, how they interact and influence each other, in order to gain some understanding for practitioners in the implementation of pro social advertising campaigns.

4.1. Conceptual framework and research hypothesis

Following the definitions of Grey & Balmer (1998), Gary et al. (2001), Balmer & Greyser (2006), Walker (2010) and Cian & Cervai (2014), Corporate Reputation is defined as the actual perception of the company by both internal and external stakeholders.

The role of the Ethical dimension within it had already been explored in Chapter 2. Many models for the measure of Corporate Reputation contain at least one dimension related to Ethics, such as “Citizenship” in the RepTrak® System (Fombrun, Ponzi, & Newburry, 2015), “Social and Environmental Responsibility” in the WMAC (Fortune, 2017), Character for Spector (1961), “Agreeableness” – especially the “Integrity” dimension within it – in the Corporate Personality Scale by Davies et al (2003), and “Trustworthiness” in the Corporate Credibility Scale by Newell & Goldsmith (2001). Consequently, an increase in the perception of the Ethicality of a firm will lead to an increase of the Reputation of the firm itself.

The link between Corporate Reputation and pro social advertising lies in the concept of Attributions, as explained in Chapter 3. Attributions are the set of informations that an individual has about the company, including the knowledge on its past actions and the feelings that he/she has towards the company (Brown & Dacin, 1997). Following such definition, Attribution is obviously closely related to Reputation, as it influences the perception that stakeholders have of the company. At the same time, if stakeholders give negative attributions, therefore a negative Corporate Reputation, to the company, they will be more skeptical about the motives that lead the firm to engage in a pro social advertisement (Sen, Bhattacharya, & Korschun, 2006).

Such a reasoning leads to the following hypothesis:

> H1: Higher level of perceived Ethical reputation will affect advertising prosocial perception more than low level of perceived Ethical Reputation.

An additional element influencing the perception of pro social advertising is the perceived fit between the company and the initiative.

In Chapter 3, several papers on the issue have been reviewed, showing that the majority of them found a positive relationship between fit and perception of the CSR initiative (Becker-Olsen, Cudmore, & Hill, 2006) (Ham & Han, 2012) (Han, Choi, Kim, Davis, & Lee) (Kim, Sung, & Lee, 2012) (Koschate-Fisher, Stefan, & Hoyer, 2012) (Kuo & Rice, 2015) (Praejecus & Olsen, 2004) (Samu & Wymer, 2009) (Simmons & Becker-Olsen, 2006), while few stating the opposite (Drumwright, 1996) (Ellen, Mohr, & Webb, 2000) (Kim, 2011). The idea behind the positive effect is linked to decreased cognitive elaboration, meaning that a higher fit leads to stakeholders seeing a logical connection between the company and the action, and the presence of synergies, meaning that the company is seen as applying his capabilities for the social good. On the other hand, the scholars who found a negative relation argue that a firm engaging in CSR non related to the business is seen as putting more effort in its activity.

Reputation could also influence the fit-CSR activity relation. Elving (2013) found that a bad company engaging in CSR related to its business will be better perceived than when engaging in non-core business related CSR; Yoon, Gurhan-Canli, & Schwarz (2006) found opposite results, following also the idea that stakeholders would be more skeptic as for they would attribute more self-serving motives to the firm.

Following the previous literature, given the consensus of the majority of the papers and the related reasons to support it, we decided to assumer that:

> H2a: For firms with higher level of perceived Ethical Reputation, ad frames as "business related" will be perceived as more pro social than ad frames as "business unrelated".

> H2b: For firms with lower level of perceived Ethical Reputation, ad frames as "business related" will be perceived as less pro social than ad frames as "business unrelated".

4.2. Data analysis and Method

In order to test the main effect and the interplay between reputation and ad frame, we conducted a laboratory experiment
803 respondents participated in a 2 [High Ethical Reputation – Low Ethical Reputation] x 2 [Business Unrelated – Business Unrelated] between-subjects design.
Therefore, we formulated four different scenario, using as a company with High Ethical Reputation Disney, and for the one with Low Ethical Reputation we selected Philip Morris International.
The choice for Disney was based on the Fortune World Most Admired Companies 2017, in which it ranks 5th (Fortune, 2017), while the choice for Philip Morris International was

based on the industry in which it operated, meaning the tobacco industry, and the stigma that society has towards it, as also noted by Yoon, Gurhan-Canli, & Schwarz (2006). Therefore, we elaborated the four scenarios as following.

