Chapter III
Research Objective

The primary objective of this thesis is to contribute to the development of theoretical and practical understanding of the management of corporate reputation in a way that improves the ability of corporate brands to gain different forms of support from key variables of corporate reputation for competitive advantage. To achieve this objective we reviewed academic and trade literature on the concept of corporate reputation, in particular, as it relates to the competitive advantage for the corporate brands in an Indian context; and then to build from this literature and survey a proposed approach that will have value to reputation management in India. Specifically, the research focuses on understanding how the key variables of the corporate reputation of the corporate brands impacts the reputation and helps in strengthening relationships with key stakeholder groups in an Indian context for competitive advantage. By doing so, this thesis aims to expand the body of knowledge regarding the management of corporate reputation in a way that it enables competitive advantage. In order to achieve this objective, this thesis addresses the gaps in this area of research by focusing on the facets of corporate reputation.

3.1 Theoretical Framework

Corporate brands exist in relation to various stakeholders. In the past, market-based competitive contexts like the pursuit of profit took precedence over everything else. But today, the political, regulatory and social arenas in non-market-based contexts have been heightened. In these contexts, a stakeholder is any individual or group who can affect or is affected by the goals, strategies or achievements of the corporate entity and is very important to corporate activities. Therefore, in a complex and competitive global environment, there is a greater need to communicate ceaselessly with all the various stakeholders and adopt a long-term differentiated strategy to respond to corporate management challenges. Corporate
management activity is considered a branding activity to the stakeholders, so establishing a
correct corporate reputation is imperative. The stakeholders recognize the entire corporate
entity as a brand, thus corporate reputation is not simply an image of the management, but a
sum total of all corporate management activities. In the last two decades we have seen an
increased focus on business’ role in society. The introduction of the concept of ‘sustainable
development’ in 1987 gave people a notion of the lack of balance between social development,
economic growth and the ecological system. The 1990’s brought with it a growing awareness
of the ongoing globalization of the economy with the subsequent concentration of power in
business highlighted private companies’ contribution to a sustainable development.

Corporate reputation’s influences on competitive advantage, on the emergence of strategic
groups and on intangible wealth have been discussed by various researchers. If reputation is
an intangible and difficult to imitate asset, it can differentiate a firm from the pack and so help
companies build competitive advantage against rivals.

Reputation as a powerful source of competitive advantage has been investigated in work on
joint ventures, merger implementation, crisis management and strategic groups. According
to (Park and Gardberg 1999), corporate reputation provides three driving forces for inter-
organizational alliances, namely, reliability, capability, and attractiveness. These three factors
should be positively related to alliance formation, scope and longevity.

The framework for this study is a modification of the model developed by New York
University professor Charles Fomburn to delineate corporate reputation and develop a
methodology to measure it. Using a series of focus groups across the US, the previous research
questioned stakeholders about the companies they respected or not. When asked why they
held strong opinions about individual companies, stakeholders justified their position by
citing one of the 20 reputational attributes. The model fit these components into six reputation
categories known as Reputational Quotient (RQ).
I argue that this model is useful in helping organizations target areas of improvement but as reputations are not mathematical in nature, weightings cannot be applied universally. Cultural differences mean that stakeholder behavior in one market is no indication of behavior in another. Reputations are built on people's dynamic mindsets and opinions, which are difficult, if not impracticable to quantify. Clearly, the best method of gauging corporate imagery involves getting out and talking to stakeholders; adding up their opinion (to form measurement of opinion) is however a far complicated task. If the methodology behind the RQ has managed to accurately replicate the respective importance of stakeholder it would have stumbled upon one of the most powerful management tools ever seen. Despite the obvious difficulties involved in valuating intangibles, a number of corporate brands periodically endeavor to rate the reputation of major companies hence producing sought-after lists of the world's (and country specific) most admired companies. Because of the overtly commercial nature of these lists most of the data and methodology adopted is not available in the literature. The methodology used for each of these surveys varies but normally takes the form of stakeholder specific appraisal.

For the purpose of conducting further research I have added to and extended the RQ to include elements that have been individually overlooked. This proposal of reputational elements is just that it is not designed to be used in the same way as RQ. It is designed to add to an acknowledged gap in the literature regarding the development of reputation theory. Clearly as reputations are not necessarily built on fact, but perception, it is important to not only collect and manage this information but also to transparently communicate it with stakeholder (Sumanta Rudra and R.K Srivastava; 2007).

