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Corporate Social Responsibility as a Reputation Mechanism for the Companies Operating in the Media Industry

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Abstract

The purpose of this paper is to give an overview of the topic dealing with corporate social responsibility (CSR) effects on corporate reputation. By structuring past research, this paper aims to improve the understanding of how CSR is capable to enhance the corporate reputation of companies operating in the media industry. When it comes to CSR, media companies hold a specific position compared to companies across other industries. As business entities, media companies are expected to adopt CSR practices while at the same time being able to shape public opinion on the importance of CSR across other industries. This paper contributes to the existing literature by developing a framework that integrates existing research in this field.

Keywords: *corporate social responsibility, CSR, corporate reputation, media industry*

Track: *Management and Leadership*

Word count: 2.449

1. Introduction

While there are various definitions of corporate social responsibility (CSR), they all have some common features referring to socially responsible business, environment, business ethics, and contribution to the community. CSR is a concept which indicates that companies integrate social and environmental requirements into their business operations on a voluntary basis. To be socially responsible means not only that the company fulfills its legal obligations, but also overcomes them and invests more in human capital, the environment, and relationships with stakeholders.

It is important to point out that when implementing corporate social responsibility practices, companies act above the level prescribed and enforced by law. CSR helps the company to build its reputation, ensures motivation and employee satisfaction as well as broader social acceptance, strengthens competitiveness and enables the company to grow faster in the long run.

The purpose of this paper is to give an overview of the topic dealing with CSR effects on corporate reputation. By structuring past research, this paper aims to improve the understanding of how CSR is capable to enhance the corporate reputation of companies operating in the media industry in the Republic of Croatia. When it comes to CSR, media companies hold a specific position compared to companies across other industries. As business entities, media companies are expected to adopt CSR practices while at the same time being able to shape public opinion on the importance of CSR across other industries.

2. CSR and corporate reputation

Although the first official definition of CSR was noted more than 60 years ago (Bowen, 1953), there is still no consensus in defining this concept. Numerous interpretations and definitions developed through the prism of specific individual perceptions, and therefore they don't comprehend the complexity of this term (Van Marrewijk, 2003). The biggest discussions around the very core of CSR were conducted during major social and economic changes such being the Great Depression in the United States, the Cold War and the beginning of the globalization process (Okoye, 2009). The CSR conceptualization has often been described as "controversial", "fluid", "disorderly" and "ambiguous" (Wood, 2010). CSR is not a facultative or philanthropic activity. We can certainly say that CSR represents the concept of overall business relationships with stakeholders, consumers, employees, owners, state at a different level, suppliers and competitors. Elements of CSR practices include involvement in local projects, employee relations, environmental protection and financial results (Khoury, Rostami and Turnbull, 1999). CSR refers to the key behavior and accountability of the company for the overall impact on the communities in which it performs its activities. A socially responsible company is one that achieves positive business results and takes into account all the positive and negative impacts on the environment, society and the economy (Marsden, 2001).

Corporate reputation is an increasingly important feature for modern business operations. Chun (2005) considers that the reputation can be expressed as a recognizable social position of companies based on the values that have been achieved solely by the permanent effect of all operational activities of the company. Corporate reputation units the perception of the company by various stakeholders. This is a strategic rating that helps the company manage and shape its future (Klein and Dawar, 2004). Corporate reputation is the company's overall assessment of its stakeholders (Fombrun, 1996), meaning that corporate reputation is a network of emotional reactions from its customers, investors, employees and the general public to the company's actions.

Corporate reputation can be considered as a strategic resource since it is a valuable, rare, organized and imitable resource without equivalent substitutes that could be purchased on the market (Barney, 1991). Corporate reputation plays an important role in making investment and disinvestment decisions, as investors are more likely to invest in companies with a good reputation. Companies with a better corporate reputation are perceived as financially stable and more profitable in the long run (Fombrun, 1996). A good reputation should enable the company to set higher prices, lower marketing costs, attract the best talents and create a sense of attractiveness for important stakeholder groups (Fombrun and Garderberg, 2000). Successful corporate reputation management includes balancing between three key areas: (1) how others see us (2) how we see ourselves, and (3) how we present ourselves to others (Davies and Miles, 1998). Reputation is a valuable asset of a company that is difficult to obtain but even harder to maintain over a longer period of time (Goodman, 2006) and as such it can be a source of sustainable competitive advantage (Barney and Zajac, 1994).

