CSR and Financial Performance with a Mediating Effect of Brand Value: An Exploration of the Role of Geographic Location and Industry Setting

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Petra Bouvain

Department of Marketing and Management
Faculty of Business and Economics
Macquarie University, Sydney

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Declaration

I hereby declare that this submission is my own work and to the best of my knowledge it contains no material previously published or written by another person, or substantial proportions of material which have been accepted for the award of any other degree or diplomat at Macquarie University or any other educational institution, except where due acknowledgment is made in the thesis. Any contribution made to the research by other, with whom I have worked at Macquarie University or elsewhere, is explicitly acknowledged in the thesis. I also declare that the intellectual content of this thesis is the product of my own work, except to the extent that assistance from others in the project's design and conception or in style, presentation and linguistics expression is acknowledged.

Petra Bouvain

I’d like to dedicate this thesis to my late father, Herbert Bouvain,

and to my husband, Brian Luscombe.

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Abstract

Corporate social responsibility (CSR) and brand issues are generating interest amongst practitioners and researchers at the global level. This thesis attempts to capture some of the major issues in the realm of the relationship between a firm's corporate social performance (CSP), corporate financial performance (CFP) and brand value, making a contribution to the CSR and branding literature by linking the two seemingly separate streams of literature. Differences between regions, levels of development and industry sector differences are shown to impact on the relationship.

Three papers were developed with the first one demonstrating that brand value is positively related to CSR in a sample of 84 major banks from East Asia and the US. That paper shows that different CSR factors are linked to brand value for firms in the US compared to those in East Asia, using ANOVA and multiple regressions. The second paper extends this research and investigates 335 banks from both developed and emerging economies and demonstrates differences in the relationship between CSR variables, brand value and market capitalisation. This paper highlights the challenges that the banking sector faces in the community, employment, governance and environmental areas.

The third paper is a multi-industry study with a sample of 627 companies from developed as well as emerging economies, including from the fast growing BRICS (Brazil, Russia, India, China and South Africa). The results, based on structural equation modelling, showed that a relationship between CSP, brand value and CFP was only found for firms in developed countries. Possible explanations for these differences are attributed to institutional as well as cultural differences, and manifest in divergence, convergence and crossvergence.

The overarching notion of this thesis is that 'doing good will lead to financial rewards' and as such supports the business case for CSR as advocated by Carroll and Shabana (2010) and Porter and Kramer (2006). However, the study only found partial empirical evidence for the aforementioned notion, namely for firms based in developed countries.

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CHAPTER 1:
INTRODUCTION

1.1 Background of the study

Corporate social responsibility (CSR) and brand issues are generating interest amongst both practitioners and researchers at the global level. This thesis, which uses a publication format that includes three papers developed during the candidacy, attempts to capture some of the major issues in the realm of the relationship between a firm's corporate social performance (CSP), corporate financial performance (CFP) and brand value, making a contribution to the CSR and branding literature by linking the two seemingly separate streams of literature. Differences between regions, levels of development and industry sector differences are shown to impact on the relationship.

The role that business plays in solving societal and environmental problems is of interest to CSR researchers. Ensuring environmental sustainability, alleviation of poverty, improving health services and access to education are some of the United Nation's millennium development goals[1] (United Nations, 2015). They are considered problems that can no longer be solved by national governments alone (Scherer & Palazzo, 2011). Thus firms need to balance the performance expectations that society has of the 21st century corporations with financial performance expectations of its shareholders (Falck & Heblich, 2007).

The relationship between CFP and CSP has been the subject of research for several decades and is considered the 'holy grail' of CSR research (Casali, 2007; Devinney, 2009) and has been the subject of research, based on both moral (normative) and practical (instrumental) business reasons (Marom, 2006). Thus the idea that socially and environmentally responsible firms will be rewarded in the long term is based on the social impact hypothesis, which postulates that companies that meet stakeholder needs are likely to be rewarded with a better financial performance (Preston & O'Bannon, 1997). This is appealing to managers of publicly held companies as it aligns with their fiduciary duties to shareholders, thus creating a 'win-win' situation (Smith, 2007). Benefits can be both monetary and non-monetary, such as improved access to capital, a continuing 'license to operate', as well as an increase in reputation and brand value (Weber, 2008). The idea that doing good will lead to financial rewards supports the business case for CSR, advocated by

[1] The UN Millenium Goals were changed to 'sustainable development goals in September 2015'

Carroll and Shabana (2010) and Porter and Kramer (2006). While this is intuitive there are voices that question the business case for CSR, especially in a developing country context and link it to 'green-washing' attempts (Hamann & Kapelus, 2004). One of the attractions of the business case for CSR is the proposition that 'doing good' will ultimately lead to improved business performance.

The link between CSP and CFP has not been resolved at this stage with different researchers showing different results. While most studies claim a link between CSP and CFP (e.g. Allouche & Laroche, 2005; Gregory, Tharyan & Whittaker, 2014; Griffin & Mahon, 1997; Orlitzky et al., 2003; van Beurden & Goessling, 2008), others find only a partial link (Wu, 2006), or even negative associations in some instances (Brammer et al., 2006). Some studies show a curvilinear relationship (Barnett & Salomon, 2012), suggesting that there may be an optimum for CSR engagement. The reasons for these differing results are attributed to different points of emphasis and interpretations of terminology (Marom, 2006). Cultural and institutional differences between countries, as well as industry sector-specific requirements and corporate governance and restructuring issues, are considered to contribute to variations in results and poses the question whether or not this business case argument can be universally made in all country setting and all industry settings. Quazi and Richardson (2012) have examined the studies that Orliztky et al. (2003) examined and showed that, in part, methodological differences attribute to those differences.

Among theoretical foundations, the resource-based view of the firm and institutional theory has been used in both branding and CSR research. Institutional theory provides an explanation for the dimensions of organisational behaviour. An organisation responds not only to market forces but also to external social and cultural forces (Selznick 1957). One of the cornerstones of institutional theory is that of legitimacy (Aldrich & Fiol, 1994). Di Maggio and Powell (1983) see coercive, normative and mimetic forces in the institutional environment. The resource-based view of the firm argues that sustained competitive advantage can be derived from the valuable, rare resources that are hard to imitate and to substitute and over which the firm exercises control (Barney, Wright & Jr, 2001). The effective use of resources is seen as a means of gaining a competitive advantage.

Research in marketing has looked at the role that the marketing function plays in creating shareholder value and providing metrics to judge marketing's input into business success (Srivastava et al., 2001; Srivastava et al., 1998, 1999). Srivastava et al. (1997) pose the question if corporate reputation is the cause or consequence of financial performance. The same question has been posed by CSR researchers, questioning the cause and effect, as well as the direction of the relationship (Nelling & Webb, 2009). The issue of competitive advantage has been a question of discussion in marketing as well as in the CSR circle for some time, with authors arguing about the role of marketing orientation and relationship building as some of the key factors (Hunt & Morgan, 1995). The reputation literature has shown that companies with a higher reputation (measured as a high ranking in reputation rankings) have fared better in terms of share value during stock market crashes (Wernerfelt, 1991). Most scholars look at the business case for CSR and the CSR–CFP link is a highly researched area and is appealing to business as it provides a 'justification and reward' for being virtuous (Caza et al., 2004). Brammer et al. (2012) point out that the institutional theory has a useful place in this research area to explain country differences.

Lee (1996) provides an overview of the development of CSR theories and outlines the shift towards linking CSR to Corporate Financial Performance. He credits Caroll with having provided the first and most widely used conceptualisation of CSR.

More recent studies have built on Caroll and Shabana's (2010) and Porter and Kramer's (2006) work, to empirically investigate mediating factors, with the aim of a better understanding of both mediating variables as well as better insights of the importance of situational factors, contributing to a better understanding of the CSP and CFP relationship.

One of these mediating factors is reputation. CSR has been credited with leading to better financial performance through an increase in reputation, as Wang and Berens (2014) have explained. This is supported by practitioner research that showed that more than 50% of companies reported that they had gained financial value from their corporate responsibility (CR) initiatives, mainly through an increase in brand reputation (KPMG, 2011). Another benefit is that positive reputation due to CSR involvement can be seen as an insurance policy, as it may mitigate against the effects of adverse events a firm may experience (Minor & Morgan, 2011).

But operationalising reputation has been fraught with difficulties, as accurate measurement of reputation is limited (Raithel et al., 2010). Brand value is considered one aspect of reputation (Abimbola & Kocak, 2007; Bickerton, 2000; Fombrun, 1996a; Fombrun & Shanley, 1990) and has the advantage of established accounting measurements (ISO, 2010a; Salinas & Ambler, 2009; Salinas, 2011).

Raggio and Leone (2007, 2009) distinguish between consumer-based brand equity and brand value. Environmental factors, which include market-based activities such as advertising and the experiences that consumers have with the brand, influence and shape consumer-based brand equity. Based on this equity, firms are able to increase market share and charge price premiums, which will be reflected in brand value. Brand equity is thus seen as a precursor to brand value, which will lead to shareholder value (de Mortanges & Van Riel, 2003; Kerin & Sethuraman, 1998; Madden et al., 2006). The results of the three studies presented in this thesis (in chapters 2, 3 and 4), support the link between brand value and shareholder value.

Brand value as a mediating factor was first introduced by Melo and Galan (2011), in an empirical study of 54 US companies, where they showed a link between CSR constructs and brand value. A study by Torres et al. (2012) of 56 European and US firms showed similar results.

The three papers extend those findings and make a further contribution by taking into account the growing importance of emerging and developing countries in the world economy. Shifts in the world economy over the last decade have led to an increase in the share of world economic output by developing economies, such as the fast growing BRICS countries (Brazil, Russia, India, China and South Africa) over the past 10 years. These countries now account for over 20% of the world economic output (Forbes, 2012) and predictions from the OECD and other sources forecast an increase of this share to over 30% by 2025 (Fouré et al., 2012), thus triggering a realignment of growth and economic power (Nelson et al., 2013; O'Neill, 2001).

Other developing countries, such as Mexico,Turkey, and South and East Asian economies, and are also undergoing rapid development (O’Neil et al., 2005). Developing countries have increased their share of world trade, but have mainly concentrated on manufacturing (Srinivasan, 2006). Many of the world’s leading brands have their merchandise manufactured in developing countries, which has cost advantages in production due to lower labour costs. In some instances, due to weak institutions, savings are made through reduced environmental and employee safety provisions. In the last two decades, firms from emerging economies, such as China and India, are playing a bigger role in the service sector. The rapid growth of the Chinese economy has, for example, led to suggestions that the Renminbi should be considered as a third major currency besides the US Dollar and the Euro (Lee, 2014). According to Forbes, the largest bank worldwide in 2015 is a Chinese bank, ICBC (based on sales, profit and market value). This bank has also been ranked by Forbes for the past three years as the world's largest company. In the same rankings, Tata consulting services, based in India, is ranked 485 out of the top 2,000 companies worldwide (Chen, 2015). This is an indicator that services are becoming more prominent in a developing country context.

Branding is also becoming more important in this context as firms in these emerging economies are realising the importance of creating and growing brands. They are keen to reap those possible financial rewards and are placing a stronger emphasis on developing their own brands (Ewing et al., 2002; Fan, 2006). The creation of brands for both domestic and export markets is a strategy that provides firms with additional revenue (Doyle, 2001). This is achieved through creating reputational value (Fombrun, 1996b) and the price premium is seen as compensation for the reputational investment (Shapiro, 1983). However developing brands to a 'healthy' status is time consuming and requires long-term strategies (Mirzaei et al., 2015).

Firms are able to charge higher prices for these differentiated products and services (Motameni & Shahrokhi, 1998). It has been reported in the literature that brands that have originated in developed countries are preferred by consumers in developing countries, due to perceived higher status and better quality (Batra et al., 2014). Status associated with brands originating in developed countries has been seen as one of the major purchase influences (Zhou & Hui, 2003).

Brands that originate in emerging economies have not been able to gain a sizable market share in developed countries, with some struggling in their own home market as they compete with global brands that are considered of a higher status (Steenkamp et al. 2000; Steenkamp et al., 2003).

This thesis examines whether there are differences in CSP, brand value and market value/enterprise value between emerging and developed economies, and if the relationship between CSP, brand value and market value is the same for countries in different regions and levels of development. The thesis further explores if industry sector differences are of importance in this relationship. The study shows that convergence (Chen & Bouvain, 2009), divergence or crossvergence (Jamali & Neville, 2011) is evident in this relationship, and suggests a re-newed examination of the 'business case for CSR'.

1.2 CSR — as a concept

CSR research is diverse and conducted through a variety of discipline lenses, such as management, marketing, finance and economics, and is grounded in different theoretical frameworks, resulting in different definitions — in fact, over 37 different definitions of CSR were identified by Dahlsrud (2008). CSR is considered to be multidimensional and covers a broad spectrum of related concepts, such as *citizenship* (Pinkston & Carroll, 1996; Valor, 2005), *philanthropy* (Carroll, 1991; Wang & Qian, 2011), *corporate social performance* (Carroll, 1979; Wood, 1991), *sustainability* (Brundtland, 1987) and the *triple bottom line* (Elkington, 199). '*Corporate responsibility'* can be considered the overarching concept to explore the role of business in society (Scherer & Palazzo, 2007; Zadek, 2007).

Specific aspects of business responsibilty have been explored under the umbrella of *environmental responsibility* (Wahba, 2008) and the broader concept of *social responsbility* (instead of CSR) was used by Friedman (1970) as a title for his paper 'The social responsibility of business is to increase its profits'. In line with Scherer and Palazzo (2007, p. 1096), I consider that CSR is the *'umbrella'* term that includes all of the above. Thus the term CSR is used as the overarching concept.

As CSR is addressed through a variety of lenses, it is not surprising that there are so many different definitions and concepts, however no universal theory has evolved. However, CSR has been examined from different theoretical perspectives, for example as part of institutional theory (Campbell, 2007), theory of the firm (McWilliams & Siegel, 2001) and stakeholder theory (Roberts, 1992). Garriga and Mele (2004) provide a comprehensive overview of the theoretical foundations for CSR research.

CSR research can be further categorised as either 'orthodox' or 'modern' (Quazi & O'Brien, 2000). The orthodox view postulates that CSR may have a place in those cases where it is not done 'for the public good' but with the aim to increase profit and/or shareholder value. A proponent of this view, Friedman (1970), states that CSR should not be part of business strategy as there is only one social responsibility of business, and that is to '… use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say engages in open and free competition without deception or fraud' (p. 245). The social responsibility role of business has recently been questioned by Karnani (2011, p. 105), who argues that

> ‘If some socially desirable activity is profitable, then *it is best described as “intelligent operation of the business” and thus CSR is irrelevant. If the socially desirable activity is not profitable, then companies will not voluntarily undertake it unless required to do so by law or regulation, and thus CSR will be ineffective.*’

The more 'modern' view of the responsibility of business argues for a wider view of corporate responsibility, but tries to combine the public benefits that flow from CSR with both financial and non-financial benefits for the firm's engagement in CSR. One of the streams of this view is the 'business case' for CSR, which postulates that doing good will result in improved financial performance and that CSR *'makes good business sense'* (Carroll & Shabana, 2010; Porter & Kramer, 2006). In order to make this case, CSR needs to contribute to the overall profit of the firm. The model that Porter and Kramer (2006) propose (based on Porter’s value chain), is to embed CSR in the value chain. They distinguish between ‘responsive’ and ‘strategic’ CSR, with the former defined as ‘good citizenship’ and the later involved in ‘transforming value-chain activities to benefit society while reinforcing strategy’ (p. 11) and thus ultimately increasing enterprise value in a ‘virtuous circle', as Nelling and Webb (2009) have described it. This transformation of the value chain, using sustainability principles, can lead to cost advantages (Porter & Van der Linde, 1995). Another benefit is an increase in reputational capital (Miles & Covin, 2000). For example, less use of pesticides through innovative agricultural methods benefits the environment as well as providing cost savings to the business and thus leads to competitive advantages. Another example is cost savings achieved by switching to 'green' building concepts, which will not only mitigate emissions (benefitting society) but also lead to cost savings (benefitting investors) over the lifetime of the building (Von Paumgartten, 2003). While business is attracted to the notion that CSR makes good business sense, as suggested by Caroll and Shabana (2010) and Porter and Kramer (2006), contrasting to this view point some researchers (e.g. Karnani, 2011) do not see a business case, or see CSR more of a ‘greenwashing’ (Laufer, 2003) of corporate behaviour. Table 1.1 categorises the different viewpoints.

Table 1.1 Is there a business case for CSR? Selected studies supporting, contradicting and providing conflicting views about the business case for CSR				
	Author(s)	**Title**	***Journal***	**Comment**
Business case for CSR proven	Porter & Kramer (2006)	The link between competitive advantage and corporate social responsibility.	*Harvard Business Review, 84*(12), 78-92.	Builds on Porter's value chain and relates it to CSR
	Caroll and Shabana (2010)	The business case for corporate social responsibility: a review of concepts, research and practice.	*International Journal of Management Reviews, 12*(1), 85–105.	Advocates integrating CSR as part of business strategy
	Smith (2003)	Corporate social responsibility: whether or how?	*California Management Review, 45*(4), 52–76.	Differentiates between business case reasons and normative reasons to implement CSR
	Weber (2008)	The business case for corporate social responsibility: A company-level measurement approach for CSR	*European management journal, 26*(4), 247–261.	Focuses on how to measure the business impact of CSR activities
Business case for CSR not universally accepted	Schreck (2011)	Reviewing the business case for corporate social responsibility: New evidence and analysis.	*Journal of Business Ethics, 103* (2), 167–188.	Proposes a new model to overcome limitations in previous database research, results do not support a generic business case for CSR, but support individual elements
	Symons & Lamberton (2014)	Building a social case for business sustainability.	*Journal of Economic and Social Policy, 16*(2), 0_1.	The business case for CSR is seen as limited as it concentrates on financial measures where as in most situations environmental, social and economic components pay a role
	Schaltegger, Lüdeke-Freund, & Hansen (2012)	Business cases for sustainability: the role of business model innovation for corporate sustainability	*International Journal of Innovation and Sustainable Development, 6*(2), 95–119.	The business case for sustainability is seen as 'an ad hoc measure' or a 'coincidence'. The paper argues that business innovation can however create a business case for CSR
Business case for CSR	Karnani 2(011)	Doing Well by Doing Good": The Grand Illusion.	*California Management Review, 53*(2), 69–86.	Is a social desirable activity is profitable then CSR is not required – self evident
	Vogel (2005)	Is there a market for virtue? The business case for corporate social responsibility	*California Management Review, 47*(4), 19–45.	Contrasts the performance of companies listed in responsibility indices with those that are not and the study finds no 'business

Denied				case'.
	Marques & Mintzberg (2015)	Why Corporate Social Responsibility Isn't a Piece of Cake.	*IT Sloan Management Review, 56*(4), 8	See a role for corporations to address societal problems, but see it as 'naïve' to create a win-win situation for society and business
Green washing as a form of CSR	Laufer (2003)	Social accountability and corporate greenwashing.	*Journal of Business Ethics, 43*(3), 253–261.	Highlights the importance of accurate sustainability reporting and the dangers of greenwashing to corporate accountability
	Rasmus & Montiel (2005)	When are corporate environmental policies a form of greenwashing?	*Business & Society, 44*(4), 377–414.	
	Furlow (2010)	Greenwashing in the new millennium.	*The Journal of Applied Business and Economics, 10*(6), 22.	An increase in the marketing of products as 'green' and environmentally friendly has led to dishonesty misrepresentations by unscrupulous firms and can lead to loss in competitiveness

Practitioner research by KPMG (2011) shows that reputation and branding is considered to be one of the main reasons why companies engage in CSR, with 67% of companies citing this as the major driver for their CSR engagement.

Reputation, brand equity and brand value

The literature provides numerous definitions of the corporate reputation construct (Bitektine, 2011). Reputation is a concept that has attracted a lot of interest but lacks a commonly accepted definition. Barnett et al. (2006) have undertaken a comprehensive review of the field and have grouped the various explanations of reputation as *asset, assessment and awareness* (p. 30). *Asset* refers '*… to reputation as something of value and significance to the firm'* (p. 33). *Assessment* implies '… *that observers or stakeholders were involved in an assessment of the status of the firm'* (ibid p. 32). *Awareness* refers to perceptions '… *that observers or stakeholders had a general awareness of the firm but did not make judgments about it'* (p. 32). Walker (2010) considers reputation as issues-based, based on an analysis of 54 articles. The importance of both reputation and branding as part of the overall value of a firm has been recognised and credited with producing tangible value (Sussland, 2001). For example, according to a study by Sinclair and Keller (2014), the contribution of intangibles (which includes brands, patents and databases) of firms in the

S&P 500 index to market value has increased from 32% in 1985 to 80% in 2010. Brands especially can contribute significantly to the value of a corporation (Barth et al., 1998; Fombrun, 1996).

Reputation can be considered as one of the resources of a firm that is hard to replicate (Caruana, 1997; Mahon, 2002). Closely related to reputation is corporate branding and both are interlinked, as Balmer (2001) and Balmer and Gray (2000) have pointed out. Barney (2014) considers, based on the resource-based view of the firm, that a high corporate brand value and a good reputation form the basis for competitive advantages.

While there have been several ways of measuring reputation (Wartick, 2002), reputation rankings or ratings are either based on expert opinions, such a America's most admired companies, or on consumer perceptions, such as the Reputation Quotient, developed by Fombrun (Sarstedt et al. 2013). The latter has been used in industry but has also received criticism due to methodology and construct definitions. The Reputation Quotient has been re-assessed in a developing country context (Thailand) and was found to be partly valid (Chetthamrongchai, 2010). Thus, while there is agreement that reputation is important, how to value reputation has been fraught with difficulties (Raithel et al. 2010). For these reasons, brand value has been used in the research for this thesis. Brand value and brand equity has often been used interchangeably. The two main distinctions are customer-based measures, referred to as customer-based brand equity, which is defined as '… the differential effect of brand knowledge on consumer response to the marketing of the brand' (Keller, 1993, p. 8). Brand value, in contrast, is the financial manifestation of a brand and represents '… the net present value of the estimated future cash flows attributable to the Brand' (Branddirectory, 2015). A comprehensive overview of brand value and its calculation is provided by Salinas (2011) and Salinas and Ambler (2009).

Raggio and Leone (2007, 2009) propose a separation of brand equity and brand value. They suggest that (consumer-based) brand equity precedes brand value and shareholder value. Environmental inputs, which include both market place activities, such as advertising and consumer experience with the brand, are considered factors that lead to consumer-based brand equity. Market level outcomes, such a loyalty, market share and price premiums, lead then to profitability and human resource advantages and contribute to brand value and shareholder value.

Besides the factors mentioned by Raggio and Leone, CS is contributing to brand value and shareholder value. The model that Raggio and Leone propose takes a consumer-centric view, while business to business relationships are in many industry sectors and − especially in the banking sector − a significant contributor to brand value and shareholder value, as Madden et al. (2006) have suggested.

Reputation is also cited as one of the motivators by Porter and Kramer (2006, p. 3) as part of the four main justifications for CSR as: moral obligation, sustainability, license to operate and reputation. They map how the opportunities of 'being good' and 'doing good' can lead to competitive advantages. They argue that value chain transformation can both benefit society and provide advantages to business through cost savings, highlighting the competitive advantages that this entails. This view takes a 'win–win' perspective (Smith, 2007), and society and the environment are winners as well as shareholders in this scenario. This is achieved through increased reputational value as well as cost savings, with both being ultimately reflected in increased shareholder value.

The nature of investing has changed. The 'rich capitalist owner' has been replaced by pension funds and these funds provide retirement income to ordinary citizens and are major shareholders in many large companies in many countries (Sievänen et al. 2013). Pension funds have particularly blossomed in countries with no or limited government-funded pension schemes, while assets of pension funds are over USD 25 trillion in OECD countries overall (OECD, 2015), thus making pension funds a force that all businesses need to consider. Large shareholders are credited with a better capacity to monitor and take a long-term investment view (Zeckhauser & Pound, 1990). Pension fund members are increasingly influencing investment decisions of funds, and not only in 'ethical' investment funds. An example is a push to 'clean' investments via a bill which has been passed in California that forced that state's biggest pension funds to divest from coal (Chabria, 2015). Another example is the decision by the Australian National University to divest from carbon intensive investments (Taylor, 2014).

Environmental and moral consideration may play a role in these decisions, but there are some concerns about the future of the asset and security of future pension payments. Rob Bonta, a member of the California State Assembly, said: 'Coal is the fuel of the past and it's no longer a wise investment for our pensioners' (Chabria, 2015).

The relationship between CSP and CFP has been explored in dozens of studies and meta-studies (Allouche & Laroche, 2005; Barnett & Salomon, 2006; Callan & Thomas, 2009; Orlitzky et al., 2003; Waddock & Graves, 1997). Devinney (2009) referred to it as the 'Holy Grail of CSR research'. This may be linked to the notion that 'doing right should have rewards' as 'CSP advocates yearn to find, and search for, a positive connection' (Rowley & Berman, 2000, p. 400). The rewards of 'doing good' may be intrinsic, extrinsic or image enhancing (Ariely et al., 2009).

As mentioned earlier, the question of whether there is a link between CFP and CSP or not, is not resolved in its entirety.

Selected meta studies are summarised in Table 1.2 and show that the relationship between CSR and financial performance has not been resolved entirely despite the large number of studies that have been undertaken.

Table 1.2 Meta studies – CSP – CFP

Author(s)	**No. of studies**	**No. of observations**	**Result**	
Orlitzky, Schmidt & Rynes (2003)	52	33,873	Positive	CSR indices more closely related than other variables
Allouche & Laroche (2005)	82	57,409	Mostly positive	On average strongly related
Wu (2006)	121	–		Mixed results
van Beurden & Goessling (2008)	34	4,476 3,109 483 Total 8,068	23 positive 9 not significant 2 negative	'time has moved on' newer studies show link
Quazi & Richardson (2012)	52	Same as Orlitzky (2003)	Sample size & methodology contribute to variances in results	Re-examined Orlitzky
Margolis, Elfenbein & Walsh (2009)	251	Not disclosed	'mildly positive relationship'	Questions the research into CSP as such *The overall effect is positive but small (mean r = .13 question if it makes business sense to do good*

The direction of the link between CSP and CFP has also been under discussion. The same applies to the direction of the link between CSP and financial performance. Carroll (1991) argues that companies need to have a solid economic foundation before they can embark on 'higher order' CSR activities, such as philanthropy, CSR and financial performance. This can be interpreted as a 'virtuous circle' — where companies that do 'good' do well finanically and those firms that have a superior financial performance engage in more corporate social responsibility (Nelling & Webb, 2009). Waddock and Graves (1997) attribute this 'virtuous circle' to either 'slack resources' or 'good management': slack resources are considered the result of superior financial performance, which in turns provides the opportunity for a firm to invest in CSR and thus a 'virtuous circle' is established. Good management theorist attribute relationship management with key stakeholder groups leading to superior business performance.

Caroll's CSR pyramid model of 1979 and 1991 is useful here as it shows an integration of the different types of responsibilities of a company. Economic responsibility is considered as the cornerstone or foundation of any CSR involvement, as it is difficult to engage in philanthropy if the firm is facing financial troubles. An example which illustrates this is the decline in philanthropy during the recent Global Financial Crisis (GFC) (Evans & Tzavara, 2012). The second 'step' of the pyramid is legal responsibility, which is viewed as mandatory, followed by ethical responsibility, which is deemed desirable, and at the top of the pyramid, philanthropy, deemed as voluntary. While the model has been in existence for several decades, it addresses issues of relevance today — for example, the issue of product safety can be seen as an ethical requirement or a legal requirement. The recent product recalls by a number of automotive companies, such as Toyota, General Motors and Hyundai, illustrate that the boundaries between 'voluntary' and 'mandatory' recalls are not clear-cut, and what is seen as 'mandatory', legislated by the state, is considered 'voluntary' in other jurisdictions.

1.2.1 Theories used in CSR research

As mentioned, CSR has no accepted theory as such, but CSR research has utilised different 'theoretical lenses'.

Scholars from different disciplines have addressed CSR from varying theoretical perspectives. McWilliams, Siegel and Wright (2006) provide a comprehensive overview of the theories that have been used in CSR research. Theories that have been widely applied to CSR research include agency, stakeholder, legitimacy, institutional, signalling and slack resources theory, as well as theory of the firm, and the resource based view (RBV) of the firm, also referred to as resource based theory (RBT).

The following table (Table 1.3) extends research by McWilliams et al. (2006) and Garriga and Melé (2004 and shows the major theories and provides examples how these theories have been used by CSR researchers

Table 1.3 Theoretical foundation of CSR research and examples of studies

Theory	Key authors	CSR authors	Comment
Agency Theory	Eisenhardt (1989)	Friedman (1970)	'The business of business is business'
		Quazi & O'Brien (2000)	Cross national CSR – using a neoclassical approach
Stakeholder Theory	Donaldson & Preston (1995); Freeman (1984)		Balance between stakeholders (which includes shareholders, consumers, suppliers & employees) & community-based organisations
		Russo & Perrini (2010)	Explored differences in size of firms
		Roberts (1992)	Disclosure practices based in stakeholder theory
		Munilla & Miles (2005)	See CSR as a continuum
		Morsing & Schultz (2006)	Apply stakeholder theory to CSR communication – from one way communication to dialogue
		Jamali (2008)	Applies stakeholder theory to a sample of Middle Eastern firms using an ethical performance scorecard
		Cordeiro & Tewari (2014)	Event study examining environmental CSR of largest 500 US firms
Resource based view of the firm (RBV); Now referred to as: Resource based theory (RBT)	Barney, (1991); Barney, Wright & Ketchen (2001)	Branco & Rodrigues (2006)	CSR seen as a reputational resource
		McWilliams, et al. (2006)	Review paper
		Litz (1996)	Sees CSR as a source for strategic advantage
	Wernerfelt, (1984, 1995)	Strike, Gao & Bansal (2006)	Applied RBV to diversification of US firms in a CSR context
		Smith (2007)	Makes a case for strategically leveraging CSR
Institutional theory	DiMaggio & Powell (1983)	Campbell (2006)	Uses institutional theory to identify causes why organisations engage in CSR
		Campbell (2007)	Relationship between economic conditions and CSR is mediated by institutional conditions
		Doh & Gua (2006)	Compares activism across countries
		Maignan & Ferrell (2004)	Provides an integrative framework that incorporates marketing
		Matten & Moon (2008)	Provides a framework for comparative CSR 'explicit' and 'implicit ' CSR
Theory of the firm	Conner (1991); Cyert & March (1992); Fama (1980)	McWilliams & Siegel (2001)	Provide a demand and supply model for CSR
		Baron (2001)	Strategic CSR to attract consumers
Legitimacy theory	Dowling & Pfeffer (1975)		Business operates in society via a social contract to have 'license to operate'
		Guthrie & Parker (1989)	Non-financial reporting as a means to gain legitimacy
		Hogner (1982)	An investigation of the US steel

			industry over 8 decades
		Branco & Rodrigues, (2008)	Explains CSR reporting through legitimacy and other theories
Signalling theory	Akerlof (1970); Spence (1973)	Robinson, Kleffner & Bertels (2011)	Membership in sustainable indices as a way to signalling leadership
		Mahoney, Thorne, Cecil & LaGore (2013)	CSR reports are they signalling, or a way for firms to 'greenwash'?
		Magness (2009)	Environmental disclosure in the mining industry
Slack resources theory	Bourgeois (1981); Penrose (1959)	Seifert, Morris, & Bartkus (2004)	Corporate philanthropy and slack resources
		Daniel, Lohrke, Fornaciari & Turner (2004)	Meta-analysis of slack resources in a variety of contexts
		Arora & Dharwadkar (2011)	Organisational slack as a moderator in corporate governance and CSR

A review of CSR research shows that early CSR research focused mostly on social, environmental, ethical and stakeholder issues in developed countries (Lockett et al., 2006).

According to Van Marrewijk and Were (2003), cultural differences are considered to contribute to multiple views and levels of corporate sustainability (which includes CSR and CR). Thus, CSP is culture bound: 'a specific action is more or less socially responsible within the framework of time, environment and the nature of parties involved' (Sethi, 1975, p. 59).

Similarly, differences in CSR involvement of firms from different countries can be attributed to differences in business norms, standards and regulatory frameworks. Thus, McWilliams et al. (2006) consider these country differences as a major factor that impacts on a firm's CSR reporting, disclosure and performance. Matten and Moon (2008) have classified these differences as either 'explicit' or 'implicit' and used them to explain differences between CSR in European countries and the US. Beyond 'western' countries, these differences impact on the understanding of governance as part of different business systems in developed and emerging economies Millar et al. (2005).