Scenario 1: High Ethical Reputation x Business Related

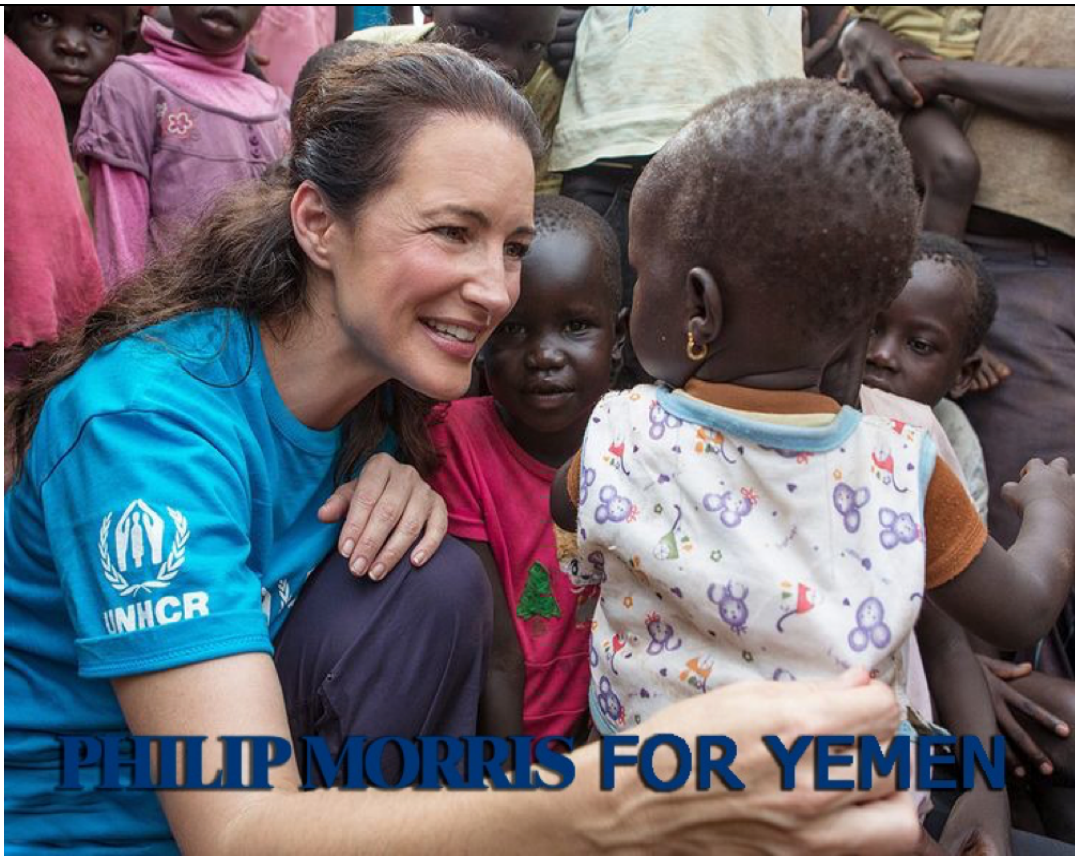
The Walt Disney Company has always been taking care of children's happiness. This is why we want to guarantee, as a company, that at Christmas every child will find a present under the tree! For this reason we have been promoting for years the "Christmas Donation Program", thanks to which we donate every year toys for a million dollar worth to all those families around the wolrd that do not have the possibility to buy presents for their children. We at Disney strongly believe that no child should be denied his/her childhood, which is why we strive to protect and preserve it every day.

Scenario 2: High Ethical Reputation x Business Unrelated

The Walt Disney Company has announced that it will donate 1 million dollars to the ONG United Nation Refugee Agency (UNHCR) with the purpose of providing essential aid for the survival in Yemen of refugees and asylum seekers in all the country. The civil war in the country has forces 2 millions of people to leave their homes and face desperate conditions, without essential supplies. We at Disney feel the strong need of helping in this humanitarian catastrophe and, as UNHCR sponsor, we commit to help the community and the families involved in the conflict.

Scenario 3: Low Ethical Reputation x Business Related

One of the main objectives of Philip Morris International is to be a socially responsible company, both at local and global level. This is why today, as a company, we have decided to launch the "Youth Smoking Awareness" program, through which we support teachers and communities internationally in the danger awareness of smoking at a young age. In order to do so we donate each year 1 milion dollars to various organizations and global institutions, knowing that education is the most effective tool to raise our children more aware and able to comprehend the consequences of their choices.

Scenario 4: Low Ethical Reputation x Business Unrelated

Philip Morris International has announced that it will donate 1 million dollars to the ONG United Nation Refugee Agency (UNHCR) with the purpose of providing essential aid for the survival in Yemen of refugees and asylum seekers in all the country. The civil war in the country has forces 2 millions of people to leave their homes and face desperate conditions, without essential supplies. We at Philip Morris feel the strong need of helping in this humanitarian catastrophe and, as UNHCR sponsor, we commit to help the community and the families involved in the conflict.

After viewing one of the scenarios, respondents were asked to answer several questions:

- *Business fit scale:* Perceived Business fit was measured by one seven-point question (1= completely not related to the business, 7= completely related to the business).
- *Ethical Reputation scale:* Perceived Ethicality was measured through 6 items evaluated on a seven-point scale. The items regarded whether the firm: i) respects social norms, ii) respects the law, iii) is a socially responsible firm-product-brand, iv) avoids harmful behaviors, v) is a good firm, vi) is a firm that would take a decision only after considering all the possible positive and negative consequences for those involved (Cronbach's alpha = .852).
- *Perceived advertising motive:* Perceived advertising motive was measured by one seven-point question (1= self interested, 7= mutually beneficial). This measure was used in other studies, such as Yeon & Choi (2012), who as well refer to An & Kwon (2005) and Rifon et al. (2004).

