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In search of the roots of corporate reputation management: Being a consistent corporate social performer

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Abstract

Corporate social performance (CSP) has received a particularly high share of attention as one of the main determinants of corporate reputation. However, few studies have tested the extent to which the relationship between CSP and corporate reputation may be affected by industry, country, or other context-related variables. Besides, some conceptual thinking suggests that the impact of CSP on corporate reputation may vary according to the level of consistency of a firm's behaviors. However, this view has not been empirically addressed. For this reason, the main objective of this study is to explore the impact of consistency in CSP management on corporate reputation. Specifically, we analyze both the effect of CSP internal consistency (or consistency between environmental and social performance) and CSP consistency over time on corporate reputation. The results based on data from an international sample of 133 companies for the period 2011 to 2016, support either CSP internal consistency or CSP consistency over time (positive increment of CSP over time) positively affecting corporate reputation. The results also confirm the moderation effect of CSP internal consistency on the relationship between CSP and corporate reputation. These results reveal that consistency in social responsibility management helps a firm to consolidate its corporate reputation.

KEYWORDS
corporate reputation, corporate social performance, CSP consistency, stakeholder approach

1 | INTRODUCTION

Managers consider corporate reputation as the most important asset of the company (Hall, 1992). This view has been validated by extensive empirical research that shows that corporate reputation favors the engagement of different stakeholders with a company. For example, a good reputation improves the ability of a company to attract customers to its products, for which they may be willing to pay a higher price (e.g., Maden et al., 2012; Selnes, 1993; Walsh et al., 2009). Likewise, a good reputation also improves a company's ability to attract better candidates to job vacancies (Maden

et al., 2012; Turban & Greening, 1997) and positively influences the decisions of debtors and investors, enhancing a company's ability to attract capital at lower costs (e.g., Beatty & Ritter, 1986; Maden et al., 2012). Such advantages derived from corporate reputation may result in better financial results which are sustained over time (Delgado-García et al., 2010; Roberts & Dowling, 2002).

For this reason, the importance of corporate reputation has resulted in an increasing interest in studies concerning the antecedents of corporate reputation management. Of all the aforementioned factors, corporate social performance (CSP) has attracted the most attention, and extensive literature analyzes and provides evidence of its

relationship with corporate reputation (Arikan et al., 2016; Brammer & Pavelin, 2006; Fombrun & Shanley, 1990; Lai et al., 2010; Pérez-Cornejo et al., 2020; Rothenhoefer, 2018; Surroca et al., 2010). CSP is a company's response to the various interests of different stakeholders. Satisfying stakeholders' interests starts the process of legitimation of a company (Rao, 1994), which is conducive to the consolidation of its corporate reputation. The more and longer the satisfaction of different stakeholders' interests, the greater the expectations about a company's future behavior will be. Hence, many companies adopt strong CSP policies to build and consolidate corporate reputation (Arikan et al., 2016; Jones, 2005; Lai et al., 2010; Porter & Kramer, 2006). However, corporate reputation is a perceptual asset; so, companies that deliver a higher CSP may hold a poorer reputation than companies delivering a lesser performance (Brammer & Pavelin, 2006; Fombrun, 1996). In this sense, there is empirical research that evidences that CSP has different impacts on corporate reputation because of external variables, such as industry (Brammer & Pavelin, 2006; Ghosh, 2017; Melo & Garrido-Morgado, 2012), country (Maignan, 2001; Ramasamy & Yeung, 2009), and others. Beyond these contextual variables, we question if different criteria for managing social responsibility may have different impacts on corporate reputation. The literature also argues that the credibility of a company depends on the degree of consistency in the management of relationships with different stakeholders (Basu & Palazzo, 2008; Brammer & Pavelin, 2006; Fombrun & Van Riel, 2004; Perez-Cornejo et al., 2020; Wang & Choi, 2013). That is, to favor the consolidation of corporate reputation, it is not only the level of CSP that is important, but it is also the consistency of a company's behavior in relation to different stakeholders. In fact, some studies have shown that CSP consistency also influences employees' (El Akremi et al., 2018) and consumers' perceptions of the company (Yoo & Lee, 2018). For this reason, the first objective of this paper is to analyze whether the level of CSP internal consistency (consistency between social and environmental performances) affects a company's reputation.

Among the different corporate reputation definitions, many authors conceptualize it as *"beliefs about what to expect from the organization in the future"* (Lange et al., 2011, p. 153), as such, it is the product of a process of legitimation (Rao, 1994) that involves specific evaluations of a company's behaviors from different stakeholders. That is, successive positive evaluations about companies' actions result in a good corporate reputation (Logsdon & Wood, 2002); therefore, we also propose as a second aim to analyze whether and how CSP consistency over time impacts on stakeholder expectations about companies and therefore, affects corporate reputation.

This research contributes to prior research that has studied different external factors that affect the relationship between CSP and corporate reputation such as industry (Aqueveque et al., 2018; Brammer & Pavelin, 2006; Ghosh, 2017; Melo & Garrido-Morgado, 2012) or country (Maignan, 2001; Pérez-Cornejo et al., 2021; Ramasamy & Yeung, 2009), providing evidence that internal issues related to the way practitioners manage CSP also have an impact on corporate reputation. Specifically, we propose theoretical arguments and empirical analyses that link CSP, CSP internal

consistency, and CSP consistency over time, with corporate reputation. Managers should be aware that consistency is a relevant criterion in CSP management that reinforces corporate reputation.

The remainder of this paper is structured as follows. In the second section, the theoretical framework is developed defining the concepts of corporate reputation, CSP and CSP consistency. The hypotheses are also stated, proposing the linkages between CSP internal consistency and CSP consistency over time with corporate reputation, as well as the moderation effect of CSP internal consistency and CSP consistency overtime on the relationship between CSP and corporate reputation. The third section focuses on the method used to test the hypotheses, and the fourth section provides the results. In the final section, the main conclusions, discussion, and managerial implications of this study are presented.

