MAPPING THE RELATIONSHIP BETWEEN REPUTATION AND CORPORATE SOCIAL RESPONSIBILITY IN THE BANKING SECTOR: A COMPREHENSIVE LITERATURE REVIEW[♠]

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—Abstract —

This paper explores the nature of the relationship between corporate reputation and corporate social responsibility in the banking industry. The results of our systematic literature review demonstrate that finding commonly accepted definitions and generally established metrics of corporate reputation and corporate social responsibility in the banking sector is still problematic.

Keywords: *Corporate Social Responsibility; Corporate Reputation; Banking sector.*
JEL Classification: G21, L14, M14.

1. INTRODUCTION

In recent years, an increasing number of scholars and practitioners have become interested in the concepts of Corporate Reputation (CR) and Corporate Social Responsibility (CSR), examining them from different perspectives using several approaches. Some studies of the banking industry have emphasised the benefits of positive CR in achieving competitive advantages. Other studies have investigated

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the concept of CSR in the banking sector, exploring above all how CSR impacts economic, financial and non-financial performance and focusing on the adoption and disclosure of such initiatives (Callado-Munoz and Utrero-Gonzales, 2011:755). However, this line of inquiry is incomplete.

In recent years, a growing number of studies have explored the relationship between CR and CSR in non-financial sectors, but few studies have investigated the relationship in the banking industry. Although academic researches frequently conclude that CSR is an important reputational driver, Baldarelli and Gigli (2011) point out that there is a lack of theory and empirical evidence regarding the link between CR and CSR, highlighting the need for further analysis. The academic debate has so far failed to answer how responsibility and reputation interact.

In the case of the banking industry, where there is no well-established tradition of investigating either reputation or CSR, it is even more important to clarify the relationship between these two concepts. This may give rise to useful insights with implications for management. This study aims to contribute to a better understanding of the complex debate on these issues by developing an in-depth analysis of the extant banking literature. Thus, our literature review has the following aims: a) to investigate the links between CR and CSR in the banking industry; b) to critically explore the characteristics and methodologies of the primary reputational and CSR measures; and c) to suggest an agenda for future research.

The paper is structured as follows: the next section explains the method; section 3 reviews current notions of the relationship between CR and CSR in the banking industry; section 4 offers an overview of the primary methods used to measure reputation and CSR; and section 5 discusses our findings and proposes a future research agenda.

2. METHODOLOGY FOR RESEARCH

Our research is based on a systematic review as prescribed by Tranfield et al. (2003). The systematic, transparent and reproducible nature of this procedure improves the quality of the review process and the results obtained. Our first step was to define the research strategy (objectives and key data source) to identify relevant studies and quality criteria (year and document type) for inclusion in or exclusion from the sample. We then determined the most relevant keywords and search strings. The keywords have been entered in various combinations (Table 1). We used the three most relevant academic databases: EBSCO, ISI Web of Knowledge and SSRN. The study was carried out by integrating an “open access” database (SSRN) and subscription databases (EBSCO and ISI) with the explicit aim of providing better coverage of the research topic. ISI was chosen for its rigorous quality and citation data and EBSCO for its premium content from peer-reviewed and business-related journals. To ensure thorough coverage, we added SSRN, which in July, 2012 was named the world's best open-access repository.

2.1 Descriptive analysis

For all three databases, we used the same search criteria and time period (2000-2013). Our criteria for inclusion required peer-reviewed journal articles (for EBSCO and ISI) and working papers (for SSRN). The search strings that were used and the related results are shown in Table 1.