Ranking and rating agencies provide some guidelines about company performance in different countries. However, the field is further complicated due to globalisation forces that blur the line of what government provide for their citizens and what role multinational companies should play in filling the void (Moon et al., 2011; Scherer & Palazzo, 2011). What is considered 'good corporate citizenship', or expected socially responsible actions, differs between countries, with US companies, for example, engaging more in philanthropy and providing services and assistance which is provided by the State in European countries (Doh & Guay, 2006). An example is the reliance of US institutions, such as universities, hospitals and museums, on philanthropic donations, without which many institutions would not be able to exist (Friedman & McGarvie, 2003). Conversely, in most European countries, this is still considered a responsibility of the state.

Developing countries have started to embrace CSR and research into CSR in developing country settings has explored the differences and similarities in emerging economies (e.g. Dobers & Halme, 2009; García-Rodríguez et al., 2013; Jamali, 2014; Frynas, 2006; Rettab et al., 2009).

Baskin (2006) showed that 53% of the assessed emerging-market companies publish details of their environmental policies and environmental management systems, while the average for high-income OECD countries was only slightly higher at 59%. According to Zheng et al. (2014), firms from emerging economies are either engaging in a compliance or strategic adaption strategy. In their sample of Chinese firms, philanthropy was the main instrument used to engage with outside stakeholders, while sustainability issues were considered more important with stakeholders inside the firm. Legitimacy theory was also used in a study about the relationship between corporate governance and CSR disclosure of Bangladeshi companies (Khan et al., 2013). One of the issues in developing nations is weak institutions. Corruption depletes the resources of weak states. Dobers and Halme (2009) argue, therefore, that CSR in those country settings need to address capacity building to counter those behaviours, which is, however, not discussed in mainstream CSR. Jamali and Mirshak (2007) have examined CSR performance in a developing country context (Lebanon), based on both Caroll's pyramid model and Wood's model of corporate social performance, and concluded that the CSR approach of the sample was 'sketchy and amateurish'. This may be attributable to the nature and size of her sample which did not include companies with a global presence.

1.2.2 Developing/emerging economies — brands and CSR

The question of whether companies from developing economies behave differently has been explored from various angles. Malhotra et al. (2015) developed a number of hypotheses about the differences in service quality between developed and developing countries that highlight differences due to some of Hofstede’s dimensions, as well as factors such as affluence, education, technology, value of time, customer expectation and competition. With a rapidly globalising world, it could be expected that those differences would have diminished in the last twenty years and 'convergence' of the above would happen. If this would be the case, then companies from developing countries (especially large ones), would display a similar relationship between CSR and brand value compared with firms from developed countries. However, Enderwick (2009, p. 10) suggests that emerging economies are '… considerably underdeveloped in terms of brand awareness'. Jin et al. (2013) support this view and argue that national brands are underdeveloped in emerging economies and that global brands have a higher prestige. Consumers in emerging markets who 'subscribe to global lifestyle values' are more likely to prefer brands originating from developed countries and this has led to companies such as Toyota and Coca-Cola receiving more than one-third of their revenue from developing economies (Guo, 2013). The growing middle class in emerging economies has supported growth in luxury goods and 19% of luxury goods are sold in emerging markets and this is predicted to increase to 25% in 2025, with most luxury goods based in developed countries such as Italy, US, France, Switzerland, UK and Spain (Deloitte, 2014).

The increase in consumption of global branded goods in developing countries positively impacts on the brand value in developed countries, creating a 'multiplier effect' as consumers in emerging markets are able — due to increased incomes — to purchase these goods. Brands originating in developing countries are at this stage limited, although Haier, the Chinese whitegoods producer, is one company that is making inroads into global markets, even acquiring Japanese whitegoods maker, Sanyo (Crainer, 2015). It has been suggested that firms from developing countries have leveraged their supplier origins of established brands and benefit from their late entry into the global market, accelerating their growth (Bonaglia et al., 2007). While being suppliers they have learned to understand the importance of sustainable supply chains. For example, in the fashion industry suppliers need to comply with international standards, such as labour standards, with mixed results (Yu, 2008). Reporting about sustainable supply chain management is becoming therefore more important to ensure standards are adhered to (Turker & Altuntas, 2014).

1.2.3 CSR reporting

While companies may be 'doing' CSR, it is equally important to report their engagement with society to their stakeholders. For this reason CSR reporting has flourished over the recent decades (Corporate Register), with the percentage of US companies that report their CSR initiative increasing from 74% in 2008, to 83% in 2011, and in the UK the percentage has risen from 91% to 100% (KPMG, 2011). Reporting has also increased in both developing and emerging economies (Belal & Momin, 2009).

Conducting business according to ethical and moral standards is one dimension of CSP, however most research relies on reporting of companies about their CSR initiatives either in annual reports or stand-alone CSR reporting, despite increasing criticism and questioning about the underlying motives of disclosure (Fooks et al., 2013; Mahoney et al., 2013). CSR reporting has shown different themes emerging between countries. Chen and Bouvain (2009) analysed the CSR reports of companies from the US, UK, Germany and Australia and showed a significant difference in emphasis in reporting themes and CSR activity between those countries. For example, German reports focused more on social aspects while US reports focused on environmental issues. Since the late 1980s research has shifted to include countries from developing nations (Fifka, 2013).

But despite these reservations about the motives behind reporting, the principles of Carroll's (1979, 1991) model have now become part of international voluntary codes of conduct, such as the United Nation's Global Compact. Stakeholder theory has made a contribution to the field by pointing out that different dimensions of CSR are relevant to different stakeholder groups, for example consumer and employees value and demand different aspects and attributes of CSR (McWilliams & Siegel, 2001).

They are also reflected in the guidelines of the Global Reporting Initiative (GRI) which has become the 'quazi' standard for CSR reporting (Herzig & Schaltegger, 2011) as the globalisation of the world economy demands some form of measures that can transcend national culturally-based judgements.

GRI reporting requires companies to report on different dimensions of CSR using three main indicators: economic, environmental and social. Each of those CSR performance indicators consists of core and additional indicators. For example, companies are required to report on 10 core economic indicators, 16 environmental indicators and 24 social indicators — a total of 50 core indicators plus 47 additional indicators, thus providing a comprehensive framework for CSR reporting that addresses various stakeholder concerns (Moneva et al., 2006).

Ratings and ranking systems, such as CSRHub (used for the three papers included in this thesis), incorporate reports by companies in their evaluations of CSP. The Global Compact (GC) and the GRI have set out to provide companies with a framework to report their CSP.

These frameworks have simultaneously been both acclaimed and criticised by NGOs and researchers (Berliner & Prakash, 2014; Kell, 2005; Rasche & Waddock, 2014; Ruggie, 2001; Prakash et al., 2014). Criticism has been focussed on the match between reporting and actual behaviour, although assurance of truthfulness in reporting by third parties is increasing, and aims to overcome this trust deficit (Manetti & Becatti, 2009).

The GRI reporting framework concentrates more on the 'mechanics' and 'how' of reporting, and has been criticised with regard to balance and impartiality of reporting (Hahn & Lülfs, 2014; Sridhar, 2010). Increasingly, sustainability reporting is undertaken by firms from developing countries, particularly from Asia and South America (Barkemeyer et al., 2015).

But despite these criticisms, apart from the ISO 26000:2010 (ISO, 2010b), the GRI is considered to be the most influential framework for sustainability and social responsibility reporting (Isaksson, & Steimle, 2009; Chen & Bouvain, 2014) and thus the data in this research follows closely the GRI principles and aligns with the GRI CSR categories. This alignment is shown in more detail in this chapter's methodology section (Section 1.7).

1.3 Reputation and brand value

In line with the resource-based view of the firm, corporate reputation can be considered an asset for a firm that leads to competitive advantages (Roberts & Dowling, 2002) and is considered essential for business survival (Abratt & Kleyn, 2012). Reputation is considered one of the elements of intangible resources, which also include innovation, human capital and culture (Surroca et al., 2010). A large German study examined the link between corporate reputation and financial performance and showed the effect of reputation on financial performance (Eberl & Schwaiger, 2004). Similarly, Roberts and Dowling (2002, p. 1077) point out that the '… reputation-performance effect may operate in both directions: a firm's financial performance affects its reputation and its reputation and its reputation affects its performance'. While this view is intuitive, an Australian study found that no link between reputation and financial performance was evident (Inglis et al., 2006). I consider that reputation is closely linked to brand value and see reputation as a 'precursor' to brand value. The role that CSR plays in building reputation and ultimately brand value has so far not been widely researched, however Fan (2005) sees a clear link between 'ethical' branding and corporate reputation. Research has focused on consumer-based brand equity and studies have shown a link between consumer brand evaluations

(Klein & Dawar, 2004). One of the challenges has been how to communicate these CSR activities effectively (Du et al., 2010).

Integrating CSR as a ‘core’ characteristic or attribute into brands is a trend that has emerged in the last decade. Evidence for this is the prominent display on company websites of CSR- related issues, which is then reinforced in both product and corporate brand advertisements — I propose to call this ‘CSR infused’ branding, which provides product differentiation and can be considered as a strategic advantage. An example of a brand that has been infused with environmental credentials is the Toyota Prius. Another example is the ‘Blue Motion’ branding attempt of Volkswagen for their low emission and low consumption cars, with their entire diesel engine powered range of cars being 'infused' with this sustainability and environmental credential. However, Volkswagen is now struggling with consumer lawsuits and large fines due to their conduct in the wake of their falsified emission's test results for their diesel range (Russel et al., 2015). The question of whether the corporate brand is suffering, or if the reputation of the firm is being affected by scandals (as such which have been experience by the German technology company Siemens) has been posed by Fisher-Buttinger and Vallaster (2011). While reputation management and brand management are considered separate disciplines, they are at the same time closely intertwined (Bickerton, 2000). Having products with ‘environmental’ credentials is easier to communicate compared to the complex constructs of CSR. Environmental friendliness is however only a small aspect of CSR. The growing support of companies for good causes, such as the support for Red Nose Day in Australia to support Sudden Infant Death Syndrome (SIDS) research, or the world-wide marketing of ‘pink’ merchandise to support breast cancer research, are signs that CSR infused branding is starting to emerge in mainstream marketing. While many causes are worthy, businesses evaluate causes for best fit with their corporate brand (Till & Nowak, 2000). Another example is the fast-food chain, McDonald’s, providing funding for ‘Ronald McDonald House’, a place that enables parents of sick children to stay close to the hospital in heavily subsidised accommodation. Companies engage in these activities as it is assumed that firms that are involved in CSR are seen as more reliable and their products may be viewed as being of higher quality (McWilliams & Siegel, 2001). While the provision of accommodation for parents of sick children appears laudable, in some case there may be negative effects. This was the case when McDonalds experienced strong opposition in Norway — from local communities, political parties and doctors — when they wanted to build a Ronald McDonald House. Instead of creating good will, the opposite was created, thus an understanding of how CSR activities are perceived in different country contexts (Br∅nn, 2006).

1.3.1 Linking brand value and CSP

Brand value is considered as one of the major contributors to enterprise value (Madden et al., 2006). Thus an increase in brand value will impact on the market value. Paper 2 provides defintions and delineations between reputation, brand equity and brand value. The three papers propose that CSR is one of those factors that will have an impact on brand value. Linking CSR performance to brand value has been done in a variety of ways: as *conceptual* papers (Middlemiss, 2003; Werther & Chandler, 2005) and *empirical* papers, using surveys of consumers or firms (Hur et al., 2014; Lai et al., 2010). Other studies have relied on *panel data,* such as CSRHUB, KLD, Interbrand and BrandFinance, in their research (Bouvain et al., 2013; Melo & Galan, 2011; Torres et al., 2012). Lai et al. (2010) have investigated how brand equity is related to CSR and have found a positive link in their study of Taiwanese industrial companies.

Table 1.4 provides an overview of the studies that have linked brand value and CSR.

Table 1.4 Research linking brand value and corporate social responsibility

Author(s)	**Title**	**Sample/method**	**Comments**
Torres et al. (2012*)*	Generating global brand equity through corporate social responsibility to key stakeholders	Panel data Interbrand and SGP database 57 brands from 10 countries –(US, 35 firms; Germany, 6; UK, 2; Switzerland, 1; Korea, 1; Italy, 1; Netherland, 1) 2002 – 2008 Regression analysis	Positive relationship (uses for each company 5−6 observation years
Middlemiss (2003)	Authentic not cosmetic: CSR as brand enhancement.	Interviews with CEOS	Conceptual paper
First & Khetriwal (2010)	Exploring the relationship between environmental orientation and brand value: is there fire or only smoke?	Panel data 18 firms (Interbrand data) Categorisation Leaders, performers, advocates and laggards Correlation	Single industry Only environmental performance measured, results- not conclusive
Melo & Galan (2011)	Effects of corporate responsibility on brand value	54 US companies Interbrand 2001−2006 Panel data: KLD data Thompson World Scope	Used brand value as a measure of financial performance, shows positive relationship
Lai et al. (2010)	The effects of corporate social responsibility on brand performance: The mediating effect of industrial brand	179 Taiwanese companies survey Lisrel	Industrial customers- positive effect

	equity and corporate reputation		
Hsu et al. (2013)	Empirical study on the investment performance of intangible assets a further consideration between corporate social responsibility value and brand value	top 100 brands in Interbrand plus Fortune best companies to work	Compares hypothetical portfolio of companies in both lists and finds companies in the Interbrand top 100 outperform the SP 500
Hur et al. (2013)	How CSR leads to corporate brand equity: Mediating mechanism of corporate brand credibility and reputation	867 consumers in South Korea Structural equation Modeling	Showed effect on brand credibility- based in a consumer brand equity paradigm
Surroca et al. (2010)	Corporate responsibility and financial performance: The role of intangible resources	599 industrial firms of the Sustainalytics platform	Measure intangibility- reputation, human capital, culture an innovation– not brand value

A study of 54 US companies by Melo and Galan (2008) found a link between CSR and brand value. Their study also revealed that CSR initiatives have a long term impact on a firm's performance. They ran several models and found that they needed to combine some CSR elements into a single construct to provide significance. Torres et al. (2012) used panel data for 57 firms from 10 countries and showed in their longitudinal study that CSR has a positive effect on brand equity, and that the positive effect was especially strong when local communities were addressed through CSR initiatives. The research by both Torres et al. (2012) and Melo and Galan (2011) was based on relatively small sample sizes and included companies from developed countries. My research extends not only the sample size, but includes companies from developing countries and shows differences between firms in developed and developing countries.

CSR has also been seen as 'brand insurance', as Werther and Chandler (2005) suggested in a conceptual paper. In another conceptual paper Middlemiss (2003) suggests that CSR is becoming more important in creating brand value for global companies. Hur et al. (2014) investigated the relationship between brand credibility, brand equity and corporate reputation using a survey of consumers in South Korea and showed that CSR has both a positive effect on brand credibility and reputation.

Surroca et al. (2010) examined the broader concept of 'intangibles' (of which brand is an element) and how it mediates the relationship between CSR and intangibles and they found no direct relationship to financial performance but confirm the mediating effect of intangibles. The impact of country was not part of Surroca et al.'s 2010 study. Most of the studies are based on firms located in western countries, and thus cannot be generalised in a global context. Besides investigating the role of brand value in the relationship between CSP and CFP, extending the investigations to developing and emerging economies is one of the contributions of the three papers. Based on CSR research that acknowledges CSR differences due to country differences (Chen & Bouvain, 2009; Gjolberg, 2009; Matten & Moon, 2008), this study extends this to the mediating factor of brand value.

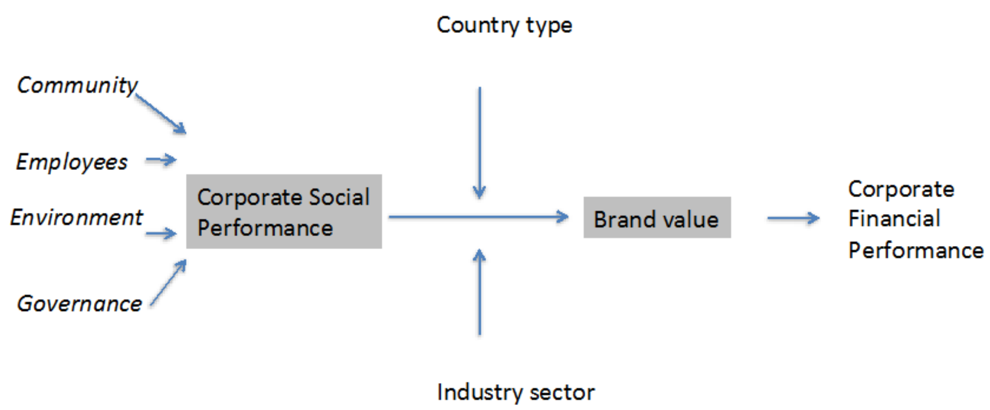
Most studies that explore the link between CSR/CSP and brand value show that CSR/CSP has a positive impact on brand value.

All three papers are based on the relationship between CSP (based on four CSR variables) and CFP and show that brand value matters in this relationship. It also shows that brand value contributes to enterprise value/market capitalisation and that country differences are relevant in this relationship.

The conceptual model (Figure 1.1) shows this relationship.

Figure 1.1 Overall conceptual model

Figure 1.1 Overall conceptual model



1.4 Research objectives

This thesis has several objectives which will be addressed in three papers, which are provided in chapters 2, 3 and 4. The main objectives are to:

1. Review and study the relevant literature on:
    - Corporate social responsibility, (CSR)
    - Corporate social performance and corporate financial performance (CSP and CFP)
    - Reputation,
    - and equity and brand value
2. Propose and test brand value as a mediating factor in the relationship between CSP and CFP
3. Examine country differences in the relationship between CSP, brand value and CFP
4. Examine industry specific factors in the relationship between CSP, brand value CFP.
5. Re-examine the business case for CSR

1.5 Research contribution

Firstly, this research contributes to the CSR, CSP, CFP and brand value and reputation literature in several ways: it proposes that the relationship between CSP and CFP is mediated by brand value.

Secondly, this study makes several contributions to the literature by showing that regional differences are critical in the realm of the relationship between CSP, brand value and CFP. It shows that different CSR variables have varying impact on the relationship.

Thirdly, this research contributes to broadening and deepening our understanding of the differences between developed and developing country in terms of the relationship between CSP, CFP and brand value.

Fourthly, this study examines industry differences in the relationship between CSP and CFP and brand value and provides explanations, based on the extant literature for these.

Fifthly, the thesis r-examines the business case for CSR and shows that brand value matters, but is determined by country and industry differences.

Specifically, the suite of papers confirm the literature, make new contributions to the literature as well as offering new qualifying contributions:

a. Brand value is a major contributor to shareholder value. *This confirms the literature.*

b. Brand value is a contributor to market value both in developed countries (this has already been established in the literature) this is considered *a new contribution* to the literature by showing that this is evident in emerging economies (in paper 2).

c. Employee and environmental dimensions are confirmed for banks in developed countries; of the four elements, only 'community' (consisting of quality, philanthropy and community engagement) has been proven for China, but not for other developing or developed markets, this is considered *a new contribution to the literature (in paper 1).*

d. Banks have global presence, however they are rooted in the institutional norms of the country in which they are headquartered, thus different CSR dimensions are driving brand value in different countries. *This confirms that CSR differs according to situational settings, confirming Sethi (1975) empirically.*

e. The business case for CSR is shown valid for developed countries, but not for developing markets, *this a qualifying new contribution.*

Overall, this research contributes to both theory and practice in the understanding of how brand value as a mediator influences the relationship between different CSR variables corporate financial performance. This research makes contributions to the literature in the developed and developing country settings, thus extending the literature by including firms from a developing country context. According to Salzmann et al. (2005), combining both industry and country effects has been lacking in this research area. This study confirms the 'business case for CSR' for some CSR variables in developed country settings, but questions if the same is applicable in a developing country setting, thus opening up a new quest for the 'holy grail' research (Devinney, 2009). The wishful thinking (to which I wholly subscribe) that doing good will be rewarded by financial performance, has only been partly supported by the results of the three studies and opens up new avenues for research.

1.6 Data and methodology

1.6.1 Sample selection and data description

The first two studies are based on a single industry sector. The advantage of single industry studies in this field is that it avoids industry idiosyncrasies (Daniel et al., 2004). Banks were chosen as the single industry sector as banks have been under scrutiny about their conduct. The final paper is a multi-industry sector study.

Panel data was used for the three studies that were conducted. Secondary data, such as the one type used in the three studies, has been utilised by the majority of CSR researchers (Taneja et al., 2011).

The foci of this research are large firms and this is for a number of reasons. These firms are included in brand valuation rankings, and they are also more likely to publish CSR reports and to be included in CSR ranking and ratings as they possess greater capacity to communicate and report their CSR practices compared to SMEs (Baumann-Pauly et al., 2013). Companies were selected based on brand value and were sourced from either the top 500 companies worldwide based on brand value, or the top 100 /50 companies based on brand value in a particular country. CSR data was sourced from CSRHub, which is aligned with the Global Reporting Initiative (GRI), the most widely used framework for CSR reporting (Chen & Bouvain, 2014; Morhardt et al., 2002).

Three data sets were created, based on a total of 1046 observations. The first study consists of 84 banks from East Asia and the US, the second paper includes 335 banks from both developed and developing countries, and the final paper is based on a sample of 627 companies. In this sample there are a total 408 companies from developed countries, 121 are from the US and 219 firms originated in developing countries of which 159 are from the emerging BRICS economies. For the country groupings the International Monetary Fund (IMF) classification of advanced economies (IMF, 2012) was used for the developed country classification. The standard industry classification (SIC) was used and amalgamated into seven sectors (consumer, finance, raw material, energy, industrial, services and technology). The companies were then further categorised as either consumer-oriented companies or business-to-business (B2B) companies, which resulted in 337 consumer companies and 290 B2B firms. Finance and consumer companies are dominant, followed by industrial companies with and technology companies, services energy and raw material.

The data was provided by BrandFinance (www.brandfinance.com) and CSRHub (www. CSRHub.com).

BrandFinance is considered one of the leading companies in brand valuations, as evidenced by BrandFinance becoming accredited with the ISO 10668 global standard for brand valuations in 2010 (Narayan, 2012). According to the ISO 10668:2010 standard, brand valuations need to include accounting, legal, behavioural and financial aspects (ISO, 2010). Salinas (2011) and Salinas and Ambler (2009) provide an excellent overview about the different methods of brand value calculation. The income approach is most widely used and competitors, such as Interbrand (2012), use a version of this as well. Using discounted cash flow techniques allows researcher to compare brands from different countries and different industry sectors. Enterprise value was used for the mixed industry study while market capitalisation was used for the two single industry studies of the banking sector.

The independent variables are sourced from CSRHUB. As of November 2015, CSRHUB ranks 15249 companies in 135 industries and in 132 countries (www.CSRHUB.com), which makes CSRHUB the largest CSR sustainability ratings and information databases (www.csrhub.com/csrhub-meets-your-sustainability-needs/). The data is sourced from nine of the major socially responsible investment analysis firms, such as SAM, Asset4 and Dow Jones Sustainability ratings, plus information from NGOs and other ratings and ranking organisations. The four dimensions: *community, employees, environment and governance,* are each constructed based on a three subcategories, creating a total of twelve variables.

The data is converted in to a numeric scale of 0–100 and normalised based an analysis of variations between sources (www.csrhub.com/content/csrhub-ratings-methodology/). The advantage of CSRHub indicators is that they are based on GRI reporting guidelines, which is adopted by the majority of the Global 1000 corporations (Isaksson & Steimle, 2009; Reynolds & Yuthas, 2008) and is closely aligned with the UN Global Compact (Isaksson & Steimle, 2009).

1.6.2 Research method

ANOVA and linear regression analysis (using SPSS) was used in the first study. This enabled the exploration of country level effects. The second and third study used structural equation modelling, using AMOS software.

The use of structural equation modelling (SEM) offers a number of advantages compared to other statistical methods (Chin, 1998). The advantage of using SEM is that compared to regression, '*SEM enables researchers to answer a set of interrelated research questions in a single, systematic and comprehensive analysis by modeling the relationships among multiple and dependent constructs simultanously'* (Gefen et al. 2000). It allows the analysis of mean and co-variance structures by using path diagrams. This allows the use of either formative or reflective modelling.

> *'Traditionally, reflective measurement has been applied in causal models in which the observed variables are chosen and measured as they are assumed to be reflective of the prior theoretical latent construct (a process of deductive reasoning). Recently however, formative measurements in which the meaning of the latent constructs is inferred from the configuration of the observed variables (a process of inductive reasoning) have been advocated for SEM'* (Baumann et al. 2011).

Coltman et al. (2008) provide a comprehensive overview of formative and reflective models. I have followed the advice of Bauman et al. (2011) and employ a formative measurement strategy and, in line with Chin (1998), several models were run to deterimine best model fit.

SEM modelling has been used in CSR research using both secondary and survey data. For example Moneva and Ortas (2010) used multivariate models for measuring corporate environmental performance (CEP) and CFP and they see SEM as appropriate as it enables the researcher to obtain the underlying factors via observable factors. This feature enables researchers in CSR research to obtain constructs, which are not directly observable.

The measurement model used is a principal factor model '… where co-variation among the measures is caused by, and therefore reflects, variation in the underlying latent factor' (Jarvis et al., 2003).

We used the accepted method of including the automatic estimation of variances for the independent factors.

To answer our hypotheses we used the alternative model approach in which different causal models are tested to determine best fit (Reisinger & Mavondo, 2007).

A one year lag effects was used in all three studies, although the size of an 'appropriate' lag effect is under debate. Melo and Galan (2011) have used one and two year lags, and Prior et al. (2008) have also lagged some variables to avoid endogeneity problems.

1.7 The outline of the research

The research uses a publication format and includes three papers that were developed during the candidacy. Paper one is a single-industry study, comparing the corporate social performance of banks in East Asia with US based banks.

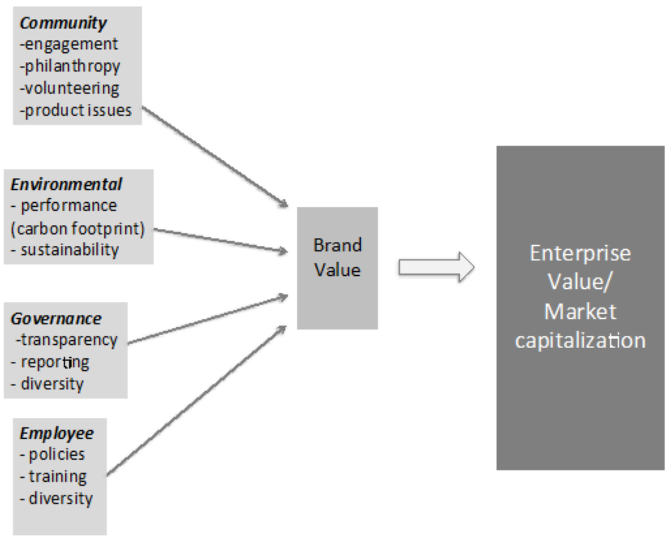
Paper two extends this first study to include 335 banks from around the world, including banks from developing countries, and shows differences in the relationship between CSR variables and market capitalisation mediated by brand value between banks in developed and developing countries.

Paper three is a multi-industry, multi-country study based on 627 of the largest companies based on brand value. Using structural equation modelling (SEM) it shows both industry and country differences between developed, developing and emerging economies.

Table 1.5 provides details of each of the three papers and the research model used.

Table 1.5 Research model and papers[2]

Paper	Title
1	Corporate social responsibility in financial services: A comparison of Chinese and East Asian banks vis-à-vis American banks. Published in 2013 in the *International Journal of Bank Marketing*, 31(6), 420–439.
2	CSR and firm financial performance nexus: Does brand value mediate? Submitted to the *Journal of Business Ethics*
3	CSR and brand value in developed vis-à-vis emerging country settings — divergence, convergence, or crossvergence? Submitted to the *Journal of Business Ethics*



[1] *The research model was adopted for the individual papers: the number of CSR variables was amended and the influence of regional/country and/ or industry dimensions was investigated. Market capitalisation was used in Papers 1 and 2 as it was deemed the appropriate measure for the financial industry sector.*

1.7.1 Paper 1

This paper compares the associations between CSR and brand value in the financial services industry in East Asia (China, Hong Kong, Japan, South Korea and Taiwan) and the USA, based on a sample of 84 major banks. The links between CSR and brand value are tested using ANOVA and multiple regressions. The paper shows that brand value is positively related to CSR for the entire sample, but is associated with distinctively different CSR factors depending on the geographic markets. In Japan and South Korea brand value is associated with a bank's appreciation for its employees, while in China, brand value is linked to a focus on the community. East Asia's culture is rooted in Confucianism, a philosophy that emphasises caring for the 'greater good' (i.e. for the community) and for one's subordinates. In contrast, Americans are more concerned with 'green' issues, and subsequently caring for the environment is associated with brand value. In addition, corporate governance, or regulatory compliance, has a strong relationship with brand value for American banks.

The study emphasises the complexity of global brand management given that eastern and western companies exhibit distinct patterns regarding brand value. Specifically, the study shows that the links between CSR and brand value vary substantially between different countries and regions. This study investigated the association between CSR and brand value and establishes that different CSR aspects are linked to brand value for banks in East Asia and the USA. The study also establishes that CSR is not a universal concept, given that such distinct brand value-CSR links have been found for the different geographic markets under investigation.

The first author of this paper (Ms Petra Bouvain) developed the concept for the paper, identified the data source, collected and analysed the data and wrote the paper. The second and third authors (Dr Baumann and Dr Lundmark) mentored the first author and reviewed the paper. A version of this paper was published in 2013 in the *International Journal of Bank Marketing* (Bouvain et al., 2013).

1.7.2 Paper 2

The second paper extends the research of the first paper by expanding the sample to 335 banks globally. It investigates the relationship between CSP and CFP in a single industry sector, banking. Banks have been under scrutiny lately about their conduct during and after the GFC, and thus the importance to maintain or enhance reputation. The link between CSP and CFP is not conclusively established in the extant literature, but there is a growing consensus among CSR pundits that there should be such a link given the fact that corporations would benefit from doing good in the long run. These rewards include financial, non-financial (e.g. reputation) and social standing. This is appealing to managers of publicly-held companies as it aligns with their fiduciary duties to shareholders, thus creating a 'win-win' situation (Smith, 2007) and supports the business case for CSR (Carroll & Shabana, 2010; Porter & Kramer, 2006). The central question of how much business should be responsible for fixing societal problems has not been resolved (Barnett, 2007). It has also been argued in ethics that such a reward is not necessary as it is imperative to be and do good. The banking industry is different to other industry sectors as banks have a type of 'gatekeeper' and 'multiplier' role through their lending policies.

The study makes some distinctive contributions to the existing literature. Firstly, the mediating effects of brand value in the nexus between *employee* and environmental dimensions and performance is confirmed as significant and positive for banks from developed countries. The mediating effect of brand value in the relationship of *community* and market capitalisation *(*which includes philanthropy, service delivery and human rights issues) is significant but negative. This sheds new light on the relationship and questions if a 'business case' for CSR can be made universally. The relationship between CSP and CFP is not significant. This is significant as it points to the need for further research in a developing and emerging country context to test established conclusions which are based on US or other developed country samples.

The first author of this paper (Ms Petra Bouvain) developed the concept for the paper, identified the data source, collected and analysed the data and wrote the paper. The second and third authors (Dr Baumann and Dr Lundmark) mentored the first author and reviewed the paper. This paper was submitted to the *Journal of Business Ethics* on 24 December 2015.

1.7.3 Paper 3

This paper extends the previous two papers and examines the relationship between CSP and CFP in a multi-industry sample of 627 firms. Devinney (2009) calls the search for this relationship the 'holy grail’ of CSR research. In line with the previous papers, this study proposes that the link between CSR and financial performance is mediated through brand value and extends research by Melo and Galan (2011) by increasing the size of the sample both from developed and developing countries.

The study shows a statistically significant positive link between brand value and enterprise value for firms from both developed and emerging economies. Further, a statistically significant positive link between three elements of CSR (community, environment, employee) for developed countries is shown. Previous research (Melo & Galan, 2011) that showed a statistically significant positive relationship of CSP and CFP for US firms is confirmed. Thus the research supports previous studies that showed a positive relationship between CSR and brand value in a developed country context.

Extending this research to emerging economies demonstrates that those firms do not show this positive statistically significant relationship. While good model fit was achieved for the firms in the BRICS countries, none of the CSR constructs showed a significance with mediated brand value. This points to divergence for this group of firms. There are two possible explanations for this: the first is that CSR is still a ‘western construct’ and CSR ranking and rating agencies rely on reporting, so firms from developing countries may at this stage not lack in being ‘socially responsibly’, but may lack in reporting sophistication. Another explanation is ‘crossvergence’. Different institutional environments will most likely either enable or discourage CSR involvement (Campbell, 2007). The strength of the economy will also play a role, with firms operating in strong economic environments more likely to engage in CSR. Competitive issues are also considered to be a factor.