A total of 803 respondents participated in the online survey.

Most of them were females, being 85.16% of the sample, while the males were 14.82%.

The range aged varied:

- Less than 18: 1.25%
- 18-25: 86.5%
- 26-35: 9.09%
- 36-45: 2.49%
- More than 45: 1.12%

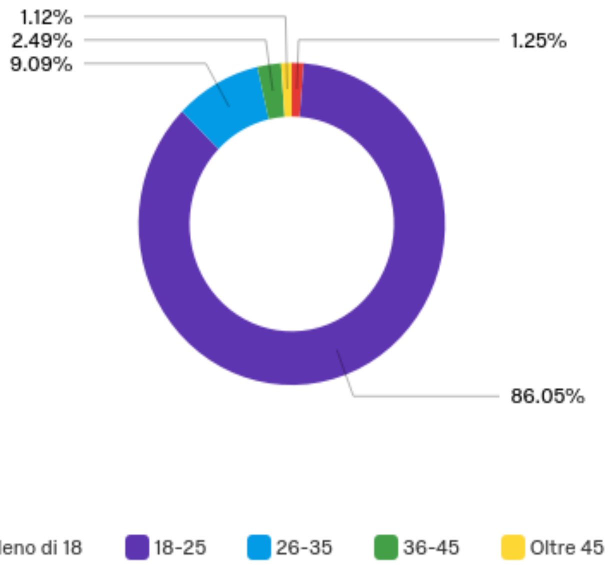


Table 4.1 Age range of the sample

Concerning their level of education:

- Elementary school: 0.0%
- Middle school: 2.12%
- High school: 64.76%
- Post-secondary education: 0.75%
- Bachelor: 24.28%
- Master: 6.35%
- Second level Master or PhD: 1.74%

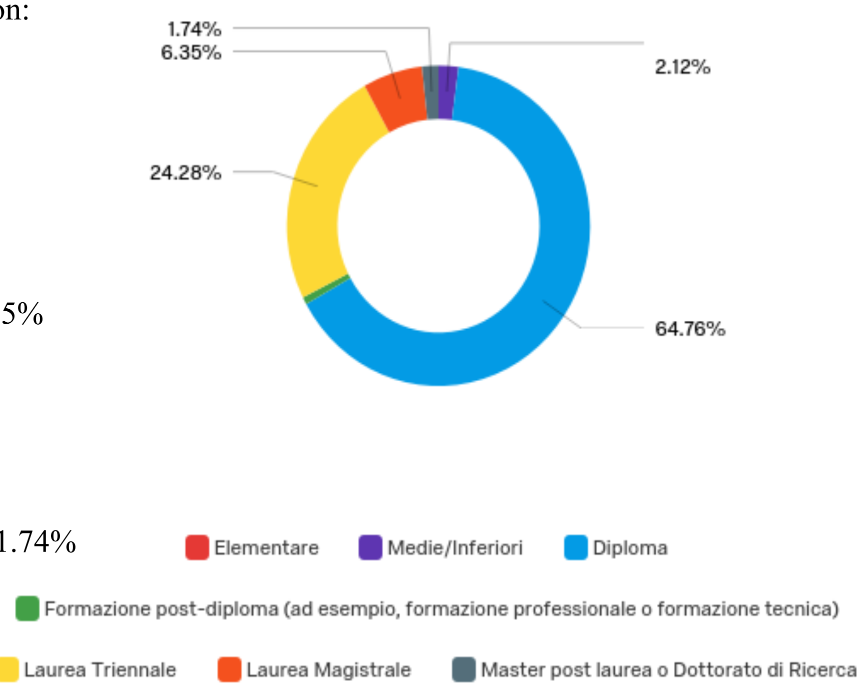


Table 4.2 Level of education of the sample

Lastly, regarding their occupation:

- Unemployed: 2.74%
- Employed (employee or self-employed): 10.21%
- Student: 86.30%
- Pensioner: 0.0%
- Stay-at-home father/mother: 0.75%

