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Unintended Effects of Corporate Social Responsibility on Corporate Reputation: When is Doing "Good" Not Good for Business?

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UNINTENDED EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON

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Abstract

Companies often consider corporate social responsibility as a means of contributing to the public good, while simultaneously improving their image and reputation among its stakeholders. While the literature is replete with examples of CSR leading to improved corporate reputation, there are some notable and striking exceptions. This study examines the unintended consequences of CSR and proffers three possible explanations for why corporate social responsibility sometimes leads to negative reputation targeting.

A content analysis of purposively sampled Internet websites was conducted to empirically examine reputation targeting by certain outside influencer stakeholder groups toward the companies identified as the top 100 Corporate Citizens in 2006 by the journal Business Ethics. Multiple and simple regression analyses on the results supported basic CSR theory, that is, doing well by doing good. However, the results also revealed the unintended negative effects of CSR, and suggest that other motivations may be at play between corporations and their outside influencer stakeholders when it comes to socially responsible corporate behavior. The results also suggest that certain CSR strategies are more likely to bring on negative reputation targeting from the outside influencer groups than others. The study found that the CSR categories *environment* and *product* were

significant explanatory variables for both positive and negative reputation targeting. The results also indicated that the top 100 companies tended to favor CSR strategies related to the *community*, and its internal stakeholders (*diversity* and *employee relations*), while the outside influencer groups tended to focus on CSR issues more closely associated with external stakeholders (*product*, *human rights*, and *environment*).

The significance of the *product* variable suggests that companies should pay close attention to the quality of their products if they want to avoid negative reputation targeting campaigns. Another practical implication of the study pertains to environmental CSR strategies. The findings of the study suggest that companies which rely heavily on CSR strategies focusing on environmental issues, should be cognizant of the "two edged sword" attribute of the *environment* variable. It is in this realm that the unintended consequences of corporate social responsibility appear to be most evident.

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CHAPTER ONE

INTRODUCTION TO THE STUDY

Introduction and Background to the Problem

At its core, this dissertation is about unintended consequences. More specifically, the unforeseen consequences that sometimes result from the well intended "socially responsible" actions of corporations. The vast majority of the literature on the topic of corporate social responsibility (CSR) ignores what has become the veritable "elephant in the room" – those cases where the well intended socially responsible actions of companies have backfired on them. Companies such as Starbucks, Nike, and others spend a considerable amount of money and effort on corporate social responsibility programs, yet these same companies are often targeted by outside influencer groups and their reputations sullied in spite of the fact that they take a proactive stance on CSR (Nattrass & Altomare, 2002).

Presumably, there are a number of reasons why companies ascribe to CSR policies. The most obvious reason that companies practice CSR is to garner a positive corporate image and reputation. Indeed, a good corporate reputation and the customer and employee loyalty that comes from it may be seen as a key factor for creating value for the organization. Reichheld (1996) points out, "Creating value for customers builds loyalty, and loyalty in turn builds growth, profit, and more value" (p. 3).

Companies may also use CSR to alleviate pressures exerted on them by environmental and other special interest groups. Indeed, the research portion of this study focuses on the interaction between companies' socially responsible actions and the reactions from some of these outside influencer groups.

Some companies have also recognized that there may be certain tangible benefits to be derived from CSR. Shrivastava (1995) describes how the 3M Company saved $500 million as the result of its anti-pollution efforts, and Nattrass & Altomare (2002) provide the example where, in May of 2000, Nike saved $4.5 million in raw materials by eliminating millions of gallons of hazardous chemical solvents from its production process. While some of these tangible benefits may have been anticipated, and even planned for, sometimes they are not.

The flip side to the concept of unintended consequences is that sometimes, the unexpected turns out to be beneficial. In his work, *The Unanticipated Consequences of Purposive Social Action*, Merton (1936) points out that, "undesired effects are not always undesirable effects" (p. 895). The *Forrest Gump* character of the movie of the same name comes to mind in this phenomenon. In the movie, it seemed that no matter where he was, nor what he did, something remarkably beneficial would happen to Gump, ostensibly because he was a good and pure soul.

Forrest Gump of course is a fictitious character in a movie. Nevertheless, the idea of being rewarded in the long-term for doing good deeds is one that is prevalent in Judeo-Christian values and Eastern philosophies alike. Parables such as "do onto others as you would want them to do onto you" (i.e., the Golden Rule), and the concepts of "Karma" and "poetic justice" have become accepted societal axioms. This belief in moral reciprocity is yet another explanation for why companies practice CSR.

There is another reason that corporations practice CSR. It may be that they simply do it out of habit, with little forethought or understanding of why they are doing it (other than, "everyone else is doing it, therefore we should do it too"). Here too, Merton

(1936) points out that not all CSR strategies may be based on conscious or even rational thought, "it is not assumed that in fact social action always involves clear-cut, explicit purpose. It may well be that such awareness of purpose is unusual, that the aim of action is more often than not nebulous and hazy" (p. 896). Herein lies a possible clue as to why CSR sometimes backfires. Are these exceptions to the *Golden Rule* and *poetic justice* axioms merely anomalies, or are these unintended consequences regularly resulting from everyday ignorance, error, or "imperious immediacy of interest" (p. 901) as predicted by Merton?

Purpose

That there are many possible explanations for the reasons that CSR sometimes may "work" and sometimes may not, is not nearly as important as to acknowledge that unintended consequences *do* occur and that these consequences may have, in some instances, a negative impact on a company's reputation. An unanticipated consequence to a well intended social program put forth by a corporation should raise a few hairs on the back of the necks of company executives and shareholders. After all, it is fair to assume that whenever CSR policies are executed, the last thing that company executives would ever think could happen is that negative attention would be brought to the company. While the implementation of many types of strategies can be argued, it is presumed that the fundamental objective of corporate executives is ostensibly to optimize the return on investment. Yet a positive return on investment is often not the case for companies that practice CSR. Several examples of this seemingly counterintuitive phenomenon are discussed on the latter parts of Chapter Two of this dissertation.

At its core, this study examined the question, "when is doing good not good for business?" More precisely, the core question can be stated as "under what conditions is doing good, not good for reputation, and therefore not good for business?"

The purpose of this study was to examine the relationships between socially responsible corporate behavior (also referred to as *corporate citizenship* and *corporate social responsibility*) and corporate reputation. In this study, the term *corporate reputation* serves as a barometer that is used to gauge corporate effectiveness as perceived by its stakeholders. Simply stated, in this study, CSR was the *cause*, and corporate reputation was the *effect*. This study examined the effects of CSR (intended or unintended) on corporate reputation.

Overview of the Research Design

This study used a mixed methods approach that was predominantly quantitative. The research was conducted in two phases. The first phase involved a content analysis of consumer generated websites and blogs. The second, quantitative phase of the research, involved the statistical testing of hypotheses that examined the relationships between the various categories of the independent variable *CSR* with the dependent variable, *corporate reputation targeting*.

Hypothesis

The literature review in Chapter Two shows that the *intended* consequences of corporate citizenship often result in a positive return on investment for the companies that practice CSR. But the literature review also points to cases where there were negative unintended consequences resulting from well intended CSR policies and practices. It is these unintended consequences of CSR practices that this study focused on. As such, a proposition was used to guide the formulation of hypotheses for this study. The proposition states: *The more corporate social responsibility that a company demonstrates publicly, the better chance it stands of being targeted by outside influencer groups.*

From this proposition, the following hypothesis was constructed: *There is a positive relationship between CSR and corporate reputation targeting by outside influencer groups as reflected in these groups' web pages and blogs.*

In Chapter Two, six research questions and five hypotheses with their related sub-hypotheses pertaining to nine categories of CSR are presented. Also, the reference to the use of web pages and blogs as a source of information as a gauge of corporate reputation is discussed in more detail in Chapter Two.

The following sections provide the theoretical and operational definitions as they pertain to the research questions and hypotheses of this study. A more detailed account of the research hypotheses of this study is discussed in the latter part of Chapter Two.

Definition of Terms

Before continuing, a definition of terms, both theoretical and operational is necessary. First, the core question of this study, "when is doing good not good for business?" needs to be deconstructed. The "doing good" term is obviously too broad to have any operational significance. Therefore, it must first be defined in theoretical terms, and then in operational terms. For this study, the terms "corporate citizenship", "socially responsible corporate behavior", and "corporate social responsibility" were used interchangeably as the theoretical definition of "doing good". The definition of CSR, as it was used in this study, was determined by the companies' stakeholders and influencers. As such, the term is a social construct.

Operationally, the term "doing good" was defined as socially responsible corporate actions as viewed from the outside by eight commonly agreed upon stakeholder group classifications. The review of the literature identified an established database of corporate social performance compiled by Kinder, Lydenberg, Domini & Co. (KLD) that takes into account the perceptions of these stakeholder groups. The KLD database was originally designed as a "social screen" to provide information for socially responsible shareholders as a basis for their investment decisions. This instrument has gained acceptance throughout the CSR research community as an accurate gauge of companies' CSR performance over a number of "socially responsible" categories. KLD's database is used by the magazine Business Ethics to compile its annual list of 100 Best Corporate Citizens, which has become an established benchmark of corporate social responsibility.

The second part of the core question, "When is doing good not good for business?" must also be deconstructed. Much of the literature review deals with the search for a "true" measurement of success to describe the term "good for business". Without getting too far ahead of the literature review, several elements of a theoretical definition are offered for this study. First, the term "good for business" was stated in terms of "return on investment". For this study, *return on investment* may be either wealth-based (i.e., profit), or health-based (i.e., long-term sustainability). In other words, "good for business" is a broad concept that does not lend itself to accounting-based assessments of gains and losses during a specifically prescribed time period. Return on investment in this context takes into account the long-term health of companies, which an accounting model is not fully equipped to do (Birkin, 2000). For this reason, the term "good for business" was theoretically defined in this study as both wealth-based and health-based return on investment, as deemed by the company's stakeholders.

Since the assessment of the company's success is determined from the outside as much as from the inside, and may sometimes involve certain non-financial measures, the operational definition of "good for business" can be seen in terms of *corporate reputation* (as defined by the company's stakeholders and influencers).

For the purposes of this study, the term *corporate reputation* can also be considered as a social construct, in that it is ultimately defined by the company's stakeholders and influencers. In other words, corporate reputation (like CSR) is what people say it is. Throughout this dissertation, there are several references to the umpire metaphor in which Herman and Renz describe CSR as a social construct, "a pitch is not defined as a strike or a ball until the umpire says it is" (1999).

In this study, the term "good for business" occurs when a corporation attains its *expected* return on investment as defined by the way that its brand name and reputation are portrayed by some outside influencer and stakeholder groups. Therefore, an *unexpected* negative return on a CSR investment is not considered to be good for business. Conversely, as Merton (1936) points out, an unexpected benefit derived as the result of a CSR action can also be considered to be "good for business".

Operationally then, the term "good for business" was reduced to the concept of *corporate reputation* (as viewed by certain stakeholder and influencer groups). For this study, corporate reputation was measured by the frequency and degree of *corporate* *reputation targeting*, i.e., "negative", "neutral", and "positive" mentions as determined through content analysis of selected "consumer generated" Internet websites.

The term *degree* refers to the percentage of negative, neutral, or positive mentions in relation to total references to any given corporate name. For example, the degree of negative corporate reputation targeting was calculated by simply dividing the number of "negative mentions" with the total number of "mentions" (negative + positive + neutral). The definition of what constitutes negative, positive, and neutral are discussed in greater detail in the methodology section of this study.

Independent Variable – Corporate Social Responsibility

Theoretical Definition

CSR (i.e., the extent of the actions that companies take to implement corporate citizenship) is the independent variable in the hypothesis mentioned earlier, *"There is a positive relationship between CSR and corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs,"*

Operational Definition

KLD has identified eight categories of CSR (total return, community, governance, diversity, employee relations, environment, human rights, and product quality) that correspond with eight general stakeholder groups (Graves, Waddock & Kelly, 2003). The KLD categories correspond with the independent variable dimensions of this study. The terms *category* and *dimension* are synonymous as they pertain to the KLD ratings and the independent variable of this study.

Category #1 – Total Return

Theoretical definition. *Total return* corresponds with a corporation's responsibility to its shareholders. This fiduciary responsibility of a corporation to its shareholders has its theoretical base in the neoclassical view espoused by Friedman (1970), Levitt (1958), and others.

Operational definition. Operationally, the degree of *total return* corresponds with a corporation's shareholder performance, as noted by a one-year total return to shareholders, to include stock appreciation and dividends (Graves, Waddock, & Kelly, 2003). The scores assigned by KLD for this and all other categories reflect a standard deviation from the mean scores of all 1,150 companies rated. This method allows for the standardization of the different scales used to rate each of the categories. Unlike the other categories rated by KLD, *total return* is obtained from "hard" numbers provided by the annual reports of the companies themselves. In this respect, the *total return* variable is more objective than the other categories.

Category #2 – Community

Theoretical definition. *Community* corresponds to a corporation's responsibility to stakeholder groups in the corporation's surrounding "local community" (Graves, Waddock, & Kelly, 2003). However, in the case of large global corporations, the local characteristic of this variable can sometimes expand to consider the concerns of a broader group of stakeholders. This category is most often associated with community outreach programs that deal with a variety of localized issues such as homelessness, literacy in impoverished areas, and so on.

Operational definition. Operationally, the degree of *community* corresponds with a corporation's CSR performance in terms of responsiveness to the interests of local stakeholder groups. Unlike the *total return* category, which generates its ratings from the objective data from annual earnings reports, the score for the *community* category is derived through a more subjective method, wherein the KLD raters determine the "strengths" and "concerns" of each of the 1,150 rated companies. A net score for this category is determined by subtracting the number of concerns from the number of strengths. The scores of all the companies are then standardized in the same manner for all the categories in order to provide a standard scale that provides an "apples to apples" comparison (Graves, Waddock, & Kelly, 2003).

Category #3 – Governance

Theoretical definition. *Governance* was added to the KLD ratings for the first time in 2005 to reflect a corporation's responsibility to "play by the rules" (Graves, Waddock, & Kelly, 2003). Examples include companies' compliance with SEC regulations, avoidance of accounting irregularities, and appropriate pay for CEOs. In a sense, this category does not correspond to the interests of any specific stakeholder groups, but rather to all stakeholders in general. In essence, the *governance* category corresponds with the ethical performance of a corporation.

Operational definition. Operationally, the degree of *governance* corresponds with a corporation's CSR performance in terms of its compliance with established laws and rules. Also, the category assesses the tendency of corporations to overpay its CEOs. For example, companies whose CEOs are paid less than $500,000 per year receive a "positive" rating in that category. Other than this specific numeric threshold, this rating category, like the previous *community* category relies on subjective assessments by the raters.

Category #4 – Diversity

Theoretical definition. *Diversity* corresponds to a corporation's responsibility to minorities and women. This category is reflected in the affirmative hiring and promotion practices of companies (Graves, Waddock, & Kelly, 2003).

Operational definition. Operationally, the degree of *diversity* corresponds with a corporation's CSR performance in terms of responsiveness to the interests of women and minorities. This category ostensibly bases its ratings on hiring and promotion data made available by the individual companies. However, like the previous two, this category relies on the subjective assessments of the KLD raters.

Category #5 – Employees

Theoretical definition. The category *employees* corresponds with the manner in which a corporation treats its workers (Graves, Waddock, & Kelly, 2003). In effect, this category deals with the most clearly defined stakeholder group. In essence, this category provides a sense of a corporation's commitment to issues associated with loyalty (employer to employee, and employee to employer).

Operational definition. Operationally, the degree of the *employees* category corresponds with a corporation's CSR performance in terms of responsiveness to its own workers. This category bases its ratings on indicators of employee loyalty such as voluntary pay cuts (Asmus, 2005). Like the previous three categories, this one relies on the subjective assessments of the KLD raters.

Category #6 – Environment

Theoretical definition. The *environment* category corresponds to a corporation's responsibility to sustaining Earth's ecology (Graves, Waddock, & Kelly, 2003). The foundation of the concept of the environment as a distinct "stakeholder" is laid in the works of Stead and Stead (1994), among others, who ascribe to a management paradigm that acknowledges the planet Earth as the ultimate organizational stakeholder.

Operational definition. Operationally, the degree of the *environment* category corresponds to a corporation's CSR performance in terms of responsiveness to the Earth's ecology in general. However, much of the information gathered by KLD to make its subjective assessments in this category is likely to involve input from specific influencer stakeholder groups that take a special interest in environmental issues. These issues may include a company's recycling practices, pollution reduction measures, and the voluntary reduction in emissions and dangerous byproducts (Graves, Waddock, & Kelly, 2005). Like the previous four categories, this dimension relies on the subjective assessments of the KLD raters.

Category #7 – Human Rights

Theoretical definition. *Human rights* corresponds to a corporation's responsibility to the interests of stakeholder groups outside the company (Graves, Waddock, & Kelly, 2003). Most notable in this category is the manner in which companies treat the farmers and factory workers who are employed or contracted by companies that are "upstream" in the production chain (i.e., suppliers). This category is similar to the *employees* category in that it examines a corporation's sensitivity to the interests of stakeholder groups that directly impact the company. It differs in the respect that the "employees" in this category are not directly under the employment of the company.

Operational definition. Operationally, the degree of the *human rights* category corresponds with a corporation's CSR performance in terms of its responsiveness to the interests of laborers in the company's supply chain. The special interests of human rights advocacy groups may also be reflected in this category. Noteworthy issues that are examined include the equitable pay and work conditions for foreign workers in a company's supply chain. Like the previous five categories, this dimension relies on the subjective assessments of the KLD raters.

Category #8 – Product

Theoretical definition. *Product* corresponds to a corporation's responsibility to the interests of its customers in particular, and to consumer stakeholder groups in general (Graves, Waddock, & Kelly, 2003). Although this category looks at product quality issues (especially those dealing with willful disregard to the public safety), this dimension provides a perspective of a company's loyalty from its customers.

Operational definition. Operationally, the degree of the *product* category corresponds with a corporation's CSR performance in terms of its responsiveness to the interests of its customers and potential consumers. The special interests of consumer advocacy groups may also be reflected in this category. Noteworthy issues include product recalls, warranty issues and other matters concerning product quality. Like the previous six categories, this dimension relies on the subjective assessments of the KLD raters.

Independent Variable #9 – Average CSR

Theoretical definition. *Average CSR* is an aggregate compilation of the previous eight categories and corresponds with a rating of a company's overall corporate social performance (Graves, Waddock, & Kelly, 2003).

Operational definition. Operationally, the degree of the *average CSR* variable corresponds to corporation's overall CSR performance. The ratings in the *average CSR* category reflect an aggregate score wherein the other eight categories are weighted equally. Therefore, no category is more important than another (Graves, Waddock, & Kelly, 2005).

Dependent Variable Corporate Reputation Targeting

The dependent variable in the hypothesis is *corporate reputation targeting* by outside influencer groups, as reflected on those groups' web pages and blogs. There are three dimensions to the dependent variable: positive, neutral, and negative.

Corporate Reputation Targeting

Theoretical definition. Dowling defines *corporate reputation* as: "the attributed values (such as authenticity, honesty, responsibility, and integrity) evoked from the person's corporate image" (2001, p. 19). As such, Dowling views corporate reputation as being a value-based construct wherein individuals attribute certain characteristics to an organization based on the individuals' values (i.e., enduring beliefs) and the individuals' perception of an organization's *corporate image*.

Dowling defines *corporate image* as: "the global evaluation (comprised of a set of beliefs and feelings) a person has about an organization" (2001, p. 19). He explains that, “in effect, a good corporate reputation represents a tight ‘fit’ between the image of the company and the individual’s free-standing value system” (p. 21).

In this study, corporate reputation was determined by the companies’ stakeholders. Again, reference is made to the earlier umpire metaphor, wherein a strike is not a strike, until the umpire calls it (Herman & Renz, 1995). In assessing corporate reputation, this study relied on the collection of stakeholders to provide the calls on “balls and strikes”. In this case, “negative mentions” about a corporation in association with its brand name or products, were considered to be an indicator of a negative corporate reputation. Likewise, “positive mentions” associated with a corporate brand were considered to be an indicator of a positive corporate reputation.

Dowling (2001) also espouses the viewpoint that corporate reputation is determined by its stakeholders:

> When there is a good fit between stakeholder values and the corporate image, the organization’s good reputation may become a super-brand. The company is now respected and held in high esteem. This in turn leads to high levels of confidence, trust, and support among stakeholders. (p. 23)

Dowling (2001) identifies four groups of stakeholders: 1) normative groups, 2) functional groups, 3) customer groups, and 4) diffuse groups. This study deals exclusively with the perceptions of the *diffused group* of stakeholders, more specifically, with special interest groups (also referred to as outside influencer groups) that are a subset of the diffused group category.

Dowling defines diffused groups as:

> Particular types of stakeholders that take an interest in an organization when they are concerned about protecting the rights of other people. Issues which may attract the attention of these groups include: freedom of information, privacy of information, the environment, interests of minority groups, equal employment opportunities, childcare in the workplace, and so on. (p. 35)

Dowling's typology of stakeholder groups is discussed in greater detail in Chapter Two of this dissertation.

Corporate reputation targeting is an operational term that was used to describe the broader theoretical concept of corporate reputation. *Corporate reputation targeting* is the extent that a corporation is targeted by the identified *diffused* or *outside influencer groups*.

The term *targeted* was used to describe "withholding" behavior (i.e., boycotts, or any other *negative* references to a company's name, brand, identity, or reputation) or "usage" behavior (i.e., customer loyalty, or other *positive* references to a company name, brand, identity, or reputation) (Frooman, 1999).

The term *"outside influencer groups"* was used to describe the external stakeholder groups that for a variety of reasons, attempt to exert pressure on corporations. The term is based on a definition espoused by Donaldson and Preston (1995) wherein the term *influencer* is defined as: "actors that form part of the firm's environment and that, indeed, may have some impact on its activities but that have no specific stake in the firm itself. That is, they stand to gain no particular benefit from the firm's successful operation" (p. 79).

Kaler (2002) identifies *influencer stakeholders* as those who exert power or influence over an organization. By contrast, *claimant stakeholders* are described as "people for whom businesses have to take responsibility" (p. 92).

The terms *"web pages"* and *"blogs"* were used to describe two distinct types of websites on the Internet. The definitions used for this study were based on the typology described by Baoill (2004). According to Baoill's typology, an Internet website can be considered to be a *web page* or a *web log (blog).* A website is considered a *web log* if it follows a format in which its users post relatively short narratives that are date and time stamped, and are listed in reverse chronological order. Websites that are determined to not be *web logs* are simply categorized as *web pages* (Baoill, 2004).

Operational definition. Operationally, the dependent variable *corporate reputation targeting* was measured by the frequency and degree of negative, neutral, or positive mentions recorded within a given sampling unit of a content analysis. The terms *negative*, *neutral*, and *positive* require further definition. The term *negative*, as it pertains to this study is defined as:

- References to a corporate name which portray the company in a manner that impugns its public reputation or image;
- References that claim the corporation has caused harm to stakeholders or to the environment; and/or
- Specific requests to take action against a corporation (e.g., boycotts, write-in campaigns, direct lobbying).

The term *positive*, as it pertains to this study is defined as:

- References to a corporate name in a manner that praises its actions and portrays its public image in a favorable light;
- References that claim the corporation has improved conditions for a set of stakeholders or the environment; and/or
- Specific requests to take action in favor of a corporation (e.g., encourage "usage" behaviors such as socially responsible investing, supportive write-in campaigns, and selective purchasing campaigns).

The term *neutral*, as it pertains to this study is defined as:

- References to a corporate name which are neither positive nor negative.

Specific examples of positive, neutral, and negative mentions are provided in Chapter Three.

Justification

In his book *The Loyalty Effect*, Reichheld (1996) described the importance of creating long-term value to sustain an organization, "Creating value for customers is the foundation of every successful business system. Creating value for customers builds loyalty, and loyalty in turn builds growth, profit, and more value" (p. 3). While the motivations underlying corporate social responsibility may vary from the moralistic to the pragmatic, this study examines the practical aspects of CSR. How does CSR add value to the customers, and in turn, to the organization? And conversely, how can CSR be an agent of value *destruction*?

Central to this study was the theme of CSR as a tool for of reputation management. Regardless of the underlying motivation behind a corporation's CSR practices, whether moralistic, pragmatic, or merely habitual, it can be reasoned that most company executives would expect either a positive, or at a minimum, a neutral return on their CSR investments. Few corporate strategic planners would expect that their CSR policies and practices would backfire in a way that negatively impacts the corporation's reputation and bottom line profits. While the motivations for CSR are many, no one should expect to be harmed by negative publicity as a result of a CSR investment that unexpectedly turned sour. Yet there are numerous examples of the unintended consequences associated with a corporation's socially responsible behavior.

The question at this point of the dissertation is: *why is this study significant?* First, any information that may provide insight to corporate strategists on how to optimize their investments, socially responsible or otherwise, is always valuable. By examining a wide range of CSR categories, this researcher hopes to identify which CSR practices bring the most positive returns on investment, and which ones are the most problematic, i.e., the ones that tend to foster negative consequences. Given the finite investment resources that managers must work with, which if any of the CSR strategies are the most likely to bring a positive reputation and create value for the organization? Conversely, which CSR strategies, if any, are the riskiest? Are some strategies more susceptible to unexpected results? It is the intent of this study to provide some insights to these questions.

There is a second reason why this study is significant. It is hoped that by shedding light on the phenomenon of negative CSR consequences, companies that may otherwise be hesitant to commit their resources toward worthwhile CSR investments would learn what pitfalls to avoid, and thus could make those companies less hesitant to invest in socially responsible corporate initiatives. The assumption here is that there may be some corporations that are either abstaining from CSR altogether, or are severely limiting the scope of their efforts out of fear of the backlash sustained by companies such Starbucks and Nike (Nattrass & Altomare, 2002), and the Ford Motor Company, H. B. Fuller Co., Smith & Wesson, and Monsanto (Singer, 2000).

The next matter pertains to the feasibility and research-ability of the methodology selected for this study. In other words: Why is it important to examine the unintended consequences of CSR in the first place? Why focus on the Internet to look for answers? Why does a content analysis methodology make sense for this study?

While conducting much of the critical review of the literature that is discussed in Chapter Two, it became apparent that the majority of the literature was focused on the "good" aspects of CSR. Only a few of the works acknowledged the existence of the "dark side". The most notable exceptions were the works of Nattrass and Altomare (2002), which pointed out the irony of the situation wherein certain social activist groups were deliberately targeting highly progressive CSR companies such as Starbucks. While Nattrass and Altomare describe the irony of the situation, they made little effort to explain the reasons behind this apparent anomaly.

The article *The Perils of Doing the Right Thing* (Singer, 2000) was one of the only works to specifically focus on the unintended consequences of CSR. While this article discussed several mini-case studies involving instances where CSR practices had backfired on certain companies, the author offered few suggestions for future empirical study. Other than this article and the seminal work on unintended consequences by Merton (1936), there does not appear to be many theoretical or empirical works on the "dark side" of CSR. Despite the volumes of CSR related articles and books, there exists a major gap in the literature concerning this contrarian undercurrent of corporate citizenship. This is why it was important for this study to examine the unintended consequences of CSR.

The next question was, why focus on the Internet? The answer to this question may be explained by understanding the core of the study – CSR as a tool for reputation management. In essence, a corporation's reputation is determined by the collective opinions formulated by its customers, suppliers, government regulators, competitors, shareholders and other related stakeholders. In today's world, there exists no greater forum for the free expression of accessible opinions than the Internet. On its web page, the Internet company cymfony.com expresses the power of the medium:

> Coupled with the viral nature of CGM (consumer generated media), marketers, communications professionals and service providers know the consequences of not paying close enough attention to online discussions can be very serious as evidenced by the brand damaging experiences of companies such as Kryptonite and Starbucks (Cymphony, 2005, Introduction section, ¶ 3).

On the power of blogs to help form corporate reputations, cymfony.com points out that "Bloggers represent an enormous cross section of consumers and business buyers who are listening to the recommendations, good and bad, of other bloggers" (Cymphony, 2005, Introduction section, ¶ 3).

As to the research-ability of the topic of this study, the question, "why does a content analysis methodology make sense for this study?" is germane. There are several reasons why a content analysis of web pages makes sense. On the Internet posted article titled *An Overview of Content Analysis*, (Stemler, 2005) the methodology is described as being "a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding" (p. 1). Stemler goes on to say that "content analysis provides an empirical basis for monitoring shifts in public opinion" (p. 1).

In their Internet article *How to Measure Blogs, Part One*, Delahaye-Paine and Lark (2005), suggest the use of content analysis in order to determine the "tonality" of blog postings (i.e., whether a comment is positive, neutral, or negative in nature).

There appears to be a great deal of collective knowledge, attitudes, and opinions on the Internet. The web-based company micropersuasion.com estimated that there were 900,000 new blog postings each day (July 14, 2005). Content analysis appears to be a feasible and appropriate method for drawing meaning from such a large volume of narrative information.

This study sought to fill the existing gap in the research that virtually ignores the reasons for the occurrence of unintended consequences as it pertains to corporate citizenship. A content analysis of the Internet, while not a novel approach to research, is certainly a new way to examine the topic matter of this study.

Delimitations and Scope

The scope of this study was intentionally limited to examining the CSR actions of corporations that have been identified as being the best corporate citizens. While the lower CSR performers may provide some indications as to the unintended consequences of corporate social responsibility, it is in the group of the highest performers that the gaps between perception and reality can be best discerned. For this, and other practical reasons discussed in Chapter Three, the scope of this study was limited to the 100 Best Corporate Citizens identified by the journal Business Ethics (2006).

This dissertation was intended to examine an area of study that has not yet been empirically examined to any great extent. Indeed, no similar empirical studies pertaining to the unintended consequences of CSR could be found. While the literature review revealed a great deal of established theory dealing with corporate social responsibility and related issues, there was a notable absence of theory as it pertained to the reasons underlying the unintended consequences of CSR. As such, a mixed methodology that was both qualitative (exploratory) and quantitative (explanatory) was used. Both the qualitative and the quantitative research methods of this study are discussed in greater detail in Chapter Three.

The purposive sampling method chosen for this study has its obvious limitations as far as the generalization of the results outside the sampling frame. While quantitative analysis may provide some later semblance of order and context to the data, the study's qualitative origin simply does not lend itself to a random sampling methodology that can be generalized to a greater population. Nevertheless, it is this researcher's hope that any insights gained from this initial study will be reexamined closer in future studies with quantitative methods that are more amenable to randomized sampling, and that therefore can be generalized to the greater population.

The remainder of this dissertation examines corporate social responsibility in greater detail. Chapter Two provides an in-depth review of the literature, which examines the definitions of CSR and the various ways that CSR and corporate reputation are measured. Several CSR theories, as well as stakeholder theories are examined.

Chapter Two also examines possible motivational factors of CSR and provides a theoretical framework for a possible connection with cognitive dissonance theory and the theory of unintended consequences. The rationale for utilizing the Internet as the basis of the study's content analysis is also discussed in greater detail. Chapter Three provides an in-depth account of the study's research methodology. Chapters Four and Five provide the results and a discussion of the results, respectively.

CHAPTER TWO

LITERATURE REVIEW, THEORETICAL FRAMEWORK, RESEARCH QUESTIONS, AND HYPOTHESES

Review of the Literature

The prevailing wisdom in today's business world is that "doing good" is generally a good business practice. The terms "corporate citizenship" and "corporate social responsibility" (CSR) have been used to examine the responsibility that companies have to their internal and external stakeholders. There are many differences of opinion as to whether companies have a responsibility to their stakeholders. There are also disagreements as to what "doing good" actually means. There is also no universally accepted way of measuring a return on investment as it pertains to corporate responsibility. Nevertheless, there is an intuitive sense that, at a minimum, good CSR is likely to bolster a company's reputation, and that poor observance of corporate citizenship principles will likely detract from its image and reputation.

There are, however, exceptions to the conventional wisdom. Companies such as Starbucks and Nike have made extensive efforts to promote good CSR practices, yet in many instances their efforts have had the effect of bringing negative attention to their companies. Much of the CSR literature has examined the positive aspects of corporate citizenship; however, very little light has been shed on its negative consequences.

This review attempts to answer the following questions:

1. What is CSR, and how is it measured?

2. How do CSR strategies affect an organization's relationships with its stakeholders (internally, e.g., employees; and externally, e.g., markets, governments, competitors)?
3. How do "positive" / "negative" CSR strategies affect the reputation and the overall effectiveness of organizations?
4. And finally, the question that this study ultimately strives to answer: Under what conditions is doing good *not* good for business?

First, the review seeks to define CSR and to explore the various methods used to measure reputation and overall effectiveness. Second, the review looks at the theoretical background of CSR and organization-stakeholder relationships. Competing CSR theories that espouse either competitive advantage or long-term sustainability are contrasted. Third, the review examines empirical works related to CSR-stakeholder relationships. Fourth, the review looks at empirical studies that explore the positive and negative effects of CSR on overall organizational effectiveness. Fifth, the review examines literature that explores the antithetical perspective of the "doing well by doing good" CSR credo – namely – when doing good is *not* so good. And finally, the review looks at interdisciplinary literature to examine the motivational factors behind CSR behavior.

This critical analysis of the literature incorporated studies and theoretical analyses from a variety of disciplines. The topic of corporate social responsibility was examined through the perspective of such diverse disciplines as sociology, ethics, management, psychology, and economics. This type of interdisciplinary approach is taken by Perrow (2000), who looks at organizational theory from such disparate fields as sociology, history, psychology, anthropology, economics, political science and business. Stern and

Barley (1996) also advocate the use of a systems perspective in order to broaden the scope of organizational theory:

> The rationale for broadening our purview is simple: We cannot study or model dynamics we cannot yet describe. To support such breadth, we may also need to move beyond advocating proficiency in regression analysis, survey design, and qualitative field methods alone and encourage some students to become rigorous historians and others competent econometricians. (p. 154)

Scholarly inquiry into the complex web of multinational stakeholders that comprises today's world economy has led to an interest in *corporate citizenship*, or *corporate social responsibility* (CSR) as a potential moderating agent between competitive and cooperative socio-economic forces. The divergent needs of the myriad stakeholders with whom organizations must interact pose a set of challenges to modern-day companies as they strive to meet profit objectives and socio-political organizational goals.

Underlying much of the CSR literature to date is the question of motivation. Why do companies partake in socially responsible behavior? Are CSR behaviors motivated by the mere maximization of stakeholder value (Friedman, 1970) to gain a competitive advantage? Or do companies partake in CSR as a product of "moral imperative" (Kaler, 2002)? Are organizations motivated strictly by self-interest or by the broader collective interest of society?

As businesses strive to adapt in an increasingly global and interdependent world economy, more attention is given to looking at the "big picture" and how it relates to overall organizational effectiveness and survival. It is becoming increasingly apparent that organizations which ignore issues that are important to their stakeholders are placing themselves at a distinct disadvantage in relation to their competitors.

This critical analysis of the literature attempts to shed light on an emerging field of study relating to the potential value of corporate citizenship as a viable organizational strategy, both in a localized stakeholder context, and as a moderating agent in a global context. Could it be that CSR is the magic pill that provides the veritable "win- win" situation whereby corporations satisfy the divergent demands placed on it by its shareholders and its stakeholders, while at the same time sustaining the world economy and the ecology of the planet? If so, then why is it that CSR sometimes seems to backfire on well-intentioned companies? These questions form the core for the remainder of this literature review. The analysis concludes with interpretations of the literature, and recommendations for future scholarly inquiry into corporate social responsibility.

Corporate Social Responsibility Defined

The concept of corporate social responsibility is by nature broad and difficult to define and to assess. There is an intuitive sense that being socially responsible is the "right thing to do" both as an individual, and as an organization. Notwithstanding the ethical and moral considerations of CSR, it appears that there may be more pragmatic reasons for organizations to be socially responsible as well (Bradbury & Clair, 1999). Nattrass and Altomare, (2002) describe how Nike was able to save $4.5 million in raw materials by eliminating 1.6 million gallons of hazardous chemical solvents from its production process in May of 2000. Similarly, Shrivastava (1995) provides the example of how The 3M Company saved $500 million as the result of its anti-pollution efforts.

Carroll (1979) offers three broad categories of CSR definitions. The first, is the *basic* definition, which examines CSR from the perspective of companies' social responsibilities. In this perspective, the company must ask itself the question, "Does our responsibility go beyond economic and legal concerns?" (p. 499). This basic definition of CSR identifies four fundamental responsibilities to society: economic, legal, ethical, and discretionary, (i.e., philanthropic).

The second broad category of CSR definition identified by Carroll is nothing more than an enumeration of social issues for which a social responsibility exists. Here, the question is "What are the social areas – environment, product safety, discrimination, etc. – in which we have a responsibility?" (p. 499).

