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A stakeholder approach to corporate social responsibility, reputation and business performance

Mehdi Taghian, Clare D’Souza and Michael J. Polonsky

Abstract

Purpose – This paper aims to investigate business managers’ assessment of stakeholders’ influence on corporate social responsibility (CSR) initiatives. The key stakeholders included “employees” and “unions” as internal and “public”, the “media” and the “government” as external stakeholders. The purpose was to estimate the influence of stakeholders that managers perceive as important. Moreover, the study sought to identify association between the CSR construct and corporate reputation and in turn whether this influences business performance.

Design/methodology/approach – This study uses a mail survey with a random sampling of senior managers sourced from Dun & Bradstreet’s Australian business database, focusing on large organizations (i.e. minimum $10 million p.a. reported sales and minimum 100 employees) as the selection criteria. A conceptual model was developed and tested using structural equation modeling.

Findings – The results identified that “employees” and the “public” are perceived to be the influential stakeholder groups in CSR decision-making. There was evidence of a positive relationship between the CSR construct and reputation, which in turn influenced market share, but not profitability.

Research limitations/implications – This study examined a cross-section of organizations using Dun & Bradstreet’s database of Australian businesses and may not fully represent the Australian business mix. The effective response rate of 7.2 per cent appears to be low, even though it is comparable with other research in the CSR area. There may have been some self-selection by the respondents, although there were no statistically significant differences identified in the corporate characteristics of those invited to participate and those responding with usable questionnaires.

Practical implications – Managers can adopt a stakeholder-influenced CSR strategy to generate strong corporate reputation to improve business performance. It is important to ensure that the interests of “employees” and “public” stakeholders are addressed within organizational strategy. Respondents were less concerned about government stakeholders and thus government involvement in organizational CSR may need to be revisited.

Social implications – The major concern that emerges from these findings is the absence of the perceived importance of regulatory stakeholders on firms’ CSR activities. Regulatory controls of CSR messages could reduce or eliminate inaccurate and misleading information to the public.

Originality/value – The analysis explains the perceived relative influence of stakeholders on CSR decisions. It also provides an understanding of the link between organizational CSR reputation and organization’s performance.
Keywords Corporate social responsibility, Stakeholders, Business performance, Profit, Market share

Paper type Research paper

Introduction

Corporate social responsibility (CSR) is the voluntary actions taken by firms to benefit social and environmental causes and communicated to the organization’s key stakeholders. CSR activities have been found to influence corporate reputation which, in turn, has been found to increase business performance (Ackerman, 1975; Baron, 2001; Garriga and Mele, 2004; McGuire et al., 1988; Menon and Menon, 1997; Siegel and Vitaliano, 2007; Turker, 2009; Weaver et al., 1999). Firms’ adopt CSR to allow them to be perceived as being “socially responsible”, gaining customer and other stakeholder support (Golob and Bartlett, 2007).

However, for any strategic activities to be effective, managers must assess stakeholders’ interests to identify what factors are important to them (Berman et al., 1999). Stakeholder orientation requires that firms actively monitor and engage with their stakeholder environment, which has been likened to expanding on the traditional marketing orientation approach (Ferrell et al., 2010). Evaluating the role of environmental forces has long been identified as important to strategy development (Hambrick, 1982). Firms that are more effective in understanding these forces are better able to develop strategy and, thus, improve organizational performance (Beal, 2000).

Research has suggested that managers are also considering how stakeholders view their actions when developing activities that have a societal influence (Miles et al., 2006; Zink, 2005), which may be influenced by a range of individuals or institutional factors (González-Benito and González-Benito, 2010). However, there are many instances where organizations have incorrectly assessed stakeholder’s interests. For example, Shell revised its decisions in regard to the sinking of the Brent Spar oil rig and chose instead to dismantle it, directly in response to the criticism of the global community, a key stakeholder for Shell (Wheeler et al., 2002; Zyglidopoulos, 2002).

The effectiveness of managerial actions is, therefore, dependent on how well managers understand stakeholders’ interests and influence and how appropriately they respond to them (Miles et al., 2006; Wing-Hung Lo et al., 2010). As a result, prior to designing and implementing strategy, managers should undertake a variety of marketing research and environmental scanning activities to understand the views of their stakeholders whom they believe are important (Berman et al., 1999).

Understanding the approaches used to monitor stakeholders such as stakeholder orientation, or environmental scanning is important for understanding the wider business environment in which strategic CSR decisions are made. Within this paper, we do not assess the process of how managers collect stakeholder information, but rather the degree to which managers’ perceptions of stakeholders’ influence affect their CSR decision-making and, in turn, its impact on corporate reputation and through this, how it impacts on the firm’s performance. We then provide some recommendations on the importance of managers understanding and assessing the key stakeholders’ attitudes, sentiments and expectations and addressing the business case for CSR. The paper also refers to how government activities and initiatives may be used to assist in encouraging organizations to be socially responsible.

The objectives of this study are:
• to identify the extent to which key stakeholders’ influence managers CSR decision-making;
• to seek evidence of an association between the CSR measure and corporate reputation; and
• to identify if there is an association between corporate reputation and business performance.

The study begins by discussing CSR, its influence on corporate reputation, and in turn its influence on firm performance. In particular, it is argued that when CSR actions are communicated to stakeholders, there is the likelihood that such activities influence corporate image and reputation. Consequently, such activities need to be considered as an element of marketing communication and, so, be free from potentially deceptive information. The suggestion is that existing marketing communication control mechanisms need to be applied to the communication of CSR activities, even though such activities are voluntary in nature. We then outline the key stakeholders and discuss the components of the proposed model, which has been developed to examine the proposed associations. The associations include identification of the stakeholders’ perceived influence on management’s decisions, assessment of whether CSR activities influence organizational reputation and, in turn, the impact of reputation on organizational performance. The business performance measures are then explained. These are based on managers’ subjective assessments of changes in performance by the respondents, rather than objective assessment of performance.

**CSR and its impact on corporate reputation and firm’s performance**

There is a growing interest in the theoretical development and practical aspects of CSR. Dahlsrud (2008) has reviewed 37 definitions of CSR, most of which he suggests are generally similar in focus. In this study, we define CSR activities as voluntary actions undertaken by organizations extending beyond their legal obligations, providing benefits to the environment and to society (Andreasen, 1994; Turker, 2009; Werther and Chandler, 2006).

CSR has become a popular corporate practice, as well as being important for stakeholders when assessing corporate activities (Perrini and Minoja, 2008). Motivation for the growing academic interest is, at least partly, the result of recent global corporate problems arising from unethical corporate behavior. The global consequence of unethical conduct has resulted in a general loss of consumers’ trust and confidence in business practices (Minor and Morgan, 2011).