Table 1. Results by keyword and database

KEYWORDS	ISI WEB	EBSCO	SSRN	TOTAL
REPUTATION AND BANK	337	344	229	910
CORPORATE SOCIAL RESPONSIBILITY AND BANK	98	219	44	361
CORPORATE SOCIAL RESPONSIBILITY INDEX AND BANK	5	264	0	269
CORPORATE REPUTATION INDEX AND BANK	3	0	1	4
CORPORATE SOCIAL RESPONSIBILITY AND REPUTATION AND BANK	7	15	2	24
TOTAL	450	842	276	1568

Querying multiple databases yielded redundant results, which had to be manually deleted from our sample. We identified 190 unique applicable results (178 journal articles and 12 working papers), which became the basis for our research. Figure 1 shows the increase in scientific studies on this topic since 2006. Figure 2 provides an overview of journals that published the most works on the subject of interest.

Figure-1: Distribution by year

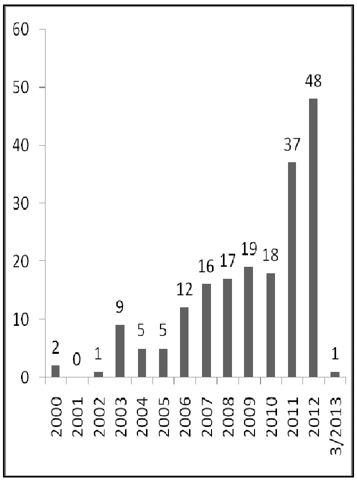
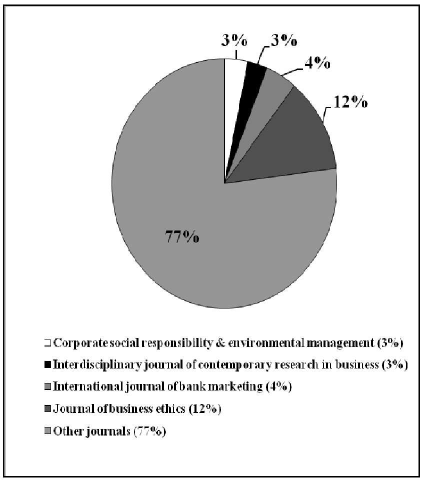


Figure-2: Distribution by journal



3. MAPPING THE RELATIONSHIP BETWEEN CSR AND CR IN THE BANKING INDUSTRY: A REVIEW OF THE LITERATURE

Extant studies on the relationship between CSR and CR (especially in non-financial literature) seek to identify the similarities, differences, grey areas and overlap between these two concepts. In particular, de Quevedo Puente et al., (2007:63) emphasise several differences. First, CSR has a descriptive nature because it is based on actions carried out by the company, while CR is based on subjective perceptions. In addition, these researchers affirm that CR is an inter-temporal variable (resulting from both past firm performance and stakeholders' expectations), whereas CSR is a more limited concept because its legitimacy depends on the environment and social context within the company (de Quevedo Puente et al., 2007:66). However, even CSR has characteristics that make it an inter-temporal variable; social responsibility initiatives are always the sum of past actions and lay the foundation for future activities. CSR strategies depend on constantly evolving 'culture' and 'expectations' within socioeconomic and financial contexts. Hillenbrand and Money (2007:274) explore the reasons for which it seems appropriate to treat these two concepts, although distinct, as two sides of the same coin. Thus, there is not a general consensus among scholars and practitioners about causal relations between CR and CSR.

The above considerations can be applied to the banking industry. In this regard, we have highlighted the growing interest of theorists and practitioners on reputation (Fig. 1). The Basel Committee has spurred further interest in reputational risk: '*reputational risk is multidimensional and reflects the perception of other market participants*' (Basel Committee 2009:19). The Basel Committee's characterisation seems to emphasise the perceptual nature of the reputational concept. Similarly, the European Commission (2011:6) recently revised its CSR definition to emphasise the descriptive nature of social responsibility: 'the responsibility of enterprises for their impacts on society'.

The perceptual nature of reputation is also supported by the etymology of the Latin word '*reputatio*', which means 'thought, consideration'. The term 'responsibility' comes from the Latin '*responsu*' and represents a fundamental lens of analysis regarding the actions undertaken by companies and the responsibility that must be matched to the behaviour of these firms. These theoretical underpinnings are the starting point of our literature review.