The third broad category of CSR definitions identified by Carroll involves the philosophy of response. The fundamental question for this category of definitions is, "Do we react to the issues or proact?" Carroll's starting assumption is that companies *do* have a moral responsibility to its stakeholders. The philosophy of response has to do with the degree of responsiveness, which "can range on a continuum from no response (doing nothing) to a proactive response (do much)" (p. 501).

According to Carroll, companies should not be constrained by the idea that they have to choose between being profitable and being ethical. The Carroll model of corporate social responsibility submits that companies can fulfill their societal responsibilities, *and* at the same time remain profitable – a win-win situation.

Specifically, corporate social responsibility is defined by the International Organization for Standardization (ISO) as, "the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors" (Frost, 2001, ¶ 5).

Maignan and Ferrell (2001) describe CSR/corporate citizenship as "the extent to which businesses assume the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders" (p. 458).

The World Business Council for Sustainable Development (WBCSD), an organization claiming to represent a coalition of 175 international companies from 35 countries, defines CSR as: "business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life" (Flaherty, 2003, Corporate social responsibility section, ¶ 2). The WBCSD points out that CSR contributes to the well-being of society, while at the same time benefiting the participating organization.

Likewise, the global organization Business for Social Responsibility (BSR) also acknowledges the mutual benefits derived by both the organization and by society in general in their definition of CSR as achieving "commercial success in ways that respect ethical values, people, communities and the environment" (BSR, 2003, Business for social responsibility section, ¶ 1).

Similarly, CSR Europe, an issue-based international non-profit organization, acknowledges the "wider social role of companies" (CSR Europe, 2003, Section 1.1, ¶ 1) in its definition of CSR. CSR Europe points out that each organization will define CSR according to their own terms. Three broad perspectives that companies use to define CSR are: "1. according to stakeholder groups; 2. according to key issues and thematic challenges; 3. according to business functions" (Section 1.3, ¶ 14). The specific terms of a corporation's CSR strategies are therefore defined from the inside looking out, as well as from the outside looking in.

There appears to be a general consensus in the literature on the basic principles that constitute corporate social responsibility. Moir (2001) describes the following key principles of CSR: 1) the equitable treatment of employees, 2) ethics and integrity, 3) respect of basic human rights, 4) sustainability of the environment, and 5) good citizenship. As cited by Moir, CSR Europe similarly identifies the following areas in its reporting guidelines: "workplace (employees); marketplace (customers, suppliers); environment; community; ethics; and human rights" (p.17).

The differences over the meaning of CSR are not so much in the definition of the term, but rather in the economic perspective from which the concept is viewed. Moir describes three fundamental economic perspectives from which CSR is viewed: the neo-classical, the moral/ethical, and Moir's own middle-ground perspective, "enlightened self interest".

The neo-classical view, as proffered by the free-market economist Milton Friedman, perceives CSR from the narrow perspective of a company strategy to maximize its shareholder value. Friedman, as cited by Moir, states, "Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can" (p.17).

Levitt (1958) shares this view. He writes that corporate social responsibility, based on sentiment alone, as an unnatural and destructive force. Levitt contends that business has only two responsibilities: "to obey the elementary canons of everyday face-to-face civility (honesty, good faith, and so on) and to seek material gain" (p. 49). He states, "Welfare and society are not the corporation's business. Its business is making money, not sweet music" (p. 47).

The second economic perspective discussed by Moir (2001) is the moral/ethical approach, which assumes an underlying moral imperative for corporate citizenship. In this approach, companies are expected to be socially responsible, not for any benefits that they may derive, but rather because it is the "right thing" to do.

Carroll (1979) acknowledges the moral underpinnings of CSR, "...there are additional behaviors and activities that are not necessarily codified into law but nevertheless are expected of business by society's members". But Carroll points out the ambiguities associated ethical perspective, "Ethical responsibilities are ill defined and consequently are among the most difficult for business to deal with. In recent years, however, ethical responsibilities have clearly been stressed – though debate continues as to what is and is not ethical" (p. 500).

Moir's third approach to CSR takes the conceptual middle ground, in that it acknowledges the self-interested motivation espoused in the neo-classical view, and it takes into account political and non-economic factors. Moir refers to this third way as the "enlightened self-interest" (p. 18) perspective. This third perspective is attractive in that it acknowledges the primary self-interested motivation of the corporation, but realizes that the long-term self-interest of an organization is inextricably tied to a complex web of stakeholder relationships. It is within the context of these stakeholder relationships that the remainder of this critical analysis is viewed.

Measuring CSR

Before one can determine whether CSR is an effective strategy, it is important to find a means to measure it. Traditional methods of measuring corporate success, such as return on investment, profit margin and market share readily lend themselves to quantifiable analysis; however, the measure of organizational effectiveness within the context of its stakeholders does not lend itself to these traditional methods. Nevertheless, it is imperative for the understanding of CSR and CSR strategies that a theoretical construct to measure organizational effectiveness be established in order to assess these strategies.

The construct of corporate social performance (CSP) was devised as a method for assessing an organization's response to its social responsibilities (Schmidt-Albinger & Freeman, 2000). CSP is a multidimensional construct that assesses community involvement, diversity in the workplace, employee benefits, product safety, and concern about the environment. In their empirical study of corporate social performance, Schmidt-Albinger and Freeman cite a number of studies that indicate a positive relationship between CSP measures and traditional financial measures.

Another established CSP database is compiled by Kinder, Lydenberg, Domini & Co. (KLD), which includes ratings of over 633 organizations. It was used in a study by Turban and Greening (1997) to compare the responses of prospective employees on their perceptions about organizations' attractiveness for employment (discussed later in the literature review).

Johnson (2001) identifies three major categories of social audits:

1) social 'screens', which are used for socially responsible investing;

2) social assessments used by public interest groups to evaluate the degree of corporate compliance to standards advocated by the group; and

3) internal audits initiated by companies, which may or may not be released to the public

The Domini Social Index (DSI 400) established by Kinder, Lydenberg, Domini & Co., mentioned above, is an example of social screens used by investors to make socially responsible decisions. As Johnson (2001) points out:

> The audit process for SRI (socially responsible investment) serves two ends. First, it assures the individual or institutional investor that the investment is supporting companies that engage in socially responsible activities. Second, it exerts some degree of pressure on companies to conform to the standards set by the investment group. (p. 103)

KLD's DSI 400 index excludes companies that are involved in the following businesses: 1) alcohol; 2) tobacco; 3) gambling; 4) military; and 5) nuclear power. The index then screens companies along seven categories: 1) community; 2) diversity; 3) employee relations; 4) environment; 5) product (quality and safety); 6) non-U.S. operations (includes labor relations and outside charitable contributions; and 7) "other" – issues such as management compensation, ownership, and tax disputes (Johnson, 2001).

Socially responsible investors can make their investment choices based on the ratings provided by the various KLD indexes. In addition to the DSI 400, the company offers five other indexes from which investors can choose, including the Select Social Index, the Large Cap Social Index, the Broad Market Social Index, the NASDAQ Social Index, and the Catholic Values 400 Index.

Interestingly, KLD reports that from its inception in May 1990 through January 2005, the companies that comprise the DSI 400 index have outperformed their S & P 500 index counterparts by an aggregate total return of 68.58 % (KLD Research & Analytics, 2005). The advantages of investing in a socially responsible manner are discussed later in this review.

Johnson (2001) provides several examples of public watchdog groups which conduct their own independent assessments regarding the social performance of organizations. The groups mentioned are: the Coalition for Environmentally Responsible Businesses (CERES); the Council on Economic Priorities (CEP); Consumer Alert; Accuracy in Media; and Corporate Watch.

The Corporate Report Card issued by the CEP is singled out as an example of a report issued by a public interest group. Similar to the screening criteria used by KLD, the Corporate Report Card lists three dimensions which are rated on a yes/no basis: 1) animal welfare; 2) weapons contracts; and 3) gay/lesbian issues. In addition, the Report Card issues a letter grade (A, B, C, D, or F) along eight other categories: 1) environment; 2) women (treatment of); 3) minorities; 4) charitable giving; 5) community outreach; 6) family benefits/worklife; 7) workplace issues; and 8) social disclosure (transparency) (Johnson, 2001). As with the KLD, the ratings are determined in a somewhat subjective manner, and the categories themselves seem to conform to the particular political agenda of the interest group.

The third type of social audit described by Johnson (2001) is the internal audit initiated by the companies themselves. Unlike the previous two social audit methods, the findings in these types of audits may or may not be released to the public. Johnson gives the 1995 Values Report by The Body Shop, and the Social Accountability 8000 (SA 8000) as two examples of company-sponsored self-audits. As with the previous two categories, these social audit mechanisms examine a myriad of social issues (many are the same or similar to the issues listed before). While similar to the first two, these self-audits differ in that the companies using them are voluntarily submitting themselves to outside inspection. In the case of The Body Shop, the results were published on the company's website for public review. Companies that submit themselves to an SA 8000 audit may or may not decide to publish the results.

Johnson (2001) points to two distinct advantages for companies to submit to being audited for socially responsible behavior. First, the link between socially responsible behavior and companies' financial performance makes it worthwhile for these firms to make the public aware of their stance on these issues. Second, and perhaps more significant to the line of inquiry of this study, is the company's motivation to control the audit themselves. By submitting oneself to an internal audit such as the one conducted by The Body Shop, the company retains control over the categories and standards of the audit and decides whether to publish the results or not. By taking this approach, the company defines itself, before public interest groups define them. As Johnson points out, "certainly some members of the industry are probably quite apprehensive about having a public interest group – which they may see as having a political agenda – decide whether or not their facilities and suppliers meet social standards" (p. 108).

These and other assessment tools are vital for determining the effectiveness of CSR strategies utilized by organizations in their relationships with their stakeholders. The following section of this literature review discusses some theoretical constructs for determining organizational effectiveness.

Measuring Organizational Reputation and Effectiveness

From a corporation's perspective, perhaps the ultimate measure of CSR success would be reflected by the overall performance of the company – i.e., the "bottom line" of stock performance (as measured by KLD and other SRI companies). In today's complex economies, however, it is evident that an organization's long-term effectiveness must take into account much broader and often intangible measures of its interactions with its universe of stakeholders. No longer can organizational effectiveness be measured solely by profit margin, market share, or other more tangible measures of success. A company's reputation and how it is perceived by its stakeholders is paramount to its success.

Indeed, organizations have recognized the need for establishing non-financial performance measures to better assess overall organizational effectiveness. Kaplan and Norton's (1996) Balanced Scorecard is in an example of one of the methods used to gauge a company's non-financial performance. The increasing acceptance of such non-financial performance measures indicates an awareness by many corporate strategic planners that long-term company viability and effectiveness can no longer be viewed solely from the perspective of profit margins and market share. CSR strategies provide organizations with the tools to deal with the demands of their many stakeholders in a much broader and complex context than profit-based strategies.

Organizational effectiveness may be assessed through traditional financial measures, or through less tangible non-financial performance measures. According to Miller and Israel (2002):

> Non-traditional measures have generally been less well-defined. They pertain to intangibles and emerging areas such as an entity's marketplace, stakeholders, strategic implementation and resource management. Under ideal conditions, such measures can be predictive, but they frequently depend on partial, anecdotal and conflicting data that is gathered inconsistently. (p. 52)

Miller and Israel describe the manner in which the Shell Oil Company was able to recapture the public trust after an environmental disaster for which it was held responsible. They point to Shell's decision to turn to non-traditional measurement methods in order to look beyond its short-sighted, financially based strategic planning. They chide organizations that fail to include measures to gauge customer satisfaction, monitor their external environment, and evaluate their own employees' capabilities when formulating strategic plans. Miller and Israel view non-financial performance measurement as a strategic activity that is crucial for the long-term effectiveness of an organization.

When looking for theoretical models to define organizational effectiveness within the context of its stakeholders, it is helpful to review studies dealing with non-profit organizations, since these organizations typically must rely on non-financial measures to evaluate their effectiveness. One such work is the comprehensive critical analysis of the literature conducted by Herman and Renz (1999) on non-profit organizational effectiveness.

Herman and Renz identify several previously proposed theoretical models utilized to assess organizational effectiveness for non-profit organizations. These include goal models, which define effectiveness by the extent that organizations attain their goals; a competing values framework, which identifies three dimensions of opposing values to assess an organization's intended goals; the balanced scorecard approach, which identifies four perspectives to assess organizational performance; and lastly, a multiple-constituency model, that asserts that stakeholder groups define the criteria used to gauge organizational effectiveness. All of these theoretical models offer some degree of insight for assessing effectiveness with non-tangible measures; however, none by themselves can define organizational effectiveness in all cases. "The fundamental reason why a single measure of NPO (non-profit organization) effectiveness is an impossibility is that the crucial exchange that NPOs help to enact is one measured in moral or value terms" (p. 111). The authors suggest that NPO effectiveness should be evaluated on moral values and not on tangible monetary terms.

Subsequent to their review of the literature, Herman and Renz formulated six theses about the effectiveness of non-profit organizations. Their fifth thesis, which states, "nonprofit organizational effectiveness is a social construction" (p. 115) is of special interest for this research. Namely, this thesis takes a social constructionist approach whereby, "some parts of reality do not exist independent of the beliefs and actions of people" (p. 115). The authors use a baseball metaphor to support their thesis, wherein a pitch is not defined as a strike or a ball until the umpire says it is. Likewise, an organization is not assessed as being effective (or ineffective) until its stakeholders say it is. This thesis, although seemingly arbitrary at first glance, provides an attractive assessment model of stakeholder influences.

One financial measure of effectiveness that is discarded by Herman and Renz because of its irrelevance to non-profit organizations is the use of "share price" as a tangible measure of organizational effectiveness. The advantages of share price as a measure are its comparability across all publicly owned companies, and more importantly, its provision of a sense of "bottom line" value that is driven to some degree by the companies' shareholders and their stakeholders. Although the authors state that they do not foresee the development of a similar measure for NPOs, their sense that organizational effectiveness as defined by stakeholders offers the same "bottom line" quality that characterizes the tangible share price measure. One obvious impediment to relying on a company's share price as a bottom line measure of CSR effectiveness comes as a product of the socially responsible investment strategies themselves. These investment strategies are intended to affect corporate behavior in accordance to a given political agenda. If investors are affecting (and confounding) the company's bottom line with their socially conscious investment decisions, then share price as a measure of CSR cannot be relied upon exclusively. In this case, share price may reflect the way that a company is *perceived*, rather than how it actually performs. This gap between perceived performance and actual performance is discussed in more detail in a later section dealing with cognitive dissonance motivators of CSR and may provide clues to the apparent contradiction faced by companies such as Starbucks and Nike.

Herman and Renz suggest that future research in the area of organizational effectiveness should explore the development of measures for organizational responsiveness (to its stakeholders) as an indicator of organizational effectiveness. They argue that leaders within organizations must define effectiveness as it relates to the organization's response to the needs of its stakeholders.

While share-value relates mostly to the economic bottom line, Birkin, (2000) refers to the "triple bottom line" of economy, ecology, and social equity for measuring sustainable development. Birkin proposes an assessment tool, referred to as "Cloverleaf", which is to be used to measure an organization's "health" rather than its "wealth". The author proposes a complex benchmark model that he calls the Sustainable Development Matrix (SDM). Birkin asserts that "monetary performance measures have been over-emphasized in the past" (p. 307), and that "monetary performance measures represent only a subsidiary, possibly minor, performance system when the needs of sustainable development are encountered" (p. 307). He further maintains "that monetary performance measures will fail to help our institutions become sustainable" (p. 308). Birkin readily admits that his assessment tool relies on "many subjective decisions" and "the need for artistic scope, judgment, balance and subjectivity in the derivation of values, the setting of objectives and the interpretation of results" (p. 314).

Frigo (2002) identifies Balanced Scorecards (BSC) and Value-Based Metrics (VBM) as two recent innovations for strategic performance management utilizing both traditional and non-financial measuring methods. In their empirical study of the effectiveness of the BSC, Malina and Selto (2001), found that the Balanced Scorecard provides a viable non-financial measure of organizational effectiveness in one particular corporate setting. They conclude that improving BSC performance leads to improvement in business efficiency and profitability. However, their study points to several factors that determine whether managers react favorably to the BSC, and therefore, whether the instrument proves to be as good a measure of organizational effectiveness as they claim. The authors claim that in order for BSC to be effective, all BSC elements must be aligned with organizational strategy and that BSC benchmarks must be appropriate for evaluation. Malina and Selto also found three factors that negatively affect perceptions of the BSC and may cause conflict among its users. As in the case of other non-financial measures, the implementation of BSC in this particular study was considered by some respondents to be: 1) inaccurate and subjective; further, 2) its communications were exclusively non-participatory; and 3) its attributed benchmarks were inappropriate for evaluation purposes.

Malina and Seltos' stated purpose was to examine the impact of managing an organization with the use of non-financial measures – specifically BSC. They hypothesized that an organization's exclusive reliance on financial measures of performance leads to the making of short-sighted strategic decisions that may not be in the best long-term interest of the company. However, because of the subjectivity and bias associated with the study, the authors were not able to provide a definitive assessment on the impact of BSC as an effective tool to measure organizational effectiveness.

Maignan and Ferrell (2000) try to fill the void by conducting a review of the literature associated with past attempts at identifying and measuring corporate citizenship dimensions. They are critical of studies based on social screening and social assessment tools such as the KLD and Fortune 500 reputation indexes. Maignan and Ferrell view these types of measurement tools as being too subjective and not based on theory. As such, they submit that there is a dire need for accurate measuring instruments to assess corporate CSR behaviors. In their study, Maignan and Ferrell strive to operationalize the conceptualized CSR model that encompasses four distinct theoretical components: economic citizenship, legal citizenship, ethical citizenship, and discretionary citizenship. These four components were first proposed by Carroll (1979) in his Social Performance Model of CSR. Carroll describes the economic responsibilities of companies in the following manner, "Before anything else, the business institution is the basic economic unit in our society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit. All other business roles are predicated on this fundamental assumption" (p. 500).

The component *legal citizenship* used by Maignan and Ferrell corresponds to Carroll's legal responsibility category which is described as the ground rules under which businesses operate. "Society expects businesses to fulfill its economic mission within the framework of legal requirements" (Carroll, 1979, p. 500). Likewise, Maignan and Ferrell's *ethical citizenship* corresponds to Carroll's like named category which was briefly discussed earlier in this review. Finally, Maignan and Ferrell's fourth component, *discretionary citizenship*, is described by Carroll as the discretionary responsibilities of a company. Carroll states, "Discretionary (or volitional) responsibilities are those about which society has no clear-cut message for business – even less so than in the case of ethical responsibilities. They are left to individual judgment and choice" (p. 500). A company's philanthropic contributions to various charities is an example of this category.

Maignan and Ferrell empirically test a corporate citizenship model and a measuring instrument that is used as an assessment tool for organizations in both the United States and in France and can be used by researchers to evaluate corporate citizenship in a variety of organizations.

Maignan and Ferrell operationalized corporate citizenship by first identifying organizational activities that fulfill economic, legal, ethical, and discretionary responsibilities in relation to three specific stakeholder groups identified for the study. The authors chose to focus only on three primary stakeholders of an organization: customers, employees, and representatives of the community. Secondary stakeholders such as the media and special interest groups, as well as other primary stakeholders such as company shareholders and investors are deliberately excluded in order to manage the breath of the study.

Maignan and Ferrell rely on data derived from surveys conducted on two thousand managers from private organizations with more than 50 employees in both the U.S. and in France. In order to enhance the external validity of the findings, a variety of industries were included in the sample. Similar sampling parameters are utilized to select the respondents in both countries, thus maintaining balance for the validity of the study. Out of 2,000 original respondent candidates for the study, a reduced sample of only 120 French and 210 U.S. questionnaires were used for examination. This reduction occurred because of non-responses by some of the selected respondents, as well as the elimination of some of the respondents for failing to meet agreed upon selection criteria. The authors used an extrapolation procedure to assess non-response bias in the data. The authors also took procedural steps to ensure that the survey questions were accurately translated from English to French, and back to English. This further addresses the internal validity of the study's methods.

Maignan and Ferrell set out to establish empirical validity of a theoretical model based on Carroll's four-part definition of CSR. As Carroll himself admitted, the four factors (economic, legal, ethical, and discretionary responsibilities) may overlap: "These four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other. That is, they are neither cumulative nor additive" (Carroll, 1979, p. 499).

The authors analyze the correlations between these four categories and empirically validate a measurement instrument based on Carroll's construct. Maignan and Ferrell conclude that their Model 1, with its 18 component items, affirms Carroll's assertion that each of the four categories, although related, are mutually exclusive. As such, Maignan and Ferrell argue that this model offers the best instrument for measuring corporate citizenship for both the U.S. and the French organizations. They statistically establish internal and discriminant validity for their 18-item model, and conclude that this model offers a reliable measurement instrument that can be used to assess CSR in a variety of organizations. In essence, Maignan and Ferrell's study attempts to provide a CSR measurement instrument that is grounded in theory and can be tested empirically. The authors claim that their study represents a first attempt at conceptualizing an accurate measuring tool that can be used to assess CSR in a variety of countries.

Another study by Stone (2001) examines the screening decisions used by managers of socially responsible mutual funds. The findings of this study show that mutual fund managers utilize a wide range of information resources in order to decide whether or not to include businesses in their portfolios. This study showed that fund managers were relying on measurement data on a more frequent basis than before. As pointed out in the earlier example of KLD's DSI 400 index of socially responsible companies, the examination of CSR stocks and mutual funds is intriguing in that the performance of these funds could provide a simple bottom line measure to assess CSR performance. However, as suggested by Miller and Israel, Herman and Renz, Birkin, Maignan and Ferrell, and others in this section, the measurement of CSR performance will likely never be as clear cut as the measurement of more tangible financial factors.

This section has attempted to seek answers to the question, *What is CSR, and how is it measured?* While Maignan and Ferrell's operationalized model offers promise for providing some degree of reliability for the measurement of CSR, the preponderance of views on this matter seem to indicate an acceptance of a high degree of ambiguity and subjectivity regarding both the definition of CSR and the means to measure it.

For the most part, there does seem to be a general agreement among various CSR indexes regarding the categories of factors that constitute CSR. General concerns such as protection of the environment, human diversity, workplace safety, and the fair treatment of women and minorities issues seem to be recurring themes shared by most of the CSR indexes. However, there does not appear to be a universally agreed upon definition of what constitutes CSR and the best way to measure it. The degree of subjectivity on this matter suggests that the concept of CSR can, and will, be manipulated to fit the political agendas of various groups. For practical reasons, the definition and measurement of CSR is often determined by what the company and its stakeholders say it is. Here, one is reminded of Herman and Renz's umpire analogy in which "a pitch is not defined as a strike or a ball until the umpire says it is" (1999).

The authors reviewed in this section seem to agree that reliance on tangible financial measures alone to assess CSR would be a mistake. All agree that the long-term effectiveness of organizations is incumbent on strategic planning that takes into account non-financial measures as well as the traditional accounting measures of performance (e.g., return on investment and return on sales).

The following section of this review attempts to explore the question: How do CSR strategies affect an organization's relationships with its stakeholders (internally, e.g., employees; and externally, e.g., suppliers, customers, governments, and competitors)?

Corporate Social Responsibility and Stakeholder Relationships

In their theoretical paper about corporate citizenship as a marketing instrument, Maignan and Ferrell (2001) offer the social performance model and the stakeholder management framework as the two theoretical constructs wherein most of the analysis concerning CSR has been conducted. These models are similar in that they both take a systems approach of analysis and they both share much of the same terminology.

Basically, the social performance models analyze corporate social responsibility along a path that first assesses a company's responsibilities, then identify the social issues that it must address, and finally, choose the manner in which it will respond to its social responsibilities (Carroll, 1979). Stakeholder models (Freeman & Reed, 1983) also take a systems approach for determining a company's social responsibility toward its myriad constituencies and influencers.

The most notable difference between the two is that Carroll's social performance model is concerned with a business' responsibility to society in general, whereas stakeholder models are concerned with an organization's responsibilities to specific individuals and groups that are determined to be stakeholders of the organization. Maignan and Ferrell (2001) note the practical advantages of the stakeholder model in that "...it provides a clear answer to the question: '*who* are businesses responsible for?'" (p. 458). However, Carroll's social performance model provides the best answers to the question: "*what* are businesses responsible for?" (p. 458). These two theoretical areas of inquiry are discussed in the following sections of this literature review. First, some CSR theories are reviewed, and then some pertinent stakeholder theories are examined.

CSR Theories

There are essentially three basic theoretical branches of CSR theory: those that view corporate citizenship as a means of attaining a competitive advantage; those that see it as a moral imperative; and those that see CSR as a means of achieving long-term ecological sustainability. The first branch corresponds with the neo-classical view. This branch, espoused by Barney (1991), views "sustainability" from the narrow perspective of organizational survival (in relation to its competitors), rather than survival in a broader, environmental sense. Barney points to the strategic competitive advantage of a firm maintaining a positive reputation among its stakeholders. He writes, "To fail to exploit these resource advantages is inefficient and does not maximize social welfare" (Barney, 1991, p. 116). In other words, to Barney, a firm's adoption of sustainable business practices becomes significant only inasmuch as it improves the firm's reputation, therefore improving its competitive advantage. He claims that, "The resource-based model developed here suggests that, in fact, strategic management research can be perfectly consistent with traditional social welfare concerns of economists" (p. 116). However, these social welfare concerns seem to be viewed in the relative context of organizations seeking to gain a competitive advantage over each other, rather than the broader ecological context of sustainability.

The second perspective assumes an underlying moral or ethical imperative for corporate citizenship (Kaler, 2002). The third viewpoint sees CSR from a broader perspective that takes into account cross-generational factors and interconnected systems. Proponents of this branch include environmentalists who see CSR not as a means of achieving competitive advantage, but rather as the only way of attaining long-term sustainability for the environment.

Shrivastava (1995), a proponent of long-term environmental sustainability, warns that the traditional management paradigm does not provide for a process to critically assess and deal with risks to the environment which are created by industrialization. He describes a post-industrial world wherein economic growth is limited by finite ecological resources. Shrivastava asserts that the predominant management paradigm is not geared to address or resolve issues associated with the depletion of these finite resources. The underlying theme in his insistence on a new paradigm lies in the manner in which society perceives risk. Shrivastava asserts that the traditional management paradigm views risk in relation to loss of wealth, whereas his proposed ecocentric management paradigm acknowledges a much broader risk to the greater environment. Shrivastava proposes a blueprint for a new ecocentric paradigm that is framed by two basic constructs: 1) industrial ecosystems; and 2) ecocentric management. The proposed industrial ecosystem is intended to internalize nature as a basic component of the economy in a manner that, "parallels the natural ecosystem, which is a network of connected interdependent organisms and their environments that give and take resources from each other to survive" (p. 126). A successful industrial ecosystem is dependent on cooperative strategies among its organizations and stakeholders. Ecocentric management takes into account the need for long-term sustainable growth and seeks to subordinate the importance of short-term profits for an organization. The author proposes the concept of total quality *environmental* management (TQEM) as a framework for systematic change toward a more sustainable society. TQEM is a spinoff from Total Quality Management (TQM) described by Okes and Westcott (2001) as a holistic approach to management that utilizes quantitative and qualitative analysis methods to improve the overall quality of organizational performance. Similarly, Shrivastava's TQEM also utilizes a systems approach that takes into account organizational missions, inputs, throughputs, and outputs in a holistic manner, whereby managers take into account the multitude of factors in an organizational system within the context of a larger ecological system. Ecocentric management's intent is to, "prevent the shifting of environmental harm from one subsystem to another", whereby a corporation ultimately, "close(s) the loop of output and input process" (p. 129) and mimics nature's self-regenerating process.

Senge, Carstedt, and Porter (2001) explore the transition from industrialism to post-industrial society in today's "new economic order". The authors make a case for corporate leadership in a changing world. They view innovation, rather than government regulation, as the driving force for change toward a sustainable economy. The authors make an argument that the next step toward a post-industrial society will progress in an evolutionary manner in which, "such rethinking will not happen all at once. It will not arise from any central authority. It will come from everywhere and nowhere in particular" (p. 37). The authors not only provide a vision for the future, but they also offer a pragmatic approach for actualizing this vision: "The challenge today is to develop sustainable businesses that are compatible with the current economic reality. Innovative business models and products must work financially, or it won't matter how good they are ecologically and socially" (p. 27).

Senge et al. paint a bleak picture of the current post-industrial world and describe a litany of social and environmental problems. However, they provide several optimistic examples of companies such as BP, Xerox, and Interface, which have achieved considerable waste reductions while achieving significant savings. They then paint a picture of what a new "story" or paradigm would look like, and how it can be attained. They submit three distinct worldviews that will drive this shift in paradigms: 1) naturalism; 2) humanism; and 3) rationalism.

Senge et al. (2001) make an argument that organizations should copy nature's logic for their sustainable business practices. They refer to Janine Benyus' concept, *biomimicry*, as the model that companies should strive for. They contrast biomimicry, which strives to copy Earth's natural systems, against the concept of "ecoefficiency" which is the term the authors use to describe how most environmentally conscious organizations address ecological issues. The authors contend that ecoefficiency, although well-meaning, could actually make things worse for the environment in the long run: "Ecoefficiency gains are laudable but dangerously incomplete, as is any strategy that fails to consider the industrial-natural system as a whole", and "focusing on ecoefficiency may distract companies from pursuing radically different products and business models…" (p. 29).

Senge et al. critically examine what they call the "controlling" culture in organizations that tend to eschew systemic thinking at the expense of finding quick solutions to complex problems. They offer a "learning" culture as an enlightened humanistic alternative. Finally, the authors examine rationalism and offer a "new business logic" whereby organizations will shift their strategies toward providing services, solutions, and long-term relationships with their customers. Interface, Inc. is an example of a firm that has stopped selling floor products to its customers and instead provides long-term leases whereby a client's flooring is removed and recycled by the company once it becomes worn. The authors view this type of company-customer relationship as the wave of the future.

Stead and Stead (1994) also call for a paradigm shift. They propose the need for establishing a new economic *myth*, i.e., a construct, to replace the current profit-based economic theories. This new myth would depend on the acceptance of three new paradigms: 1) a scientific paradigm that replaces traditional "Newtonian" perspective with holistic models that account for the interconnectedness of organizations and the environment; 2) an economic paradigm that perceives the economy as an open subsystem, subordinate to the greater ecological system, rather than as a "closed circular flow of goods" (p. 25); and 3) a management paradigm that acknowledges the planet earth as the ultimate organizational stakeholder in its value system. The authors combine systems theory, Gaia theory, and thermodynamics to define the earth as a complex organic system that is comprised of a number of subsystems, of which the economy is one. Stead and Stead point to an imbalance between the low rate of entropy of the earth's ecosystem and the high rate of entropy that is characteristic of human economy. This imbalance, they argue, will lead to the rapid depletion of finite resources and waste creation. The authors acknowledge that changing the existing economic myth will not be an easy matter. They propose that this shift occurs in two sequential stages. First, a "profit stage" is offered as an incentive for organizations to equate corporate social responsibility (CSR) with profit and competitive advantage. Although the authors acknowledge the effectiveness of this strategy (and they provide excellent real-world examples of it), they readily dismiss it for a more radical "survival stage" wherein organizations will have to adopt "very different scientific, economic, and management paradigms within which to operate" (p. 20).

Gladwin, Kennelly, and Krause (1995) conducted a theoretical analysis of two opposing paradigms (technocentrism vs. ecocentrism) and propose an integrative paradigm for sustainable development (sustaincentrism). The authors propose sustaincentrism as a third worldview that synthesizes and reconciles the incongruities of the two opposing theses. Sustaincentrism attempts to adopt the good aspects of each thesis and dispose of those aspects that seem to be "hyper-idealistic" and impractical. By setting an attainable middle-ground, the authors hope to shift the paradigm from the concept of uncontrolled growth to one of sustainable development. In doing so, the authors summarily dismiss ecocentrism as, "failing the litmus tests of sustainable development" (p. 883). In their view, ecocentrism fails to account for human intellect and wisdom in the species' relationship with the earth. This view is incomplete because, "Ecocentrism fails to embrace the capacity of human intellect and thus, the whole of reality" (p. 883). Moreover, ecocentric views are often hyper-idealistic and tend to "completely paralyze pragmatic action of any sort" (p. 884).

Gladwin et al. conducted an extensive analysis of the two opposing paradigms by assessing ability of each paradigm to meet five basic constraints that they see as being imperative to sustainability and human development. These five constraints are: 1) inclusiveness; 2) connectivity; 3) equity; 4) prudence; and 5) security. The authors weigh the strengths and weaknesses of each view in relation to these five dimensions and conclude that neither of the paradigms is capable of meeting the requirements of sustainable development. They conclude that both paradigms are replete with incongruities and that neither of them performs well along the five dimensions. In proposing their middle of the road paradigm, the authors acknowledge the need for incorporating sustaincentrism into management theory and practice. They see the new paradigm as opening the debate on the role of organizations in relation to the environment. "The transcendence of technocentrism and ecocentrism into sustaincentrism represents a tentative step in a journey toward management theory as if sustainability matters. It opens, rather than closes, the debate on the role of human organizations in our whole earth" (p. 889).

Wade-Benzoni (1999) takes an intergenerational approach to establish that, "Business aims both to achieve economic gains and to serve the community" (p. 1404). By using the intergenerational approach, Wade-Benzoni takes a broader look at the "big picture" over a long-term basis. Her approach also allows for a better understanding of the trade-offs that organizations make to balance economic competitiveness and environmental concerns. She concludes that, "what appears to be a situation in which economic and environmental interests conflict from the perspective of a single generation is actually a situation in which the interests are compatible when viewed intergenerationally" (p. 1404).

Wade-Benzoni offers four insights attained by using an intergenerational perspective: 1) win-lose situations may actually be win-win if viewed intergenerationally; 2) a broad definition of *economic interest* is more appropriate when viewed from the intergenerational perspective; 3) businesses have a broader purpose – service to the community, in addition to profit-making; and 4) the intergenerational perspective delineates the trade-offs that organizations face in order to avoid the irreversible consequences to the environment for future generations. The author then identifies three reasons that prevent individuals from thinking along intergenerational lines: 1) temporal (time delay); 2) probabilistic (uncertainty); and 3) social discounting (self vs. other trade-offs). The author proposes a number of empirically grounded strategies to overcome the obstacles associated with intergenerational thinking. She cites her own 1996 study to contrast the "immediacy" and "concreteness" associated with the costs of making a trade-off that subordinates immediate self-interest in return for the long-term benefits of an unknown future generation. In contrast, these benefits appear to be "abstract" and seemingly "unreal". From her previous empirical study, she suggests increasing the "affinity" between present generations and future generations. One practical way of doing this is to think of future generations in terms of being one's own children. The author calls this strategy "progeny". Other grounded strategies are briefly identified: 1) improve sympathy toward future generations by using inclusive language to closely identify them to be more like “us” instead of “them”; 2) improve empathy toward future generations by bringing them closer to ourselves i.e., to “put yourself in someone else’s shoes”; 3) utilize “transferred reciprocity” i.e., the golden rule – “do onto others as you would have them do onto yourself”; and 4) emphasizing the beneficial actions of past generations – this reciprocity is transferred to future generations, since it cannot be transferred to previous ones.

In their brief case study of the Swedish non-profit environmental education organization, The Natural Step, Bradbury and Clair (1999) propose the model established by The Natural Step as an effective way of setting a “new way of thinking” in order to attain an economy that is in balance with the ecology and which, “mimic(s) natural cycles to be sustainable” (p. 64). The key point that The Natural Step sets out to impart is that good ecology and good economics are not mutually exclusive. The authors provide several examples that show that companies derive a substantive benefit (short term and long term) by abiding with corporate social responsibility (CSR) strategies that are believed to be beneficial to the environment. In other words, companies can be profitable and sustainable without having to sacrifice a competitive advantage by becoming more “green” conscious. The Natural Step way shows companies that their current competitive strategies may prove unviable over time. Furthermore, the adoption of CSR strategies may provide short-term competitive advantage in cases where the competition is slow to react to environmental concerns and public opinion.