In many cases, therefore, the application of CSR initiatives may be characterized as a marketing activity, especially if the activity is designed to influence stakeholders’ perception of the firm. In looking at CSR as a marketing initiative, such activities would be subject to legal frameworks that regulate the veracity of marketing activities, such as the Federal Trade Commission in the USA, and the Consumer and Competition Commission in Australia (Golob and Bartlett, 2007). These governmental frameworks already regulate the promotion of CSR-related activities such as green marketing claims (Kangun and Polonsky, 1995). There are also other international frameworks that have an impact on CSR-related activities, such as the International Organisation for Standardization (ISO) social accountability standards (Miles and Munilla, 2004).

CSR can also be characterized as strategic choices that are incorporated into a firm’s business strategy and linked to its brand personality. For CSR to be effective, it has to affect societal outcomes as well as be expressed through corporate communications, with the intention of informing and
influencing the firm’s internal and external key stakeholders in such a way that it is seen as value adding (Miles et al., 2006; Neville et al., 2005). Such organization-wide action (Golob and Bartlett, 2007) is intended to promote CSR-related claims that are often designed to influence corporate positioning and reputation. The reputation of an organization reflects their stakeholders’ perception of the organizational personality. This perception is formed over time based on consumers’ experiences with the company, influences from other stakeholders and corporate communications. As such, both CSR-related claims and corporate reputation are central to a firm’s strategic direction (Du et al. (2010)).

Given that CSR is becoming a prerequisite for organizations to operate (Minor and Morgan, 2011), this study builds on the theoretical perspective that a firm’s adoption of CSR is a strategic decision, aimed at achieving specific business performance objectives rather than being pursued for purely philanthropic purposes (Garriga and Mele, 2004). Thus, managers need to consider all their legal, ethical and discretionary responsibilities (Burton and Goldsby, 2007), as well as how their actions will affect all stakeholders.

Notably, the positioning of CSR as an ethical and moral responsibility of business decision-makers could potentially be misplaced if, as some argue, CSR activities generate additional costs without contributing additional profits. The dilemma of additional costs contradicts the fundamental tenet of agency, where managers should be the generators of wealth for the firm’s owners while operating within the legal framework (Freeman and Hasnouii, 2010; Galan, 2006; Tsoutsoura, 2004). This raises the issue, in regard to CSR, of which issues a firm wishes to pursue (Polonsky and Jevons, 2009).

CSR activities need to be considered from a moral and ethical basis, assuming that firms self-regulate their CSR behavior and their communication of those activities. However, they rely on individual managers whose personality characteristics (i.e. attitudes, upbringing, cultural background and religious orientation) can influence the outcomes (Carroll and Shabana, 2010), resulting in variations in practice, often within the same organization. The recent ethical breaches provide evidence of the ineffectiveness of a self-regulation approach to corporate behavior. The ineffectiveness of self-regulation has prompted a debate on stronger governmental regulation to protect the economy, businesses and consumers, from inappropriate behavior (Kemper and Martin, 2010). In addition, the growing importance to consumers of social issues such as the environment has resulted in businesses actively adopting CSR activities that are designed to resonate with both the brand and the firms’ consumers (Bigné et al., 2012), thereby improving consumers’ perceptions of the firm (Ben Brik et al., 2011).

Targeting of consumers’ perceptions through improvements of firm’s corporate reputation might suggest that CSR is a strategic philanthropy tool and is more about corporate profits than social responsibility (Carroll and Shabana, 2010) whereby “doing good” is undertaken in a way that achieves the most corporate benefit rather than focusing on societal benefit. As a result, such CSR activities would be a reactive tactical tool rather than a proactive strategic and positioning approach (Faulkner et al., 2005). Given that firms’ CSR strategies should be driven by both business and societal objectives, it is critical that they involve managers who assess and react to the sentiments of organizational stakeholders that most strongly influence their business activities (Albareda et al., 2008; Minor and Morgan, 2011; Moon, 2004). Although, as has been mentioned earlier, these strategies also assume that managers effectively assess stakeholders’ interests (Berman et al., 1999; Wing-Hung et al., 2010).
The organization’s identity in the minds of the corporate stakeholders can be considered its reputation or corporate identity. As such, firms societal activities play a critical role in shaping how stakeholder’s assess organization’s reputation (Lii and Lee, 2012) and this in turn impacts on corporate performance (Lai et al., 2010). Corporate reputation has been referred to as a collective judgment of a corporation over time (Barnett et al., 2006). Reputation influences how stakeholders assess the corporation and it enables consumers to make comparisons with other organizations. The firm’s corporate reputation also creates expectations in regard to actions aligning with its reputation. Research has indicated that there is an association between corporate reputation and business performance, in other words, the more positive the reputation, the higher the performance (Fombrun and Shanley, 1990; Lai et al., 2010; Neville et al., 2005). Given CSR activities affect corporate reputation (Bertels and Peloza, 2008; Lai et al., 2010), it is important to investigate whether or not improved corporate reputation through stakeholder engagement increases business performance.

Key stakeholders

Stakeholder theory asserts that managers need to consider the values, sentiments and expectations of their key stakeholders, where a stakeholder is any individual or group that has a “stake” in the firm and “can affect or be affected by the achievement of an organization’s objectives” (Freeman and McVea, 2001, p. 4), either as a claimant or influencer (Fassin, 2008). Managers design strategy and corporate actions, including CSR actions, to address or respond to what the managers believe are their key stakeholders’ expectations (Clarkson, 1995; Dawkins and Lewis, 2003; Donaldson and Preston, 1995; Maignan et al., 2005; Wing-Hung Lo et al., 2010). Researchers have identified that any firm can focus on meeting stakeholders’ expectations (i.e. being stakeholder-oriented) and that such strategy potentially enhances business performance (Bhattacharya and Korschun, 2008; Bosse et al., 2008; Ferrell et al., 2010; Phillips et al., 2010; Rivera-Camino, 2007).

Research has classified stakeholders in a number of ways (Clarkson, 1995). In this study, de Chernatony and Harris’s (2000) approach for classifying stakeholders as internal or external has been used. Internal stakeholders include managers, shareholders, company employees and labor unions. External stakeholders comprise the general public (i.e. the community and local residents), media and the government. The following sub-sections briefly describe key internal and external stakeholders, and their influence on CSR activities.