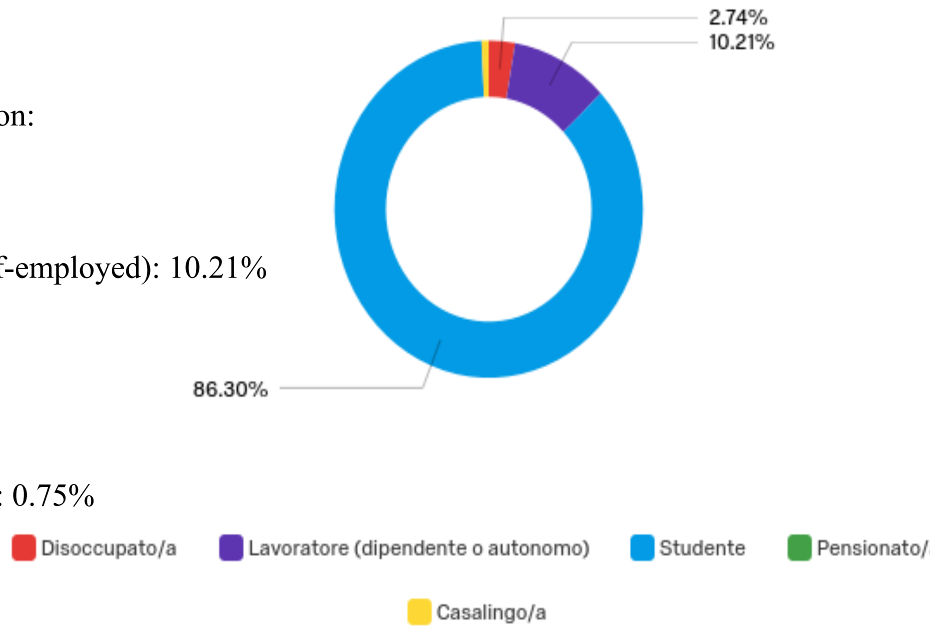


Table 4.3 Occupation of the sample

4.3. Results

Firstly, we checked the validity of the content type manipulation.

As expected, respondents rated the ad in the “High Ethical Reputation” condition as more Ethic (Mhe=5.28; SDhe= 1.00; Mle=4.36; SDle=1.18; p = .00) than the ad in the “Low Ethical Reputation” condition.

Descriptives

Ethic_mean

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
					Lower Bound	Upper Bound		
.00	337	4.3675	1.18288	.06444	4.2407	4.4942	1.50	7.00
1.00	464	5.2809	1.00060	.04645	5.1896	5.3722	1.00	7.00
Total	801	4.8966	1.17078	.04137	4.8154	4.9778	1.00	7.00

ANOVA

Ethic_mean

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	162.880	1	162.880	139.384	.000
Within Groups	933.693	799	1.169		
Total	1096.573	800			

Moreover, as expected, respondents rated the ad in the “Business related” condition as more Related (Mr=4.82; SDr= 1.67; Mu=4.31; SDu=1.69; p = .00) than the ad in the “Business unrelated” condition.

Descriptives

Related

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean Lower Bound	95% Confidence Interval for Mean Upper Bound	Min	Max
.00	387	4.3152	1.69542	.08618	4.1458	4.4847	1.00	7.00
1.00	414	4.8285	1.67507	.08233	4.6667	4.9903	1.00	7.00
Total	801	4.5805	1.70333	.06018	4.4624	4.6987	1.00	7.00

ANOVA

Related

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	52.692	1	52.692	18.560	.000
Within Groups	2268.364	799	2.839		
Total	2321.056	800			

Following the manipulation check, in order to analyze the data, we employed a moderated model where Prosocial Ad was the dependent variable, perceived Ethical Reputation was the independent and Ad Frame (Business related and Business Unrelated) served as the mediator.

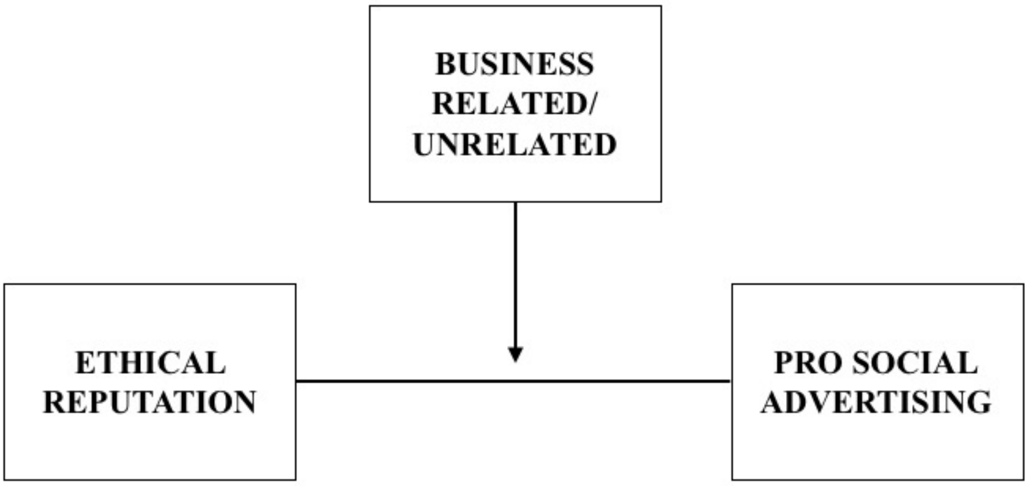


Table 4.4 Experiment's moderated model

We first regressed Prosocial ad on Ethical Reputation and Ad frame (Business related-unrelated) individually, and then on their interaction.