In summary, three main branches of CSR theory are identified: 1) those who see CSR as a means of gaining a competitive advantage in business (Barney); 2) those who see CSR as a moral imperative – doing the right thing for the right reasons (Kaler); and 3) those who see CSR as a means of achieving long-term sustainability to the economy and the ecology alike (Shrivastava, Senge, et al., Stead & Stead, Gladwin, et al., Gladwin, et al, Bradbury & Clair, among others). Proponents of this third branch of CSR theory seem to dominate much of the literature. Many in this third camp call for radical departure from the predominant economic paradigm, toward an ecocentric paradigm that perceives the economy as being part of, and subordinate to the greater ecological system. Regardless of the branch of CSR, the review of the theoretical literature has yet to yield many clues in answer to the question: *How do CSR strategies affect an organization's relationships with its stakeholders?*

Stakeholder Theories

Freeman and Reed (1983) define the term *stakeholder* as, "groups to whom the corporation is responsible in addition to stockholders: those groups who have a *stake* in the actions of the corporation" (p.89). Okes and Westcott (2002) describe the term stakeholder as, "individuals, groups, or organizations who will be directly or indirectly affected by an organization carrying out its mission" (p. 62). They identify employees, suppliers, customers, the community, and shareholders as the groups having the most direct stake in organizations; however, they point out other stakeholder groups such as accrediting organizations, labor unions, regulatory organizations, and special interest groups that also may affect organizations – and should therefore be considered to be stakeholders as well.

According to stakeholder theory, "all stakeholders have particular issues, priorities, and concerns, and it is important that an organization understand each of the stakeholder groups and the issues most important to them" (Okes & Westcott, 2002, p.

62). Stakeholder theory is regarded as a radical departure from the traditional perspective of corporate governance, whereby the obligation of corporations to its shareholders was regarded as "sacrosanct and inviolable" (Freeman & Reed, 1983). In effect, stakeholder theory served to broaden the corporation's perspective of its core responsibilities beyond the narrow focus of its fiduciary obligation to its shareholders. By opening the door to other groups that have interests in the company's performance, the stakeholder approach does not entirely diminish the company's responsibility to its shareholders; however, the view that shareholder interests are sacrosanct and inviolable, at the expense of all other interests, is no longer accepted.

Donaldson and Preston (1995) categorize stakeholder theories into three distinct types: descriptive/empirical, instrumental, and normative. Their analysis leads to the conclusion that although many stakeholder theories provide descriptive and instrumental elements, ultimately, stakeholder views are morally rooted, and are therefore described as "normative". The authors propose four central theses to describe stakeholder theories. First is that stakeholder theories are descriptive of the organization and can be empirically tested for descriptive accuracy. Second, stakeholder theories are also instrumental, whereby connections between stakeholder management practices and the attainment of organizational performance goals can be analyzed. Third, and more importantly, stakeholder theories are fundamentally normative in that they take into account the intrinsic value of stakeholder interests. The authors state, "each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareholders" (Donaldson & Preston, 1995, p. 66). The implication of this normative view is that it acknowledges the moral and ethical prerogative of all stakeholders to have an interest in the organization. The normative stakeholder perspective opens the door to corporate social responsibility strategies in response to non-shareholder interests. Last, the authors propose that stakeholder theory must have practical managerial applications whereby positive attitudes, structures, and practices are recommended for implementation. The authors point to the systems characteristic of stakeholder theory, wherein, "Stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies and in case-by-case decision making" (p. 66). This fourth thesis also has implications for the integration of the ecology with a firm's economic practices.

Donaldson and Preston (1995) also discuss three theories of distributive justice: utilitarianism (characterized by need), libertarianism (characterized by ability and effort), and social contract theory (characterized by mutual agreement). The authors contend that there is a trend toward acknowledging that all three distributive justice theories have merit and that pluralistic theories that encompass all three characteristics are becoming increasingly prevalent. The authors then make a connection between their pluralistic perspective and the moral foundation of stakeholder theory. Finally, the authors discuss the managerial implications of a normative stakeholder perspective.

Donaldson and Preston (1995) make an important distinction between an organization's stakeholders and its influencers. They dispute Freeman's definition of a stakeholder, i.e., "anything influencing or influenced by the firm" (p. 79), as being too broad. Donaldson and Preston define the term *influencer* as: "actors that form part of the firm's environment and that, indeed, may have some impact on its activities but that have no specific stake in the firm itself. That is, they stand to gain no particular benefit from the firm's successful operation" (p. 79). This distinction is important for describing and explaining corporate behaviors toward their stakeholders (descriptive/empirical perspective), as well as studying the cause and effect connections between stakeholder management and the achievement of corporate objectives (instrumental perspective). For both of the preceding perspectives, the identification of who is an actual stakeholder, and who is merely an influencer is key to an accurate analysis. In a practical sense, company strategists who ponder taking affirmative CSR actions should consider both the cost, as well as the target of the intended actions. To what degree should a company invest its resources in CSR practices that affect those who may have limited impact on its activities but who have no specific stake in the firm (i.e., influencers)? Would it be a better return on its investment for the company to invest its resources on those individuals who actually have a stake in the organization's success (i.e., stakeholders)?

Gibson (2000) examines the moral basis of stakeholder theory. This theoretical article examines three philosophical approaches to morality, which the author describes as 1) prudence; 2) agency; and 3) deontological views. Gibson's use of the term "prudence" is consistent with the definition of morality as viewed from a self interest perspective. The term "agency" seems to describe morality from the perspective of an organization's fiduciary obligations to its stakeholders. Gibson uses the term "deontology" in the context of a company's moral obligation to its stakeholders.

Gibson also discusses three approaches to stakeholder theory proposed earlier by Donaldson and Preston: 1) descriptive; 2) instrumental; and 3) normative. The "descriptive" approach simply looks at whether stakeholder interests are taken into account by an organization. The "instrumental" approach seems to correspond with Gibson's "prudence" in that it looks at stakeholder relationships in terms of how they provide benefit to the company. The "normative" approach seems to correspond with Gibson's deontological perspective, and implies that companies have a moral obligation to society. Finally, Gibson discusses Goodpaster's reconciliation thesis wherein moral behavior and rational prudence (self interest) are one and the same, that is, organizations can do well while doing good.

Gibson finds value in all three of his approaches; however, he favors the deontological approach to stakeholder theory. This view maintains that organizations must consider the needs of their stakeholders, even when it is not profitable to do so.

In a brief theoretical article, Kaler (2002) makes the distinction between "claimant" definitions and "influencer" definitions of the term stakeholder. He categorizes the two typical definitions of stakeholders as, "people for whom businesses have to take responsibility (claimants) and ... people who have to be taken account of, but not necessarily because of any responsibility for them" (p. 92). In other words, claimant stakeholders are those who have some inherent moral or ethical claims on the services of an organization. By contrast, influencer stakeholders are those who exert power or influence over an organization. Kaler also offers a third, "combinatory" definition in an attempt to reconcile the two concepts. Kaler argues that claimant definitions of stakeholders are more discriminate than influencer models, in that they make a determination based on whether a stakeholder can make a morally legitimate claim against a business. This definition excludes competitors and "illegitimate" groups such as terrorists from being considered as stakeholders. By contrast, influencer definitions include a wide array of stakeholders. Since the value judgment of moral legitimacy is considered irrelevant to the influencer definitions, any person or group that influences or is influenced by an organization, is by this definition a stakeholder.

Kaler correctly perceives that influencer definitions function best when trying to formulate business strategy, whereas claimant definitions work best in the realm of business ethics. His combinatory model attempts to reconcile the theoretical definitions in an attempt to integrate business and ethics. Kaler concludes that ethical considerations in regard to stakeholders generally lead to better commercial success for businesses. He uses this assertion to present his hybrid theory, in which he views the end result as being the same, regardless of the starting point of the definition. However, he goes on to say that the hybrid combinatory definition is no better at defining the concept than his favored claimant definition, which serves him well in the context of the study of business ethics.

In examining the central question of the thesis: "when is doing good *not* good for business?", both the influencer and claimant definitions of stakeholders are useful for gaining a deeper understanding of certain "illegitimate" or "marginalized" groups that may or may not have a moral claim against corporations. The extent to which these marginalized groups exert influence over corporations may determine the way that corporations formulate their CSR strategies, and this may be as important as a moral claim,. The influencer definition of stakeholder seems to be based on pragmatic considerations and is arguably more consistent with the enlightened self-interest model espoused by Moir (2001).

In his theoretical article, Frooman (1999) also makes the distinction between strategic stakeholders (those who can affect an organization), and moral stakeholders (those who are affected by the organization). Frooman proposes a merging of stakeholder theory and resource dependence theory that focuses on the manner in which external entities influence organizational behavior. In essence, Frooman proposes a stakeholder model that examines the types of influencing strategies available to a firm and its stakeholders. Frooman proposes that choice of strategy (either by the firm or its influencers) should be determined by the balance of power between the two, as determined by the resource relationship between the firm and its stakeholders.

In his literature review, Frooman (1999) identifies three basic streams of strategic stakeholder theory. The first stream seeks to identify stakeholder attributes and asks the question "Who are they?" The second focuses on stakeholder interests and asks the question "What do they want?" The third theoretical stream concentrates on stakeholder influence strategies and asks the question "How are they going to try to get it?" (p. 192). Frooman concentrates on this third approach to answer the question "How can external entities influence an organization's behavior?" (p. 196). The same approach is used later in this critical analysis to explore the effects of CSR on organization-stakeholder relationships.

Frooman identifies four types of stakeholder strategies: withholding, usage, direct, and indirect. Withholding strategy is described by Frooman as, "where the stakeholder discontinues providing a resource to a firm with the intention of making the firm change a certain behavior" (p. 199). Labor strikes and consumer boycotts are two examples of withholding strategies. Frooman defines *usage strategies* as, "those in which the stakeholder continues to supply a resource, but with strings attached" (p. 199). In both strategies, the stakeholders use their resource relationship as leverage change the firm's behavior. Direct and indirect strategies pertain to whether "the stakeholder itself manipulates the flow of resources to the firm" (i.e., direct strategy), or "those in which the stakeholder works through an ally by having the ally manipulate the flow of resources to the firm" (i.e., indirect strategy) (p. 200).

Frooman also identifies four types of organization-stakeholder relationships: firm power, stakeholder power, high interdependence, and low interdependence. In determining the balance of power between a firm and its stakeholders, Frooman cites Pfeffer and Salancik, "when the net exchange between organizational entities is asymmetrical, some net power accrues to the less dependent organization" (p. 202). The terms high and low interdependence have to do with the *degree* to which the parties are dependent on each other in situations where there exists symmetry in the balance of power.

Frooman further suggests that the type of relationship between an organization and its stakeholders should be considered when determining which type of stakeholder strategy to utilize. Frooman then proposes four corresponding strategies for each of the identified organization-stakeholder relationship types:

1. Low interdependence: stakeholders should use an indirect withholding strategy to influence the organization.
2. High interdependence: stakeholders should use a direct usage strategy to influence the organization.

3. Stakeholder power: stakeholders should use a direct withholding strategy to influence the organization.

4. Firm power: the stakeholders should use an indirect usage strategy to influence the organization.

Frooman examines stakeholder theory from the stakeholder's perspective and concludes that the balance of power implied in these stakeholder-organization relationships determines the types of strategies that the stakeholders will use.

The distinctions between stakeholders vs. influencers (Donaldson & Preston, 1995), claimants vs. influencers (Kaler, 2002), and strategic vs. moral stakeholders (Frooman, 1999) all help to define, in precise terms, just exactly what a "stakeholder" is, and how companies should pattern their CSR strategies to the particular demands of their identified set of constituencies. Frooman's resource dependence model seems to hold the most promise for providing guidelines for corporations to formulate their CSR strategies in response to their strategic positions in relation to their stakeholders' strategic positions. While the theoretical literature begins to provide some clues as to how CSR strategies may affect an organization's relationships with its stakeholders, empirical studies provide more in-depth understanding of the effects of socially responsible corporate behavior on a variety of stakeholders, both external and internal.

CSR Effects on Stakeholders

Studies on External Stakeholders

Mohr, Webb, and Harris (2001) conducted an empirical study of consumer attitudes toward CSR and how these attitudes affect consumers' purchasing decisions. Mohr et al. relied on surveys to obtain qualitative data from 48 selected respondents in public settings. The researchers first employed a purposeful sampling technique whereby the interview sites were purposefully selected in order to ensure a greater variety of consumers. A demographic questionnaire was used to track basic information about the respondents (age, gender, and ethnicity). When demographic imbalances later became apparent to the researchers, they switched to a quota sampling procedure whereby eligibility requirements were established in order to ensure a desired variety that had not been obtained with the earlier technique. The researchers stopped interviewing people once they were convinced that they had reached a point of "theoretical saturation" where they believed no more relevant data would be forthcoming. Of the 48 interviews, only 44 were used. No reason is given as to why four of the respondents were discarded.

The researchers took several steps to ensure the internal validity of their qualitative research. They utilized two established measures to rate the reliability of their coding methods. Mohr et al. used a measure of inter-coder agreement, as well as a "holistic" analysis that was intended to "interpret the interpretations" of the qualitative data.

Despite the interpretative nature that is inherent in qualitative studies, the authors came up with some interesting observations that are relevant and can be readily expounded upon in both the academic and the business worlds. Mohr et al. constructed a Socially Responsible Consumer Behavior model to examine the organization-stakeholder relationship from the consumer's perspective. The authors defined socially responsible consumer behavior (SRCB) as "a person basing his or her acquisition, usage, and disposition of products on a desire to minimize or eliminate any harmful effects and maximize the long-run beneficial impact on society" (p. 47). This definition is consistent with Kaler's (2002) influencer definition and Moir's (2001) enlightened self interest model. Frooman's (1999) definition of strategic stakeholders as those who affect an organization by withholding/using, either directly or indirectly, also fits the SRCB model.

Mohr et al. (2001) point out that SRCB is not a casual type of behavior, but rather one that requires a substantial amount of knowledge and a high degree of effort on the part of the consumer. Because of this, the authors believe that socially responsible consumer behavior is developed in stages, as the consumer becomes more knowledgeable about organizational CSR. Mohr et al. utilize a four-stage model of behavior change proposed by Andreasen to describe the different behaviors associated with SRCB. The researchers subdivided their respondent sample into four subgroups that reflect each of Andreasen's stages of behavior change. The first group, the precontemplators, comprised approximately one-third of the sample. The persons in this group were generally unaware of CSR and resorted to traditional purchasing strategies (price, convenience, and other rational criteria). Precontemplators tended to value self-interest above all and were more short-term oriented than the other groups. The second group, the contemplators, which comprised approximately one-fourth of the sample, only occasionally thought of CSR when making purchasing decisions. The third, the action group, which comprised one-fifth of the sample, tended to make purchasing decisions based on CSR. All the respondents in this group had made purchasing decisions in the past according to their perception of the companies' CSR. This group was active in boycotts (Frooman's withholding behavior) and in recycling (Frooman's usage behavior). The fourth group, the maintainers, was seen as the most committed to CSR. Respondents in this group were willing to pay extra for goods and to switch brands when they perceived a company to be socially responsible. This group, which comprised approximately one-fifth of the sample, sees SRCB as a major way for consumers to gain influence over businesses by either boycotting companies with negative CSR (withholding), or by purchasing the products of firms that exhibit positive CSR traits (usage). An example of persons in this group is found with stock market investors who rely heavily on CSR to make their investment decisions.

Mohr et al. concluded from their findings that, at least for small but dedicated group of consumers, there is a strong relationship between SRCB and the manner in which organizations conduct themselves in a socially responsible manner. The authors view positive CSR marketing approaches as a means for organizations to shift the public perception from the contemplative stage to the action stage, thereby increasing the likelihood of garnering more consumer loyalty for its products and improving corporate reputation. While the authors' conclusions may be limited by their reliance on findings obtained through qualitative methods, their Socially Responsible Consumer Behavior model and their identification of different types of stakeholder behaviors can provide a basis for closer examination of the outside influencer groups studied in this dissertation, Mohr et al. suggested that further studies using quantitative methods to assess SRCB are needed.

Another look at external stakeholders was taken by Reidenbach and McClung (1999) in a study that examines stakeholder perceptions as they relate to customer loyalty and customer retention rates. The authors conducted an empirical study involving the perceptions of an HMO's various stakeholders toward the organization. They obtained the survey responses of 450 patients, 450 members, 500 employee benefit managers, and

450 physicians associated with a large Midwestern HMO. The authors utilized a Stakeholder Retention Matrix to map the respective groups' responses into four quadrants. These quadrants include Outstanding Value, Expensive Relationship, Discount Relationship, and Poor Value. These quadrants are used to gauge the manner in which stakeholders perceive the *value* of a service provided by the organization (in this case, the HMO), as it relates to the *cost* of the service.

By understanding how stakeholders perceive the value of organizations, strategic planners can better direct their efforts toward long-term effectiveness. The authors concluded that only those stakeholders whose responses placed them in the Outstanding Value quadrant were unlikely to defect from the HMO.

Reidenbach and McClung (1999) make a compelling case for why companies should avoid using customer satisfaction as a measure of strategic health. They propose four reasons why stakeholder analysis is superior to customer satisfaction surveys. First, the authors assert that satisfaction is an emotion, and that emotional responses tend to change and are generally unreliable. Second, the measure of satisfaction is tied to the difference between the customer's expectations and actual service. The subjectivity of this measure lies in the fact that expectations vary from person to person. Third, the measure of satisfaction is based on perceived value. The authors explain that value is determined by the costs that individuals are willing to exchange for a benefit. Fourth, the authors dismiss the linkage of customer satisfaction to customer retention, and, in turn, to company profits. They contend that "the bottom line is that satisfied customers are not necessarily profitable customers" (p. 23).

Daake and Anthony (2000) conducted an empirical study on the perceptions of various internal and external stakeholders of a particular hospital. Three survey instruments were used to assess the perceptions of the various stakeholders groups (patients, doctors, nurses, managers, and Board of Directors). The intent of the study was to gauge the manner in which these groups perceive their own power, as well as the power of the other stakeholder groups. The authors contended that an organization's CEO can better understand the negotiating postures of each respective group if he or she has an understanding of stakeholder perceptions. The authors contended that this self-rating tool is important because "an underrating or overrating of one's power base can cause distortions in the negotiating process" (p. 97).

The results of the study found that all the stakeholder groups exhibited a tendency to rate themselves as being less powerful than what they believed other groups to be. The authors concluded that there is a gap between the way that managers view the power of certain stakeholders and the way those same stakeholders view themselves.

Heinkel, Kraus, and Zechner (2001) submit a rationalistic "Equilibrium Model" that attempts to assess the impact on corporate behavior (CSR) on ethical investors' boycotting decisions. The authors focused on the objectives of socially responsible investment (SRI) and asked the basic question, "will the presence of green investors cause firms to alter their corporate behavior, cleaning up their polluting technology?" The authors concluded, "If so, then investors' ethical behavior can be said to have economic impact" (p. 433).

Using their admittedly simple model, Heinkel et al. were able to plug numbers of "green" investors into a formula and calculate the cost-benefit thresholds necessary to convert polluting companies from "dirty" technologies to "clean" technologies. The authors concluded that it would take approximately 25% of green investors boycotting a company to equal the company's cost of reforming. They also stated that, presently, an existing 10% of green investments was not sufficient to impact corporate behavior, but that this proportion was enough to at least raise the cost of capital throughout the entire economy. Therefore, the authors predicted that green SRI would have to at least double before there is any significant impact on corporate behavior. Their rationale was that when green investors boycott non-CSR companies, there are fewer investors overall who are left to hold shares of these polluting companies. This, in turn, "changes the risk sharing opportunities in the market. There are now fewer investors available to hold the stock of firms with polluting technologies, causing those share prices to fall to reflect that lost diversification" (p. 433).

Yach, Brinchmann, and Bellet (2001) conducted secondary research that examined a survey conducted by the United Nations World Health Organization's (WHO) Tobacco Free Initiative (TFI), which obtained responses from mutual fund managers in the U.S., Canada, and the U.K. Thirty five responses were received from mutual fund managers whose policies toward tobacco fit into one of four general categories. The first group (9 respondents) stated that they do not invest in tobacco stocks for ethical reasons. The second group (5 respondents) stated that they do not invest in tobacco because of increasing financial risks. The third and largest group of respondents (sixteen) stated that they did not take into account any ethical considerations when making an investment choice. The fourth group of five respondents did not believe that tobacco was an ethical issue.

No responses were received from managers who buck the trend by deliberately investing in companies that are considered taboo to socially responsible investors. They assert that the tobacco industry is being subjected to increasing pressures from multiple fronts, stating that, "Given the mounting legal and societal pressure on the industry, it may be assumed that the future of the tobacco industry will look quite different from its past" (p. 197). According to the authors, Big Tobacco is not only facing huge settlements ($246 billion over 25 years) from recent civil litigation, but is also losing value from the divestment of its stock by socially interested shareholders. According to the authors, "Many managers removed their money from tobacco stocks, mainly because of the increasing financial risks and because they no longer considered tobacco a reliable investment" (p. 193).

Despite being attacked on both of these fronts, the tobacco industry still thrives. A clue as to why this is occurring was offered by the authors, "the largest proportion of responses in the TFI survey were from managers who explained that their primary responsibility was to generate the largest possible profit for their clients" (p. 193). The authors pointed to the multi-million dollar media counter-offensive that the tobacco companies have launched in order to improve their image and salvage the industry. The authors referred to a study by the Investor Responsibility Research Center which states, "While many institutions have fiduciary requirements that prevent them from divesting tobacco stocks solely on ethical grounds, the industry's ongoing legal and regulatory troubles are making it easier for institutions to justify divestment for other reasons" (p. 196).

Dacin and Brown (1997) examined corporate reputation from the perspective of the consumer. In particular, they examined consumer opinions about specific products in order to gauge the consumers' perceptions in regard to a company's overall reputation. Dacin and Brown use the generic term *corporate associations* to describe the aggregate cognitive associations that a consumer may have for a company. These associations may include:

> Perceptions, inferences, and beliefs about a company; a person's knowledge of his or her prior behaviors with respect to the company; information about the company's prior actions; moods and emotions experienced by the person with respect to the company; and overall and specific evaluations of the company and its perceived attributes. (p. 69)

In this article, the term *corporate associations* is synonymous with corporate reputation. Dacin and Brown proposed and tested two distinct types of corporate associations – *corporate ability* and *corporate social responsibility.* The first refers to the company's ability to produce and deliver its outputs (e.g., products and services). The second, *CSR associations*, "reflect the organization's status and activities with respect to its perceived societal obligations" (p. 69). This distinction is helpful to managers who are seeking to improve their companies' reputations. Faced with an uncertainty of the results, managers are faced with making strategic positioning decisions on whether to seek to improve their companies' corporate abilities (e.g. improve its products or services), or to spend its resources on a CSR strategy. Dacin and Brown point to the lack of empirical evidence to help these managers make this important decision:

> The inconsistent result in the literature leave marketing managers with the intuitive implication that a good image is probably better that a bad image, but with little else to guide them as to how particular corporate positioning strategies might influence consumer product responses. (p. 70)

Much of Dacin and Brown's efforts are spent on identifying and testing "discrepancies" between consumers' perceptions about a company's reputation (i.e., corporate associations), and the consumers' perception of the value of a new product put out by that company. Their findings suggest that there are multiple paths for managers to follow in order to influence the consumers' opinions about a company and its products. They can choose to try to improve their product in order to gain a better reputation, or they can try to improve their corporate reputation by taking a CSR strategy.

The findings also show that the consumers' expectations about a company and its products are also key for determining its reputation. Companies with poor product reputations and low expectations from its consumers, were able to repair their deficiencies by improving the quality of their product. However, they also found that corporate associations based on CSR tended to have less influence on how consumers feel about a company. As such, when it comes to selecting one corporate positioning strategy over another, managers may find that improving its corporate abilities (e.g., product quality) goes much further than an investment into CSR. Nevertheless, Dacin and Brown do not discount CSR strategies, "Although the previous discussion highlights the importance of managerial attention to CA (corporate abilities) associations, our results also suggest that CSR associations have a significant influence on consumer responses to new products" (p. 83). The results suggest that a company's "negative"

CSR associations could have a detrimental effect on the way its products are perceived, while a "positive" CSR association could significantly enhance the reputation of the company's products.

Studies on Internal Stakeholders

Turban and Greening (1997) conducted an empirical study on the relationship between corporate social performance (CSP) and the ability of companies to attract and retain employees. For the purposes of this study, job seekers were seen as internal stakeholders in that they comprise the talent pool from which company employees are hired. However, an argument may be made that job seekers should be considered as external stakeholders, since they are not yet employed by the company.

Turban and Greening draw on propositions from social identity theory and signaling theory to establish their premise that a company's positive reputation, resulting from its socially responsible behavior, should make it more attractive to potential recruits and, therefore, give it a competitive advantage over rivals. The findings indicated that firms with higher CSP have better reputations and appear to be more attractive to job applicants. The findings also indicated that prospective employees are likely to be aware of a company's CSP, therefore giving those firms that rate high in CSP a competitive advantage over those with negative ratings.

Turban and Greening concluded that a firm's CSP is related to its reputation and to its attractiveness as an employer. As a practical application of their findings, the authors suggested that companies that rate high in CSP should highlight their corporate social performance in their recruitment brochures. However, they also warned that those companies that unrealistically describe their CSP on their recruitment brochures may later face problems from disillusioned employees.

Schmidt-Albinger and Freeman (2000) replicated the1997 Turban and Greening study that explored the relationship between job seekers and organizations' performance as it pertains to their social responsibilities. The results of the latter research mirrored those of the Turban and Greening study, and found that there was a strong positive relationship between CSP of an organization and its attractiveness among job seekers who have many employment choices. However, as predicted in their hypothesis, the relationship was almost non-existent for job seekers with few employment choices. The authors concluded that in the case of some prospective job seekers, a company's social performance improves the way it is viewed, and therefore positively impacts the company's recruitment efforts.

The Schmidt-Albinger and Freeman study differs from the Turban and Greening study in that it expands the research population beyond college students used exclusively in the former study. The Schmidt-Albinger and Freeman research designated three study population samples as high, medium, and low-choice job seeking groups. The high-choice group was comprised of graduate students who were presently enrolled in a large urban university, in the city where the rated corporations were located. The researchers made the assumption that these students were already employed full-time and would not be actively seeking jobs, thus inferring that they would be much more discriminating in future job selections. The medium-choice group was comprised of undergraduate students and unemployed graduate students from the same university. The assumption with this group of students was that they were not as selective as the first group, since ostensibly the individuals of this group did not have extensive work history or established career paths. This middle-choice group mirrored the narrow sample utilized in the Turban and Greening study. The third, low-choice group was comprised of low-income residents of federally subsidized housing. The assumption with this group was that they would be the least selective of all the groups.

The researchers utilized seven business school faculty members as subject matter experts to establish (according to their perceptions of company performance), a "reputation index" used to measure four CSP dimensions of the companies used for the study. These dimensions were identified as community outreach, diversity, employee issues, and environmental issues. The researchers utilized statistical analysis to establish the internal validity of the study with positive coefficients for both inter-rater reliability and reliability among the CSP dimensions.

Schmidt-Albinger and Freeman argued that the results support their hypothesis that there is a strong relationship between CSP and attractiveness as an employer among high and medium choice job seeking groups, but not for low-choice job seeking groups. The results also indicated that, statistically, only the diversity and employee issue dimensions were strongly significant, and that community issues were only marginally significant. No other dimensions were statistically significant. The authors concluded that certain CSP dimensions affect job-seeker's perceptions more than others.

The results of these two studies appear to support the positive effect of CSR on internal stakeholders (in this case, potential employees), and seem to provide relevant suggestions for companies to devise their recruiting strategies. However, there are some conclusions made by-Schmidt-Albinger and Freeman that require further contemplation.

For example, the researchers found that the issues that significantly affected job-seekers' perceptions of company attributes were those that were associated with employee diversity and employment issues. Conversely, environmental issues were not seen as significant by any of the three sample groups. The question then must be asked, "is this CSR, or is it merely self interest among the respondents?" It can be expected that job-seekers would be attracted to companies with perceived attributes that positively impact the employees in a direct manner. It is not clear whether other, more altruistic measures of corporate social performance would be as attractive to these job-seekers. Future studies could address the self-interest motive by controlling for this variable.

Another concern lies in the internal validity of the study, as the development of the measurement index was too reliant on the subjective interpretations and perceptions of the expert raters. The objectivity of these experts must be questioned, since all were from the same city as the companies that they were rating. This familiarity may lend itself to bias.

In summary, the question that was asked at the beginning of this section was: *How do CSR strategies affect an organization's relationships with its stakeholders?* It has become clear from the review of the theoretical and empirical studies that the relationship between a company and its stakeholders is by definition a reciprocal one (albeit, not necessarily an equal relationship). This reciprocity is evident in the manner in which companies and their stakeholders interact with each other and acknowledge each others' strategic positions. The overarching theme of the literature reviewed in this section is that companies and their stakeholders are not only aware of each others' existence, but they also seem to be aware that their own actions may affect the actions of the other. CSR strategies may affect the company's perceived corporate social performance, which in turn affects the company's reputation. In turn, some stakeholders seem to understand the value of company reputation and use it as leverage over the organization. The realization that company - stakeholder relationships are reciprocal in nature suggests that companies should explore these relationships from two directions – from within, and from the outside looking in.

Companies that delve into the realm of corporate social responsibility need to understand the potential effects of their policies and actions on their stakeholders. But first, these companies must come to an understanding of *why* they are considering the use of CSR strategies in the first place. If the company is doing it for moralistic reasons, then the analysis need not go much further than to identify certain worthwhile projects that they can focus on. In this case, any unintended benefits or consequences resulting from their socially responsible actions would be incidental to the company's original moralistic intent. However, if the company is one that is considering CSR initiatives in order to gain a competitive advantage or to stave off threats to its strategic position, the potential consequences of its actions in this arena are much more likely to receive close attention. In the latter case, the formulation of CSR strategies becomes much more complex and is more reliant on an accurate assessment of its internal and external strategic position.

While Frooman's resource dependence model provides companies with an excellent template to follow in their formulation of CSR strategies, Mohr's et al. Socially Responsible Consumer Behavior model seems to provide the type of "fine tuned" assessment tool that companies can use to asses their strategic position in relation to their consumers (arguably, the company's most important stakeholder). Similarly, Reidenbach and McClung's Stakeholder Retention Matrix provides corporate managers with an assessment tool to analyze the manner in which their stakeholders (in this case, their customers) perceive the company in terms of value provided.

Daake and Anthony provide guidance as to the manner in which companies can assess their negotiating postures in relation to their stakeholders' negotiating positions. An accurate assessment of the company's power base – one which neither underrates nor overrates – is essential for formulating effective CSR strategies. Both the Heinkel et al. article, and the Yach et al. study provide interesting insights to companies that are formulating CSR strategies. Both of these studies examine company CSR strategies from the outside looking in. Both studies look at the socially responsible investment (SRI) strategies from the stakeholders' point of view. The tobacco industry's continued existence despite an onslaught of external challenges to its position and the 25% "critical mass" threshold of withheld SRI investments identified by Heinkel, et al., suggest that companies are in relatively strong strategic positions in relation to their stakeholders.

In view of these findings, companies that are considering implementing or expanding CSR strategies should not only consider the possible advantages gained from their efforts, but also need to examine the potential threats that may also come as a result of their socially responsible initiatives. The potential unintended negative consequences of CSR are discussed later in this review.

CSR and Organizational Effectiveness

This section of the review seeks to examine the question: *How do CSR strategies affect the overall effectiveness of organizations?* The first article in this section established the general theme that positive CSR strategies are associated with high performance and overall organizational effectiveness. The next three articles examined the association of "positive" or proactive CSR strategies (such as corporate philanthropy) with organizational effectiveness. Again, Herman and Renz's (1999) social construction thesis, wherein organizational effectiveness is defined by the manner in which it is perceived by its stakeholders, provides a useful way to assess CSR and overall organizational effectiveness.

The relationship between positive CSR strategies and overall organizational performance was examined by Verschoor and Murphy (2002), who found that companies on *Business Week's* financial list of the 100 Best Citizens had outperformed the average ranking of other Standard and Poor listed companies by more than 10 percentile points.

Marx (1999) examined the manner in which large corporations use CSR, in the form of corporate philanthropy, as an aspect of their overall strategic planning. This is an empirical study that used questionnaires mailed to a broad section of large Fortune 1000 companies, representing a variety of industries, in order to gather data.

Marx defines strategic philanthropy as, "the process by which contributions are targeted to meet business objectives and recipient needs" (p. 188). This definition implies a "prudence" (Gibson, 2000) or "instrumental" (Donaldson & Preston, 1995) approach to corporate philanthropy that is intended to directly impact on the attainment of strategic business objectives. Analysis of the collected data indicated that the majority (86%) of the responding companies managed their philanthropic contributions as part of an overall corporate strategy. This suggests that companies recognize that corporate philanthropy has some reciprocal advantages for their organizations. The results indicated that these strategic philanthropy programs take into account the needs of their stakeholders when making decisions as to where to invest their charitable monies. The data also indicated that the vast majority of these strategic programs did not frequently measure the direct impact that their contributions have on business goals.

Despite the fact that the majority of companies studied include philanthropy as part of their strategic plans, it is curious that few bother to follow through by taking steps to measure the success of their programs. It is as if these companies have an intuitive sense that the most important benefits derived from corporate philanthropy are those that are intangible and long-term in nature, and are thus difficult to measure. Marx (1999) concludes that "philanthropy can promote corporate objectives with key stakeholders without showing measurable economic benefits" (p. 193).

Verschoor (2001) makes a case for the tangible benefits of ethical behavior. He reports the results of 13 academic empirical studies that support his thesis that ethical corporate behavior is related to positive business outcomes. Verschoor condensed the results from these 13 articles to conclude that good corporate citizenship provides tangible benefits in the form of improved employee relations (better recruitment, higher retention, and better morale), as well as improved customer relations (increased customer loyalty, improvement of brand image, and tiebreaker effects for customer purchasing decisions). Verschoor also suggests that the results of a number of studies have shown that CSR improves the overall organizational effectiveness by enhancing reputations and therefore leading to better financial returns.

In their study of cultural antecedents and business benefits of corporate citizenship, Maignan, Ferrell, and Hult (1999) identified three distinct types of organizational cultures: market-oriented (responsive to external stakeholders), humanistic (responsive to internal stakeholders, i.e., employees), and competitive (concerned with winning and acquiring success). Their analysis of empirical data supports their hypothesis that the greater the market orientation of an organization, the more proactive their CSR strategies are. This appears to also hold true for organizations with a humanistic orientation, but it is not apparent in organizations that have a culture that is predominantly competitive in nature.

Furthermore, Maignan et al. concluded that the more proactive an organization's CSR is, the greater the commitment from its employees and the greater the loyalty the company receives from its customers. They concluded from this that CSR is an excellent tool for both internal marketing (good employee relations) and external marketing (improved customer loyalty).

Regarding overall organizational effectiveness, their analysis of the data also suggested that proactive CSR strategies directly lead to improved business performance. Although their hypothesis that greater employee commitment leads to better business performance was not supported by the data, the results do support their hypothesis that better customer loyalty leads to improved business performance. The authors concluded that positive CSR is conducive to customer loyalty and surmise, "Like employees, customers are likely to support proactive corporate citizens because they benefit directly from the responsible attitudes of these organizations and because they share common values with them" (Maignan, Ferrell, & Hult 1999, p. 467).

Although only three groups of stakeholders were included in the study (customers, employees and public stakeholders), the evidence seems clear that positive CSR strategies have a distinctly beneficial effect on overall organizational effectiveness in terms of employee commitment, customer loyalty, and business performance. Maignan et al. acknowledged that their study was limited by their focus on only three stakeholder groups, and they suggested that future inquiries take into account a wider range of primary and secondary stakeholders.

The empirical studies reviewed in this section clearly point to a relationship between a company's *positive* CSR strategies and the improvement of its overall effectiveness. What is not clear from these studies is the potential for negative effects on reputation that may result from a company's well-intended CSR strategies. Again, the Starbucks Corporation comes to mind. By all accounts, Starbucks is a highly successful company that is heavily committed to corporate citizenship – having been rated number 21 in Business Ethics' list of 100 Best Corporate Citizens (Miller, 2002). Ascribing to Maignan's et al. (1999) typology, Starbucks would probably fit under the "market-oriented" (responsive to external stakeholders) category of companies. A healthy return on investment to its shareholders of 38.38% from 1998 through 2000, suggests a highly responsive and successful company. Starbucks is singled out by Miller (2002) as being one of the most responsive companies to external stakeholders, most notably among non-U.S. stakeholders. It should be noted that as of this writing, the company's ranking has slipped to number 42 on Business Ethic's 2005 list; however, it has maintained positive ratings in categories relating to shareholders, community relations, minorities and women, employee relations, the environment, human rights, and customers. The company was rated slightly negative in the governance category – a new category that was added to the ranking methodology in 2005 (Business Ethics, 2005).

Despite their proactive CSR policies, corporations have become the focal point for many groups of protestors (Nattrass & Altomare, 2002). Some of these are "mainstream" environmentalist and pro-labor groups, while others are less known "marginalized" groups. The next section examines some of the possible motivating factors that may help explain this apparent contradiction.