A study by Lev, Petrovits, and Radhakrishnan (2010) showed that the philanthropic contributions of companies are particularly significant in increasing their reputation, especially in companies that are very sensitive to consumer perceptions. Reputation is most likely manifested at micro-level through customer satisfaction, loyalty, employee satisfaction, and high employee retention (due to a high level of identification with the company) (Chun, 2005). Individual perceptions and attitudes affect their intentions of behavior, which are real triggers of reputation effects.

Analyzing reputation as a framework for linking CSR to company performance, Stuebs and Sun (2011) came to the conclusion that the application of a socially responsible strategies affects the company image that further affects the corporate performance. Similar findings came from Turban and Greening (1997) which prove that there is a strong positive relationship between CSR and corporate reputation, as well as between socially responsible business and the attractiveness of the company as a potential employer. The link between CSR and corporate performance is expected to grow stronger when the company is more exposed to the public, and companies dedicated to CSR are expected to improve their reputation and consumer loyalty.

Rarely is that the industry, as is the case with the media industry is so heavily impacted by the globalization, the development of information technology and better-educated consumers. On the other side, no other industry cannot be as powerful as the media to influence the thoughts and attitudes of people about socially responsible business. Media companies fulfill the purpose of their existence when they serve the purpose of cultural transmission in a socially acceptable manner (Peruško, 2011). Mass media enable greater transparency of social problems and conflicts and contribute to making these problems public so that the public can give them their own judgment and decide on them. Therefore the role of the media and journalists comes to be particularly pronounced (Gavranovic, 2006).

Management of media companies needs to focus on preventing abuse and manipulation by the media. This is accomplished by the adequate organization of media companies, by motivating for socially responsible behavior and by communicating with employees, especially journalists and editors, and ultimately by controlling and evaluating actions taken. Socially responsible actions of management in media companies is also reflected in their responsibility for the content they produce and the values they promote.

3. Methodology

In this paper, corporate reputation is considered to be an indicator of the degree of respect that stakeholders show in relation to the enterprise, based on a combination of evaluation of distinct identities and images attributed to the enterprise in its various areas of activity. Corporate reputation is observed as the combination of two primary variables: (1) corporate identity and (2) the corporate image, each decomposed into five indicators (Table 1).

Table 1: Corporate Reputation: variables and indicators

Corporate reputation	
variables	indicators
corporate identity	<ol style="list-style-type: none"> 1. motivation of the "inner public" 2. commitment and identification with the company 3. the feeling of belonging to the company 4. a feeling of pride 5. a mission that reflects the company's personality
corporate image	<ol style="list-style-type: none"> 1. by customer 2. by suppliers 3. by employees 4. by owners by the local community

Source: Authors.

For the purposes of measuring the CSR level, the CSR Index has been developed covering 5 dimensions: (1) company relation to owners, (2) company relation to employees, (3) company relation to internal stakeholders, (4) company relation to the environment and (5) the company relation to the community. Each dimension was presented by statements measured by a Likert scale of 5 degrees of intensity.

After calculating the value of CSR index for every company, the sample classification was performed in order to identify companies with developed CSR (CSR Index higher than 3.00) and those with underdeveloped CSR (CSR Index lower or equal to 3.00).

The research was conducted in the period from February to April 2017. The survey questionnaire was distributed to a total of 182 directors and major editors working in the print media industry. A total of 126 questionnaires were completed, representing a return rate of 69%.

4. Results

Table 2 gives an overview of key corporate identity and image variables used to measure corporate reputation. The reliability of the metrics was analyzed by the Cronbach alpha coefficient, which reflects the degree of internal consistency and validity of the variables used.

Table 2: Variables

Variable	Cronbach's alpha
Total: 1. Corporate Identity	0,854
Image - owners	0,849
Imagery - employees	0,896
Image - customers	0,854
Image - suppliers	0,906
Image - local community	0,913
Total: 2. Corporate image	0,934
CORPORATE REPUTATION	0,831

Source: Research results.