Internal stakeholders

Internal stakeholders are those groups who directly participate in the operation of the business (Aaltonen, 2011). They comprise managers, employees and labor unions.

Employees and managers

Internal (primary) stakeholders are perhaps the most influential groups in a business enterprise (Masden and Ulhøi, 2001; Rupp et al., 2006). They directly participate in the formation, design, structure and conduct of a business. The managers’ and employees’ levels of motivation, loyalty and organizational support are crucial if stated goals are to be achieved. Employees’ attitudes toward the organization may also influence the external stakeholders’ perceptions about the firm (de
Chernatony and Harris, 2000). Employees and managers participate in the development and implementation of corporate strategies, including those related to CSR activities, as well as reflecting, representing and supporting activities related to societal norms (sentiments and preferences). Employees generally like working for companies that are ethical, both in terms of the way they treat their employees and the way they engage with the broader society (Coldwell et al., 2008; Stevens, 2008; Valentine and Fleischman, 2008). As such, employees are important in a firm’s success and influence corporate decision-making (Spitzeck and Hansen, 2010). Therefore, employees’ attitudes and support of corporate actions would be of critical interest to the management. This requires that managers investigate their employees’ attitudes and sentiments about the CSR activities of the company. This can be done through consultation and communication, allowing the employees to express themselves and react to the current organizational activities (Roeck and Delobbe, 2012).

Unions
Unions are an aggregation of employees who seek to protect employee interests and the working conditions of employees (Darnall et al., 2009). Unions have varying importance to organizations depending on their ability to influence organizational actions (Savage et al., 1991). In some countries, unions have broader social agendas, which move beyond working conditions. Unions, therefore, have the potential to assist organizations in their business objectives, as well as influence businesses’ broader social interests, including organizations’ CSR activities (Gjølberg, 2011).

External stakeholders
External stakeholders are individuals or groups outside the company that can affect or be affected by an organization’s activities (Fassin, 2008). These stakeholders can influence the firm’s decision-making by applying direct and indirect pressure. External stakeholders’ acceptance of firms’ socially responsible positioning is important to gain their support (Minor and Morgan, 2011). An organization can formulate and manage external stakeholders’ perceptions of a firm through direct corporate actions and communication (Randel et al., 2009).

Public stakeholders
Public stakeholders include two groups: the local residents and the community in general. As will be discussed in the components explanation of the model (Figure 1), these two groups have been combined because of the high correlation between them. This stakeholder group incorporates consumers and social support groups for the company, who are critical in the effective operation of the organization. For example, in the case of Shell, they changed their strategic decision because the wider community protested over their proposed actions in regards to the disposal of the Brent Spar oil rig (Wheeler et al., 2002; Zyglidopoulos, 2002). In other instances, the community acting as consumers has chosen to boycott firms because of their unethical behavior, which represents a lack of CSR activities (Klein et al., 2004). Finally, local residents may support or oppose corporate activities that are vital to organizational success. For example, activities such as hosting and sponsoring community events, engaging in local community activities or donating money to community organizations like local schools, libraries, hospitals, cultural organizations and charities can initiate local resident support and cooperation (Cho, and Kim, 2012). A positive CSR reputation
may generate goodwill, respect and support of these public stakeholders. Such support is crucial for the long-term success and prosperity of the organization (Foote et al., 2010).

![CSR Model](image)

**Figure 1: CSR Model**

**Local residents.** The local residents are those people living in the community surrounding an organization. Corporate activities often have direct impacts (positive and negative) on the local community, for example, increased local traffic and congestion (Zukin et al., 2009). The local community may be important in providing resources, such as a pool of employees and customers for the firm (depending on the type of business). However, in some cases, there may be both positive and negative impacts on stakeholders from the same set of corporate activities; for example, increased local traffic may mean more people shopping in the local community. Corporations can also benefit local residents by providing amenities to support their local community. For example, community benefits occurred in the early industrial revolution (i.e. factory towns) where the firm provided essential services and improved infrastructure (Buultjens et al., 2010; Werner, 2009).

Issues negatively affecting local residents often result in residents voicing their dissatisfaction by directly complaining to the company, or indirectly by raising issues through the media (Takala, 1998). The indirect approach expands the local stakeholders’ sphere of influence and may result in changes in the views of the wider community. For example, many mining companies in developing countries need to consider local community interests when seeking to develop new mining leases. Failure to gain local community support can preclude commercial development (Imbun, 2007). Thus, local residents may indirectly influence the attitudes of other critical stakeholders, such as the government (Polonsky and Scott, 2005). A positive pro-social reputation may protect the firm from negative impacts associated with ethical breaches (Cho and Kim, 2012), i.e. publics give such firms the benefit of the doubt because of their positive reputation.
Community in general. Community groups include the population at large, consumers and special interest groups. Their perceptions of a company reflect the firm’s status and reputation (Neville et al., 2005), as well as how the firm is positioned in respect to other organizations. Community groups’ perceptions are formed through long-term corporate communications, their experience with the firm and its products, as well as their perceptions of an organization’s societal impacts (Hoeffler et al., 2010). The community plays many roles including as consumers, where consumers have a direct impact on corporate action. For example, consumers can boycott firms because of their unethical behavior, as this represents a lack of socially responsible activities (Klein et al., 2004). Perceived inappropriate corporate actions can have long-term consequences, affecting both corporate reputation and firm performance. For example, Nestlé is still being punished by some consumers over its activities in regards to the questionable promoting of infant formula in developing countries two decades earlier (Boyd, 2012). Of course, community groups also have the ability to indirectly influence others through the media as well. As was identified earlier, Shell changed their decision to sink the Brent Spar oil rig because of global community protests (Wheeler et al., 2002; Zyglidopoulos, 2002).

Media
The role of the media is to inform the wider community about issues of public interest. A neutral and unbiased media can, however, also shape public opinion (Bodemer et al., 2012; Haddock-Fraser, 2012). The media are indirect external stakeholders operating independently of the organization. The media is an essential facilitator of communication between the firm and its stakeholders (Deephouse and Heugend, 2009). The media’s support for a firm can be gained through maintaining ongoing contacts and providing newsworthy information. However, firms cannot control the media, thus support will be variable. The media, therefore, have the power to shape other stakeholders’ perceptions about an organization’s activities (Baum and Potter, 2008).

Government – regulatory stakeholders
Legal entities, such as companies, are formed for a specific purpose and are allowed to operate within the legal framework of specified jurisdiction(s), with interactions regulated by government. To maintain their operations, companies must behave in a legally and socially acceptable fashion. A key area of legal concern in regard to corporate conduct relates to strategies and activities associated with accurately communicating with their stakeholders (Kerr et al., 2008). Claiming to be socially responsible is, increasingly, being used as a marketing claim (Hoeffler et al., 2010), and the accuracy of these claims needs to be regulated to ensure consumers are not intentionally or unintentionally misled.