The research was based on the resource-based view (RBV) as one of the theoretical bases, which is the idea being that CSR engagement is unique to a firm and difficult to replicate. This CSR engagement will increase reputation and consequently enhance, or ‘infuse’, the brand with CSR, making it hard to copy the product or service. The idea in marketing has always been to establish long-term relationships and brand loyalty, thus creating a ‘virtuous circle’. The study shows that in both developed and emerging economies, brand value is significantly related to enterprise value. As Carroll (1991) has shown, companies with a solid economic basis are then able to engage in CSR and thus further enhance their performance.

What this shows is that this has been proven for developed countries (as previous research has done) but the picture for developing countries is more diverse, and thus ‘borrowing’ the concept of crossvergence (Jamali & Neville, 2011; Ralston, 2008; Ralston et al., 1997) explains those differences.

A second possible explanation is that brands take time to mature to gain equity. Wood (2000) advocates, therefore, a strategic approach for managing brands as long-term assets. Many of the brands in the US have been around for decades, thus are considered mature brands. US companies have been able to develop skills in managing brands and to take local brands to a global market. My study supports this conclusion, brand maturity influences the strength of the impact of CSR.

Brands from emerging economies, on the other hand, have not been able to ‘globalise’ their brands. BRICS and developing country firms have concentrated on manufacturing efficiencies instead of marketing. Further research, using a singular industry sector, will provide insights into the dynamics of the relationships between CSR and branding in industry sectors rather than country settings.

The first author of this paper (Ms Petra Bouvain) developed the concept for the paper, identified the data source, collected and analysed the data and wrote the paper. The second and third authors (Dr Baumann and Dr Lundmark) mentored the first author and reviewed the paper. This paper was submitted on the 31 March 2015 to the *Journal of Business Ethics* and is currently under review (as of 16 March 2016).

Table 1.6 provides a synthesis of the three paper and their contribution to the literature.

Table 1.6. Synthesis of the three papers an their contribution			
	Paper 1	**Paper 2**	**Paper 3**
Geographic Sample	East Asia plus US	World wide	worldwide
Stratified samples	no	Developed/ developing	Developed countries, including US; Emerging economies, including BRICS US BRICS
Sample size	84	335	624
CSR dimensions	4	12 combined into 4	4
Industry sector(s)	Single industry sector: banking	Single industry sector; banking	Multi industry sectors: combined into 6 sectors: Consumer Energy Finance Industrial Raw materials Services
Method	Anova and Regression	SEM	SEM
Contributions That confirm Existing literature *In all three papers*	Brand value contributes to shareholder value in western countries	Brand value contributes to shareholder value in western countries	Brand value contributes to shareholder value in western countries
New contributions *In all three papers*	Brand value contributes to shareholder value in developing countries	Brand value contributes to shareholder value in developing countries	Brand value contributes to shareholder value in developing countries
New contributions *Different in the three papers*	Different CSR dimensions have different impact and magnitude in China, US and East Asian countries due to cultural factors	Mediating effect of brand value confirmed for employee and environmental dimensions for banks from developing countries Community is significant but negative	Three dimensions of CSR (community, environment and employee) is significant in the relationship, for developed country but none significant for developing countries

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CHAPTER 2: ARTICLE 1

Corporate social responsibility in financial services: a comparison of Chinese and East Asian banks vis-à-vis American banks

2.1 Abstract

Purpose – This study compares the associations between corporate social responsibility (CSR) and brand value in the financial services industry in East Asia and the USA.

Design/methodology/approach – A sample of 84 major banks in East Asia (China, Hong Kong, Japan, South Korea and Taiwan) and the USA is used to test the links between CSR and brand value using ANOVA and multiple regressions.

Findings – Brand value is positively related to CSR for the entire sample, but is associated with distinctively different CSR factors depending on the geographic markets. In Japan and South Korea brand value is associated with a bank's appreciation for its employees, while in China, brand value is linked to a focus on the community. East Asia's culture is rooted in Confucianism, a philosophy that emphasises caring for the 'greater good' (i.e. for the community) and for one's subordinates. In contrast, Americans are more concerned with 'green' issues, and subsequently caring for the environment is associated with brand value. In addition, corporate governance, or regulatory compliance, has a strong relationship with brand value for American banks.

Research limitations/implications – The study emphasises the complexity of global brand management given that eastern and western companies exhibit distinct patterns regarding brand value. Specifically, our study shows that the links between CSR and brand value vary substantially between different countries and regions.

Originality/value – This study investigates the association between CSR and brand value and establishes that different CSR aspects are linked to brand value for banks in East Asia and the USA. The study also establishes that CSR is not a universal concept, given that such distinct brand value-CSR links have been found for the different geographic markets under investigation.

Keywords – Brand value, China, East Asia, Korea, Japan, Employees, Community, Confucianism, Environment, Corporate governance, Compliance, Corporate social responsibility, CSR

2.2 Introduction

Since the onset of the global financial crisis (GFC) in 2008, a heightened awareness of the importance of ethics and corporate social responsibility (CSR) in business practices has led to increased scrutiny of the behaviour of firms and their role in society (Carroll & Shabana, 2010). Banks in particular came into the firing line given their direct involvement with the GFC (Visser, 2010; Crotty, 2009; Emeseh et al., 2009). For example, the 'Occupy' protests on Wall Street and in other financial centres around the world indicate that communities are now concerned about the conduct of corporations in the financial sector (Brammer et al., 2012) and that CSR has become an issue in the international banking industry (Scholtens, 2009). In fact, the GFC has harmed the reputation of many financial institutions if not the industry overall, and this effect is exacerbated because governments had to bail out, using tax-payer funds, some banks in the American and European markets (Gropp et al., 2011). A recent survey (CSFI, 2012) showed that CEOs of banks from around the world are increasingly concerned about new regulations leading to closer scrutiny of banking products/services and conducts.

Despite growing managerial interest in CSR in the financial service sector, the relationship between CSR and the performance of banks is under-researched. Although there has been much research on the links between CSR and corporate financial performance in general (van Beurden & Goessling, 2008; Wu, 2006; Allouche & Laroche, 2005), it is not clear whether results can be applied to the financial services sector. In fact, specific industry contexts in different studies may be one factor contributing to mixed results in previous research on the links between CSR and corporate financial performance, and it is recommended that future studies focus on single industries (van Beurden & Goessling, 2008; Chand, 2006). Therefore, additional research is needed to determine the relationship between CSR and organisational performance in the financial services sector.

CSR is a broad construct that has several aspects (Carroll, 1991, 2000). Garriga and Mele´ (2004) have categorised the various CSR streams into four theories: instrumental, political, integrative and ethical. Instrumental theories are characterised as concentrating on the wealth creation aspect and political theories are concerned with the relationship between the corporation and society. Integrative theories argue '… that business depends on society for its continuity and growth and even for the existence of business itself (Garriga & Mele´, 2004). In essence, ethical theories are based on the belief that social responsibility is an ethical obligation.

CSR may refer to philanthropy and corporate citizenship (Matten et al., 2003) or to ethical responsibility (Windsor, 2006), which is seen '… as a strategic lever for increasing corporate reputation …' (p. 93). In addition, CSR can be associated with differences in business practices, such as environmental concern (Lyon & Maxwell, 2008), corporate governance (Jamali et al., 2008) or labour sourcing, especially in developing countries (Kolk, 2005). Not all of these aspects may be equally relevant in the financial services sector; however, in a study of Spanish banks it was shown that CSR was one of the factors that influenced the corporate image that customers had of the bank (Bravo et al., 2009).

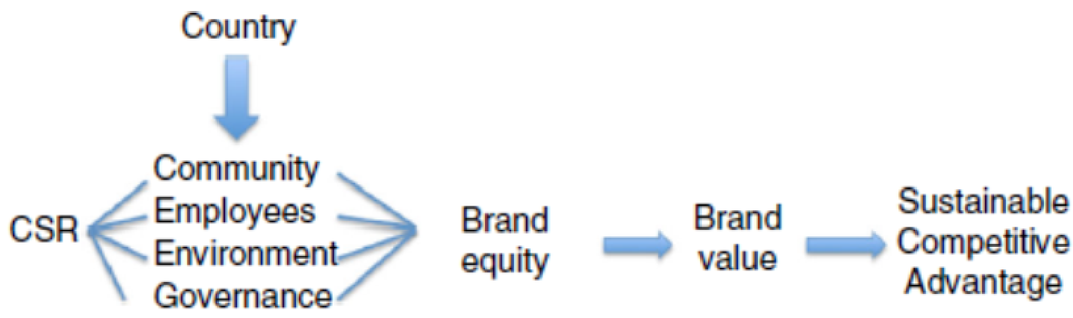
How customers perceive CSR may also vary across cultures, and previous research shows that CSR is often conceptualised differently across countries (Chen & Bouvain, 2009; Chapple & Moon, 2005). Therefore, the aim of this study is to investigate the relationship between aspects of CSR for banks in a variety of cultural settings.

Previous research has primarily focused on CSR in western economies (e.g. Doh & Guay, 2006; Hedberg & von Malmborg, 2003). Our study compares banks in the East Asian markets (China, Taiwan, Japan and South Korea) to American banks. This comparison is interesting for several reasons. First, whereas western banks, especially in the USA, have been severely affected by the GFC, banks in East Asia experienced a similar crisis a decade earlier. The 1997/1998 crisis in the Asian financial systems was caused by a number of factors, such as lack of transparency (Fons, 1999), structural issues, over-lending and a 'herd mentality', which exacerbated the crisis (Corsetti et al., 1999). This makes East Asia an interesting place to scholarly investigate as many of the issues currently facing the financial sector elsewhere have already received media attention for quite some time in East Asia, but more academic work is needed. Chinese banks are useful to study not only because of the sheer size and growth of their home market, but also because they have long entered foreign markets such as the USA, Canada, Australia and Europe. Furthermore, there is growing macroeconomic interdependence between the East Asian and major industrial economies (Kim et al., 2011).

Although we acknowledge that CSR can influence organisational performance in a number of ways, we focus on brand value, which is considered one of the main measures of the value of intangibles. Research suggests that brand equity is instrumental in generating future cash flow, which is critical for the survival of the firm (Aaker, 1991). Furthermore, brands contribute substantially to the value of a corporation (Barth et al., 1998; Fombrun, 1996).

Specifically, our paper examines the extent to which four sub-components of CSR (environmental performance, community involvement, governance and employee management) are related to the brand value of banks. Our proposition is that within the financial services sector there are country-level differences in CSR practices and that the links between CSR and brand value vary between countries. Figure 2.1 shows the conceptual model of the study.

Figure 2.1 Conceptual model



Hall (2006) identified intangible resources, such as brands, as a source of competitive advantage. Grant (1991) identified the importance of intangibles to the set of resources that contributes to competitive advantage and highlighted the difficulty in valuating those intangible assets. Hunt (1999) highlighted the fact that social welfare is becoming an issue for a sustainable competitive advantage; being able to engage with stakeholders effectively (one of the core ideas of CSR) can increase brand value and ultimately lead to superior financial performance.

2.3 Literature review

The CSR literature can be categorised into those papers that are conceptual and attempt to contribute to a theoretical framework of CSR (Carroll, 1991, 2000; Garriga & Mele´, 2004), and those that explore the link between CSR and financial performance (CSP) and make 'the business case for CSR' (Carroll & Shabana, 2010; Porter & Kramer, 2006) and those that explore country or industry difference in CSR (Maignan, 2001; Quazi & O'Brien, 2000; Williams & Ho Wern Pei, 1999).

2.3.1 The business case for CSR?

Milton Friedman (1996) has argued that business only serves one purpose, and that is to generate and increase profits within the legal framework in which a business operates: '… there is one and only one social responsibility of business − to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud' (p. 245).

Porter and Kramer (2006) and Carroll and Shabana (2010) have suggested that there is 'a business case' for CSR. In order to make this case, CSR needs to contribute to the overall profit of the firm. Porter and Kramer (2006) advocate an integration of CSR into business strategy and view CSR as a competitive advantage. This is an important point as we aim to show that the link between CSR and financial performance is achieved via brand value. A distinction between 'responsive' and 'strategic' CSR is made in the literature, with the former defined as 'good citizenship' and the latter as being involved in transforming '… value-chain activities to benefit society while reinforcing strategy' (Porter & Kramer, 2006, p. 11). CSR thus contributes to performance not just through enhanced reputation but also through efficient internal processes. The financial community is starting to show interest in companies that act responsibly and investment funds that scrutinise investments have grown rapidly (Buckingham et al., 2011; EIRIS, 2005).

2.3.2 Corporate social performance (CSP)

CSR can be seen as a continuum that evolved into CSP in the 1970s (Carroll, 1979) and has since been refined several times (Carroll, 1991, 2000). In essence, Carroll's model in its original form is based on economic, legal, ethical and discretionary responsibilities and addresses, for example, environmental concerns, discrimination of workers, product and occupational safety.

Van Marrewijk and Werre (2003) identify multiple levels of corporate sustainability value systems in different institutional structures, in line with Sethi (1975) who pointed out that CSP is culture bound.

We consider this as a guiding principle for our overall hypothesis that CSR will differ between geographic regions such as East Asia and America.

2.3.3 CSR in a global context

Doh and Guay (2006) explored country-level differences in CSR, comparing the US and European companies. Garriga and Mele´ (2004) stressed that CSR may have different meanings in different countries. One example of an element of CSR being viewed differently across countries is philanthropy. US companies consider philanthropy as being nearly a synonym for CSR, and subsequently report significantly more about their philanthropic activities compared to German or Australian companies (Chen & Bouvain, 2009). American companies' engagement in philanthropy includes donations to assist educational institutions and arts organisations and the support of disadvantaged individuals. In many European countries these functions are considered to be the role of the State, and not the responsibility of the corporation. Matten and Moon (2008) identified two streams of CSR: 'explicit' and 'implicit'. They conceptualise the European view of CSR as an 'implicit' element of the institutional framework of corporations while in the USA it is seen as an 'explicit' element of corporate policies (Matten & Moon, 2008).

Many studies have explored the link between CSR and financial performance (e.g. Margolis et al., 2007; Eberl & Schwaiger, 2004; Roman et al., 1999; Griffin & Mahon, 1997; McGuire et al., 1988) and the findings have been mixed. For example, in a meta study of 34 papers van Beurden and Goessling (2008) found that 23 of the studies that examined the link between CSR and financial performance showed a positive link, nine found no significant link, and two showed a negative link. However, Orlitzky et al. (2003) found mostly positive links, as did Allouche and Laroche (2005) and Wu (2006); however, these links were not strong. Based on these meta studies it can be said that the 'business case' for CSR has not yet been conclusively established via empirical means and more work using a global framework is needed to establish the nature of the link, if any.

We propose that the four CSR components (employees, environment, community and governance) identified in the literature contribute to explain brand value, but we also hypothesise that there are differences in how these components 'drive' brand value, derived from increased reputational value across geographic markets.

2.4 Importance of reputation

Helm (2007) identifies three streams of literature addressing the role of corporate reputation in financial markets. One stream shows that firms with stronger reputations will generate higher profits over time, another examines the role of reputation in individual investment decisions, and the third deals with the impact of reputation on the behaviour of customers in financial markets.

Companies know that a good reputation is important for their future financial performance and that brands can contribute significantly to the value of corporations (Joshi & Hanssens, 2010; Jones, 2008; Srinivasan & Hanssens, 2008; Eberl & Schwaiger, 2004; Barth et al., 1998; Fombrun, 1996; Aaker, 1991; Sethi, 1975). According to data from the global consulting firm Accenture (Ballow et al., 2004), the value of S&P 500 companies' intangibles has increased from 38% of total company value in 1982 to 84% in 1999. This was supported by Milward Brown Optimer (2008) that compared a portfolio of the top 100 public brands with the S&P 500. The value of the BRANDZ top 100 high-value brand companies increased by 14.8% whereas the S&P 500's value increased just 3% from August 2006 to April 2008. Similar results were reported by Fehle et al. (2008), based on secondary data from Interbrand's most valuable brands lists: companies with strong brands performed better than those with weaker brands. In an empirical study, Madden et al. (2006) showed a similar relationship.

It is acknowledged that brands play an important role in generating shareholder value, but how to account for this value is still contentious (Seetharaman et al., 2001). While this is important for all companies, intangible assets such as reputation, or brand equity/value, are essential success factors in the financial industry (Helm, 2007; Deephouse & Carter; Fombrun & Riel, 1997).

Previous studies have linked CSR performance to brand value. Lai et al. (2010) investigated how brand equity is related to CSR and have found a positive link in their study of Taiwanese industrial companies. A study of 47 large US companies using secondary data from KLD Research and Analytics and Interbrand found a link between CSR and brand value and showed that CSR can be considered a source of intangible competitive advantage (Melo & Galan, 2008). The study also revealed that company size had an impact on performance and showed that CSR initiatives could have a long-term effect on a firm's brand value. Using panel data from SGP and Interbrand, Torres et al. (2012) similarly showed a positive effect of CSP on brand value in a study of 57 global brands. They argued that CSR might affect brand value by increasing customer loyalty and brand preference and by influencing the financial performance of a brand (Torres et al., 2012).

2.4.1 CSR in the banking sector

Western banks, especially in the USA, have been severely affected by the GFC, culminating in the demise of the Lehman Brothers investment bank. A decade earlier, banks in East Asia experienced a similar crisis, but they managed to adapt more rapidly. The 1997/1998 crisis in the Asian financial systems was caused by a number of factors such as structural issues, over-lending by banks and a 'herding' mentality which exacerbated the situation (Corsetti et al., 1999) as well as a lack of transparency (Fons, 1999).

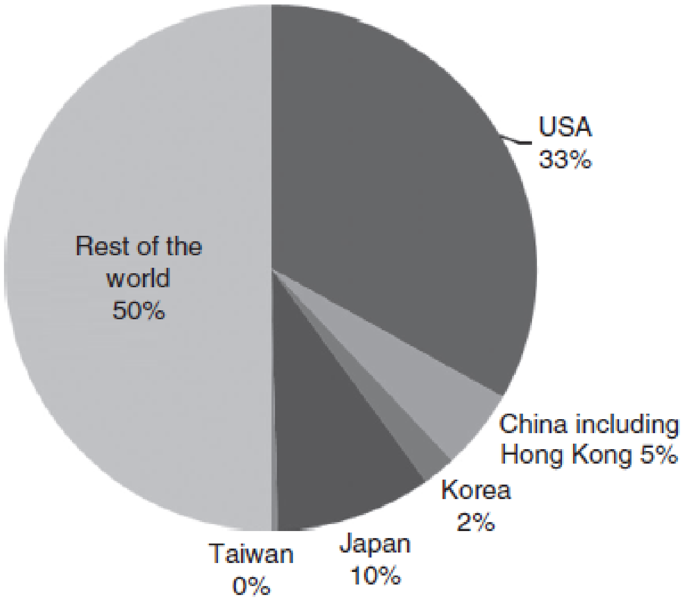
China, Taiwan and South Korea have experienced rapid growth in last three decades and have quickly emerged from the 2008/2009 crisis (Lee & Hong, 2012). At the same time, the GFC affected the philanthropic activities of western companies, that is, they reduced their donations as a result of budget cuts (Rossouw, 2012). The CSR scores of Japanese banks are lower than those in the other countries; this maybe partly due to Japan experiencing economic stagnation for over a decade (Tyers, 2012), and due to the fact banks had concerns other than those related to CSR.

2.4.2 Brand value: country differences

The USA is dominant in branding overall with a third (33%) of global brands being US-based (based on data from BrandFinance). However, on the list of the top 500 global bank brands, the share of US banks is only 18%. This suggests that the USA has not been able to gain the same stronghold as it has in many consumer brands and that banking is a more localised business than other sectors. Strong government support in many countries such as China has enabled local banks to prosper, and Chinese banks are now growing in importance in foreign markets such as the Anglo-Saxon and European markets.

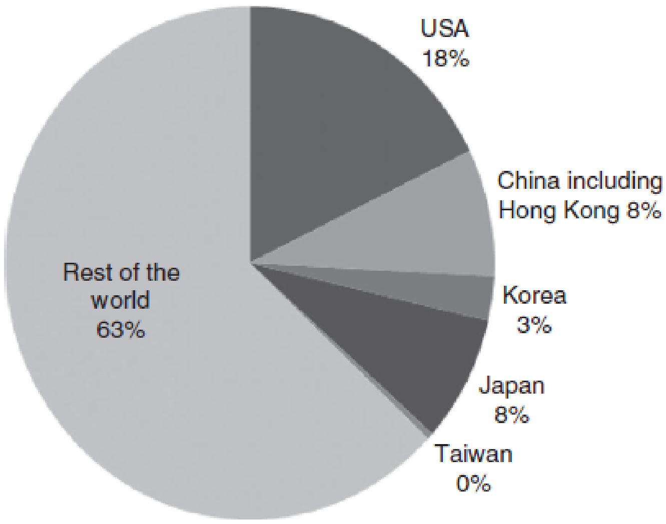
Figure 2.2 shows the share of brands (top 500) worldwide and Figure 2.3 shows the share of top bank brands by country. A comparison with all industry sectors is warranted because it highlights the fact that US banks have not performed well globally, in terms of brand value, compared to fast-moving consumer brands (FMCG) in the USA.

Figure 2.2 Top 500 brands (all sectors) by value



Source: http://brandirectory.com/league_tables/table/global-500–2012 (accessed 5 May 2012)

Figure 2.3 Top 500 bank brands by value



Source: http://brandirectory.com/league_tables/table/banking-500–2012;
http://brandirectory.com/league_tables/table/global-500-2012 (accessed 5 May 2012)

2.4.3 Banking in East Asia and the USA

Korean banks underwent restructuring in the early 1990s. Previously they were quite strongly associated with the government and were engaged in funding investments in industry sectors aligned with the government's five-year economic plans. The aim was to grow the economy and expand Korean brands into global markets. Funded industries initially included heavy industries and exports of cars and consumer electronics, followed by a focus on research and development (education, science, medicine) and ultimately high-tech industries (Hao et al., 2001). The Asian crisis of the late 1990s caused the default of large borrowers and this led to an intervention by the Central bank and mergers were encouraged to create a more resilient banking sector (Jeon & Miller, 2005). It can be argued that this rigorous shake-down created a more resilient banking system in comparison to the USA.

Chinese banks have survived the GFC relatively unscathed. This has been attributed to their risk averseness and their decoupling from world markets. In addition, banking reforms of the last 10 years have encouraged ownership transformation through stock market listings and foreign participation (Luo et al., 2011). That risk averseness and their domestic emphasis enabled them to prosper and develop, possibly beyond the level of some western banks.

Japanese banks have faced a number of problems, many of which are structural and related to problems in the domestic market. The domestic economy has experienced low growth and interest rates have been at or around 0% for a few years. This situation has been exacerbated by weak property and stock markets. The banking sector also suffers from overcapacity (Drake et al., 2009). Carroll (1991) argues that companies must have the economic foundations in place before engaging in discretionary spending on philanthropy. This points towards diverging situations in relation to CSR for banks in East Asia with only limited resources for CSR in the case of Japanese bank, but not so for Chinese and Korean banks.

The US banking industry has experienced consolidation and the number of commercial banks has fallen from 14,482 in 1984 to 7,086 in 2008. The remaining banks have grown and this has led to concerns about competitiveness in the sector (Wheelock & Wilson, 2009). Limited and weak supervision were blamed for the GFC; banks that were large and established were considered 'too-large-to-fail'. Since the crisis, the USA has shifted supervision of Systemically Important Financial Institutions (SIFIs) to the Federal Reserve and has increased capital requirements for those large institutions (Ito, 2011). In sum, banks in the USA may be facing diverging CSR circumstances in contrast to banks in East Asia, and our study investigates those differences.

2.5 Methodology

Our study relies on secondary data sourced from BrandFinance and CSRHub and explores environmental, employee, governance and community issues, which align with Carroll's (1991, 2000) elements of CSR. The elements that Carroll identified are reflected in the variables used in our study to represent the four key CSR components and have also been widely adapted by the Global Reporting Initiative (GRI), which is considered the de facto reporting standard (Skouloudis et al., 2009). BrandFinance has been providing comparative brand value data to academics and industry for 16 years and their methodology is considered most closely aligned to the International Standard Organisation (ISO) 10665:2010 standard that is likely to become the global brand valuation standard (Salina, 2009) and is used widely in industry.

Brand valuations are used to assisting companies in identifying these drivers of value (Haigh, 2000); an understanding of these factors enables companies to invest in those with the prospect of highest returns. According to the brand taxonomy provided by Salinas and Ambler (2009), BrandFinance's methodology is based on a demand-driven/brand strength analysis and on a royalty relief approach, and it overlaps with the methodology used by Interbrand. We have chosen panel data from BrandFinance because this company provides the most comprehensive publicly available coverage of banking brands.

Secondary data have been used extensively in the academic literature (Luo & Bhattacharya, 2006). Cowton (1998) provides an overview of the types of secondary data used in business ethics research and identifies the major advantages and disadvantages of their use in research. Some of the factors that he identifies are the problem of questionnaire design and the issue of confidentiality in business ethics research. Taneja et al. (2011) examined the literature on CSR research from 1970 to 2008 and found that 60% of 135 studies used secondary data, and that descriptive and correlation studies were among the most popular research designs. These methods are also used in our study.

2.6 Data for CSR

We used CSR scores from CSRHub, a company that compiles company CSR ratings and reports based on data from the Global Compact, the GRI, Asset4, and Newsweek Most Green Companies, among others. CSR performance is aggregated into 12 subcategories, which then form four main CSR categories: community involvement, environmental performance, governance and employee measures. This is similar to data provided by KLD, which has been extensively used in academic CSR research (Kotchen & Moon, 2011; Siegel & Vitaliano, 2007; Hillman & Keim, 2001). KLD recently changed its data from a model that provides values ranging from 0 to 2, to a model that provides a wider spectrum of up to +30 (Hart & Sharfman, 2012) for each of the CSR components examined. Providing an aggregate score has its problems, because strong performance in one sector of CSP may compensate for non-performance in another. For this reason we have compared the scores in each of the CSRHub subcategories instead of using an aggregated CSR score. CSRHub provides for each rating the source rating (www.csrhub.com/CSR_data_source_ratings?page=1), thus providing a transparency that other suppliers (such as KLD) do not offer. The subcategories used by CSRHub are listed in the Appendix.

This approach also allows users to weigh the four areas of community, employees, environment and governance. We have used the CSRHub user average rating because it is a weighting assigned by CSR professionals. The profile is based on a scale of 1–5, wherein 1 = less important and 5 = more important. The CSRHub community ratings are: community (2.56), employees (2.82), environment (3.69) and governance (2.93). It is possible to increase or decrease these ratings to reflect the users' sentiments; however, we deliberately retained the default ratings because they reflect the sentiments of the CSRHub community. The data from each data source is then converted to a score out of 100 (100 being the highest score theoretically attainable). Because CSR is a new field for many companies (or at least the formal reporting of CSR is novel), it can be expected that the ideal score of 100 will in reality not be attained. CSRHub compiles and compares different sources of data for the same company and each source is weighted according to its credibility (CSRHub provides links to the source data).

BrandFinance is a company that rates and ranks listed companies according to their brand value and publishes a league table of the 500 most valuable bank brands from around the world. Their methodology is closely aligned with the ISO 10665:2010 standard of brand valuation and they provide the most comprehensive publicly available brand valuation.

BrandFinance uses a method that first determines future revenues that can be attributed to a brand over a five-year period, using measures such as market growth forecast, competitive factors and company forecasts. A royalty relief approach is then used and a discount rate calculated. The net present values of post-tax royalties can be considered equal to the brand value.

Based on the BrandFinance global top 500 bank brands list, we were able to obtain brand value data for 89 US banks and 96 banks from East Asia. CSRHub provided CSR data for 99 banks from the USA and 50 from East Asia. We then combined the sample of top bank brands with the CSRHub rating of financial institutions and achieved a sample of 84 banks that were rated by CSRHub and were included in the top 500 bank brands. The sample included 41 banks from the USA and 43 from East Asia; 84 in total. Multiple regressions were used to analyse the data.

2.7 Results

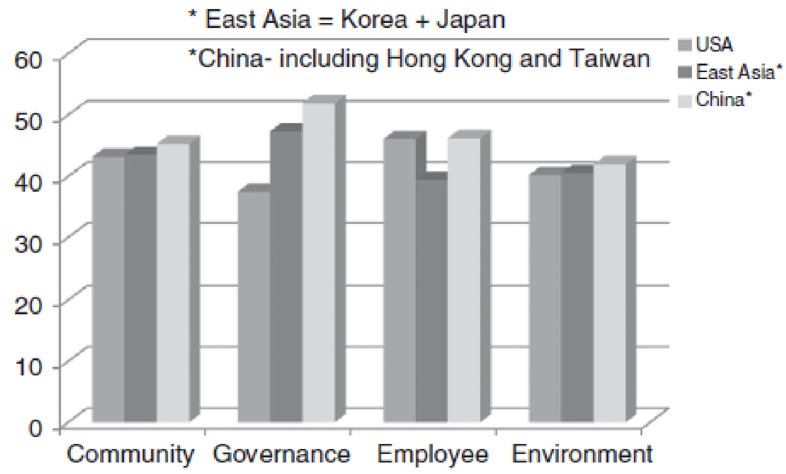
The first stage of our analysis was to test the four components of CSR for variation across the six markets in our sample: China, Hong Kong, Taiwan, Japan, South Korea and the USA. Significant differences were found for governance ($p<0.001$; Table 2.I) and the employee dimension ($p = 0.007$). Governance scores are low in Japan (36/100), but high in the USA (52/100); employee scores are similarly low in Japan (37/100), but again are higher in the USA (44/100). While we treated East Asia as one group, South Korea shows high scores compared to the rest, except for the governance component. For community and environment, no significant differences were found ($p = 0.209$ and 0.577, respectively), but the finding of two out of four dimensions clearly differing ($p = 0.209, 0.001, 0.007, 0.577$) across the markets under investigation provided sufficient justification to conduct multiple regressions separately for the distinct markets.

The mean values for the four CSR components (community, governance, employee and environment) are visualised in Figure 2.4. A separate Scheffe post hoc analysis (Ruxton & Beauchamp, 2008) also revealed significant differences between China and East Asia (p ¼ 0.001) and between East Asia and the USA ($p<0.001$) for the government dimension. East Asia and the USA were also significantly different for the employee dimension ($p = 0.018$).

Table 2.1 Corporate social responsibility in East Asia and the USA

CSR	Market ANOVA	n	Mean	SD	
Community	China	7	47.00	6.16	*p*=0.209
	Hong Kong	3	44.33	5.77	
	Japan	24	42.13	5.23	
	South Korea	7	48.43	11.19	
	Taiwan	2	41.00	0.00	
	East Asia total	43	44.58		
	The USA	41	43.22	6.50	
	Total	**84**	**43.64**	**6.66**	
Governance	China	7	50.29	6.68	*p*<0.001
	Hong Kong	3	47.67	3.79	
	Japan	24	35.83	7.96	
	South Korea	7	43.14	14.14	
	Taiwan	2	36.50	3.54	
	East Asia total	43	42.69		
	The USA	41	51.95	6.30	
	Total	**84**	**45.95**	**10.33**	
Employee	China	7	47.29	7.41	*p*=0.007
	Hong Kong	3	46.67	7.23	
	Japan	24	36.92	9.84	
	South Korea	7	48.43	10.86	
	Taiwan	2	42.00	1.41	
	East Asia total	43	44.54		
	The USA	41	43.68	10.30	
	Total	**84**	**43.66**		
Environment	China	7	42.86	7.78	*p*=0.577
	Hong Kong	3	43.67	9.29	
	Japan	24	38.92	7.00	
	South Korea	7	46.29	11.07	
	Taiwan	2	36.50	4.95	
	East Asia total	43	41.65		
	The USA	41	40.22	11.92	
	Total	**84**	**40.61**		

Figure 2.4 CSR dimensions in China, East Asia and the USA



To recap, the focus of our study was to investigate the links between CSR and brand value in the financial services industry, and the extent to which these links differ among countries and regions. Specifically, we wanted to contrast East Asia to the USA based on the premise that the two regions differ in regards to CSR practices. For this analysis, East Asia was split into two groups. The first group consisted of China (including Hong Kong and Taiwan), which is clearly different from the rest of East Asia in terms of: its size (China being the most populated nation on earth); its economic development (China being an emerging market, while Japan and South Korea are industrialised or newly industrialised); and its cultural differences (China is a hybrid of communism, capitalism and traditional Confucianism, whereas Japan and South Korea have not been exposed to communism). The second group was East Asia excluding China, consisting of Japan and South Korea. Both countries are highly developed markets with strong global brands and a high level of innovation.