Motivational Factors of CSR

This literature review has thus far focused on social performance theory and stakeholder theory to examine socially responsible corporate behavior. The bulk of the empirical research so far suggests a relationship between CSR and good business practices. Indeed, the thesis, "doing good is good for business" seems to be gaining more acceptance as most new studies on the matter seem to point in that direction. Even as this "rule" seems to be gaining increasing acceptance in the business world, there seems to be a counter thesis that points to the opposite effect – a "fly in the ointment" so to speak. Indeed, problems encountered by otherwise successful companies such as Starbucks and Nike would seem to point in the opposite direction. Here are two companies that have made CSR an integral part of their corporate identities (Nattrass & Altomare, 2002), yet both companies have been the targets of boycott movements on the Internet (for example, Boycott Nike Homepage, http://www.saigon.com/~nike/ and Organic Consumers Association, http://www.organicconsumers.org/).

Are these exceptions to the "rule" just outliers on a normal distribution curve, or is the basic premise of CSR fundamentally flawed? In order to answer these questions, one needs to dig a little deeper and take a look at other disciplines. In order to gain a better understanding of the underlying motivations behind an organization's CSR practices and the behaviors of its stakeholders, it is important that some time be devoted to reviewing literature that bridges the gap between stakeholder theory, corporate citizenship theory, and psychology.

The remainder of this literature review analyzes the core question of this inquiry: *Under what conditions is doing good, not good for business?* In order to explain this question, one has to examine the core attitudes and motivations of the people who make the strategic decisions in companies, as well as the core attitudes and motivations of those outside influencers whose actions may affect those decisions. The next five articles are reviewed for possible clues about the motivating factors that may help shed light on the core question of this study.

The first article in this section, *Gaia rising: A Jungian look at environmental consciousness and sustainable organizations* (Ryland, 2000) examines gaps between peoples' attitudes and peoples' behaviors as they relate to the environment. The second article, "The dark side of organizations: Mistake, misconduct, and disaster" (Vaughan, 1999) examines the unintended consequences of well intended actions. The term, *negative CSR* has been used to describe corporate actions that have resulted from acts of neglect, or, in extreme cases, deliberate malfeasance. Corporate actions associated with gross neglect such as the 1984 Union Carbide gas leak in Bhopal India that killed approximately 3,800 people (Union Carbide, 2005), and the Exxon Valdez oil spill in 1989, that left an environmental disaster in its wake, are two prominent examples of negative CSR. Again, as with the Ryland article, the gap between the *intent* of corporate managers and the actual consequences of their actions is examined for clues that may explain the origins of negative CSR.

The third article in this section, by Drumwright (1996) examines the manner in which managers tend to convert their attitudes toward socially responsible behavior in an apparent attempt to close existing gaps between economic and non-economic corporate objectives. The fourth article by Bansal and Roth (2000) also examines the mixed motives of corporate mangers. This article offers some insight that may explain how innovative solutions on the part of managers are used to close existing attitudinal gaps and lead to better corporate responsiveness toward the environment, i.e., *positive* CSR. Lastly, the Rojsek (2001) article further examines managerial attitudes toward environmental issues as they relate to their companies and offers some clues on the managers' willingness to change their attitudes and behaviors to reduce dissonance at a collective level. Collectively, the literature explains the underlying motivating factors behind socially responsible behavior.

Ryland (2000) examines motivational factors that may provide some insight. Ryland presents a theoretical argument that seeks to answer a perceived disconnect between attitudes that support the environment and behaviors that do not. The author attempts to reconcile the perceived gap between attitudes and behavior by taking a Jungian approach of assimilation. She maintains that the existence of the gap is not rational and, therefore, this state exhibits characteristics akin to Carl Jung's notion of bipolarity. In bipolarity, non-reconciled chaotic forces (complexes) may be reconciled by a healing process that Jung refers to as "individuation". Ryland describes a state of "environmental angst" that ostensibly results from unresolved conflict between two divergent paradigms (simply stated: the paradigm of money versus the paradigm of life.)

She maintains that this state of environmental angst results from a process that is similar to the Jungian process of individuation, wherein opposing forces are reconciled

Ryland also cites the 1989 work of Arne Naess to make the distinction between the socially prevalent *shallow ecology* wherein constructive attitudes toward the environment are framed within the context of "promoting the health and affluence of people in developed countries", and *deep ecology* which "rejects the 'man-in-environment' image in favor of a 'rational, total-field image'" (as cited in Ryland, 2000, p. 395). According to Naess, *deep ecology* "requires a deep-seated veneration for all forms of life, an understanding from others, and deep empathy with their suffering" (as cited in Ryland, 2000, p. 395). Ryland concludes that the perceived environmental angst can be reconciled by relegating the money paradigm to a subordinate status, by acknowledging that the world economy is embedded in the ecology and "therefore has no meaning outside of Gaia (a reference to James Lovelock' theory that espouses that the planet earth is a self-healing, self-regulating, organic super organism)" (p. 395).

Ryland maintains that there exists an irrational gap between environmental attitudes and actions. However, she does not take into account that this gap may be attributed to factors other than irrationality. The ambiguity of definition in the terminology, as well as the lack of consensus among self described environmentalists, may also explain this perceived gap.

Another area of concern in Ryland's article is the apparent inherent contradiction in the Gaia philosophy. The author states:

> An important attribute of the Great Mother (earth) is inclusiveness, and it is a hallmark of environmental thinking that nothing is unimportant, because

everything is connected to everything else in a living web. The biosphere constitutes an integrated whole, which must be respected to ensure sustainability. Trespassing on Gaia's rules can have serious consequences. (p. 393)

There is a sense in Ryland's article that humans are mostly trespassers on the planet, notwithstanding the "Great Mother's" sense of inclusiveness.

Future research in this area may include empirical study of attitudes toward environmental ideals in relation to environmental actions. How do these match, and where and why do they diverge? While Ryland points out some apparent gaps and contradictions between attitudes and actions when it comes to environmental issues, her explanation that irrational forces underlie the contradictions does not provide a roadmap for further inquiry.

In contrast to Ryland's Jungian approach, Vaughan (1999) examines the cognitive aspects of organizational deviance. Vaughan is primarily concerned with examining the unintended consequences that occur as a result of regular well-intended organizational actions. She identifies mistakes, misconduct, and disaster as three forms of "routine nonconformity", which lead to suboptimal organizational performance. Vaughan calls these unintended suboptimal outcomes "organizational deviance". She sees organizational deviance as being the unintended effect of an organization's characteristics, its interrelationship with its environment, and its individual cognition and choice.

Vaughan (1999) describes the concept of *cooptation* as, "the process of mediating threats to stability from the environment by absorbing new elements into the leadership or policy-determining structure of an organization, can result in compromise that deflects an organization from its original goals, so that outcomes deviate from normative standards or expectations" (p. 274). Vaughan's "unconscious cultural knowledge" is similar to the Jungian concept of the collective unconscious, but also has connection to cognitive dissonance theory. Vaughan (1999) states:

> Drawing on largely unconscious cultural knowledge, individuals make the problematic nonproblematic by formulating a definition of the situation that makes sense of it in cultural terms, so that in their view their action is acceptable and nondeviant prior to an act. Alternatively, individuals may justify organizational deviance in retrospect by constructing accounts that bring their actions into harmony with social expectations. (p. 277)

Vaughn's exploration into the unintended consequences that occur as a result of regular well-intended organizational actions provides a promising road of inquiry to examine the core question of this research – When is doing good not good for business? The term "doing good" parallels Vaughn's "well-intended organizational actions", while the second part of the phrase, "not good for business" mirrors Vaughn's "unintended consequences".

Vaughan's concept of *cooptation,* whereby organizations deviate from their original goals in order to mediate external threats, could help explain the actions of companies such as Starbucks and Nike as they respond to the external pressures. More importantly, however, the concept of cooptation could also explain the actions of the external stakeholders (or more specifically – influencers) as they continue to apply pressure to these companies, despite the fact that the companies are taking extraordinary measures to accommodate their requests. Indeed, even the *proactive* CSR measures taken by these two companies seem to have sometimes backfired on them in regard to these special interest groups.

Vaughan's concept of cooptation seems to parallel, at a collective level, what psychology's cognitive dissonance theory proposes at an individual level. In both cooptation and cognitive dissonance, a strong motivation exists to close an existing gap (in either the individual in the case of dissonance theory, or by the managers of an organization in the case of cooptation) when the individual or company is faced with some degree of discomfort.

In the case of cooptation, the application of continuing pressure from these external stakeholders suggests that the members of these groups have an understanding (either conscious or intuitive) of the cooptation process and are using it to further benefit their individual socio-political agendas. Vaughan's cooptation construct would seem to provide a fertile ground for further research in this area.

Another empirical work sheds some insight into cognitive dissonance theory and its application to motivation of CSR behaviors. Drumwright (1996) conducts a qualitative study to identify the objectives and approaches leading to social (non-economic) advertisement campaigns. One key finding in Drumwright's work was that "when campaigns have mixed objectives, they often evolve toward greater emphasis on non-economic objectives, and mangers are more likely to continue the campaigns and use non-economic objectives in future campaigns" (p. 91). This is important because it implies that managers have a tendency to "convert" their attitudes toward socially responsible behavior as they close the cognitive gap between what is said and what is believed. Similar in some respects to Vaughan's *cooptation*, Drumwright's work demonstrates that managers will change their attitudes, and presumably their behaviors, in response to social expectations. This willingness to change could be viewed by outside influencer groups as an opening, or a "loose brick" that can be exploited to gain influence of an organization from the outside.

Bansal and Roth (2000) conducted another qualitative study of the motivation and contextual factors that lead to sustainable corporate practices. The authors point to three distinct motivation patterns: 1) competitiveness; 2) legitimation; and 3) ecological responsibility. The salient characteristic of competitiveness is that an organization can gain competitive advantage through environmental responsibility. The salient characteristic of legitimation is the link between organizational legitimacy and organizational survival. With legitimation, the organization seeks to comply with regulations, norms, and values in order to avoid sanctions and maintain their legitimacy among its stakeholders. The salient feature of the ecological responsibility motivation is its concern for the social good. This motivation is characterized by its ethical considerations rather that pragmatic ones and companies are motivated more out of a sense of obligation than out of self interest.

In the process of developing these motivation patterns, three contextual conditions emerged that could be related to the dominant motivations: 1) issue salience; 2) field cohesion; and 3) individual concern. Issue salience is defined as the extent to which ecological issues have meanings for organizational stakeholders. Salience is determined by the extent of its certainty (measurability), transparency, and its emotivity (the likelihood that it will elicit an emotional response). High salience is reflected by words such as, "proven", "standardized", "quantifiable", and "tangible". Field cohesion refers to the degree of intensity and density in the network of interconnectedness between an organization and its stakeholders. Finally, individual concern is defined as, "the degree to which organizational members value the environment and the degree of discretion they possess to act on their environmental values" (Bansal & Roth, 2000, p. 730). These values often induce some organizational members to champion environmental causes.

Bansal and Roth (2000) discovered that a number of organizations exhibited mixed motivations for their ecological practices. As such, the authors chose to identify consistent "configurational patterns" rather than trying to identify specific optimal ecological responses for any given context. The authors posited three profiles that are highly coherent and consistent. These profiles were: 1) the caring profile; 2) the competitive profile; and 3) the concerned profile. The caring profile was characterized by a charismatic and powerful leader whose ecological responsiveness leads to context legitimacy and organizational change. Howard Schultz, the Chairman of the Board of Starbucks may be an example of this caring profile (Nattrass & Altomare, 2002).

The concerned profile is exemplified by members of related organizations who come together to protect the legitimacy of a particular industry. An example of this profile is the acceptance of accreditation standards by the majority of police departments in the U.S. who seek institutional legitimacy by complying with a set of norms and standards.

The competitive profile is characterized by a mixed motive of ecological responsibility and competitive advantage. This profile reveals a conceptual gap that potentially leads to innovative behavior and a high degree of responsiveness toward the environment. In some respects, Starbucks' Schultz also fits this profile as both competitiveness and social responsibility are characteristics that can be clearly inferred from his actions. Starbucks is both a highly profitable company and a highly socially conscious one as well (Starbucks, 2005).

The competitive profile is of particular interest for further study since it points to a possible parallel to both the cooptation process described by Vaughan (1999) and to innovative behavior prompted by cognitive dissonance motivators. It may be that the very same set of characteristics that make corporate leaders such as Howard Schultz responsive to their social responsibilities are also the traits that make them susceptible to influence from outside stakeholders. If so, the competitive profile that is characterized by mixed motives, i.e., gaining a competitive advantage, while having a high degree of social responsiveness, could very well be the gap that outside influencers could choose to exploit. This may explain why Howard Schultz, of all people, would be targeted to such an extent by a myriad of outside influencer groups.

The article, *From red to green: Towards the environmental management in the country in transition* (Rojsek, 2001) also explores the attitudes of company managers toward environmental policies and practices in a transitional economy – in this case, in the transitional economy of Slovenia. Rojsek looked at four factors that influenced Slovenian companies in making environmental policy decisions. These factors were: 1) managers' attitudes about the environment; 2) the sources of pressure on companies; 3) prioritization of environmental goals and potential conflict with business goals; and 4) perceptions barriers toward environmental responsibility. The author used the results from a questionnaire that was sent to a non-probability sample of 100 Slovenian companies that were deemed to be from "pollution-intensive" sectors. Selection of these companies was based on the "expert judgment" of the Slovenian government, rather than on a random sample. Sixty of the 100 companies returned the "multi-item measurement scale" questionnaires.

Rojsek's findings indicated that there is a general awareness of ecological issues in Slovenian society, but that the managers of the companies studied do not believe that the public is willing to pay extra for environmental protection. The survey results indicated that most companies believe that strict government regulation is the key for environmental protection, but they perceive the Slovenian government as being generally ineffective in this area.

In regard to the second issue (sources of pressure on companies), Rojsek relied on stakeholder theory to frame her analysis. The findings indicated that managers perceive themselves as being the most important stakeholders to pressure companies on environmental issues. The same managers believe that government and competitors (combined) are the second most important influence on company orientation toward the environment. In third, fourth, and fifth place respectively were the influences of consumers (strong), shareholders (negligible), and distributors (no influence).

In regard to the third issue (relationship between business goals and environmental concerns), it was found that managers believed that environmental protection was only a "somewhat important" goal of organizations, whereas long term profit and competitiveness were deemed to be "very important" objectives. Business managers tended to view environmental objectives as being a short-term obstruction to profit making; however, they also viewed it as having a positive effect on competitiveness, company growth and long-term profit.

In regard to the fourth issue (perception of obstacles to environmentally friendly behavior), the findings indicated that the majority of Slovenian managers believed that a market for "green" products in that country is still too small. Rojsek compared the responses of managers from big companies and small companies, as well as old ones and new ones. The perception among the small companies was that they face a greater obstacle than do large companies when enacting environmental friendly policies. One interpretation of this finding is that managers may believe that environmental friendly policies are costly to implement and that those costs would disproportionately hinder the smaller companies in comparison with the larger ones, which ostensibly have deeper pockets and could better tolerate the expenditures.

A second interpretation of this finding is offered by Rojsek (2001), as cited from her own previous work in 1987, "Implementation of required environmental measures in older production plants is often more technically and cost demanding than in newly established companies or production plants where environmental requirements can be taken into consideration at the very beginning" (p. 46). This conclusion supports the notion of first-mover advantages gained by newer companies that take into account socially responsible practices in their organizational policies.

Rojsek characterizes the Slovenian companies in her study as being "firefighters", meaning that they are passive when dealing with ecological issues and only react to environmental problems when it becomes necessary. These companies also view the Slovenian government as being the most important source of environmental regulation.

Therefore, the author concludes that improvements to the regulatory power of the Slovenian government are key to improving sustainability practices in the transitional economy of that country.

While the non-probability sample of convenience used in this study makes the external validity suspect, Rojsek's findings nonetheless provide some interesting clues as to the manner in which managers perceive their companies' attitudes and actions toward providing CSR in the form of environmental concerns. All the findings suggest that company managers make excellent targets for special interest groups for the following reasons.

First, the managers in the study seemed to be open-minded and predisposed to allow pro-environmental policies to be enacted. While these managers viewed environmental objectives as being short-term impediments to profit making, they seemed to be receptive to its long term benefit to the company. The recognition by these managers of the first-mover advantage gained by companies delving into CSR environmental policies further reinforces the likelihood that these managers would be willing to make changes that are consistent with the agendas of environmentalist stakeholder groups.

Second, not only are these managers willing, but they also seem to think that they are capable of making changes to environmental policies in their companies. Indeed, these managers rated themselves as the most important change agents to put pressure on their own companies.

Third, the characterization of these managers as "firemen" who are generally passive in dealing with ecological issues and who react only when it becomes necessary further reinforces the "turn up the heat" strategy used by environmental special interest groups. To these influencer groups, it may seem that tactics that create some degree of discomfort for the managers of their targeted companies are the ones that are most likely to gain the desired results.

If the tactics utilized by these special interest groups to achieve change continue being rewarded by successive incremental change toward their desired objectives on the part of company managers, it only stands to reason that these groups would continue to use the same successful tactics over and over. In fact, a company's willingness to use CSR strategies may only serve to attract more demands from these groups, who will see the compliant company as an easy target for further concessions. Such targeting strategies could explain the "ganging up" effect on strong CSR companies such as Starbucks, whose corporate citizenship practices on the most part pre-dated the pressures from the special interest groups.

The last few articles provide some insight into the underlying attitudes and motivations behind company managers' socially responsible behavior. Less is known about the underlying motivations that drive the outside influencer groups to protest against the companies that are considered proactive in CSR.

The remainder of this review focuses on the antithesis, "when is doing good not good for business?". This view paints a picture that portrays strong CSR companies as being likely targets for special interest groups. While this "picture" provides a framework for further analysis, it does not mean to infer that only companies with proactive CSR strategies are targeted by outside influencer groups. Indeed, companies with less than ideal corporate social performance ratings, i.e., tobacco, nuclear waste, and pharmaceutical companies, are often targeted by outside influencers.

Perhaps under certain circumstances, doing good is not good for business – at least to a certain extent. One needs to be reminded that despite the targeting from external special interest groups, companies such as Starbucks and Nike have continued to successfully compete in their respective industries. Both companies seem to have adapted to their unique set of circumstances and do not seem to have changed their core values as a result of outside pressure from special interest groups.

An Antithetical Perspective on CSR

In the article *The Perils of Doing the Right Thing*, Singer (2000) takes a pragmatic reputation management approach to offer practical advice to managers who are considering acting on socially responsible behavior. Singer briefly examines the cases of four companies (Ford Motor Company, H. B. Fuller Co., Smith & Wesson, and Monsanto) whose CSR policies seemed to have backfired on them in varying degrees. He states:

> Good corporate citizenship is praiseworthy, of course. But it isn't always easy. Indeed, if one looks at the experiences of other companies once acclaimed as 'leaders,' it is a decidedly mixed history. For all their high promise and initial acclaim, many firms later emerged scarred and chastened, victims of public derision, consumer boycotts, shareholder rebellion, and even bankruptcy. (p. 148)

Singer offers the case of H.B. Fuller, a Minneapolis-based adhesives manufacturer, as an example of a company that had established an excellent reputation for socially responsible behavior, but which was nonetheless singled out by protest groups. The company was quick to remove one of its products – Reistol – when it was initially confronted with the fact that children in Central American countries were abusing it (glue sniffing). Despite the fact that the company acted quickly to remove the product, even though its competitors continued to manufacture and sell glue to the same Central American countries, H. B. Fuller became the focus of various activist groups who picketed the company's annual shareholder meetings and brought numerous law suits against the firm.

The irony of the H.B. Fuller case is glaring. The activist groups picked on the company that had an excellent CSR reputation and that had been quick to respond to the social concerns resulting from the sale of one of their products. Meanwhile, H.B. Fuller's competitors, who did not enjoy as good a reputation and did virtually nothing to stop the sale of their glue products, were ignored by the activists. As Singer (2000) notes, "social critics mostly gave them (the other companies) a free pass" (p. 149).

It appears that in the case of H.B. Fuller, doing good was not good for business. Singer quotes Michael G. Daigneault, the president of the Ethics Resource Center:

> There are risks inherent in being perceived as, or fostering the perception of being, an exceptionally ethical or socially responsible organization. People will hold you to that standard. (as cited in Singer, 2000, p. 149)

Singer points out similar backlashes sustained by the gun manufacturer Smith & Wesson when they voluntarily instituted responsible gun sale guidelines on its retailers, and by the chemical research and manufacturing company Monsanto after being singled out by a number of protest groups (including Greenpeace) for its development of a genetically modified bovine growth hormone. In both cases, the companies had the best intentions – accountability in gun sales for Smith & Wesson, and a projected 25% increase in milk output in the case of Monsanto. As it turned out for Monsanto, the initial furor against genetically modified products was determined to be baseless and unfounded (as later declared by the Organization for Economic Cooperation and Development). Unfortunately for Monsanto, the company never recovered from the blow to its reputation and ended up being acquired by another company at a less than expected price. Similarly, Smith & Wesson was negatively targeted for its CSR policies by having many of its retail dealers boycott its products. These boycotts resulted in the temporary closing of two Smith & Wesson gun manufacturing plants. Singer's article provides several examples of the potential unanticipated consequences of instituting CSR policies. It also provides some insight as to the thinking process of some of the activist groups that protest and boycott CSR companies. The "ganging up" phenomenon, whereby activist groups focus their efforts on certain companies at the exclusion of others, appears as a recurring theme in many of the case studies examined by Singer.

It cannot be said for certain why activist groups choose some companies over others to promote their agendas. However, a recurring pattern seems to be emerging from the literature, wherein companies with proactive CSR policies and behaviors appear to be singled out by activist groups. Two plausible explanations for this phenomenon can be discerned from the readings.

The first explanation is that certain companies are being singled out by the activist groups because of a sense that high CSR companies provide "easy pickings" for them. In order to understand the thinking behind the strategies employed by the influencer groups, it may be helpful to first look at the attitudes and motivations of managers in the targeted companies. Rojsek's (2001) study, which found that company managers make excellent targets for special interest groups to focus their change agenda efforts, comes to mind. Rojsek found that managers tended to be open-minded and predisposed to allow pro-environment policies to be enacted in their companies. Rojsek also found that company managers were not only willing, but by virtue of their positions, were also capable of enacting these changes. If true, then the activist organizations' tactics of focusing their reform efforts on companies that have already exhibited proactive CSR can be attributed to a strategy of "picking low-lying fruit".

Bowen (2000) states that, "visible firms pursuing restrained commitment might soon come under attack for not implanting environmental initiatives precisely because they are the easy targets" (p. 103). Arguably, these companies have exhibited a previous disposition to reform in the same direction desired by the activist organizations. These influencer organizations may view high CSR companies such as Starbucks as easy targets that can be made to change policy with only a minimum amount of effort. Furthermore, a number of small victories by these influencer organizations could add to their credibility and increase the likelihood of making more progress to their overall agendas.

The second explanation as to why influencer groups choose companies with proactive CSR policies may be expanded by cognitive dissonance theory. Rojsek's third finding which characterized company managers as being "firemen" – dealing with ecological issues only when outside influencers "turned up the heat" on them. These managers became motivated to change only when they were made uncomfortable, i.e., they suffered dissonance. Arguably, this level of discomfort stems from a combination of outside pressure exerted by the influencer groups and the existing attitudes of the managers. It is this gap between existing attitudes and external "realities" that causes the dissonance, and that leads to dissonance-reducing change strategies. Therefore, the stronger the company's pre-existing commitment to CSR, the larger the dissonant gap will seem, and the more likely that managers will move quickly to reduce the dissonance.

It seems likely that both explanations may offer some understanding of the motivations of the influencer groups. The remainder of this review further examines these motivations. Is it more than coincidence that many "high" CSR companies are being singled out by activist groups? Is this perception true? If so, why is it, and what can companies do to manage their CSR policies in response?

At this point in the literature review, a closer look at psychology's cognitive dissonance theory is in order. Thus far, some parallels have been drawn between the motivation of company managers at a collective level and with cognitive dissonance theory as a motivator at the individual's level. The Jungian healing process of *individuation* described by Ryland (2000) is one way to describe the manner in which persons reconcile any perceived disconnect between their attitudes and their behaviors. While the Jungian approach seeks to synthesize polar opposites to make a whole, cognitive dissonance theory proposes that persons are motivated by the desire to eliminate discomfort. As such, whenever there is a gap between a person's attitudes and their behaviors, an uncomfortable state of dissonance is said to exist. Similar in some ways to the *cooptation* concept (Vaughan, 1999), cognitive dissonance theory would predict that the person or persons would strive to eliminate the dissonance by either changing their actions, or by modifying their attitudes to be in harmony with social expectations.

It is hoped that a closer look at cognitive dissonance theory will provide some insight into the motivating factors that move company managers to act on socially responsible behaviors, while helping to explain how outside influencer groups would strive to exploit this phenomenon to their advantage. If the need to reconcile dissonance is a motivator, then influencer groups may use it as a strategy to gain advantage in attempts to change corporate attitudes and actions. The examination of cognitive dissonance theory is done in an effort to gain further insight into the possible motivations underlying the behaviors of both managers and outside influencers as it pertains to CSR.

Cognitive Dissonance Theories

Draycott and Dabbs (1997) conducted an extensive review of the literature regarding cognitive dissonance theory and its applications to practical clinical psychology. Festinger's experiments (as cited in Draycott & Dabbs, 1997) found that dissonance reduction is a motivation which is:

> Similar to other drives like hunger, which also lead to behaviours (eating) which serve to reduce that state (satiation). However, it differs in that it is aroused purely through cognitive events, rather than physical stimulation and the homeostatic status of the body. (p. 342)

Cognitive dissonance is defined by Draycott and Dabbs (1997) as, "an unpleasant, drive-like state which motivates people to alter their cognitions to reduce their experience of dissonance" (p. 342). Dissonance occurs when an individual or a group experiences inconsistent simultaneous cognitions. In order to bring consistency between their contradictory beliefs and feelings, the individual or group is motivated to reduce or eliminate the dissonance. The authors discussed Tedeschi and Rosenfeld's theory of "impression management" which looks at attitudinal changes that result from persons trying to reduce their dissonance by making themselves look less hypocritical in a public setting (as cited by Draycott & Dabbs, 1997). The authors cited another study by Gaes, Kalle and Tedeschi (1998) that "found greater attitude change when participants were publicly committed to their statements than when they could make them anonymously" (as cited in Draycott & Dabbs, 1997, p. 342). The authors identified three ways that dissonance is reduced: 1) changing the dissonant element (attitude change); 2) adding a consonant cognition; or 3) reducing the importance of the dissonant element. They referred to this third option as "trivialization" by Simon, Greenberg and Brehm (as cited by Draycott and Dabbs, 1997).

Ji and Millette (2002) proposed an "in-"theory of organizational change that is based on a dialectic approach that closely resembles cognitive dissonance principles. The authors proposed that organizations move toward change as a way of minimizing or resolving tensions. These tensions come from the interactions between innovation and inertia (hence, the term "in" theory): "When new ideas challenge existing norms in an organization, organizational tensions erupt. The resolution of organizational tensions is organizing change, which impacts organizational outcomes and feeds into the future establishment of inertia and innovation" (p. 37). The authors took a dialectical approach by which the divergence of two opposite forces (innovation and inertia) is seen as the cause of organizational tension. Ji and Millette (2002) offered six "lessons" proposed by their in-theory:

1) Innovation is relative to the degree of an individual's prior knowledge and experience.
2) Inertia and resistance in an organization provide valuable space to be filled by the learning process.
3) Innovation and inertia create organizational tensions that drive the learning process.
4) Organizational development interventions are critical for resolving tensions.
5) Organizational change helps to resolve tensions. The authors identified four types of change: 1) sustaining traditions; 2) incremental; 3) revolutionary; and 4) punctuated equilibrium.
6) Outcomes cycle back into the system for future innovation and inertia. (p. 44)

Bacharach, Bamberger and Sonnenstuhl (1996) posited a model of organizational transformation that draws from the cognitive dissonance theory. The authors conducted a qualitative study of the post-deregulation era airline business, where they examined the effects of a massive shift in the industry's business environment. Of importance here is that Bacharach et al. broaden the cognitive dissonance theory to include "organizational collectives". In other words, they do not see cognitive dissonance as being a phenomenon limited to individuals only. Bacharach et al. (1996) stated:

> If, as we assume, parties who are members of the same group share a common logic, it is likely that they will also experience a common sense of dissonance whenever that logic is threatened. Furthermore, when experiencing such dissonance, these organizational collectives may take any number of actions to restore their sense of consistency. (p. 480)

These last articles, dealing with cognitive dissonance motivators, provided further clues as to what factors may motivate company managers who institute CSR policies and practices. These articles also provide clues as to why special interest groups are drawn toward proactive CSR companies to further their agendas. Individuals and organizations appear to be highly motivated to remove any perceived discomfort by making changes to resolve the tensions. It also possible that external special interest groups may also understand this phenomenon, and may be willing to use it to further their own political agendas.

By exerting pressure (and increasing the level of discomfort) on certain companies that have already exhibited a predisposition to make proactive CSR policies, special interest groups can gain a great deal of leverage. Ostensibly, the pressure is even greater if it is done in a public forum, as described in Draycott and Dabbs (1997). The fact that many of these influencer groups enjoy the relative anonymity provided by the Internet to espouse their anti-corporate views means that the degree of leverage over the target companies is even greater. While the targeted companies are held accountable to their public statements of intent, the relative anonymity provided by the Internet affords many of the outside influencer groups the advantage of not having to be accountable for their views. As Gaes, Kalle and Tedeschi (1998) pointed out, statements that are made openly in public, are more likely to result in attitude change than those that are made anonymously. In contrast to companies that often have to answer to myriad stakeholders, the more anonymous Internet interest groups would be less likely to be compelled to change their attitudes. In a dialectic where conflict between opposing forces results in compromise and attitudinal change, the advantage would likely be with the party that feels the least pressure to change.

It stands to reason, then, that companies with strong proactive CSR policies may become desirable targets of these special interest groups. If this is the case, then doing good is not always good for business – at least to some degree. If cognitive dissonance theory holds true as a motivating factor in the collective context of organizations, then it can be expected that companies would take actions to restore their sense of consistency (Bacharach, et al., 1996). Therefore, it stands to reason that outside influencers would seek to gain leverage over the targeted corporations by finding and exploiting "gaps" of inconsistency, i.e., between attitudes and behaviors. Thus, companies that profess to have proactive CSR policies would seem to be the most likely to have these gaps of inconsistency, and therefore would seem to be the most likely companies to be targeted by the outside influencer groups. Likewise, companies that do not profess to have proactive CSR policies would not have such evident gaps and therefore would seem less likely to be targeted by the influencer groups.

It remains to be seen how much damage these special interest groups can cause to a company such as Starbucks or Nike. Both companies seem to be getting along just fine despite their travails, and if the 25% cost-benefit threshold suggested by Heinkel, et al., (2001) earlier in this review is any indication of their breaking point, it seems very unlikely that either of these two companies will waver from their CSR core values in the future.

There are however, examples of companies that have reached a breaking point as the result of CSR practices that backfired. Singer (2000) uses the example of a small New England paper company that went out of business and put 500 employees out of work after its owner spent $2.5 million to clean up its practice of polluting a river. Unfortunately for the company (and arguably, for the environment too), other competing companies continued to dump their effluent into the same river. The competitive advantage tilted toward the companies that continued to pollute, and the river was no cleaner than before.

Singer (2000) also points to the case of the chemical manufacturing firm Monsanto as an example of where the unintended consequences of CSR had a severe effect on the company. Monsanto had invested $1 billion to research and develop a bovine growth hormone that was intended to increase milk output by 25%. What first seemed to be a positive step to fight world hunger and one that "neither deplete(d) the world of resources nor damage(d) the environment" (p. 151), later became a highly controversial initiative that attracted the attention of many interest groups. Unfortunately for Monsanto, the pressure from these interest groups eventually led to the company being acquired by Pharmacia & Upjohn Inc. "for a price considerably lower than what it could have fetched a few years earlier" (p. 152).

Synopsis of the Literature Review

The purpose of the critical analysis of the literature was to review theoretical and empirical works in order to provide a grounded theoretical framework in support of a cognitive dissonance motivational model of corporate social responsibility. The review examined the multi-disciplinary fields associated with stakeholder theory, corporate citizenship theory, and cognitive dissonance theory. The interactions between corporate social responsibility strategies and stakeholder interests, as well as underlying motivational factors were explored. These relationships were viewed within the context of attaining organizational effectiveness and long-term sustainability. When deciding how to broach the subject of CSR, it soon became apparent that traditional economic measures of success are insufficient for assessing organizational effectiveness. The same holds true for assessing the effectiveness of the stakeholders themselves in their dealings with organizations.

The literature that examines CSR is split in two main theoretical streams. The first is a moralistic perspective that implies that there is an underlying moral imperative for corporate citizenship (Moir, 2001). Frooman (1999) makes the distinction between strategic stakeholders and moral stakeholders. Similarly, Kaler (2002) distinguishes between claimant and influencer definitions of stakeholders. The second main theoretical stream takes a pragmatic approach to corporate social responsibility. In this stream, CSR is viewed from the strategic perspective as a means of gaining a competitive advantage. In either case the question must be asked: is CSR done because it is the "right thing to do", or is it done because it is in the long-term self-interest of the organization? Most of the literature reviewed in this critical analysis takes the latter, self-interest perspective. In either case, both sides agree that an organization's interaction with its environment is a highly complex web of relationships. Understanding this complexity requires a broad systemic approach. For this reason, stakeholder theory provides an attractive foundation for this study. Regardless of motivation, the body of work on CSR points to a positive relationship between adaptability and long-term effectiveness, and sensitivity to social responsibilities.

While much of the literature has focused on the positive effects of "good" CSR, little has been done to examine the potential pitfalls of socially responsible behavior by organizations. Intuitively, there is a sense that doing good is generally good for business. Few people seem to question the wisdom of the "Golden Rule" or the notions of "poetic justice" and "good or bad Karma". Yet it is evident from the review of the literature that, in some cases, the use of CSR has backfired. The notion that doing good is not always good for business seems to be counter-intuitive, yet it cannot be ignored. For this reason, this critical analysis of the literature turned to the field of psychology – and cognitive dissonance theory in particular – to examine this apparent anomaly in the established CSR paradigm.

The core question of this study has been: *Under what conditions is doing good not good for business?* To find the answers to this question, several underlying propositions needed to be examined first. The first proposition is the underlying credo of corporate citizenship: that doing good is good for business. The first section of this review examined this thesis and asked the question: *What is CSR, and how it measured?* In order to approach the first part of this question we have to determine what "doing good" actually means. A moral constructionist approach is taken to answer this fundamental question. This means that no attempt is made to seek a universal answer. The answer then, is determined by both the company's executives and its stakeholders.

Moir's (2001) "enlightened self-interest" view of CSR is considered to provide the best foundation to continue this line of inquiry. Namely, Moir's enlightened self-interest definition of CSR takes the conceptual middle ground, in that it acknowledges the self-interest motivation espoused in the neo-classical view; however, it also takes into account political and non-economic factors affecting CSR. Self interest cannot be ignored, since after all, the core question: *when is doing good, not good for business?* implies an underlying, *what's in it for me?* motivation. This third perspective is also attractive in that it acknowledges that long-term self-interest of an organization is inextricably tied to a complex web of stakeholder relationships.

The next question posed in this literature review is: *How do CSR strategies affect an organization's relationships with its stakeholders (internally, e.g., employees; and externally, e.g., markets, governments, competitors)?*

The literature that examines measures of organizational effectiveness pointed to a stakeholder perspective, wherein a company's overall effectiveness is seen as the product of its stakeholder relationships. The multiple constituency model (Herman & Renz 1999), wherein organizations' stakeholders define the criteria for assessing effectiveness, appeared to be the best suited for dealing with non-financial performance measures. Arguably, the bottom line measure of effectiveness is long-term survivability in one's environment. Therefore, organizations that survive in their stakeholder environments must be deemed as being successful and effective. On the other hand, proponents of the ecocentric and sustaincentric paradigms (Gladwin, Kennelly, & Krause, 1995) argued that the Earth itself is the most important stakeholder, and that without a sustainable environment, concerns over the survival of the firm become trivial. The difference of viewpoints between these two paradigms may provide some clues to help explain the divergence from the established "rule" of CSR – that doing good is good for business.

Also important for understanding socially responsible corporate behavior has been the establishment of relevant metrics to measure CSR effectiveness. Typical non-financial measures of effectiveness such as the Balanced Scorecard (Malina & Selto, 2001) may be highly valuable within a multiple constituency context if its evaluation benchmarks are set to correspond with stakeholder needs. Maignan and Ferrell (2000) empirically tested and found a reliable measurement instrument that can be used to assess CSR for a variety of organizational settings. Their research, along with Schmidt-Albinger and Freeman's (2000) work on a corporate social performance construct appeared to be promising areas for future quantitative study.