2 | THEORETICAL FRAMEWORK AND HYPOTHESES

2.1 | CSP and corporate reputation

From the agency-stakeholder perspective (Cornell & Shapiro, 1987; Hill & Jones, 1992), a company is a nexus of contractual relationships (Jensen & Meckling, 1976) among different stakeholders (Cornell & Shapiro, 1987; Hill & Jones, 1992) such as clients, shareholders, employees, suppliers, and society. Therefore, CSP extends the responsibility of the company from being profitable for shareholders to satisfying the interests of all of the company's various stakeholder groups (Donaldson & Preston, 1995; Freeman, 1984; Shrivastava, 1995).

The sustainability of all stakeholders' satisfaction depends on the creation of value and on a balanced distribution of this value to meet the expectations of all stakeholder groups (Clarkson, 1995). Indeed, a failure to meet the expectations of a specific group of stakeholders leads other stakeholders to doubt whether their specific needs will be met (Cornell & Shapiro, 1987). For instance, the shareholders of a company will reduce their expectations regarding financial returns, if the company is not delivering the quality of products that customers expect (Cornell & Shapiro, 1987). As such, a failure to address certain stakeholders' expectations may perhaps lead others to think that these unsatisfied stakeholders do not support the company, making the company become unsustainable (Jones, 1995). On the other hand, a satisfied stakeholder is expected to continue engaging with the firm, leading to other stakeholders anticipating that their own particular interests will be satisfied which reinforces expectations of corporate sustainability (Cornell & Shapiro, 1987).

The satisfaction of stakeholders' interests through CSP initiates a legitimization process (Deephouse & Carter, 2005; Rao, 1994; Rindova et al., 2006) that is conducive to the consolidation of corporate reputation (e.g., Arikan et al., 2016; Brammer & Pavelin, 2006; Fombrun & Shanley, 1990; Lai et al., 2010; Rothenhoefer, 2018). Thus, many companies maintain strong CSP policies to build and strengthen their corporate reputation (Arikan et al., 2016; Jones, 2005; Lai et al., 2010; Porter & Kramer, 2006).

Prior research has also shown a positive relationship between the level of CSP and corporate reputation (e.g., Arikan et al., 2016; Brammer & Pavelin, 2006; Fombrun & Shanley, 1990; Lai et al., 2010; Perez-Cornejo et al., 2020; Rothenhoefer, 2018). Based on these arguments and prior evidence, the following hypothesis is proposed.

Hypothesis 1 *The level of CSP positively affects corporate reputation.*

2.2 | CSP internal consistency and corporate reputation

Basu and Palazzo (2008) discussed the impact of a company's internal consistency of its social behavior on corporate reputation. Similarly, Fombrun and Van Riel (2004) cited the consistency of a company's actions across different stakeholder groups as one of the most important criteria for building a good reputation. The consistency of a firm's behavior toward different stakeholders may influence the credibility of the overall firm's behavior (Basu & Palazzo, 2008; Brammer & Pavelin, 2006; Fombrun & Van Riel, 2004). The expectations that a particular stakeholder has about the future behavior of a company are influenced not only by the company's behavior with this particular stakeholder but also by the company's behavior with other stakeholders (Cornell & Shapiro, 1987; Maignan & Ralston, 2002; Perez-Cornejo et al., 2020). Thus, the level of CSP is important (Wang & Choi, 2013), but consistency in the management of a firm's social responsibility may also affect corporate reputation. In other words, stakeholders are affected by the different signals that companies send through their behavior with every other stakeholder. Therefore, when a company manages relations with a specific stakeholder, the company must carefully think through the impact of these actions on all other stakeholders (Cornell & Shapiro, 1987; Fombrun & Van Riel, 2004). If a company performs well in the social dimension but poorly in the environmental dimension, there is a lack of consistency in its actions, which may negatively affect its corporate reputation, even though the company may be a good social performer. Each stakeholder observes the way a company treats other stakeholders and views this as a signal that may affect the company's trustworthiness (Wang & Choi, 2013) and, therefore, stakeholders' expectations of the firm's, corporate reputation. According to cue consistency theory (Anderson, 1981; Maheswaran & Chaiken, 1991; Miyazaki et al., 2005), if stakeholders are exposed to multiple informational cues about a company and these cues are consistent, then the influence on their expectations can be easily assimilated. Therefore, these cues can be combined and assessed to predict the company's future behaviors. Conversely, when these cues provide inconsistent information about the company, it is difficult to predict future responses. In fact, when information is disparate, negative information attracts more attention, which may trigger negative judgments or feelings about the company (Anderson, 1996; Miyazaki et al., 2005; Wagner et al., 2009). Therefore, if stakeholders perceive inconsistent signals about a company's performance, they may consider the firm less trustworthy and credible than other companies

that have consistent behaviors. Accordingly, inconsistent CSP may worsen expectations about the company and therefore may negatively affect corporate reputation.

Furthermore, CSP internal consistency is of growing importance because of the increasing informational capacity of stakeholders (Jones et al., 2009). Through the development of new channels of information, stakeholders are immediately updated on issues in which they are not directly involved or that relate to situations in faraway locations. Stakeholders may also have multiple stakes in the same firm. For example, being both a customer and someone who is concerned about environmental issues such as climate change raises interest in a company's CSP internal consistency.

Although the relationship between CSP internal consistency and corporate reputation has not been empirically tested yet, previous research does provide support for the positive impact of CSP internal consistency on firm value (Wang & Choi, 2013). For all of these reasons, the assumption is that CSP internal consistency (interpreted as the similarity between the social and environmental performance of the company) affects the expectations held by a company's stakeholders. Therefore, the following hypothesis is proposed.

