The Effect of Corporate Social Responsibility On the Relationship Between Corporate Reputation and Brand Equity – A Study of GSM Users

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Abstract

Corporate reputation refers to stakeholder perception of a company. All companies desire a strong and favorable reputation as it is an effective means to brand loyalty and a competitive edge. Building a strong reputation requires reputation management, which is often based on sustainability and consistency as well as creating an emotional bond with consumers. This has led many companies to be more involved in the social responsibility initiatives since such initiatives are known to change consumer's beliefs and attitudes toward brands. From this perspective, the present study aims to investigate the mediating role of corporate social responsibility in the relationship between corporate reputation and brand equity perceptions. The study sample consisted of 324 GSM users in Turkey. The data was collected using survey method and analyzed using SPSS 23.0 statistical package. The results of the study showed that corporate reputation has a positive effect on brand equity and corporate social responsibility plays a mediating role in this relationship.

Keywords: Corporate Social Responsibility, Corporate Reputation, Brand Equity.

1. Introduction

In today's globalized world, brands try to create emotional bonds with consumers in order to survive and increasingly focus on corporate social responsibility due to the significance of this phenomenon. The concept of social responsibility is proven to improve the image of a brand and leads to brand differentiation in the eyes of consumers. Therefore, it can be assumed that companies implementing corporate social responsibility initiatives would have an improved value of their brand, leading to enhanced corporate reputation and brand equity.

The reputation of a company is an essential factor affecting the decision-making process of consumers regarding buying a product or a service from a company. Consumers who consider a company have the tendency to value that company or its brand more, resulting in improved brand equity. Therefore, companies are in a continuous effort to distinguish their products or services from their rivals. For this purpose, companies try to establish an emotional bond with their consumers. Such goals can be achieved through investing in social responsibility initiatives.

Although there is several research on corporate reputation and brand equity, the present study aims to determine the role of corporate social responsibility in the relationship between corporate reputation and brand equity in service industry among GSM users.

2. Corporate Reputation

Due to its key role in improved competitive edge and organizational performance (Hall, 1993), corporate reputation has gained considerable interest of scholars especially in management literature; however, the concept is still vague with no consensus and various approaches. Corporate reputation, in essence, is the ability of a corporation to associate its business performance with its identity, prestige and image in line with its overall goals, (Argüden, 2003). Rosson and Gassman (2002) defines corporate reputation as the joint decisions of outsiders regarding the activities and successes of an organization. Almost all definitions have a common contextual point that reputation of an organization is a kind of assessment according to certain variables.

A good or strong reputation provide corporations with some advantages. According to Fombrun (1996), the most common benefit of such reputation is strategic advantage, whereas Walsh et al (2009) argue that customer loyalty is the outcome of a good reputation. Regardless of their size, today's organizations are exposed to this very common challenge on how to build a good corporate reputation in order to have a positive image on the minds of all their stakeholders, decision-makers and consumers in a such vulnerable and competition-intensive markets (Kuyucu, 2003).

A good reputation also improves the efficacy of organizational marketing tools. Reputation causes current and future products and services to be perceived as reliable, marketing and publicity activities to be noticed by larger populations, and consumers to be less sensitive to the prices of products and services (Bozkurt, 2011). Accordingly, reputation management aims, among others, to create customer value (Kadıbeşegil, 2006). A high level of perceived reputation leads to quality and high standard perceptions, which, in turn, results in increased loyalty of consumers to the products and services of that particular company (Nguyen & Leblanc, 2001). Therefore; continuance, consistency and sustainability can be considered as the concepts underlying a solid corporate reputation.

The review of the extant literature reveals that corporate reputation is associated with several factors. For example, Chun (2005) showed an improved customer satisfaction and loyalty with a positive corporate reputation, while Page and Fearn (2005) reported that corporate reputation decreased risk of product selection. For the purpose of the present study, corporate reputation will be examined in terms of its relationships with brand equity and corporate social responsibility.