3.2 Elements of Corporate Reputation

The elements that have been included and added in the theoretical construct are:

3.2.1 Social credibility: Social credibility and reputation are both perceptions of approval of an organization's actions. Legitimacy is a perception that organizations conform to taken-
for-granted standards. Reputation is a perception that organizations are positively distinctive within their peer group. While the need for inclusion and distinction may seem somewhat contradictory on the surface, we maintain that both functional demands are grounded in an organization's adopted social identities or social identity referents, characterized herein as social category memberships. Social identities constitute an organization's reference group and provide stakeholders with standards by which assessments of the organization are made. Organizations are seen as having legitimacy when they comply with the minimum standards of a particular social identity prototype. Organizations have good reputations when they are viewed favorably relative to the ideal standard for a particular social identity. This is covered in Reputation quotient but for differing reason.

3.2.2 Environmental credibility: In a society framed by growing environmental problems Corporate Brands need to ensure that they aren't perceived to be adding to the negative legacy that is left for future generations to protect their corporate reputation. Not only this but to create maximum value the corporate brand strives to create environmental value, thereby offsetting the actions of less responsible organizations. This is one aspect of triple bottom line wholly neglected in the previous studies; probably and naively assumed to be included in social responsibility.

3.2.3 Financial credibility: Defining the relationship between corporate reputation and financial credibility involves answering two questions: the characterization of the relationship sign as positive or negative and the direction of causality i.e. whether corporate reputation has an influence on financial performance or whether financial performance affects corporate reputation. Financial credibility is traditional means by which a corporate brand is judged. To build a credible reputation the corporate brand should have a strong historical and contemporary record for generating better than average return to shareholders. (Covered in the Reputational quotient it is one aspect of triple bottom line)

3.2.4 Stakeholder management: It is suggested here that reputation with stakeholders is probably the most important component of reputational management for a corporate brand.
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This observation has been made for the following reasons. First, the use of stakeholders to advance a corporate brand’s point of view and position in a non-market arena is crucial for success. It is difficult but certain reputations are created by independent stakeholder interactions separate from that advanced by the firm - then individual stakeholder reputation assumes great importance in the formation of overall reputation. This is not directly referred to in the reputation quotient but explained in Emotional connection and Leadership, vision and style.

3.2.5 Employee engagement and internal communication: Internal communication and employee engagement merits close attention as employees may be the most important audience for a company’s organizational communication and corporate branding efforts, thereby enhancing the reputation. Indeed, employees are considered one of the most trusted information sources about an organization (Dortok, 2006). This is so because they embody the corporate brand and interactions between them and external stakeholders communicate the brand’s values as much. This is covered in Reputation quotient as knowledge and skill factor but is no mention on internal communication.

3.2.6 Internal audit: In the past Enron, WorldCom and the recent Sataym scandal era good corporate governance practices have assumed a new importance. In particular, there has been an emphasis on internal elements of governance such as internal control and the roles of non-executive and executive directors. The activities of internal audit and the audit committee of non-executive directors are now seen as critical elements in the assurance process thereby preserving the reputation. This factor has not been considered in the previous studies and also is not a factor in the reputation quotient.

Clearly, this list of elements should be considered as useful within which the corporate brand will increasingly and does currently, compete for reputational value. It is certainly not designed to be used for a ranking methodology of the corporate brands. The obvious problem and deliberate quandary is that it is not impossible to win on an issue as the only advocate. Secondly, stakeholder support can cut across issues and stakeholders can be used to energize other potential actors in the process of issue framing and solutions (or to keep certain
stakeholders from becoming involved). Thirdly, it is argued here that from a portion of an organization’s elements listed above only one is currently fully tangible i.e. economic credibility. In the majority of cases the information relating to the other elements which is key to corporate reputation lies hidden in previously uncollected non-financial information. Since reputations are not built on fact but perception, it is important to not only collect and manage this information but also to transparently communicate it with key stakeholders. At the commencement of a strategy of this nature a corporate brand may not be performing well in each of the arenas. While this is an obvious drawback if stakeholders can be convinced that the corporate brand can and wants to improve (via timelines and roadmaps) then they will likely give them the benefit of doubt, provided of course that performance then improves year on year.