Governments are also involved with corporate social activities as part of their governing function and have a range of tools for facilitating the collaboration between themselves, businesses and the civil society (Moon, 2004; Albareda et al., 2008). Therefore, governments at all levels, potentially, have substantial influence on management’s decision-making and corporate behavior, directly and indirectly, through shaping the wider legal and regulatory framework within which managers’ work. For example, how tax incentives are offered may encourage firms to undertake a range of socially focused activities.
Corporate reputation

Corporate actions related to socially responsible activities (and irresponsible actions) have the ability to influence the reputation and performance of a company (Boyd et al., 2010; Lai et al., 2010; Lii and Lee, 2012). Reputation helps shape consumer attitudes and perceptions about a company (Fombrun and Shanley, 1990), with positive perceptions motivating consumer purchase and developing positive brand associations (Neville et al., 2005).

The inclusion of “corporate reputation” as an intervening variable between CSR measure and organizational performance indicators is a recognition that some consumer purchases are influenced by the firm’s reputation (Du et al., 2010; Lai et al., 2010; Lii and Lee, 2012). This is increasingly recognized by firms that strategically use CSR to alter their positioning in the market. The purpose of using “corporate reputation” as an intervening variable is to determine the extent to which organizational reputation may be attributed to CSR and to what extent it is associated with organizational performance (market share) (Peloza and Shang, 2011; Spitzeck and Hansen, 2010).

Several definitions have been provided for corporate reputation (Fombrun and Shanley, 1990; Weiss et al., 1999). Fombrun (1996, p. 72) defined reputation as “a perceptual representation of a company’s past actions and future prospects that describes the firm’s overall appeal of its key constituents when compared with other leading rivals”. Corporate reputation can, therefore, be characterized as the stakeholders’ evaluation of a company on key performance dimensions. This definition proposes that a reputation is the synthesis of stakeholders’ perceptions and creates a persona that can be formulated, implemented and managed (Neville et al., 2005).

In this study, corporate reputation is regarded as managers’ perceptions of how well the organization meets the needs of its stakeholders, which is consistent with the definition offered by Wartick (1992, p. 34) as “the aggregation of a single stakeholder’s perception of how well organizational responses are meeting the demand and expectations of many organizational stakeholders”. A managerial-focused definition of reputation is possibly more realistic and functional because it considers a holistic viewpoint of one stakeholder group in regard to how the firm interacts with its other stakeholders. Relying on senior management perspectives is also appropriate, as managers engage with all the organization’s stakeholders through a variety of formal and informal exchanges, as well as shaping strategies that are based on the managers’ assessments of stakeholders’ importance (Ferrell et al., 2010). It may be argued that as each stakeholder has varying corporate expectations and attitudes, their interpretations and perceptions of a company’s activities would differ. Therefore, aggregating the perceptions of all key stakeholders may result in an inaccurate measure of corporate reputation, which is not reflective of any individual stakeholder group (Polonsky and Scott, 2005).

The impact of CSR activities on corporate reputation is measured by managers’ perceptions of how an organization is being perceived across a set of stakeholders in general, rather than by each specific stakeholder, which is often done when assessing strategy-related issues (Maignan et al., 2011). This managerial perspective identifies the dimensions and attributes of corporate self-perception, reflecting what the management believes stakeholders consider as realistic, meaningful and long-lasting.
**Business performance**

The impact of CSR activities on corporate reputation leads to business performance (Berman et al., 1999; Lai et al., 2010). Business performance is a complicated concept to assess, given the various ways it can be measured and the factors that can influence it (Clark et al., 2006; de Waal, 2002). Performance may be considered, generally, as the corporate results achieved, or a change in results through the implementation of targeted strategies (de Waal, 2002). Business performance may also be viewed as the degree to which an organization has achieved its own set of defined objectives (Dieckman, 2001). Business performance can also be assessed in relation to industry norms, the historical firm performance or the established objectives and expectations of the organization (Herremans and Ryans, 1995; Homburg et al., 1999). An organization’s defined objectives and expectations could include different measures, such as the level of customer satisfaction, profitability, market share, sales value and sales volume (Gustafsson and Johnson, 2002), just to mention a few. In this study, business performance is considered as a subjective assessment by managers of the change in market share and change in profitability, rather than an absolute measure of performance. This approach is appropriate, as managers have been found to be effective in making subjective assessments of changes in corporate performance (Harris, 2001; Narver and Slater, 1990; Slater and Narver, 1996).

From the above review of the literature surrounding CSR, and the roles and responsibility of the relevant stakeholders influencing the conduct of a business, the following research questions emerge:

- **RQ1.** Can CSR as a strategic focus be represented as a latent variable formed by managers’ perceptions of their stakeholders’ influences on corporate decision-making?
- **RQ2.** Is there an association between the levels of CSR focus and organizational reputation?
- **RQ3.** Is there an association between organizational reputation and the business performance indicators of: (a) change in market share; and (b) change in overall profitability performance?

To address the above research questions, a model (see Figure 1) is proposed which suggests that various stakeholders contribute to corporate CSR, the reputation of the organization and business performance.

**Model components**

The model of CSR (Figure 1) is constructed such that there are multiple stakeholder influences occurring simultaneously. The constituent factors in the model are designed to represent a multifaceted structure of stakeholders’ influences which shape management’s decision-making.

The model indicates that these factors, potentially, interact and create a synergistic outcome that determines the relative strength of the organization’s CSR and, in turn, reputation, and through this, the firm’s performance. CSR is measured as the overall influence of key stakeholders directly relevant to an organization, as discussed previously.

Within the model, the “community in general” and “local residents” groups have been integrated into one “public” stakeholder group. The data on the influence of these two groups were collected separately; however, the variables of the two groups were highly correlated (76.6) and, therefore, were integrated to avoid repetition while maintaining their representation in the model (Figure 1).
Corporate reputation is included in the model as an intervening variable between CSR and business performance (Neville et al., 2005). This is done because of the focal role of corporate reputation in performance and marketing outcomes (Lai et al., 2010; Tsoutsoura, 2004). Reputation is designed to measure the association between corporate reputation and business performance indicators (change in market share and profitability).