Hypothesis 2 *The CSP internal consistency (consistency between social and environmental performance) positively affects corporate reputation.*

2.3 | CSP internal consistency as a moderator of the relationship between CSP and corporate reputation

Alongside the academic consensus on the positive effect of CSP on corporate reputation (e.g., Arikan et al., 2016; Brammer & Pavel, 2006; Fombrun & Shanley, 1990; Lai et al., 2010; Perez-Cornejo et al., 2020), the literature explains that similar corporate social practices may not have the same reputational impact in every firm (Brammer & Pavelin, 2006; Fombun, 1996). The empirical evidence is focused on external variables such as industry (Aqueveque et al., 2018; Brammer & Pavelin, 2006; Ghosh, 2017; Melo & Garrido-Morgado, 2012) and country (Maignan, 2001; Pérez-Cornejo et al., 2021; Ramasamy & Yeung, 2009). However, there is limited evidence of the relevance of internal variables in relation to the way firms manage social responsibility policies and the role of management in optimizing corporate reputation (Basu & Palazzo, 2008; Fombrun & Van Riel, 2004; Perez-Cornejo et al., 2020). In these terms, we consider that CSP internal consistency may reinforce the positive effect of CSP on corporate reputation.

As argued in the previous section, a stakeholder's expectations about a company are affected not only by the company's behavior with this stakeholder but also by the company's behavior with other stakeholders (Cornell & Shapiro, 1987; Maignan & Ralston, 2002). When a company behaves consistently toward all its stakeholders, they are more likely to perceive this company as genuine (Berman et al., 1999; Wang & Choi, 2013), thus reinforcing the credibility of the company's motivations (Yoo & Lee, 2018). The more consistent a

firm's behavior with all of its different stakeholders, the more intrinsic attribution will be viewed by stakeholders (Elving & Kartal, 2012). However, inconsistent behavior may mean that higher performance will be attributed to external motivation as greenwashing or window dressing. Accordingly, a consistent response by the company to the demands of all stakeholder groups may strengthen the credibility of the signals revealed by that company's behavior (Fombrun & Van Riel, 2004). For example, a company may have a good social performance with a high commitment to its workers and respect for human rights practices; however, it may also have a poor environmental performance with high emissions and inappropriate waste management. The inconsistency (or low consistency) between social and environmental performance may weaken the influence of good social performance on corporate reputation. Therefore, CSP internal consistency may reinforce the effect of CSP on corporate reputation. The moderating role of CSP internal consistency on the influence of CSP on corporate reputation has not been tested, but Wang and Choi (2013) found support for positive moderation by CSP internal consistency in the relationship between CSP and firm value. De Roeck et al. (2016) also support the notion that perceived consistency reinforces the effect of perceived CSP held by employees on their perceptions about a company's external prestige. Drawing on these arguments and prior research findings, the following hypothesis is proposed.

Hypothesis 3 *The CSP internal consistency (consistency between social and environmental performance) positively moderates the relationship between CSP and corporate reputation.*

2.4 | CSP consistency over time and corporate reputation

Since corporate reputation is an asset that is built and maintained through the expectations of the different stakeholder groups (Fombrun & Rindova, 1996), it is the product of a legitimation process (Rao, 1994). This product is the result of the continuous succession of stakeholder assessments about firm's behaviors under the institutional context standards at any given time. As such, a company that accumulates positive evaluations about its CSP over time generates a corporate reputation (Logsdon & Wood, 2002). Stakeholders will observe whether the company consistently meets their CSP expectations and they will translate past CSP into expectations about a firm's probable future behavior (Weizsacker, 1980). That is, when a firm has a high CSP, adapting its behavior overtime to the institutional framework and to the stakeholder's expectations, it results in a reduction in the uncertainty about the firm's future behavior and this consolidates its corporate reputation. In contrast, a firm that does not demonstrate an ongoing good social performance will introduce uncertainty about the future behavior of the company and this will impact on its corporate reputation. Furthermore, because stakeholders demand a growing CSP commitment (Márquez & Fombrun, 2005), CSP consistency over time also may be considered

as a company's commitment to improve whereas a setback in the CSP level may suggest a lack of commitment to CSP.

Therefore, in this research we consider CSP consistency over time from two perspectives: first, as homogeneous behaviors of CSP over time, as well as, a positive CSP evolution over time. As such, we consider a company's consistency of their socially responsible actions over time affects corporate reputation.

Hypothesis 4 *The CSP consistency over time affects corporate reputation.*

2.5 | CSP consistency over time as a moderator of the relationship between CSP and corporate reputation

Drawing on the arguments presented in the previous sections, we also consider that CSP consistency over time may reinforce the credibility of CSP actions and may amplify the effect of company actions on stakeholders' expectations and the resultant corporate reputation. When a company socially behaves in a consistent way over a long period of time, the stakeholders are more likely to perceive the company's action as coming from its internal motivation (Yoo & Lee, 2018). As it is perceived as emanating from the essence of the company, the firm's behaviors are felt to be more genuine (Berman et al., 1999; Wang & Choi, 2013) and stakeholders perceive the company to be likely to keep this behavior no matter what circumstances the company is going through. However, inconsistent CSP over time may be perceived as externally motivated, that is the CSP is going to be maintained only if it is convenient to the firm's circumstances. In this sense, consistent CSP over time is going to enhance the expectations of the firm's future social performance and strengthen the credibility of the signals revealed by the company's social performance (Fombrun & Van Riel, 2004). Therefore, we propose the following.

Hypothesis 5 *The CSP consistency over time positively moderates the relationship between CSP and corporate reputation.*

Figure 1 presents the theoretical model and hypotheses of this study. These hypotheses posit the double effect of CSP internal consistency and CSP consistency over time on corporate reputation: first, directly, and second, by moderating the effect of CSP on corporate reputation.