The first observation to emerge clearly from our analysis relates to the limited research explicitly focused on differences, overlaps and causal relationships between CR and CSR in the case of banks. Although we found some recent studies investigating these relationships, such as Arshad et al. (2012:1070), they were not returned in our database queries.

Our examination of 190 studies reveals that most studies on CR and CSR use inductive methods and qualitative and quantitative analysis to test the relationships between these two concepts. Through our critical analysis of available studies, we identified four subfields that link elements of CSR and CR. First, we identified a set of studies investigating the relationship (often positive) between CSR and customer loyalty through satisfaction and commitment (Matute-Vallejo et al., 2011:317). In these studies, it is assumed that customer satisfaction enhances reputation in the service environment (Bontis et al., 2007:1426). The second subfield consisted of studies strengthening the link between CSR and Corporate Financial Performance (CSP). These analyses are based on empirical evidence related to a single country, a comparison among countries or case studies. In particular, Bihari (2011) attempts to map the CSR practices of major players in the Indian banking sector and to identify the impact of such activities on banks' performance and image. Third, we identified a set of studies focused on the relation between CSR and bank identity. Perez et al. (2012) explore the relevance of CSR as a vehicle for the corporate identity of Spanish financial institutions. Other studies explore the impact of CSR on bank image. Finally, we identified a set of studies that stress the importance of mapping the relationship between CSR and business ethics (Adeboye and Olawale, 2012:274). These studies conclude that reputations for ethical behaviour help financial institutions retain customers.

To summarise, our literature review leads to two observations: 1) CSR is an important reputational driver in banks and plays a key role in building a solid reputation and 2) opinions regarding the relationship between CSR and CFP are not unanimous.

4. REPUTATION AND CORPORATE SOCIAL RESPONSIBILITY MEASURES: AN OVERVIEW

In this section we explore the characteristics and methodology of reputational and CSR measurement approaches and the primary indices used to verify the impact of CSR on CR.

4.1 Existing methods of measuring CR and CSR: an introduction

There are different approaches, qualitative and quantitative, to measuring corporate reputation (Trotta and Cavallaro, 2012:23-24). In our view, the multidimensional and perceptual nature of reputation finds a better representation in the qualitative models. Empirical studies attempting to analyse company reputation frequently use a reputational ranking (e.g., *Fortune Index*) to summarise the perceptions of stakeholders. The most popular rankings are *Fortune's Most Admired Company index* and *Reputational Quotient* (Hillenbrand and Money, 2007:262). Another reliable methodology is *Global RepTrak Pulse*, which was recently developed by the Reputational Institute. All ranking systems measure CR by using a questionnaire in which items are closely linked to key dimensions that are identified as the main reputational drivers (Tab. 2).

Table 2: Summary of the most popular reputational rankings

Ranking*	***What is surveyed***	***Stakeholders interviewed***	***Dimensions/Variables***
Fortune's (WMAC)	**Sample:** 687 companies from 30 countries sorted among 57 industries with revenue of $10 billion or more.	Senior executives, directors and financial analysts (approximately 4,000).	**Nine dimensions:** innovation, quality of management, long-term investment value, social responsibility, people management, quality of products, financial soundness, use of corporate assets and global competitiveness.
Reputation Quotient (RQ)	**Sample:** 60 most visible companies in the U.S.	General public, customers, employees, suppliers and investors, etc. (over 14,000 people interviewed).	**Six dimensions:** emotional appeal, products and services, financial performance, vision and leadership, workplace environment and social responsibility.
RepTrak system	**Sample:** varies with the index considered. For example, more than 2000 companies from 25 industries across 40 countries are included in the Global RepTrak Pulse index.	Customers, employees, business partners, investors, NGOs, regulators, media, business leaders, community leaders, opinion elites, analysts, etc.	**Seven dimensions:** products/services, innovation, workplace, governance, citizenship, leadership and performance.