The market share measure is assessed based on respondents’ perceived change in the share of the market by the strategic business unit in comparison to the previous year, and is not intended to be product or market-specific. It reflects the managers’ perception of the extent of the overall change in the organization’s market share, that is, the firm’s strength in their target market (Hooley et al., 2005). “Profit” is also measured based on respondents’ perception of the change in profits from the previous year. Thus, the performance measures used in the study reflect the perceived effectiveness of CSR, as well as the ability of the organization to respond to environmental change (Homburg et al., 1999).

The inclusion of these two performance measures enables a comparison between:

1. a measure that, predominantly, reflects the influence of marketing decisions, that is, changes in market share; and
2. changes in the profit of the organization, representing the results of the entire organization’s activities, which is also important, as stakeholders have different interests in corporate activities (Polonsky and Scott, 2005).

Including multiple outcome measures allows a comparison between the marketing and non-marketing indicators in regard to the benefits of CSR.

The key assumptions in the construction of this model are that:

- the reputation of an organization influences its level of success in achieving its business performance objectives (Boy et al., 2010);
- CSR strategy may contribute to a positive corporate reputation (Bertels and Peloza, 2008); and
- CSR strategy can influence business performance through corporate reputation (Ben Brik et al., 2011).

**Method**

A mail survey was designed and conducted to investigate the research questions and test the proposed model of CSR. The questionnaire was developed based on the CSR literature and the stakeholder theory (Agle et al., 1999; Turker, 2009). The items assessing senior managers’ perceptions of corporate reputation (Caruna, 1997; Caruna and Chircop, 2000; Helm, 2005), and performance (Hooley et al., 2005) were adopted from existing studies.

The research instrument was modified through a two-stage pre-test process. The first stage included review by six senior managers to verify the relevance of the items included and recommend items that required changes. Minor changes were suggested and made to the wording and sequence of some items, where considered appropriate, and the modified version of the instrument was re-tested using a different panel of six senior marketing managers (Wren, 1997).
The sample frame for the survey was Dun & Bradstreet’s Australian business database. The sample selection was based on manufacturing organizations with minimum $10 million p.a. reported sales and a minimum of 100 employees. These selection criteria were used to ensure that the senior managers worked at organizations that were sufficiently large enough to engage with CSR across the full set of stakeholders identified in the model. A sample of 2,932 organizations were randomly selected and sent the survey.

A total of 2,932 questionnaires were posted to the chief executive officer (CEO) of the targeted organizations, and a follow-up reminder card was sent two weeks after the initial mailing. Anonymity of respondents was guaranteed, as no traceable identification was requested in the questionnaire. In total, 196 usable questionnaires were received, with 242 returned to sender. Thus, the usable response rate, 7.2 per cent, was calculated on the net mail-out (i.e. 196/[2,932-242]).

While the response rate is low in absolute terms, it is consistent with other recent research investigating senior managers’ views of strategy issues (Kang et al., 2012; de Abreu et al., 2012) For example, Galbreath and Shum (2012) reported a response rate of 10 per cent, and Graafland et al. (2003) reported a 5 per cent response rate. While a low response rate could imply a possible representativeness issue, the characteristics of the respondents’ organizations were found to be consistent with those of the initial targeted population (i.e. the 2,932 to whom the survey was originally distributed), in terms of firm size, number of employees and reported revenue. No significant differences were found, suggesting that non-response bias is not an issue, as the completed questionnaires adequately represent the overall population (Sax et al., 2003).

In examining the demographic characteristics of the respondents, it was identified that 50 per cent of the respondents were CEOs and another 44 per cent were senior managers. The respondents were all key informants responsible for shaping organizational strategy in regard to CSR and engaging with stakeholders.

The data were initially analyzed using both descriptive measures and exploratory factor analysis. The first stage of the analysis was to test constructs for internal consistency-reliability (Cronbach’s alpha) and predictive validity. As can be seen in Tables I-III, all items had appropriate loadings of above 0.4, and the Cronbach’s alphas for each of the constructs were greater than 0.7, which is the suggested cut-off for reliable scales (Hair et al., 2010). The composite reliability for each scale was greater than 0.83, and the average variance extracted for each construct was greater than 0.51.

The correlation matrix (Table IV) supported the predictive validity of the factors contributing to the CSR variables separately, as indicated by the strong and moderate correlations between key variables (i.e. below 0.60), which is the cut-off necessary for indicating discriminant validity (Chow and Chen, 2012; Hair et al., 2010). Table IV also reports on the composite scale mean and standard deviation of the variables used in the model.

Structural equation modeling (SEM) was then used to evaluate the latent variables, which were calculated using single factor loadings representing the observed variables contributing to them (Deng and Dart, 1994). SEM was then used to assess the structural model, that is, how well the data fitted the proposed model depicted in Figure 1, thereby allowing the researchers to examine relationships proposed in the research questions. (The results of the SEM analysis on the structural model are discussed below.)
Results and discussion

Prior to examining the research questions, we first undertook Harman’s one-factor test to identify whether common method variance (CMV) bias existed (Podsakoff et al., 2003). CMV is “systematic error variance shared among variables measured with and introduced as a function of the same method and/or source” (Richardson et al., 2009, p. 763), that is, all the data are sourced from one respondent. The test identifies that using a one-factor solution (i.e. assuming all the items load on one factor) explains 21.7 per cent of the variance, which is below the cut-off of 0.50, suggesting CMV is not an issue and that respondents do not provide responses to maintain consistency across items (Podsakoff et al., 2003). It should be noted that a review of the research has found that even when CMV does exist, the bias is not sufficient to significantly change results (Doty and Glick, 1998).

In looking at the overall results, Table V provides the estimates of the structural model testing relationships with Figure 1. The overall model fit statistics: $\chi^2 = 19.4; df = 21; p = 0.56$; minimum discrepancy function (CMIN)/df = 0.92; root mean square residual (RMR) = 0.04; goodness of fit index (GFI) = 0.98; adjusted goodness of fit index (AGFI) = 0.96; comparative fit index (CFI) = 1.0; Tucker-Lewis index (TLI) = 1.0, root mean square of approximation (RMSEA) = 0.00, indicated adequate fit of the model to the data (Hair et al., 2010). The model estimates indicate that the predictors of CSR account for 72 per cent of its variance (see Table II), therefore, the construct adequately represents its intended domain. It has internal consistency of 0.89, composite reliability of 0.83 and average variance explained (AVE) of 9.72 (Table II). As a result, the answer to RQ1 is positive, that is, CSR can be represented as a latent variable formed by management’s perception of the stakeholders’ influences on their decision-making.