3 | METHOD

3.1 | Sample

To test the hypotheses, we employed a sample of 133 firms from nine countries (Belgium, Denmark, France, Germany, Ireland, South Africa, Sweden, Switzerland, and the United Kingdom). The data corresponded to a six-year period between 2011 and 2016 (612
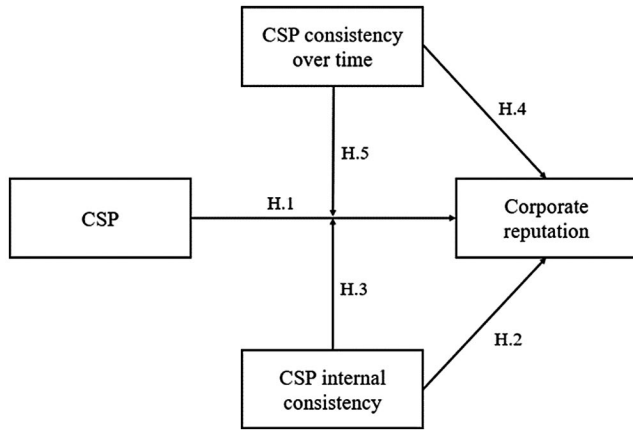
FIGURE 1 Theoretical model and proposed hypotheses

observations). The data were drawn from Thomson Reuters Eikon™ database and RepTrak® Pulse reputational ranking reports for different countries, available on the Reputation Institute website. To perform the longitudinal analysis, we selected firms that were within the reputational ranking RepTrak® Pulse for at least five consecutive years and that had ESG scores provided by Thomson Reuters Eikon™ database. As some of the firms in the sample were not present in the reputational ranking RepTrak® Pulse for the full seven-year period, the panel data were unbalanced.

3.2 | Variables

3.2.1 | Independent variables

CSP data were gathered from the Thomson Reuters Eikon™ database. It offers one of the most exhaustive ESG (Environmental, Social, and Governance) databases, covering over 6000 public companies. This database has been employed in recent research (e.g., Gallego-Álvarez et al., 2018; Perez-Cornejo et al., 2020). These Thomson Reuters Eikon™ ESG scores are based on over 400 ESG measures, with more than 150 analysts processing the information manually for each firm. Each measure goes through an accurate process to homogenize the information and guarantee comparability across the companies (Thomson Reuters Eikon, 2018). The database provides several indicators that enable measurement across different features of companies' CSP. We calculated the social performance score based on four categories of the Social ESG Pillar: human rights, product responsibility, workforce, and community. We applied the weights related to the number of items in each category to calculate the total score. The calculation of the environmental performance score was based on three categories of the Environmental ESG Pillar: environmental resource use, innovation, and emissions. We used the same approach to calculate the environmental score. Finally, the overall CSP measure was the result of the average between social and environmental performance scores, and it had a range from 0 to 1 where values close to 0 mean a poor CSP and values close to 1 mean a high CSP.

We created a variable called *CSP internal consistency* to approximate the internal consistency of CSP. Although ESG scores break into three dimensions (social, environmental, and governance), we designed our measure of consistency using only the social and the environmental dimension. This is because, unlike social and environmental dimensions, corporate governance is not a corporate performance, but it is a criterion or control mechanism that may have an impact on performance but is not a performance in itself. In fact, a significant amount of research has analyzed CSP from the perspective of only the environmental and the social dimensions (e.g., Gandullia & Piserà, 2020; Maas, 2018; Wang & Choi, 2013). Therefore, the measure was calculated as the negative absolute value of the difference between social and environmental performance in the t period.

$$CSP\ internal\ consistency = \\ - \left[abs \left(social\ performance_t - environmental\ performance_t \right) \right]$$

This measure allowed us to test whether having a similar level of behavior in the social and environmental dimensions of CSP improves corporate reputation.

We measured consistency over time using two approaches. First following the Soleimani et al. (2014) approach, we measured CSP consistency over time as the standard deviation of CSP_t in relation to the past observations of the company that was in the sample in the period analyzed. This variable was called *CSP consistency over time deviation*. Second, we also measured CSP consistency over time as the difference of CSP in the t period and the CSP in the $t-1$ period.

$$CSP\ consistency\ over\ time\ increment = \left(CSP_t - CSP_{t-1} \right).$$

Therefore, in this case, we considered that the positive increment is a consistent behavior in a firm's social responsibility because the firm is enhancing its CSP. However, a negative increment is an inconsistent behavior over time because it is reducing its social performance in comparison to the last period. This measure lets us measure if the company increases or reduces its CSP.

3.2.2 | Dependent variable

Corporate reputation data were gathered from the RepTrak® ranking reports of different countries, which was available on the Reputation Institute website (www.reputationinstitute.com). This ranking provides scores of companies with the strongest reputation in more than 41 countries (Dowling & Gardberg, 2012). Several studies have validated the methodology behind RepTrak® (Fombrun et al., 2015; Ponzi et al., 2011), which has been employed in prior research (Fombrun & Pan, 2006; Pérez-Cornejo et al., 2020). In 2006, this index replaced the Reputation Quotient ® (RQ) measurement that had been established in 2000 also by the Reputation Institute. The decision for developing a new measure was because the RQ instrument lacked equivalence across countries (Gardberg, 2006).

Therefore, the main advantage of Reptrack® against RQ is that it provides a comparable measure using a standardized cross-national measure (Dowling & Gardberg, 2012).

Every year, the Reputation Institute assesses the corporate reputations of the world's most prestigious companies using the RepTrak® framework, which is the world's largest and highest quality normative reputation database. RepTrak® measures several dimensions. Specifically, it combines emotional and rational issues of corporate reputation. First, the emotional reputation evaluates four components: good impression, esteem, trust, and admiration. Second, the rational reputation combines 23 company performance attributes into 7 dimensions: innovation, products and services, workplace, governance, leadership, performance, and citizenship. A mathematical algorithm developed by RepTrak® combines these data and adjusts it, making it comparable between industries and countries. The Reputational Institute gathers the data using annual online surveys. The overall reputational score for a given firm is calculated by taking the average score of 100 or more respondents who are "familiar" with the firm. Each year, the respondents are a random sample of the country's population, stratified by gender and age. The final overall reputation score is based on a scale of 100 points.