To conclude, assuming that corporate brands find suitable methods to measure and communicate their performance in all the above listed elements of reputation then theoretically good performance will be rewarded with, among other benefits, an un tarnished image or an improved reputation. The benefit of a corporate brand can be immediate but if not it will certainly be visible in the medium term. As time passes, previously intangible elements of the equation are becoming more tangible (as indicators are developed). As this process continues, the relative importance of each of the key elements will undergo a reshuffle. Financial information will be unlikely to become less important but other elements can only grow in their potential to influence perception and therefore reputation and thereby giving competitive advantage. The (Figure 3.1) is showed in the next page.

3.3 Hypothesis Development
The purpose of this thesis was to review the academic and trade literature on the concept of corporate reputation in particular, as it relates to the competitive advantage for the corporate brands in an Indian context; then to build from this literature a proposed approach that will be of value to reputation management in India. The objective of this thesis is:
Understanding how corporate brands should build reputation and strengthen relationships with key stakeholder groups in an Indian context.

Corporate Brands of all types are under increasing pressure from a host of stakeholders to be more responsive to their needs and interests. At the same time, market forces and the objective of a publicly-traded corporation demand greater shareholder return-on-investment. These competing forces cause conflict within organizations about the value of reputation. On the one hand, the corporate brand needs to develop, build and maintain a good reputation which is important to virtually every organization in society, whether it be a for-profit or not-for-profit; but on the other hand, as per the maxim of (Milton Friedman 1970) the only purpose of a corporation is to increase profits and to build wealth for investors, with reputation not seen as something that is “nice to have” but an additional cost.

To achieve the above objective 7 hypothesis was framed:

**Hypothesis1- Corporate Reputation risk is perceived to be the most important threat to the corporate brand**

The credibility of the corporate brand will influence its ability to weigh in on contentious issues such as protectionism that have serious implications for the global economy’s future. Companies should develop a deeper understanding of the reputation issues that matter to their stakeholders and of the degree to which their products, services, operations, supply chains and other activities affect those issues. Globalizing knowledge economies foster conditions that intensify the role and value of organizational reputation risk. In an enterprise-focused era, reputation is a key strategic construct that can act as a boundary object linking communities within and between organizations. This research focus was to know how the respondents feel to the various threats that the corporate brand faces in today’s market including corporate reputation risk. A number of reputation researchers have found that risk management is at the heart of building and maintaining strong organizational reputations (Fombrun et al. 2000, Rao1994, Scott and Walsham 2005); thus, a risk-based framework for
conceptualizing stakeholders is particularly useful for studying the various risks to a corporate brand.

Previous research has suggested that several advances have been made in recent years to theoretically refine the reputation construct and extend reputation theory in new directions. (Rindova et al. 2005) empirically demonstrate two distinct dimensions of reputation in their research. The first relates to perceived quality, capturing 'the degree to which stakeholders evaluate an organization positively on a specific attribute, such as ability to produce quality products'. The second pertains to prominence, determined by 'the degree to which an organization receives large-scale collective recognition in its organizational field'. Further clarification has been provided by other scholars who distinguish reputation from the related constructs of image, identity, asset and legitimacy. For example, (Barnett et al. 2006) propose that reputation is an evaluative assessment of an organization - emerging from observers’ awareness of an organization’s key characteristics (identity) as communicated by organizational actors in an effort to shape observer impressions (image). Cumulative positive assessments over time yield reputational capital - a valuable intangible asset that enhances an organization’s competitive standing relative to others in its field.

**Hypothesis 2- There is no association between corporate brands’ formal way of measuring their corporate reputation and participating in external reputation ranking**

Corporate Reputation has been the focus of much academic literature. In recent years, there has been increasing evidence of the value of the concept to both, practitioners and scholars alike. As a result, more effort has been placed into the measurement of Reputation and at the same time more and more models of Reputation measurement have emerged. While this growth has been seen as advancement there have been words of caution. I wanted to test if there is any association with corporate brands participating in external survey ranking and their formal way of reputation measurement.
A number of useful contributions have been made in the last several years toward improving reputation measurement (Helm 2005, Money and Hillenbrand 2006). A recent international construct-validation study conducted by the Reputation Institute (RI) has made particularly important progress in this area thereby demonstrating that the reputation construct can be made ‘reflectively’ operational by assessing the degree of admiration/respect, trust and good feeling observers experience for the target as well as their perception of the target’s level of overall public esteem. In the process of constructing reflective measures, researchers identify a set of theoretically derived indicators to directly represent or ‘reflect’ a particular construct. These indicators are highly correlated such that ‘an increase in one is accompanied by increases [in the others]’ (Helm, 2005).