The analysis discussed below allows us to examine the three objectives of this study:

1. to identify the key stakeholders that influence managers CSR decision-making;
2. to seek evidence of association between the CSR measure and corporate reputation; and
3. to find evidence of association between corporate reputation and business performance.

In assessing the first objective, we can see from Table V that only two of the five stakeholder groups were identified as being perceived to be important in regards to CSR (i.e. defined as senior managers’ perceptions of which stakeholders were important). That is, managers only believed employees (0.59; p < 0.05) and the public stakeholders (0.63; p < 0.01) significantly contributed to firms’ CSR action, but unions (-0.11 > 0.05), the media (0.11 > 0.05) and government (-0.09 > 0.05) were deemed to not significantly contributed to firms’ CSR action. Thus, managers believe that employees and public stakeholders are directly involved in the organizational activities and seem to
be salient to CSR positioning. This result supports the literature (Mandhachitara and Poolthong, 2011) in which companies react favorably to consumers’ sentiments (i.e. general public) on the assumption that they may shift their support to alternative suppliers and products if corporations demonstrate social irresponsibility. The public stakeholders’ forming and holding a positive CSR image (reputation) of the company can positively influence the demand for the company’s products and the positive change in their market share. The positive attitudes and sentiments of the employees may result in them being motivated to perform better. Satisfied and motivated employees may also provide the best and believable positive word-of-mouth for the company and, thus, would better establish the firm’s positive CSR reputation (Cho and Kim, 2012). The implications of these results are further discussed in more detail within the implications section of the paper.

<table>
<thead>
<tr>
<th>Table II</th>
<th>Exploratory factor analysis: CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct</td>
<td>Loading</td>
</tr>
<tr>
<td>Corporate social responsibility (α = 0.89, CR = 0.83, AVE = 0.72)</td>
<td></td>
</tr>
<tr>
<td>Regulatory stakeholders (α = 0.79, CR = 0.80, AVE = 0.51)</td>
<td></td>
</tr>
<tr>
<td>Have influence and power over our corporate decisions</td>
<td>0.83</td>
</tr>
<tr>
<td>Have power to enforce their claims to our firm</td>
<td>0.81</td>
</tr>
<tr>
<td>Have been active in pursuing claims-demands or desires which they felt were important</td>
<td>0.68</td>
</tr>
<tr>
<td>Are usually viewed by our management team as being legitimate</td>
<td>0.51</td>
</tr>
<tr>
<td>Employee stakeholders (α = 0.82, CR = 0.86, AVE = 0.57)</td>
<td></td>
</tr>
<tr>
<td>Have influence and power over our corporate decisions</td>
<td>0.42</td>
</tr>
<tr>
<td>Are viewed by management team as being proper and/or appropriate</td>
<td>0.71</td>
</tr>
<tr>
<td>Usually receive high priority from our management team</td>
<td>0.90</td>
</tr>
<tr>
<td>Usually receive a high degree of time and attention from our management team</td>
<td>0.85</td>
</tr>
<tr>
<td>Satisfying their claims has been important to our management team</td>
<td>0.81</td>
</tr>
<tr>
<td>Public (α = 0.93, CR = 0.75, AVE = 0.73)</td>
<td></td>
</tr>
<tr>
<td>Community stakeholders (α = 0.82, CR = 0.84, AVE = 0.59)</td>
<td></td>
</tr>
<tr>
<td>Have exhibited urgency in their relationship with our firm</td>
<td>0.86</td>
</tr>
<tr>
<td>Have been active in pursuing claims-demands or desires which they felt were important</td>
<td>0.90</td>
</tr>
<tr>
<td>Usually urgently communicate their claims to our firm</td>
<td>0.62</td>
</tr>
<tr>
<td>Are usually viewed by our management team as being legitimate</td>
<td>0.39</td>
</tr>
<tr>
<td>Local resident stakeholders (α = 0.93, CR = 0.93, AVE = 0.76)</td>
<td></td>
</tr>
<tr>
<td>Have the power to enforce their claims to our firm</td>
<td>0.74</td>
</tr>
<tr>
<td>Have exhibited urgency in their relationship with our firm</td>
<td>0.91</td>
</tr>
<tr>
<td>Have been active in pursuing claims demands or desires which they felt were important</td>
<td>0.95</td>
</tr>
<tr>
<td>Usually urgently communicate their claims to our firm</td>
<td>0.88</td>
</tr>
<tr>
<td>Media stakeholders (α = 0.92, CR = 0.91, AVE = 0.72)</td>
<td></td>
</tr>
<tr>
<td>Are usually viewed as being proper and/or appropriate</td>
<td>0.74</td>
</tr>
<tr>
<td>Usually receive higher priority from our management team</td>
<td>0.84</td>
</tr>
<tr>
<td>Usually receive a high degree of time and attention from our management team</td>
<td>0.91</td>
</tr>
<tr>
<td>Have different marketing plans for different market segments</td>
<td>0.90</td>
</tr>
<tr>
<td>Union stakeholders (α = 0.92, CR = 0.92, AVE = 0.75)</td>
<td></td>
</tr>
<tr>
<td>Have influence and power over our corporate decisions</td>
<td>0.71</td>
</tr>
<tr>
<td>Usually receive high priority from our management team</td>
<td>0.91</td>
</tr>
<tr>
<td>Usually receive a high degree of time and attention from our management team</td>
<td>0.93</td>
</tr>
<tr>
<td>Satisfying their claims is important to our management team</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Notes: α = Cronbach’s alpha; CR = composite reliability; AVE = average variance extracted
The association between CSR measure and corporate reputation (i.e. the second objective) is found to exit. That is when looking at Figure 1 and Table V, it can be seen that there is a positive association between the CSR construct and organizational reputation (0.53, p < 0.01). This finding is consistent with past research (Bertels and Peloza, 2008; Du et al., 2010). Managers believe that organizational CSR activities are directly experienced by the employees of the company. This might occur because employees can verify and attest to the truthfulness of the time and funds spent by the company to conduct business in a way that the safety of the environment and the assistance given to the social issues are the focus of the management (Bertels and Peloza, 2008). In the case of public stakeholders (local residents and the community), it may be that managers perceive these stakeholders recognize and experience the organizational reputation through their direct contact with the firm and its products, the information they receive from the media, the company’s public relations/publicity activities and the firm’s marketing communication campaigns. This positive CSR reputation, when established over time can become a strong competitive advantage for the company (Minor and Morgan, 2011). The association between CSR and reputation was found to be positive (0.53 < 0.05).