3.2.3 | Control variables

In addition to the independent variables, we included eight control variables: corporate reputation in the previous period, company size, return on equity (ROE), leverage, company age, year, industry, and country. We included as a control variable the reputation in the previous period because corporate reputation is an inertial variable that accumulates slowly over time (Fombrun, 1996; Pérez-Cornejo et al., 2020; Schultz et al., 2001). We also included company size, measured as the total assets' logarithm, because prior empirical evidence suggests that larger firms usually have higher corporate reputations (e.g., Deephouse, 1997; Fombrun & Shanley, 1990; Riahi-Belkaoui & Pavlik, 1991). Large companies are more visible and are expected to be more closely examined by a range of market's audiences, and because these large companies are more exposed to scrutiny, they are forced to demonstrate a more balanced value distribution among stakeholders to maintain a good corporate reputation. In contrast, small companies that may go unnoticed in the market, are expected to be less careful in the firm value distribution, thus may result in a poorer corporate reputation. Despite the literature presenting ambiguous findings of its effect on corporate reputation (Rao, 1994; Schultz et al., 2001), we also included firm age. It was measured as the logarithm of the number of years since the company's foundation because the corporate reputation building process is slow (Fombrun, 1996; Schultz et al., 2001). Companies that have been in business for long will have been subject to more scrutiny and may therefore be expected to have had a track record of satisfying stakeholders, so stakeholders will extrapolate from previous behaviors to generate expectations of future behavior (Weizsacker, 1980). Regarding the next variable, ROE, considerable research has analyzed its influence on corporate reputation (e.g., Brammer & Pavelin, 2006; Fombrun & Shanley, 1990). The likelihood of satisfying stakeholders' future demands is higher when the company's value is higher because it would be easier to meet stakeholders' expectations. Therefore, a higher value of ROE should enhance corporate reputation. We also included leverage, measured as debt-to-equity assets, because this variable has been employed in previous studies on corporate reputation (e.g., Delgado-García et al., 2013; Walker et al., 2018). High leverage may affect a company's future returns and as a result, corporate reputation. We also included dummy country variables because expectations of stakeholders are affected by the institutional context (Gardberg & Fombrun, 2006; Pérez-Cornejo et al., 2021; Zaman et al., 2020). Finally, we controlled for industry and year using dummy variables. Data on company size, leverage, ROE, and industry were drawn from the Thomson Reuters Eikon™ database. We obtained company age by conducting an Internet search.

Table 1 presents the measurement of the variables and the information sources.

TABLE 1 Definition of variables

Variable name	Definition	Source
Corporate reputation	Reptrack pulse scores based on a scale of up to 100 points	Reputation Institute
CSP	The measure has been calculated as the average between the scores of the Social Pillar and the Environmental Pillar. The measure ranges from 0 to 1 where 0 means a poor CSP and 1 a high CSP	Thomson Reuters Eikon database
CSP internal consistency	The negative absolute value of the difference between the environmental and the social performance	Thomson Reuters Eikon database
CSP consistency over time deviation	The negative standard deviation of CSP calculated with the prior observations of firm's CSP that are available in our sample	Thomson Reuters Eikon database
CSP consistency over time increment	Difference between CSP_t and CSP_{t-1}	Thomson Reuters Eikon database
Company size	Logarithm of total revenues	Thomson Reuters Eikon database
Return on equity	Net income after taxes to total equity	Thomson Reuters Eikon database
Leverage	Debt to assets	Thomson Reuters Eikon database
Company age	Llogarithm of the number of years since the company's foundation	Online research

3.3 | Methodology

The dependent variable (corporate reputation) may have inertia, meaning that the current values of corporate reputation may be influenced by previous values (e.g., Delgado-García et al., 2010; Perez-Cornejo et al., 2020). Therefore, we used dynamic panel data analysis. The chosen estimation approach was the system generalized method of moments (GMM), described by Arellano and Bover (1995) and Blundell and Bond (1998). The system GMM estimator has several advantages. First, it controls for possible endogeneity problems in the explanatory variables. Second, it avoids the risk of obtaining biased results that emerge from problems of heterogeneity of the unobservable variable arising from the specific characteristics of each firm that persist over time. In addition, unlike other GMM estimators, this approach allows for the introduction of more instruments, which improves efficiency. The validity of GMM estimation depends on the absence of second-order serial autocorrelation in the residuals and the validity of the analyzed instruments.

To test the predictive power of the independent and moderator variables with that of the control variables, we used hierarchical analysis (Aiken & West, 1991). First, we included CSP to test Hypothesis 1. In the second step, we included CSP internal consistency to test Hypothesis 2. In the third step, we included the interaction effect between the independent variables and the moderator variable to test Hypothesis 3. This process has been replicated to test CSP consistency over time. To minimize multicollinearity effects, we used the standardized values of the independent variables in our analyses (Aiken & West, 1991).

The equations specifying the models are presented below. The term CR_{it} denotes the corporate reputation of company i in year t, CR_{it-1} represents the corporate reputation in the previous period of company i in year/t, $CONSINT_{it}$ is the CSP internal consistency (or consistency between the social and environmental performance) of company i in period t, $CONSTIMEDEV_{it}$ is the CSP over time deviation of company i in period t; $CONSTIMEINCR_{it}$ is CSP over time increment of company i in period t, CSP_{it} denotes the CSP of company i in period t, $SIZE_{it}$ denotes the size of company i in period t, ROE_{it} denotes the ROE of firm i in period t, LEV_{it} is the leverage of company i in period t, AGE_{it} is the logarithm of years between the foundation of company i and period t, d_t denotes the year dummies, d_i represents the set of sector dummies, p_i represents the set of country dummies, $ɣ_i$ denotes the unobserved heterogeneity, that is assumed to be constant along the period analyzed, and ε_{it} is the error term.