3. Brand Equity

Brand equity is a concept often interpreted similar to corporate reputation. Although these two phenomena are related, they are different assets. Brand equity simply refers to the assets identified with the name of a brand and creates an improved value for the product/service of a company. This makes brand equity a significant contributor to corporate reputation as it establishes and increases the quality of the relationship between a company and consumers (Saxton, 1999). Just like corporate reputation, brand equity has been conceptualized in many different ways. For instance, brand equity is positive feelings, attitudinal tendencies and behavioral inclinations according to Rangaswamy et al. (1993), whereas Aaker (1991) explains the phenomenon as the knowledge and other proprietary assets regarding a brand. Keller (1993), on the other hand, adopted a different approach and used the term consumer-based brand equity, which refers to "the differential effects of brand knowledge on consumer response to the marketing of a brand". This conceptualization, i.e. the customer perspective, has been followed and mentioned by many other scholars like Yoo and Donthu (2001) and Washburn and Plank (2002). The present study also approaches to brand equity from the perspective of customer by examining this construct in terms of a specific brands of service at customer level.

Brand equity as the value added to the name of a brand provided by an organization through its products and services (Aaker, 1991), creates that value when it is well-known and respected by consumers, and such value constitutes the brand equity (Keller, 1993; Wang et al., 2006). The more confidence customers have at the brand, the stronger the brand equity becomes, which, in turn, results in in financial and competitive adnantages (Aaker, 1991; Papu & Quester, 2006).

There are several studies in the available literature regarding how corporate reputation and brand equity are related. For instance, the study by Yungwook (2001) established a positive relationship between corporate reputation and brand equity. The study by Beneke et al. (2015) also reported a positive relationship between corporate reputation and brand equity.

4. Corporate Social Responsibility

As a contextual construct regarding the relationship of an organization with its environment, corporate social responsibility involves vision, mission and values, organizational climate, social dialogue, market relations and ethics (Blowfield & Murray, 2008). Economical, legal, ethical and favorable expectations of the society in which an organization operates are met by corporate social responsibility (Crane et al., 2009).

The social responsibility activities of organizations are not carried out for the purpose of gaining profit; such activities implemented or supported by organizations lead to a strong and positive reputation among public. Strong reputation, in turn, causes society members to prefer the products and services of organizations that are involved in social responsibility projects (Sakman, 2003). Therefore, the sensitivity of organizations to the problems of their society becomes highly important in terms of their reputation. Becker-Olsen et al. (2006) explains this by stating that the beliefs, intentions and attitudes of consumers are improved by the corporate social responsibility actions of companies.

Socially responsible companies distinguish themselves from their rivals and improve their reputation. Social responsibility has a central role in accomplishing corporate and brand goals through its prestige creation, differentiation, empathy development and social contribution functions (Landa, 2005). Social responsibility, therefore, considerably contributes to value creation via integrating the brand with social responsibility in order to enhance the identity and value of the brand, which bears a great deal of importance for the business world (Özdemir, 2009). Companies employ positive emotions, thoughts and beliefs targeting consumers while they are establishing their brand by following social responsibility standards, and this fosters their brand image. Brand image, on the other hand, is strengthened by creating brand awareness (Visser et al., 2010).

Several studies conducted in the marketing field showed that corporate social responsibility initiatives influence corporate reputation. For example, the study by Khan, Majid, Yasir and Arshad (2013) found a strong relationship between corporate reputation and corporate social responsibility. Likewise, Maden et al.,(2012) reported that corporate social responsibility has a strong and positive effect on corporate reputation. The available literature also contains studies regarding the relationship between corporate social responsibility and brand equity. In this context, Lai et al. (2010) determined a positive effect of corporate social responsibility on industrial brand value and brand performance. The study by Torres et al. (2012) also reported a positive association between corporate social responsibility and brand equity. Furthermore, Niazi, Haider and Islam (2012) showed that both corporate reputation and corporate social responsibility have a positive impact on brand equity and that corporate reputation partially mediates the corporate social responsibility and brand equity relationship.

In light of the extant literature and above information, the present study proposes following hypotheses:

H^1: The GSM users' corporate reputation perception has a positive effect on their brand equity perception.

H^2: The GSM users' corporate reputation perception positively affects their brand equity perceptions through the mediating effect of corporate social responsibility.

5. Method

5.1. Research Goal

The primary goal of the present study is to investigate the mediating effect of corporate social responsibility on the relationship between corporate reputation and brand equity among mobile phone users in Turkey.