The variable *Corporate identity* is covered by a set of four questions, the alpha coefficient being 0.854. The variable *Corporate image* is composed of 5 variables (images from the perspective of the local community (N=4, $\alpha=0.913$), image from the perspective of the suppliers (N=4, $\alpha=0.906$), image from the perspective of the customers (N=4, $\alpha=0.854$), and image from the perspective of owners (N=4, $\alpha=0.849$).

Variable corporate reputation was formed as a composite indicator of the Corporate identity and Corporate image variables (N=2; $\alpha=0.831$). Based on the calculated Cronbach's alpha indicators in Table 2, it is possible to conclude that the composite variables are consistent and valid.

Our aim was to investigate whether there is a significant difference in the corporate reputation between companies with developed CSR and companies with undeveloped CSR. Table 3 shows the results of descriptive statistics for corporate reputation in relation to the level of CSR development.

Table 3: Corporate reputation in relation to the CSR development

	CSR development	N	Min.	Max.	Mean	Std. Dev.
Corporate reputation	Underdeveloped CSR	12	2,05	4,10	2,8333	0,70866
	Developed DOP	98	2,60	4,95	3,8122	0,52207
Overall corporate reputation		110	2,05	4,95	3,7280	0,62049
Valid N (listwise)		110				

Source: Research results.

The results of descriptive statistics indicate that the corporate reputation of companies with the developed CSR (average= 3,81) is higher than for the companies with undeveloped CSR (average=2,83). These differences were further examined by Mann-Whitney U-test (Figure 1). The test results indicate that there is a statistically significant difference in the levels of corporate reputation among companies with developed CSR in relation to companies with undeveloped CSR ($z=3.932$; $\text{sign.}=0.000$).

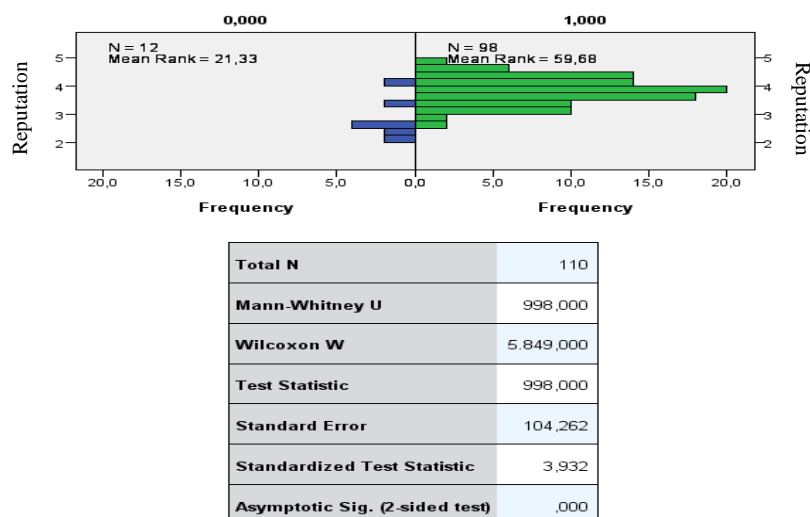


Figure 1. Independent Samples Mann Whitney U test

Source: Research results.

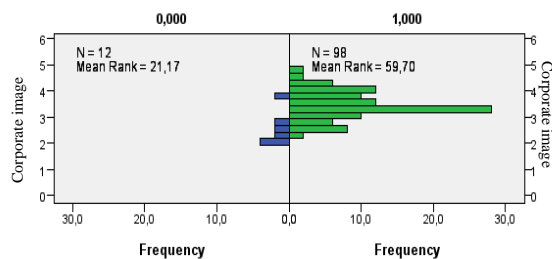
Since differences in the levels of corporate reputation have been statistically significant, further research focuses on the segments of corporate reputation - *Corporate identity* and *Corporate image*, as shown in Table 4.