The empirical study by Mohr et al. (2001) regarding consumer (external stakeholders) attitudes toward CSR, as well as Schmidt-Albinger and Freeman's replication of Turban and Greening's qualitative study on job-seeker (internal stakeholders) attitudes toward CSR, substantiate the notion that CSR strategies affect an organization's relationships with its stakeholders. These studies, along with Maignan and Ferrell's combined works (1999, 2000, 2001) provide a basis for cause and effect relationships between stakeholders and organizations. Further empirical analysis of the relationships between positive/negative stakeholder behaviors and positive/negative organizational CSR behaviors is needed

The empirical study conducted by Frooman (1999) in which four strategies for dealing with organization-stakeholder relationship types are proposed, provides a workable model that companies can use to answer the question posed earlier in this review: *How do CSR strategies affect an organization's relationships with its stakeholders?* Frooman's model provides the tools for an organization to determine its balance of power in relation to its key stakeholders, thereby pointing them in the right direction as to what the most appropriate CSR strategy they should take.

The third question posed in this literature review is: *How do "positive" / "negative" CSR strategies affect the overall effectiveness of organizations?* Here, the term "positive CSR" can be said to mean "proactive", or socially responsible behavior. The term "negative CSR" can either mean the absence of socially responsible behavior, or actions by a company that are often based on negligence, neglect, or malfeasance.

Verschoor (2001) made a good case for "positive" CSR strategies leading to better corporate performance on a number of levels (including improved customer relations and better employee recruitment and retention).

Maignan et al. (1999) also established a link between positive CSR and positive business performance and outcomes. They too found a relationship with companies' positive CSR strategies and improved customer loyalty and employee relations.

Marx (1999) reported on corporate philanthropy as a business strategy. Marx's findings suggested that companies have an implicit understanding that giving money to charities will provide some reciprocal advantages for the organization. Marx also found that many companies do not measure or follow up on the success of their contributions. Despite the general absence of metrics in this arena, Marx concluded that philanthropy could promote company strategic objectives in relation to key stakeholders, even without measuring the economic benefits.

While the relationship between positive CSR and positive results seems to be supported by a number of studies, less is known about "negative" CSR. Is negative CSR considered the mere absence of positive CSR strategies? Or is the term "negative" associated with companies that produce a product or service that some consider to be socially irresponsible (such as tobacco, nuclear power, weapons, etc.)? In either event, as in the previous cases, this question must be examined more closely.

In the realm of negative CSR, Vaughan's work regarding corporate mistakes, misconduct, and disasters (1999), examined the unintended consequences that occur as a result of regular well-intended organizational actions. Vaughan attributed suboptimal organizational outcomes to managers' organizational deviance (i.e., the unintended effect of an organization's characteristics, its interrelationship with its environment, and its individual cognition and choice). In other words, negative consequences can occur even when the company is doing its best to have positive CSR strategies.

To seek clues as to why even the best intentions of organizations seem to sometimes backfire, a brief detour into the realm of psychology was taken. In this section, the question was not so much: *When is doing good not good for business?*, but *Why?*

Earlier in the review, two possible explanations for this were identified. The first – the "easy pickings" explanation is supported by Rojsek's (2001) findings: that managers are able, willing, and predisposed to changing their company's policies and practices to be more eco-friendly. Outside activist groups, understanding this will likely target those companies whose managers have demonstrated previous willingness to be proactive on CSR issues. Thus, activist groups perceive that they are more likely to meet with success when they target companies that have had positive CSR practices in the past. Ironically, the attention brought to these proactive CSR companies can be bad for business, as it may tarnish their reputations and may subject them to boycotts organized by activist groups. Meanwhile, competitor companies that may not be as predisposed to having strong CSR policies may be ignored by these same influencer groups, who perceive these companies as "tough nuts to crack". In this case, the competitive advantage goes to the company with little or no CSR.

The second explanation offered has to do with cognitive dissonance theory. Again, Rojsek's (2001) finding that managers tend to be passive "firefighters" who respond to change only when it becomes necessary to eliminate discomfort, seems to support this notion.

Other literature suggests that organizations, as much as individuals, are motivated to eliminate discomfort (i.e., dissonance). Wong-MingJi and Millette (2002) proposed that organizations move toward change as a way of minimizing or resolving tensions. Their study would suggest a cognitive dissonance motivation on a large scale similar to the dissonance experienced by individuals. The research by Rojsek indicated that managers tended to be passive on ecological issues until it became necessary to act. These same managers also perceived themselves as change agents within the company. These findings suggest that the application of pressure directed toward a company's senior and mid-management, especially if done in a public forum (Draycott & Dabbs, 1997), can be a very effective way of influencing policy changes from outside the firm.

Both of the aforementioned explanations hold merit. In either event, it appears that many special interest groups have come to the same conclusion. The fact that special interest groups seem to be targeting companies that already have strong CSR policies, indicates that they have, at least, an intuitive understanding of the process discussed above.

Companies such as Starbucks, Nike (Nattrass & Altomare, 2002), H.B. Fuller (Singer, 2000), and others have been subjected to boycotts, public protests, and civil lawsuits by certain special interest groups. Ironically, in many cases the companies share many of the views of the special interest groups. In many cases, the companies have proactively instituted CSR policies (either to pre-empt these groups or for non-related moralistic reasons) well ahead of the game.

In response to the core question of this review – *When is doing good, not good for business?* – numerous real life examples have demonstrated that doing good is *not* always good for business, and that in fact may be bad for business. What is not clear, so far, is the *extent* to which the well intended CSR strategies have backfired. Another question that has not been resolved is whether some CSR policies yield better results than others. If so, which ones lead to the best return, and which ones are more likely to bring on unintended consequences?

Many companies expend a considerable amount of their resources on a variety of CSR programs, including but not limited to: charitable contributions, community outreach programs, socially responsible investments, improved employee benefits, and ecological conscious programs such as recycling. Most companies take these CSR initiatives expecting either a positive return on their investment or, at a minimum, a neutral effect where the companies maintain a status quo in their perceived level of reputation. It stands to reason that companies should expect CSR not to have a negative effect on their profit bottom line.

In their book, *Dancing with the Tiger*, (Nattrass & Altomare, 2002) asserted the practical value of good CSR practices:

> So in the end, from a commercial perspective, what Starbucks is doing behind the scenes, with generous employee benefits, shade-grown coffee, partnering with non-profit organizations to support countries of origin where it sources coffee, composting coffee grounds, and countless other responsible initiatives, it all amounts to simply good business. Because the totality of what Starbucks is and does continues to draw customers back to the stores, over and over and over. (p. 138)

However, Nattrass and Altomare also pointed out that all is not well for Starbucks:

> Yet the company's very success and high visibility have made it a favorite target for an array of social activist campaigns, ironically sometimes because of the very social conscience attributed to Starbucks customers and the high values that the company itself espouses. (p. 103)

The irony is obvious here; however, what is not readily apparent is why this is occurring in the first place. What are the underlying reasons for this anomaly? The authors point out the irony but do not offer any explanation for it. An examination of the anomaly will require researchers to dig deeper for answers. Many of the clues are found on the Internet, where much of the anti-Starbucks sentiment is manifested.

Other clues may lie among the socially marginalized groups where much of the antipathy toward Starbucks and other similar corporations exist. There are a number of these groups such as anti-globalization proponents and Anarchists who regularly manifest themselves to protest meetings of the World Trade Organization (WTO), the World Economic Forum (WEF), the Free Trade Area of the Americas (FTAA), and the G-8. The relative inaccessibility of these highly insular groups either in person or through their publications on the Internet makes it difficult to rely on traditional quantitative methods of inquiry alone. It appears that studies in this arena will require a mix of qualitative approaches as well.

In order to examine the relationships between activist influencer groups and high-CSR companies, it is important to note some of the asymmetries between them. While public companies are mandated (both legally and competitively) to act in a public forum, many of the activist influencer groups are able to exist in a state of relative anonymity. This state of relative anonymity provides these activist groups relative cover from public scrutiny and gives them a degree of leverage over the companies whose policies they seek to transform. This condition also makes it difficult for researchers to conduct the traditional quantitative studies that are otherwise effective in the study of companies. For this reason, and the fact that much of the activist groups' "work" is done via the Internet a qualitative research methodology may be more appropriate for this line of inquiry.

A major proponent of taking a qualitative approach to studying Internet culture is the author Gary Shank. He stated that, "the Internet is the home for temporary culture after temporary culture. So far we have only scratched the surface" (2002, p. 207).

Shank also stated that, "Traditional social science is not well-situated to understand these shifting and emerging cultures" (2002, p. 207). As such, this study will incorporate both quantitative and qualitative methods of inquiry.

Theoretical Framework

This study examined the premise that companies with proactive CSR policies sometimes bring problems on themselves as an unintended consequence of their well-meaning practices. While this phenomenon seems self-evident, it is still not clear to what extent the well-intended CSR practices of these companies have backfired. Furthermore, the question of which CSR policies yield positive results for companies and which ones are more likely to bring on unintended consequences remains unanswered.

Earlier, two possible explanations for the unintended consequences of CSR were offered. The first one was the "easy pickings" explanation, which stated that outside influencer groups would be more likely to target those companies whose managers have demonstrated previous willingness to be proactive on CSR issues. The second explanation proffered is based on cognitive dissonance theory. This explanation predicts that company managers, being passive "firefighters" who respond to change only when it becomes necessary to eliminate discomfort, are more likely to be targeted by influencer groups if the managers have demonstrated a predisposition to support CSR policies in the past. The managers' positive attitudes toward CSR policies, coupled with outside pressure to do more, creates a wider cognitive dissonance gap than it would if managers were not predisposed to be sympathetic to socially responsible behavior. Hence, the reasoning is that the wider the gap is between the managers' attitudes and their actual actions, the more dissonance there will be. The more dissonance, the more likely that these managers will be motivated to take action. Influencer groups, perhaps understanding this intuitively, will be more likely to seek targets where the gap is most evident, in the hope that the motivation to close the gap will lead to changes in behaviors in the direction desired by the groups. According to either of these explanations, the more corporate social responsibility that a company demonstrates publicly, the better chance it stands of being targeted by outside influencer groups. Either of these explanations would be plausible if the results of this study indicate a strong relationship between a high degree of CSR and negative reputation targeting by outside influencer groups.

However, a third, and perhaps a more simple explanation for the proposition, *the more corporate social responsibility that a corporation demonstrates publicly, the better chance it stands of being targeted by outside influencer groups* may lie with corporate visibility or brand name recognition. Bowen (2000) pointed out that, "highly visible firms are more exposed to institutional pressure on environmental issues. They are more likely to react to these pressures by introducing an environmental policy than less visible firms" (p. 103). The likelihood of being targeted by outside influencer groups may be simply attributed to the high visibility or name recognition of individual corporations. In this case, neither the "easy pickings" explanation, nor the cognitive dissonance explanation alone would be plausible. If the findings of this study show that a strong relationship between CSR and reputation targeting by outside influencer groups can be attributed to mostly *neutral* mentions about the corporation, then the most likely reason for this phenomenon can be explained by the extent to which the company is highly visible (Bowen, 2000).

There were a number of possible outcomes from the interpretation of the data of this study. The frequency and degree of the dependent variable, *corporate reputation targeting* (e.g., positive, neutral, and negative mentions) should have provided some indication of which of the three theories most likely explains the unintended consequences of CSR. Some of these outcomes are summarized in table 2-1. Note that the first row in table 2-1 describes an outcome whereby a high degree of CSR causes positive corporate reputation targeting (CRT) and a low degree CSR causes negative CRT. This scenario supports the notion that CSR is working as it is intended. This particular outcome was depicted on the table in order to show the likely result of positive CSR behavior as prescribed by traditional CSR theory. However, the focus of this study was on the unintended consequences of CSR. Outcomes of high CSR resulting in negative or neutral CRT, or outcomes of low CSR resulting in positive CRT are indicative of these unintended consequences and may be supported by either the "easy pickings" or the cognitive dissonance theories. These scenarios are outlined on the subsequent rows of Table 2-1.

Table 2-1

Summary of Outcomes

If	Then	Supports Theory...
High CSR → Positive CRT Low CSR → Negative CRT	CSR is working as intended (or, at least, it is not resulting in unintended consequences).	CSR theory: doing well, by doing good (Verschoor, 2001); (Maignan, 1999) and others
	CSR is not working as intended.	"Easy pickings" theory (Rojsek, 2001); (Singer, 2000)
High CSR → Negative CRT	CSR is not working as intended.	Cognitive dissonance theory...as it pertains to CSR (Rojsek, 2001); (Draycott & Dabbs, 1997); (Bacharach, Bamberger & Sonnenstuhl, 1996)
	CSR is not working as intended.	Unintended Consequence Theory (Merton, 1936); (Vaughan, 1999)
High CSR → Neutral CRT Low CSR → Positive CRT	CSR may not be working as intended. Recognition of the company's name may be the primary factor.	Visibility theory (Bowen, 2000)

A number of other outcome combinations are not outlined on Table 2-1, as the focus of the study was on the unintended (i.e., negative) consequences of CSR. It is important to note that the set of outcomes that describes the "easy pickings" theory, the cognitive dissonance theory, and the visibility theory are all very similar. The difference between the three theories may be attributed to the extent to which the degree of *neutral CRT* is evident. A low degree of neutral CRT may be indicative of a highly polarized corporate reputation, which would be consistent with both the cognitive dissonance and the "easy pickings" theories.

Another key factor was the frequency count (number of mentions per corporation). A high frequency count, coupled with a low degree of *positive CRT* and a high degree of *negative* or *neutral CRT* may be indicative of an unintended CSR consequence that has come about as a result of the corporation's high visibility, as described by Bowen (2000). Figure 2-1 provides a simplified schematic view of the causal relationships examined in this study and the theories that they support. Note that this study did not examine the relationships between low CSR and corporate reputation targeting. The scope of this study was intentionally limited to "high" CSR corporations, in this case, the top 100 Corporate Citizens identified by the research company KLD. This was done with the expectation that the unintended effects of corporate social responsibility were more likely to be found in corporations that are highly touted for their CSR efforts, rather than corporations that are not recognized for their corporate citizenship. Nevertheless, the schematic illustrates the theorized links to low-CSR relationships as a guide to possible future studies.

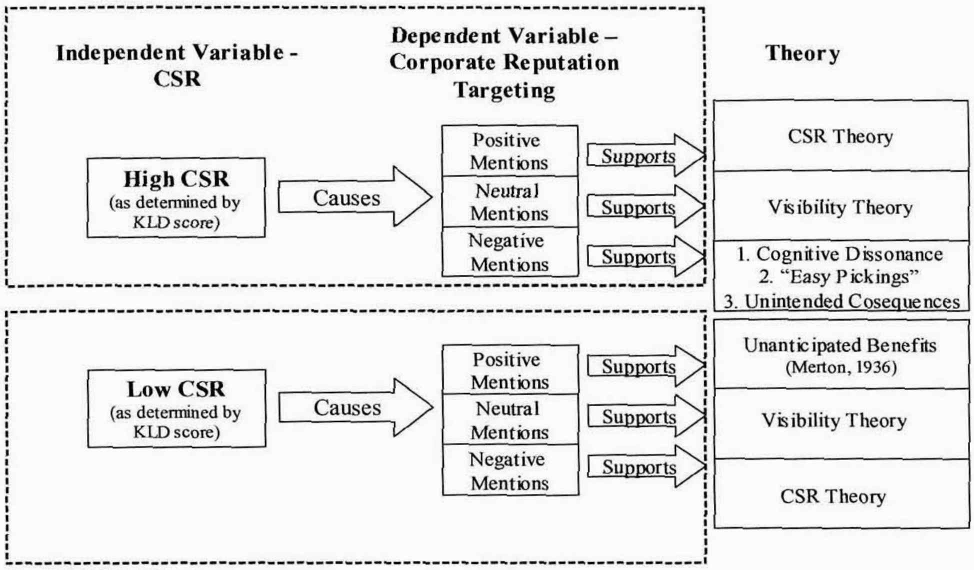

Figure 2-1. Causal relationships and theory building.

The interpretation of the extent to which the degree and frequency counts of the corporate reputation targeting factors are affected by CSR factors is discussed in greater detail in Chapter Five of this dissertation.

The gaps identified in the preceding literature review and the theoretical framework led to the formulation of the following research questions and hypotheses. The six research questions described below provided a guide for the qualitative phase of the study. Later, five testable hypotheses were identified for the quantitative phase of the study.

Research Questions

RQ_1: What are the CSR characteristics of the corporations listed in Business Ethics' Top 100 Corporate Citizens in 2006 selected for inclusion in the study?

RQ_2: What are the characteristics of the web pages used by outside influencer groups to target the reputations of the corporations identified as Business Ethics' Top 100 Corporate Citizens in 2006?

RQ_3: What are the positive, neutral, and negative dimensions of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs?

RQ_4: What are the dimensions of CSR that are targeted by outside influencer groups on these groups' web pages and blogs?

RQ_5: What is the frequency of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs?

RQ_6: What is the degree of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs?

Hypotheses

Relying on the KLD ratings for Business Ethics' Top 100 Corporate Citizens, this study proposed five research hypotheses to examine the theoretical proposition: *The more corporate social responsibility that a corporation demonstrates publicly, the better chance it stands of being targeted by outside influencer groups.* These hypotheses and sub-hypotheses are as follows:

H_1: *CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of corporate *negative* reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_2: *CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of *neutral* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_3: *CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of *positive* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_4: *CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of corporate reputation targeting (positive, neutral, and negative *combined*) by outside influencer groups as reflected on these groups' web pages and blogs.

H_5: *CSR* (*average* KLD rating) is a significant explanatory variable of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_{5a}: *CSR* (*average* KLD rating) is a significant explanatory variable of *negative* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_{5b}: *CSR* (*average* KLD rating) is a significant explanatory variable of *neutral* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_{5c}: *CSR* (*average* KLD rating) is a significant explanatory variable of *positive* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

H_{5d}: *CSR* (*average* KLD rating) is a significant explanatory variable of *combined* (negative, neutral, and positive) corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

The literature review was guided by four general questions that sought to examine CSR from various disciplines and perspectives. The first three of the guiding questions examined the definitions and measures of CSR, as well as the effect of CSR on the organization's relationships with its stakeholders and its impact on overall organizational effectiveness. The fourth question of the literature review sought to examine the apparent anomaly that many acknowledge, but few have tried to explain. That question is, under what conditions is doing good not good for business?

The review of the literature offered three possible explanations for this apparent anomaly. The first can be referred to as the "easy pickings" explanation whereby outside influencer groups are thought to be more likely to target corporations that have already shown a propensity for exhibiting their desired CSR behaviors. The second explanation offered by the literature deals with cognitive dissonance as a motivating factor in effecting organizational change toward influencer group desired CSR behaviors. The third reason for the unintended consequences of socially responsible corporate behavior may be explained, simply by the fact that the corporation is highly visible and well known. Regardless of the underlying motivations and interactions between the managers of the corporations and the members of the outside influencer groups, the remainder of this study empirically tests the hypotheses drawn from the proposition that the more corporate social responsibility a company demonstrates publicly, the better chance it stands of being targeted by outside influencer groups. By examining the deconstructed factors that constitute CSR, this study seeks to find clues as to which, if either, of the three explanations best explains the unintended consequences of corporate social responsibility. The next chapter of this dissertation provides a detailed explanation of a two-phased methodology that uses both qualitative and quantitative methods to answer the research questions and hypotheses, respectively.

Figure 2-2 provides an overview of the constructs of the study and the hypothesized relationships between the *CSR* independent variables and the dependent variable, *corporate reputation targeting.*

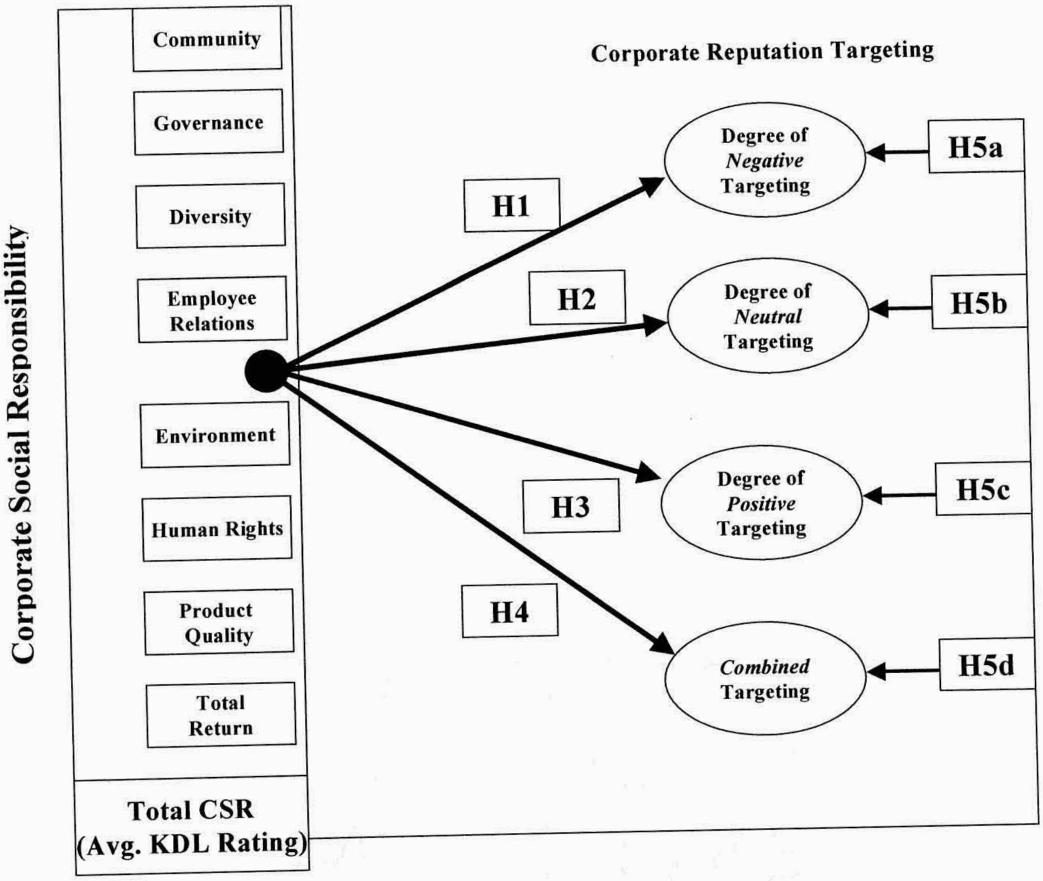

Figure 2-2. Hypothesized model of corporate social responsibility and corporate reputation targeting.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses in detail the research methodology that was used in this study to examine the relationships between the categories of the *CSR* independent variable and the dependent variable, *corporate reputation targeting.* A detailed description of the research design, sampling plan, measurements, procedures of data analysis, and the evaluation of research methods is provided.

Research Design

This study utilized a non-experimental, descriptive and correlational (explanatory) mixed design, which was predominantly quantitative. The qualitative, descriptive portion of the study, involved a content analysis of select Internet websites and blogs to determine the reputations of the socially responsible corporations listed in Business Ethics' Top 100 Corporate Citizens.

The second, quantitative portion of the study (descriptive and correlational), described the characteristics of the sample units and examines the causal relationships between the independent variable *corporate social responsibility* (consisting of eight KLD categories and a total score) and the dependent variable *corporate reputation targeting* (measured by the frequency and degree of positive, neutral, or negative targeting by outside influencer groups, as reflected on these groups' web pages and blogs).

The quantitative portion of the study involved the secondary analysis of the KLD data. Eight categories of CSR (total return, community, governance, diversity, employees, environment, human rights, and product), in addition to a total CSR score, were derived from a rating system compiled by KLD Research & Analytics (2006). This system was used to assess and rank a total of 1,150 corporations, the top 100 which are used by the magazine Business Ethics to rank the best corporate citizens on any given year. KLD's ratings of CSR were used as the independent variable for this study.

The relationships between *CSR* and *corporate reputation targeting* were tested through five hypotheses (and four sub-hypotheses), using correlational analysis to explain the causal relationships. Multiple regression analysis was used in to answer hypotheses 1 – 4. Multiple regression was used to examine the relative contribution of causal variables (categories of CSR) on the dependent variable, *corporate reputation targeting*. Simple regression was used to answer the four sub-hypotheses of hypothesis 5. Here, the relationships between the independent variable *CSR* (all the KLD categories combined) and *negative, neutral, positive,* and *combined corporate reputation targeting* were examined.

The qualitative portion of the study involved content analysis of purposively selected websites that make mention of corporations identified by KLD's list of 100 Best Corporate Citizens. The content analysis provided the necessary descriptives that were used to determine whether mentions made on these websites about these 100 corporations were positive, neutral, or negative in nature. The content analysis in this study was conducted primarily by the principal researcher and was validated by a second coder. The procedures of the content analysis method are discussed in greater detail in the Reliability section of this chapter.

The content analysis method of qualitative research provided a variety of ways and instruments that are used to glean meaningful information from volumes of written material. Stemler (2005) defines content analysis as, "a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding" (p. 1). In 1969, Holsti defined content analysis as, "any technique for making inferences by objectively and systematically identifying specified characteristics of messages" (as cited in Stemler, 2005, p. 1). Within these broad definitions, a variety of techniques and instruments are used by researchers, depending on the specific objectives and circumstances of the research at hand.

For this content analysis, the dependent variable factors that were used for the second portion of the study had already been determined (i.e., positive, neutral, or negative reputation). That is, an *a priori* coding approach, whereby the categories were established before the analysis was taken. In their article *How to Measure Blogs, Part One*, Delahaye-Paine and Lark (2005) suggested the analysis of web based outcomes for *tonality*, wherein the message is analyzed for its positive, negative, or neutral tone. According to Delahaye-Paine and Lark:

> If the tone of the posting leaves a reader less likely to do business with your organization it is negative. If the posting leaves a reader more likely to do business with your organization, or recommends the brand, it is positive. If it essentially just discusses facts it is neutral or balanced. (p. 2)

This model (Dalahaye-Paine & Lark, 2005) of content analysis was adopted as the coding scheme for this qualitative portion of this study.

Population and Sampling Plan

The challenge of studying the Internet comes from its *infinite virtual capacity* characteristic, wherein it seems to never stop growing (Afuah & Tucci, 2001). It is virtually impossible to arrive at a precise account of the Internet population since it is constantly growing. Nevertheless, some web companies keep track of the Internet traffic and can provide a picture, albeit constantly changing, of the World Wide Web. For example, as of May 28, 2006, the Internet website Blog Pulse, claimed to track 28,507,750 blogs. A total of 40,269 new blogs had originated in a 24 hour span preceding that same date. Furthermore, the company tracked 575,443 new blog *postings* within the same 24 hour period. Not counting web pages, e-mail, instant messages, and virtual bulletin boards, the size of the blogosphere alone is mind boggling. The website Technorati estimated on May 28, 2006, that its search engine was averaging more than 2 million posts per day, or about 50,000 blog updates per hour (Gordon, 2006, ¶ 6). Overall, the theoretical population of the Internet in 2005 was estimated at 20.5 billion (19 billion documents and 1.5 billion images) by the Internet company Yahoo. Google claimed that it tracked 11.3 billion objects on the Internet (Price, 2005, ¶ 3). Afuah and Tucci (2001) pointed out several properties of the Internet, three of which pertain to the discussion of accessible and target populations. These properties are referred to as *mediating technology*, *universality*, and the *time moderator* aspects of the Internet. In effect, the property identified as *mediating technology* refers to the Internet's equalizing characteristics, wherein anyone with access to the World Wide Web can transmit to any other person with access to the medium. *Universality* refers to the Internet's ability to "both enlarge and shrink the world" (p. 33). The *time moderator* property again refers to both shrinking and enlarging the world; however, this time in a temporal context, rather than in a geographical one. With such a large population, it was imperative for this study that the target population be identified and clearly delineated.

Target Population

The target population was considerably narrowed by focusing exclusively on *consumer generated media* (CGM). These CGM websites (Cymfony, 2005) must originate from identified external stakeholder groups. Websites sponsored by any of the companies being studied were excluded. Further narrowing the target population was an insistence that the websites studied were those of cause-driven influencer groups. These social causes had to relate to any one of eight broad social issues identified by KLD, i.e., issues concerning the community, governance, diversity, employees, human rights, product quality, and the environment (KLD Research & Analytics, 2005). The corporate social performance database compiled by KLD was originally designed as a "social screen" to provide information for socially responsible shareholders as a basis for their investment decisions. KLD tracks and rates 1,150 corporations to include the 1,000 largest publicly traded companies in the United States (from the Russell 1000 index), plus another 150 socially screened corporations from KLD's Domini Index (Graves, Waddock, & Kelly, 2005). The target population of this phase of this study was the set of 1,150 corporations tracked by KLD and did not include an exhaustive list of corporations within and outside the United States.

The target population (as it pertained to the dependent variable, *corporate reputation targeting*) was the set of websites and blogs that represent consumer generated electronic media from outside influencer groups that champion at least one of eight broad categories of social issues identified by KLD.

Accessible Population

The accessible population was the set of websites and blogs that represented consumer generated electronic media from outside influencer groups that champion at least one of eight broad categories of social issues identified by KLD. The accessible population for this study included only websites that made references to the top 100 companies in KLD's listing as published in Business Ethics Spring 2006 issue (Appendix A). The exclusion of data related to the remaining 1,050 companies was partially attributed to the prohibitive cost for obtaining the license to use the non-publicly available KLD data. As such, the accessible population for this study was limited to websites that referred to the top 100 companies listed in the 2006 Business Ethics publication. More importantly; however, the top 100 companies that comprised the accessible population are the ones that this study was most interested in. Theoretically, at least, these 100 companies would provide the widest gaps between positive CSR actions and the resultant negative corporate reputation targeting. This gap was precisely what this study endeavored to examine.

Non-Probability, Purposive Sampling Plan

The objective of the sampling plan was to collect a wide range of attitudes and opinions that were relevant to the topic. A non-probability purposive sampling plan with the goal of achieving a maximum variation of responses was utilized.

The *sampling frame* for this phase of the study was defined as the aggregate total of all the web pages and blogs that met the criteria for inclusion. A *sampling unit* was defined as a single web page or blog, regardless of size, that met the eligibility requirements enumerated in the next section. A sampling unit consisted of one or more *coding units* that were used as the basic unit of analysis during the qualitative portion of the study.

The non-probability, purposive sampling method utilized for the qualitative portion of the study required a *tactical* approach to decision-making throughout the process. This means that sampling decisions were made during the website search. Since the quantitative analysis of the data relied on a sufficiently large sample obtained from the first phase, the sampling process of the qualitative portion must be flexible enough to allow for expansion. For this reason, the size of the original sample could not be predetermined at the onset of the first phase of the study, and had to be continuously adjusted throughout the qualitative analysis process.

Although the direction and the extent of the sampling plan were adjusted on a tactical basis, there was a well defined start to the process and certain minimum requirements for the sample. The initial sampling frame of the purposive sampling began with the websites recommended by McNichol (2002), in the article titled *Best Resources for Corporate Responsibility* (Appendix B). This initial sampling frame was followed by websites identified during the initial review of the literature for this study. Third, websites that are linked to these original sites were explored. Fourth, the purposive sampling relied on search engines such as *Google* and *Yahoo* to find at least one sample unit that mentioned each of the top 100 corporations in the target population. Finally, the process was repeated until a sufficiently large sample size was obtained to meet the requirements of the subsequent quantitative analysis.

Because of the infinite size of the Internet and the practical time constraints placed on this study, an upper limit of 3,000 websites was set. This number was based on ten times the upper limit (300 units of analysis) set for the second coder as recommended by Lombard, Snyder-Duch and Bracken (2005). Lombard et al. (2005) recommended that the reliability sample assigned to the second coder be comprised of at least 10% of the full sample. The maximum size of the full sample was therefore limited to 3,000 units (websites).

The purposive sampling procedure was tracked on an Excel spreadsheet by assigning a control number to each website.

The steps of the purposive sampling plan utilized for the qualitative phase of this study were as follows.

Step 1: Identify websites that meet the eligibility criteria for inclusion.

Step 2: Apply the exclusionary criteria described earlier (i.e., non-consumer generated websites and websites targeting only one company exclusively).

Step 3: Repeat steps 1 and 2 as necessary to ensure a sufficiently large sample for quantitative analysis.

Eligibility Criteria and Exclusion Criteria

Eligibility criteria for inclusion in this purposive sampling plan were:

1. The selected sample must come from a consumer generated electronic media (i.e., web pages, forums, and blogs hosted by outside influencer groups).
2. The websites of these outside influencer groups must champion at least one of eight broad categories of social issues identified by KLD (community, governance, diversity, employees, human rights, product quality, and the environment).

3. The selected websites must make mention of at least one of the 100 companies selected by Business Ethics' list of Best Corporate Citizens for 2006.

Exclusion criteria for this phase of the study were:

1. Websites that were generated or sponsored by any companies or corporations were not considered to be consumer generated media. These excluded websites typically have business-to-business (B2B) or business-to-consumer (B2C) relationships with external stakeholder and interest groups and could therefore be considered to be direct or indirect competitors with the 100 companies examined in this study (Afuah &Tucci, 2001).
2. Websites generated by influencer groups whose sole purpose is to attack (or promote) a single specific company. An example of this type of excluded site was the website www.IHateStarbucks.com, which focuses exclusively on one company – Starbucks. While these single-issue websites may provide some insight into the topic of CSR and reputation management, for the purposes of the quantitative portion of this study, the inclusion of these websites would have over-represent those singled-out companies and could conceivably skew the interpretation of the results.

Data Producing Sample

While conducting the initial purposive sampling on the Internet, each web page that met the eligibility criteria was "frozen" by copying it to a Microsoft Word document that was numbered and filed for later retrieval. For the purpose of this study, the *unit of analysis* was defined as a single web page or blog, regardless of the size that met the eligibility criteria described earlier. This is an example (not used for the study because it meets one of the exclusionary criteria) of an excerpt provided to illustrate a typical sample unit of analysis.

> For years, Company A has been one of those companies that have touted their corporate social responsibility in their advertisements. However, what the company won't tell you is that it has been exploiting child labor in China for decades.

Evaluation of Sampling Design

The non-probability, purposive sampling design was intended to provide a wide perspective and maximum variation of attitudes and opinions. Since the study did not use a random sampling method, the collected samples cannot be considered to be representative of the population; therefore generalizations cannot be made beyond the scope of the sample frame.

Measurement

This section describes the manner in which the data were collected and recorded from the selected samples. In the qualitative methods portion of the study, data collection and analysis was conducted through content analysis of the selected sample units. The following steps outline the way that the data were identified, collected, and recorded.

First, the *Find* feature in Microsoft Word was used to locate the names of any of the 100 eligible corporations in the text of the sample units. Websites that did not contain the names of any of the 100 eligible corporations were discarded (however, they were counted as "not used"). Websites that contained the names of the eligible corporations were "kept" as part of the sampling frame of units to be analyzed for the study.

Second, the *coding units* within the selected websites were identified. The *coding units* were either sentences or narratives expressed in bullet form, phrases, or incomplete sentences, which contained the name of any of the 100 eligible corporations. Only the names of the corporations contained in the text were highlighted in yellow by the lead researcher (first coder) in order to identify and account for the number of coding units per website. No other text was highlighted by the lead researcher in order to avoid biasing the second coder. Each coding unit required the coders to make a distinct determination whether a reference to a corporation's name was positive, neutral, or negative during the content analysis. The non-highlighted portions of the narrative were left in order to provide a sense of context about the narrative and to aid the coders in making valid assessments of the readings.

Third, the selected websites containing the highlighted coding units were "frozen" and saved on a Microsoft Word file for later content analysis. Each sample unit was assigned a control number and was filed for later retrieval. In order to save storage space and printer ink, all non-narrative aspects of the websites (pictures, illustrations, clipart, etc.) were deleted.

Fourth, each website was then printed on a separate page and organized into a notebook for later content analysis. A score box was affixed for each website so that the coders conducting the content analysis could record the number of positive (+), neutral (0), or negative (–) mentions per page. These recorded numbers were then tallied for each of the 100 companies in the study. A proportionate *degree* score for positive, neutral, and negative mentions was also calculated on a tally sheet.

A Priori Content Analysis Coding Scheme

Description

Shoemaker (2003) defined the term "coding scheme" as the operationalization of a content variable. The coding scheme for the variable that describes corporate reputation (as viewed by outside influencer groups) was operationalized on an *a priori* basis, whereby the categories that describe the range of the variable were pre-designated as either positive (+), neutral (0), or negative (–). In contrast to the emergent approach to content analysis coding, in which coding categories are determined during the analysis, in the *a priori* approach, the categories are predetermined (Stemler, 2005). The emergent approach can be described as being exploratory in nature, as the researcher finds meaning in the information as the analysis progresses. The *a priori* approach is more descriptive than exploratory in that coding schemes are already determined beforehand, and the coder only needs to categorize the selected text in a manner that fits within the pre-selected coding categories. In this respect, the *a priori* approach to coding is somewhat less demanding than the emergent approach.