Multiple regressions were run to test which CSR components explain brand value in each of the three regions under investigation. As predicted, the explanatory variables are different for each region with zero overlap (i.e. not one single factor was significant for more than one region; see Table 2.2). In other words, the factor that explains variance in brand value in the USA does not explain variance in brand value in East Asia, and vice-versa. Our model explains from 18% (in East Asia) to 66% (in China) of the variance in brand value. This explanatory power is remarkable given that these models exclude classic, previously-established drivers of brand loyalty in banking, such as customer satisfaction, affective attitude and service quality perception (Baumann et al., 2007). The factors that explain brand value in the three regions under investigation are summarised in Table 2.2.

Table 2.2 Factors explaining brand value in East Asia vis-à-vis the USA

Explanator	EastAsia	China	USA
Employees	$\beta = 0.459$, $p = 0.009$		
Community		$\beta = 0.832$, $p = 0.001$	
Environment			$\beta = 0.439$, $p = 0.004$
Governance			$\beta = 0.344$, $p = 0.020$
Adjusted R^2	0.184	0.662	0.452

2.8 Discussion

Our results show that CSR practices can account for a large proportion of the variance in brand value, and indicate that the associations between CRS and brand value vary substantially between different countries and regions. The data also gives clear indications of what social aspects of financial services are considered important in different countries and regions. However, statistical covariance does not reveal the underlying causal relationships, and the causal mechanisms are surely complex (and beyond the scope of this study). They are likely to be driven by perceptions regarding important social aspects in the studied countries and regions.

2.8.1 East Asia

Our model is clearly strongest with respect to China, since our model explains 66% (adjusted R2 of 0.662) of Chinese banks' brand value, but it is only significant for the community component of CSR. Chinese values have a strong focus on the well-being of society overall, or on the 'greater good', and our study nicely reflects this phenomena since the community variable is the single one with the strongest association with brand value ($\beta = 0.832$, $p = 0.001$) of our entire study.

While our model explains much of the variance in brand value in China, the results for East Asia excluding China (i.e. Japan and South Korea) are more modest: the model explains 18.4% of the variance in brand value with our CSR components. At the same time, a β-value of 0.450 ($p = 0.009$) for the employees component is a clear indication that the Japanese and South Koreans value this aspect of CSR.

Both Japan and South Korea have a very strong Confucian heritage and this affects not only individuals but also the conduct of business (of course, Confucianism originated in China and is still prominent in that country). Confucianism dictates respect for superiors, yet at the same time demands that superiors must take good care of their subordinates (Liden, 2012; Zhu & Yao, 2008). This could explain why the employee component of CSR is strong for the East Asian cluster. In the past, Japan has provided lifelong employment and similar benefits (albeit to a lesser degree) were offered in South Korea, and this is reflected in the way Japanese and Korean banks prioritise CSR in the employment area.

2.8.2 The USA

The American market is distinct from that of East Asia, as we expected. In the USA, brand value is associated with two factors: care for the environment (p = 0.004), and corporate governance (p = 0.020). In contrast to China, where the 'greater good' is key, the American culture is generally highly individualistic (Hofstede, 1983). Also, there is a difference in labour laws between the USA and countries in East Asia (Caraway, 2009). Our analysis suggests that Americans are concerned about the environment aspect of CSR. Americans favour their banks to push green issues via their credit and loan practices (e.g. through the funding of green projects, and rejecting pollution-generating projects).

The model for the USA is strong, explaining 45% of the variance in brand value (adjusted R2 = 0.452). In addition to the environment component of CSR, the US model includes a second factor: governance. This may reflect the increased prominence of governance issues during the past decade. For example, a number of corporate scandals and the American banks' questionable practices prior to and during the GFC, for example, Madoff and Lehman Brothers (Borens et al., 2008) have been discussed heavily in the popular media (Bhide, 2009; Spector, 2009). These scandals have frequently been linked to governance issues (Mullineux, 2011; Ruppel, 2009), and our study's results seem to reflect America's concerns with its banks' compliance with the law.

2.9 Conclusion

Our study makes two distinct contributions. First, our results show that CSR practices can account for a large proportion of the variance in brand value. In our models, between 18% and 66% of the variance in brand value for major banks can be explained by CSR practices. The explanatory power of CSR practices was particularly strong for American and Chinese banks (45% and 66%, respectively). Second, we demonstrate that the links between CRS and brand value vary substantially between different countries and regions. In Japan and South Korea, or East Asia, brand value is linked to the employee component of CSR practices, while in China the community component is linked to brand value, ultimately demonstrating that CSR is not a globally homogeneous concept. This is an important insight, particularly for banks operating internationally. Kanagaretnam et al. (2011) identified the effects of national culture on the earning patterns of banks, and found that cultures with a higher risk-taking profile experienced a higher incidence of banking stress. Our study further emphasises the importance of country differences in the shaping of business practices of banks.

While we emphasised the associations between CSR and brand value, we acknowledge that other factors, such as size, order of entry into market and the business portfolio composition, for example, contribute to competitive advantages of banks. While our sample represents a substantial number of the major banks in the countries studied, future research could aim at increasing the sample size. Our study compares East Asian and American markets; future studies could also compare East Asian and European markets, and could also include emerging markets such as Brazil, India and Russia.

2.10 References

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Appendix

Table 2.3 CSRHub categories mapped against selected GRI reporting elements

GRI reporting economic performance (EC1-9), Environmental (EN1-29), Labour practices (LA1-14), Human rights (HR1-9), Society (So1-8), Product responsibility (PR1-9) (www.globalreporting.org/resourcelibrary/G3-Guidelines-Incl-Technical-Protocol.pdf)

CSRHub community	GRI	**CSRHub employees**	GRI
CSR sub categories		*CSR sub categories*	
Community development and	EC1	Compensation and	EC3
	EC8		LA3
	SO1		LA4
			LA5
Product	PR1	Diversity and labour	EC5
	PR2		LA1,
	PR3		LA2
	EN27		LA15
	EN28		HR7
			HR6
Human rights and supply chain	E66	Training health and	LA6
	HR1		LA7
	HR2		LA8
			LA9
			LA10
			LA11
CSRHub environment	GRI	**CSRHub governance**	GRI
CSR sub categories		*CSR sub categories*	
Energy and climate change	EC2	Board	EC7
	EN3		EC9
	EN4		
	EN5		
	EN6		
	EN7		
Policy and reporting	EN30	Leadership	PR6
		Ethics	PR8
			PRI
Resource management	EN1	Transparency and	EC4
	EN2		SO2
	EN8		SO4
	EN9 EN10		SO5 SO6

Source: CSRHub items and GRI Performance indicators available at: www.csrhub.com/content/csrhub-subcategories-mapped-gri-performance-indicator-descriptions (accessed 5 May 2012)

CHAPTER 3: ARTICLE 2

CSR and firm financial performance nexus: Does brand value matter?

3.1 Introduction and background:

The possible link between corporate social performance (CSP) and corporate financial performance (CFP) has been a topic for researchers for several decades. Although the link is not conclusively established in the extant literature, there is a growing consensus among CSR pundits that there should be such a link given the fact that corporations would benefit from doing good in the long run. This imperative has its base in most belief systems which assume that doing good will result in just rewards. These rewards include financial, non-financial (e.g. reputation) and social standing. It has also been argued in ethics that such a reward is not necessary as it is imperative to be and do good. In other words, corporations are driven by different self-fulfilment values and are at different stages of the CSR spectrum (Tuzzolino & Armandi, 1981). The central question of how much business should be responsible for fixing societal problems has not been resolved (Barnett, 2007). Thus research has focussed on establishing the CSP/CFP link, which has been compared to the 'holy grail' of CSR research (Aldag, 2013; Casali, 2007; Devinney, 2009). CSP has been credited to lead to competitive advantages (Porter & Kramer, 2006) and an increase in corporate reputation (Fombrun, 2005; Fombrun & Shanley, 1990), as well as supporting the 'business case' for CSR (Carroll & Shabana, 2010). The results of this research shows mixed results (McGuire et al., 1988), including positive, negative, no link or curvilinear relationships between CSP and CFP (Barnett & Salomon, 2012). Differences have been attributed to cultural and country differences (Matten & Moon, 2008) as well as enterprise size (Chih et al., 2010).

Surroca et al. (2010) have shown that the relationship is mediated by intangibles, such as innovation, human capital, reputation and culture. Brand value, another component of intangibles (which was not included in their study), is considered one of the major contributors to shareholder value and sustainable growth (Guzman et al., 2013; Kerin & Sethuraman, 1998).

Linking these two drivers of growth − corporate social performance (CSP) and brand value (BV) − is our research proposition. Building on research by Melo and Galan (2011) and Bouvain et al. (2013), we show how different CSR variables impact on brand value and shareholder value in different country settings in the financial industry.

In the service sector, such as banking, which is based on intangibles, brand equity (considered a precursor of brand value) is of greater importance as a source of competitive advantage compared to industry sectors relying on tangibles (Bharadwaj et al., 1993). Since the Global Financial Crisis (GFC), banks in particular have been in the spotlight and are grappling with an image problem due to questionable corporate behaviour which resulted in banks being issued with millions of dollars in fines by regulators due to corporate misconduct. Pressure for better CSP comes from individual investors, fund managers and non-government organisations (NGOS).

With this heightened scrutiny of the financial industry, banks are trying to repair and improve their corporate image. CSR is seen as a type of 'insurance policy' to protect reputation and reduce the financial impact of negative publicity. CSR activities may not provide an immediate financial benefit but can be seen as an investment or 'insurance premium' (Peloza, 2006) to safeguard reputational capital, considered a key resource for sustainable competitive advantage (Peloza, 2006). The launching of corporate social responsibility initiatives and the publishing of corporate social performance reports can be seen as an attempt to be 'proactive' to mitigate negative publicity and to build reputational capital, which is even more important for companies that operate globally (Suh & Amine, 2007).

To maintain and increase reputation, banks have joined initiatives such as the Global Reporting Initiative (GRI), the Global Compact, the Dow Jones Sustainability Index and/or the Equator Principle to 'signal' their corporate responsibility to the market (Dhaliwalet al., 2011). 'Signalling' in this context has also been associated with 'green washing' (Carmody et al., 2012). Most large banks are also rated by independent rating agencies, such as CSRHub or MSCI (formerly KLD). This can be seen as an 'amplification' (Malik, 2014) and 'validation' of CSR involvement. Both CSRHub and MSCI have been used both by practitioners and by academics in research to evaluate CSR.

CSR research has been conducted using a variety of lenses, ranging from stakeholder theory (Freeman, 1984) to legitimacy theory (Wilmshurst & Frost, 2000), signalling theory (Goyal, 2006), resource based view (RBV) of the firm (Branco & Rodrigues, 2006) and slack resources theory (Eom et al., 2006). The variety of theoretical frameworks attests both to interest in the topic as well as a lack of a stand-alone theory of CSR. Seeing CSR as a resource as well as a manifestation of slack resources provides a nuanced view of the relationship between CSP and CFP.

In this paper we first provide an overview of research in CSP, reputation, and brand value and analyse the contexts in which banks operate. We then provide an overview of the dimensions of CSR related to community, employees, environment and governance, that are relevant in the banking industry and show how CSR contributes to brand value and market capitalisation, followed by details of my sample, methodology, results, future research and limitations.

3.2 CSR and financial performance

One of the continuing research themes in CSR research is the link between social and financial performance. The idea that companies that behave socially responsibly are rewarded financially is appealing and 'seems right'. However, some pundits believe that CSR would be instrumental in fixing social issues only if market systems do not work effectively, and see the link as 'illusionary' and make the case against CSR as a source of competitive advantage (Karnani, 2010).

The argument is: 'If some socially desirable activity is profitable, then it is best described as "intelligent operation of the business" and thus CSR is irrelevant. If the socially desirable activity is not profitable, then companies will not voluntarily undertake it unless required to do so by law or regulation, and thus CSR will be ineffective' (Karnani, 2011, p. 105). This viewpoint is considered a 'classical' or 'orthodox' view, where business has only narrow responsibility towards society. While the 'modern view' accepts a wider responsibility of firms, it does so with the expectation that benefits flow from CSR actions (Quazi & O'Brien, 2000). How far this 'social and environmental' responsibility should go has not been resolved, despite a large body of research. Several meta studies have investigated the link between CSP and CFP (e.g. Kerin & Sethuraman, 1998; Orlitzky & Benjamin, 2001; Orlitzky et al., 2003; van Beurden & Gössling, 2008; Waddock & Graves, 1997), with most results showing some link. For example, Margolis and Walsh (2001) showed a link in 53% of the 80 studies that treated CSR as an independent variable, albeit not a strong one. A strong proponent of the 'modern' CSR view are van Beurden and Goessling (2008, p. 407) who state:

> *… there is indeed clear empirical evidence for a positive correlation between corporate social and financial performance. Voices that state the opposite refer to outdated material. Since the beginning of the CSR debate, societies have changed. We can therefore clearly state that for the present Western society, "Good Ethics is Good Business".*

However, other researchers contend that the debate has not conclusively ended. They also qualify their statement as being relevant 'for the present Western society', which poses the question if this relationship is the same in a developing country context.

Other researchers, for example Brammer et al. (2006), report mixed results and show that a portfolio of socially *least desirable* stocks can outperform more socially responsible stocks. It was also shown that the type of industry had an impact on the results (Cochran & Wood, 1984).

Part of the problem with CSR research is that CSR is seen as an 'amorphous construct', and there are questions raised if the search for the link between doing good and financial rewards ('the holy grail') should be abandoned (Aldag, 2013).

Dahlsrud (2008) points out some of the problems that CSR is facing − one being the lack of an agreed definition (he identified 37 different definitions) but considers that '... the confusion is not so much about how CSR is defined, as about how CSR is socially constructed in a specific context' (Dahlsrud, 2008, p. 1). This is applicable to country settings as well as industry specific features. Single industry studies provide here specific contextual advantages to researchers. Studies have utilised samples based on multiple industries (Melo & Galan, 2011; Nelling & Webb, 2009; Pini & Carroli, 2004), as well as those based on single industry sectors such as banking (Soana, 2011; Bouvain et al., 2013; Pérez & del Bosque, 2012). Interest in the financial sector has increased due to recent questionable corporate conduct by major banks, such as Barclays, USB, Deutsche Bank, in manipulating LIBOR rates, resulting in fines of 1.7 billion Euros (Huizing, 2015).

3.3 The global financial industry

Most banks in the US and elsewhere operate both as retail banks, providing financial services to individual consumers, as well as business banks, providing commercial or investment banking services to corporate customers. They are not only judged by their involvement with the communities they operate in but also their 'derived' impact through their lending practices both at a local and global level. Since the GFC, attention has shifted from an emphasis on the financial performance of banks to other aspects of their operation, such as their project lending practices, their involvement in communities, philanthropy, the treatment of their workforce, and their environmental performance.

Large international banks are facing ethical dilemmas in project finance, balancing financial consideration with reputational considerations. Lending for controversial projects can affect the bank's reputational standing. Lending (or non-lending) for major projects has an impact on shareholder value as well as on affected communities. Banks have recognised this dual responsibility and in 2003 ten major banks established the *Equator Principles* to provide sustainability guidelines for project finance by signatory banks (Equator Principles, 2014; Leipziger, 2010). As of June 2015, 80 banks from 35 countries have adopted the principles when considering financing projects in emerging economies (www.equator-principles.com/). Banks that have adopted the principle are usually larger and have higher CSR scores in general (Scholtens & Dam, 2007). Although a desire to enhance reputation is seen as one of the driving forces to join the Equator Principle (Wright & Rwabizambuga, 2006), the effectiveness of the initiative has been questioned (Wright, 2012) and the number of signatories, while including some of the world's largest banks, remains small.

Not only is the business conduct and lending portfolio under scrutiny, but a changing shareholder composition is influencing the decision-making. Shareholders of banks are often seen as the 'bad guys' or 'rich capitalists'. The ownership composition has shifted, with pension funds now constituting a substantial part of shareholders. These funds wield strong influence and have initiated shareholder amendments presented at Annual General Meetings (Gillan & Starks, 2000; Johnson & Greening, 1999). Decisions made by boards no longer affect just 'the rich capitalists', but also, through their pension funds, 'mum and dad' investors on moderate incomes.

The situation is further complicated as many banks run either large pension or investment funds themselves. Many are major shareholders in corporations in which pension funds invest, posing some questions about impartiality. This, for example, is the case in Germany where in many shareholder meetings the majority of votes are controlled by banks (Bessler, et al., 2013). Further influence is exerted by banks having representation at board level plus cross shareholdings (Dittmannet al., 2010). Banks, being aware of the impact of lending to controversial carbon emissions projects, such as coal mines, have 'walked away' from involvement in controversial projects. For example, the Commonwealth Bank (Australia's largest bank), has ceased any involvement in a large scale coal project investment proposed by Adani Mining, an Indian owned global mining company, because of environmental concerns (West & Cox, 2015). Similarly, bowing to pressure from the

Earth Quaker Action team, the PNC Bank has announced that it will stop funding the removal of mountain tops for coal mining in Appalachia in the US (EcoWatch, 2015).

These examples show that banks need to consider the impact on their reputation when making investments that may have a negative environmental or community impact.

3.4 Reputation, brand equity and brand value

Reputation, considered part of intangibles, is one of the resources of a firm that is hard to replicate (Caruana, 1997; Mahon, 2002). The research about corporate reputation has provided numerous definitions of the corporate reputation construct (Bitektine, 2011). Balmer (2001) and Balmer and Gray (2000) point to corporate branding as the major focus of research in the area. In line with the resource-based view of the firm, a high corporate brand value and a good reputation can be seen as a basis for competitive advantage (Barney, 2014).

The importance of intangibles as part of the overall value of a firm has been recognised and credited with producing tangible value (Sussland, 2001). For example, according to a study by Sinclair and Keller (2014), the contribution of intangibles (which includes brands, patents and databases) of firms in the S&P 500 index to market value has increased from 32% in 1985 to 80% in 2010. Brands especially can contribute significantly to the value of a corporation (Barth et al., 1998; Fombrun, 1996).

Marketing scholars define customer-based brand equity as '… the differential effect of brand knowledge on consumer response to the marketing of the brand' (Keller, 1993, p. 8). Brand value, in contrast, is the financial manifestation of a brand and represents '… the net present value of the estimated future cash flows attributable to the Brand' (Branddirectory, 2015).

Raggio and Leone (2007, 2009) propose a separation of brand equity and brand value. They suggest that (consumer-based) brand equity is the precursor to brand value and shareholder value. Environmental inputs, which include both market place activities, such as advertising and consumer experience with the brand, are considered factors that lead to consumer-based brand equity. Market level outcomes, such a loyalty, market share and price premiums, lead then to profitability and human resource advantages and contribute to brand value and shareholder value.

We believe that besides those factors mentioned by Raggio and Leone, CS is contributing to brand value and shareholder value. The model that Raggio and Leone propose takes a consumer-centric view, while business to business relationships are in many industry sectors and − especially in the banking sector − a significant contributor to brand value and shareholder value, as Madden et al. (2006) have suggested.

H1 Brand value (BV) has a significant impact on Market value (MV) for banks in developed countries.

H1a Brand value (BV) has a significant impact on Market value (MV) for banks in developing countries.

3.5 The global banking industry and CSR

Banks provide services to individual customers through building long-term relationships, which is based on loyalty, underpinned by fulfilled promises (Bitner, 1995). A study by Baumann et al. (2005) showed that dissatisfied customers do not necessarily switch banks; that behavioural intentions and actual behaviour may differ. In other words, customers may loath their bank and may despise their conduct, but this may not lead to the customer leaving the bank.

Banks also provide finance to large and small corporations. Compared to individual customers, corporations are generally seen as making more rational decisions based on a thorough evaluation of the services and conditions offered (Hirsch, 1960). However, some researchers (Wilson, 1971) see similar characteristics to the consumer markets. Building relationships is still considered a major aspect in commercial banking (Perrien et al., 1993).

Studies that have explored CSR in the banking sector have included both single country studies as well as comparisons across countries. A study by Bouvain et al. (2013) linked CSR to brand value and found differences between US banks and East Asian banks. For example, in China community was more relevant, while in the US environmental factors were seen as more important.

Single country studies have covered both developed and developing countries. For example, CSR reporting by Bangladeshi banks showed limited disclosure of CSR initiatives and expectations of consumers were not being met (Khan et al., 2009). Differences in reporting emphasis was explored in a study of Indian banks, with the study showing that Indian banks concentrated their CSR initiatives on education and health issues (Narwal, 2007). The association of CSR initiatives with both service quality and branding has been demonstrated in a study of Thai banks, showing that loyalty and customer commitment are mediated by trust (Poolthong & Mandhachitara, 2009).

A study of European banks investigated the incorporation of environmental concerns into policies and strategies. The study found that sustainability as part of strategy can be seen as a driver of value (Weber, 2005). A framework how to assess CSR in the banking industry has been provided by Scholtens (2009). His framework, which competes with established ratings agencies such as KLD (now MCI), covers four major areas: codes of ethics and sustainability reporting, environmental management, responsible financial products and social conduct.

The Global Reporting Initiative (GRI) is considered one of the most widely used frameworks for CSR reporting by organisations. The GRI has categorised CSR into four major themes: community engagement, employee related initiatives, environmental performance and governance. CSRHUB, the provider of our data, has aligned its categories to the GRI framework. Altogether 12 categories are rated which correspond with the four major CSR categories. Table 3.1 describes those 12 elements of corporate social performance.

Table 3.1 CSR hub categories/subcategories and descriptions

Category/Subcategories	Description
Community • Human rights and supply chain • Product quality, safety, and sustainability • Community development and philanthropy	The **community category** covers the company's commitment and effectiveness within the local, national, and global community in which it does business. It reflects a company's citizenship, charitable giving, and volunteerism. This category covers the company's human rights record and treatment of its supply chain. It also covers the environmental and social impacts of the company's products and services, and the development of sustainable products, processes and technologies.
Employees • Diversity and labor rights • Compensation and benefits • Training, safety and health	The **employees category** includes disclosure of policies, programs, and performance in diversity, labor relations and labor rights, compensation, benefits, and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws and regulations, and proactive management initiatives. The category includes evaluation of inclusive diversity policies, fair treatment of all employees, robust diversity (EEO–1) programs and training, disclosure of workforce diversity data, strong labor codes (addressing the core ILO standards), comprehensive benefits, demonstrated training and development opportunities, employee health and safety policies, basic and industry-specific safety training, demonstrated safety management systems, and a positive safety performance record.

Environment • Environmental policy and reporting • Energy and climate change • Resource management	The **environment category** data covers a company's interactions with the environment at large, including use of natural resources, and a company's impact on the Earth's ecosystems. The category evaluates corporate environmental performance, compliance with environmental regulations, mitigation of environmental footprint, leadership in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies, disclosure of sources of environmental risk and liability and actions to minimise exposure to future risk, implementation of natural resource conservation and efficiency programs, pollution prevention programs, demonstration of a strategy toward sustainable development, integration of environmental sustainability and responsiveness with management and the board, and programs to measure and engage stakeholders for environmental improvement.
Governance • Board • Leadership ethics • Transparency and reporting	The **governance category** covers disclosure of policies and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluation of a company's culture of ethical leadership and compliance. Corporate governance refers to leadership structure and the values that determine corporate direction, ethics and performance. This category rates factors such as: are corporate policies and practices aligned with sustainability goals; is the management of the corporation transparent to stakeholders; are employees appropriately engaged in the management of the company; are sustainability principles integrated from the top down into the day-to-day operations of the company. Governance focuses on how management is committed to sustainability and corporate responsibility at all levels.

Source: CSRHUB

The alignment of the CSRHUB elements with the GRI framework is shown in Table 3.2.

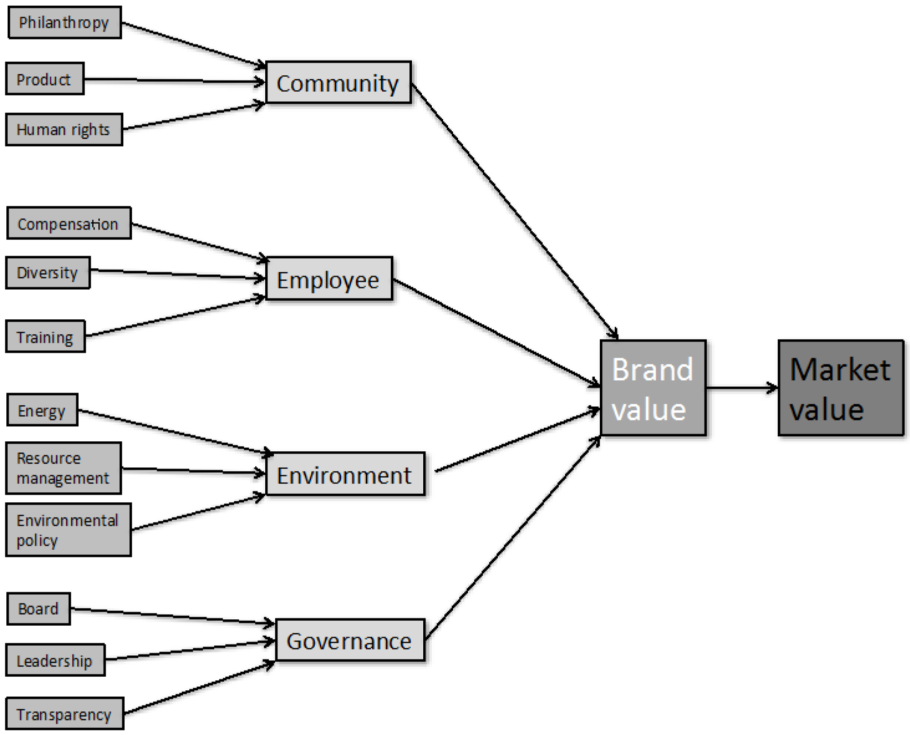
Table 3.2 CSRHUB categories mapped against GRI reporting elements

GRI reporting Economic Performance (EC1-9), Environmental (EN1-29), Labor practices (LA1-14), Human rights (HR1-9), Society (So1-8), Product responsibility (PR1-9)			
CSRHUB Community	GRI	CSRHUB Employees	GRI
CSR sub categories		CSR sub categories	
Community Development& Philanthropy	EC1, EC8 SO1	Compensation and benefits	EC3 LA3 LA4 LA5
Product	PR1 PR2 PR3 EN27 EN28	Diversity and Labor rights	EC5 LA1, LA2 LA15 HR7 HR6
Human Rights and Supply chain	E66 HR 1 HR2	Training Health and Safety	LA6 LA7 LA8 LA9 LA10 LA11
CSRHub Environment	GRI	CSRHUB Governance	GRI
CSR sub categories		CSR sub categories	
Energy and climate change	EC2 EN3 EN4EN5 EN6 EN7	Board	EC7 EC9
Policy and Reporting	EN30	Leadership Ethics	PR6 PR8 PRI
Resource Management	EN1EN2 EN8 EN9 EN10	Transparency And reporting	EC4 SO2 SO4 SO5 SO6

Source: CSRHub items and GRI Performance indicators

The conceptual model which forms the basis of our research is shown in Figure 3.1.

Figure 3.1 Conceptual model based on 12 CSR components



In the following section we discuss each of the four CSR elements (aligned with the GRI) on which our model is based.

3.6 CSR dimensions

3.6.1 Community engagement perspectives

The community category includes philanthropy, the integrity of products, services and sales practices, as well as human rights and supply chain management.

Philanthropy has been used to counter negative images that the community holds of banks as well as building reputational capital. For example JP Morgan has made donations of more than US$190 million to a variety of not-for-profit organisations and has facilitated 468,000 volunteering hours by their employees who assist in projects in their local communities (CSRwire, 2013). Another US bank, Wells Fargo, donated over $281.2 million to 17,100 non-profit organisations and schools in 2014 (Wells Fargo, n.d.). While these sums appear large, they need to be seen in context, as the turnover of these banks is in excess of two trillion dollars per year. Despite this engagement, banks have not succeeded in building long-term relationships with their customers. For example, in the US, 50% of customers are considering discontinuing their relationship with their bank (Allred & Lon Addams, 2000).

For firms to engage in philanthropy they need a solid economic base before they can embark on these activities, which can be considered to be discretionary (Carroll, 1991). Thus CSR and financial performance have been described as a 'virtuous circle ' − companies that do 'good' are more likely to do well finanically and firms that have a superior financial performance engage more in corporate social responsibility (Nelling & Webb, 2009).

It seems intuitive to assume that doing something positive for the community, such as philanthropy, will impact positively on financial performance. The positive assumption is based on the notion that philanthropy assists in building a positive company image, leading to a competitive advantage, based on the notion that the market sees this as 'unique' and 'hard to replicate' (Barney, 1991). However, if other banks engage in philanthropy in a similar fashion and intensity, the competitive advantage of spending money to increase reputational value may not eventuate.

This is the case in the US, where banks must comply with the Community Re-investment Act, which requires them to lend to their local communities to foster development (Simpson & Kohers, 2002).

> *'The Community Reinvestment Act is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations*.' (Federal Reserve System, n.d.)

Another aspect is that this argument is

> *'… built on the assumption that the stakeholders have information about the firm's philanthropic contributions. However, because the stakeholders are not necessarily themselves the direct beneficiaries of corporate philanthropy, many of them may not be fully aware of the extent to which a firm engages in charitable giving'* (Wang et al., 2008, p. 145).

Even if stakeholders are aware of a bank's philanthropy, do they see this as positive? And does this lead to long-term relationships and customer loyalty? Or do customers view this as 'squandering' money, which could be used to reduce 'their' fees and charges instead of being invested in community projects? In other words, do customers view philanthropy as 'slack resources' being spent on initiatives that they are not benefitting from?

The literature supports this idea, with corporate giving being associated with slack resources. Firms that have ‘excess’ funds are more likely to donate (Waddock & Graves, 1997). A study of Fortune 1000 companies found no link between philanthropy and financial performance (Eom et al., 2006). It was shown that a firm’s cash resources increased the likelihood of corporate giving but no effect on financial performance was found (Seifert et al., 2003). The size of the company made no difference in the relationship (Eom et al., 2006).

In developing countries, community development is often in the form of ‘microfinance’. Funds are provided to farmers and micro businesses who would, under normal lending criteria, not be considered a good credit risk (Mersland & Urgeghe, 2013). Microfinance has traditionally been viewed as a philanthropic activity, however over the last decade it has morphed into a commercial venture (Jose & Buchanan, 2013), with difficulties arising in matching philanthropic ideals with commercial realities (Hmelo-Silver et al., 2007).

Banks in both developed and developing countries have a far-reaching impact on their immediate community via their lending practices. For example, banks have been accused of discrimination against minority groups in both mortgage and small business (Blanchflower et al., 2003; Ladd, 1998). They have also been accused of enticing consumers into credit card debt that consumers may find difficult to repay (Hodson et al., 2014).

On a global level, banks have been accused of lending to regimes that have a questionable human rights records. This practice can have repercussions for banks and shareholders in the long term. An example has been the former South African apartheid government, which borrowed from banks to fund weapons for the police force and military. The newly-elected non-apartheid government has argued against the repayment of this debt (Kremer & Jayachandran, 2003). It has been argued that ‘illegitimate debt’ should not have to be repaid (Hanlon, 2006).

Sustainable supply chains are considered to contribute to competitive advantages (Gold et al., 2010). Banks play a pivotal role in the supply chain (Silvestro & Lustrato, 2014), acting as enablers and co-originators through their financing power and being responsible for the flow of payments in the supply chain (Silvestro & Lustrato, 2014). Beyond these traditional roles, the establishment of codes of conduct for suppliers are considered essential to ensure compliance with the bank’s own principles of responsible conduct, as was found in an Australian study (Keating et al., 2008).

The development of new self-services has had a further negative impact on the relationship that customers have with their bank (Johns & Perrott, 2008). The replacement of physical branches with online self-services, in particular, has had an impact on consumers in the financial industry. Many routine tasks are now either undertaken online, or being outsourced and processed in emerging economies, such as India, with mixed levels of service delivery (Gewald & Dibbern, 2009; Kshetri, 2007).

This offshoring and outsourcing of services impacts on the availability of products to disadvantaged groups. For example, the closing of branches and replacement via digital means may have negative impacts on less mobile and elderly members of the community.

While is seems 'intuitive' to assume that community engagement (philanthropy, service delivery, human rights, supply chain) are positively related to financial performance, the literature points to the possibility of a negative effect.

H2 'Community' (Com) is significantly related to Market value (MV mediated by brand value for banks in developed countries.

H2a 'Community' (Com) is significantly related to Market value (MV) mediated by brand value for banks in developing countries.

3.6.2 Employee perspectives

The employee category includes diversity, labour rights and compensation, as well as training, health and safety.