Table 4: Corporate reputation variables

Developed CSR						
		N	Min.	Max.	Mean	Std. Dev.
1.	Corporate identity	104	2,75	5,00	4,2067	,60283
2.	Corporate image	98	2,25	4,90	3,4510	,56060
Valid N (listwise)		98				
Total corporate reputation - developed CSR		98	2,60	4,95	3,8122	0,52207
Undeveloped CSR						
1.	Corporate identity	12	2,00	4,50	3,0833	,86164
2.	Corporate image	12	2,05	3,70	2,5833	,57971
Valid N (listwise)		12				
Total corporate reputation - underdeveloped CSR		12	2,05	4,10	2,8333	0,70866

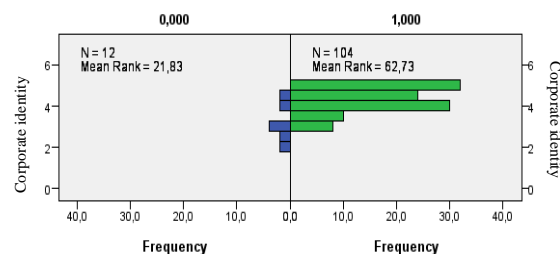
Source: Research results.

Descriptive statistics indicate that there is a difference in *Corporate identity* between companies with developed CSR (Mean=4,21) and underdeveloped CSR (Mean=3,08). Furthermore, the difference in *Corporate image* between companies with developed CSR (Mean=3,45) and underdeveloped CSR (Mean=2,83) was observed. Further testing was carried out using Mann-Whitney U-test (Figure 2 and 3).



Total N	110
Mann-Whitney U	1.000,000
Wilcoxon W	5.851,000
Test Statistic	1.000,000
Standard Error	104,228
Standardized Test Statistic	3,953
Asymptotic Sig. (2-sided test)	,000

Figure 2. Results of Mann-Whitney U-test (Corporate image)



Total N	116
Mann-Whitney U	1.064,000
Wilcoxon W	6.524,000
Test Statistic	1.064,000
Standard Error	109,132
Standardized Test Statistic	4,032
Asymptotic Sig. (2-sided test)	,000

Figure 3. Results of Mann-Whitney U-test (Corporate identity)

Source: Research results.

The test results indicate that there is a statistically significant difference in the corporate image of the companies with developed CSR in relation to the companies with underdeveloped CSR ($z=3.953$; $\text{sign}=0.000$). Furthermore, there is a statistically significant difference in corporate identity in the companies with developed CSR compared to those with underdeveloped CSR ($z=4.032$; $\text{sign}=0.000$). Corporate identity and Corporate image are significantly higher in companies with developed CSR. All differences are significant at the level of 1%.

The relationship between CSR and corporate reputation was further examined in order to gain insight into whether there is interdependence between two observed phenomena. The relationship between the observed variables was investigated, as shown in Table 5.

Table 5: The interdependence of CSR and corporate reputation

Correlations		CSR	Corporate reputaion
CSR	Pearson Correlation	1	,712**
	Sig. (2-tailed)		,000
	N	116	110
Corporate reputaion	Pearson Correlation	,712**	1
	Sig. (2-tailed)	,000	
	N	110	116
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Research results.

Results indicate that there is a strong correlation between the observed variables which is statistically significant at the significance level of 1% ($r_p=0.712$, $\text{sign}=0.000$). The results represent the empirical evidence that socially implementation of CSR practices in media companies is positively associated with the overall reputation of the company.

5. Concluding remarks

The aim of this paper was to investigate whether there is interdependence between the CSR and the corporate reputation of companies operating in the media industry in the Republic of Croatia. Results of the study indicate that there are significant differences in the strength of corporate reputation in relation to the level of company CSR development. Our results suggest that companies operating in the media industry with developed CSR have a better corporate reputation. Our results show that there is a positive relationship between CSR and corporate reputation of companies operating in the media industry.

Our study offers empirical proof that higher levels of CSR implemented in the companies operating in the media industry are interrelated with the intensity of corporate reputation.

One of the major limitations of this study lies with the problem of defining CSR and quantifying its dimensions. The method for the determinating level of CSR development in this study is the result of researchers' subjective attitude in selecting variables that describe CSR practices and corporate reputation. The limitations of the conducted research are also reflected in the use of the survey as a method that relies on the subjective attitudes of respondents, so there is a risk that the obtained results don't outline the actual situation.

Nevertheless, the contribution of this research is primarily manifested in the design of the CSR index composed of 5 dimensions and the definition of the criteria for assessing the level of development of CSR in companies operating in the media industry, which can be applied to companies across other industries as well.

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