A *coding unit* was, essentially, the unit of analysis. For this study, each single mention of any of the 100 selected companies was considered to be a single coding unit. An example of a sample unit containing several coding units is provided in Appendix C.

Reliability

Reliability of any content analysis instrument is determined by two terms: "Stability, or intra-rater reliability (can the same coder get the same results try after try?); and Reproducibility, or inter-rater reliability (do coding schemes lead to the same text being coded in the same category by different people?)" (Stemler, 2005, ¶ 16).

The following steps were taken in order to meet the desired reliability requirements for the content analysis instrument used in this study.

1. Explicit written instructions are provided to the second coder prior to the content analysis (Appendix D).
2. All coders participated in informal trial exercises and in a formal pilot content analysis prior to the actual analysis.
3. A *Cohen's Kappa* score of 0.7 was considered to be a satisfactory level of agreement between the two coders for this study (Stemler, 2005).
4. The two fatal flaws associated with the use of content analysis are faulty definitions of categories and non-mutually exclusive and exhaustive categories (Stemler, 2005). To avoid this trap, this study used a simple three point ordinal scale, which had variables that were clearly defined, mutually exclusive, and exhaustive, i.e., positive, neutral, and negative (Stemler, 2005).
5. *Cohen's Kappa* is a mathematical coefficient of reliability that is used to measure inter-coder agreement, while taking into account agreement due to chance. There are other ways of calculating inter-coder reliability, but *Cohen's Kappa* was selected for this study since it is considered to be a practical and acceptable method when a small number of values are used, i.e., positive, neutral, and

negative (Shoemaker, 2003). The *Kappa* calculation was also available with the SPSS Student Version statistical program used in this study.

The following is an example of a blank recording table and the formula that is used to show level of agreement between two raters.

Observed Frequencies (Expected Frequencies)		**Rater 1** Perception of ***Corporate Reputation Targeting***			
Rater 2		Positive	Neutral	Negative	Row Totals
Perception of ***Corporate Reputation Targeting***	Positive				
	Neutral				
	Negative				
Column Totals					N =

Cohen's Kappa is calculated with the following formula:

$$\textit{Cohen's Kappa} = \frac{\text{\% observed agreement} - \text{\% expected agreement}}{1 - \text{\% expected agreement}}$$

A *Cohen's Kappa* score of .800 or above denotes an inter-coder reliability of "very good". A *Kappa* score of .700 is considered "good", while .600 is "adequate" and .500 or below is considered "poor" (Shoemaker, 2003).

Validity

The question of the validity of the data collection method is whether it actually measures the intended variable – *corporate reputation targeting*. In their article *How to Measure Blogs, Part One* (Delahaye-Paine & Lark, 2005), pointed out that, "To determine what readers are taking away from a blog, the medium offers several interesting opportunities for measurement. What your customers say about you in the chat rooms, news groups and blogs presumably reflects what they think about you" (p. 3).

While the content analysis of this study may offer some indication of positive, neutral, or negative reputation targeting from the interpretation of the textual material, it does not readily provide an accurate representation of the intensity of these attitudes. While the simple ordinal scale with three response categories used in this study may facilitate inter-coder reliability, it does adversely affect the depth of the analysis, and therefore its validity.

Measurement – Characteristics of Websites

A number of online sources from various search engine websites were used to gather descriptive data concerning the characteristics of the website sample units. Determinations about certain characteristics were assigned to each sample unit by the lead researcher, based on established web log classification typologies (Baoill, 2004).

Description

During the initial sample unit identification of the study, the lead researcher assigned values in order to determine certain characteristics of the selected web pages. These characteristics were based on the web log typology described by Baoill (2004). First, the lead researcher determined whether the website was considered to be a web page or a web log (blog). A website was considered a web log if it followed a format in which its users posted relatively short narratives that were date and time stamped, and were listed in reverse chronological order (Baoill, 2004). Websites that were not determined to be web logs were simply categorized as web pages.

Second, the lead researcher determined whether the web log was considered to be "personal" or "public" according to Baoill, who notes the potential difficulty of making the distinction between the two, "The division between these two is somewhat problematic theoretically and there is substantial overlap, but a general differentiation between the two categories can be made, and will aid investigations" (Baoill, 2004, ¶ 21).

Third, in accordance to the same typology, the lead researcher determined whether the selected websites were used for one of the following purposes: 1) hobby; 2) income generating; or 3) professional operation (Baoill, 2004).

Other characteristics that were identified and collected for each sample unit included: 1) the number of coding units, e.g., the highlighted names of corporation "mentions"; 2) whether the webpage mentioned other, non-top 100 corporations; and 3) the differentiation between findings of *mixed results* versus *like results*. A sample unit website with *mixed results* is one in which the content analysis determines that multiple sample units in the sample unit are a mix of positive, neutral, and/or negative. A sample website with *like results* is one in which the multiple sample units are determined to be of the same quality, i.e., all positive, all neutral, or all negative.

Reliability

The reliability of Baoill's typology (2005) as a measure of website characteristics has not yet been established.

Validity

Construct validity of the web log typology espoused by Baoill (2005) has not yet been established.

KLD Ratings – Corporate Social Responsibility (Independent Variable)

This section describes the methodology behind the KLD ratings that were used as the database for the quantitative portion of this study. It should be noted that the quantitative portion of this study involved the secondary analysis of data previously compiled by KLD and published by Business Ethics (Spring, 2006). The KLD database, its reliability, its validity, and how it was applied to this study are examined.

Description

The KLD Research and Analytics website, http://www.kld.com/index.html, advertises its *Socrates* database as an online search and screening tool that includes social and environmental ratings for over 3,000 companies. Graves, Waddock, and Kelly (2005) describe the methodology utilized by KLD to derive Business Ethics' list of the 100 Best Corporate Citizens. According to Graves, et al., the methodology for development of this instrument has evolved through the years by adding more companies to the list and by increasing the number of categories examined. The 2006 instrument examines 1,150 companies over eight categories based on eight corresponding stakeholder groups. These stakeholder groups are listed as:

1) Shareholders – categorized as *total return*

2) The community – categorized as *community*

3) Minorities and women – categorized as *diversity*

4) Employees – categorized as *employee relations*

5) The environment – categorized as *environment*

6) Human rights – categorized as *human rights*

7) Customers – categorized as *product*

8) Governance – categorized as *corporate governance* (Graves, et al., 2005).

According to Graves, et al., KLD's methodology for assigning ratings to each company for each of the listed categories is the following:

1) A set of "strengths" and "concerns" are attributed to each company. There is little insight on how these attributes are rated, and it appears that a considerable amount of subjectivity is used.
2) A net score is arrived at for each of the eight categories by subtracting the number of concerns from the number of strengths (or visa versa).
3) All eight categories are standardized by computing the standard deviation from their respective mean scores. This measure provides an indication of their scores in relationship to the other companies in the list.
4) The ratings for the *total return* category reflect the one-year return on investment to shareholders, including the stock appreciation and dividends.
5) The *overall* score on which the rankings are determined, are calculated by taking a simple, non-weighted average of the 8 combined categories. As such, all the stakeholder groups recognized in this rating system carry equal weight and status.
6) Lastly, a "selection committee" comprised of an undetermined number of panel members conduct a final review to ensure that none of the companies on the list have been involved in any type of social scandal that may negatively impact the reputation of the list itself.

Reliability

KLD's *Socrates* database was originally designed to provide socially conscious investors with information to make informed decisions on their investment strategies. As such, the database was not constructed as an instrument for use in empirical analyses (Szwajkowski & Figlewicz, 1999). Nevertheless, the KLD database has been used as on a number of empirical studies (Mattingly, 2004; Miller, 2002; Schmidt-Albinger & Freeman, 2000; Simerly, 2003; Turban & Greening, 1997, 2000; Verschoor & Murphy, 2002 Woods-Gerde, 2001, among others). At question is whether the KLD database provides a reliable measure of the independent variable, *CSR*. The fact that KLD relies on qualitative and subjective measures makes it difficult to produce comparable and reliable metrics to measure corporate social performance (Chatterji & Levine, 2006). However, comparisons of the KLD database to other corporate social performance instruments such as the Fortune Reputation Survey (Sharfman, 1996; Szwajkowski & Figlewicz, 1999), the Dow Jones Sustainability Index, and The Financial Times' FTSE4Good index, (Chatterji & Levine, 2006) have demonstrated the KLD to be a relatively reliable index. These studies pointed out that, while the Fortune, the Dow, and the FTSE4Good indexes rely on surveys of industry "insiders", the KLD database relies on a panel of outside experts. Sharfman points out that in this respect, the KLD database is ostensibly more "objective" than the others because the evaluations are done by individuals outside the focal firms, and are therefore less susceptible to self-reporting biases. As such, the KLD is thought to be more reliable than the other indexes. Further, the non-response (or low response) bias associated with surveys is considered to be another impediment to reliability with these other indexes (Chatterji & Levine, 2006).

Another positive trait noted about the KLD database was that its basic format has remained mostly unchanged since its inception in 1999. As such, even longitudinal comparisons are considered reliable (Szwajkowski & Figlewicz, 1999). There have been, however, some subtle changes over the years to improve the database's reliability and validity. Some of the most notable changes in KLD's methodology have occurred on the 2006 database. First, the financial information used by KLD's panel of experts to rate the *total return* category is now based on end of the year data, as opposed to the one-year lag that characterized the databases of previous years. As such, the 2006 database reflects a fresher assessment of corporate performance in this category (up to the end of 2005). Second, the *total return* numbers are now calculated as a three-year average for each corporation, instead of the once a year calculation that was previously used. The three-year average is believed to moderate the effects of severe highs and lows in shareholder returns that are not truly indicative of social performance. Third, the KLD methodology in 2006 uses a wider range of scores to capture more subtle gradations of corporate strengths and weaknesses. In the past, its ratings were based strictly on plusses and minuses to denote the aggregate performance of a corporation. In 2006, KLD uses scores that distinguish extraordinary positive behaviors from merely positive ones. The same is done with those behaviors that are deemed to be negative (Business Ethics, 2006).

Validity

The question regarding validity is: does the KLD database measure what it intends to measure? Despite the admitted level of subjectivity involved in the formulation of the *Socrates* database, the KLD methodology has attained a level of recognition and acceptance throughout the "CSR community" that has made it one of the leading benchmarks used by companies and individuals to base their attitudes about socially responsible behaviors of individual companies

The validation of the KLD database is furthered by its acceptance among a number of independent non-governmental organizations. Some examples of articles related to the Business Ethics' list are provided by organizations such as SocialFunds.*com* (Baue, 2002), CSR Wire (2004), and Sustainable Business.Com (Asmus, 2005). Insofar as the KLD methodology is well known and highly regarded in the social investment field, it brings a degree of "face" validity to the database (Sharfman, 1996; Szwajkowski & Figlewicz, 1999). However, acceptance of the face validity of the KLD database alone is not enough to satisfy the demands of an empirical study based on the validity of the instrument. As such, several methodological studies have examined the construct validity of the KLD instrument.

Szwajkowski and Figlewicz (1999) describe *construct validity* (the extent to which a scale measures what it is supposed to measure) as the most important characteristic of a research measurement. Two correlational analysis studies (Sharfman, 1996; Szwajkowski & Figlewicz, 1999) show that certain KLD dimensions correlated highly with the Fortune Reputation Survey, although the correlations were higher in the first study when the categories *nuclear power*, *military contracting*, and *South African involvement* were excluded. It should be noted that KLD has since eliminated these single-issue categories as part of their ongoing refinement process. In the latter study, a factor analysis of the KLD rating categories, the results showed the *Socrates* database had strong internal *discriminant validity*, in that all of its categories had distinct meanings from each other (Szwajkowski & Figlewicz, 1999). In other words, there was little, if any, overlap from one category to another. Szwajkowski and Figlewicz's factor analysis and multiple regression analysis also found that the categories of both KLD and the Fortune Reputation Survey databases had enough in common to be described as having *convergent validity*. The authors concluded that the KLD database had sufficient convergent and discriminant validity to be used for empirical research purposes.

For this study, *Pearson r* correlations between the independent and dependent variables, as well as regression analysis were used to report the convergent validity of the KLD categories.

Corporate Reputation Targeting Index (Dependent Variable)

Description

The *corporate reputation targeting (CRT) index* developed by this researcher, assigned values (-1, 0, and +1) to the ordinal data collected and analyzed in the qualitative methods portion of the study. The three-point rating scale allows for the subsequent statistical testing of content analyzed data, by transforming it into quantitative data. The qualitative information transforms into quantitative measures in the following manner: positive = +1; neutral = 0; and negative = -1. These values allow for frequency counts of total positive mentions, total neutral mentions, and total negative mentions per corporation and per website.

The *degree* of corporate responsibility targeting was calculated by dividing the number of positive, neutral, and negative hits by the total number of hits respectively (for each corporation analyzed). For example, if General Motors (not part of the study) received 11 negative mentions out of 100 total comments about GM, the degree of negative corporate responsibility targeting for that corporation would be .11. If 67 out of the 100 were determined to be neutral mentions, the degree of neutral CRT would be .67.

Reliability

Since the CRT instrument shares many of the same methods as the KLD ratings, they have similar reliability advantages and concerns. The simplicity of the three-point ordinal scale makes it a relatively reliable instrument for the measurement of a three-dimensional CRT variable, e.g., positive, neutral, and negative (Delahaye-Paine & Lark, 2005). However, like the original KLD instrument, the limited range of the three-point scale used in the CRT instrument, also limits the depth of the interpretation of the values. For example, with the CRT instrument, an extremely negative comment about a corporation would receive no worse a score than a mildly negative comment. Instead, the instrument has to rely on the interpretation of the *net* scores and the *degree of intensity* scores in the aggregate, in order to get a sense of intensity and depth of the negative, neutral, or positive mentions.

Validity

As a newly constructed instrument, specifically designed for this study, the CRT index lacks the reputation that the KLD instrument has developed over the years. The underlying question of validity again is: does the instrument measure what it intends to measure, e.g., positive, neutral, and negative reputation targeting? Given that this study is limited to corporate reputation targeting on the Internet only, the answer to this question appears to be self-evident in that the coders are analyzing the content of the websites for those specific factors. The answer is then, that it *does* measure positive, neutral, and negative corporate reputation targeting.

One advantage that the CRT instrument has over the KLD instrument is that the definitions of the three categories (positive, neutral, and negative) are so self evident that a factor analysis is not necessary to distinguish one from the other. This is not to say that the different coders will not disagree on certain interpretations. However, this is a matter of reliability, not validity. While two coders may disagree on whether a reference to a corporation is either positive, neutral, or negative, it is extremely unlikely; however, that the two coders will disagree on the actual meaning of the terms, positive, neutral, or negative. This is especially true because the precise definitions are provided to the coders beforehand. Correlations between the KLD database and the CRT were conducted in this study to provide evidence of convergent validity.

Data Analysis

To answer research questions 1, 2, 4, 5, and 6 descriptive statistics of frequency distributions, variability and measures of central tendency were conducted. These research questions describe the sample of the study, including: 1) the CSR characteristics of the top 100 Corporate Citizens in 2006; 2) the characteristics of the web pages and blogs; 3) the characteristics of corporate reputation targeting; and 4) the frequency and degree of corporate reputation targeting (positive, neutral, negative, net, and total).

To answer research question 3, an *a priori* content analysis of the website text was conducted. In order to compensate for the lack of depth provided by the *a priori* content analysis, a measure of *degree* was added to the analysis. The degree of negative reputation *mentions* per website was calculated by simply dividing the number of negative mentions by the number of total hits. The same was done for neutral and positive mentions on the website. The term *degree* signifies a ratio that provides a comparative basis to help understand the extent of these negative, positive, or neutral attitudes. In effect, the ordinal data obtained from the qualitative phase of the study are now transformed into ratio data that can be analyzed with quantitative statistical models in the second phase of the study. The measure of *degree of reputation mentions* strengthens the validity of the measurement by providing a sense of proportion that cannot be accurately captured with the simplified categories alone. The calculation of *degree of reputation mentions* was done by the primary researcher for each website after the coders made their entries.

Correlational analysis, using multiple regression was used to test hypotheses 1 – 4, in order to determine the causal (explanatory) relationship between each KLD rating and *corporate reputation targeting*, as reflected on these groups' web pages and blogs. Simple regression was used to answer the four sub-hypotheses of hypothesis 5, about the explanatory relationships between CSR (total KLD score) and negative, positive, neutral, and combined *corporate reputation targeting*, respectively.

In order to provide estimates of reliability of the KLD ratings, coefficient alphas as a measure of internal consistency were performed. Inter-rater reliability is reported to provide estimates of reliability for the ratings ascribed to the categories of *corporate reputation targeting* (positive, neutral, and negative). Pearson *r* correlation coefficients are reported to establish convergent validity for the KLD ratings and for the degree of CRT measures.

Procedures: Ethical Considerations and Data Collection Methods

1) Overview of the Institutional Review Board Application and Approval process.

- An application for approval of the research study was submitted to the Lynn University Institutional Review Board (IRB).
- The IRB approval letter is found in Appendix E.
- Data collection was initiated immediately upon IRB approval and was conducted from August 14, 2006, through December 6, 2006. The IRB was notified upon termination of the data collection.

2) All data collection associated with this study was conducted from Internet websites that are available to the public. An account of all website URLs utilized in the purposive sampling and subsequent data collection process is available for public access and inspection.
3) The data obtained from KLD Research and Analytics is publicly disseminated by the Business Ethics journal. The appropriate citations of their respective works were made throughout the dissertation.
4) There were no human subjects involved in this study.
5) For the content analysis portion of the study, the data collection method recommended on the Internet article: *Practical Resources for Assessing and Reporting Intercoder Reliability in Content Analysis Research Projects* (Lombard, Snyder-Duch, & Bracken, 2005) was followed. The following is a brief summary of these steps:
    - Select the appropriate indexes based on the characteristics of the variables. For this study, *Cohen's Kappa* is used to calculate inter-coder reliability. *Cohen's Kappa* is considered to be an appropriate method for calculating

inter-coder reliability when the variables involved have small number of values (Shoemaker, 2003).

- Select a method of calculating the *Cohen's Kappa* coefficient. Lombard, et al. (2005) recommend several computer programs for this purpose. This study uses the SPSS Student Version statistical program to compute the *Cohen's Kappa* coefficient.
- Accept a minimum acceptable level of reliability. For *Cohen's Kappa*, a coefficient of .800 or above is considered "very good" reliability, whereas a *Kappa* score of .700 is considered "good", and .600 is considered "adequate" (Shoemaker, 2003). The minimum acceptable level of reliability for this study was a *Cohen's Kappa* of .700.
- Conduct an informal content analysis with both coders during the initial training sessions, in order to improve the process until it reaches the predetermined 0.7 minimum acceptable level of reliability. These informal tests are done with a small number of units that are not part of the research sample.
- Conduct a formal pilot content analysis involving both coders, utilizing a separate representative sample, rather than the one used for the full sample in the study. Lombard, et al. recommend using 30 units as a "rule of thumb". The results of the pilot content analysis are reported on Appendix F.
- Conduct a formal assessment of reliability of the full sample of the study. These are the actual reliability levels that are reported in the study. The

reliability sample is a subset of the full sample. Lombard et al. recommend that the reliability sample be comprised of at least 10% of the full sample used for the study, with no less than 50 units and no more than 300 units. Since the exact sample size for this study is determined during the purposive sampling procedure, the precise number in the sample cannot be pre-determined. As such, a random selection of every tenth coding unit is made in order to abide by the recommendation to select at least 10% of the sample for inter-coder testing. The results of the formal assessment of reliability are reported on Appendix G.

- Select a procedure for re-incorporating the coding on the reliability sample back into the full sample. Any disagreements between the two coders is resolved by a random selection process (a coin flip). The final reconciled results for frequency and degree of positive, neutral, and negative mentions are reported on an Excel spreadsheet that is available for public inspection.

6) Data analysis and finalization of the study occurred on March 30, 2007.

7) All sample units and the notations of the coders will be retained for 5 years and are available for inspection and replication.

Evaluation of Research Methods

This section is divided into two subsections. The first subsection assesses the trustworthiness of the data gathered in the qualitative methods portion of the study. The second subsection evaluates the internal and external validity of the research methods used in the quantitative methods portion.

Qualitative Methods

The terminology used for evaluating qualitative methods differs somewhat from those of quantitative methods. The following section is patterned according to the terminology for assessment criteria proposed by Guba and Lincoln (1981) to describe the evaluation of qualitative findings. These criteria are: 1) credibility; 2) transferability; 3) dependability; and 4) confirmability. Collectively, these four criteria are referred to as an assessment of trustworthiness (Krefting, 1991). The assessment of the trustworthiness for the qualitative methods phase of this study is discussed below.

Credibility

In qualitative methods, the term *credibility* is analogous to the quantitative methods term *internal validity*, i.e., the "truth value" of the data (Key, 1997). In this study, the credibility of the data collected through content analysis of websites was evaluated in terms of how well the data reflect the true value of the dependent variable, *corporate reputation targeting*.

The literature reviewed on this topic indicates that content analysis of Internet websites is an appropriate method for ascertaining the reputation of a corporation as perceived by its stakeholders and influencers. Stemler (2005) contends that content analysis provides a useful tool for monitoring shifts in public opinion, especially in a medium as voluminous as the Internet. Corporate researchers have found that content analyses of web pages have provided a useful tool for gauging a company's image and reputation among its consumers and competitors (Fahrmann, Hartz, Wendling, & Yoder, 1997).

While the content analysis method for determining the construct *corporate reputation targeting* seems to be supported by the literature, the question remains whether the construct itself is a valid indicator of the broader theoretical *corporate reputation* as a "value based construct" (Dowling, 2001). Here, the question is whether the measurement of corporate reputation targeting from outside influencer groups (positive, neutral, and negative mentions) can be used to define the overall reputation of a corporation. In other words, are the results of the content analysis *transferable* as a valid indicator of corporate reputation?

Transferability

The term *transferability* is analogous to the term *external validity* in quantitative research. In this study, transferability, as it pertains to the data gathered through the content analysis of websites, was evaluated by the extent that the findings can be generalized to other views of corporate image and reputation.

In this study, transferability pertains to the trustworthiness of the data, and to the extent that it validates the reliability of the *CRT index* as a true indicator of corporate reputation. Note that the assessment of transferability only pertains to the qualitative methods portion of the study. The external validity of the quantitative phase of this study is evaluated in the next subsection.

Given the credibility of the Internet content analysis method and the *corporate reputation targeting* construct, the question remains whether the findings were truly indicative of corporate reputation. While a universal definition of corporate reputation is not settled, much of stakeholder theory literature has supported the notion that a corporation's reputation is determined to a great extent by the collective perceptions of its stakeholders (Dowling, 2001). This study however, examined only a portion of those stakeholders, namely the outside "influencer" groups (Donaldson & Preston, 1995 and Kaler, 2002) or "strategic stakeholders" (Frooman, 1999), or "diffuse groups" (Dowling, 2001).

This study did not examine the perceptions of the other stakeholder groups that define the whole of a corporation's reputation e.g., normative groups such as stockholders, regulatory agencies; customer groups; and functional groups such as suppliers, distributors, unions, and service providers (Dowling, 2001). Therefore, while the construct of *corporate reputation targeting by outside influencer* groups provided a partial indication of a corporation's reputation, it certainly cannot be said to define the corporation's reputation as a whole.

Dependability

The dependability of the qualitative method in this study was directly dependent on the reliability of the *a priori* content analysis. The reliability of the content analysis was established by determining a *Cohen's Kappa* value of .700 or better. A *Cohen's Kappa* score of .700 and above is considered to be a good indicator of inter-coder agreement, and therefore establishing the method's reliability.

Confirmability

The manner in which the data were collected, cataloged, and stored made it easy to retrieve and audit the results. The objectivity of the researcher was established by making all the collected data available for outside review. The availability and transparency of the findings makes it easy for others to audit or replicate the study.

Quantitative Methods

This section evaluates the internal and external validity of the research methods, as it pertains to the quantitative methods portion of the study.

Internal Validity

The internal validity of the study pertains to the extent that the research methods truly establish a casual relationship between the independent variable CSR and the dependent variable corporate reputation targeting. Given the trustworthiness of the data collected and analyzed through the qualitative methods portion of the study established in the previous section, the question remains whether the subsequent quantitative analyses with multiple and simple regression provided a valid indication of causality. Do the analyses rule out any other possible explanations?

Strengths.

1. The foundation for internal validity was established through measures of reliability (a *Cohen's Kappa* score of .700 or higher) as it pertains to the *a priori* content analysis portion of the study.
2. The three-point ordinal scale used to measure the dependent variable provided a simple and universally recognized value scale whose construct validity is self evident in its definition (e.g., positive, neutral, and negative).
3. In addition to a wide acceptance to its face validity, previous empirical research has also established strong construct validity for KLD's *Socrates* instrument, which was used in this study as the measure of the independent variable *CSR*.

4. The multiple and simple regression models of statistical analysis are expected to provide an indication of the relative contribution of each of the identified causal factors of the independent variable in relation to the dependent variable.
5. Data regarding organizational characteristics and website characteristics that were collected as the result of answering research questions 1 and 2, may reveal some unforeseen contextual variables that may in turn be analyzed through multiple regression.

Weaknesses.

1. The internal validity of the quantitative methods portion depends on the construct validity of the dependent variable. The construct *corporate reputation targeting* reveals only a segment of the all stakeholders perceptions. *Corporate reputation targeting* in this study pertained only to the perceptions of a relatively small segment of the overall stakeholder universe and does not represent the overall reputation of a corporation.
2. The three-point ordinal scale used to measure the dependent variable lacks the nuance and variability that a wider scale would provide.

External Validity

The evaluation of external validity examines whether the results of the study can be generalized to the target population.

Strengths.

1. The findings of the quantitative methods phase can be generalized to 100 corporations that comprise the accessible population of the study. These are the

corporations which ostensibly would show the widest gaps between positive CSR actions and negative reputation targeting.

Weaknesses.

1. Due to the non-probability, purposive sampling technique wherein only the top 100 corporations on the KLD database were selected, the findings in the quantitative methods phase cannot be generalized beyond the scope of these 100 corporations.

Chapter Three discussed the study's methodology. A mixed research design, that utilized a qualitative content analysis as well as the quantitative analysis of the data was used to answer the six research questions and five hypotheses. A presentation of the results of the study and the subsequent discussion of the results are provided in the next two chapters.

CHAPTER FOUR

RESULTS

Chapter Four presents the results of the sampling procedure and the characteristics of the measurement instruments used in the study. This chapter also examines the six research questions and five hypotheses, utilizing both descriptive and inferential statistics. Simple and multiple regression analyses were used to answer the five hypotheses. Descriptive statistics of frequency distributions, variability and measures of central tendency were used to answer the research questions.

In order to provide estimates of reliability of the KLD ratings, coefficient alphas as a measure of internal consistency were performed. Inter-coder reliability was reported to provide estimates of reliability for the ratings ascribed to the categories of *corporate reputation targeting* (positive, neutral, and negative). Pearson *r* correlation coefficients were reported to establish convergent validity for the KLD ratings and for the degree of CRT measures. The Student Version of the SPSS computer software program was used to conduct the analyses.

Data Producing Sample

Of the original sample of 1,788 websites, only 1,503 were used for the study. A total of 285 websites were excluded for various reasons. Recording and duplication errors led to the exclusion of 36 websites. An additional 10 websites were excluded for not meeting the eligibility requirement that the website must have mentioned at least one of the top 100 companies. Another 239 websites were excluded for not meeting the eligibility requirement that the website must have championed at least one of the eight broad categories of social issues identified by KLD (community, governance, diversity, employees, human rights, product quality, and the environment). A total of 772 mentions were discarded as the result of the exclusions. This resulted in a final data producing sample of 1,503 websites used in the study. Table 4-1 provides a summary of the excluded websites from the sample.

Table 4-1

Summary of Excluded Websites

Reason for Exclusion	**# of Websites**	**# of Positive Mentions**	**# of Neutral Mentions**	**# of Negative Mentions**	**# of Total Mentions**
Recording errors	36	0	0	0	0
No top 100 companies mentioned	10	13	7	16	36
No KLD dimensions mentioned	279	118	568	50	736
Total	**285**	**131**	**575**	**66**	**772**

Characteristics of the Measurement Instruments

Reliability of the Content Analysis

Inter-coder reliability for the content analysis was determined by testing for the degree of agreement between two coders – the lead researcher and an associate second coder. Following the prescribed training session, the initial pilot test utilizing 38 units of analysis for both coders resulted in a *Cohen's Kappa* coefficient of .483. This coefficient was less than the minimum level of acceptability (*Cohen's Kappa* $\geq$.700) determined prior to the test. A calibration meeting between the two raters was held to improve the level of inter-coder agreement. The two raters again reviewed the written instructions and discussed ways to interpret the intended meaning of the website authors. The two raters agreed on a common method for dealing with subtleties such as sarcasm and innuendo.

A later, formal assessment of reliability of the full sample was conducted on 610 units of analysis (mentions). The reliability sample consisting of the prescribed 10% of the full sample yielded a *Cohen's Kappa* coefficient of .710, thereby meeting the desired level of reliability. The reliability sample was re-incorporated into the full sample by resolving the disagreements between the coders with a series of random coin flips. Of the 115 total disagreements, 61 were credited to the second coder, while 54 were credited to the lead researcher. The reconciled full sample was used as the basis for all later statistical analyses.

Reliability of the KLD Index

While earlier studies by Sharfman (1996) and Szwajkowski and Figlewicz (1999) had found strong internal discriminant validity between the categories, the alpha coefficient for the overall KLD index was negative ($\alpha = -.7996$). This estimate of "internal consistency reliability" was not satisfactory as a result of negative coefficient alphas.

Reliability of the CRT Measure

The CRT measurement appeared to have good internal consistency ($\alpha = .8306$). Cronbach's alphas were calculated for positive, neutral, and negative mentions. *Negative mentions* (.9610) had the highest corrected item-total correlation, followed by *neutral mentions* (.9533) and *positive mentions* (.8383). If the variable *neutral mentions* was deleted, the alpha score for the total CRT measure would increase to .8277. Table 4-2 summarizes the item-total correlations for the CRT measure.

Table 4-2

Corrected Item-total Correlations for the CRT N=92

Item	**Corrected Item-Total Correlation**	**Alpha If Item Deleted**
Positive Mentions	.8383	.8277
Neutral Mentions	.9533	.8472
Negative Mentions	.9610	.6279
$\alpha = .8306$		

Construct Validity of the KLD and CRT

Pearson *r* correlations were calculated to ascertain the convergent validity between the average KLD score and the degrees of positive, neutral, and negative corporate reputation targeting. A significant inverse correlation (-.284, p=.006) was found between the *average KLD* score and the *degree of neutral* variable. No other CRT variables were found to be convergent with the average KLD score.

Pearson *r* correlations were also used to gauge the divergent validity of the CRT measure. Predictably, the highest negative correlation was recorded between the *degree negative* and the *degree positive* variables (-.696, p=.000), clearly indicating an inverse relationship whereby high negative scores and low positive scores were highly correlated. A significant correlation (-.403, p=.000) between *degree neutral* and *degree negative* shows an inverse relationship between these variables. Finally, a significant correlation (-.376, p=.000) between degree positive and degree neutral also demonstrated an inverse relationship between these two variables. These inverse correlations among the three types of CRT support the divergent and convergent validity of the measurement. Table 4-3 summarizes the correlations between the KLD average score and the degrees of the CRT measure.

Table 4-3

Pearson r Correlations for KLD Average Score and the Degrees of CRT

Dimension		**KLD Avg. CSR**	**Degree Positive**	**Degree Neutral**	**Degree Negative**
KLD Avg. CSR	Pearson *r*	1	.132	-.284**	.089
	Sig. (2-tailed)	.	.209	.006	.398
Degree Positive	Pearson *r*	.132	1	-.376**	-.696**
	Sig. (2-tailed)	.209	.	.000	.000
Degree Neutral	Pearson *r*	-.284**	-.376**	1	-.403**
	Sig. (2-tailed)	.006	.000	.	.000
Degree Negative	Pearson *r*	.089	-.696**	-.403**	1
	Sig. (2-tailed)	.398	.000	.000	.
N=92					

** Correlation is significant at the 0.01 level

Research Questions

Descriptive statistics of frequency distributions, variability and measures of central tendency were used to answer research questions 1, 2, 4, 5, and 6. These research questions aimed to describe the sample of the study, including: 1) the CSR characteristics of the top 100 Corporate Citizens in 2006; 2) the characteristics of the web pages and blogs; 3) the characteristics of corporate reputation targeting; and 4) the frequency and degree of corporate reputation targeting (positive, neutral, negative, and total). An *a priori* content analysis of the sample website texts was used to analyze research question 3.

Research Question 1: CSR Characteristics of the Top 100 Corporations

What are the CSR characteristics of the corporations listed in Business Ethics' Top 100 Corporate Citizens in 2006 selected for inclusion in the study?

The CSR characteristics of the top 100 companies were determined from the scoring methodology used by KLD. The maximum average (overall CSR) score was attributed to the number one ranked company, Green Mountain Coffee (1.775), while the lowest average score (overall CSR) of .472 was attributed to the 100^{th} ranked company, Rockwell Collins. The average overall CSR score for the top 100 companies was .76227.

The KLD category *community* ranked the highest of the variables among the top 100 companies collectively, with a mean score of 1.37684. This was followed by *diversity* (1.21129), *employee relations* (1.14226), and *environment* (1.05104). Below average were the collective scores for the categories *corporate governance* (.71122), *product* (.50336), *human rights* (.12512), and *total return* (-.01865).

The highest score (5.080) was attributed to the 52^{nd} ranked company Student Loan Corporation under the KLD category *community*. The lowest score (-4.289) was also attributed to the Student Loan Corporation for the KLD category *human rights*. Table 4-4 summarizes the descriptive characteristics of the top 100 companies.

Table 4-4

Summary of CSR Characteristics of the Top 100 Corporations
N=92

Variable	Minimum	Maximum	Mean	Std. Deviation
KLD Average CSR	.472	1.775	.76227	.265391
KLD Community	-.950	5.080	1.37684	1.306587
KLD Corporate Governance	-1.408	2.774	.71122	.975306
KLD Diversity	-1.138	3.834	1.21129	1.009930
KLD Employee Relations	-.707	4.069	1.14226	1.011569
KLD Environment	-1.219	4.748	1.05104	1.080988
KLD Human Rights	-4.289	2.794	.12512	.872652
KLD Product	-1.240	2.314	.50336	.762920
KLD Total Return	-1.094	2.789	-.01865	.719827

Research Question 2: Characteristics of the Websites

What are the characteristics of the websites used by outside influencer groups to target the reputations of the corporations identified as Business Ethics' Top 100 Corporate Citizens in 2006?

These characteristics were determined for each sample website by the lead researcher during the initial content analysis. Of the 1,503 total websites analyzed, 48.8% targeted exclusively the companies identified as the 2006 Business Ethics' Top 100 Corporate Citizens. The remaining 51.2% made mention of at least one other non-top 100 company. A substantial majority of the websites were categorized as web pages (77.5%), while the remaining 22.5% were categorized as web logs (blogs). A substantial percentage (85.1%) were categorized as *like results* (either exclusively positive/positive + neutral or exclusively negative/negative + neutral). Websites that were determined to have *mixed results* (positive and negative mentions on the same page) comprised 14.9% of the sample. Table 4-5 summarizes the descriptive characteristics of the websites used by outside influencer groups to target the top 100 corporations.

Table 4-5

Characteristics of Websites Used by Outside Influencer Groups to Target the Reputations of the Top 100 Corporations

Variable	Frequency	Valid Percent
Other Non-Top 100 Companies Mentioned		
No	733	48.8
Yes	769	51.2
Missing	1	0.0
Total	1503	100.0
Web Page or Web Log		
Web Page	1165	77.5
Web Log	338	22.5
Total	1503	100.0
Like or Mixed Results		
Like	1279	85.1
Mixed	223	14.9
Missing	1	0.0
Total	1503	100.0

Research Question 3: Characteristics of Corporate Reputation Targeting

What are the positive, neutral, and negative dimensions of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs?

The final reconciled content analysis performed by the lead researcher and a second coder resulted in 1,923 positive mentions, 1,193 neutral mentions, and 3,209 negative mentions. The total number of recorded mentions was 6,325. Table 4-6 summarizes the general characteristics resulting from the content analysis.