We found that Ethical Reputation (coded as 0 for low ethical reputation and 1 for high ethical reputation) had a marginally significant main effect ($F(1,799) = 3.328$ $p = .068$).

ANOVA

Main effect of Ethical Reputation on Pro social Ad

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.158	1	8.158	3.328	.068
Within Groups	1958.563	799	2.451		
Total	1966.722	800			

Concerning the extent to which the ad is business related (coded as 0 for ad framed as Business Unrelated and 1 for ad framed as Business Unrelated) was no significant (F (1,799) = .3943, p= .332).

ANOVA

Main effect of Business Related on Pro social Ad

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.319	1	2.319	.943	.332
Within Groups	1964.402	799	2.459		
Total	1966.722	800			

These results are consistent with H1, showing how higher level of perceived Ethical Reputation can lead to more positive perceptions of ad prosocial purpose.

More importantly, the effect of the Ethical Reputation x Ad Frame interaction on Prosocial Ad was fully significant (F (1,797) = 3.225, p<.05).

Tests of Between-Subjects Effects

Dependent Variable: Prosocial

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	23.586[a]	3	7.862	3.225	.022
Intercept	13357.677	1	13357.677	5478.808	.000
Reput	9.015	1	9.015	3.698	.055
Bus_relat	1.241	1	1.241	.509	.476
Reput * Bus_relat	12.581	1	12.581	5.160	.023
Error	1943.136	797	2.438		
Total	15769.000	801			
Corrected Total	1966.722	800			

To examine this interaction more closely, we looked the conditional effects of the Ethical Reputation on the dependent variable within the two levels of Ad Frame.

At a high level of Ethical Reputation, the prosocial ad was higher in the Business Unrelated condition than in the Business Related condition (Mbu=4.41; Mbr=4.08; p = .07), not supporting H2a. At the same time, at a low level of Ethical Reputation no significant differences between the two conditions has been found (Mbr=4.12; Mbu=3.94; p = .38),

thus H2b is not supported.

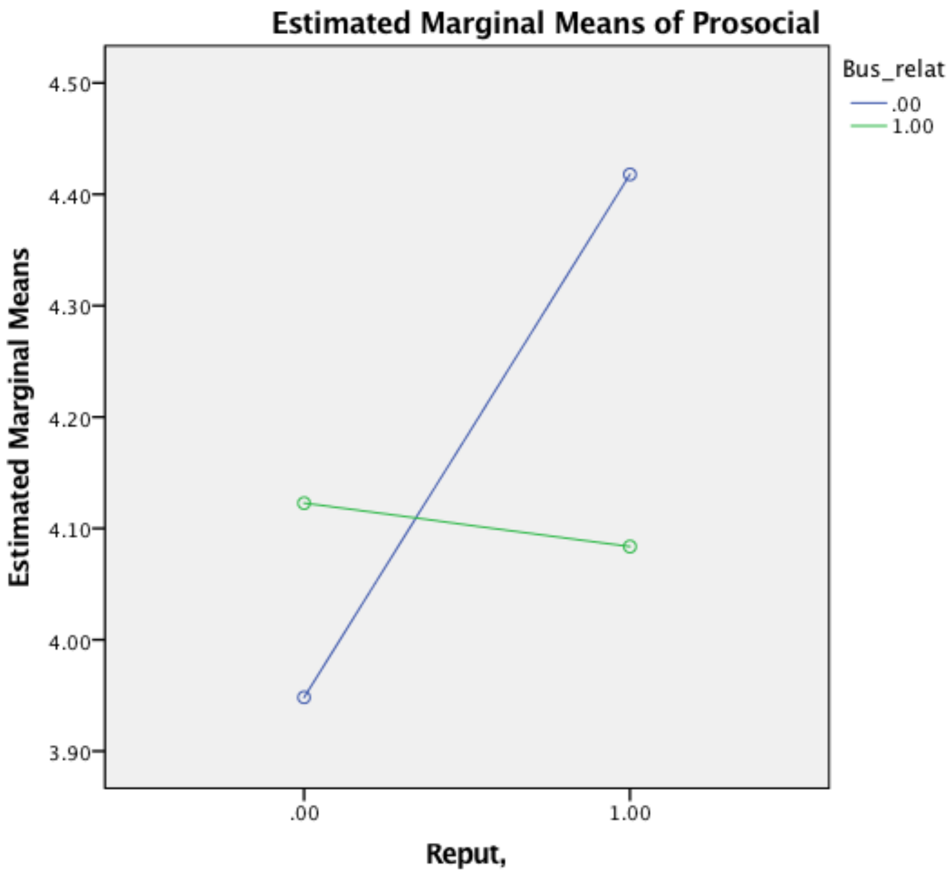
Reput, * Bus_relat

Dependent Variable: Prosocial

Reput,	Bus_relat	Mean	Std. Error	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
.00	.00	3.948	.118	3.716	4.181
	1.00	4.123	.122	3.883	4.363
1.00	.00	4.418	.107	4.208	4.628
	1.00	4.084	.099	3.890	4.277