*The banking sector was among the industries analysed by these ranking systems

Source: our elaboration on data from the Fortune, Harris Interactive and Reputation Institute websites.

Despite the expanding literature, it is still difficult to find both a commonly accepted definition and a generally established metric of CSR (Soana, 2011:135; Callado-Munoz and Utrero-Gonzales, 2012:757). The empirical studies developed for non-financial firms have employed different approaches to measuring the potential benefits of CSR. Within this body of literature, the most prominent methods are: 1) *content analysis* of corporate publications (environmental and social reporting); 2) *event study methodology*; 3) *statistical analysis* using reputational indices (e.g., Fortune index), ethical ratings, sustainability stock market indices or databases—such as Dow Jones Sustainability Indexes, KLD Research & Analytics database, Ethibel Sustainability Indices, Domini 400 Social Index and FTSE4Good Indices—as a proxy for CSR; and 4) *questionnaire surveys* based on scales assessing CSR's perception among company managers and directors (Turker, 2009:414-415). All of these approaches have been widely used to quantify the impact of CSR initiatives. However, the most widely used proxies for evaluating CSR benefits to firms in econometric terms are reputational measures, social stock market indices and ethical ratings or databases (Tab. 3).

Table 3: Summary of the most popular ethical rating and CSR stock market indices

CSR measures	*Description*	*Index parameters*
Ethibel Sustainability Indices owned by European rating agency Vigeo SA.	The indices (ESI Global and ESI Europe) are composed of companies belonging to the Ethibel Register. The stock/bond selection is executed by Forum Ethibel, which selects firms based on 38 criteria in 6 domains. All companies heavily involved in armament, gambling, tobacco or nuclear energy are excluded.	**Six domains**: human rights, business behaviour, human resources, corporate governance, environment, and community involvement.
Dow Jones Sustainability Indices (DJSI) managed by RobecoSAM	The DJSI indices are the first global family indices (e.g., DJSI World, DJSI Europe, DJSI Japan 40, etc.) tracking the financial performance of the world's leading sustainability-driven companies. DJSI World 2012 tracks the performance of the top 10% of the 2500 largest companies in the Dow Jones Global Total Stock Market Index (340 components sorted by 58 DSJI sectors from 52 countries).	**Three criteria**: economic, environmental and social.
FTSE4Good Index Series managed by the FTSE4Good Committee	The FTSE4Good Index series measures the performance of firms that meet globally recognised CSR standards. This family of indices encompasses four tradable and five benchmark indices, representing Global, European, US, Japan and UK markets. Each FTSE4Good tradable Index comprises just the top 50 or top 100 stocks by market capitalisation in the relevant FTSE4Good benchmark index. Companies that are heavily involved in armament, tobacco or nuclear energy are excluded from these indices.	**Three criteria**: environmental sustainability, human rights and stakeholder relations.

Source: our elaboration on data from the Ethibel, DJSI and FTSE Institute websites.

Concerning the relationship between CR and CSR, the comparison between reputational and ethical rankings (Table 2 and 3) shows overlap among the dimensions that define social responsibility: governance, workplace environment and citizenship (belonging to reputational ranking) and governance, human resources, and environment, which belongs to the ethical index. In this regard, a recent empirical study by the Reputation Institute (2012:15) confirms a strong and positive link between the new CSR ranking (Corporate Social Responsibility Index) and the Global RepTrak Pulse indicator. Such research highlights the fact that stakeholders' perceptions of CSR's commitment (citizenship, governance and workplace) accounts for 42% of the company's reputation. Nevertheless, Liston-Heyes and Ceton (2009:283) noted that, although scholars have equally used the Fortune Index (perceived measure) and the KLD database (actual measure) to assess CSR, these two indicators measure different phenomena and should not be used interchangeably.

4.2 The measurement of CSR and CR in the banking sector: an overview

Focusing on the banking sector, our analysis of 190 studies derived from our systematic literature review (sections 2 and 3) highlighted that the concepts of CSR and CR are often explored separately in studies of their implications for company performance and stakeholder perceptions.