Human resource management is considered essential in designing, implementing and delivering CSR strategically (Jamali et al., 2015). Employee satisfaction is considered to contribute to customer satisfaction and ultimately profitability (Hurley & Estelami, 2007). Employees, also considered to be the 'fifth P', are crucial in shaping the service delivery. Banks have, on the one hand, squeezed productivity out of the workforce, while on the other hand have provided better working conditions. This paradox can be seen in the promise of 'work life balance' for employees, which includes access to corporate child care child care. For example, employees of the Commonwealth Bank, Australia's largest bank, facilitates priority access to child care places (Commonwealth Bank, n.d.). On the other hand, deregulation in the banking industry in countries such as the US has put pressure on wages, with competition among banks increasing (Wozniak, 2007). The employment structure, as such, has changed from full time to more part-time work in the banking industry in the last two decades in most developed countries. A study by Keltner and

Finegold (1996) has shown that part-time employment of bank tellers in the US has increased from zero in the mid-1980s to 60% in the early 1990s. Bank tellers are struggling to survive on their wages alone, with one-third of tellers in the US receiving public assistance as their average pay of around $2,5000 annually (in 2012) does not provide a living wage (Weise, 2013).

These changes will have a profound impact on how banks will be operating in the future. A trend away from union-negotiated wages and conditions to non-union agreements in the banking industry has been observed (Tuckman & Snook, 2014). Banks are under pressure to improve their service delivery, while at the same time reducing costs. Banks have been able to do this by introducing total quality management (TQM) principles into their operations (Cowling & Newman, 1995). Wang et al. (2003) show that both product and service quality impact on the reputation of banks.

Outsourcing has meant that the processing of routine work, such as credit card processing (Gottfredson et al., 2005) has shifted to low-cost countries, with resultant lowering of wages for domestic bank workers. While this can be seen as a negative, outsourcing has proven a positive for banks with an increases in return on investment (ROI) during the early 1990s (Bertrand et al., 2007). Another cost-saving factor has been the replacement of humans with electronic banking means, such as ATMs, which has changed the financial industry profoundly (Joseph et al., 1999).

Research on diversity of the workforce in banks has concentrated mostly on board level diversity and its impact on reputation (Bear et al., 2010). For example, a larger number of women on bank boards is credited with an increase in CSR ratings (Richard, 2000). Board diversity is considered a factor that contributes to financial performance (Erhardt et al., 2003). This was particular relevant for banks with low market power (Pathan & Faff, 2013).

> *'In the financial and banking industry, human resources are regarded as one of the most important assets. To boost a good public image, banks and financial service companies tend to disclose more employee-related issues compared to other industry sectors (e.g., training and development program, pay and benefit scheme, pension scheme and employee share ownership scheme).'* (Gao et al., 2005, p. 236)

Innovation in service delivery is considered important (Pennings & Harianto, 1992), and to improve service delivery, it is imperative for banks to train their employees to do their jobs better (Vermeulen & Crous, 2000). Expenditure on training in the banking industry in the US is $1,107 per employee, which is more than double what is spend in the manufacturing industry ($535) (ATD & Assoication for Talent Development, 2015). This can be explained that in service industries employees have a strong influence on the performance of the firm. For example, a study of Taiwanese banks found that profitability of banks is positively affected by improvements in service quality (Lee & Hwan, 2005).

In the manufacturing sector or extractive industries, such as mining, health and safety-related issues are an important issue in CSP, however in the banking industry, industrial accidents are rare and injuries are related more to stress and the threat of armed hold ups (Bunn & Guthrie, 2009).

An increase in the diversity of employees has occurred, coupled with an increase in expenditure on training. This has led to a productive and customer-focused workforce that is able to understand and service a diverse customer base. In banking, a service-based industry, the fifth P, ‘people’ (Judd, 1987), is important, which is reflected in the link between the employee dimension and financial performance.

H3 ‘Employee’ (Em) is significantly related to Market value (MV) mediated by brand value for banks in developed countries.

H3a ‘Employee’ (EM) is significantly related to Market value (MV) mediated by brand value for banks in developing countries.

3.6.3 Environmental performance

The environment category covers energy and climate change, and resource management and reporting.

Climate change is estimated to have a profound cost impact on business and business practices (Tol, 2002a, 2002b). While direct effects on banks may be limited, financial institutions are re-evaluating their lending criteria for projects that impact on the environment. For example, the French bank Credit Agricole announced at a shareholder meeting in May 2015 that they would no longer finance coal mining companies or other mining project (Reuters, 2015). The council of the city of Newcastle in Australia, home to the largest coal shipping facility in the world, has decided to divest their funds from those banks that fund coal exploration (Saunders, 2015). The Deutsche Bank estimates that to abate climate change, over $500 billion per year will be needed to finance new technology and infrastructure changes till 2030 (Koch-Weser & Parker, 2009). Banks are thus in the spotlight and under scrutiny by investors, business partners and consumers to ‘do right’ and to have policies and business strategies in place that do not exacerbate climate change. Furrer et al. (2009, p. 7) point out that:

> *'General frameworks describing corporate climate strategies are difficult to transfer to the banking sector. Such frameworks usually focus on basic industries, examining the dependency of companies on fossil fuels and exploring the effects of extreme weather events and regulation on corporations. However, banks are not generally exposed to weather stresses, nor are they heavily depended on fossil fuels in their operations (e.g. facility management or IT). Indeed, the main impact of climate change on banks is indirect: they are affected to the extent that their client's activities and economic activities in general are constrained. The key issue for banks will be assessing the impact of climate change on the asset quality of lending and investment portfolios. This will influence financing and investment policies as well as portfolio management.'*

Thus the banking sector's role in climate change is twofold. One aspect is the reduction of CO2 emissions in their own operations: banks have a large property portfolio and the introduction of energy-reducing measures has an impact on their bottom line. The second aspect is the banking sector's capacity to act as 'gatekeepers for capital', exerting considerable leverage about what type of project will be financed (Clapp & Thistlethwaite, 2012). Many banks now have environmental departments, which assess how loans will impact on the environment (Mikesell & Williams, 1992). The aim of this monitoring is to decrease risks in the loan portfolio (Thompson & Cowton, 2004).

With increased scrutiny by investors, banks see advantages of environmental reporting. A study of Fortune 250 companies by Kolk et al. (2001), of which 74 were financial firms, showed that banks have an indirect impact through their lending, and environmental management is seen as important in the reporting of CSR.

An example of extensive environmental reporting is Westpac, an Australian bank which is one of the 10 foundation members of the Equator principle. They developed a detailed *Climate change & position statement & 2017 Action plan,* which was released in 2014 (Westpac, 2014a). This report outlines the bank's environmental risks in detail and provides an overview of its environmental credentials (Westpac, 2014b), outlining its accomplishments and 'lessons learnt'. Most large banks now provide extensive reporting about their environmental credentials. The motives for reporting have been linked to strategy development (Schaltegger, 2012) as well as explained by legitimacy theory (O'Donovan, 2002; Wilmshurst & Frost, 2000).

Resource management can provide savings by reducing energy use in buildings by employing innovative sustainable solutions. In 2013, for example, Barclay's bank reported a reduction of 5% in its CO_2 emissions globally. Similar results were reported by the ANZ bank who achieved also a 5% reduction by meeting emissions targets and by buying offsets (ANZ, n.d.).

Banks have a substantial property portfolio. For example, it is estimated that in Europe 13% of all energy consumption is for non-residential buildings (Boyano et al., 2013). Energy costs for lighting, heating and cooling can be reduced by applying green building standards (Von Paumgartten, 2003).The energy use of banks in the US differs from less than 100 kbtu/ft2 to more than 1200 kbtu/ft2 (EPA, 2015), thus banks that manage their energy efficiently will have a lower cost structure in the short term. Long and medium-term benefits include the increase in employee satisfaction and their pride in working work for a responsible company. Environmental protection in many developing countries is still lacking, with, for example, air pollution (both indoors and outdoors), worse than that of developed countries (Bruce et al., 2000; Inglehart, 1995).

By lowering their own emissions, and through their 'gatekeeper' role in supplying finance, banks have an impact on other industry sectors. This will both impact reputation with customers and investors and will have a positive impact on financial performance.

H4 'Environment' (Env) is significantly related to Market value (MV) mediated by brand value for banks in developed countries.

H4a 'Environment' (Env) is significantly related to market value (MV) mediated by brand value for banks in developing countries.

The conception and successful implementation of environmental goals, as well as employee and community-related initiatives, is driven and guided by corporate governance.

3.6.4 Governance

Governance includes leadership ethics, board composition, and transparency and stakeholder dialogue.

Macey and O'Hara (2003) see banks as a special case in terms of governance. They point out that '… the special nature of banking makes it susceptible to great moral hazard problems than a typical firm ...' (Mace & O'Hara, 2003, p. 99). They argue the fiduciary duty to shareholders should be extended commensurate with the role that banks have in the stability of the financial system. Distinct differences in corporate governance are evident between developed and developing countries. Transparency is one such difference. This is '… more than pure financial transparency, as it in can also be based on factors such as governmental, banking and other types of institutional transparency mechanism' (Millar et al., 2005, p. 163). Banks have to have their 'own' governance in order, but as an industry they are part of the mechanism and institutions that make the whole system work, which is especially important in emerging markets, as Millar et al. (2005) suggest. They also call for further research into the link between governance and firm value.

Another factor that influences the governance score is the lack of ethical leadership, which has been linked to a number of corporate scandals. An example of this is the corruption scandal in Irish banks (Knights & O'Leary, 2005). This is not an isolated case; ethical lapses in the banking sector are widespread. For example, major banks, among them HSBC, are implicated in tax avoidance schemes in Luxembourg (ICIJ, 201), while there has recently been manipulations of Libor rates by major banks such as the largest German bank, Deutsche Bank (Goodley, 2015).

Governance issues have been seen as a contributor to the financial crisis of 2008. In particular, a lack of ethics and leadership has been cited as a factor, with individuals acting in their own interest and, while mostly within the legal parameters of the time, without regard to the implications on society of their actions (Lewis et al., 2010). Transparency and reporting corporate actions is considered to improve corporate behaviour. Over the last decade, companies have responded with an increase in CSR reporting according to GRI and Global Compact standards. In 2014, 448 financial institutions provided CSR reports compliant with GRI principles, compared with 274 in 2010 and 36 in 2004 (GRI, n.d.). This increase is in response to disclosure expectations from both investors and the public.

CSR reporting in itself, however, has not enhanced the share market value in a sample of 130 European banks (Carnevale et al., 2012). While mere reporting may not have had an impact, the quality of CSR disclosure is positively related to board independence and board size (Jizi et al., 2014). Global Compact membership is credited to impact on the inclusion of measurable CSR indicators and this differs between countries. Chen and Bouvain (2009) attribute this to institutional differences.

Institutional systems in developing countries are often weak and evolving, often with no effective society-based accountability structure in place (Alam & Teicher, 2012). Firms, especially from emerging economies, that have well-developed governance processes may find it easier to enter global markets. In addition, most developing countries are pushing for reforms in governance to aid development (Reed, 2002). Arun and Turner (2004) suggest that banking reforms in developing economies can only succeed when effective corporate governance reforms are in place. However, corporate governance is considered to be ineffective at this stage in emerging markets (Gibson, 2003).

The emphasis of codes and best practice in corporate governance has centred on the composition of boards (Van den Berghe, 2012). Thus effective boards are essential and board composition has an impact on CSR ratings (Bear et al., 2010). Board composition also affects the risk-taking propensity of a bank, with younger boards more likely to take higher risks (Berger et al., 2014). Overall, a link between governance and financial performance was not found (Adams & Mehran, 2012), although in a developing country context, board diversity was shown to have both negative and positive impacts on financial performance (Mahadeo et al., 2012). The recent global financial crisis has exposed governance problems in the banking sector and shows that banks are 'different' compared to other business, as suggested by Mehran et al. (2011). They cite a number of differences; one of these is that banks have to consider multiple diverse stakeholders. Another difference is the fact that 90% of a bank's balance sheet consists of debt compared to 40% for non-financial firms. This poses a range of control, transparency and relationship issues. A further factor is the overall complexity of the business. This complexity and differences in governance between countries makes it likely that differences in relationship between governance and market capitalisation exist.

H5 'Governance' (Gov) is significantly related to market value (MV) mediated by brand value for banks in developed countries.

H5a 'Governance' (Gov) is significantly related to Market value (MV) mediated by brand value for banks in developing countries.

So far, we have shown the importance of reputation and brand value and have shown how aspects of community, employee, environment and governance affect the banking sector.

3.7 Methodology

3.7.1 Data

Panel data sourced from BrandFinance and CSRHub was used to test the structural equation model, using AMOS.

BrandFinance has published brand value data for the top 500 banks since 2008 and received ISO 10668 certification for brand valuations in 2010 (Narayan, 2012). The ISO 10668:2010 standards requires the inclusion of legal, financial, accounting and behavioural data (ISO, 2010). While there are many methods to calculate brand value (Salinas, 2011), the discounted cash flow income approach is one of the most widely used. Interbrand and BrandZ use a version of this as well. A detailed analysis of the various methods used to calculate brand value has been provided by Salinas and Ambler (2009) and by BrandFinance (BrandFinance, n.d.). Market capitalisation (referred to as market value) has also been sourced from Brand Finance.

The CSR (independent) variables are sourced from CSRHUB. CSRHUB ranks over 15,000 companies from 130 countries using data sources from reports provided by SAM, Asset 4 and Dow Jones Sustainability ratings, among others. The mapping schema is aligned with the Global Reporting Initiative, which is considered the most widely accepted CSR reporting tool (Ballou et al., 2006; Isaksson & Steimle, 2009; Morhardt et al., 2002). A description of the variables is provided in Table 3.2 (above in Section 3.5), and the mean values for the variables are provided in Table 3.3 (below).

The sample consists of 335 banks, which were all listed in the top 500 banking brands by brand value in 2015, and were rated by CSRHub in 2014. We opted for a one year lag, which is in line with Melo and Galan (2011), who used one and two year lags.

Banks from the US are dominant, with 56 banks, followed by Japan (34), India (17) and China (16). Banks from emerging economies, such as China, are challenging the entrenched position of US banks. Of the 16 Chinese banks in the sample, four are in the top 10 based on brand value, compared with four US banks out of a total of 56 US banks. Two hundred and twenty-four (224) banks are headquartered in developed countries, while 111 reside in developing/emerging economies (based on IMF classification of development).

The country/regional distribution is provided in Table 3.3.

Table 3.3 Country/regional distribution

Country/region	number	%
Australia	9	2.7
Japan	34	10.1
China	16	4.8
India	17	5.1
other Asia	45	13.5
Germany	11	3.3
Italy	11	3.3
Russia	2	0.6
Switzerland	11	3.3
UK	12	3.6
other Europe	52	15.6
US	57	17.0
other North America	10	3.0
Brazil	6	1.8
other South America	8	2.4
Middle East	23	6.9
Afrika	11	3.3
Total	**335**	**100**

3.7.2 Method

Structural equation modelling (SEM) based on the conceptual model (Figure 3.1) was used to test the hypotheses. The advantages of SEM has been described in detail by Markus (2012). We checked the normality of data, conducting kurtosis and skewness distribution tests, which revealed that all the independent variables show a normal distribution; the dependent variable shows some abnormality. This is not considered unusual in business research (Eisenbeis, 1977) and can be expected with data sources based on real data (Aguinis, 2014), and did not affect the overall fit of the model. An alternative model, using the logarithmic value for the dependent variables (LOGBV and LOGMV) was run and is provided at Appendix A, but provides marginal model fit. Thus the discussion is based on the original model. A reverse model was also run to determine if financial performance impacts on CFP, which has been suggested, for example, by Nelling and Webb (2009), but this model did not provide adequate model fit.

The structural equation software, AMOS, provides 41 indices in its standard results. Researchers from different disciplines have suggested the use of different combinations of these indices, with Hooper et al. (2008) providing a concise overview of the accepted cut-off points. Indices are also sensitive to sample size and model complexity (Iacobucci, 2010), and our sample size of 335 is adequate. We combined the 12 CSR categories into the four categories (see Table 3.1, section 3.5) of *community*, *employment, environment* and *governance*, in line with CSRHUB, using the mean value for these. There has been some discussion of weighting the variables, as suggested by researchers who have used the KLD index (Griffin & Mahon, 1997). Although this may be relevant in multi-sector studies, as different CSR elements may be considered of higher importance compared to others, and if CSR ratings are sourced from a combination of several indices, as this study is a single industry study, weighting was not considered necessary.

Internal consistency was checked using the Crohnbach alpha coefficient for the construct and is provided in Table 3.4.

Table 3.4 Crohnbach Alpha

	Cronbach alpha	**CA based on standardised items**	**No of items**
Brand value, market capitalisation	.422	9.78	2
Environment, energy ,environmental policy, Resource management	.849	.868	4
Employment training, comp, hr	.878	.893	4
Governance, board, leadership, transparency	.719	.766	4
Community, philanthropy, human rights, product	.840	.855	4
Mkt cap, bv, com,empl,env, gov	.253	.718	6

3.7.3 Results

The mean market capitalisation of the banks in the sample was US $19,824 billion. Mean brand value for the banks in our sample was US $2,574 billion. This equates to a brand value to market capitalisation mean percentage of 13% for banks in developed countries and 12% for those in developing countries.

The total brand value of the all banks in the sample was US $827,393 million. The top 100 banks, based on brand value, had a mean market capitalisation of US $52,776 billion, a mean brand value of US $7,316 billion with a brand value to market capitalisation percentage of 15%. The bottom 100 had a mean market capitalisation of US $2,655 billion and $234 million in brand value and brand value/market capitalisation percentage of 11%.

The difference between banks from developed and developing countries is small, with a mean market capitalisation of US $19,829 billion for developed countries and US $19,813 billion for developing countries. The results are similar for brand value with US $2,696 billion for developed countries and US $2,327 billion for developing countries. The brand percentage to market value was 13% for developed countries and 12% for developing banks.

The mean values of the CSR variables have low variations, for example leadership has the lowest score (47) and diversity and human rights the highest individual factors with a core of 60. Community (55), employment (57), environment (57) and governance (53) show little variation. Differences between developed and developing countries in terms of CSR scores were also low.

The structural equation models provided excellent model fit for the whole sample of 335 banks as well as for developed and developing country subsamples and the banks with the highest and lowest brand value (top and bottom). The significance of standardised indirect effects are provided in Table 3.5 and shows good model fit for CMIN, NFI, RFI, TLI RMSE.

Table 3.5 Model fit indices

Indices	**cutoff**	**Total sample**	**developed**	**developing**
CMIN/DF	<2	1.849	1.796	1.973
NFI	>.95	.990	.989	.974
RFI	>.9	.977	.975	.939
IFI	>.9	.995	.995	.987
TLI	>.9	.989	.989	.969
CFI	>.9	.995	.995	.987
RMSEA	<.08	.050	.060	.094
Fit	good	good	excellent	good

The relationship between brand value and market capitalisation is significant, supporting research by Madden et al. (2006) who used Interbrand data. The study shows and confirms that brands are indeed drivers of shareholder value in both developed and developing country settings. Our emphasis was to show that CSR has an impact on shareholder value − albeit an indirect one − mediated by brand value. Indeed in our study we were not able to show a significant direct link between our CSR variables and shareholder value, however we were able to show significant relationships with community, environment and employee but not with governance for banks in developed countries. The relationship for community was significant, however it was negative. Community, employee and environment were not significant for developing countries, with the exception of governance, which was negative. Table 3.6 shows the significant relationships.

The R values are in line with other research in CSR, for example Margolis et al. (2007) showed a mean R2 value of 9%, based on an examination of 250 studies. Our R2 values are similar: for developed countries the R2 value was 11%, while for developing countries 10%, both of which provide good explanatory power for our model.

Table 3.6 Hypotheses

Path	**H**	**context**	**C.R**	**P**	**Supported at .05 level**
BV-> MV	H 1	developed	44.588	***	yes
	H 1b	developing	40.274	***	yes
Com-> bv	H 2	developed	-3.184	.001	yes
	H 2b	developing	.272	.786	no
Em -> bv	H3	developed	2.734	.006	yes
	H3b	developing	-.040	.968	no
Env-> bv	H 4	developed	2.888	.004	yes
	H 4b	developing	-.287	.774	no
gov-> bv	H 5	developed	1.044	.296	no
	H 5b	developing	-2.675	.007	yes

Results supported at significance level: BV(Brand value), MV(Market value)

*** $P \leq .001$.
** $P \leq .01$.
* $P \leq .05$

3.8 Discussion

This study examined the relationship between CSP, brand value and market value, using 12 measures which we combined into the four variables of community, employee, environment and governance. We showed that brand value matters. Our results suggest a significant relationship of brand value with market capitalisation in our sample, in line with previous research (Madden et al., 2006). Our sample included banks from both developed and developing countries. The US, which has the highest number of companies (56) has a slightly higher mean brand value (US $2, 943 billion) and a higher mean market capitalisation (US $23,152 billion) compared to the rest of our sample. The US has been leading in building brands, for example in the Forbes list of the most powerful brands in 2015, nine out of 10 brands are US based (Forbes, n.d), similar to Interbrand (Interbrand, n.d.), where in 2015 eight out of the top 10 ranked brands were also US based. BrandFinance (BrandFinance, 2015) also lists eight US brands in the top 10. The highest ranking bank is Wells Fargo, the largest US bank at rank 14, followed by the Chinese bank ICBC at rank 20 in the BrandFinance ranking of the 500 most valuable brands.

Banks from emerging economies, such as China, are challenging the entrenched position of US banks. Of the 16 Chinese banks in the sample, four are in the top 10 based on brand value, compared with four US banks out of a total of 56 US banks. Banks headquartered in developed countries make up 67%, while 33% reside in developing and emerging economies. The percentage of the total brand value of the banks reflects this, with 31% of brand value being attributed to banks from developing countries and 69% from developed countries. Market capitalisation is similar, with 65% attributed to developed country banks and 35% to developing country banks.

This is a stark difference to 2008 when no Chinese bank was listed in the top 10, while six US banks were in top 10. In 2010 two Chinese banks entered the top 10 brand value rankings (BrandFinance, 2010). Chinese banks are starting to expand globally, for example ICBC has purchased the US subsidiary of Bank of East Asia (Nasiripour et al., 2012). The globalisation push by Chinese banks started in the late 1990s, when the Bank of China was directed to set up a branch in Zambia (Carmody et al., 2012). Only one other emerging country bank, Bradesco from Brazil, has been in the top 20 banks based on brand value since 2009. Itau, also from Brazil, was in the top 20 in 2013 and 2012. Sperbank, the largest Russian bank, was briefly a member of the top 20 from 2012 until 2014. Both Russia and Brazil experienced a significant downturn in their economies since then and this explains the resultant lower scores for banks from these countries in the recent rankings.

While we started with the premise that doing good should result in banks doing well, based on the business case for CSR (Carroll & Shabana, 2010; Porter & Kramer, 2006), our results partly support this in the case of banks from developed countries, with community, employee and environment showing a significant relationship via brand value to CFP. In the case of banks from developing countries, the above were not significant, but governance was significant. In some respect the non-significant is significant as it opens up the possibility for further research to determine why these differences exist.

Banks are part of the service industry and in this sector employees are considered a key factor that contribute to customer satisfaction and influences customers' attitudes towards the bank (Royne Stafford, 1996) as well as the efficient operation of the enterprise. Another important aspect is that CSR activities have been credited with attracting talented employees (Coldwell et al., 2008). While this is relevant for both banks from developed and developing countries, the relationship was only significant for banks originating in developing countries.

The other factor that showed as significant was ‘environment’. The impact banks have on the environment can be seen as both direct and indirect. Direct action has been taken by banks in managing the energy consumption of their buildings efficiently, resulting in lower costs through energy savings. These measures improve air quality and ambient temperature to create a pleasant work environment for staff and a more pleasant place for customers to conduct business. Buildings are considered to be responsible for 40% of the world’s energy consumption (Omer, 2008), thus banks with their large building portfolio can contribute to lower emissions and achieve lower operating costs.

However the biggest impact banks have on the environment is indirect − through their lending practices (Thompson & Cowton, 2004). Recent examples have included the decision of global banks to decline funding for a port at the Australian Great Barrier Reef, an area which is considered ecological fragile (Smyth, 2014). In that sense, the ‘derived’ impact of banks has a ‘multiplier’ effect through lending to businesses directly, as well as through the involvement of banks in mutual funds and their representation at board level in some countries.

I showed that banks play a pivotal role in shaping the environmental agenda. Their lending for major projects, and the conditions attached to lending will impact on major investments proposed by companies. Thus banks perform a ‘gatekeeper’ role. Local authorities may have approved projects, but banks wield the power to stop those projects by refusing finance. Banks now consider those environmental risks when they evaluate lending risks (Weber, 2012). Reputational risks related to their lending portfolio are a major consideration in project finance (Banhalmi-Zakar & Larsen, 2015). The examples that we have provided show that the principles of the Equator principle are adopted by an increasing number of banks, with most banks undertaking ‘in-house’ risk evaluations of large projects which assess environmental and community impacts (White & Fortune, 2002).

‘Community’, which includes philanthropy, community involvement, product features and human rights issues, was related to brand value, but in a negative way. If philanthropy is picking up the ‘slack’ in education, health care and general infrastructure that previously has been considered the role of the state, then the expectation would be, based on the 'business case for CSR', that financial rewards would follow. Our research indicates that banks that are rated high in philanthropy (one of the categories of 'community') are not rewarded positively.

The slack resources theory provides an explanation here. The 'father' of slack resource theory, Penrose (1959), postulated that in order for firms to grow, they need surplus resources which they will then use productively. Slack resources research shows ambiguous results, for example Daniel et al. (2004) evaluated 66 studies that examined slack resources and found that differences in the results between individual studies can be attributed to industry idiosyncrasies. They suggest exploring intervening factors and undertaking examinations of single industry sectors instead of multiple sector studies. The results of their meta study showed both positive and negative relationships with financial performance and various organisational slack measures. Their sample, while consisting of 54,249 individual cases, did not include studies that examined the banking sector.

In comparison to other industries, the banking industry is a highly regulated industry in most countries, although there are different levels of regulation in different countries (Barth et al., 2013) which can be attributed to cultural differences (Kanagaretnam et al., 2011). As mentioned earlier, US banks, for example, are by law required to invest in local communities, a type of 'prescribed philanthropy'. With every bank required to show community engagement, long-term competitive advantages will be hard to achieve and thus this engagement may not contribute to higher brand value; indeed community engagement may show a negative relationship.

Dissatisfaction with bank services and products has been observed, despite banks spending more on CSR than ever. McDonald and Rundle-Thiele (2008, p.171) point out that

> *'at a time when banks are increasing the amount of funds allocated towards CSR activities, many banks across the globe are experiencing increasing levels of retail customer dissatisfaction'.*

Some philanthropic gestures may be conceived cynically as 'green washing', or more positively interpreted as 'signalling' about responsibility that the firm displays in their community (Mahoney et al., 2013). Consumers are increasingly doubting the sincereness of corporations' CSR involvement and are increasingly sceptical and even negative in their responses (Skarmeas & Leonidou, 2013) and they take a more cynical view of such 'cleanwashing' and thus this may be reflected negatively in brand value and ultimately market value. Our results indicate that banks have not been able to determine an optimum level of philanthropy.

Another aspect of community is ‘product’. A bank’s service and product quality is critical in shaping customers’ perception of the bank and influences the relationship. Automation of services and products, if not done well, may lead to dissatisfaction by customers (Jun & Cai, 2001). On the other hand satisfaction with product offerings has also been shown to be the main driver of customer satisfaction in a study by Krishnan et al. (1999). Other factors that contribute to negative perceptions of banks are the push by banks to outsource services to overseas operators. These actions have been associated with low levels of customer satisfaction (Malhotra & Mukherjee, 2004). This poses the question as to what responsibility the bank has to its community and to its shareholders. For example, it may be prudent to close branches in low socio-economic areas to increase profits and to satisfy shareholders, however does social responsibility require a bank to keep unprofitable branches open to the detriment of shareholders? Keeping in mind that in many countries shareholders are pension funds which provide retirement incomes for people living in those communities.

Governance, which has been ‘blamed’ partly for the GFC, showed as ‘not significant’ for banks in developed countries, but displayed negative significance for banks from developing countries. This negative relationship between governance and financial performance, mediated by brand value, is surprising, but understandable in that institutions in developing countries are emerging and corporate governance is yet to be established which is associated with markets being ‘imperfect and incomplete’ (Allen, 2005, p.164). One of the issues is the different dynamics in emerging markets where extensive family ownership, conflicts between majority and minority shareholders, and weak legal protection is common (Young et al., 2008). Until these issues are resolved and adequate universal governance systems are established, banks that have invested heavily in governance may not be rewarded commensurately. This, however, needs further studies to confirm the findings presented in this paper.

3.8.1 Limitations and further research

These results point to a number of issues for discussion and interpretation. Firstly, this paper is one of the few that establishes the mediating effect of brand value, however brand value is only a minor contributor to the performance which corroborates the current wisdom of CSP and CFP research.

We acknowledge that CSR is only a small contributor to brand value and that further empirical studies are needed to identify and explore other factors to close the gap. Surroca et al. (2010) have investigated the role of intangibles other than brand value, but only in a developed country context; expanding this to the developing world would shed further light on how important all intangibles, including brand value, are in the relationship. This study relied on a sample of banks that were listed in the top 500 banks based on brand value and smaller banks may display different relationships in the nexus between CSR, brand value and financial performance. In particular, a longitudinal single industry studies would shed further light on the factors that impact on the relationship between CSR variables and brand value over time. Other financial variables, such as return on asset and the performance of banks in regard to tier 1 and tier 2 capital, will shed further light on the dynamics of CSR, brand value and financial performance.

Another aspect that warrants further investigation is ownership structure. Large pension funds have significant shareholdings in banks in many countries. The role that these owners/investors play in shaping the CSR agenda will be of interest to both researchers and practitioners. This study includes banks that are active in project finance on a global scale and those that serve mainly individual customers in a domestic context, as well as those that are active in both of those areas. We suggest that the dynamics of the relationship between those different types of banks may influence their corporate social performance. The question is what role (if any) corporate social performance and engagement by banks plays in decision- making for individual customers, institutional investors and fund managers. In the emerging country context, governance has been identified as an area that warrants further investigations and this study points to differences between developed and developing countries we were not able to resolve.

3.8.2 Conclusion

This paper has established the mediating effects of brand value in the nexus between CSR ratings of banks and their market value. No prior studies have established the above effects, based on such a large sample drawn from the top 500 banks representing both developed and developing countries showing significant differences of importance across the four CSR constructs.

This research has made some distinctive contributions to the extant literature. Firstly, the link between brand value and market value, which has been previously shown for firms from developed countries, has been confirmed for firms in a developing country context.

Secondly, we show that the ‘business case for CSR’, as advocated by Carroll and Shabana (2010), has been confirmed for two of the four CSR dimensions for banks in developed economies. A third dimension (community) was significant, but negatively, pointing to the need for further research to identify the reasons for this. The suggestions include explanations provided by slack resources theory as well as consumer cynicism, seeing these activities as ‘cleanwashing’ by banks. This re-opens the discussion about the ‘business case’ in a developing country context.

Based on the CSR and branding literature the paper showed that the link between CSP and CFP is indeed mediated via brand value and that brand value matters. We have shown that this relationship is different for banks from emerging economies. While banks have a global presence, they are rooted in the institutional norms of the country that they are headquartered in, thus institutional differences play a role. It also shows that differences exist in how significant CSR variables are in driving brand value in different settings and supports the idea that CSR differs according to situational setting, as has been proposed by Sethi (1975) more than four decades ago. It also supports previous studies in the banking industry, such as that by Bouvain et al. (2013), who found differences between US and East Asian banks using a sample of 84 banks. This study uses a larger sample of 335 banks of which two-thirds are headquartered in developed countries and one-third in countries classed as developing. Using structural equation modelling we showed that despite similarities in mean brand value, market value and CSR scores, differences exist between developed and developing market banks, governance has emerged as a variable that has different importance for developed developing country banks, many of which, such as Chinese banks, are entering global markets. We suggest further research in this area to confirm and to gain a better understanding in the dynamics of this area.

We also showed that banks play a pivotal role in shaping the environmental agenda by refusing lending for controversial, environmentally sensitive infrastructure projects. Numerous examples show that banks can be considered as ‘gatekeepers’ in this context. Our examples show that banks have abandoned those projects after pressure from NGOs. It shows further that banks are ‘different’ (Mehran et al., 2011) compared to other industry sector as the whole economy depends on a functioning banking system. Extending research to other industry sectors may show if and how the findings of this paper are relevant in different industry settings.

3.9 References

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CHAPTER 4: ARTICLE 3

CSR and brand value in developed vis-à-vis emerging country settings — divergence, convergence, or crossvergence?