Contrast Tests

		Contrast	Value of Contrast	Std. Error	t	df	Sig. (2-tailed)
Prosocial	Assume equal variances	1	-.1354	.15403	-.879	797	.380
		2	.2951	.16249	1.816	797	.070
	Does not assume equal variances	1	-.1354	.15281	-.886	338.191	.376
		2	.2951	.17502	1.686	286.687	.093



4.4. Discussion and limitations

This study examined stakeholders' perception of business related and business unrelated pro social advertising according to the perceived ethicality/unethicality of the company. Many studies have analyzed the impact of a company's CSR initiatives on its level of reputation, but there is a lack in the study of the opposite relation; thus, the main purpose of this study was to fill that gap in the literature.

Moreover, previous papers have found strongly contrasting results on the effects of business-relatedness in the perception of CSR initiatives; as such, we intended to bring clarity to the matter.

Our first research question regarded whether the level of perceived Ethical Reputation has an impact in the perception of pro social advertising. Respondents reacted more positively to the CSR campaign of the company with higher level of ethicality, thus confirming our hypothesis. A higher level of perceived ethicality will obviously make the stakeholders trust the company more, thus diminishing their skepticism regarding the true motive of the CSR initiative and view the initiative itself in a better light.

Concerning, instead, our second hypothesis, meaning the link between ethical reputation and business-relatedness in the perception of pro social advertising, following the literature, we assumed that "ethical firms" would have more success with ads framed as business-related, and "unethical firms" would be more successful with ads framed as business-unrelated. The results of our study found a negative relation with the first and no significant relation for the latter.

For ethical companies, ads framed as business-unrelated had a better impact than non-business related, contrary to what sustained by the majority of the literature. This finding is particularly interesting not only from a research point of view but also from a practical one. According to such results, it is fair to assume that stakeholders view less skeptically un-related advertising, and support the claims of other scholars that this type of CSR initiative's framing is seen as the company putting more effort in its socially responsible activities, as they have to work in creating new competencies in order to do so (de Jong & van de Meer, 2015).

Concerning companies perceived as unethical – such as companies involved in stigmatized industry like tobacco, alcohol, firearms, gambling – we found no significant difference in the framing of the ad, meaning that both related and un-related CSR activities will be viewed with a fair amount of skepticism.

Our research has some limitations. Firstly, it was conducted among Italian-speaking respondents: national culture might have impacted the results, thus future research should consider a cross-cultural examination and replicate the study on an international panel. Secondly, our sample was composed by 86.5% of respondents between the age of 18 and 25, which might have also biased the results: scholars should expand the research on other demographics. Thirdly, we did not take into account the percentage of smokers within our samples, which could be related, positively or not, to their attitude towards a business involved in the tobacco business; as such, further studies should take into account the initial attitudes of consumers.

We also focused our efforts on the tobacco industry, thus companies in either other stigmatized industries, or with low ethical reputation not linked to the industry in which they operate, should be considered.

Lastly, we found a moderation effect of business relatedness on CSR advertising; following experiments should focus on the reasoning why business relatedness has a negative effect.

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Summary

Corporate Social Responsibility has gained wide attention both from practitioners and researchers. In the last decades a good part of the literature has focused on the impact and utility that implementing CSR initiatives can have for businesses and, in particular, the effect of CSR initiatives on Corporate Reputation has been studied deeply.

We decided to address the gap in the literature in discussing the opposite relationship: does Corporate Reputation have an effect on how CSR initiatives are perceived? What does influence this relationship?

In order to do so we first analyze the importance of Corporate Social Responsibility, how Corporate Reputation is defined, and how CSR initiatives should be communicated, in order to gain insight for the framing of our experiment.

We began this investigation by firstly addressing what Corporate Social Responsibility is. Van Marrewijk (2003) recalls Göbbels (2002) citing Votaw and Sethi (1973), who affirmed that the term "means something, but not always the same thing to everybody".

In order to gain clarity on the concept, we reviewed the main literature concerning it. The study of CSR began in 1950s, when scholars started to question whether and how businesses had any responsibilities towards society that went beyond economic interests. During the following two decades, several practitioners offered their view on CSR, some affirming that businesses had to take on social responsibilities, giving justifications such as the balancing their social power (Davies, 1960) and the recognition of a close relationship between managerial objectives and societal ones (Walton, 1967); on the other hand, an opposite approach was taken by Friedman (1970), who affirmed that the only

responsibility of businesses was to create profits. By 1975, this lack of consensus on whether businesses had any obligations towards society had created a fragmented landscape in which the concept of CSR was still defined very vaguely (Preston & Post, 1975). It was only in the 1980 the several definitions started to get unified. Carroll, one of the main experts on the subject, entered the discussion, affirming that "the social responsibility of the business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Caroll, 1979, p.500); Tuzzolino and Armandi (1981) proposed, instead, a need-hierarchy framework for CSR based on Maslow's needs pyramid, where they affirm that corporations, as people, have needs to fulfill; Freeman (1984) expands his famous stakeholder theory to the CSR field, affirming that all the stakeholders of a corporations need to fully partake in the CSR activities in order for it to be successful.