Equation 1, Model 1:

$$CR_{it} = \alpha + \beta_1 (CR_{it-1}) + \beta_2 (CSP_{it}) + \beta_3 (ROE_{it}) + \beta_4 (SIZE_{it})$$
$$+ \beta_5 (LEV_{it}) + \beta_6 (AGE_{it}) + d_t + d_i + p_i + ɣ_i + \varepsilon_{it} \qquad (1)$$

Equation 2, Model 2:

$$CR_{it} = \alpha + \beta_1 (CR_{it-1}) + \beta_2 (CSP_{it}) + \beta_3 (CONSINT_{it}) + \beta_4 (ROE_{it})$$
$$+ \beta_5 (SIZE_{it}) + \beta_6 (LEV_{it}) + \beta_7 (AGE_{it}) + d_t + d_i + p_i + ɣ_i + \varepsilon_{it} \qquad (2)$$

Equation 3, Model 3:

$$CR_{it} = \alpha + \beta_1 (CR_{it-1}) + \beta_2 (CSP_{it}) + \beta_3 (CONSINT_{it}) + \beta_4 (CSP_{it}^*CONSINT_{it})$$
$$+ \beta_5 (ROE_{it}) + \beta_6 (SIZE_{it}) + \beta_7 (LEV_{it}) + \beta_8 (AGE_{it}) + d_t + d_i + p_i + ɣ_i + \varepsilon_{it} \qquad (3)$$

Equation 4, Model 4:

$$CR_{it} = \alpha + \beta_1 (CR_{it-1}) + \beta_2 (CONSTIMEDEV_{it}) + \beta_3 (CONSTIMEINCR_{it}) + \beta_4 (CSP_{it})$$
$$+ \beta_5 (ROE_{it}) + \beta_6 (SIZE_{it}) + \beta_7 (LEV_{it}) + \beta_8 (AGE_{it}) + d_t + d_i + p_i + ɣ_i + \varepsilon_{it} \qquad (4)$$

Equation 5, Model 5:

$$CR_{it} = \alpha + \beta_1 (CR_{it-1}) + \beta_2 (CSP_{it}) + \beta_3 (CONSTIMEDEV_{it})$$
$$+ \beta_4 (CSP_{it}^*CONSTIMEDEV_{it}) + \beta_5 (CONSTIMEINCR_{it}) + \beta_6 (CSP_{it}^*CONSTIMEINCR_{it})$$
$$+ \beta_7 (ROE_{it}) + \beta_8 (SIZE_{it}) + \beta_9 (LEV_{it}) + \beta_{10} (AGE_{it}) + d_t + d_i + p_i + ɣ_i + \varepsilon_{it} \qquad (5)$$

Equation 6, Model 6:

$$CR_{it} = \alpha + \beta_1 (CR_{it-1}) + \beta_2 (CSP_{it}) + \beta_3 (CONSINT_{it})$$
$$+ + \beta_4 (CSP_{it}^*CONSINT_{it}) + \beta_5 (CONSTIMEDEV_{it}) + \beta_6 (CSP_{it}^*CONSTIMEDEV_{it})$$
$$+ \beta_7 (CONSTIMEINCR_{it}) + \beta_8 (CSP_{it}^*CONSTIMEINCR_{it}) + \beta_9 (ROE_{it})$$
$$+ \beta_{10} (SIZE_{it}) + \beta_{11} (LEV_{it}) + \beta_{12} (AGE_{it}) + d_t + d_i + p_i + ɣ_i + \varepsilon_{it} \qquad (6)$$

4 | RESULTS

Table 2 sets out the correlation matrix for the sample and Table 3 presents the descriptive statistics of our sample divided into quartiles based on corporate reputation scores where quartile 1 contains the observations of the companies with the highest corporate reputation scores and the fourth quartile are composed of observations of the companies with the lowest reputation scores. Analyzing the descriptive results, we see that the highest CSP quartile does not correspond to the companies with the highest reputation scores; however, the most reputable companies have more CSP internal consistent behaviors. This suggests that in order to build a corporate reputation, the level of CSP is not only important but also other internal aspects such as the consistency between environmental and socials performance, and CSP consistency over time.

Table 4 provides the results of the panel data analyses. The variance inflation factors are all under 5 in all of the models, which indicates no problems of multicollinearity (Alin, 2010; Cohen et al., 2003). All of the models from 1 to 6 show the results for the impact of CSP on corporate reputation and reveal a significant positive effect of the level of CSP on corporate reputation. All of the models present a significant and positive effect of CSP on corporate reputation confirming Hypothesis 1. Models 2 and 3 show a positive and significant effect of CSP internal consistency (consistency between environmental and social performances) on corporate reputation (Model 2, $p = .05$; Model 3, $p = .05$). Furthermore, the global model (Model 6 $p = .05$) also presents a positive and significant effect of CSP internal consistency on corporate reputation. These results mean that the smaller the difference between social and environmental performance, the higher the corporate reputation score

TABLE 2 Correlation matrix

	Corporate reputation	Corporate reputation t − 1	CSP	CSP internal consistency deviation	CSP consistency over time deviation	CSP consistency over time increment	ROE	Company size	Leverage
Corporate reputation t − 1	0.870***	–							
CSP	0.221***	0.208***	–						
CSP internal consistency	0.113***	0.137***	0.019***	–					
CSP consistency over time deviation	0.018	0.021	0.218***	0.201***	–				
CSP consistency over time increment	0.093**	0.056	0.171***	0.115***	−0.145***	–			
ROE	0.127***	0.120***	−0.012	0.076*	0.009	0.000	–		
Company size	0.053	0.057	0.515***	0.023	0.023***	−0.053	−0.255***	–	
Leverage	0.057	0.067*	0.023	−0.032	0.108***	−0.053	0.016	0.379***	–
Company age	0.373***	0.306***	0.139***	0.068**	0.100**	−0.040	0.122***	0.142***	0.172***