Table 4-6

Summary of the Positive, Neutral, and Negative Dimensions from the Content Analysis

Variable	Frequency	Valid Percent
Positive Mentions	1923	30.4
Neutral Mentions	1193	18.9
Negative Mentions	3209	50.7
Total Mentions	6325	100.0

Research Question 4: Website Characteristics – Associated with the KLD Categories

What are the KLD dimensions of CSR that are targeted by outside influencer groups on these groups' web pages and blogs?

This characteristic was determined for each sample websites by the lead researcher during the initial content analysis. Of the 1503 total websites analyzed, those dealing with *product* issues comprised 24% of the total sample. This was followed by *human rights* (19.2%) and *environment* issues (17.5%). Collectively, these three top issues comprised 60.7% of the sample. Websites that were determined to fit more than one KLD issue were designated as *mixed issue* sites, and comprised 14.2% of the sample. Table 4-7 summarizes the descriptive characteristics of the CSR issues targeted by outside influencer groups on their web pages and blogs.

Table 4-7

KLD Dimensions of CSR Targeted by Outside Influencer Groups

Variable	Frequency	Valid Percent
None	6	0.4
KLD Community	71	4.7
KLD Governance	145	9.7
KLD Diversity	31	2.1
KLD Employee Relations	85	5.7
KLD Environment	263	17.5
KLD Human Rights	289	19.2
KLD Product	361	24.0
KLD Total Return	38	2.5
Mixed CSR	214	14.2
Total	1503	100.0

Research Question 5: Frequency of Corporate Reputation Targeting

What is the frequency of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs?

The final data producing sample resulted in a total of 6,325 mentions, of which there were 1,923 positive mentions, 1,193 neutral mentions, and 3,209 negative mentions. The frequency of CRT of two companies combined, Starbucks (798 negative mentions) and Nike (615 negative mentions) comprised 44.03% of the total negative mentions. These two companies together also comprised 33.83% of the total mentions, 21.17% of all positive mentions, and 26.82% of all the neutral mentions. Starbucks had the highest number of total mentions (1,202), the highest number of negative mentions (798), and the highest number of neutral mentions (207). The highest number of positive mentions was attributed to Nike (210), with Starbucks a close second with (197).

There were 21 companies that produced at least 64 total mentions. The remaining 79 companies' total mentions were below the average total number of mentions (63.25%). Eight out of the 100 companies in the final data producing sample did not receive any mentions at all. Table 4-8 summarizes the frequency of positive, neutral, and negative corporate reputation targeting by corporation.

Table 4-8

Frequency of Positive, Neutral, and Negative Corporate Reputation Targeting by Corporation

Rank	Corporation	Positive Mentions	Neutral Mentions	Negative Mentions	Total Mentions
1	Green Mountain Coffee	63	10	9	82
2	Hewlett-Packard Company	35	42	96	173
3	Advanced Micro Devices	5	2	0	7
4	Motorola, Inc.	22	10	6	38
5	Agilent Technologies, Inc.	3	0	1	4
6	Timberland Company	69	6	11	86
7	Salesforce.com, Inc.	5	10	5	20
8	Cisco Systems, Inc.	10	5	27	42
9	Dell Inc.	69	47	141	257
10	Texas Instruments Inc.	4	0	3	7
11	Intel Corporation	33	9	13	55
12	Johnson & Johnson	15	8	46	69
13	NIKE, Inc.	210	113	615	938
14	General Mills Incorporated	22	45	83	150
15	Pitney Bowes Inc.	3	1	2	6
16	Wells Fargo & Company	15	4	38	57
17	Starbucks Corp.	197	207	798	1202
18	Wainwright Bank & Trust	27	3	0	30
19	St. Paul Travelers	12	11	13	36
20	Ecolab Inc.	12	2	1	15
21	Gap, Inc.	27	26	133	186
22	Herman Miller Inc.	16	6	0	22
23	Southwest Airlines Co.	63	28	2	93
24	Interface, Inc.	36	8	3	47
25	Apple Computer, Inc.	22	25	106	153
26	Chittenden Corporation	5	1	0	6
27	Unionbancal Corp.	1	1	1	3
28	Wild Oats Markets, Inc.	70	8	5	83
29	American Express	9	5	12	26
30	Northwest Natural Gas	0	0	0	0
31	Coherent, Inc.	1	1	7	9
32	Gaiam, Inc.	33	6	1	40
33	Eastman Kodak Company	9	5	19	33
34	Sovereign Bancorp, Inc.	1	8	8	17
35	Applied Materials Inc.	8	3	1	12

Table 4-8 Continued

Rank	Corporation	Positive Mentions	Neutral Mentions	Negative Mentions	Total Mentions
36	Nationwide Financial Services	0	0	3	3
37	Heartland Financial USA, Inc.	1	1	0	2
38	Freddie Mac	5	1	0	6
39	Synovus Financial Corp.	4	0	0	4
40	Chicago Mercantile Exchange	1	5	11	17
41	IBM	93	25	76	194
42	Adobe Systems Incorporated	1	0	1	2
43	3M Company	7	2	8	17
44	First Horizon National Corp.	5	4	0	9
45	Office Depot, Inc.	11	2	7	20
46	SLM Corporation	3	22	1	26
47	Whole Foods Market, Inc.	179	82	69	330
48	United Parcel Service, Inc.	13	4	1	18
49	Whirlpool Corporation	25	8	1	34
50	United Natural Foods, Inc.	9	3	0	12
51	State Street Corporation	4	0	0	4
52	Student Loan Corporation	0	0	0	0
53	Total System Services inc.	3	2	8	13
54	Tennant Company	2	1	0	3
55	Kellogg Company	8	37	151	196
56	Cathay General Bancorp, Inc.	0	0	0	0
57	McGraw-Hill Companies, Inc.	1	1	0	2
58	Zimmer Holdings, Inc.	1	0	3	4
59	Modine Manufacturing Co.	15	9	2	26
60	Northern Trust Corporation	1	0	2	3
61	Cummins, Inc.	6	8	13	27
62	Citigroup, Inc.	27	21	95	143
63	Molina Healthcare, Inc.	5	12	3	20
64	Nature's Sunshine Products	0	0	0	0
65	Washington Post Company	4	19	58	81
66	Darden Restaurants, Inc.	2	0	3	5
67	Biomet, Inc.	2	5	9	16
68	Bank of Hawaii Corporation	0	0	0	0
69	Brady Corporation	1	1	1	3
70	Sun Microsystems, Inc.	23	18	23	64

Table 4-8 Continued

Rank	Corporation	Positive Mentions	Neutral Mentions	Negative Mentions	Total Mentions
71	WGL Holdings, Inc.	2	18	4	24
72	Ambac Financial Group, Inc.	1	0	1	2
73	Johnson Controls, Inc.	8	2	0	10
74	Bright Horizons Family Solutions	10	5	0	15
75	Becton Dickinson	13	5	8	26
76	Genetech, Inc.	4	10	11	25
77	Nordstrom, Inc.	31	7	26	64
78	Lam Research Corporation	3	5	1	9
79	KeyCorp	0	0	0	0
80	Akarnai Technologies	0	0	0	0
81	Symantec Corporation	0	2	2	4
82	Micron Technology, Inc.	1	0	1	2
83	East West Bancorp, Inc.	0	1	0	1
84	PepsiCo, Inc.	31	35	205	271
85	Graco Inc.	0	0	4	4
86	Autodesk, Inc.	1	1	0	2
87	Timken Company	10	19	6	35
88	American Tower Corporation	0	1	1	2
89	Hartford Financial Services	10	8	9	27
90	Procter & Gamble	127	52	170	349
91	Xilinx, Inc.	12	16	3	31
92	Air Products & Chemicals	8	2	2	12
93	Grainger (W.W.), Inc.	3	3	0	6
94	Ben-Probe Incorporated	0	0	0	0
95	Baldor Electric Company	3	1	0	4
96	BB&T Corporation	19	1	0	20
97	Principal Financial Group	25	36	0	61
98	Apogee Enterprises, Inc.	0	1	0	1
99	IDEXX Laboratories, Inc.	1	3	0	4
100	Rockwell Collins	6	0	0	6
	Total	1923	1193	3209	6325
	Mean	19.23	11.93	32.09	63.25

Research Question 6: Degree of Corporate Reputation Targeting

What is the degree of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs?

The degree scores for each of the 100 companies ranged from 0 to 100% and were calculated by dividing the number of negative, neutral, and positive mentions, respectively, by the total number of mentions. The highest negative degree scores out of the 21 companies identified in the previous research question (those which received at least 64 total mentions), were attributed to the Kellogg Company (77.04%), followed closely by PepsiCo (75.65%), the Washington Post (71.6%), and The Gap (71.51%). Starbucks and Nike, which accounted for a large percentage of the overall mentions scored 66.39% and 65.57% respectively. Sixteen of the 21 companies previously identified with high frequencies exceeded the mean average score for negative degree (28.44%).

Only five out of the 21 companies with high frequencies exceeded the mean average for neutral degree score (23.66%). These companies were Southwest Airlines (30.11%), General Mills (30%), Sun Microsystems (35.94%), Whole Foods Market (24.85%), and Hewlett-Packard (24.28%). Even though low frequency, the greatest degree of neutral mentions were attributed to the East West Bancorp (100%), SLM Corporation (84.62%), WGL Holdings (75%), and IDEXX Laboratories (75%).

Only seven out of the 21 companies with high frequencies exceeded the mean average for positive degree score (39.9%). These companies were led by Wild Oats Markets (84.34%), Timberland (80.23%), Green Mountain Coffee (76.83%), and

Southwest Airlines (67.74%). Table 4-9 summarizes the degree of positive, neutral, and negative corporate reputation targeting by corporation.

Table 4-9

Degree of Positive, Neutral, and Negative Corporate Reputation Targeting by Corporation

Rank	Corporation	Degree % Positive	Degree % Neutral	Degree % Negative
1	Green Mountain Coffee Roasters Inc.	76.83%	12.20%	10.98%
2	Hewlett-Packard Company	20.23%	24.28%	55.49%
3	Advanced Micro Devices, Inc.	71.43%	28.57%	0.00%
4	Motorola, Inc.	57.89%	26.32%	15.79%
5	Agilent Technologies, Inc.	75.00%	0.00%	25.00%
6	Timberland Company (The)	80.23%	6.98%	12.79%
7	Salesforce.com, Inc.	25.00%	50.00%	25.00%
8	Cisco Systems, Inc.	23.81%	11.90%	64.29%
9	Dell Inc.	26.85%	18.29%	54.86%
10	Texas Instruments Inc.	57.14%	0.00%	42.86%
11	Intel Corporation	60.00%	16.36%	23.64%
12	Johnson & Johnson	21.74%	11.59%	66.67%
13	NIKE, Inc.	22.39%	12.05%	65.57%
14	General Mills Incorporated	14.67%	30.00%	55.33%
15	Pitney Bowes Inc.	50.00%	16.67%	33.33%
16	Wells Fargo & Company	26.32%	7.02%	66.67%
17	Starbucks Corp.	16.39%	17.22%	66.39%
18	Wainwright Bank & Trust Company	90.00%	10.00%	0.00%
19	St. Paul Travelers Companies, Inc. (The)	33.33%	30.56%	36.11%
20	Ecolab Inc.	80.00%	13.33%	6.67%
21	Gap, Inc. (The)	14.52%	13.98%	71.51%
22	Herman Miller Inc.	72.73%	27.27%	0.00%
23	Southwest Airlines Co.	67.74%	30.11%	2.15%
24	Interface, Inc.	76.60%	17.02%	6.38%
25	Apple Computer, Inc.	14.38%	16.34%	69.28%
26	Chittenden Corporation	83.33%	16.67%	0.00%
27	Unionbancal Corp.	33.33%	33.33%	33.33%
28	Wild Oats Markets, Inc.	84.34%	9.64%	6.02%
29	American Express Company	34.62%	19.23%	46.15%
30	Northwest Natural Gas Company	-	-	-
31	Coherent, Inc.	11.11%	11.11%	77.78%
32	Gaiam, Inc.	82.50%	15.00%	2.50%
33	Eastman Kodak Company	27.27%	15.15%	57.58%
34	Sovereign Bancorp, Inc.	5.88%	47.06%	47.06%
35	Applied Materials Inc.	66.67%	25.00%	8.33%

Table 4-9 Continued

Rank	Corporation	Degree Positive	Degree Neutral	Degree Negative
36	Nationwide Financial Services, Inc.	0.00%	0.00%	100.00%
37	Heartland Financial USA, Inc.	50.00%	50.00%	0.00%
38	Freddie Mac	83.33%	16.67%	0.00%
39	Synovus Financial Corp.	100.00%	0.00%	0.00%
40	Chicago Mercantile Exchange Holdings,	5.88%	29.41%	64.71%
41	International Business Machines Corporation	47.94%	12.89%	39.18%
42	Adobe Systems Incorporated	50.00%	0.00%	50.00%
43	3M Company	41.18%	11.76%	47.06%
44	First Horizon National Corp.	55.56%	44.44%	0.00%
45	Office Depot, Inc.	55.00%	10.00%	35.00%
46	SLM Corporation	11.54%	84.62%	3.85%
47	Whole Foods Market, Inc.	54.24%	24.85%	20.91%
48	United Parcel Service, Inc.	72.22%	22.22%	5.56%
49	Whirlpool Corporation	73.53%	23.53%	2.94%
50	United Natural Foods, Inc.	75.00%	25.00%	0.00%
51	State Street Corporation	100.00%	0.00%	0.00%
52	Student Loan Corporation	-	-	-
53	Total System Services inc.	23.08%	15.38%	61.54%
54	Tennant Company	66.67%	33.33%	0.00%
55	Kellogg Company	4.08%	18.88%	77.04%
56	Cathay General Bancorp, Inc.	-	-	-
57	McGraw-Hill Companies, Inc.	50.00%	50.00%	0.00%
58	Zimmer Holdings, Inc.	25.00%	0.00%	75.00%
59	Modine Manufacturing Co.	57.69%	34.62%	7.69%
60	Northern Trust Corporation	33.33%	0.00%	66.67%
61	Cummins, Inc.	22.22%	29.63%	48.15%
62	Citigroup, Inc.	18.88%	14.69%	66.43%
63	Molina Healthcare, Inc.	25.00%	60.00%	15.00%
64	Nature's Sunshine Products, Inc.	-	-	-
65	Washington Post Company	4.94%	23.46%	71.60%
66	Darden Restaurants, Inc.	40.00%	0.00%	60.00%
67	Biomet, Inc.	12.50%	31.25%	56.25%
68	Bank of Hawaii Corporation	-	-	-
69	Brady Corporation	33.33%	33.33%	33.33%
70	Sun Microsystems, Inc.	35.94%	28.13%	35.94%

Table 4-9 Continued

Rank	Corporation	Degree Positive	Degree Neutral	Degree Negative
71	WGL Holdings, Inc.	8.33%	75.00%	16.67%
72	Ambac Financial Group, Inc.	50.00%	0.00%	50.00%
73	Johnson Controls, Inc.	80.00%	20.00%	0.00%
74	Bright Horizons Family Solutions, Inc.	66.67%	33.33%	0.00%
75	Becton Dickinson and Company	50.00%	19.23%	30.77%
76	Genetech, Inc.	16.00%	40.00%	44.00%
77	Nordstrom, Inc.	48.44%	10.94%	40.63%
78	Lam Research Corporation	33.33%	55.56%	11.11%
79	KeyCorp	-	-	-
80	Akarnai Technologies	-	-	-
81	Symantec Corporation	0.00%	50.00%	50.00%
82	Micron Technology, Inc.	50.00%	0.00%	50.00%
83	East West Bancorp, Inc.	0.00%	100.00%	0.00%
84	PepsiCo, Inc.	11.44%	12.92%	75.65%
85	Graco Inc.	0.00%	0.00%	100.00%
86	Autodesk, Inc.	50.00%	50.00%	0.00%
87	Timken Company, (The)	28.57%	54.29%	17.14%
88	American Tower Corporation	0.00%	50.00%	50.00%
89	Hartford Financial Services Group (The)	37.04%	29.63%	33.33%
90	Procter & Gamble Company	36.39%	14.90%	48.71%
91	Xilinx, Inc.	38.71%	51.61%	9.68%
92	Air Products & Chemicals, Inc.	66.67%	16.67%	16.67%
93	Grainger (W.W.), Inc.	50.00%	50.00%	0.00%
94	Ben-Probe Incorporated	-	-	-
95	Baldor Electric Company	75.00%	25.00%	0.00%
96	BB&T Corporation	95.00%	5.00%	0.00%
97	Principal Financial Group, Inc.	40.98%	59.02%	0.00%
98	Apogee Enterprises, Inc.	0.00%	100.00%	0.00%
99	IDEXX Laboratories, Inc.	25.00%	75.00%	0.00%
100	Rockwell Collins	100.00%	0.00%	0.00%

Hypothesis Testing

This study proposed five research hypotheses that can be empirically tested to examine the theoretical proposition: *The more corporate social responsibility that a corporation demonstrates publicly, the better chance it stands of being targeted by outside influencer groups.* These hypotheses and sub-hypotheses are as follows:

Hypothesis 1: CSR Categories and Negative Reputation Targeting

CSR categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of corporate *negative* reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

Corporate Social Responsibility Variables and Negative Corporate Reputation Targeting by Outside Influencer Groups

Multiple regression analysis was used to test for relationships between the eight KLD CSR variables and negative corporate reputation targeting. The overall results of the analysis support hypothesis 1.

The F value (3.513) for the regression model analyzing CSR variables and *negative* corporate reputation targeting was significant ($p = .002$) for an explanatory relationship. The adjusted R^2 indicated that the KLD CSR variables accounted for 18.1% of the variance of the *negative* reputation targeting. The t statistic indicated that two KLD CSR dimensions were significant individual explanatory variables of *negative* reputation targeting. The size of the t statistic signified that *product* had the greatest impact on the model ($t = -2.519, p = .014$), followed by *environment* ($t = 2.509, p = .014$). The negative beta value ($\beta = -.275$) signified an inverse relationship between the explanatory variable *product* and *negative* reputation targeting. The beta value ($\beta = .252$) signified a positive relationship between the explanatory variable *environment* and *negative* reputation targeting. Table 4-10 summarizes the results of the regression analysis for hypothesis 1.

Table 4-10

Summarized Multiple Regression Analysis of Corporate Social Responsibility Variables Explaining Negative Corporate Reputation Targeting by Outside Influencer Groups

Variable	*B*	*SE*	*β*	*t*	*p*
(Constant)	16.384	33.703		.486	.628
KLD Community	6.383	9.178	.076	.695	.489
KLD Corporate Governance	1.559	11.422	.014	.137	.892
KLD Diversity	8.537	12.457	.079	.685	.495
KLD Employee Relations	-5.612	10.768	-.052	-.521	.604
KLD Environment	25.554	10.183	.252	2.509	.014
KLD Human Rights	-16.780	13.063	-.134	-1.285	.203
KLD Product	-39.499	15.678	-.275	-2.519	.014
KLD Total Return	11.070	15.108	.073	.733	.466
N=91 F**=3.513**	**df=8**	p**=.002**	R^2**=.253**	**Adjusted** R^2**=.181**	

Hypothesis 2: CSR Categories and Neutral Reputation Targeting

CSR categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of *neutral* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

Corporate Social Responsibility Variables and Neutral Corporate Reputation Targeting by Outside Influencer Groups

Multiple regression analysis was used to test for relationships between the eight KLD CSR variables and *neutral* corporate reputation targeting. The overall results of the analysis support hypothesis 2.

The F value (2.512) for the regression model analyzing CSR variables and *neutral* corporate reputation targeting was significant ($p = .017$) for an explanatory relationship. The adjusted R^2 indicated that the KLD CSR variables accounted for 11.7% of the variance of the *neutral* reputation targeting. The t statistic indicated that the KLD CSR dimensions *environment* ($t = 2.034, p = .045$) and *product* ($t =-1.961, p = .053$) were significant explanatory variables of *neutral* reputation targeting. The beta value ($\beta = .212$) signified a positive relationship between the explanatory variable *environment* and *neutral* reputation targeting. The negative beta value ($\beta = -.222$) signified an inverse relationship between the explanatory variable *product* and *neutral* reputation targeting. Table 4-11 summarizes the results of the regression analysis for hypothesis 2.

Table 4-11

Summarized Multiple Regression Analysis of Corporate Social Responsibility Variables Explaining Neutral Corporate Reputation Targeting by Outside Influencer Groups

Variable	***B***	***SE***	***β***	***t***	***p***
(Constant)	7.400	8.632		.857	.394
KLD Community	1.602	2.351	.077	.681	.498
KLD Corporate Governance	.843	2.925	.030	.288	.774
KLD Diversity	2.575	3.191	.096	.807	.422
KLD Employee Relations	-1.297	2.758	-.049	-.470	.639
KLD Environment	5.304	2.608	.212	2.034	.045
KLD Human Rights	-3.456	3.346	-.112	-1.033	.305
KLD Product	-7.875	4.016	-.222	-1.961	.053
KLD Total Return	2.832	3.870	.075	.732	.466
N=91 ***F*=2.512**	**df=8**	***p*=.017**	**R^2=.195**	**Adjusted R^2=.117**	

Hypothesis 3: CSR Categories and Positive Reputation Targeting

CSR categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of *positive* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

Corporate Social Responsibility Variables and Positive Corporate Reputation Targeting by Outside Influencer Groups

Multiple regression analysis was used to test for relationships between the eight KLD CSR variables and *positive* corporate reputation targeting. The overall results of the analysis support hypothesis 3.

The F value (3.526) for the regression model analyzing CSR variables and *positive* corporate reputation targeting was significant (p = .001) for an explanatory relationship. The adjusted R^2 indicated that the KLD CSR variables accounted for 18.2% of the variance of the *positive* reputation targeting. The t statistic indicated that the KLD CSR dimension *environment* (t = 2.928, p = .004) was an explanatory variable of *positive* reputation targeting. The beta value (β = .294) signified a positive relationship between the explanatory variable *environment* and *positive* reputation targeting. Table 4-12 summarizes the results of the regression analysis for hypothesis 3.

Table 4-12

Summarized Multiple Regression Analysis of Corporate Social Responsibility Variables Explaining Positive Corporate Reputation Targeting by Outside Influencer Groups

Variable	*B*	*SE*	*B*	*t*	*P*
(Constant)	3.987	11.950		.334	.739
KLD Community	2.486	3.254	.084	.764	.447
KLD Corporate Governance	5.983	4.050	.150	1.477	.143
KLD Diversity	3.959	4.417	.103	.896	.373
KLD Employee Relations	-1.174	3.818	-.031	-.307	.759
KLD Environment	10.573	3.610	.294	2.928	.004
KLD Human Rights	-6.412	4.632	-.144	-1.384	.170
KLD Product	-8.909	5.559	-.175	-1.603	.113
KLD Total Return	2.379	5.357	.044	.444	.658
N=91 ***F*=3.526**	**df=8**	***p*=.001**	**R^2=.254**	**Adjusted R^2=.182**	

Hypothesis 4: CSR Categories and Overall (Combined) Reputation Targeting

CSR categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of corporate reputation targeting (positive, neutral, and negative *combined*) by outside influencer groups as reflected on these groups' web pages and blogs.

Corporate Social Responsibility Variables and Combined Corporate Reputation Targeting by Outside Influencer Groups

Multiple regression analysis was used to test for relationships between the eight KLD CSR variables and *combined* corporate reputation targeting. The overall results of the analysis support hypothesis 4.

The F value (3.687) for the regression model analyzing CSR variables and *combined* corporate reputation targeting was significant ($p = .001$) for an explanatory relationship. The adjusted R^2 indicated that the KLD CSR variables accounted for 19.1% of the variance of the *combined* reputation targeting. The t statistic indicated that the KLD CSR dimensions *environment* ($t = 2.679, p = .009$) and product ($t = -2.364, p = .02$) were significant explanatory variables of *combined* reputation targeting. The beta value ($\beta = .268$) signified a positive relationship between the explanatory variable *environment* and *combined* reputation targeting. The negative beta value ($\beta = -.256$) signified an inverse relationship between the explanatory variable *product* and *combined* reputation targeting. Table 4-13 summarizes the results of the regression analysis for hypothesis 4.

Table 4-13

Summarized Multiple Regression Analysis of Corporate Social Responsibility Variables Explaining Combined Corporate Reputation Targeting by Outside Influencer Groups

Variable	*B*	*SE*	*β*	*t*	*p*
(Constant)	27.771	51.178		.543	.589
KLD Community	10.470	13.937	.082	.751	.455
KLD Corporate Governance	8.385	17.344	.049	.483	.630
KLD Diversity	15.071	18.916	.091	.797	.428
KLD Employee Relations	-8.082	16.351	-.049	-.494	.622
KLD Environment	41.431	15.463	.268	2.679	.009
KLD Human Rights	-26.648	19.836	-.139	-1.343	.183
KLD Product	-56.283	23.807	-.256	-2.364	.020
KLD Total Return	16.280	22.941	.070	.710	.480
N=91 *F*=3.687	**df=8**	***p*=.001**	**R^2=.262**	**Adjusted R^2=.191**	

Hypothesis 5: CSR and Corporate Reputation Targeting

CSR (*average* KLD rating) is a significant explanatory variable of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.

Average CSR and Negative Corporate Reputation Targeting

Simple regression analysis was used to test for relationships between *average* KLD scores and *negative* corporate reputation targeting. The overall results of the analysis did not support the sub-hypothesis that: *CSR (average KLD rating) is a significant explanatory variable of negative corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.*

The *F* value (3.460) for the simple regression model analyzing *average CSR* and *negative* corporate reputation targeting was not significant (p = .066) for an explanatory relationship; however, it may be considered a trend. The adjusted R^2 indicated that the *average CSR* variable accounted for only 2.6% of the variance of *negative* reputation targeting. Table 4-14 summarizes the results of the regression analysis for hypothesis 5a.

Table 4-14

Summarized Simple Regression Analysis of KLD Average Corporate Social Responsibility Scores Explaining Negative Corporate Reputation Targeting

Variable	*B*	*SE*	*β*	
(Constant)	-25.668	34.448		
KLD Average CSR	79.432	42.704	.192	
N=91 **F=3.460**	**df=1**	***p*=.066**	**R^2=.037**	**Adjusted R^2=.026**

Average CSR and Neutral Corporate Reputation Targeting

Simple regression analysis was used to test for relationships between *average* KLD scores and *neutral* corporate reputation targeting. The overall results of the analysis do not support the sub-hypothesis: *CSR (average KLD rating) is a significant explanatory variable of neutral corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.*

The *F* value (3.079) for the simple regression model analyzing *average CSR* and *neutral* corporate reputation targeting was not significant (p = .083) for an explanatory relationship. The adjusted R^2 indicated that the *average CSR* variable accounted for only 2.2% of the variance of *neutral* reputation targeting. Table 4-15 summarizes the results of the regression analysis for hypothesis 5b.

Table 4-15

Summarized Simple Regression Analysis of KLD Average Corporate Social Responsibility Scores Explaining Neutral Corporate Reputation Targeting

Variable	*B*	*SE*	*Β*	
(Constant)	-1.153	8.517		
KLD Average CSR	18.524	10.558	.182	
N=91 **F=3.079**	**df=1**	**p=.083**	**R^2=.033**	**Adjusted R^2=.022**

Average CSR and Positive Corporate Reputation Targeting

Simple regression analysis was used to test for relationships between *average* KLD scores and *positive* corporate reputation targeting. The overall results of the analysis support the sub-hypothesis: *CSR (average KLD rating) is a significant explanatory variable of positive corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.*

The F value (6.787) for the simple regression model analyzing *average CSR* and *positive* corporate reputation targeting was significant (p = .011) for an explanatory relationship. The adjusted R^2 indicated that the *average CSR* variable accounted for 6.0% of the variance of *positive* reputation targeting. The beta value (β = .265) signified a positive relationship between the explanatory variable *average CSR* and *positive* reputation targeting. Table 4-16 summarizes the results of the regression analysis for hypothesis 5c.

Table 4-16

Summarized Simple Regression Analysis of KLD Average Corporate Social Responsibility Scores Explaining Positive Corporate Reputation Targeting

Variable	*B*	*SE*	*β*	
(Constant)	-8.659	12.008		
KLD Average CSR	38.781	14.886	.265	
N=91 ***F*=6.787**	**df=1**	***p*=.011**	**R^2=.070**	**Adjusted R^2=.060**

Average CSR and Combined Corporate Reputation Targeting

Simple regression analysis was used to test for relationships between *average* KLD scores and *combined* corporate reputation targeting. The overall results of the analysis support the sub-hypothesis: *CSR (average KLD rating) is a significant explanatory variable of combined corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.*

The *F* value (4.437) for the simple regression model analyzing *average CSR* and *combined* corporate reputation targeting was significant (p = .038) for an explanatory relationship. The adjusted R^2 indicated that the *average CSR* variable accounted for 3.6% of the variance of *combined* reputation targeting. The beta value (β = .217) signified a positive relationship between the explanatory variable *average CSR* and *combined* reputation targeting. Table 4-17 summarizes the results of the regression analysis for hypothesis 5d.

Table 4-17

Summarized Simple Regression Analysis of KLD Average Corporate Social Responsibility Scores Explaining Combined Corporate Reputation Targeting

Variable	***B***	***SE***	***β***	
(Constant)	-35.481	52.364		
KLD Average CSR	136.737	64.914	.217	
N=91 ***F*=4.437**	**df=1**	***p*=.038**	**R^2=.047**	**Adjusted R^2=.036**

In this chapter, statistical analyses of the results were reported for each of the six research questions and five hypotheses. In Chapter Five, the interpretations of the results are discussed.

CHAPTER FIVE

DISCUSSION

The results from Chapter Four are discussed in this chapter. First, the characteristics of the measurements are summarized, followed by interpretations of the results from the research questions and the hypotheses. Second, the practical applications of the findings are discussed from theoretical, empirical, and real life perspectives. Third, the final conclusions about the findings are listed, as well as the study's limitations and future suggested areas of study are discussed.

Characteristics of the Measurement

Reliability of the Content Analysis

The reliability of the content analysis was established by comparing the ratings of two independent coders. A *Cohen's Kappa* coefficient of .710 on the prescribed 10% of the full sample exceeded the minimum level of acceptability (*Cohen's Kappa* ≥ .700) that had been set prior to the study.

Reliability of the KLD Index

Earlier studies by Sharfman (1996) and Szwajkowski and Figlewicz (1999) had found strong internal discriminant validity between the categories. While these studies had found strong internal discriminant validity between the categories, the alpha coefficient for the overall KLD index in this study was negative. This estimate of "internal consistency reliability" was not satisfactory as a result of negative coefficient alphas. Szwajkowski and Figlewicz (1999) also noted what they described as an "anomaly" with the *environment* variable, in that the direction of its coefficient differed from the direction of all the other variables (positive correlation, instead of negative).

Szwajkowski and Figlewicz attribute this anomaly to the forgiveness factor exhibited by the KLD raters as they give positive ratings to companies for simply trying to be good stewards of the environment, while at the same time acknowledging that these same companies often do harm to the environment.

Reliability of the CRT Measurement

A reliability analysis of the CRT measurement showed it to have good internal consistency ($\alpha = .8306$). High Cronbach's alphas for *negative mentions* (.9610), *neutral mentions* (.9533), and *positive mentions* (.8383) also indicated a strong internal discriminant validity for the CRT measurement

Validity of the KLD Index and CRT Measure

Pearson *r* correlations were also calculated to ascertain the convergent validity between the average KLD score and the degrees of positive, neutral, and negative corporate reputation targeting. A significant inverse correlation (-.284, p=.006) was found between the *average KLD* score and the *degree of neutral* variable. No other CRT variables were found to be convergent with the average KLD score. This finding shows an inverse relationship between the variables, wherein low KLD averages correspond with high scores in neutral reputation targeting. This reinforces the construct validity of both the KLD and the CRT measures, since the neutral mentions are less likely to be a confounding variable in determining the KLD scores. The following sections interpret the findings related to the research questions and the hypotheses in Chapter Four.

Interpretations

Research Questions

Table 5-1 provides a summary of the research questions and the main findings from Chapter Four.

Table 5-1

Research Questions and Findings

Research Questions		Main Findings
RQ_1	What are the CSR characteristics of the corporations listed in Business Ethics' Top 100 Corporate Citizens in 2006 selected for inclusion in the study?	Collectively, the companies rated the highest in *community*, *diversity*, *employee relations* and *environment.*
RQ_2	What are the characteristics of the websites used by outside influencer groups to target the reputations of the corporations identified as Business Ethics' Top 100 Corporate Citizens in 2006?	Almost half the websites mentioned non-top 100 companies. Web pages (77.5%) substantially outnumbered web logs (22.5%). *Like results* (all positive or all negative) substantially outnumbered *mixed results* (85.1% to 14.9%).
RQ_3	What are the positive, neutral, and negative dimensions of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs?	*Negative* mentions comprised over half (50.7%) of the total mentions. Together, *positive* mentions (30.4%) and *neutral* mentions (18.9%) comprised the remainder of the mentions.
RQ_4	What are the dimensions of CSR that are targeted by outside influencer groups on these groups' web pages and blogs?	A substantial majority of the websites (60.7%) were characterized by three CSR dimensions collectively: *product* (24%), *human rights* (19.2%), and *environment* (17.5%). Collectively, the other five dimensions comprised only 24.7% of the sample websites.

Table 5-1 Continued

Research Questions		Main Findings
RQ_5	What is the frequency of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs?	Two companies (Starbucks and Nike) accounted for 44% of all negative mentions and 34% of total mentions among the 100 companies. 21 companies produced at least 64 total mentions (above the average). The remaining 79 companies' total mentions were below the average. Eight out of the 100 companies in the final data producing sample did not receive any mentions at all.
RQ_6	What is the degree of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs?	The highest negative degree scores were attributed to the Kellogg Company (77.04%), PepsiCo (75.65%), the Washington Post (71.6%), and The Gap (71.51%). Starbucks and Nike scored 66.39% and 65.57% respectively. Companies with high neutral degree scores were Southwest Airlines (30.11%), General Mills (30%), Sun Microsystems (35.94%), Whole Foods Market (24.85%), and Hewlett-Packard (24.28%). Companies with high positive degree scores included Wild Oats Markets (84.34%), Timberland (80.23%), Green Mountain Coffee (76.83%), and Southwest Airlines (67.74%).

Research Question 1: CSR Characteristics of the Top 100 Corporations

Research question 1 examined the CSR characteristics of the corporations listed in Business Ethics' Top 100 Corporate Citizens in 2006. As the top performers among 1,150 total companies rated by KLD, the 100 companies in this study were expected to collectively represent the highest level of positive corporate social responsibility. The results in Chapter Four provided descriptive statistics, including the range of scores within the group for each of the CSR categories, as well as for the average CSR score of the top 100 companies. Notably absent are the scores of the remaining 1,050 companies that were excluded from the top 100 list. This is a limitation of the study for which reasons were discussed in Chapter Three. However, the exclusion of the non-top 100 companies limits the range of scores for comparison purposes. Instead, this study focuses only on the characteristics of the companies within this top group, and not between them and the other companies which comprise the entire population of organizations rated by KLD.

Among the top 100 companies, the highest mean score was attributed to the KLD category *community* (1.38). This category also contained the maximum score of any of the companies in the study for all the dimensions (5.08), as well as the highest variance of the nine categories (standard deviation 1.31). This finding suggests that direct contributions to the respective communities (mostly through philanthropic gifts) receive high consideration by the companies as part of their CSR strategies. The high variance of this category also suggests a disparity in community contributions among the top 100 companies and also may be indicative of an effort by some of these companies to make up for some perceived shortage of socially responsible corporate behavior on other CSR dimensions, such as human rights and the environment. An example of this "quick fix" strategy may be inferred from the wide range of scores of companies such as the Student Loan Corporation which received the lowest score among the 100 companies for the category *human rights* (-4.29), as well as the highest score for the category *community* (5.08). These findings are consistent with Marx (1999), who suggested that philanthropic contributions are a relatively easy way for companies to get their quick fix of CSR in a familiar setting. However, as Marx also pointed out, the tangible results of these philanthropic contributions often are not evident, and companies often give to their local communities with little regard to the consequences of their actions. It may be that companies make up for their perceived CSR shortfalls by making relatively uncomplicated and direct contributions to their respective communities.

The average scores also suggest that the top 100 companies consider *diversity* (1.21) and *employee relations* (1.14) issues when executing CSR policies. These two CSR dimensions are similar to the *community* dimension, in that companies can execute policies that make an immediate and tangible effect on their internal and immediate stakeholders. If recruiting qualified job seekers is a high priority for these companies, then the results from Schmidt-Albinger and Freeman's (2000) study suggests that they are on the right track with their CSR strategies. The three CSR dimensions that were found to be significant among job seekers were diversity, employee relations, and community (marginally significant).