In the 1990s, fewer notable definitions of CSR were presented, but mainly scholars used CSR as a starting point in order to develop other concepts such as Corporate Social Performance, corporate citizenship and business ethics theory.

In the 21st century, institutions – the European Commission, the World Business Council for Sustainable Development, etc. – joined scholars in the definition of the concept, and it gained more and more considerations among businesses, also due to the strengthening of government regulations regarding the subject (Rahman, 2011). As such, we also investigated such regulations, especially concerning the European Union, reviewing policies such as the Sustainable Development Goals, the New Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, noticing that, even though such documents are non compulsory and respect the voluntariness nature of CSR, the EU is currently shifting to a more binding approach

(Buhmann, 2016), especially with the EU Directive on Non-Financial Reporting (EU, 2015), which would require large EU based companies to disclose information regarding environmental, human rights, anticorruption, diversity matters by 2017. Such changes underline the relevance of the matter for current businesses.

After reviewing the importance of CSR, we analyzed how businesses can implement their CSR strategies, finding seven main patterns of adoption – i) Born CSR Oriented, ii) Patching, iii) Thickening, iv) Positioning, v) Relabeling, vi) Trimming and vii) Cooperating – and the relative practical examples from companies.

Lastly, we reviewed the link between CSR practices and Financial Performance, and finding that the majority of studies had discovered a positive influence of the first on the latter.

Having understood Corporate Social Responsibility, in the Chapter 2 we shifted our attention on the Corporate Reputation construct. The main problem we faced was distinguishing Corporate Reputation from other two concepts with which it was often confused in the literature: Corporate Image and Corporate Identity.

In order to do so, as for CSR, we reviewed the evolution of the construct over the years, as well as its many definition; then, we clustered such definitions according to two dimension: Actual/Desired position to either Internal/External Stakeholders. We found that the majority of papers affirmed that: Corporate Reputation consists in the actual perception that all (internal and external) stakeholders have of the company; Corporate Identity consists in the actual perception that only internal stakeholders have of the company; Corporate Image consists in the actual perception that only external stakeholders have of the company.

The following issue was how to measure such an intangible asset, meaning what dimensions to take into account. We reviewed several frameworks, such as the RepTrak® System (Fombrun, Ponzi, & Newburry, 2015), The World's Most Admired Company survey by Fortune Magazine, the "Corporate Personality" framework by Spector (1961), the Corporate Personality Scale (Davies et al., 2003), and Newell and Goldsmith's (2001) Corporate Credibility Scale. We, then, focused on the presence of an Ethical dimension in these scales, finding it in all of them, thus confirming that the perceived ethicality of a company does have an impact on its Reputation.

Lastly, as for CSR, we reviewed the literature on the between Corporate Reputation and Financial Performance and, again, the majority of papers did find a positive link.

In Chapter 3, we discuss how the CSR initiatives are communicated. Following the framework from Du, Bhattacharya & Sen (2016), we analyzed the features of the Message Content, the importance of the various Channels – Corporate or Independent – and its outcomes, either Internal or External.

In the Message Content section, we underline the importance of Commitment, Impact, Motives and Fit. The concept of Commitment relates to the promise – implicit or explicit – that the relationship among the parties is reliable and will not be broken off abruptly (Dwyer, Schurr, & Oh, 1987); as such, the company should highlight either the inputs provided to the initiative, its durability or/and its consistency; concerning the Impact, the company might decide to put more relevance on its the results that the initiative have accomplished or aims to accomplish; Motive regards the perceived reason for which a company is engaging in the CSR initiative, and previous researches suggest that the firm should admit both to self-serving and socially driven motives in order to reduce stakeholders' skepticism; lastly, we discuss the fit between the firm's core business and the pro social activity, finding discording opinions on whether it has a positive or negative effect, also accordingly to the reputation of the company.

Concerning the Communication Channel, we review the positive and negative aspects of Corporate Sources – CSR Reports, Corporate Website, PR, PoP – and Independent ones – Media Coverage and Word of Mouth/ Word of Mouse. Yoon, Gurhan-Canli, & Schwarz (2006) found out, in their study, that CSR activities are better perceived when communicated through external – or independent – channels, than internal – or corporate – ones. Consumers are more suspicious when learning of a CSR activity through a corporate channel, as it puts in doubt the honesty and sincerity of both the company and the action.

The Communication Strategy of the company has several Internal and External Outcomes.

Internal Outcomes concern whether stakeholders are aware of the initiative, associate Attributions - a set of information that an individual holds about the company – to the firm, have a certain Attitude towards the CSR initiative, identify themselves with it and Trust it (and the company).