5.2. Participants and Procedure

The present study was conducted with 324 participants (197 female, 127 male) reached using snowball sampling method. The participants were clients of three different GSM operators available in Turkey. Data were collected using the survey method and analyzed using SPSS 23.0 for Windows statistical package.

5.3. Measures

Data collection was carried out using a questionnaire form that consisted of a demographic form and three Likert-type scales.

The first part of the questionnaire, the Demographic Form, was developed by the researchers in order to collect personal details of the participants, and included questions about gender, age, marital status, educational background and the name of GSM operator.

The GSM users' perception of the reputation of their GSM operators was measured using the Reputation Quotient (RQ) developed by Fombrun, Gardberg ad Sever (2000). The RQ consists of 27 items rated on a 5-point Likert scale (1= strongly disagree; 5= strongly agree). Higher scores mean higher levels of agreement with scale statements, referring to a more positive perception of the reputation about the company. The reliability coefficient of the scale in the present study was α=0.969.

The GSM users' perception of the brand equity of their GSM operators was measured using the Brand Equity Scale developed by Yoo and Donthu in 2001. The instrument has 14 items under three dimensions (brand loyalty, perceived quality and brand awareness) to assess customer-based brand equity. The reliability coefficient of the scale in the present study was α=0.931.

The GSM users' perception of whether their GSM operator shows social responsibility was measured using the Corporate Social Responsibility Scale developed by Caroll (1991), which is based on four-dimension Corporate Social Responsibility Model. The instrument consists of 6 items rated on a 5-point scale. The reliability coefficient of this one-factor instrument was found α=0.937.

6. Statistical Analyses

6.1. Research Model

The proposed model of the present research is presented in Figure 1.

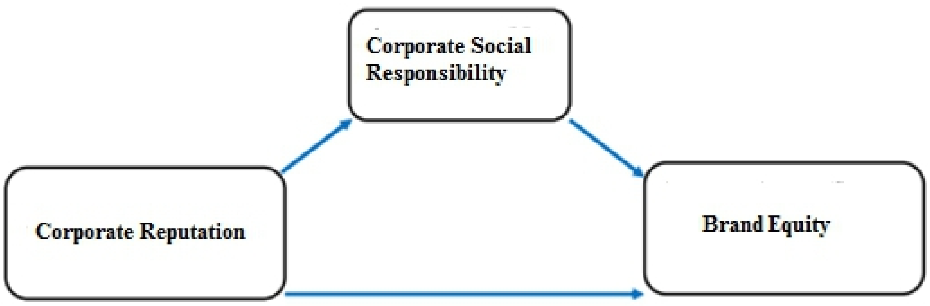

Figure 1. Research Model

6.2. Results

6.2.1. The Effect of Corporate Reputation on Brand Equity

The effect of GSM users' perceived corporate reputation on brand equity was examined using a linear regression analysis. The research model on this relationship is provided in Figure 2.

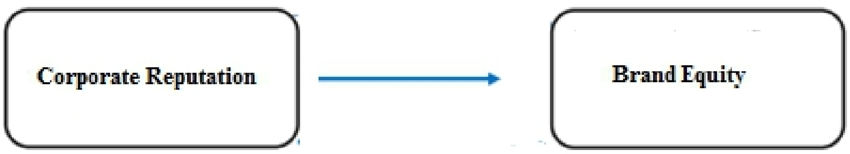

Figure 1. Proposed Model about the Effect of Corporate Reputation on Brand Equity

The ANOVA analysis showed that the GSM users' perception of corporate reputation is a significant predictor of brand equity (F=966,74; p<.001).

In a similar vein, the regression analysis indicated that the GSM users' perception of corporate reputation has a significant and positive effect on brand equity (β=.866; p<.001; Table 1). The results showed that the participants' brand equity scores increase with increasing corporate reputation scores. The coefficient of determination, R2, was 0.750, meaning that the perceived corporate reputation explains brand equity at a rate of 75.0% (p<.001). From all these findings, it was concluded that the first hypothesis is affirmed and the perceived corporate reputation positively affects brand equity.