The results in Table V can also be used to assess the third objective, in regards to whether organizational reputation is positively associated with performance. The results are however mixed, as there is a positive relationship between reputation and the change in market share (0.32; p < 0.05), but there is no direct association between reputation and change in profit. However, the
change in market share measure is positively associated with the change in profit (0.41; p < 0.01). As such, RQ3 is only partly supported.

The association appears to suggest that organizational reputation, as measured in the model, is more relevant to marketing initiatives, thus it is associated with the change in market share (total effect = 0.32; direct effect = 0.32; indirect effect = 0.000). This might occur because the general public was found to be influenced by reputation and as the “public” includes consumers, this is perceived to impact on market share. That is, the public’s support for the company’s CSR activities increases the demand for the company’s products. This compares with no association between reputation and profit (total effect = 0.16; direct effect = 0.026; indirect effect = 0.13). A possible explanation for the lack of a direct effect of reputation on profit may be that company profits result from all organizational activities in addition to marketing. The companies’ non-marketing functions such as finance and manufacturing are not usually publicized and, therefore, do not substantially contribute to the company’s reputation. Hence, profit does not associate with corporate reputation directly.

In summary, the results suggest that:

- Managers believe their organization can develop a positive reputation through its relationship with some of its stakeholder groups (employees and the public).
- These relationships influence corporate reputation.
- Increases in reputation directly improves market share, which then increases profits.
  However, the results also identify that other stakeholder groups (i.e. the media, unions, and government) do not have a significant association with CSR and therefore are not influential.

It is potentially concerning that those other key stakeholders, particularly government, did not affect managers’ perceptions of CSR. Possibly, the perception of the key informants is that regulatory stakeholders (in Australia) are not seen to have an active direct involvement or influence over corporate CSR activities and, therefore, exert limited or no perceived impact on management’s decision-making. It is also curious that managers did not perceive the media as influencing corporate CSR actions, especially given increased media exposure affecting firm outcomes (Gamerschlag et al., 2011; Wheeler et al., 2002; Zyglidopoulos, 2002; Zyglidopoulos et al., 2012). It may be that managers see the media as reflecting societal values (i.e. public stakeholders), not shaping public stakeholders’ views. The result that unions had an insignificant impact was also surprising, as these bodies reflect the collective voice of employees (Savage et al., 1991). The lack of union impact could possibly have occurred because firms rely on meeting the needs of their employees rather than the organizations representing them.

Implications for managerial practice
The research found that the latent variable CSR reflects management’s perception of the stakeholders’ influences on organizational decision-making. One can anticipate this would be the case, given that it is managers’ perceptions of stakeholder influence that contributes to the CSR construct. Thus, managers believe that they understand their key stakeholder’s (i.e. employees and the public) interest and consider those interests in their CSR-related decision-making. As these two key stakeholder groups include also the company’s consumers, the results imply, at the same time, that the managers are also sensitive to their customers’ preferences (Peloza and Shang, 2011). Further, this realization motivates the managers to actively seek, interpret and understand the preferences of those important stakeholders. It also follows that the managers would take direct
action to display and publicize their conformance in decision-making with the preferences of those stakeholder groups (Du et al., 2010).

While not integrated as part of this research, there is clearly a need to ensure that systemic activities are used to engage with stakeholders to ensure that their expectations are accurately understood (Miles et al., 2006). Thus, systematic programs of stakeholder engagement need to be integrated, as part of firms’ environmental scanning/monitoring developed to ensure that actions are based on accurate management perceptions. Unfortunately, such activities do not necessarily always ensure that corporate action appropriately assesses stakeholders’ interests (Zyglidopoulos, 2002).

When focusing on which stakeholders were seen to influence CSR, the most important were the employees and the public (local residents and community in general), with regulatory stakeholders, unions and media impact not being statistically significant. Thus, those stakeholders whom organizations directly engage with are perceived to be more important than indirect stakeholders.

Given that employees are directly involved with the organizational processes, and they contribute to, as well as benefit from, the success of the firm (Masden and Ulhoi, 2001). Employees should therefore be critical to developing and implementing CSR activities. The positive attitude of the employees may impact on their motivation to perform (Rupp et al., 2006), which may ultimately influence the quality of work they do, resulting in higher corporate performance. Of course, employees have other roles and may serve as ambassadors for the firm, spreading positive “word-of-mouth” to other stakeholders (de Chernatony and Harris, 2000). Employee support also assists with the retention of good staff (Stevens, 2008), and in fact, many employees are looking to work for companies with strong CSR images (Rodrigo and Arenas, 2008). As such, employee support will be more likely to be engendered when they are integrated into the CSR decision-making process or support the CSR issues being initiated by the company (Roeck and Delobbe, 2012).

The “public” stakeholder comprise two groups “local residents” and the “community”. The local residents directly experience the localized behavior and of corporate the activities. They benefit from the facilities provided such as better roads and access, opportunities for some employment and for social added values that may result from corporate operations (Zukin et al., 2009). They can negatively impact corporate activities, if there are undesirable corporate actions (Werner, 2009). As such, management needs to maintain effective communication with the local residents and with the wider community even though these groups are indirectly involved with a company’s CSR activities (Neville et al., 2005). Having a reputation as a strong local citizen should be promoted through public relations activities (Klein et al., 2004), which need to be aligned with marketing communications and consumers experiences with the firm (Hoeffler et al., 2010). The CSR reputation of a firm therefore needs to be strategically formulated and communicated ensuring evidence-based support for its credibility and longevity (Boyd et al., 2010).

It is surprising that governmental stakeholders were not seen by respondents to be important, as they shape the regulatory environment within which firms operate. However, it may be that at the time of the study, it was believed that the government was not proposing any changes in and/or controlling CSR activities, thus, organizations had already integrated the interests of those stakeholders into their decision-making. It is debatable whether government can, or should, influence CSR activities, as these are ideally voluntary corporate initiatives undertaken in response to society’s expectation of corporations to contribution to the societal good without the legal obligation to do so and without an expectation of financial rewards.
In looking at the relationship between CSR and corporate reputation, managers appear to believe their organizations can develop a positive reputation through their key stakeholder relationships. Thus, managers need to define the firm’s CSR activities and evaluate their effectiveness by communicating them to the various stakeholders, further highlighting the need to appropriately understand stakeholders’ interests (Miles et al., 2006). By linking CSR activities to enhanced corporate reputation, this research has shown that firms have become better positioned, thus managers could use CSR activity to improve their competitive advantage. In general, with regard to CSR, it is not only stakeholder expectations that are critical but also the CEO’s leadership in implementing CSR activities that influences the strategic direction of the firm (Waldman et al., 2004). As the reputation construct, as measured in the model, was more relevant to and directly results from marketing initiatives, thus associating it with market share, in a broader context, managers need to understand how to use CSR activities to improve their market opportunities. The deliberate development of the corporate CSR reputation requires a thorough investigation of the interests, sentiments and preferences of the key stakeholders, employees and the general public and incorporation of these interests into corporate CSR strategies and activities (Du et al., 2010; Lai et al., 2010).