The use of a direct reflective measure to render reputation operational departs from the indirect or ‘formative’ approaches commonly used in many ranking studies. In formative approaches, organizational variables assumed to enhance reputation are considered proxies for the reputation construct rather than independent predictors on their own. In the Reputation Institute study, such variables are clearly designated as predictors or ‘drivers’ of reputation assessments, thereby addressing a common criticism that many reputation measures fail to clearly distinguish between strategic reputation antecedents and perceptual outcomes (Money and Hillenbrand 2006). The predictors identified by Reputation Institute researchers include Organizational Performance, Product/Service Quality, Leadership Practices, Governance Procedures, Citizenship Activities, Workplace Climate and Approach to Innovation. Each is captured through a set of ‘reputational attributes’ to make each predictor operational.

The RepTrak framework resulting from this research has been used successfully to study reputation in hundreds of companies worldwide and has recently been adopted by Forbes Magazine in its annual review of the World’s Most Respected Companies. Although the Reputation Institute study identified 23 reputational attributes for the seven predictors in the
model, they note that any number of attributes may be salient, depending on the type of organization studied or the stakeholder group considered (Fombrun 2006).

To date, RepTrak has been used to study only customer perceptions. The robustness and flexibility of the framework, however, suggest a wide range of research applications and a wealth of testable hypotheses across a range of stakeholder groups.

**Hypothesis 3 - Functional stakeholder group are the major influencers of corporate reputation**

The stakeholder approach has moved beyond a once-simpler shareholder orientation to advocate the consideration of a wide range of additional stakeholders in the corporate strategy as has been discussed in the literature. A corporate brand is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, etc.), communities, the media and managers interact and create value. The impact of customer and employee engagement on corporate performance identifies how these qualities can be quantifiably measured by sophisticated mathematical indexes. To do this, the respondents were asked to review the stakeholders that are most important for corporate reputation. In view of the same, respondents were asked to rank the stakeholders whom they felt were most relevant for influencing the corporate reputation.

Previous researches implicitly assume that the role-based stakeholder concept relies on homogeneous attributes within groups despite simultaneous heterogeneous attributes that differentiate groups. Homogeneity implies that ‘a person’s role is a pattern or type of social behavior which seems appropriate to him in terms of the demands and expectations of those in his group’ (Sargent, 1951) In every society, people hold or occupy certain positions (as employer, shareholder etc) or are accorded particular status (mother, father etc). Socially prescribed duties or functions are assigned to every social position. The role concept posits that people (e.g. journalists or shareholders) who assume similar social roles share similar
patterns of social behavior and attributes within their respective groups (Coutu, 1951) and see the review of definitions of role of Gross et al. (1958). Few researchers express doubts that they can easily differentiate groups: to do otherwise would admit the need for more detailed investigation of stakeholder groups in order to perform specific targeting or positioning. Nevertheless, some articles have begun to tackle the issue (Harrison and Freeman 1996). An exceptional article by Wolfe and Putler (2002) challenges the views on role concept that appear in the bulk of stakeholder literature. I criticize what they regard as unreflective assumptions about stakeholder group attributes as they relate to group members’ priorities, opinions, personal values and socio demographics. They propose a segmentation-oriented alternative (Wolfe and Putler, 2002). Another approach touching upon this problem differentiates among (1) Micro associations that have to be addressed specifically on the stakeholder group level (2) Meta associations that allow a comprehensive approach to all stakeholders and (3) macro associations that reflect the aggregated overall picture of a corporation (Hermann 2005).

The purpose of this hypothesis is, thus, to analyze distinguishing attributes of different stakeholder groups in order to test frequent assumptions about the role concept. The basic hypothesis we will analyze is that significant differences exist among stakeholder groups, thereby supporting the role concept of stakeholder groups. A further test is to determine which stakeholder group attributes best discriminate different groups. These results will enable marketing practitioners to position their corporate brands generically, without having to consider group particulars. In other cases, they would need to target single stakeholder groups with specific communication activity in order to specifically position a corporate brand.