4.1 Abstract

Firms need to maintain a balance between the performance expectations of society in the 21st century and the financial performance expectations of shareholders. The relationship between corporate financial performance (CFP) and corporate social performance (CSP) has been the subject of research for several decades. It is a topic that has created discussion across disciplines and links research from marketing, ethics, sustainability and finance sectors. Brand values have come into the limelight within the corporate social responsibility (CSR) paradigm and this paper proposes that the link between CSR and financial performance is mediated through brand value. The findings of this study, which is based on a sample of 624 firms representing developed and emerging economies, builds on previous research focusing on US and other firms based in developed countries. Since the economic situation in developing and emergent economies is different, the hypothesised mediating link of brand value was only found for developed markets, but not for the emerging markets. Possible explanations for these differences are attributed to institutional as well as cultural differences, and manifest in divergence, convergence and crossvergence. Brand maturity was found to be an important factor contributing to the non-significant nexus between CSR and brand value in emerging economies.

4.2 Introduction and background

Corporate social Responsibility (CSR) and its relationship with brand management is currently generating interest amongst practitioners and researchers around the world. However, brand value as an outcome of CSR performance has been a topic largely neglected in the literature, especially in the context of emerging and developing economies. Climate change, global warming and poverty have emerged in the last decades as pressing problems that can no longer be solved by national governments alone and thus the role that business plays in solving these problems is of interest to CSR researchers.

Firms need to balance the performance expectations that society has of 21st century corporations with the financial performance expectations of its shareholders. The relationship between corporate financial performance (CFP) and corporate social performance (CSP) has been the subject of research for several decades and is considered the ‘holy grail’ of CSR research (Casali, 2007; Devinney, 2009), and has been the subject of research, based on both moral (normative) and practical (instrumental) business reasons (Marom, 2006). Thus, the idea that socially and environmentally responsible firms will be rewarded in the long term is based on the social impact hypothesis, which postulates that companies that meet stakeholder needs are likely to be rewarded with a better financial performance (Preston & O'bannon, 1997). The nature of the relationship between CSP and CFP, however, has not been resolved and, while most studies claim a link (e.g. Allouche and Laroche, 2005; Gregory et al., 2013; Griffin & Mahon, 1997; Orlitzky et al. 2003; van Beurden & Goessling, 2008), others find only a partial link (Wu, 2006), or identify negative associations (Brammer et al., 2006).

Carroll and Shabana (2010) have suggested that the link may not be direct, but mediated. Some studies (Melo & Galan, 2011; Torres et al., 2012) have investigated these mediating factors in developed country settings, with results that show a relationship. Our study extends this research and makes a contribution by confirming the relationship for developed economies, but showing that in emerging economies this link is not evident, thus we add a global perspective to the association between CSR, brand value and enterprise performance.

During the last two decades, research has increasingly examined the CSR performance of emerging economies due to their increasing economic importance as both suppliers and consumers of goods and services. While some researchers see mimetic tendencies which point to convergence, others show that institutional factors, such as culture, political systems, and a lack of governance, impact on CSR involvement and performance, and convergence, divergence and crossvergence have been observed (Jamali & Mirshak, 2007; Jamali, 2014; Jamali & Neville, 2011).

Emerging economies, such as Brazil, Russia, India, China, and South Africa (known as the 'BRICS'), for example, have been able to command a higher share of world trade in recent decades. These countries now account for over 20% of the world economic output (Forbes, 2012a), and predictions from the OECD and other sources forecast an increase of this share to over 30% by 2025 (Fouréet al., 2014), thus triggering a realignment of growth and economic power (Nelson et al., 2013; O'Neill, 2001).

Other developing countries, such as Turkey, Indonesia,Thailand, and Mexico, are also undergoing rapid development and it is predicted that some of these economies will be larger than established economies, such as Italy, by 2050 (O'Neil et al., 2005). For a long time many of these developing countries were considered 'the manufacturing hub' of the world economy (Srinivasan, 2006), supplying the world's leading brands with extra revenue by producing products utilising a cheap labour force compared to developed countries.

They have also become an integral part of the global supply chain, requiring compliance with CSR standards of sourcing companies (Andersen & Skjoett-Larsen, 2009; Harms et al., 2013).

Creating brands for both the domestic and export markets is a strategy that provides firms with additional revenue by increasing reputational value and the ability to set higher price points due to differentiated products and services (Motameni & Shahrokhi, 1998). Lately, emerging economies have placed a stronger emphasis on branding for this very reason (Ewing et al., 2002). However, few brands that originate in emerging economies have been able to gain a sizable market share in developed countries in the last decade, with some struggling in their own home market, competing with global brands that are considered of a higher status (Batra et al., 2000).

Brands may take time to mature as newly industrialised markets, as demonstrated by Korea and Taiwan, which were emerging markets two decades ago. Both countries have now established strong global brands, such as Samsung and LG for electronics, or Hyundai for cars. So today's emerging brands, or 'latecomer brands' (Hamin et al., 2014), may become, or have already in some cases become, the new global brands of tomorrow by building reputation based on reliable performance, value and attractive design.

Previous research (e.g. Melo & Galan, 2011; Torres et al., 2012), has concentrated on companies mainly from the US and other developed countries. We extend this research and take into account the growing importance of emerging and developing countries in the world economy.

The question is, if this emerging economic power is matched by corporate responsibility, and if the relationship between CSR, brand value, and enterprise value is the same for firms from emerging economies, is convergence, divergence, or crossvergence evident (Jamali & Neville, 2011)? In sum, is the association between CSR and brand value in emerging and developing markets the same as in the saturated western markets?

4.3 Literature, theory and concept development

Scholars from a variety of disciplines and viewpoints have addressed CSR and Abagail et al. (2006) provide a useful overview of the various theories that have been used in CSR research. Stakeholder, signalling, legitimacy, and institutional theories, and the resource based view (RBV) of the firm, have been used in the analysis of various facets of CSR. The following section provides a brief overview of these theories, illustrated with examples.

Stakeholder theory is considered as one the foundation theories in modern management due to its conceptual breadth (Phillips et al., 2003). Examples of its application have been the analysis of differences in approaches to CSR engagement by small and large firms (Russo & Perrini, 2010). Stakeholder management in emerging economies poses additional challenges due to cultural, political, and institutional differences (Foo, 2007). Tailoring CSR to the needs of key stakeholders has been shown to increase global brand equity in a sample of firms from developed countries (Torres et al., 2012). Other frameworks, such as *Signalling theory,* have been used to explain aspects of CSR reporting (Mahoney et al., 2013).

Legitimacy theory has frequently been used to ground research about CSR in both developed and emerging country settings. Firms from emerging economies are often part of global supply chains. Compliance with established rules and regulations are considered motivators to engage and report CSR activities, especially for firms from emerging economies (Zheng et al., 2014). For companies that engage in controversial business activities, such as tobacco and gambling, or polluting industries, CSR is seen as a way to mitigate this involvement. By engaging in CSR, these firms are able to improve their reputation and to 'legitimise' their operation. A study of US firms showed that CSR had a positive impact on the financial performance of firms in controversial industry sectors, compared to companies operating in non-controversial sectors (Jo & Na, 2012). Similar results were reported by Cai et al. (2012), who propose that CSR can be considered as a value enhancer for those firms.

The *RBV* postulates that a firm's resources determine success in the market (Barney, 1991; Barney et al., 2001; Wernerfelt, 1984, 1995) and the theory has become ' … one of the most prominent and powerful theories for understanding organizations' (Barney et al., 2011). Hart and Dowell (2010), based on earlier research by Hart (1995), applied the theory to the natural environment and showed how acting sustainably can lead to competitive advantages. Both internal and external benefits may arise from this action. For example, internal benefits may arise through the development of sustainable management capabilities resulting in lower costs and increased shareholder value (Hart & Milstein, 2003) and the ability to attract a quality workforce (Greening & Turban, 2000).

From a marketing perspective, a major external benefit is the ability to build relationships with customers based on reputation and trust, which are considered relatively rare and difficult for rivals to replicate. However, Srivastava et al. (2001, p. 780) note: 'The origins of resources (and how they evolve) has received relatively scant attention in the RBV literature'.

Reputation can be considered one of those assets that Barney et al. (2011) refer to. A firm may or may not possess those resources as these are difficult to obtain and maintain (Fombrun et al., 2000). Linking reputation to financial performance has been investigated by a number of studies (Roberts & Dowling, 2002; Sabate & Puente, 2003; Schwaiger, 2004), however reputation itself and its impact on financial performance is difficult to measure (Raithel et al., 2010).

Kozlenkova et al. (2014) show how the RBV is used in marketing to explain 'market based resources', such as brands, and provide a framework to integrate '… multiple, dissimilar resources to explain synergistic, differential effects on performance and the contingencies associated with each' (p. 2). This is supported by Barney (2014, p. 26), who suggests '… that a brand can be a socially complex resource that could be a source of sustained competitive advantage'.

Indeed empirical research has shown that 'strong brands not only deliver greater returns to stockholders … but do so with less risk' (Madden et al., 2006, p. 224). Brand value (as a part of intangibles) is considered to be one of the largest assets for firms (Raggio & Leone, 2009).

Based on the RBV, brands are considered important assets that are: valuable, rare, imitable, and non-substitutable (Wernerfelt, 1984). It is thus not surprising that brand value accounts in many cases for about a third of enterprise value. For example, the two most valuable brands in 2014, Apple and Samsung, had a brand value of 29.4% and 32.4% of enterprise value respectively in 2014 (Brandfinance, 2014).

But despite the impact that strong brands, and indeed intangibles, have on shareholder returns, the value of a company is traditionally based on accounting measures of net income and value per share:

'... there is a limited- and diminishing- correlation between those measures and share prices. A company's income statement usually accounts for only 4 percent of market value for a stock with a typical price/earnings ratio of 25, while the balance sheet covers about 25 percent. The remaining 70 percent of market value consists of intangible assets and expectations of future growth.' (Ballow et al., 2005, p. 49)

There is no contention that brands are contributing to value for shareholders (Madden et al., 2006; Raggio & Leone, 2007) and consumers (Erdem & Keane, 1996), leading ultimately to brand equity (Aaker, 1992). However, incorporating CSR into branding poses a number of challenges and complexities for firms, as Chao et al. (2009) have highlighted. And of course even without an orchestrated effort to link CSR to the brand, consumers will assign positive and negative associations, based on prior experience and attitudes, to brands. That aside, social issue complexity due to problems of measurement and interpretation of CSR is one of these challenges. Others are organisational challenges about how to 'infuse' CSR into diverse products and brands, as well as communication complexity due to difficulties in communicating effectively with diverse stakeholders globally. However, those firms that are able to deal effectively with these complexities are able to gain competitive advantages (Reed & DeFillippi, 1990).

The business case for CSR is about integrating CSR activities into a firm's strategy, which can lead to a sustainable competitive advantage, as has been suggested by Porter and Kramer (2006) and Carroll and Shabana (2010). In order to make this case, CSR needs to contribute to the overall performance of the firm. The model that Porter and Kramer (2006) propose (based on Porter's value chain), embeds CSR in the value chain. They distinguish between 'responsive' and 'strategic' CSR, with the former defined as 'good citizenship' and the later involved in 'transforming value-chain activities to benefit society while reinforcing strategy' (p. 11), and thus ultimately increasing enterprise value in a 'virtuous circle'. How these processes translate in a globalised world is one of the questions that researchers are asking.

Institutional theory is considered to have good explanatory power for showing the spread of CSR globally (Delmas, 2002). Matten and Moon (2008) classify CSR as either 'explicit' or 'implicit', based on the analysis of the institutional environment. According to them, European companies are showing less 'explicit CSR', such as corporate giving, as the European context demands from business 'implicit' adherence to CSR principles. These distinctions are also used to explain both divergence and convergence of CSR *reporting* (and of course reporting may or may not reflect reality) due to differences and similarities in economic and institutional systems (Chen & Bouvain, 2009). Different aspects of CSR engagement, such as environmental performance, employee-related issues, governance, and community involvement, have been shown to affect the relationship between CSR and brand value differently in developed and developing countries. A study of banks from East Asia (Japan and South Korea), China and the US, for example, showed that community involvement due to Confucianism had an impact on brand value in China, while in the US caring for the environment was associated with brand value creation (Bouvain et al., 2013). In Japan and Korea, caring for one's employees was key, again reflecting a Confucian approach to business and management, even if not the way society functions at large.

Jamali (2014) has argued that CSR in developing country settings is different from developed economies. This is supported by Dobers and Halme (2009), who see different capacities of firms to address cultural differences in emerging economies (Prieto-Carrón et al., 2006). Differences among developing countries, such as 'the bottom of the pyramid' group, require different strategies to address poverty alleviation and community development as priorities. Reality and 'rhetoric' about CSR contradict each other in these settings (Slack, 2012). In many emerging economies, such as India, a large proportion of the population would be classified as 'the bottom of the pyramid' and living a subsistence lifestyle, with 33% of the population living below the international poverty line. At the other end of the spectrum, between 3% and 5% (or between 15 and 20 million consumers) in India are interested in global products at global prices (Watkinson, 2014). These are the same products that are valued by western consumers. This example shows that 'emerging' markets are quite diverse, and cross-national differences and *intra-national diversity* need to be considered for both western and emerging markets (Tung, 2008; Tung & Baumann, 2009).

Some researchers, such as Jamali and Mirshak (2007), see convergence in some contextual settings, while 'cross-vergence' may also be evident at the same time (Jamali & Neville, 2011) − a combination of both convergence and divergence, based on the work of Ralston et al. (1997). Factors, such as economic, sociocultural, political and technological factors, influence business ideology at different levels, strengths and pace, and, particularly in emerging economies, may even be in conflict with each other. Ralston (1997) identifies three theories of value evolution: convergence, divergence and crossvergence.

Convergence assumes that emerging societies will adopt the technologies of the further industrialised societies and a convergence towards western capitalism can be observed.

Divergence is the opposite of convergence and proponents advocate that societies maintain traditional value systems. *Crossvergence* sees both sociocultural influences and business ideology interact and assist in the development of a new value system in society.

While Ralston advocates longitudinal studies (2008), globalisation theorists see the world as converging along similar institutional settings, consumption patterns and political systems, while proponents of divergence see different local patterns emerging. This is of interest to CSR researchers in the emerging country context, where convergence may be driven by international global pressures while at the same time divergence, rooted in deeply ingrained local culture, may be at play. The very notion of 'country' as a homogenous form is flawed, particularly in emerging economies with different cultural values, political divisions, and especially divergent economic factors. The term 'Crossvergence', used by Jamali &Neville (2011) in a CSR context, is emerging as a way to explain both these divergent and convergent forces interacting in fast growing emerging economies.

Proponents of globalisation suggest that the world will become more similar in terms of culture, political sytstems, institutions and consumption patterns, with institutional theory providing explanations for organisational actions (Dacin et al., 2002). For example, differences in CSR engagment has been shown in firms from the UK, US, France and the Netherlands. The differences in motivation and practices among those firms has been attributed to the differences in cultural and political institutions (Maignan & Ralston, 2002).

Institutional differences between developed and emerging economies are used to explain differences in economic development, productivity and the overall risks of conducting business in a particular country (Banerjee et al., 2006). Campbell (2007) shows that institutional factors impact a firm's CSR involvement. These forces impact differently on firms operating in different country settings. He explains that 'rational choice institutionalism' is derived from neoclassical economics and sees institutions as formal and informal rules coupled with monitoring and sanctioning mechanisms. Organisational institutionalists see formal rules and cultural frameworks as the main drivers for CSR, while historical institutionalism sees institutions consisting of both formal and informal procedures (Campbell, 2007, p. 926). In a globalised world, while rules based on multinational organisations are important, cultural norms have not lost their importance.

On a different level, according to Van Marrewijk and Werre (2003), cultural differences are considered to contribute to multiple views and levels of corporate sustainability (which includes CSR and CR). Thus, CSP is culture bound: 'a specific action is more or less socially responsible within the framework of time, environment and the nature of parties involved' (Van Marrewijk & Were, 2003, p. 59). Similarly, Sethi (1975) notes that differences in CSR involvement of firms from different countries can be attributed to differences in business norms, standards and regulatory frameworks. Thus, McWilliams et al. (2006) consider these country differences as a major factor that impacts on a firm's CSR reporting, disclosure and performance. It is thus not surprising that over 37 different definitions of CSR were identified by Dahlsrud (2008).

Differences in the institutional environment also have impacts on marketing practice. According to Sheth (2011), during the last century marketing concentrated on developed countries, but since then the emphasis has shifted to emerging markets. He offers several reasons for this shift: economic reforms have made these markets accessable, while western markets are either shrinking or growing slowly due to an ageing population. In order to keep growing, western firms have 'discovered' emerging markets. For example, the German automaker, Volkswagen, now produces and sells more cars in emerging markets compared to its native Germany. Another reason is the worldwide liberalisation of trade facilitated by bilateral trade agreements and multilateral alliances. Finally, an emerging middle class in markets such as China and India provides an expanding market for consumer products, ranging from processed foods and appliances, to mobile phones and cars. Chinese, for example, have also been found as a distinct consumer segment for brand choice (Baumann & Hamin, 2014) in comparison to Caucasians or Indians, lending support for our study that CSR and branding issues need to be modelled allowing for cultural or regional differences.

Sheth (2011) also points out that emerging markets cannot be compared to established developed markets and suggests five distinct differences: *inadequate infrastructure, market heterogeneity, sociopolitical governance, unbranded competition* and *a chronic shortage of resources*.

Inadequate infrastructure has hampered development in emerging markets and makes it difficult, in some instances, to communicate with customers, thus making effective brand communicaton patchy (Khanna & Palepu, 1997).

Market heterogeneity is based on markets differing regionally and in size. Emerging countries have large diversified trading and industrial conglomerates, such as Tata in India or Lippo in Indonesia, while simultanously a myriad of small, owner-operated enterprises servicing local needs. The same applies to consumers: while China has become one of the larger markets for luxury products, many farmers in China still live a subsistance lifestyle with products bought and sold at the local level. Another factor is that '*as much 60% of consumption in emerging markets so far has been for unbranded products and services*' (Sheth, 2011, p. 169). Unorganised sectors without branding strategies are prolific in regional India, for example, where products are priced substantially lower than branded products due to limited distribution and low overheads. It is estimated that in the footwear sector as much as 80% of merchandise is unbranded, and for fast moving consumer goods such as detergents, the figure is about 50% for unbranded locally produced products (Kumar, 2003). The reason for this is a lack of affordabililty as well as a lack of knoweldge about product choices.

Households do not only consume products, but in emerging markets they can be considered a 'production unit' (Ellis, 1993) − for example, making their own clothes or tailoring them for other households. Cheap labour in emerging markets allows wealthier households to have tasks, such as shopping for food and other everyday jobs, performed by domestic servants. While the householders may be well educated, able to read, and well-versed with advertising, servants are expected to prepare meals from basic ingredients (which are cheaper compared to processed ones), sourced from local markets. Their very existence hinges on them spending time on the tasks of shopping and preparing meals in traditional labour-intensive ways. Any labour-saving devices, such as pre-prepared spice pastes, food processors or dishwashers, decreases the time that needs to be spent on these tasks, thus reducing demand for domestic services. Packaged products have not penetrated as deeply in to these markets as expected, however higher participation rates of women in the workforce may change this (Choo et al., 2004). Overall, emerging economies are thought to be '… considerably underdeveloped in terms of brand awareness' (Enderwick, 2009, p. 10).

Jin et al. (2013) support this view and argue that national brands are underdeveloped in emerging economies and that global brands have a higher prestige. Consumers in emerging markets who 'subscribe to global lifestyle values' are more likely to prefer brands originating from developed countries and this has led to companies such as Toyota and

Coca-Cola receiving more than one-third of their revenue from developing economies (Guo, 2013). The growing middle class in emerging economies has supported the growth in luxury goods. This has resulted in 19% of luxury goods sold worldwide being sold in emerging markets. This is predicted to increase to 25% by 2025. The majority of luxury goods producers are headquartered in developed countries such as Italy, the US, France, Switzerland, the UK and Spain (Deloitte, 2014).

Manufacturers in emerging markets are increasingly exploring branding as branded products can provide firms with higher revenue. Two strategies are possible: buy existing brands or develop brands in-house.

Both strategies have been used by Chinese manufacturers. Firms such as Lenovo, Haier, Huewai and The Great Wall of China, have established brands which are gaining market share in global markets. Lenovo bought the hardware business of IBM and has been able to gain market share in western markets. The Great Wall automotive company competes aggressively in western markets and, for example, was able to increase sales in Australia by 27% in 2013 (Blackburn, 2013). Russia has relied on natural resources, with mining accounting for 25% of GDP in 2008 (Timmer & Voskoboynikov, 2014). However, unlike China, Russia has not been able to create global consumer brands, despite averaging 3.7% of per capita GDP growth annually between 1995 and 2012, and being endowed with abundant natural resources (Timmer & Voskoboynikov, 2014).

4.3.1 CSR and corporate performance

Corporate performance includes both financial and non-financial performance. A study by *Ernst and Young* shows that investors base a third of their fund allocation decisions on non-financial performance measures (Low & Siesfeld, 1998). Reputation has been singled out as one of those non-financial factors. However, the question of causality has been raised. For example, does good reputation lead to superior financial performance, or are companies with good financial performance more inclined to spend on measures that enhance their reputation (Sabate & Puente, 2003)?

Acting socially responsibly has been attributed to an increase in reputation and ultimately financial performance (Galbreath & Shum, 2012). The link between profitability and responsible business practices has been explored in dozens of studies and meta-studies (Allouche & Laroche, 2005; Barnett & Salomon, 2006; Callan & Thomas, 2009; Devinney, 2009; Orlitzky & Benjamin, 2001; Orlitzky et al., 2003; Waddock, 2000; Wood, 1991) and is considered to be the ‘holy grail of CSR research’, as Devinney (2009) has called it. This may be linked to the notion that ‘doing right should have rewards’ as ‘CSP advocates yearn to find, and search for, a positive connection’ (Rowley & Berman, 2000, p. 400), which can be intrinsic, extrinsic or image enhancing (Ariely et al., 2009). For example, Margolis et al. (2011) found, based on an analysis of 250 studies over a 35-year period, that there is indeed a link, albeit a small one, with a median R value of .09. They also point out that the link is even smaller for more recent studies.

Practitioner research by Robeco Sam (a *Dow Jones* company that provides sustainability indices to investors), shows that sustainability is linked to the ‘business case for CSR’: 67% of 1,813 companies that were surveyed demonstrated a clear link in their reporting to their business strategy (RobecoSAM, 2014). Furthermore, practitioner research by KPMG (2011) shows that reputation and branding is considered one of the main reasons why companies engage in CSR, with 67% of companies citing this as the major driver for their CSR engagement.

While a link between CFP and CSP has been established by the majority of studies, the question is no longer if there is a link between CFP and CSP but the direction of the relationship and the condition under which CSR will flourish. Carroll (1991) argues that companies need to have a solid economic foundation before they can embark on ‘higher order’ CSR activities, such as philanthropy. This can be interpreted as a ‘virtuous circle’ − where companies that do ‘good’ do well finanically and those firms that have a superior financial performance engage in more corporate social responsibility (Nelling & Webb, 2009). Carroll’s pyramid of economic, legal, ethical and philanthropic CSR activities has been shown to be relevant not only in western settings but also in emerging economies, such as China (Ramasamy & Yeung, 2009). With growing incomes, companies have the economic foundation to progress to the higher order levels of Carroll’s pyramid.

Waddock and Graves (1997) attribute this ‘virtuous circle’ to either ‘slack resources’ or ‘good management’. According to the slack resources theory (Bourgeois, 1981; Cyert & March, 1963), companies that perform well are able to use those ‘slack’ resources to engage in CSR. Good management theorists (McGuire et al., 1988) see a high correlation between good management and CSP, as CSP focuses on improving relationships with stakeholders.

Carroll’s CSR pyramid model of 1979 and 1991 shows how different types of responsibility are interlinked and need separate consideration: economic responsibility is considered the cornerstone or foundation of any CSR involvement, as it is difficult to engage in philanthropy, for example, if the firm is facing financial troubles. An example that illustrates this is the decline in philanthropy during the recent Global Financial Crisis (GFC) (Evans & Tzavara, 2012). The second 'step' of the pyramid is legal responsibility, which is viewed as mandatory, followed by ethical responsibility, which is deemed desirable, and at the top of the pyramid, philanthropy, deemed as voluntary. While the model has been in existence for several decades, it addresses issues of relevance today − for example the issue of product safety can be seen as both an ethical requirement and a legal requirement. The recent product recalls by a number of automotive companies, such as Toyota, General Motors and Hyundai, illustrates that the boundaries between 'voluntary' and 'mandatory' recalls are not clear-cut. What is seen as 'mandatory' recalls in some countries is considered 'voluntary' in other jurisdictions. It is interesting to note that firms that announce voluntary recalls will experience a positive effect in their CSR ratings (Chang & Chang, 2014).

CSR ratings are mostly based on company reporting and CSR reporting has flourished over recent decades (Corporate Register, 2015). The percentage of large listed companies that report their CSR initiatives increased from 74% to 83% in the period from 2008–2011 in the US. In the UK the increase was even stronger: from 91% to 100% (KPMG, 2011). Reporting has also increased in developing and emerging economies (Belal & Momin, 2009).

4.3.2 Differences in CSR interpretation and involvement in developmental settings

A review of CSR research shows that early CSR research focused mostly on social, environmental, ethical and stakeholder issues in developed countries (Lockett et al., 2006). Since the late 1980s research has shifted to include countries from developing nations (Fifka, 2011).

The multidimensionality of the CSR concept (Sharfman, 1996) covers a broad spectrum of related concepts such as *citizenship* (Pinkston & Carroll, 1996; Valor, 2005), *philanthropy* (Carroll, 1991; Wang & Qian, 2011), *corporate social performance* (CSP) (Carroll, 1979; Wood, 1991a), *sustainability* (Brundtland, 1987) and the *triple bottom line* (Elkington, 1997). '*Corporate responsibility'* can be considered the overarching concept to explore the role of business in society (Scherer & Palazzo, 2007; Zadek, 2004). Other aspects of business responsibilty have been explored under the umbrella of *Environmental Responsibility* (Wahba, 2008) and the broader concept of *social responsbility* (instead of

CSR) was used by Friedman (2007) as a title for his paper, 'The social responsibility of business is to increase its profits'. In line with Scherer and Palazzo (2007) we see CSR as an 'umbrella term' (p. 1096) that includes all of the above.

Ranking and rating agencies, such as the Dow Jones Sustainability index, CSRHUB and MSCI KLD 400, provide some guidelines about company performance in different country settings. However, the field is further complicated due to globalisation forces that blur the line of what government should provide for their citizens and what role multinational companies should play in filling the void (Moon et al., 2011; Scherer & Palazzo, 2007).

What is considered 'good corporate citizenship' or expected socially responsible actions differs between countries, with US companies, for example, engaging more in philanthropy and providing services and assistance that are provided by the State in European countries (Doh & Guay, 2006). An example is the reliance of US institutions, such as universities, hospitals and museums, on philanthropic donations. Without those donations, many institutions would not be able to exist (Friedman & McGarvie, 2003). This is in contrast to European countries where funding for these organisations has been considered, until now, the domain of the state, and philanthropy by individuals and firms in economies such as Germany remains low compared to the US (Adam, 2004; Priller et al., 1999). An added problem is that most ratings only capture what companies report. This poses a problem for companies that may do 'good' but are not highly rated due to limited or no reporting of their CSR activities.

CSR reporting has shown different themes emerging across borders. For example, Chen and Bouvain (2009) and Fifka (2011) analysed the CSR reports of companies from the US, UK, Germany and Australia, and showed a significant difference in emphasis in reporting themes and CSR activity between countries. For example, German reports focused more on social aspects while US reports focused on philanthropy (Jamali, 2014). Research in a developing country context has been identified as a gap (Belal & Momin, 2009), although the research focus is now shifting from established developed country settings to include more developing countries (Fifka, 2011) and research exploring CSR in developing country settings has increased in the last decade.

Research in developing and emerging markets has highlighted different issues, such as corruption (Dobers & Halme, 2009), and has addressed issues in particular industry sectors, such as the oil industry (García-Rodríguez et al., 2013). While those issues are specific to a developing country context, other issues are similar to those experienced in developed economies, and similar results as have been found in developed countries have been explored by Rettab et al. (2009) who explored the link between organisational performance and showed that CSR has a positive impact on financial performance, reputation and employee commitment in emerging economies.

4.3.3 CSR reporting frameworks

Reporting has also increased in emerging economies and Frynas (2006) found that 53% of the assessed emerging-market companies publish details of their environmental policies and environmental management systems. The average of reporting for high-income OECD countries was only slightly higher at 59%. This points to convergence in reporting in emerging economies, as has been the case in a developed country context (Chen & Bouvain, 2009). According to Zheng et al. (2014), firms from emerging economies use this reporting either as a compliance or a strategic adaption strategy. In their sample of Chinese firms, philanthropy was the main instrument used to engage with outside stakeholders, while sustainability issues were considered more important with stakeholders inside the firm. Legitimacy theory was used in a study about the relationship between corporate governance and CSR disclosure of Bangladeshi companies (Khan et al., 2013).

Many researchers rely on CSR reporting for their data, as this is measurable and comparable while 'CSR performance', is difficult to obtain and to evaluate. The principles of Carroll's 'Pyramid model' (1991) have now become part of international voluntary codes of conduct, such as the United Nation's Global Compact (GC). Stakeholder theory has made a contribution to the field by pointing out that different dimensions of CSR are relevant to different stakeholder groups, for example consumer and employees value and demand different aspects and attributes of CSR (McWilliams & Siegel, 2001).

They are also reflected in the guidelines of the *Global Reporting Initiative* (GRI), which has become the 'quazi' standard for CSR reporting (Herzig & Schaltegger, 2011) as the globalisation of the world economy demands some form of measures that can transcend national culturally-based judgements.

Both the GC and the GRI provide companies with a framework to report their CSP. GRI reporting requires companies to report on different dimensions of CSR using three main indicators: economic, environmental and social. Each of those CSR performance indicators consists of a set of core indicators plus additional indicators. For example, companies are required to report on 10 core economic indicators, 16 environmental indicators and 24 social indicators. This combines to a total of 50 core indicators plus 47 additional indicators, thus providing a comprehensive framework for CSR reporting that addresses various stakeholder concerns (Moneva et al., 2006, p. 131).

These frameworks have simultaneously been acclaimed as well as criticised by NGOs and researchers (Berliner & Prakash, 2014; Kell, 2005; Rasche & Waddock, 2014; Ruggie, 2001; Sethi & Schepers, 2013; Voegtlin & Pless, 2014). Criticism has been focused on the match between reporting and actual behaviour. Assurance and certification of reporting provided by independent third parties is increasing (Manetti &Becatti, 2009) and thus may help to overcome this trust deficit as well as criticism of balance and impartiality of reporting (Hahn & Lülfs, 2013).

But despite these criticism, the GRI is considered, apart from the ISO 10668:2010 (ISO, 2010), as the most influential framework for sustainability and social responsibility reporting (Berman et al., 2003) and thus the data in this paper is closely aligned with the GRI principles and CSR categories and we show the alignment in the methodology section.

Companies are increasingly criticised about the underlying motives of their disclosure (Fooks et al., 2013; Mahoney et al., 2013). A desire to increase reputation has been cited as one motive for reporting (Nikolaeva & Bicho, 2011), while another is to decrease reputational risks (Bebbington et al., 2008).

4.3.4 Reputation and brand value

In line with the resource-based view of the firm, corporate reputation can be considered an asset for a firm that leads to competitive advantages (Roberts & Dowling, 2002) and is considered essential for business survival (Abimbola et al., 2012). Reputation is considered one of the elements of intangible resources, which also includes innovation, human capital and culture (Surroca et al., 2010). The link between corporate reputation and financial performance has been explored in a study of large German companies that showed the effect of reputation on financial performance (Eberl & Schwaiger, 2004). Roberts and Dowling (2002, p. 1077) point out that the '… reputation-performance effect may operate in both directions: a firm's financial performance affects its reputation and its reputation affects its performance'. An Australian study, however, found that no link between reputation and financial performance was evident (Inglis et al., 2006). We see reputation closely linked to brand value and see reputation as a 'precursor' to brand value. The role that CSR plays in building reputation and ultimately brand value has so far not been widely researched, however Fan (2005) sees a clear link between 'ethical' branding and corporate reputation.

Integrating CSR as a 'core' characteristic or attribute of brands is a trend that has emerged in the last decade. Signs of this are the featuring of CSR-related themes on company's websites and in product and corporate brand advertisements. This trend has been referred to as 'ethical' branding (Fan, 2005). We prefer to refer to this as 'CSR infused' brands, which can be considered as a strategic advantage. An example of a brand that has been infused with environmental credentials is the Toyota Prius, while the 'Blue Motion' branding attempt of Volkswagen for their low emission and low consumption cars is another.

Having products with 'environmental' credentials makes it easier to communicate this aspect of a product compared to the complex constructs of CSR. Environmental credentials, however, are only a small aspect of CSR. The growing support of companies worldwide for good causes, such as the marketing of 'pink' merchandise to support breast cancer research, is an example how companies can integrate worthwhile causes into their marketing strategy. Another example is the funding for Ronald McDonald House, which enables parents of sick children to stay close to the hospital in heavily subsidised accommodation that is provided by the fast food chain, McDonald's. Companies engage in these activities as it is assumed that firms that are involved in CSR are more reliable and their products may be viewed as being of higher quality (McWilliams & Siegel, 2001).