Reputation was also found to have an impact on market share, but not directly impact profit. This might relate to the fact that managers perceived sales to drive profit (which explains the link between market share and profit) rather than there being a direct link between reputation and profitability. Additionally, when CSR is used as a component of marketing strategy intended to influence the image and the public positioning of the firm, it needs to be integrated with other components of the marketing initiatives. This perception may, to a degree, change the firm’s public persona and ultimately influence consumers’ purchase decision-making. The corporate reputation based on CSR activities, potentially, generates good feelings and a positive attitude for the employees and the public and may attract their support. Therefore, the association of CSR measure and change in market share is more strongly pronounced.

The impact of a firm’s CSR reputation on profit is indirect and reflects successful marketing initiatives, as represented by stronger support from the market for the company’s products. A company’s profit represents the outcome of the entire organization’s activities, not only the marketing function’s effectiveness, and the CSR link to profits is through market share variations rather than a direct impact on it.

**Implications for government**

The major concern that emerges from these findings is the absence of the perceived importance and influence of regulatory stakeholders on firms’ CSR activities. There are some researchers who have proposed that governments should enact laws or regulations requiring CSR actions (which would change CSR from voluntary to mandatory), although others consider strengthened regulatory approaches for facilitating CSR may be too heavy-handed and could dissuade companies from adopting effective CSR actions (Hepburn, 2010). A broader argument posits that there should be a focus on a more collaborative government and business approaches to addressing societal issues (European Commission, 2002). Such approaches would incorporate “softer intervention” (Joseph, 2003) designed to foster and facilitate corporate CSR, rather than having governments explicitly require corporate CSR action (European Commission, 2002; Fox et al., 2002).
Governments often see themselves as facilitating responsible business action as well as regulating the wider business environment. Therefore, they might be concerned that managers do not seem to view the government as an important stakeholder in this regard. There is, however, a role for oversight of the management of CSR activities, particularly communication (Kerr et al., 2008; Lacznik and Murphy, 2006; Kilbourne, 2004), as CSR messages can influence the public’s knowledge of social issues, as well as persuade specific types of consumption (Kilbourne and Carlson, 2008). This type of policy control already occurs in areas such as environmental claims, where regulations have existed for almost 20 years (Kangun and Polonsky, 1995). Developing such CSR guidelines and regulation would possibly contribute to more accurate public attitude formation which, potentially, may result in positive changes in behavior (Petrovic-Lazarevic and Lazarevic, 2009).

The results of this study suggest that adopting a CSR-focused business strategy would serve as a core intangible resource for improving corporate reputation and performance. However, like any other marketing-related activity, CSR strategy needs to be integrated with other organizational resources to support the CSR strategy (Ray et al., 2004; Teece et al., 1997). Thus, while CSR reporting is perceived to be voluntary, managers believe it is driven by market pressure rather than by government requirements.

**Future research**

While this study looked at organizational performance overall, that is, changes in market share and changes in profit, it may be that there are hygiene effects (i.e. minimum levels of action) that are needed to benefit corporate action. Different stakeholders may assess the issues differently, thus, future research also needs to examine how stakeholders form an assessment of corporate CSR activities. This research was undertaken in one country, Australia; future research, therefore, should also consider whether there are differences in relationships across countries, as stakeholders’ influence as well as issues of concern will vary (Ayuso et al., 2011; Sprengel and Busch, 2010).

The current research examined a cross-section of industries. There may, however, be industry differences, particularly in how CSR activities and actions are assessed. Future research should also look at specific industries, that is, those with a significant and those with a minimal societal impact. This research could also seek to merge stakeholders’ and managerial views, to examine how consistent or inconsistent approaches work to influence relationships. In addition, research using alternative strategies and processes for engaging with stakeholders when considering CSR issues would also be worthy of examination (Polonsky and Scott, 2005).

**Limitations**

There are some limitations that need to be acknowledged. As was identified, this study examined a cross-section of organizations using Dun & Bradstreet’s database of Australian businesses and may not fully represent the Australian business mix. The effective response rate of 7.2 per cent appears to be low, even though it is comparable with other research in the CSR area (Muller and Kolk, 2009). There may have been some self-selection by the respondents, although there were no statistically significant differences identified in the corporate characteristics of those invited to participate and those responding with usable questionnaires. The data for this study were collected using single respondents, which could introduce common method bias, although testing using Harmon’s single-factor method identified the bias was within acceptable parameters (Podsakoff et al., 2003). The
invitations were sent to the CEOs of companies to participate, as they are the key informants and have over-arching responsibilities within their firms; however, the respondent demographics identified that the survey was completed by other senior managers almost half of the time. Thus, the sample still represents the views of key informants who were engaged in strategy development and CSR processes. Nevertheless, it is possible that the senior managers within the organizations might view CSR and stakeholder influences differently.

As indicated previously, this study relates to current Australian economic conditions and, so, may be most relevant to countries with similar political, social and cultural conditions to Australia’s. Also, respondents’ perceived business performance data were used in the model; however, respondents were specifically asked to indicate the direction of change in performance rather than in the quantitative measures of performance. The senior managers (respondents) are expected to objectively know this information. Such measures are frequently used to assess business performance, and there is evidence that strong correlations exist between management’s subjective assessments of performance and their firm’s objective performance (Harris, 2001; Narver and Slater, 1990). The anonymous nature of the study was designed to allow respondents to give realistic assessments of organizational performance. The variable of reputation was also measured using managers’ subjective assessments of how their organization is being viewed by the market. Again, senior managers are expected to have a good grasp of an organization’s reputation through the feedback they receive from the market and their contacts with key stakeholders.

Finally, we did not seek to assess stakeholders’ views of organizational action. This would have been difficult to do in a cross-section of firms operating in a range of businesses and covering a variety of CSR issues (Polonsky and Jevons, 2009). Future research could focus on this type of analysis within a narrow set of issues or industries, or it could examine whether organizational and institutional factors influence how firms view stakeholders in CSR contexts (González-Benito and González-Benito, 2010).

References


**Corresponding author**

Mehdi Taghian can be contacted at: mehdi.taghian@deakin.edu.au