Table 1. Regression Analysis for Determining the Effect of Corporate Reputation on Brand Equity

Independent Variable	**R**	**R^2**	**ANOVA**		**Coefficients**			
			F	**p**	**B**	**β**	**t**	**p**
Constant	0.866	0.750	966,74	0.000***	0.80		8.03	0.000***
Corporate Rep.					0.83	0.866	31.09	0.000***

****p<.001; Dependent Variable: Brand Equity (Overall)*

6.2.2. The Mediating Effect of Corporate Social Responsibility

The mediating effect of corporate social responsibility on the relationship between corporate reputation and brand equity was examined using multiple linear regression analysis suggested by Baron and Kenny (1986). The proposed model for this mediating effect is provided in Figure 2.

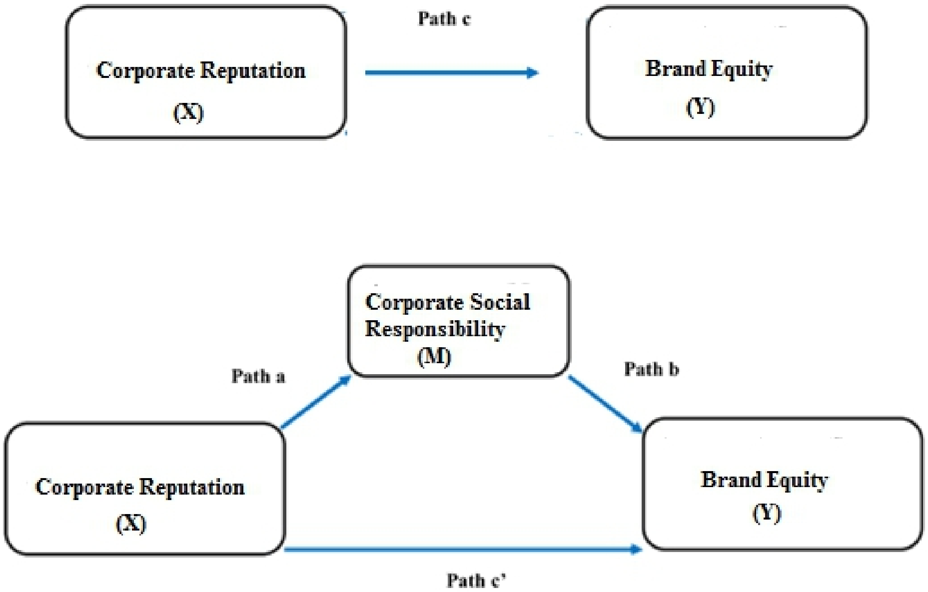

Figure 2. Proposed Model about the Mediating Effect of Corporate Social Responsibility

In order to affirm the second hypothesis, i.e., the mediating effect, first a significant effect of perceived corporate reputation on (perceived) brand equity should be shown. Then a significant effect of corporate reputation on corporate social responsibility, and a significant effect of corporate social responsibility on brand equity should be established. Finally, the effect of corporate reputation of brand equity should be decreased (partial mediation) or completely removed (full mediation) when corporate reputation and corporate social responsibility were included in the model together.

According to the results shown in Table 2, the first step of the analysis indicated a significantly positive effect of corporate reputation on brand equity [(F=966,74; p<.001); (B(b)=0.83; t=31.09, p<.001). The R^2 value, the coefficient of determination, was found 0.75, suggesting that GSM users' corporate reputation perceptions explain their perceived brand equity at a rate of 75.0% .The second step of the analysis showed that corporate reputation significantly and positively predicts corporate social responsibility ([(F=321,10; p<.01); (B(b)=0.77; t=17.92; p<.001)].). The finding indicate that the GSM users' corporate reputation perception explains their corporate social responsibility perceptions at a rate of 50.0% (R^2 =0.50). The third and the final step of the analysis revealed that the effect of corporate reputation on brand equity decreased to 0.74 when corporate reputation and corporate social responsibility variables were included in the model together (B(b)=0.74; t=19.95; p<.001). This finding clearly indicates that (perceived) corporate social responsibility plays a (partial) mediating role, and has a significant impact on perceived brand equity. Furthermore, a Sobel test was performed for the mediating effect of corporate social responsibility and the test result was found significant (Z=3.34; p<.001). Therefore, the second hypothesis was affirmed and it was concluded that corporate social responsibility has a mediating effect on the corporate reputation and brand equity relationship. The relationships in this model are summarized in Figure 3.