Our interest, however, is not in the 'nature' of the brand; we are interested in the link between CSP (seen company-wide) and brand value. Through the literature, we show how CSP is linked to brand value and then, based on our conceptual model, we develop a set of hypotheses.

4.3.5 Linking brand value and CSP

Linking CSR performance to brand value has been done in a variety of ways: as conceptual papers (Middlemiss, 2003; Werther & Chandler, 2005) and as empirical papers using surveys of consumers or firms (Hur et al., 2013; Lai et al., 2010). Other studies have relied on panel data, such CSRHUB, KLD, Interbrand and BrandFinance (Bouvain et al., 2013; Melo & Galan, 2011; Torres et al., 2012). Lai et al. (2010) have investigated how brand equity is related to CSR and have found a positive link in their study of Taiwanese industrial companies.

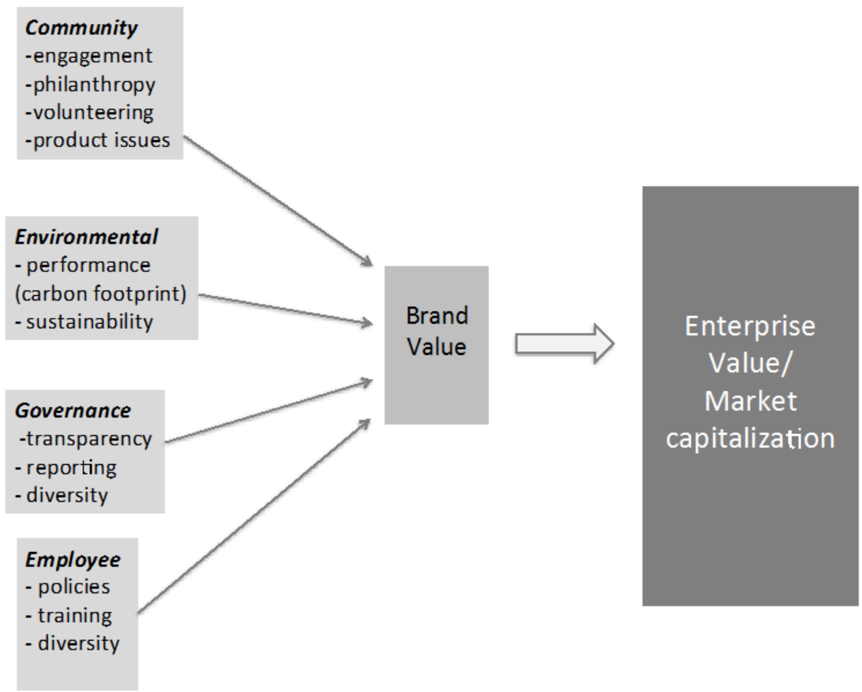
In their study of 45 US companies, Melo and Galan (2011) found a link between CSR and brand value. They also found that company size had an impact on performance and that CSR initiatives have a long-term impact on a firm's performance. They ran several models and found that they needed to combine some CSR elements into a single construct to provide significance. Torres et al. (2012), using panel data in their longitudinal study of 57 firms from 10 countries, demonstrated that CSR has a positive effect on brand equity, with a strongly positive effect when local communities were addressed through CSR initiatives.

CSR has also been seen as 'brand insurance', as suggested by Werther and Chandler (2005) in their conceptual paper. In another conceptual paper, Middlemiss (2003) suggests that CSR is becoming more important in creating brand value for global companies. Hur et al. (2013) investigated the relationship between CSR, brand credibility, brand equity and corporate reputation using a survey of 867 consumers in South Korea and showed that CSR has a positive effect on both brand credibility and reputation. While most studies have concentrated on consumer-oriented companies, Lai et al. (2010) examined the mediating factors of corporate reputation and brand equity in an industrial setting and found that CSR and reputation have a positive effect on brand equity.

Surroca et al. (2010) examined the broader concept of 'intangibles' (of which brand is an element) and how it mediates the relationship between CSR and intangibles, finding no direct relationship to financial performance but confirming the mediating effect of intangibles. The impact of country was not part of Surroca et al.'s (2010) study, but we feel that different country settings is a factor that needs consideration as previous research in the area has acknowledged country differences (Chen & Bouvain, 2009; Gjolberg, 2009; Matten & Moon, 2008).

Most studies that explore the link between CSR/CSP and brand value show that CSR/CSP has a positive impact on brand value. A study of 84 banks in East Asia found differences for four CSR measures and brand value between East Asian banks and US banks and explained this through cultural differences. We have used the same source (CSRHub) and the same four measures of CSR that Bouvain et al. (2013) used: community, environmental, governance and employee. These four measures are shown in the conceptual model (Figure 4.1) that shows that brand value can be seen as a contributor, or indeed mediator, to overall enterprise value and assumes that different aspects of CSR have different impacts on brand value and enterprise value.

Figure 4.1. Conceptual model



Brand value is considered a contributor to enterprise value (Madden et al., 2006). Sinclair and Keller (2014) argue that current accounting standards do not recognise internally developed brands as assets. They show that for S&P 500 companies the percentage that intangibles contribute to market value has increased from 32% in 1985 to 80% in 2010 (p. 290).

CSR has become the norm in emerging economies with increasing reporting levels now evident (KPMG, 2011). However, in some emerging economies, the quality of reporting is not comparable with those in western countries (Belal, 2000) and this points to divergence. Consumers in emerging economies have responded positively to CSR initiatives as a study of Chinese consumers has shown to CSR initiatives (Tian et al. 2011).

We assume that brand value is a contributor (in a mediating role between CSR and enterprise value via brand value) in both developed and developing countries. We expect, in line with previous research of western countries, that our 'baseline model' for developed countries shows that CSR has an impact on enterprise value (albeit a small one, as Margolis et al., 2011 and 2007, have pointed out). US companies, through their long experience in managing global brands, are expected to show significance. We propose an alternative model for emerging markets/BRICS firms that contests our western or baseline model, and we hypothesise that the associations for CSR, brand value and enterprise value work differently, having diverging underlying mechanisms.

We have outlined some of the differences that exist, based on Sheth (2011) and supported by Enderwick (2009).

The increase in consumption of globally branded goods in developing countries positively impacts on the brand value in developed countries, creating a 'multiplier effect' as, due to increased incomes, consumers in emerging markets are able to purchase these goods.

Based on the literature review we developed a set of hypotheses for both developed and emergent economies and, as these economies are not homogenous, we have further split our samples into US and BRICS country firms. In terms of the formation of our hypotheses to reflect a mediating effect (in our case for brand value), we were influenced by the techniques employed by Baumann et al. (2015).

4.3.6 Hypotheses

H bvent 1	Brand value has a significant impact on Enterprise value in firms from developed economies
H bvent 1a	Brand value has a significant impact on Enterprise value in firms from the US
H bvent 2	Brand value has a significant impact on Enterprise value in firms from BRICS countries
H bvent2a	Brand value has a significant impact on Enterprise value in firms in BRICS countries
H com 1	Community has a significant impact on Enterprise value mediated by brand value for firms in developed economies
H com 1a	Community has a significant impact on Enterprise value mediated by brand value in firms in US firms
H com 2	Community has a significant impact on Enterprise value mediated by brand value in firms in emergent economies

H com 2a	Community has a significant impact on Enterprise value mediated by brand value in firms in BRICS countries
H en 1	Environment has a significant impact on Enterprise value mediated by brand value in firms in developed countries
H en 1a	Environment has a significant impact on Enterprise value mediated by brand value in firms in the US
H en 2	Environment has a significant impact on Enterprise value mediated by brand value for firms in emergent economies
H en 2a	Environment has a significant impact on Enterprise value mediated by brand value for firms in BRICS countries
H em1	Employment has a significant impact on Enterprise value mediated by brand value in firms in developed countries
H em1a	Employment has a significant impact on Enterprise value mediated by brand value in firms in the US
H em 2	Employment has a significant impact on Enterprise value mediated by brand value for firms in emergent economies
H em2a	Employment has a significant impact on Enterprise value mediated by brand value for firms in BRICS countries
H gov 1	Governance has a significant impact on Enterprise value mediated by brand value in firms in developed countries
H gov 1a	Governance has a significant impact on Enterprise value mediated by brand value in firms in the US
H gov 2	Governance has a significant impact on Enterprise value mediated by brand value for firms in emergent economies
H gov 2a	Governance has a significant impact on Enterprise value mediated by brand value for firms in BRICS countries

4.4 Methodology

We used panel data to test our structural equation model. Secondary data, such as that used in this study, has been used by the majority of CSR researchers, especially in longitudinal studies (Taneja et al., 2011). Our sample consists of 627 listed companies, 375 of which are constituents of the FT 500, which represents the world's largest companies based on market capitalisation. The remaining companies are considered leading companies in their country of origin. These companies, through their sheer size and sophisticated operations, have the ability to collect information for reporting and then communicate their performance (Knox et al., 2005) and are large enough to be included in both CSR and brand valuation ranking and ratings. We combined brand value ratings from *BrandFinance* ratings with *CSRHub* CSR ratings and achieved a sample size of 627 companies from both developed and developing countries.

For the country groupings we used the IMF classification of developed and developing countries (Nielsen, 2011). The country distribution is provided in Table 4.1.

Table 4.1 Country distribution

Country	Frequency	Percentage
Australia	57	9.1
Brazil	33	5.3
Canada	19	3.0
China	47	7.5
Denmark	2	0.3
Finland	2	0.3
Germany	39	6.3
India	42	6.7
Indonesia	12	1.9
Italy	30	3.2
Japan	25	4.0
Netherlands	5	0.8
Norway	3	0.5
Philippines	2	0.3
Russia	7	1.1
Singapore	6	1.0
South Korea	39	6.3
South Africa	30	4.8
Spain	6	1.0
Sri Lanka	2	0.3
Sweden	8	1.3
Switzerland	13	2.1
Taiwan	2	0.3
Thailand	7	1.1
Turkey	13	2.1
UK	21	3.4
US	121	19.4
TOTAL	624	100.0

In our sample we have in total 408 companies from developed countries and 219 firms originating in developing countries. We have further divided developing countries into BRICS (159 companies) and 'other' developing countries. Similarly we have divided the sample of the developed country sample (408) into US companies (121) and developed excluding US companies. Previous research, such as Melo and Galan (2011), used US companies, with a sample size of 54.

We amalgamated the standard industry classifications into seven sectors (consumer, finance, raw material, energy, industrial, services and technology). Further categorisation of companies in terms of either consumer orientation or business-to-business (B2B) orientation was made. In our sample we have 337 consumer companies and 290 B2B firms. Table 4.2 provides an overview of the samples. Finance and consumer companies constitute nearly half of the sample at 46.0% (289 firms), followed by industrial companies at 16.3% (102) and technology companies 14.9% (93). Services constitute 57 companies; energy, 58; and raw materials, 25.

Table 4.2 Distribution of industry sectors

Sector	Frequency	Percentage
Consumer	144	23.1
Energy	58	9.3
Finance	145	23.2
Industrial	102	16.3
Raw materials	25	4.0
Services	57	9.1
Technology	93	14.9
TOTAL	**624**	**100.0**

Brand value data was obtained from the *BrandFinance Global* 500 data of the top 500 listed companies or the top 50/100 top-rated brands in individual countries in 2013.

BrandFinance is considered one of the leading companies in brand valuations. This is evidenced with *BrandFinance* becoming accredited according to the ISO 10668 global standard for brand valuations in 2010 (Narayan, 2012). According to the ISO 10668:2010 standard, brand valuations need to include accounting, legal, behavioural, and financial aspects (ISO, 2010).

Salinas (2011) and Salinas and Ambler (2009) provide an excellent overview about the different methods of brand value calculation. The income approach is most widely used and competitors, such as Interbrand, use a version of this as well. Using discounted cash flow techniques allows researchers to compare brands from different countries and different industry sectors. Using enterprise value instead of market cap is, according to Forbes, favoured by analysts as it represents 'the aggregate value of a company as an enterprise rather than just focusing on its current market capitalisation. It is calculated as market cap, plus debt, minority interest and preferred shares, minus total cash and investments' (Forbes, 2012b).

Our independent variables are sourced from CSRHUB. As of October 2014, CSRHUB ranks and rates 9100 companies from 103 countries and 135 industry sectors, which makes CSRHUB the largest CSR sustainability ratings and information databases (CSRHUB.com.au). The data is sourced from publicly available information and propriety databases such as SAM, Asset4 and Dow Jones Sustainability ratings. The four dimensions: community, employees, environment and governance, are each constructed based on three subcategories, which are explained in Table 4.3.

Table 4.3 Four CSR hub categories/subcategories and descriptions

Category/Subcategories	Description
Community • Human rights and supply chain • Product quality, safety, and sustainability • Community development and philanthropy	The **Community Category** covers the company's commitment and effectiveness within the local, national, and global community in which it does business. It reflects a company's citizenship, charitable giving, and volunteerism. This category covers the company's human rights record and treatment of its supply chain. It also covers the environmental and social impacts of the company's products and services, and the development of sustainable products, processes and technologies.
Employees • Diversity and labour rights • Compensation and benefits • Training, safety and health	The **Employees category** includes disclosure of policies, programs, and performance in diversity, labour relations and labour rights, compensation, benefits, and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws and regulations, and proactive management initiatives. The category includes evaluation of inclusive diversity policies, fair treatment of all employees, robust diversity (EEO-1) programs and training, disclosure of workforce diversity data, strong labour codes (addressing the core ILO standards), comprehensive benefits, demonstrated training and

	development opportunities, employee health and safety policies, basic and industry-specific safety training, demonstrated safety management systems, and a positive safety performance record.
Environment • Environmental policy and reporting • Energy and climate change • Resource management	The **Environment category** data covers a company's interactions with the environment at large, including use of natural resources, and a company's impact on the Earth's ecosystems. The category evaluates corporate environmental performance, compliance with environmental regulations, mitigation of environmental footprint, leadership in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies, disclosure of sources of environmental risk and liability and actions to minimise exposure to future risk, implementation of natural resource conservation and efficiency programs, pollution prevention programs, demonstration of a strategy toward sustainable development, integration of environmental sustainability and responsiveness with management and the board, and programs to measure and engage stakeholders for environmental improvement.
Governance • Board • Leadership ethics • Transparency and reporting	The **Governance category** covers disclosure of policies and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluation of a company's culture of ethical leadership and compliance. Corporate governance refers to leadership structure and the values that determine corporate direction, ethics and performance. This category rates factors such as: are corporate policies and practices aligned with sustainability goals; is the management of the corporation transparent to stakeholders; are employees appropriately engaged in the management of the company; are sustainability principles integrated from the top down into the day-to-day operations of the company. Governance focuses on how management is committed to sustainability and corporate responsibility at all levels.

Source: CSRHUB

The data is first mapped into 12 subcategories, which are then amalgamated into four main categories (see Table 4.3). The data is converted in to a numeric scale of 0-100 and normalised based an analysis of variations between sources (CSRHUB, n.d.). The advantage of CSRHUB indicators are based on GRI reporting guidelines, which is adopted by the majority of the Global 1000 corporations (Reynolds & Yuthas, 2008) and is closely aligned with the UN Global Compact (Isaksson & Steimle, 2009). Table 4.4 shows the alignment of GRI categories with CSRHUB categories.

Table 4.4 CSR categories mapped against GRI categories

GRI reporting Economic Performance (EC1-9), Environmental (EN1-29), Labor practices (LA1-14), Human rights (HR1-9), Society (So1-8), Product responsibility (PR1-9)

CSRHUB Community	GRI	CSRHUB Employees	GRI
CSR sub categories		CSR sub categories	
Community Development& Philanthropy	EC1, EC8 SO1	Compensation and benefits	EC3 LA3 LA4 LA5
Product	PR1 PR2 PR3 EN27 EN28	Diversity and Labor rights	EC5 LA1, LA2 LA15 HR7 HR6
Human Rights and Supply chain	E66 HR 1 HR2	Training Health and Safety	LA6 LA7 LA8 LA9 LA10 LA11
CSRHub Environment	GRI	CSRHUB Governance	GRI
CSR sub categories		CSR sub categories	
Energy and climate change	EC2 EN3 EN4EN5 EN6 EN7	Board	EC7 EC9
Policy and Reporting	EN30	Leadership Ethics	PR6 PR8 PRI
Resource Management	EN1EN2 EN8 EN9 EN10	Transparency And reporting	EC4 SO2 SO4 SO5 SO6

Source: CSRHub items and GRI Performance indicators

Our sample shows that the largest companies and companies with high enterprise and brand value are domiciled in the US. The mean brand value for US companies was $US10,155 million, while for BRICS companies is was only a quarter (US$2,506 million). The mean values for our CSR variables demonstrate that the scores show limited variation. Table 4.5 shows mean values for brand value, enterprise value and the four CSR categories.

Table 4.5 Mean values of dependent and independent variables by country groupings

In Million US $	Developed all	Developed no US	US	Emerging all	Emerging No BRICS	BRICS
brandvalue13	6268.20	4612.06	10155.31	2023.07	743.59	2505.89
entpv13	43946.94	35208.28	64457.53	20083.11	9253.95	24169.59
entpvbvpercent	17.835	18.323	16.687	13.784	8.592	15.743
comm12	52.82	53.32	51.67	53.37	53.30	53.3962
empl12	58.04	57.66	58.94	55.26	53.75	55.83
environ12	55.40	56.57	52.65	51.71	50.20	52.28
gov12	56.48	56.19	57.18	52.05	51.82	52.13

4.4.1 Method

The use of structural equation modelling (SEM) offers a number of advantages compared to other statistical methods (Chin, 1998) and has been used in CSR research, using both secondary and survey data. For example, Moneva and Ortas (2010) used multivariate models for measuring corporate environmental performance (CEP) and CFP and they see SEM as appropriate as it enables the researcher to obtain the underlying factors via observable factors. This feature enables researchers in CSR research to obtain constructs that are not directly observable, such as the influence that CSR engagement has on corporate identity, image and performance.

Our measurement model is a principal factor model '… where co-variation among the measures is caused by, and therefore reflects, variation in the underlying latent factor' (Jarvis et al., 2003).

We used the accepted method of including the automatic estimation of variances for the independent factors.

To answer our hypotheses we used the alternative model approach in which different causal models are tested to determine best fit (Reisinger & Mavondo, 2007). We first ran a model for the whole sample and then stratified the sample into developed, emerging country firms, US companies and BRICS companies. For control purposes for size we also ran a sample that included the top 200 and bottom 200 companies according to enterprise value and models according to industry sectors. We also reversed the model, examining if financial performance influences CSP, which has been referred to by Nelling and Webb (2009) as the 'virtuous circle', which implies that better financial performance will lead to better CSP and will further lead to better financial performance. This is in line with Chin (1998), who suggests running several models to determine best model fit.

While we used some lag effect, the size of an 'appropriate' lag between the two constructs has been examined in the relationship between corporate governance and CSR (Jo & Harjoto, 2012). Melo and Galan (2011) have used one and two year lags, and Prior et al. (2008) have also lagged some variables to avoid endogeneity problems. We opted for a one year lag. We have used 2012 data for CSR and 2013 data for brand value.

4.5 Results

We achieved good model fit for all but two of our models; with the parameters GFI, CFI, NFI all above 0.9, which is considered a good fit. The reverse models did not show adequate model fit and we have not included them. We used and report on both absolute fit indices, such as Chi-Square and Goodness-of-fit statistic (GFI), as well as incremental fit indices. Hooper et al. (2008) provide in-depth guidelines for determining model fit.

Detailed model fit is provided in Table 4.6. We achieved excellent model fit for the US firms. Good fit was achieved for the model that examined developing countries and firms from the BRICS countries and marginal fit for firms from developed countries.

Table 4.6 Model fit

Country	Chi2	CMIN /DF	NFI	RFI	IFI	TLI	CFI	RMSE	Hoelter 05	Hoelter 01	fit
developed	29.480	7.370	.973	.859	.977	.876	.976	.125	131	185	Marginal
developing	5.647	1.412	.993	.962	.988	.988	.998	.043	367	513	Good
BRICS	5.419	1.355	.991	.965	.998	.991	.997	.047	277	388	Good
US	7.130	1.782	.978	.918	.990	.962	.990	.081	160	224	Excellent
Top 200	5.517	1.379	.989	.941	.997	.983	.997	.997	343	479	Excellent
Bottom 200	14.301	3.575	.970	.845	.979	.883	.978	.114	133	185	No
Desirable		Less than 2	>.9	>.9	>.9	>.95	>.95	>.08	>200	>200	

We tested for the significance of standardised indirect effects and the results are provided in Table 4.7.

Table 4.7 Level of significance for standardised indirect effects

Country	DV	IV gov	IV empl	IV environ	IV com
dev	Bv	.000	.000	.000	.000
	Entpv	-.028	.150	.168	-.162
Emerg	Bv	.000	.000	.000	.000
	Entpv	-.110	-.085	.018	.040
BRICS	Bv	.000	.000	.000	.000
	Entpv	-.074	-.130	-.008	.072
US	Bv	.000	.000	.000	.000
	Entpv	-.195	.104	.367	-.199
Bottom	Bv	.000	.000	.000	.000
	Entpv	-.065	.098	.151	-.144
top	Bv	.000	.000	.000	.000
	Entpv	-.182	.076	.203	-.106

BV (Brand value), Entpv (Entrprise value), DV – (Dependent variable), IV (Independent variable)

The relationship between brand value and enterprise (Hbvent1-2a) value was significant for firms from both developed and emergent economies. This is in line with Srivastava et al. (1998), who see brand value contributing to shareholder value.

The link between CSR dimensions (community, environment, employee and governance) to enterprise value mediated showed different results for firms from emerging and developed countries. We hypothesised that there would be no link for emerging country firms and firms from BRIC countries and this proved correct, supporting the idea that divergence is happening based on institutional differences. For developed country firms, community, environment and employee had an impact on brand value at the .001 and .01 levels, but governance (Hgov1) was not significant and thus not supported. For US firms all hypotheses were supported for US companies with the exception of Hem1a- employee.

We also investigated size, using a model of the top 200 firms by size and bottom 200 firms by size. The bottom 200 firms did not provide adequate model fit while the top 200 showed significance in the environment and governance dimension but not for community and employee. Although industry sector differences was not included in our research questions, we also examined industry sector differences by coding the companies as either consumer or B2B oriented. We did not achieve adequate model fit for the B2B companies and finance companies showed the highest R values (.15) in our sample and this may provide an interesting avenue for further research in the future.

An overview of the SEM results is provided in Table 4.8.

Mean values in our CSR categories showed only minor differences while mean brand values were higher in developed country firms compared to emerging country firms. As one would expect, the US is leading the mean brand values, with more than double mean scores compared to developed non-US companies and nearly five times as high a BRICS country firms, as is shown in Table 4.9.

Table 4.8 SEM output for hypothesised relationship in the proposed model

Companies from:	Hypothesis path				Estimate beta	C.R. (t)	P	Hypothesis supported?
Developed countries (including US) (n=408)	Hcom1	community	->	BV	-232.5	-2.59	.01	yes
	Hen1	environment	->	BV	231.4	3.57	***	yes
	Hem1	employee	->	BV	174.87	2.354	.019	yes
	Hgov1	governance	->	BV	-49.897	-.731	.465	no
	Hbvent1	Brand value	->	EV	4.545	22.394	***	yes
Emerging economies (including BRICS) (n=219)	Hcom2	community	->	BV	18.36	.408	.683	no
	Hen 2	environment	->	BV	8.035	.222	.824	no
	Hem2	employee	->	BV	-36.634	-.908	.364	no
	Hgov2	governance	->	BV	-48.534	-1.367	.171	no
	Hbvent2	Brand value	->	EV	9.158	24.469	***	yes
BRICS only (n=159)	Hcom2a	community	->	BV	35.709	.625	.532	no
	Hen2a	environment	->	BV	-4.075	-.088	.930	no
	Hem2a	employee	->	BV	-60.550	-1.081	.280	no
	Hgov2a	governance	->	BV	-37.609	-.755	.450	no
	Hbvent2a	Brand value	->	EV	9.221	20.50	***	yes
US only (n=121)	Hcom1a	community	->	BV	585.824	-2.180	.029	yes
	Hen1a	environment	->	BV	752.300	3.786	***	Yes
	Hem 1 a	employee	->	BV				
	Hgo 1 a	governance	->	BV	207.366	1.095	.274	No
	H5e	Brand value	->	EV				
					-510.803	-2.256	.024	yes
					4.166	13.273	***	yes

Results supported at significance level: BV(Brand value), EV(Enterprise value)

*** P<u><</u>.001.
** P<u><</u>.01.
* P<u><</u>.05.

Table 4.9 Control model size of company

Top 200 by size (n=200)		community	->	BV	-265.485	-1.777	0.76	No
		environment	->	BV	412.294	3.277	.001	Yes
		employee	->	BV	160.976	1.089	.276	No
		governance	->	BV	-2.773	-2.773	.006	Yes
		brandvalue	->	EV	3.681	11.749	***	Yes
Bottom 200 by size (n=200)		community	->	brandvalue	Inadequate model fit			
		environment						
		employee						
		governance						
		brandvalue	->	Enterprise value				

Our R square results are in line with previous research for US companies, while BRICS and emerging economies have lower explanatory power. The results for the US (R .13) are comparable with those that are reported by Margolis et al. (2007), who showed a mean R value of 9% based on an examination of 250 studies. R values are presented in Table 4.10.

Table 4.10 R values

Country grouping	R Square Brand value	R square Enterprise value
All countries	.06	.57
developed	.06	.55
emerging	.03	.73
US	.13	.59
BRICS	.03	.73
Finance companies	.15	.68
Top 200	.07	.41
Bottom 200	.08	.19

The results are in line with prior research that focused on US companies, but our research shows that the picture is different in emerging and developing economies. We provide two explanations for this: *crossvergence* and *brand maturity*.

Discussion of results from previous research investigated companies from developed countries (Melo & Galan, 2011; Surroca et al., 2010; Torres et al., 2012); our research extends this and are in line with Bouvain et al. (2013), who examined the link between brand value and CSR of banks in East Asia and the US. Their results showed that differences between the US and China, for example, could be explained by cultural factors. That study covered a single industry sector, banking, while this study covers a cross section of industry sectors and covers firms from 27 countries.

Research based on 56 US companies by Melo and Galan (2011) has shown a link between CSR and brand value and we achieved similar results for the 121 US companies in the sample and showed that different aspects of CSR have an impact on brand and enterprise value, for example the employee dimension did not prove 'significant' at the 0.05 level for US companies, while environment, governance and community all were significant. My measure of CSR in the employee category includes compensation and benefits, diversity, labour rights and training, health and safety. The employee category (as it is aligned with the GRI), includes the reporting of employees covered by collective bargaining agreements, for example the role that unions play in the process of bargaining as well as their role in health and safety committees, are judged in this category (Global Reporting Initiative, 2000). In the US only 7% of private sector employees were union members in 2010 (Schmitt & Mitukiewicz, 2012) and this may be a contributing factor to the score.

Limited variation of the CSR scores in my sample points to some extent to convergence with surprisingly little difference between the various country settings.

For example, firms in developing economies have similar CSR scores in community (53.3) to those in developed countries. This may be due to a notion of ‘benevolence’ towards employees and local communities (Jamali & Neville, 2011). Firms from BRICS countries, for example, have a higher mean CSR score in community with 53.40, compared to US companies with 51.60. The American concept of ‘philanthropy’ has been adopted by companies in developing countries and is mainly seen to alleviate disadvantage and poverty (Andion et al., 2012), although criticism has been levelled against this approach as it is seen as ‘paternalistic’. Jamali and Sidani (2011, p. 71) remind us that CSR is not about philanthropy or following international codes of conduct and reporting, but should address the special circumstances of developing countries: ‘It is essentially about making a visible difference in people’s lives and livelihoods, building local capacity and meeting local needs and aspirations’.

In other CSR categories, BRICS firms show a lower score compared to US companies, for example the governance score is 9.7% lower at 52.13, compared to 57.18 in the US. This higher governance score for US firms may be attributed to a heightened awareness of the importance of good governance after the WorldCom and Enron failures (Holmstrom & Kaplan, 2003) and subsequent strengthening of laws (Agrawal & Chadha, 2005). In developing countries, globalisation, international trade and foreign investment have encouraged mimetic behaviour in corporate governance (Samaha et al., 2012) and it is likely that these scores will rise as a result of that.

Scores in environmental performance are lower (50.2) in developing countries and this may be attributed to lower standards and limited disclosure of environmental performance (Belal, 2000).

Equally, environmental scores for US companies are lower than those in other developed countries − especially in the G7 countries. The US government has been reluctant to join the Kyoto Protocol (Löschel & Zhang, 2002; Manne & Richels, 2004) with some even suggesting that this may have negative effects on the US industry in the future (Bhagwati & Mavroidis, 2007).

I now return to our main hypotheses: do CSR elements influence brand value and ultimately enterprise value positively in firms in developed and the US economies? Our hypotheses were supported for developed country firms in all but governance and for US companies in all but employee performance. The impact of different CSR dimensions on brand value and enterprise value was different compared to emerging country firms, which we predicted would show not significant relationships. To some extent this is surprising as, for example, BRICS firms did not show a relationship between CSR and brand value at significant levels, despite Frynas' (2006) observation of relatively high reporting of CSR in emerging economies.

The results for firms from developed countries showed as significant and this is in line with previous research and a closer analysis showed that this was mainly due to US companies (which were the focus of a study by Melo & Galan (2011) for example). When US companies are excluded the results become more marginal.

The results of our 'baseline model', as provided in Table 4.11, show that our hypothesis was proven.

Table 4.11 Results 'Baseline model' developed countries and US

H bvent 1	Brand value has a significant impact on Enterprise value in firms in *developed economies*	Supported
H bvent 1a	- the US	Supported
H com 1:	Community has a significant impact on Enterprise value mediated by brand value for firms in *developed economies*	Supported
H com 1a	- the US	Supported
H en 1	Environment has a significant impact on Enterprise value mediated by brand value in firms in *developed countries*	Supported
H en1a	- the US	Supported
H en 1	Employee has a significant impact on Enterprise value mediated by brand value for firms in *developed economies*	Supported
H en1a	- the US	Not supported
H gov 1	Governance has a significant impact on Enterprise value mediated by brand value in firms in *developed economies*	Not supported
H gov 1a	- the US	Supported

As we had predicted, results for emerging country firms were not significant. These results are provided in Table 4.12.

Table 4.12 Results 'challenger model' firms from emerging economies and BRICS

H bvent 2	Brand value has no significant impact on Enterprise value in firms from *emerging economies*	Supported
H bvent 2a	- BRICS countries	Supported
H com 2	Community has no significant impact on Enterprise value mediated by brand value in firms in *emerging economies*	
H com 2a	- BRICS countries	Supported
H com 2	Environment has no significant impact on Enterprise value mediated by brand value in firms in *emerging economies*	Supported
H com 2a	- BRICS countries	Supported
H em 2	Employee has a significant impact on Enterprise value mediated by brand value for firms in *emerging economies*	Supported
H em2a	- BRICS countries	Supported
H gov 2	Governance has no significant impact on Enterprise value mediated by brand value in firms in *emerging economies*	Supported
H gov 2a	-BRICS countries	Supported

Companies from these non-US developed countries also had a lower mean brand value compared to US companies (Table 4.5). The same applies to the BRICS firms, for example the brand value in the manufacturing sector of BRICS countries was only 21% of those compared to US firms. This shows that emerging economies, despite their faster growth rates, are still lagging in developing global brands.

It could be argued that some of the top brands in developed countries, such as Apple, gain in two ways. First, they have their component manufacturing and assembly located in developing and emerging economies, enabling them to take advantage of lower production costs, and, secondly, with an emerging middle class these products are now increasingly sold in developing and emerging economies as these economies have increasing purchasing power to buy these products. In some sense we see the 'virtuous circle' here applied to a different setting, people in developing countries work in factories that produce global brands and due to increasing wages those workers are increasingly able to purchase those global brands. And more importantly, they see those brands being of higher quality, prestige and performance.

Companies from developing countries have reacted by purchasing established global brands providing them with a 'springboard' (Luo & Tung, 2007). Examples for this strategy are the purchase by Tata of Jaguar, and Lenovo's purchase of the IBM personal computer business.

We have shown that companies in developing countries are engaged in CSR, but that this involvement does not manifest in a significant relationship between CSR and brand value. Brands originating in emerging economies, such as the BRICS, have so far not been able achieve the same global acceptance compared to brands originating in developed countries. In a global environment diffusion could be expected and Bertels and Peloza (2008, p. 56) explain how diffusion is happening geographically and among industry peers based on 'ratcheting' expectations and improvements over time: '*Thus, norms for CSR are established among the elite firms within a geographic community, rather than within industries. These norms are then diffused within industries through mimetic forces*'.