External Outcomes are either related to Consumers, Employees or Investors, and regard: Purchase Intention, for which scholars have found opposing effects; Loyalty, which derives from Trust and can be increased by the match of the individual and the company's values; Advocacy, which is strongly related to Word-of-Mouth and Word-of-Mouse; Employees Productivity, that CSR initiative increase through technology; Citizenship, that regard regards the concept that a firm, engaging at the local level, is then perceived at part of that community; Investment, that CSR can increase depending on whether the investors themselves are "mainstream ones" or "social responsible" ones.

As we gained insights on CSR, Corporate Reputation and how the CSR Communication influences the perception of CSR itself, in Chapter 4 we formulated our hypothesis and tested them.

Given the the role of Ethicality in Corporate Reputation, its effect on Trust and reduced skepticism and, thus, on the perception of CSR initiatives, our first hypothesis was:

> H1: Higher level of perceived Ethical reputation will affect advertising prosocial perception more than low level of perceived Ethical Reputation.

However, referring to the way CSR is communicated, we had also found that the framing of the initiative as either business related or business unrelated had an impact on its perception.

As such, our second hypothesis was:

> H2a: For firms with higher level of perceived Ethical Reputation, ad frames as "business related" will be perceived as more pro social than ad frames as "business unrelated".

> H2b: For firms with lower level of perceived Ethical Reputation, ad frames as "business related" will be perceived as less pro social than ad frames as "business unrelated".

To test these hypothesis, we asked 803 respondents to participate in a 2 [High Ethical Reputation – Low Ethical Reputation] x 2 [Business Unrelated – Business Unrelated] between-subjects design.

Therefore, we formulated four different scenarios, using as a company with High Ethical Reputation Disney, and for the one with Low Ethical Reputation we selected Philip Morris International. After viewing one of the four scenarios, respondents were asked to rate: the Business Fit (1= completely not related to the business, 7= completely related to the business); Perceived Ethicality, through 6 items evaluated on a seven-point scale (Cronbach's alpha = .852); Perceived Advertising Motive, (1= self interested, 7= mutually beneficial).

Firstly, we checked the validity of the content type manipulation.

As expected, respondents rated the ad in the "High Ethical Reputation" condition as more Ethic (M_{he}=5.28; SD_{he}= 1.00; M_{le}=4.36; SD_{le}=1.18; $p = .00$) than the ad in the "Low Ethical Reputation" condition. Moreover, as expected, respondents rated the ad in the "Business related" condition as more Related (M_r=4.82; SD_r= 1.67; M_u=4.31; SD_u=1.69; $p = .00$) than the ad in the "Business unrelated" condition.

Following the manipulation check, in order to analyze the data, we employed a moderated model where Prosocial Ad was the dependent variable, perceived Ethical Reputation was the independent and Ad Frame (Business related and Business Unrelated) served as the mediator.

Concerning our first research question, respondents reacted more positively to the CSR campaign of the company with higher level of ethicality ($F(1,799) = 3.328$ $p= .068$), thus confirming our hypothesis. A higher level of perceived ethicality will make the stakeholders trust the company more, thus diminishing their skepticism regarding the true motive of the CSR initiative and view the initiative itself in a better light.

Our second hypothesis regarded the link between ethical reputation and business-relatedness in the perception of pro social advertising; for ethical companies, ads framed as business-unrelated had a better impact than non-business related (Mbu=4.41; Mbr=4.08; $p = .07$), contrary to what sustained by the majority of the literature and to out hypothesis (H2a). This finding is particularly interesting not only from a research point of view but also from a practical one. According to such results, it is fair to assume that stakeholders view less skeptically un-related advertising, and support the claims of other scholars that this type of CSR initiative's framing is seen as the company putting more effort in its socially responsible activities, as they have to work in creating new competencies in order to do so (de Jong & van de Meer, 2015).

Concerning companies perceived as unethical – such as companies involved in stigmatized industry like tobacco, alcohol, firearms, gambling – we found no significant difference in the framing of the ad (Mbr=4.12; Mbu=3.94; $p = .38$), meaning that both related and un-related CSR activities will be viewed with a fair amount of skepticism.

Our research has some limitations. Firstly, it was conducted among Italian-speaking respondents: national culture might have impacted the results, thus future research should consider a cross-cultural examination and replicate the study on an international panel. Secondly, our sample was composed by 86.5% of respondents between the age of 18 and 25, which might have also biased the results: scholars should expand the research on other demographics. Thirdly, we did not take into account the percentage of smokers within our samples, which could be related, positively or not, to their attitude towards a business involved in the tobacco business; as such, further studies should take into account the initial attitudes of consumers.

We also focused our efforts on the tobacco industry, thus companies in either other stigmatized industries, or with low ethical reputation not linked to the industry in which they operate, should be considered.

Lastly, we found a moderation effect of business relatedness on CSR advertising; following experiments should focus on the reasoning why business relatedness has a negative effect.