By contrast, the categories *environment* and *human rights* tend to require CSR actions that are not as immediate or tangible as those associated with community, employee relations, and diversity. Nevertheless, the top 100 companies seemed to expend a considerable amount of CSR capital on the environment category, which rated fourth among the categories with a mean score of 1.05. The category *human rights*, however, did not appear to receive as much consideration in that it had the second lowest mean score (.13) and was considerably below the overall average of .76. Since this category tends to deal with labor issues related to other stakeholder companies, usually upstream in the supply chain and often foreign based, the immediate and tangible impact of CSR actions along this dimension are not often evident.

The top 100 companies' performance along the *corporate governance* dimension tended to be lukewarm, with a slightly below average mean score of .71. This below average concern with corporate governance issues belies the fact that, unlike issues relating to the environment and human rights, corporate governance is one of the aspects of CSR that companies can affect directly and immediately with their policies.

The two remaining categories that received below average scores were *product* (.50) and *total return* (-.02). Interestingly, these categories are closely associated with the interests of the companies' consumers and its shareholders, respectively. The findings suggest that the top 100 companies are not paying as much attention to the concerns of these two critical groups of stakeholders as they are to their employees (diversity and employee relations) and to their local communities. These findings are antithetical to the Dacin and Brown (1997) study which suggested that companies were better off improving their reputations by focusing on their corporate abilities (e.g., product quality) rather than investing in other CSR strategies. Dacin and Brown noted that companies with poor product reputations and low expectations from its consumers were able to repair their deficiencies by improving the quality of their products. According to Dacin and Brown, other CSR strategies had less of an influence on how consumers felt about the companies.

While the results of the first research question provide some clues as to what the top 100 companies consider important CSR strategies, the next three research questions examine corporate responsibility from the perspective of the outside influencer groups.

Research Question 2: Characteristics of the Websites

Research question 2 examined the characteristics of the websites used by outside influencer groups to target the reputations of the corporations identified as Business Ethics' Top 100 Corporate Citizens in 2006. Results from Chapter Four provided only limited insight into the perspective of the outside influencer groups. Indeed, two of the original factors recorded by the researcher were not used for the analysis since it proved difficult to distinguish between personal versus public websites, as well as whether a website could be considered to be hobby, income generating, or professional operation.

Three other factors of the original website characteristics were analyzed. These included the question whether the websites made reference to other non-top 100 companies, whether the website was considered a web page or a web log, and whether the website contained like or mixed results. The results indicated the websites were almost evenly split with 51.2% of the websites having mentioned other, non-top 100 companies, and the remaining 48.8% having mentioned exclusively the top 100 companies. There is little interpretative value with this result, except that it should be noted that the purposive sampling method used by this researcher specifically targeted the top 100 companies. That so many non-top 100 companies were also mentioned in these websites, provides some perspective on the wider focus of effort exhibited by the outside influencer groups. The wider scope may be indicative of future areas of study to be considered (this will be discussed in a later section of this chapter).

The results from Chapter Four also indicated that the vast majority of the sample websites were categorized as web pages (77.5%) while the remaining websites met the definition of a web log (22.5%). Again, there is little interpretative value gained from this characteristic, except that researcher noted that the web logs tended to be more informal in comparison to the web pages, and tended to be more spontaneous expressions of emotion, while the web pages tended to be better organized and focused on an objective. An argument can be made that the preponderance of web pages over web logs may be indicative of the professionalism and organizational skills of these groups.

Perhaps the most telling characteristic revealed by the results of research question 2 is that an overwhelming majority of websites (85.1%) were considered to have *like results* wherein all the mentions were exclusively positive or exclusively negative (neutral mentions were not considered). Only 14.9% of the websites were considered to have *mixed results*, wherein all the results contained a mixture of positive and negative mentions. These results suggest that the outside influencer groups that maintain these websites have polarized views of the companies that they are writing about. The results also suggest that these groups are very focused and directed in their efforts.

Research Question 3: Characteristics of Corporate Reputation Targeting

Research question 3 examined the positive, neutral, and negative dimensions of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs. The results in Chapter Four indicate that a majority of the mentions (50.7%) were of a negative nature, while 30.4% were rated as positive by the coders. Neutral mentions comprised only 18.9% of the total mentions. The results reinforce the notion of polarization among the influencer groups that manage the websites. The results also suggest that the majority of influencer groups' efforts are focused on the negative reputation aspects of the top 100 companies. The low percentage of neutral mentions suggests that the overwhelming majority of the websites are purposeful and targeted in one direction or another (predominantly in the negative direction).

Research Question 4: Website Characteristics – Associated with the KLD Categories

Research question 4 examined the KLD dimensions of CSR that are targeted by outside influencer groups on these groups' web pages and blogs. The results in Chapter Four indicated that a substantial majority of the websites (60.7%) were characterized by the top three CSR dimensions: *product* (24%), *human rights* (19.2%), and *environment* (17.5%). Collectively, the other five dimensions comprised of only 24.7% of the sample websites. It was also found that 14.2% of the websites were categorized as *mixed CSR*, which means that more than one CSR issue was mentioned on the website. The results suggest that the outside influencer groups are concerned most with issues related to these top three CSR dimensions and have only minimal concern with internal stakeholder issues such as *employee relations* (5.7%) and *diversity* (2.1%) as well as shareholder-related issues such as *corporate governance* (9.7%) and *total return* (2.5%). The local *community* concerns also rated low (4.7%) among these websites. These findings are consistent with Dacin and Brown's (1997) findings that held product quality as the most important aspect of maintaining a positive corporate reputation. The findings are antithetical to the results of the Schmidt-Albinger and Freeman (2000) study, that found diversity and employee relations as the most important issues among job seekers. It appears that the relative importance of certain issues over others is determined to a great extent on whether the stakeholders are internal (current employees and prospective employees), versus external (outside influencer groups).

Research Question 5: Frequency of Corporate Reputation Targeting

Research question 5 examined the frequency of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs.

The finding that two companies (Starbucks and Nike) accounted for 44% of all negative reputation targeting by influencer groups on their websites is most likely a function of the purposive sampling process used in this study. However, this finding may also be partially attributed to the fact that these two companies have been explicitly targeted for boycott campaigns by certain influencer groups. These two companies, more than any others, seemed to be mentioned by these influencer groups, even when other companies were being explicitly targeted. Starbucks and Nike were the two corporations specifically mentioned by Nattrass and Altomare (2002) as examples of companies that were targeted by outside influencer groups despite their exemplary corporate responsibility.

The findings also show that 21 out of the 100 companies in the study had scored higher in total mentions than the average. Further, only 17 out of those 100 had scored higher in negative mentions than the average. These finding suggest that the corporate reputation targeting by these influencer groups is focused on only a select few companies.

Research Question 6: Degree of Corporate Reputation Targeting

Research question 6 examined the degree of positive, neutral, and negative corporate reputation targeting mentions by outside influencer groups as reflected on these groups' web pages and blogs.

While the frequency of corporate reputation targeting provides some insight into which companies are being targeted, the measure of *degree* provides perspective as to how much those companies are being targeted in a positive, neutral, or negative manner. The measure of degree also provides a standardized measure that allows comparisons with other companies.

The findings revealed that two food manufacturing companies, Kellogg (77.04%) and PepsiCo (75.65%) had the highest degree of negative CRT among the 21 companies with the highest frequency rates. These were followed by a newspaper, the Washington Post (71.60%), and included two clothing manufacturing companies, The Gap (71.51%) and Nike (65.57%). High tech companies such as Apple Computer (69.28%), Hewlett-Packard (55.49%), Dell (54.86%), IBM (39.18%), and Sun Microsystems (35.94%) scored higher than the average for negative reputation targeting. Other companies that scored high in negative CRT were the food manufacturing companies Starbucks (66.39%), General Mills (55.33%), and Procter & Gamble (48.71%). This group also included a financial institution, Citigroup (66.43%), a medical goods distribution company, Johnson & Johnson (66.67%), and a department retail store, Nordstrom (40.63%). The results suggest that while the targeted companies are few, the types of industries that they represent are many. This may be attributed to the level of knowledge and sophistication of the influencer groups as they focus their efforts on certain companies in order to extract concessions from them. It also suggests that these outside influencer groups are savvy to the interconnectedness of the various business types and may be seeking to exploit these connections while they exert pressure on certain companies.

Hypotheses

Table 5-2 provides a summary of the hypotheses and the main findings from Chapter Four. The findings of each of the hypotheses are interpreted separately.

Table 5-2
Research Hypotheses and Results

	Research Hypotheses	Results	Explanatory Variables	Consistent with Theory
H_1	*CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of corporate *negative* reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.	Partially Supported	*Product* and *Environment*	Unintended Consequences Theory
H_2	CSR categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of *neutral* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.	Partially Supported	*Environment* and *Product*	Visibility Theory and possibly CSR Theory
H_3	*CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of *positive* corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.	Partially Supported	*Environment*	CSR Theory
H_4	*CSR* categories (community, governance, diversity, employee relations, environment, human rights, product quality, and total return combined) are significant explanatory variables of corporate reputation targeting (positive, neutral, and negative *combined*) by outside influencer groups as reflected on these groups' web pages and blogs.	Partially Supported	*Product* and *Environment*	CSR Theory, Visibility Theory, and Unintended Consequences Theory
H_5	*CSR* (*average* KLD rating) is a significant explanatory variable of corporate reputation targeting by outside influencer groups as reflected on these groups' web pages and blogs.			
a	*Negative* corporate reputation targeting	Partially Supported	*Average KLD*	Unintended Consequence
b	*Neutral* corporate reputation targeting (CRT)	Not supported	None	------
c	*Positive* corporate reputation targeting (CRT)	Supported	*Average KLD*	CSR Theory
d	*Combined* corporate reputation targeting (CRT)	Supported	*Average KLD*	CSR Theory

Hypothesis 1: CSR Categories and Negative Reputation Targeting

Hypothesis 1 tested the relationship between the KLD CSR categories and *negative* reputation targeting by outside influencer groups. The results supported the hypothesis for two of the CSR categories (*environment* and *product*) as explanatory variables of negative reputation targeting. The findings suggest that there is a positive relationship between the *environment* category and negative reputation targeting. The higher a company's *environment* score, the more likely it will be targeted in a negative manner. The findings also suggest that the category *product* is inversely related to negative reputation targeting. The lower a company's *product* score, the more likely it will be targeted in a negative manner. This finding is consistent with the findings and conclusions of Dacin and Brown (1997), where improving product quality was deemed more important for improving corporate reputation than other CSR strategies. Collectively, the findings from this hypothesis support the premise of the unintended consequence theories (Merton, 1936; Vaughan, 1999), but do not support the visibility theory or CSR theory. The findings are consistent with Vaughan's description of well-intended organizational actions leading to unwanted unintended consequences.

While it is evident that in some cases, positive CSR may lead to unintended negative reputation targeting, it remains undetermined whether the findings can be attributed to the "picking of low fruit" (easy pickings explanation) motivation identified by Rojsek (2001) or to cognitive dissonance theory (Festinger, 1957) and the closely related concept of *cooptation* proposed by Vaughan (1999). It remains to be seen, whether these high CSR companies are being targeted because their managers are willing and predisposed to changing their environmental policies (thereby making them prime targets for the outside influencer groups), or whether these managers are more like the firemen described by Rojsek, who only act when outside influencer groups "turn up the heat" on them.

Hypothesis 2: CSR Categories and Neutral Reputation Targeting

Hypothesis 2 tested the relationship between the KLD CSR categories and *neutral* reputation targeting by outside influencer groups. The results supported the hypothesis for two of the CSR categories (*environment* and *product*) as explanatory variables of neutral reputation targeting. The findings suggest that there is a positive relationship between the *environment* category and neutral reputation targeting. The higher a company's *environment* score, the more likely it will be targeted in a neutral manner. The findings also suggest an inverse relationship between the *product* category and neutral reputation targeting. Again, this supports the findings of Dacin and Brown (1997) regarding the importance of product quality for maintaining a good reputation. Coupled with high frequencies of mentions, the relationship between high CSR and neutral mentions supports the premise of the visibility theory (Bowen, 2000) and possibly CSR theory (Verschoor, 2001; Maignan, 1999), but do not support the unintended consequence theories.

Hypothesis 3: CSR Categories and Positive Reputation Targeting

Hypothesis 3 tested the relationship between the KLD CSR categories and *positive* reputation targeting by outside influencer groups. The results supported the hypothesis for the CSR category *environment* as explanatory variable of positive reputation targeting. The findings suggest that there is a positive relationship between the *environment* category and positive reputation targeting. The higher a company's *environment* score, the more likely it will be targeted in a positive manner. These findings support the premise of CSR theory (Verschoor, 2001; Maignan, 1999), but do not support the visibility theory or the unintended consequence theories.

Hypothesis 4: CSR Categories and Overall (Combined) Reputation Targeting

Hypothesis 4 tested the relationship between the KLD CSR categories and *overall* reputation targeting by outside influencer groups. The results supported the hypothesis for two of the CSR categories (*environment* and *product*) as explanatory variables of negative reputation targeting. The findings suggest that there is a positive relationship between the *environment* category and overall reputation targeting. The higher a company's *environment* score, the more likely it will be targeted (negative, neutral, and positive, combined). The findings also suggest that the category *product* is inversely related to overall reputation targeting. The lower a company's *product* score, the more likely it will be targeted by outside influencer groups. These findings support CSR theory, visibility theory, and the unintended consequence theories.

Hypothesis 5: CSR and Corporate Reputation Targeting

Hypothesis 5 tested the relationship between the average KLD scores (denoting overall CSR) and negative, neutral, positive, and overall reputation targeting by outside influencer groups. The results supported the sub-hypotheses as they relate to positive and total reputation targeting, but did not support the sub-hypotheses as they relate to negative and neutral reputation targeting. The findings suggest that the average KLD score is an explanatory variable of positive and total reputation targeting. An explanatory relationship between the average KLD score and negative reputation targeting could not be established; however, a $p = .066$ may be considered a trend for an explanatory relationship between the KLD score and negative reputation targeting. These findings support the premise of CSR theory (Verschoor, 2001; Maignan, 1999), and unintended consequences theory (Merton, 1936; Vaughan, 1999), but do not support the visibility theory (Bowen, 2000).

Practical Implications

As expected, corporate social responsibility is a two-edged sword. The results from this study again affirm the long established basis of CSR theory, i.e., doing well by doing good. The results from hypothesis 5 clearly supported CSR theory and did not support the alternative theories of unintended consequences. However, the results from the other hypotheses also point to strong evidence of the opposite phenomenon, where doing good may not lead to positive consequences. Earlier in this dissertation, several real life examples were given where CSR efforts were rewarded with negative unintended consequences. While it appeared that this pattern of positive CSR leading to negative consequences was self evident, little research had been conducted to gauge the extent of this phenomenon in the real world. Furthermore, little research had been conducted to explore which types of CSR are more likely to lead to negative or unintended consequences.

The results from the first hypothesis clearly established an explanatory relationship between CSR and negative corporate reputation targeting for two factors, *environment* and *product*. While *environment* was also found to be an explanatory variable for neutral, positive, and combined corporate reputation targeting, the *product* variable was found to be an explanatory factor of negative and combined corporate reputation targeting.

The practical implication of these findings is that companies that wish to avoid the pitfalls of negative reputation targeting should pay close attention to the quality of their products. It seems that above all else, companies need to ensure that their products are of good quality, and that, at a minimum, that their products *cause no harm* – to borrow a concept from medicine's Hippocratic oath. Numerous examples of poor product quality leading to targeted "withholding" campaigns were evident in both the literature review and in the content analysis of the internet websites.

The best advice resulting from this study that can be given to companies is: before considering what types of CSR strategies to implement, make sure that your product is of good quality and that it is unlikely to cause unintended harm to the consumer. While this advice may seem obvious and somewhat condescending to most senior corporate executives, the results of this study show that the importance of product quality can never be overstated.

Companies should also pay close attention to their stakeholder environment when deciding which, if any, of the CSR areas they will want to emphasize. The results from the research questions suggested that companies tended to emphasize philanthropic contributions to their local communities above all other CSR strategies. While companies may believe that philanthropic contributions to their local communities are a good use of their CSR dollars, the evidence from the results of the research questions and the hypotheses suggests otherwise.

While corporations may consider the community as an important recipient of CSR initiatives, it appears that these efforts are not given much importance by the outside influencer groups. The results from research question 4 showed that only 4.7% of the websites in the final data producing sample dealt with local community issues. Moreover, the results from hypothesis 3 did not identify *community* as a significant explanatory variable of positive corporate reputation targeting among the influencer groups. These findings suggest that corporations should consider which stakeholder groups are important to them before deciding on corporate philanthropy as a CSR strategy. If the corporations hold the opinions of their local communities in high regard, then community philanthropy should be an important aspect of a company's CSR policy. On the other hand, if the opinions written on the Internet by outside influencer groups are more important to the company's reputation, then these findings suggest that the dollars spent on a philanthropic strategy at the local community level will result in a poor return on the company's investment.

The results of research question 1 also indicate that corporations tend to emphasize CSR efforts that are beneficial to their internal stakeholders, e.g., their employees and the pool of potential employees. This is evident by the high scores for the CSR variables *diversity* and *employee relations*. Predictably, these two CSR variables did not appear to be anywhere near as important to the outside influencer groups. Again, while companies feel that it is important to address the issues that are germane to their internal stakeholders, it does not appear that their external stakeholders share their sense of importance. The results of hypothesis 3 also failed to find an explanatory causal relationship between the CSR variables *diversity* and *employee relations* with positive reputation targeting. This suggests that efforts to satisfy its internal stakeholders are not having an effect of any kind on its outside stakeholders.

This does not suggest that companies should abandon their good efforts toward internal corporate citizenship. Southwest Airlines is an example of a very successful company that has placed a great deal of emphasis on relations with its employees. Companies such as Southwest, which place a high value on employee relations have received high scores on the degree of positive reputation targeting from its outside influencer groups. While a direct causal relationship could not be established between these two variables and positive reputation targeting, common sense tells us not to abandon these efforts. The extent to which disgruntled ex-employees play a significant role in the negative reputation targeting of a company via the websites cannot be determined from the content analysis. Nevertheless, this researcher noted an "in between the lines" subtext in many of these writings that seemed to point in that direction. Therefore, despite the absence of a clearly established explanatory relationship between these two CSR variables and corporate reputation targeting of any kind, it is recommended that corporations continue their good faith efforts with employee-related CSR.

The results of research question 4 suggest that *human rights* is an important issue among the outside influencer groups. Conversely, this CSR category did not rate as highly among the companies collectively. Moreover, while the outside influencer groups seem to focus a considerable amount of their efforts on human rights issues, this CSR factor was not supported as a significant explanatory variable of either negative, neutral, positive, or combined corporate reputation targeting. As a practical matter, it is suggested that corporations examine their particular set of stakeholders in order to gauge the importance of this issue. For companies such as Nike and PepsiCo, which rely heavily on international sales, as well as foreign labor and supply chains, it would probably behoove them to continue to pay attention to this CSR category. Conversely, it is recommended that companies such as Southwest Airlines, that do not have a lot of interests and stakeholders at the international level, should not have to waste their valuable CSR dollars on this category.

The *categories governance* and *total return* did not receive much attention from either the corporations, or the outside stakeholder groups. Interestingly, these two categories are directly related to the most traditional of stakeholder groups – the corporations' shareholders. That neither of these two categories received much attention from the top 100 corporate citizens or from the outside influencer groups is not surprising. The Business Ethics ratings, after all, are about corporate citizenship. While some consideration is given to the importance of the shareholders as stakeholders, it is important to note that many companies may take this set of stakeholders for granted in the context of corporate citizenship. This does not mean that the shareholders are not important. Quite the opposite is true. Most corporations still hold the traditional view that the shareholders are the most important stakeholders of a company. However, the lack of emphasis on these two CSR categories may be indicative that corporations are not considering corporate governance and total return as being related to CSR issues.

The practical advice offered in this regard to corporations, is to continue to pay close attention to these two important factors. While these two dimensions may not be readily associated with corporate citizenship, they are as important as the other dimensions of CSR. Corporate governance issues such as exorbitant CEO pay and illegal activities by the boards of directors can have a devastating impact on the reputations of corporations, as was evidenced by the Enron and Worldcom scandals. The dimensions *governance* and *total return* may be to CSR what the compulsory exercises are to figure skating. They may not be as sexy or as exciting as the free skating programs, but they are absolutely essential for a high performance score.

Finally, the CSR category *environment* is discussed in the remainder of this section. This is the only CSR category that was found to have a significant explanatory relationship with negative, neutral, positive, and combined corporate reputation targeting. Moreover, this is the only category of CSR that was held in high regard by both the corporations and the outside influencer groups (as reported by the results of research questions 1 and 4, respectively). In no other category is the *two edged sword* characteristic of corporate social responsibility more evident.

Since the CSR category *environment* was found to be a significant explanatory variable of both negative and positive (as well as neutral and combined) corporate reputation targeting, it requires special consideration. From a theoretical perspective, this variable in particular seems to support traditional CSR theory as well as the unintended consequence theory and its related sub-theories (cognitive dissonance and easy pickings). The results show that regardless of the particular company being targeted and regardless of which outside influencer group is doing the targeting, and regardless of whether the targeting is negative, neutral, or positive in nature, the CSR dimension *environment* is a significant and important factor.

From a practical perspective, corporations should be warned that no other CSR strategy, except for *product*, can have as many unintended negative effects to its reputation as the *environment* factor. While doing good for the environment can bring considerable positive attention to a corporation, it can also bring a great deal of negative attention from the outside influencer groups. Companies such as Green Mountain Coffee and Wild Oats Markets have gained a considerable amount of positive recognition for their efforts in helping the environment. However, companies such as Starbucks have been heavily rebuked for their pro-environment CSR policies. While other factors, such as human rights and product issues may help to explain the attacks on Starbucks, on the aggregate among all the 100 companies studied, the *environment* variable seems to be the sole explanatory factor for unintended negative reputation targeting.

In the end, while all the other CSR categories may have some face value benefits that may contribute to a positive corporate reputation, only two variables stood out as potentially counter-productive CSR strategies – *product* and *environment*. As a practical matter, companies that are contemplating their CSR strategies should consider the potential downside of emphasizing the environment. While product issues can be addressed from a quality control angle, the environment issue is much trickier. From a practical standpoint, it is recommended that individual corporations which are contemplating the implementation of environmental CSR policies closely determine who their most important stakeholders are. Corporations need to be aware of who their friends and enemies are likely to be when they implement a CSR policy that is heavily focused on environmental issues.

Conclusions

1. Earlier in the theoretical framework section of this dissertation, it was suggested that a high degree of neutral mentions resulting from high-level CSR would be supportive of the visibility theory, wherein a company's name recognition would be the most

significant factor in its being chosen as a target by the outside influencer groups. The frequency count of neutral mentions is another key factor in support of the visibility theory. A high frequency of neutral mentions, coupled with low degree of positive CRT, or high degree of negative and/or neutral CRT, would be indicative of a visibility explanation for the unintended consequences of CSR. In this study however, there was neither a high frequency of neutral mentions (only 18.9% of the mentions), nor was there a high degree of neutral mentions (0.2366 was the lowest mean among the three, negative, neutral, and positive CSR). The simple regression analysis in hypothesis 5b also did not provide any evidence of an explanatory relationship between the average KLD rating and neutral CRT. Therefore, there was very little support for the visibility theory in this study.

2. Evidence of the unintended consequences of corporate social responsibility is provided by the results of hypothesis 1. What is not clear, given the limitations of this study, is whether these unintended consequences result from cognitive dissonance, the easy pickings (or low-lying fruit) theory, or from high visibility.
3. Evidence in support of high visibility may lend more credence to the easy pickings theory over the cognitive dissonance theory as an explanatory factor of the unintended consequences of CSR. If outside influencer groups are targeting highly visible and highly recognized companies at a higher rate than they target low visibility and low recognition companies, this would indicate that they are considering the easy win as a primary reason for targeting a particular company. On the other hand, if these same groups target the well known companies and the lesser known companies at the same rate, the cognitive dissonance explanation would be

reinforced, since cognitive dissonance is an internal psychological construct that presumably would be equal among all the companies, regardless of their recognizability.

Limitations

1. This study examines only the top 100 corporations and does not take into account the mid and low range of CSR activities.
2. The purposive sampling method used in this study does not allow for generalizations of the results beyond the sub-population of the top 100 corporations.
3. Inferences made from the frequency counts of corporate reputation targeting, as they relate to specific companies cannot be trusted, since the purposive sampling method did not control for the random occurrence of this factor. However, frequency counts of corporate reputation targeting when aggregated into the eight CSR categories, do provide results from which inferences can be made.
4. Inferences from the results could not differentiate between the two possible explanations proffered in the theoretical framework section (cognitive dissonance and easy pickings). The study did not control factors that may have provided clues to either direction.

Recommendations for Future Study

1. A closer look at the *environment* variable is warranted since it was a significant explanatory factor of negative, neutral, and positive corporate reputation targeting. However, the reliability of the environment variable as a KLD measure was also somewhat suspect in both this study's analysis, as well as in a previous analysis by Szwajkowski & Figlewicz (1999). Not only does the *environment* variable appear to

be a "hot button" issue among corporations and outside influencer groups, but the measurement of the category itself appears to be somewhat suspect. Future studies should account for the questions associated with this variable.

2. Case studies that compare outliers such as Starbucks and Nike with highly regarded CSR companies such as Wild Oats Markets and Timberland may help to better understand the unintended consequences of CSR.
3. A replication of this study that examines all 1,150 companies would be useful for determining the unintended effects of CSR from the middle and low range of CSR actions. By looking at a stratified sample of all 1,150 companies, one can get a better perspective on whether influencer groups are targeting high CSR companies exclusively or whether companies spanning the entire CSR spectrum are being targeted. Such a study would offer several advantages. First, a random stratified sample would expand the ability to generalize the results beyond the sub-population of 100 top corporations, to include the entire general population of 1,150 companies. Second, the results may shed light on whether negative CSR is predominantly a function of brand recognition (visibility theory), or whether it is a function of unintended consequences. Third, the results may also shed light on which of the two unintended consequences theories (cognitive dissonance or easy pickings) best explains the negative effects of CSR.

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APPENDIX A

Business Ethics' Top 100 Corporate Citizens for 2006

RANK	COMPANY	AVG. SCORE
1	Green Mountain Coffee Roasters Inc.	1.775
2	Hewlett-Packard Company	1.39
3	Advanced Micro Devices, Inc.	1.384
4	Motorola, Inc.	1.336
5	Agilent Technologies, Inc.	1.273
6	Timberland Company (The)	1.269
7	Salesforce.com, Inc.	1.232
8	Cisco Systems, Inc.	1.209
9	Dell Inc.	1.183
10	Texas Instruments Inc.	1.167
11	Intel Corporation	1.166
12	Johnson & Johnson	1.16
13	NIKE, Inc.	1.159
14	General Mills Incorporated	1.151
15	Pitney Bowes Inc.	1.092
16	Wells Fargo & Company	1.078
17	Starbucks Corp.	0.99
18	Wainwright Bank & Trust Company	0.948
19	St. Paul Travelers Companies, Inc. (The)	0.928
20	Ecolab Inc.	0.9
21	Gap, Inc. (The)	0.899
22	Herman Miller Inc.	0.885
23	Southwest Airlines Co.	0.848
24	Interface, Inc.	0.823
25	Apple Computer, Inc.	0.812
26	Chittenden Corporation	0.803
27	Unionbancal Corp.	0.792
28	Wild Oats Markets, Inc.	0.791
29	American Express Company	0.788
30	Northwest Natural Gas Company	0.787
31	Coherent, Inc.	0.775
32	Gaiam, Inc.	0.772
33	Eastman Kodak Company	0.770
34	Sovereign Bancorp, Inc.	0.768
35	Applied Materials Inc.	0.762
36	Nationwide Financial Services, Inc.	0.757
37	Heartland Financial USA, Inc.	0.757
38	Freddie Mac	0.756
39	Synovus Financial Corp.	0.755
40	Chicago Mercantile Exchange Holdings, Inc.	0.754
41	International Business Machines Corporation	0.744
42	Adobe Systems Incorporated	0.744
43	3M Company	0.738
44	First Horizon National Corp.	0.733
45	Office Depot, Inc.	0.727
46	SLM Corporation	0.708
47	Whole Foods Market, Inc.	0.705

Continued

RANK	COMPANY	AVG. SCORE
48	United Parcel Service, Inc.	0.704
49	Whirlpool Corporation	0.700
50	United Natural Foods, Inc.	0.698
51	State Street Corporation	0.697
52	Student Loan Corporation	0.689
53	Total System Services inc.	0.688
54	Tennant Company	0.678
55	Kellogg Company	0.670
56	Cathay General Bancorp, Inc.	0.658
57	McGraw-Hill Companies, Inc.	0.657
58	Zimmer Holdings, Inc.	0.632
59	Modine Manufacturing Co.	0.629
60	Northern Trust Corporation	0.628
61	Cummins, Inc.	0.624
62	Citigroup, Inc.	0.623
63	Molina Healthcare, Inc.	0.622
64	Nature's Sunshine Products, Inc.	0.614
65	Washington Post Company	0.612
66	Darden Restaurants, Inc.	0.607
67	Biomet, Inc.	0.597
68	Bank of Hawaii Corporation	0.592
69	Brady Corporation	0.592
70	Sun Microsystems, Inc.	0.586
71	WGL Holdings, Inc.	0.584
72	Ambac Financial Group, Inc.	0.574
73	Johnson Controls, Inc.	0.569
74	Bright Horizons Family Solutions, Inc.	0.562
75	Becton Dickinson and Company	0.558
76	Genentech, Inc.	0.546
77	Nordstrom, Inc.	0.540
78	Lam Research Corporation	0.537
79	KeyCorp	0.537
80	Akarnai Technologies	0.532
81	Symantec Corporation	0.532
82	Micron Technology, Inc.	0.530
83	East West Bancorp, Inc.	0.528
84	PepsiCo, Inc.	0.517
85	Graco Inc.	0.515
86	Autodesk, Inc.	0.514
87	Timken Company, (The)	0.513
88	American Tower Corporation	0.508
89	Hartford Financial Services Group (The)	0.505
90	Procter & Gamble Company	0.494
91	Xilinx, Inc.	0.491
92	Air Products & Chemicals, Inc.	0.483
93	Grainger (W.W.), Inc.	0.479
94	Ben-Probe Incorporated	0.478
95	Baldor Electric Company	0.478

Continued

RANK	COMPANY	AVG. SCORE
96	BB&T Corporation	0.477
97	Principal Financial Group, Inc.	0.476
98	Apogee Enterprises, Inc.	0.474
99	IDEXX Laboratories, Inc.	0.473
100	Rockwell Collins	0.472

APPENDIX B

Best Resources for Corporate Responsibility

Name of website	URL
Positive Outcomes	http://www.positiveoutcomes.com.au/page.asp?partid=1
Society Guardian UK	http://society.guardian.co.uk/comment/story/0,7884,1378775,00.html
Animal Welfare Institute	http://www.awionline.org
Global Exchange	http://www.globalexchange.org/campaigns/fairtrade/coffee/starbucks.html
Northeast Research Associates	http://www.neravt.com
Organic Consumers Association	http://www.organicconsumers.org
The Anti Starbucks Campaign	http://www.epublicrelations.ca/Starbucks.html
Coalition of Immokalee Workers	http://www.ciw-online.org/
Hispanic Association on Corporate Responsibility	http://www.hacr.org/

APPENDIX C

Example of Sample Unit

Control # 0009	Companies: Apple Computer
Source: Article 7	URL: http://www.coopamerica.org/programs/rs/profile.cfm?id=186
Type: Web Page	Date & Time: 8/22/06 1406

Apple has revolutionized the way people think about portable music players and its computers are considered top of the line products. The company received praise when CEO Steve Jobs' decided to accept only $1 in compensation for 2004 and for printing materials on kenaf which is the most environmental fiber on the market today. Still, Apple strays from the sustainable track by dragging its feet on the growing problem of e-waste. The company has come under fire for designing its iPod with a battery that is difficult to replace and charging consumers high rates to take the batteries off their hands. The result has been a large number of the toxic batteries ending up in landfills where they pose threats to human health. Apple has the clout to redefine industry standards for used computer collection and recycling and has already demonstrated such a capacity in Europe and Japan. Only in 2006 has Apple announced plans to do better in the U.S., but the effects remain to be seen. Bottom line: Consumers should take action with the Computer TakeBack Campaign, pressuring Apple to be a corporate innovator and lead the industry in sustainability.

-- Profile Updated 08/08/2006

	+	0	-
# of Mentions			

APPENDIX D

Written Instructions for Coders

Instructions

You are asked to read each page in front of you and decide whether the sentences or "meaningful" phrases around each of the highlighted corporate names are deemed to be "positive", "neutral" or "negative". These terms are defined below.

The term ***negative***, as it pertains to this study is defined as:

- References to a corporate name which portray the company in a manner that impugns its public reputation or image;
- References that claim the corporation has caused harm to stakeholders or to the environment; and/or
- Specific requests to take action against a corporation (e.g., boycotts, write-in campaigns, direct lobbying).

The term ***positive***, as it pertains to this study is defined as:

- References to a corporate name in a manner that praises its actions and portrays its public image in a favorable light; References that claim the corporation has improved conditions for a set of stakeholders or the environment; and/or
- Specific requests to take action in favor of a corporation (e.g., encourage "usage" behaviors such as socially responsible investing, supportive write-in campaigns, and selective purchasing campaigns).

The term ***neutral***, as it pertains to this study is defined as:

- References to a corporate name which are neither positive nor negative.

The size of the pages will vary, and may be short, medium, or lengthy. Each page may contain one or more phrase or sentence that contain one or more highlighted corporate names. These highlighted corporate names are each counted as a distinct "coding unit".

You are asked to score <u>each</u> of the highlighted coding units independently. Place a + (positive), 0 (neutral), or a – (negative) on the right margin next to each highlighted coding unit.

After scoring all the highlighted coding units, count the total number of positive, neutral, and negative scores that you noted on the margin. Write in these totals on the scoring grid in the right-bottom corner of the page for each corporation name (see below).

# of Coding Units	+	0	-

Next, proceed to the next page and follow these instructions again. Notify the lead researcher when you have completed scoring all the pages.

APPENDIX E

IRB Approval Letter

Lynn University

Principal Investigator: Eloy Nunez
Project Title: THE UNINTENTED EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE REPUTATION: WHEN DOING "GOOD" NOT GOOD BUSINESS

IRB Project Number **2006-032** REQUEST FOR IRB EXEMPTION **of Application and Research Protocol for a New Project**

IRB ACTION by the IRB Chair or Another Member or Members Designed by the Chair

Review of Application and Research Protocol and Request for Exemption Status:
Approved _X_; Approved w/provision(s) ____
Complete FORM 3 (Expedited Review, including categories for expedited review) and Resubmit _____
Referred For Convened Full-Board Review _____

COMMENTS
Consent Required: No _X_ Yes ___Not Applicable _____ Written ______ Signed ______
Consent forms must bear the research protocol expiration date of ________.
Application to Continue/Renew is due:

(1) For an Expedited IRB Review, one month prior to the due date for renewal__X__
(2) For review of research with exempt status, by a College or School Annual Review of Research Committee ______. If the academic unit ("The Colleges and Schools") where the researcher is assigned does not have a committee in place, the application to Continue/Renew is submitted to the IRB, for an Expedited IRB Review no later than one month prior to the due date.

Name of IRB Chair (Print) ________Farideh Farazmand________________________________

Signature of IRB Chair____________[redacted]___ Date: 08/04/06

Institutional Review Board for the Protection of Human Subjects
Lynn University
3601 N. Military Trail Boca Raton, Florida 33431

APPENDIX F

Results of the Pilot Test

Results of Pilot Test Calculated with Cohen's Kappa

ADER * NUNEZ Crosstabulation

Count

		NUNEZ			
		1	2	3	Total
ADER	1	10	3	1	14
	2	6	3	3	12
	3			12	12
Total		16	6	16	38

Symmetric Measures

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Measure of Agreement	Kappa	.483	.108	4.323	.000
N of Valid Cases		38			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

APPENDIX G

Formal Assessment of Reliability

Assessment of Reliability for the Content Analysis

Calculated with Cohen's Kappa

ADER * NUNEZ Crosstabulation

Count

		NUNEZ			
		1	2	3	Total
ADER	1	199	20	16	235
	2	29	96	41	166
	3	2	8	199	209
Total		230	124	256	610

Symmetric Measures

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Measure of Agreement	Kappa	.710	.024	24.718	.000
N of Valid Cases		610			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.