Analysing the CSR scores in this study, we see that developing countries have been able to achieve those 'ratcheting' expectations. Many are embedded in global supply chains that expect CSR disclosure. However, to be successful in those global supply chains, a strong brand is not necessary, however inferior CSR may harm the global brand at the end of the supply chain, so the focus has been on CSR based on a compliance paradigm (Andersen & Skjoett-Larsen, 2009).

The situation in the finance sector is slightly different and a divergent pattern is emerging for the banking sector in China. Four Chinese banks are now ranked among the top 10 global banks based on market capitalisation (Brandfinance, 2014) and these banks are increasingly becoming global players (Wei, 2013). For example, the China Development Bank took a stake in Barclays Bank in the UK in 2007 (Berger et al., 2010) and the Industrial and Commercial Bank of China (ICBC), which is the largest bank based on market value, gained a controlling interest in the Bank of East Asia's US subsidiaries (Wei, 2011). Thus Chinese banks have emerged as a financial force globally, gaining greater visibility and striving for reputational value, reflected in increasing brand value.

Another aspect of our study is that it shows that CSR cannot be seen as an 'amorphous' construct, but shows that different aspects impact in different country settings as has been shown by Chen and Bouvain (2009). They suggested convergence based on a developed country setting. This is in line with Matten and Moon (2008), who propose that convergence is due to global institutional pressures, while divergence is driven by differences in national business systems. Research by Jamali and Neville (2011), in a developing country setting, showed that the picture is more diverse and 'crossvergence is evident'.

Crossvergence was first identified by Ralston et al. (1997), who investigated how economic ideology and national culture impacts on work values of managers from two developed countries (the US and Japan) and two emerging economies (Russia and China). Crossvergence can be seen as an integrative view point:

> *'Crossvergence, a continuum between the polar extremes of convergence and divergence, provides an integrative alternative that might be characterized as the melting pot philosophy of values formation'* (Ralston et al., 1997, p. 11).

Crossvergence was hardly ever empirically established in research, with an exception being the work by Baumann et al. (2012, p. 88) who found '… ethnic Chinese in Australia and Canada have developed their own unique banking behavior, resulting in crossvergence'. Our results too, point towards crossvergence when it comes to a geographic comparison between East and West, this time in relation to CSR and performance.

4.6 Conclusion

This study makes a distinct contribution in three aspects of CSR, branding and enterprise value. We demonstrated:

- a statistically significant positive link between brand value and enterprise value for firms from both developed and emerging economies
- a statistically significant positive link between three elements of CSR (community, environment and employee) for developed countries
- a statistically significant positive relationship between elements of CSR (community, environment and governance) for firms in the US.

Our contribution supports previous studies that showed a positive relationship between CSR and brand value a developed country context, and extends by demonstrating that firms from emerging economies do not have this positive statistically significant relationship. While good model fit was achieved for the firms in the BRICS countries, none of the CSR constructs showed a significance with mediated brand value. This points to divergence for this group of firms. There are two possible explanations for this, with the first being that CSR is still a 'western construct' and as CSR ranking and rating agencies rely on reporting firms from developing countries may at this stage not lack in being 'socially responsibly', but may lack in reporting sophistication. Another explanation is 'crossvergence'. Different institutional environments will most likely either enable or discourage CSR involvement (Campbell, 2007). The strength of the economy will also play a role, with firms operating in strong economic environments more likely to engage in CSR. Competitive factors are also considered a factor. This leads us back to our starting point −we used the RBV as one of our theoretical bases, which is the idea being that CSR engagement is unique to a firm and difficult to replicate. This CSR engagement will increase reputation and consequently enhance, or 'infuse', the brand with CSR, making it hard to copy the product or service. The idea in marketing has always been to establish long-term relationships and brand loyalty, thus creating a 'virtuous circle'. As we have shown in both developed and emerging economies, brand value is significantly related to enterprise value. As Carroll (1991) has shown, companies with a solid economic basis are then able to engage in CSR and thus further enhance their performance.

What we have shown is that this has been proven for developed countries (as previous research has done) but the picture for developing countries is more diverse, and thus we have 'borrowed' the concept of crossvergence to explain those differences.

A second possible explanation is that brands take time to mature to gain equity. Wood (2000) advocates, therefore, a strategic approach for managing brands as long-term assets. Many of the brands in the US have been around for decades, thus are considered mature brands. US companies have been able to develop skills in managing brands and to take local brands to a global market. Our study supports this conclusion, brand maturity influences the strength of the impact of CSR.

Brands from emerging economies, on the other hand, have not been able to 'globalise' their brands. BRICS and developing country firms have concentrated on manufacturing efficiencies instead of marketing. Further research, using a singular industry sector, will provide insights into the dynamics of the relationships between CSR and branding in industry sectors rather than country settings.

Previous research is based on data from developed countries; our research shows that by the use of a larger sample that includes companies from developing and emerging economies, the link between CSR and enterprise value via brand value has not been proven for firms headquartered in this set of countries. While most research studies focus on those aspects that show a link, in our study the 'not statistically significant' is 'significant from theory point of view' and shows that studies that rely on US or developed country data provide results that may not hold true in a developing or emergent country context, thus supported the usefulness of institutional theory.

With the growing importance of emerging markets it becomes increasingly important for business to understand the dynamics of the link between CSR and brand value in both developed and emerging economies. CSR is important in emergent markets due to the embededness of firms into global supply chains. However emerging markets, according to Sheth (2009), have inadequate infrastructure, suffer from market heterogeneity, unbranded competition, governance problems, and a chronic shortage of resources. These factors mean that brands at this stage have not achieved the same importance as in the west.

In sum: previous research that showed a link between CSR and brand value in the US has been confirmed, showing different CSR elements to be important. In emerging economies, including the fast growing BRICS countries, no significant link was evident in the mediated relationship of CSR to enterprise value via brand value, pointing to divergence for firms in those countries. Brands that originate in emerging economies have not been able to gain a sizable market share in developed countries, with some struggling in their own home market as they compete with global brands that are considered of a higher status. (Steenkamp, Batra, Ramaswamy, alden & Rmachander ,2000: Steenkamp, Batra & Alden, 2003). This shows that emerging economies, despite their faster growth rates, are lagging in creating their own brands. In other words, engaging in CSR does not create a global brand, but if you have a global brand, then CSR will enhance your brand.

4.6.1 Limits of this research and future research agenda

At this stage, US companies dominate branded products/services, but as more companies from developing nations start developing their own brands to capture extra revenue, this picture may change. As much of the branding research is conducted in a US context this provides opportunities for researchers to test existing constructs that were developed based on firms from developed countries. In the scope of this study we did not investigate industry differences in detail, but a larger sample may enable researchers to explore the effects of different industry sectors in a variety of country settings. Different aspects of CSR are most likely to have different effects, for example environmental issues may be more importance for mining companies, who have long grappled with the ‘license to operate’. The issue for banks is most likely more complex, with different CSR aspects relevant in different country setting (Bouvain et al., 2013).

CSR has been seen as a ‘domain’ of big business rather than smaller enterprises (Jenkins, 2006), but small companies are increasingly engaging in CSR as well, although their engagement is often more informal (Russo & Tencati, 2009). Although the situation may also be different for medium-sized companies, we decided to concentrate on large companies as they have high visibility and it is considered that smaller companies emulate their behaviour.

CSR research has concentrated on how to increase revenue, an examination of how CSR may help to avoid a *decrease* in revenue (Weber, 2008) may offer a different perspective to our thinking that CSR will *increase* revenue. Success in the marketplace, reflected in brand value may result that those products that already have a high brand value being more likely to further increase brand value due to their high visibility compared to lesser known brands. In addition to research based on Ranking and ratings, surveys and qualitative research methods will enable researchers to better understand the dynamics of the relationship between CSR and brand value.

The search for the ‘holy grail’ of the link between CSP and CFP has still not been resolved and economic, cultural and attitudinal differences between countries, industries and reporting practices needs further attention to provide managers with clear guidelines as to how ‘doing good’ will improve the bottom line.

4.7 References

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CHAPTER 5: CONCLUSION

5.1 Introduction

Recent corporate scandals in the banking industry, as well as in other industry sectors, have attracted the attention of academics and practitioners in relation to their responsibility to society, and the role of business in society. In the wake of these sandals the link between corporate social responsibility (CSR) and corporate financial performance (CFP) has received renewed attention from CSR pundits globally. The discussion has centred on whether 'doing good' is always good for business. The underlying assumption is that community commitment and engagement, employee interests, environmental responsibility and good governance will be rewarded with higher financial performance of firms. The link between doing good and 'just rewards' has its basis in most belief systems, which implies that those that do good deeds will be rewarded in the long term. This relationship has been referred to as 'the business case for CSR' (Carroll & Shabana, 2010; Porter & Kramer, 2006). The search for this relationship has been ongoing and has also been equated with the search for the 'holy grail' (Devinney, 2009).

While this thesis does not claim to have found the 'holy grail', it proposes the possibility that the CSP/CFP relationship may not be direct, but mediated by firm reputation, operationalised through 'brand value'. This is one of the propositions that has been empirically confirmed by showing specifically that brand value matters in the nexus between CSP and CFP. Based on an extensive literature review, the 'business case for CSR' has been re-examined in developed as well as developing country settings, which has been neglected in the extant literature. A single-industry approach was used for the first two studies and a multi-industry study of 627 of the largest companies worldwide for the third paper.

This chapter provides a summary of the findings of the three papers, drawing overall conclusions, and synthesises managerial implications, research limitations and highlights future research potential.

5.2 Overall Findings

The thesis has provided a number of new findings, as well as partly confirming earlier research, conducted in developed economies. This makes a contribution to the CSR, corporate social performance (CSP) and marketing literature by showing that brand value matters in the relationship between different CSR components and financial performance. The three papers identify differences in the importance of CSR components in different country and regional settings. The research shows that not only does country type matter in the above relationship but also industry sector type can make a difference, pointing to convergence, divergence and, in some instances, ‘crossvergence’.

The three studies confirm earlier research that was based on research in developed countries, which showed that brand value is a major contributor to shareholder value (Eberl & Schwaiger, 2004; Madden, Fehle & Fournier, 2006; Roberts & Dowling, 2002). Extending this research to include developing and emerging economies, shows that brand value is equally important in emergent markets. Furthermore, brand value has been found to be a major contributor to market value in those settings as well. This has, to my knowledge, not been addressed before.

The thesis then investigates the ‘business case’ for CSR. Instead of using a single measure for CSR, four CSR categories (based on a further 12 subcategories) which are aligned with the Global Reporting Initiative (GRI) framework have been used. The relationship between these CSR variables and brand value showed differences between regions and levels of development. Using both single industry as well as multi-industry samples shows that ‘the business case for CSR’, while partly confirmed for ‘western’ firms, has not been conclusively established for firms operating in developing countries. This points to differences in institutional and cultural settings and repudiates claims that the business case for CSR has been established ‘beyond all doubt’ (van Beurden & Goessling, 2008). The suite of studies found this statement to be partly proven for firms in developed countries. Several possible explanations are provided in the papers to these effects.

CSR and CSP have meanings in the contexts which are country/regional specific and industry specific, and shaped by the institutional environment. As has been suggested by Sethi (1975), CSR can be seen as a composition of different elements. The thesis relied on established panel data, allowing the treatment of CSR, not as an ‘amorphous’ construct, but one with distinct constructs which align with the GRI framework and showed both positive and negative relationships between CSR components and financial performance, mediated by brand value. The situation in developing countries was shown to be different compared to developed countries. Towards generalising these findings, future studies would be needed in the realm of dynamism in developing country contexts.

The key findings of the thesis are briefly outlined for each of the three papers.

5.2.1 Paper 1

In this study the association between CSR, brand value and competitive advantage in the financial services industry in East Asia and the USA was examined. The results show that the association between CSR and brand value differs substantially between different countries and regions, and that different CSR elements are important in different countries and region. The study makes a contribution to a better understanding of which CSR elements are important in different cultural and institutional contexts.

The four broad areas of CSR − community, employee, environment and governance − showed varying strengths in the relationship with brand value. China (including Hong Kong and Taiwan) and East Asia (Korea and Japan) were examined and compared to the USA. Using regression and ANOVA, the study showed strong explanatory power for Chinese banks in the sample and explained 66% (R2 of 0.66) of the relationship, but this is significant only for the community aspect of CSR. This is explained through Confucianism, a philosophy that emphasises caring for 'the greater good', which is reflected in the CSR 'community' aspect. The results for the other East Asian economies are more modest: the study explains 18.4% of the brand value variance. Here the 'employee' category is relevant for banks. For US banks different CSR elements are relevant − 'environment' and 'governance'. This can be explained through banks' lending policies in the US. The explanatory power for 'environment' is strong, (R2 = 0.452). 'Governance 'also featured strongly. This may reflect the attention of the public and media with governance in the aftermath of the global financial crisis and the Lehman Brothers collapse in the US. While overall the US is dominant in branding, with 33% of the global 500 top brands headquartered in the US, in the banking sector, only 18% of bank brands are located in the US, indicating that the stronghold of US brands does not extend to this industry sector.

While East Asian banks, such as those in South Korea, underwent restructuring in the early 1990s, the Asian crisis of the late 1990s created a more resilient banking system (Jeon & Miller, 2005). Japanese banks have faced structural problems, related to the domestic market, which has experienced low or no growth rates for some years. With these weak economic foundations Japanese banks are reluctant to make significant philanthropic donation. This is in line with Caroll (1991) models, who sees economic prosperity of firms as a precursor of philanthropy.

Overall the study makes several distinct contributions: Firstly, this study reviewed the CSR, branding and international business literature for a better understanding of the financial industry in the US and in East Asia. Secondly, the results show that CSR practices account for a large proportion of brand value. Thirdly, the study shows that the links between CSR and brand value vary substantially between different countries and regions, empirically supporting Sethi's statement that CSP is culture bound (Sethi, 1975). The study shows that Carroll's 'pyramid of corporate social responsibility' (Carroll, 1991) is still relevant more than two decades after it was published.

5.2.2 Paper 2

This paper questions whether brand value matters in the relationship between CSR and CFP. It extends the first study by increasing the sample from East Asian and US banks to a world-wide sample of 335 banks. Using structural equation modelling (SEM) two models are presented, one includes 224 banks from developed countries (according to IMF classification) and the alternate model is based on 111 banks from countries classed as developing (according to IMF classifications).

This paper has established the mediating effects of brand value in the nexus between CSR ratings of banks and their market value. To my knowledge, no prior studies have established the above effects, based on such a large sample drawn from the top 500 banks representing both developed and developing countries. The results showed significant differences of importance across four CSR constructs (which were based on twelve sub constructs).

The study has made some distinctive contributions to the extant literature. Firstly, the link between brand value and market value, which has been previously shown for firms from developed countries, has been confirmed for firms in a developing country context.

Secondly, the study showed that the 'business case for CSR', as advocated by Carroll and Shabana (2010) and (Porter & Kramer, 2006), has been confirmed for two of the four CSR dimensions (employee and environment) for banks in developed economies, while a third (community) was significant, but negatively. This was to some extent surprising, however, based on the literature several explanations are provided for this. One explanation is based on slack resources theory, while another is related to consumer cynicism about 'clean-washing', (Kohler, 2006) (a term 'borrowed' from fair trade literature) by banks. This re-opens the discussion about the 'business case' in a developing country context. Governance was significant in the developing country context, but negatively. Possible explanations are related to the 'imperfect and incomplete markets' (Allen, 2005). Governance in developing markets is less developed, as has been shown the Worldwide

Governance indicators provided by the (Worldbank, 2015) with developing economies showing lower scores, especially in the area of corruption and 'rule of law'.

While banks have a global presence, they are rooted in the institutional norms of the country in which they are headquartered in, thus institutional differences play a role. Differences also exist in how significant CSR variables are in driving brand value in different settings. This provides empirical support for the idea that CSR differs according to situational settings, as has been proposed by Sethi (1975) more than four decades ago. The study also shows and confirms that banks are 'different' (Mehran et al., 2011); they are highly regulated, with different levels of regulations between countries (Barth et al., 2013), compared to other industry sectors, as the whole economy depends on a functioning banking system. They also act as 'gatekeepers' and the study showed that banks play a pivotal role in shaping the environmental agenda by refusing lending for controversial, environmentally sensitive infrastructure projects.

Overall, the study confirmed that brand value matters in the nexus of CSP and CFP, confirming previous research partly for banks in developed countries. It also showed surprising results that questions the long held belief that doing good will be rewarded financially in the CSR domain of community, which includes service quality, philanthropy and community engagement.

5.2.3 Paper 3

This paper extends the previous research to a multi-industry sample (including both consumer and B2B firms) of 408 companies from developed economies, of which 121 are headquartered in the US and 219 originating in developing countries. Recognising that within the developing country segment, differences in growth and development exist, the sample was split into two, with the fast growing emerging economies of the BRICS countries (Brazil, Russia, India, China and South Africa) making up 159 of the companies.

The results for the US firms are in line with a study by Melo and Galan (2011) which showed a link between CSR and brand value. However, the situation for developing countries is different. In terms of the US firms the study partly confirms the results of the first paper, but showed no significance for the employee dimensions. The first paper covered a single industry, banking, with a limited sample size, the third paper extends this to multiple sectors, each of which face different challenges and dynamics.

Divergence, convergence and crossvergence of CSR was first proposed by Jamali and Neville (2011).The data showed limited variation in the CSR scores, which points to convergence as there is a surprising little variance between the various country settings. The US concept of philanthropy, which is part of the 'community' dimension, has been adopted by some firms in developing countries, thus showing 'convergence'. However, the issues faced in developing country settings are different from those encountered in developed economies with one of the essential tasks for CSR to 'make a visible difference in people's lives and livelihoods, building local capacity and meeting local needs and aspirations' (Jamali & Sidani, 2011, p. 71).

5.3 Overall conclusions of the thesis

The purpose of this thesis by publication was to explore and compare CSR of the largest listed companies from both developed and developing countries, and to examine which aspects of CSR impact on reputational value (operationalised as brand value) − and ultimately financial performance − of firms. Linking CSR and CFP supports the 'business case for CSR' (Carroll & Shabana, 2010). The research makes a contribution to the CSP literature through the development of a conceptual model, which examines the link between CSR and brand value using cross-disciplinary research from marketing, management, ethics, sustainability and finance, and the brand value literature. Most importantly, this thesis has addressed a research lacuna in the existing extant literature, specifically in terms how the CSR commitment of firms may vary across borders and industry sectors.

One of the challenges was to question established concepts such as the 'business case for CSR' which has been well established for firms in the western world as has been shown by Carroll and Shabana (2010) and Porter and Kramer (2006). CSP, CSR, CR, SR are concepts that have different meanings in different settings and to different stakeholders, but do not proved a 'definite' definition of Corporate Social Responsibility (and other concepts such as Social Responsibility and Corporate Responsibility). Business is willing and keen to engage in CSR in the broadest sense if there is a reward. This may be an increase in reputational capital leading to an increase in brand value and ultimately shareholder value or providing cost savings through saving resources. This can be referred to as a 'win–win' situation (Smith, 2003). The lack of established and functioning institutions in some developing countries have made it necessary for businesses to cover gaps in healthcare, childcare and education for their employees and the communities that they operate in. The banking industry has a special role here; through its lending practices it can influence community development as well as environmental and development outcomes as has been explained in paper two. This idea of doing good because it is the right thing to do can partly be explained in that banks have been lacking 'ethical leadership'. This lack of leadership and governance is also been linked to corporate scandals and misdemeanours that have affected the standing of the whole industry sector. Consumers are upset about a lack of services and high fees and charges, but despite this dissatisfaction banks have not suffered from reputational damage due been viewed with suspicion, and this gets back to one of the fundamental questions as to whether firms should be doing good because is the right thing to do, and not because it promises a financial reward. Thus CSR can be seen as a trade-off and a series of compromises to satisfy not all stakeholders, but some. The comparison between developed, developing and fast growing emerging economies, such a as the BRICS, has shown differences in brand value, similarities in CSR, deficits in governance and a universal link between brand value and shareholder value.

5.4 Contribution of the thesis

The thesis contributes to the CSR/CSP and financial performance literature by showing that (1) the relationship between CSP and CFP is mediated via brand value, and (2) that this relationship differs for firms from developed, developing and the fast growing economies of the BRICS countries. It adds to understanding of the relationship of CSR, brand value and financial performance.

The contribution to the CSR, CSP and CFP, brand value and reputation literature is made in several ways: first it proposes that the relationship is mediated by brand value. This proposition is then tested using four distinct CSR constructs, using regressions and structural equation modelling. The sample firms are from developed, developing and the fast growing BRICS countries. Differences between consumer oriented and B2B firms are also identified and discussed. Including firms from developing countries extends current research and shows that 'western' concepts and perspectives about CSR differ in a developing country context.

The thesis also confirms that brand value contributes to shareholder value, while this has been claimed in a 'western' context before, the suite of papers show that this relationship is proven in developing and emerging economy country settings as well, showing the importance for firms to develop strong and 'healthy' brands.

The business case for CSR, which has been widely accepted, is confirmed for developed countries, but not for developing and emerging economies. 'Community' (which includes philanthropy, product quality and human rights and supply chain, as well as community development, showed differences in importance between individual countries (Paper 1), a negative relationship to financial performance mediated by brand value in the second and third studies, which brings into question the universal importance of 'community' as a value-adding component of CSR.

Inadequate governance, considered as one of the areas which has been cited as a contributing factor to the global financial crisis of 2008, has been shown to be an ongoing problem, especially in a developing country context with leadership one of the areas of concern.

In different country settings, the extent to which different CSR components will add value to the individual firm is influenced by the cultural and institutional environment. Brand maturity has also been identified as a contributing factor to the partly non-significant nexus between CSR and brand value in emerging economies.

Overall, the three studies:

(a) identified country differences in the importance of specific CSR elements

(b) showed differences and similarities in the relationship between CSR and financial performance via brand value according to the level of development and

(c) confirmed the link between brand value and financial performance for all settings.

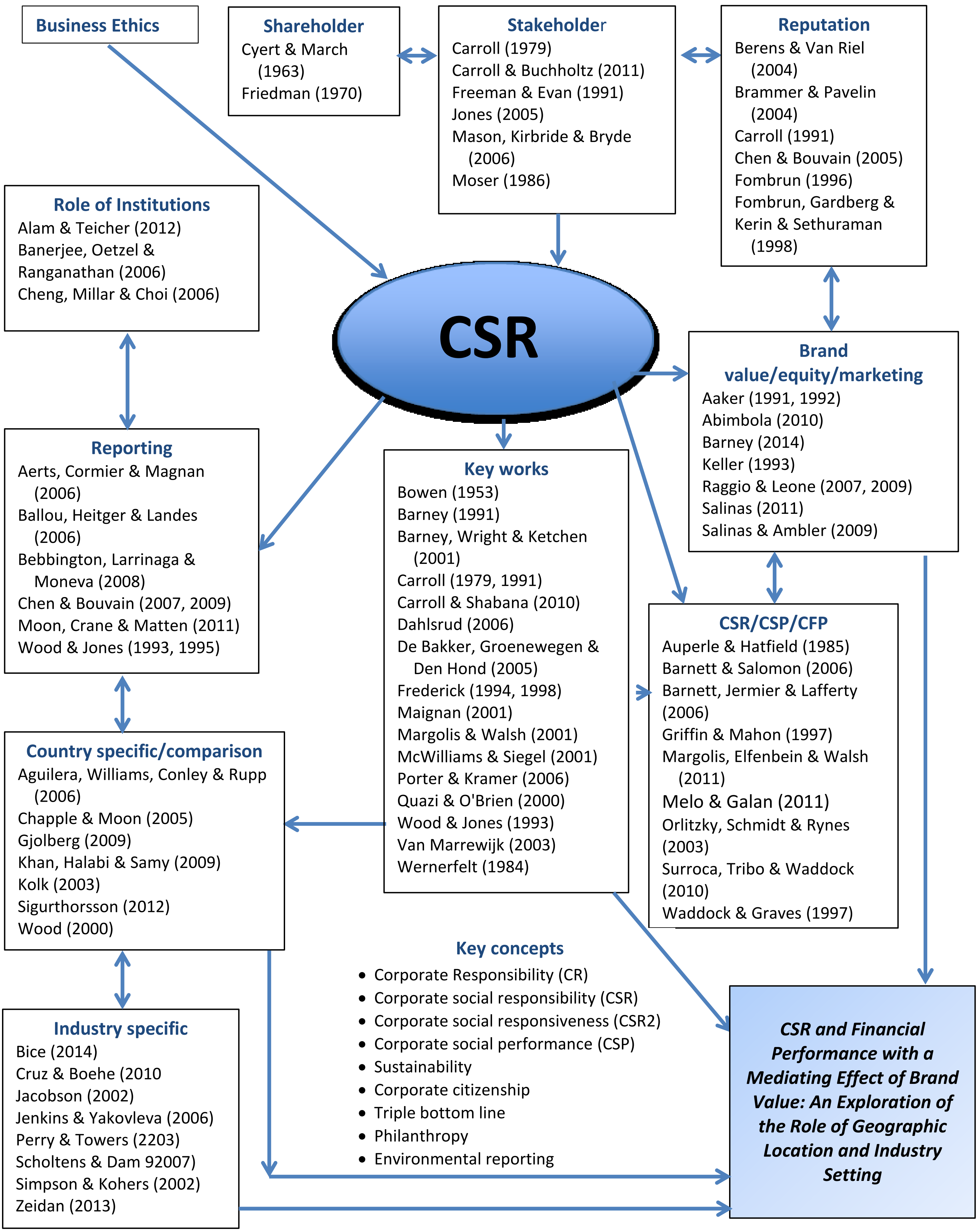
Table 5.1 provides an overview how the research objective relate to the research outcomes.

Table 5.1 Research objectives and outcomes

Research objective	Research outcomes
Review and study the relevant literature on: • Corporate Social Responsibility (CSR) • Corporate Social Performance (CSP) • Corporate Financial Performance (CFP)	An extensive review of the CSR literature was undertaken, as the literature on CSR is vast, theoretical foundations (resource based view, legitimacy, institutional, signalling and slack resources) were reviewed and analysed. 'The business case for CSR' literature stream was examined and industry and country specific studies consulted. The literature on the link between CSP and CFP is considered key. The literature about the role of brand equity, brand value and reputation and CSR was also reviewed. The literature was categorised and the key papers are listed in Appendix A.
Propose and test brand value as mediating factor in the relationship between CSP, brand value and CFP	Using three distinct samples of 84 banks from East Asia and the US, 335 banks from both developed countries, and a multi-industry sample of 627 firms, regression and structural equation modelling was used to show significant relationships.
Examine country differences in the relationship between CSP Brand value and CFP	Most CSR research has been centered on western firms, including firms from developing and emerging economies showed that different CSR categories are relevant in different country settings.
Examine industry specific factors in the relationship between CSP, brand value and CFP	The thesis used both single-industry samples as well as multi-industry settings. It was shown that the banking industry is 'different' due to their role in society and their 'multiplier' effects, which were evident especially in the 'environmental' category.
Examine the business case for CSR	The business case for CSR has been partly confirmed as well as questioned and shows that results of previous studies which were based on a 'western' developed country context cannot be extended into a developing country sphere.

Figure 5.1 shows how the literature has contributed to the development of the thesis and how the thesis fits into the literature. The arrows indicate the relationships between the various literature streams.

Figure 5.1 Literature overview



5.5 Managerial implications

The link between CSP and CFP is of interest to practitioners and the comparison of industry sectors and countries can form the basis for benchmarking company performance against those achieved by the researched firms. Showing a relationship between CSP (which is linked to 'investment' into CSR) and brand value is of interest to managers who may be able to 'make an improved business case' for CSR investment to shareholders. An increase in investment in funds that follow sustainability and other ethical guidelines has been occurring in the last few years and in the wake of the 2008 financial crisis investors are now more concerned how corporations address CSR issues to ensure the long-term survival of the firm. Banks especially are re-evaluating their loan portfolio to identify possible risks due to social and environmental concerns. Investment managers require measures that assist in valuing the contribution of CSR to the 'bottom line', the relationship between CSR involvement and brand value is of interest to a variety of industry sectors, especially in the consumer industry. The fast growing emerging economies, such as the BRICS countries, make it necessary for managers to understand the differences in how CSR can be integrated into overall strategy in a global market. With global supply chains it is also necessary to understand the risks and challenges related to CSR.

The thesis used data which is aligned with the Global Reporting Initiative (GRI), the most widely used CSR reporting framework, which is used by most of the largest listed companies. This allows managers to identify and highlight those categories of their reporting which provide the most likely impact on reputation/brand value and ultimately, financial performance.

The results will encourage and empower managers to reconsider where and how CSR efforts should be prioritised to trigger a positive financial impact.

While the emphasis in business has been on CSR, some of the results also encourage reflection − shouldn't a business be 'good' regardless of whether it is financially rewarding or not? Not because it 'pays', but because it is the 'right' thing to do? The thesis highlights, especially in the environmental domain, that it makes good business sense to reduce waste and to conserve energy and at the same time and shows that 'win-win' situations are possible (Smith, 2007).

5.6 Research limitations

CSR is conceptualised in a variety of ways. For example, Carroll has seen it as a hierarchical pyramid, based on economic and legal factors, followed by discretionary options such as philanthropy. Operationalisation of these theoretical concepts into ranking and rating systems that are transparent and 'useable' by practitioners, has led to disparate CSR elements being 'lumped together' to create 'meaningful constructs'. Ratings have used plus and minus marks to highlight positive or negative aspects of a firm's performance (KLD), or have ratings from 0- 100 (CSRHUB). These ratings and ranking systems are widely used by researchers and fund managers to determine the CSP of companies. However, a total 'CSR' score is misleading as a company with dismal human rights records may have a splendid performance in philanthropy. Using broad categories, such as those used in this thesis (community, employee, environment and governance) only partly overcomes this problem, drilling deeper and using further, narrower defined components (12 in total in the case of this thesis) provides better insight, but still does not overcome the inherent subjectivity problem of any ranking or rating system, leading to an 'ideology of numbers ' (Chelli & Gendron, 2013). Hur

While the sample size is large (a total of 1,046 observations) and includes the largest companies worldwide, not all companies in the BrandFinance rankings were also rated in CSRHub. This is due to some of those companies having incomplete scores and were thus excluded from the study. This was the case with a number of firms from developing countries. This does not mean that those companies are not socially responsible, but that they are 'not rated'. A further limitation is that the study was not longitudinal. As the time frame and sample frame for the three papers was different, no analysis of the results between the papers was possible. The research used for all three studies included a 1-year lag between CSR rating and brandvalue/market capitalisation data. While this is based on studies that used a similar lag effect, longer lag periods may have impacted on the results. The research relied on panel data, expanded this to a survey, including psychographic profiles of different countries will provide a deeper insight into the cross country differences. The investigation of how time factors impact on the result is a limitation and is another limitation that can be addressed in future research.

5.7 Future research directions

The majority of firms in each of the three studies are based in developed countries. At this stage, US companies dominate branded products/services in consumer goods (less so in banking), but as more companies from developing nations start developing their own brands to capture extra revenue, this picture may change. As much of the branding research is conducted in a US context, this provides opportunities for researchers to test existing constructs that were developed, based on firms from developed country context. Increased reporting of CSR will also increase the number of firms that are included both in CSR ratings and brand valuations in developing countries.

In the banking industry, the inclusion of Islamic bank, especially in light of the fast growing economies of Turkey and Indonesia, in the research agenda should provide further insights in the dynamics of the nexus between Corporate Social Performance and Financial performance and mediating factors.

The three studies did not examine industry differences and dynamics in detail, but a larger sample may enable researchers to explore the effects of different industry sectors in a variety of country settings. Different aspects of CSR are most likely to have different effects, for example environmental issues may be more important for mining companies, who have long grappled with the 'license to operate'. The investigation of industry sector may change the results that have been presented in this thesis.

CSR has been seen as a 'domain' of big business rather than smaller enterprises (Jenkins, 2006), but small companies are increasingly engaging in CSR as well, although their engagement is often more informal (Russo & Tencati, 2009). Future research could include medium-sized companies.

CSR research has concentrated on how to increase revenue, an examination of how CSR may help to avoid a *decrease* in revenue (Weber, 2008) may offer a different perspective to the proposition how CSR will *increase* revenue. The search for the 'holy grail' of the link between CSP and CFP has still not been resolved and economic, cultural, and attitudinal differences between countries, industries, and reporting practices needs further attention to provide managers with clear guidelines as to how 'doing good' will improve the bottom line.

All three studies in this thesis relied on panel data, a survey exploring the importance of the four components of CSR for different stakeholder groups for both business and consumers will shed further light on the dynamics of how ‘the business case for CSR’ can be made better.

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