***$p = .01$; **$p = .05$; *$p = .1$.

will be. Therefore, these results confirm Hypothesis 2, showing that there is a positive relationship between CSP internal consistency and corporate reputation. Furthermore, Model 3 and Model 6 show a significant and positive effect of the interaction between CSP and CSP internal consistency ($p = .05$; $p = .01$). These results suggest that the smaller the difference between social and environmental performance, the higher the impact of CSP on corporate reputation. In other words, CSP internal consistency positively moderates the relationship between CSP and corporate reputation. These results confirm Hypothesis 3. Considering CSP consistency over time, as we mention in the prior section, we have tried to analyze using two approaches, first, as the standard deviation of CSP prior observations (*CSP consistency over time deviation*) and second, as the increment of CSP between periods (*CSP consistency over time increment*). Regarding the first measure, no model reveals a significant effect of this dimension on corporate reputation. For the second measure, both models, Model 4 and Model 5, reveal a positive and significant effect on corporate reputation ($p = .01$; $p = .05$). Furthermore, the global model also reveals a positive and significant effect of *CSP consistency over time increment* on corporate reputation (Model 6 = 0.10). These results partially confirm Hypothesis 4. That is, CSP consistency over time, understood as maintaining or improving on previous CSP, has a positive effect on corporate reputation. However, neither Model 5 nor Model 6 shows a significant moderating effect of *CSP consistency over time deviation* nor *CSP consistency over time increment* on the relationship between CSP and corporate reputation. Therefore, we cannot confirm Hypothesis 5. In relation to the control variables, all models reveal a positive and significant effect of the lagged corporate reputation variable on corporate reputation, confirming the inertia of the variable. Furthermore, all models show a positive and significant effect of company age on corporate reputation and a significant positive effect of ROE on corporate reputation.

5 | CONCLUSIONS AND DISCUSSION

Our analysis based on an international sample of 133 companies from nine countries confirms that managing CSP consistency in terms of both, CSP internal consistency (consistency between social and environmental performances) and CSP consistency over time (understanding as a positive evolution in regards to previous performance), plays a crucial role in the consolidation of corporate reputation. Specifically, a company's consistency affects the legitimization process (Logsdon & Wood, 2002; Rao, 1994) that the company must undergo to consolidate its corporate reputation. Consistent behavior is conducive to favorable stakeholder expectations about the company, enhancing its trustworthiness and credibility and consolidating its corporate reputation. This result is also in line with the findings of prior research (Wang & Choi, 2013), which support the positive influence over time of both CSP internal consistency and CSP consistency on firm value.

In addition, the results reveal that CSP internal consistency is a moderator of the relationship between CSP and corporate

TABLE 3 Descriptive analysis

		Q1	Q2	Q3	Q4
Corporate reputation	Mean	77.347	70.476	64.973	56.412
	Standard Deviation	2.961	1.673	1.433	5.35
CSP	Mean	0.761	0.772	0.746	0.685
	Standard Deviation	0.149	0.094	0.134	0.144
Environmental performance	Mean	0.769	0.781	0.773	0.703
	Standard Deviation	0.163	0.128	0.157	0.207
Social performance	Mean	0.752	0.763	0.718	0.668
	Standard Deviation	0.163	0.112	0.15	0.166
CSP internal consistency	Mean	−0.101	−0.124	−0.132	−0.131
	Standard Deviation	0.08	0.088	0.092	0.102
CSP consistency over time deviation	Mean	−0.040	−0.037	−0.032	−0.040
	Standard Deviation	0.030	0.024	0.019	0.021
CSP consistency over time increment	Mean	0.006	0.009	0.003	−0.003
	Standard Deviation	0.051	0.047	0.045	0.053
Company Size	Mean	23.448	23.975	24.191	23.717
	Standard Deviation	1.554	1.552	1.817	1.680
ROE	Mean	0.255	0.174	0.154	0.150
	Standard Deviation	0.386	0.211	0.222	0.131
Leverage	Mean	2.167	6.029	9.317	3.728
	Standard Deviation	2.333	12.683	18.379	6.515
Company age	Mean	4.544	4.216	3.945	3.49
	Standard Deviation	0.63	1.007	1.053	0.862
Number of observations		153	153	153	153

reputation. That is, when the company has consistent behavior with its stakeholders, they perceive these actions as genuine because these behaviors come from the essence of the firm. This internal motivation strengthens the credibility of a company's socially responsible actions and therefore improves the effect of the company's actions on stakeholder expectations about the firm (Basu & Palazzo, 2008; Fombrun & Van Riel, 2004). Our results support prior research on the role of CSP internal consistency in enhancing the effect of CSP on company value (Wang & Choi, 2013) and employees' perceptions (De Roeck et al., 2016). Unlike the study of Wang and Choi (2013) that found a marginally significant moderating effect of CSP consistency over time on the relationship between CSP and financial performance, our results do not support CSP consistency over time as a moderator in the relationship between CSP and corporate reputation. These results could mean that stakeholders appreciate the positive evolution of CSP performance over time resulting in a positive corporate reputation; however, if the company does not evolve in a positive way over time, stakeholders may not view company actions as being any less credible. Indeed, stakeholders may understand that the firm has to adapt its behavior to external circumstances impacting on the resources that they have available. In fact, in previous adverse contexts, the firm may not have had enough resources to improve its CSP. That can be seen in

the financial crisis or during the COVID-19 pandemic when companies were unable to increase their performance at the same pace as during more prosperous times.

Furthermore, our findings show that CSP positively affects corporate reputation, thus providing strong evidence to confirm previous research that suggested that CSP is one of the most important determinants of corporate reputation (e.g., Arikan et al., 2016; Brammer & Pavelin, 2006; Fombrun & Shanley, 1990; Lai et al., 2010; Pérez-Cornejo et al., 2020; Rothenhoefer, 2018). These findings show that the level of CSP has a significant impact on corporate reputation, underlining the importance of CSP as one of the main determinants of effective corporate reputation management.