Regarding CR, we noted that, due to the recent financial crisis, scholars of the banking industry focus primarily on analysing the damaging effects of reputational risk on financial performance (Sturm, 2013:193). In most of these cases, the *event study analysis* seems to be the methodology prevalently used for the empirical analysis. Other interesting studies investigated the link between reputation and customer loyalty using a Likert-type scale (Bontis et al., 2007:1427) and the relationship between employees perception and organisational reputation.

With regard to the CSR literature, our review found a small number of studies employing one or a mix of ethical ratings and stock market indices. These studies belong mainly to the line of inquiry focused on the relationship between CSR and financial performance (Scholtens, 2009:163; Soana, 2011:133). Other interesting studies investigate which financial and institutional variables (e.g., firm size, competitiveness, the country's legal environment, self-regulation, and employer-employee relations) positively or negatively affect socially responsible behaviour (Chih et al., 2010:115). The banks engaged in CSR activities have been selected by the Dow Jones Sustainability World Index (DJSI World), and some of the measures used as a proxy for CSR determinants include Equator and Wolfsberg's principles, the Cooperation in Labor-Employer Relations Index and Shareholder Rights and Legal Enforcement indices.

Also, for the case of CR, most of the studies we analysed use other measurement methods. Content analysis is generally applied to evaluate the status of CSR disclosure practices in annual reports and on corporate websites, the impact of social reporting publication on stock price (Carnevale et al., 2012:159) and the influence of CR on banks' corporate identity (Perez et al., 2012:675). Moreover, other studies use the case study approach to analyse CSR initiatives and the questionnaire survey to examine the link between CSR and customer behaviour (Matute-Vallejo et al., 2011:317), finding, in some cases, low consumer CSR-awareness levels. Concerning the relationship between CSR and CR in the banking industry, we have found a lack of empirical studies employing reputational and CSR ratings as proxies to assess the link between these assets. This has not enabled us to identify a consensus academic theory in empirical studies on the nature of CSR and CR relationship.

5. CONCLUSIONS AND FUTURE RESEARCH AGENDA

Our analysis enables us to formulate some considerations that should be the starting point for further research. First, our research proposes an explanation of the conceptual difference between CSR and CR in the banking industry, which is rooted in an objective difference linked to their nature (descriptive versus perceptive) and is also highlighted by the etymological roots of the two terms. Our review of the literature verifies that most of the analyses conducted recognise, implicitly or explicitly, this conceptual difference. CR has a perceptual component because it is based on stakeholder perceptions and expectations, whereas CSR has a descriptive nature because it is based on companies' actions. However, there is not a consensus in academia about the identification of differences and similarities between the two concepts.

Our analysis also highlights that the concept of CSR needs to be better defined and analysed in relation to ethics. This invites further exploration of the relationships among reputation, responsibility and ethics in banks. In addition, there is a need to distinguish among image, reputation and corporate identity, both examining the *raison d'être* of banks in economic systems as well as looking at the effects of CSR disclosure policies on financial performance.

Many recent studies highlight how praxis is leading to strategic use of CSR aimed to enhance reputational capital. Further studies in this area could help to achieve advances in the banking sector and may also provide useful tools for managers. We found an imperative need for a further discussion of the key components of reputation and CSR, especially in view of the comparison of the indices and methods used to measure the benefits of such concerns. The literature review shows that even in the case of banks, there is not a common method to evaluate and compare reputation and CSR practices. Furthermore, although several studies have identified the use of reputational indices as a proxy for CSR for firms at large, our analysis showed that, due to the different nature of CSR and these indices, such measures are not interchangeable.

We acknowledge some limitations of this study. Although we conducted a transparent review of the literature, the databases used did not intercept all of the existing works and missed important studies that were highly cited in the literature. Therefore, for the purposes of further studies, we will expand keywords and include more refined methods and tools.

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[i] In this study we included the main references, but the authors can provide a complete list of sources.