**Hypothesis 4 - Indian managers view the significance of internal control and audit for preserving reputation of the corporate brand.**

Corporate reputation comprises the procedures established by representatives of an organization’s stakeholders to provide oversight of the risk and control processes administered by management. Corporate reputation involves a set of relationships between a company’s
management, its board, its shareholders and other stakeholders. Corporate reputation provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined. Good corporate reputation should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders should facilitate effective monitoring. The above definition of corporate reputation indicates idea of objectives, correspondence, incentives, monitoring and control. In view of the same this research study wanted to know the significance the Indian manager attaches to the role of internal auditor for preserving reputation of the corporate brand. This concept will be tested for the first time based on the research data available.

**Hypothesis 5: Environmental and social credibility – as elements of reputation are getting significance for the preservation of a positive corporate reputation.**

The literature review suggests one of the main aims for taking a corporate branding orientation is a value creation which goes beyond profit maximization and includes long-term business survival alongside the meeting of societal (and stakeholder) needs and expectations (Balmer and Greyser 2006). Hence, one of the most important elements of corporate marketing, from the CSR perspective, is its societal application (Balmer 2001). This refers to balancing and meeting the needs of different stakeholder groups now and in the future as well as to showing sensitivity to societal issues. Questions were asked to seek responses from the managers of corporate brand to check if CSR and environmental issues are of significance for preserving the reputation of the corporate brands in the Indian context.

The measurement of social and environmental responsibility of the firm has been an object of debate and has evolved since the 1960s. In the first papers, which used a narrower concept of corporate responsibility, authors tried to approach it through a firm’s action in some key social area, such as pollution control (Bragdon and Marlin 1972), contributions to the community in the form of donations and philanthropic work (Levy and Shatto 1980), the integration of women and minority groups within the company (Kedia and Kuntz 1981) or
a mixture of these (Kedia and Kuntz 1981) social responsibilities and were not all valid for every industry. A broader valuation was provided by (Moskowitz 1972) who, by analyzing the contents of several sources such as the regular business press, the annual reports of organizations, publications that watched over various social matters and the reports issued by the firms themselves, was able to evaluate the satisfaction of certain legitimate claims of each of the stakeholders i.e. clients, employees and society; and to classify a number of firms as excellent, honorable or awful in their social behavior. The topics Moskowitz considered were pollution control, equal employment opportunities, minority and female representation on the Board of Directors, support of minority enterprises, responsible or irresponsible advertising, charitable contributions, community relations, product quality, plant safety, illegal politicking, disclosure of information, employee benefits, respect for privacy, support for cultural programs, responsiveness to client complaints and fair dealing with customers (Moskowitz 1972). This index attempted to reflect a firm’s actual behavior and it has been used only for research into the firm’s social responsibility; however, it has been paradoxically accused of rather being a measure of reputation (Ullman 1985).

The conceptualizations of reputation developed by (Fombrun 1996) reviewed in the reputation literature involved stakeholders in their development. They drew upon the key tenants of stakeholder theory outlined above. As was outlined in the previous section, current conceptualizations of responsibility have been produced without systematically and rigorously engaging stakeholders in their development. Furthermore, current measures often focus primarily on the social activities of a business such as charitable donations, community involvement and employee volunteerism.

However, it is not clear as to whether these issues are similar or different to stakeholder conceptualizations of the social elements of responsibility, let alone what the views of stakeholders would be regarding a wider notion of responsibility. As a result, the indicators currently used by companies to demonstrate Corporate Reputations are often said to be pragmatic or public relations-based responses to pressure from non-governmental
organizations (NGOs) are seen to lack credibility with stakeholders. There is, however, a consensus among practitioners and academics alike that it is important to understand and address stakeholder expectations of Corporate Reputation (Wood et al 1995). It is my aim to import the approaches and rigor around which reputation measures were developed in the field of Corporate Reputation and in particular, to apply similar techniques used by (Fombrun and Van Riel 2004) and (MacMillan et al. 2004).

This hypothesis continues by describing a research project that sets out to define responsibility from the perspective of stakeholders and fills this gap. Customers and employees of a financial institution are the participants and sources of data in this study. As such the study provides a first step to conceptualize responsibility from a stakeholder perspective. A formal comparison with the reputation models, as outlined in the introduction, is then given.

**Hypothesis 6: Employee engagement and internal communications are significant for preserving the corporate reputation of the corporate brand.**

People are a source of competitive advantage to an organization (Pfeffer 1994). Attracting and retaining talented employees is one of biggest challenges in modern times. Prospective employees are attracted to an organization if they positively identify themselves with the organizational reputation. If the positive identification is more valuable than their identifications with other organizations, then these prospective employees are likely to join this organization. A larger pool of prospective employees enables an organization to select the best talent and leads to competitive advantage. An employee remains in an organization only as long as he positively identifies with the organizational identity or its essence in terms of vision or values, and this identification is more valuable then identification with other prospective employers’ identities. Researchers wanted to know if employee engagement and internal communication are of significance in preserving the reputation.