Table 2. Multiple Regression Analysis for the Mediating Role of Corporate Social Responsibility in the Relationship between Corporate Reputation and Brand Equity Perceptions of GSM users

Dependent Variable	**Independent Variable**	**R^2**	**ANOVA**		**Coefficient**		
			F	**p**	**B**	**t**	**p**
Brand Equity	Constant Corporate Reputation	0.75	966,74	0.000***	0,80 0,83	8.03 31.09	0.000*** 0.000***
	Perceived Brand Equity = 0,80+0,83 Corporate Reputation*						
Corporate Social Responsibility	Constant Corporate Reputation	0.50	321,10	0.000***	0,48 0,77	2.98 17.92	0.003** 0.000***
	*CSS= 0,48+0,77*Corporate Reputation*						
Brand Equity	Constant Corporate Reputation Corporate Social Responsibility	0.76	505,10	0.000***	0,74 0,74 0,12	7.49 19.95 3.41	0.000*** 0.000*** 0.000***
	Perceived Brand Equity= 0,74+0,74 Corporate Reputation +0,12*Corporate Social Responsibility*						

Sobel Test: Z=3,34***, p<.001

***p<.01, ***p<.001*

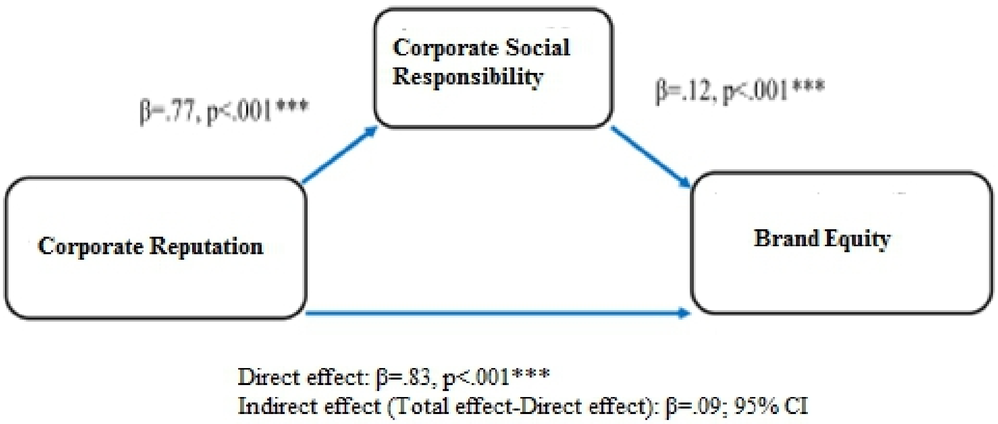

Figure 3. Regression Results for the Relationships in the Proposed Mediating Model

7. Conclusion and Suggestions

The present study aimed to determine whether corporate social responsibility plays a mediating role in the relationship between corporate reputation and brand equity among GSM users in Turkey. Study findings clearly showed that corporate reputation significantly positively affects brand equity, and corporate social responsibility has a mediating effect on such relationship.

The findings of the study indicates that GSM users in Turkey do not take only the service they get into consideration, but they also consider the reputation of the service company and whether they are socially responsible or not. The study findings empirically confirm that the perceived reputation of a service provider is significantly and positively associated with that provider's brand equity. This means that GSM users value and respect more when they perceive their service provider more reputable. This suggests that service provider companies should consider how to manage and improve their reputation. In this context, the mediating effect of corporate social responsibility that was found in the present study may bring an insight into how to achieve this. The established positive impact of corporate social responsibility clearly and empirically shows that service provider companies should focus on their environment, sensitive to the problems of their society and take more initiatives in social and environmental terms.

The present study is not without any limitations. First of all, it was conducted in a single business field (GSM sector), therefore, the results should be tested in different business fields and ideally with studies covering more than one field. This would help revealing whether such effects are not specific to the field but can be generalized to all business fields. Secondly, the present study is limited by its study sample. Future studies may consider involving a larger population with more diversified participants in order to have better understanding on how consumers' perceptions are shaped regarding brand equity and corporate reputation.

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