In addition, this research goes further than prior academic literature on the corporate reputation by providing evidence of a phenomenon that had not previously been addressed. Although there has been a research focus on the links between CSP and corporate reputation (Arikan et al., 2016; Brammer & Pavelin, 2006) and many studies have empirically analyzed whether external variables, such as industry or country affect the relationship between CSP and corporate reputation (Aqueveque et al., 2018; Brammer & Pavelin, 2006; Ghosh, 2017; Maignan, 2001; Melo & Garrido-Morgado, 2012; Ramasamy & Yeung, 2009), our research goes further showing that manageable variables related to CSP also impact

TABLE 4 Results

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Corporate reputation t−1	0.425***	0.430***	0.395***	0.444***	0.432***	0.401***
	(0.031)	(0.029)	(0.031)	(0.031)	(0.033)	(0.034)
CSP	2.390***	2.177***	1.856***	1.654***	1.167**	0.923*
	(0.284)	(0.303)	(0.414)	(0.521)	(0.541)	(0.557)
CSP internal consistency		0.388**	0.418**			0.479**
		(0.175)	(0.180)			(0.196)
CSP * CSP internal consistency			0.224**			0.384***
			(0.096)			(0.143)
CSP consistency over time deviation				0.090	−0.014	−0.171
				(0.353)	(0.046)	(0.375)
CSP * CSP consistency over time deviation					−0.189	−0.375
					(0.271)	(0.279)
CSP consistency over time increment				0.308***	0.275**	0.221*
				(0.117)	(0.132)	(0.134)
CSP * CSP consistency over time increment					−0.014	−0.099
					(0.046)	(0.064)
ROE	3.490***	3.051***	3.031***	3.646***	3.678***	3.276***
	(0.784)	(0.814)	(0.946)	(0.838)	(0.870)	(1.031)
Company size	0.640	0.626	0.792	1.018	0.699	1.042
	(0.784)	(0.729)	(0.760)	(0.709)	(0.722)	(0.782)
Leverage	0.073	0.101	0.073	0.088	0.056	0.068
	(0.306)	(0.067)	(0.066)	(0.098)	(0.065)	(0.065)
Company age	0.760**	0.677**	0.806***	0.727***	0.970***	0.846***
	(0.306)	(0.307)	(0.331)	(0.315)	(0.314)	(0.326)
Sector	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES
Country	YES	YES	YES	YES	YES	YES
Constant	26.717	25.863	23.686	13.396	21.255	17.853
	(17.74)	(19.383)	(19.423)	(19.306)	(18.765)	(19.453)
Number of observations	612	612	612	612	612	612
Wald chi	9772.06	11,061.21	15,100.79	9095.80	9078.39	9448.27
AR(2)	0.15	0.17	0.11	0.31	0.24	0.21
Hansen test	62.89	60.01	58.67	63.24	61.17	57.79

***$p = .01$; **$p = .05$; *$p = .1$.

on corporate reputation. That is, CSP consistency is an internal CSP variable that needs to be managed in order to maximize the impact on corporate reputation.

Indeed, to the best of our knowledge, no studies have offered an in-depth analysis of the role that CSP consistency plays in corporate reputation. This paper builds on a theoretical background that links the concepts of CSP, CSP internal consistency, CSP consistency over time and corporate reputation through two effects: the direct effect of CSP internal consistency and CSP consistency over time on corporate reputation and the moderating roles of both in the relationship between CSP and corporate reputation. Furthermore, we provide empirical evidence that supports our theoretical proposals

and the ideas that have been suggested in earlier studies (Bassu & Palazzo, 2008; Fombrun & Van Riel, 2004).

Although this paper makes substantial contributions, it nonetheless has several limitations. We are aware that measuring consistency is a difficult task, and our measures are proxies of these phenomena. Future research should further investigate this effect. Furthermore, we focused only on the consistency of CSP, but consistency may be present in other aspects of the company. Examples include financial consistency and consistency between communication messages and other actions in relation to the different stakeholder groups. We are aware that a company's consistency is a broad concept that may affect corporate reputation, and we have focused

on just one aspect of this consistency. Therefore, future research should focus on other aspects of the company and their effects on corporate reputation. Furthermore, our analysis is based on a sample of large, listed companies with a powerful impact on society and the environment. However, the results may not be replicated for a sample of smaller companies that have less visibility or impact on society.

In terms of practical implications, managers should keep in mind that a good reputation creates a competitive advantage that translates into a host of benefits for the company. Notably, being responsible enhances a company's corporate reputation. However, maintaining the consistency between a firm's social and environmental performance also plays an important role in corporate reputation management. Although different audiences of the company may value the level of social corporate performance, it is also the consistency between a company's responsible actions that creates greater confidence and credibility and generates positive expectations toward the company, thus enhancing its reputation. The negative consequences of internal inconsistencies are evident in corporate scandals where companies with high CSP are perceived to behave badly toward one stakeholder group, resulting in damage to their corporate reputation. Moreover, this inconsistency means that a company's social performance has a less intense influence on expectations and hence corporate reputation. Therefore, to effectively manage corporate reputation, it is important to ensure consistency between social and environmental actions. Managers must maintain a balance between the demands and expectations of different groups of stakeholders to strengthen their company's corporate reputation. Furthermore, managers should keep a positive evolution in CSP over time because this longer-term consistency also favors corporate reputation. Moreover, because CSP consistency positively affects reputation, managers should present information to stakeholders in such a way as to highlight the consistency of their CSP actions. All in all, managers should be aware that it is not only the level of CSP that is important to corporate reputation, but it is also the way they manage the actions of corporate responsibility over time across different stakeholders that has an important impact.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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