Considerable research attention has been devoted to the subject of organizational reputation and perceived external prestige as well as to work and workplace attitudes. Scholars and
practitioners accord higher exploratory power of work outcomes to the antecedents and consequences of organizational reputation. According to (Fombrun 1996) 'corporate reputations are perceptions held by people inside and outside a company.' Companies consistently compete to be better-regarded, a status that reflects a competitive advantage and, more likely, superior performance. (Fombrun 1996) argued that the better-regarded companies build their reputations by developing both economic and social practices. By looking at the literature, much effort is devoted to studying organizational reputation as a predictor or prophecy of a firm's financial performance and stock market value, whether reputation was the predictor or the prophesied (Hammond and Slocum Jr. 1996).

Yet, two major problems have appeared: first, studies have failed to distinguish between an organization's reputation and its employee engagement and internal communication or construed external image (Dutton et al. 1994). As suggested by Dutton and her colleagues (eg. Dutton and Dukerich 1991, Dutton et al. 1994), organizational reputation and its employee engagement and internal communication are distinct constructs. Whereas organizational reputation refers to outsiders' beliefs about an organization, perceived external prestige refers to a member's own view of the outsiders' beliefs. In this study, we use the term employee engagement and internal communication to mean the way in which members of firms view their organization's reputation by outsiders. Secondly, relatively little research effort has addressed work and workplace attitudes and how this is empirically associated with organizational reputation. An exceptional study was conducted by (Jones 1996). The study examined the determinants of the reputation of ten science-based firms in terms of their human resources' reputation, namely, in terms of how the employees perceived their firm as a 'good' place in which to work. The results indicate that an innovative climate and job satisfaction were the major determinants of reputation. (Jones 1996), however, focuses only on a human resource system's reputation, not the overall organizational reputation.

This hypothesis seeks to bridge this gap in the research through focusing on employee engagement and internal communication on the reputation measure. The hypothesis examines
suggestions regarding further investigation of the relationship between employee engagement and internal communication on work and workplace attitudes as well as the reputation of the organization.

**Hypothesis 7: Incorporating sustainable practice by the corporate brand will help in building corporate reputation and achieving competitive advantage.**

As part of the stakeholder management process, there is increased attention concerning sustainability, attributable to its strategic importance for organizations operating in the contemporary marketplace. Increased focus on sustainability is largely a result of pressures from multi-stakeholder groups. Engaging in sustainability that is matched with stakeholder needs can provide firm benefits. When this congruence occurs, benefits that may ensue include positive corporate reputation and competitive advantage.

Several studies have considered the financial effects of sustainable development and corporate citizenship on organizational performance but a relationship between sustainable development and economic performance has not yet been established univocally. Most researchers have highlighted a positive relationship because of the potential for increasing sales and reducing costs (e.g. Maignan and Ferrell 2001) whereas others have observed a negative relationship that contributes to the costs of investing in sustainable development (e.g. Davidson and Worrell 1988). Yet a third group of researchers found evidence that would suggest no relationship at all (Davidson and Worrell 1988).

The impact of sustainable development and corporate citizenship activities on stakeholders’ attitudes and behaviors toward the corporate citizen company has been investigated, although not well developed. It is contended that by reaching out to the stakeholders the company can increase its revenues and profits so that it will survive in the long run. Sustainable development seems to influence the attractiveness of the company as a potential employer (Turban and Greening 1997) and to impact the degree of current employees’ commitment toward the
company (Maignan and Ferrell 2001). Furthermore, in a survey conducted by the Conference Board, executives reported that volunteer programs improved employee productivity and morale and fostered teamwork and skill building. Another recent survey indicated that 84 per cent of managers regard the achievement of a responsible image in the community as important for employee morale (Business Ethics 1997). Sustainable initiatives may help establish a bond between the organization and its employees (Leonard 1997). With respect to consumers, the awareness of corporate citizenship practices appears to have a positive influence on (1) Consumers' evaluation of product attributes (Brown and Dacin 1997) (2) Attitudes toward the firm (Murray and Vogel 1997) and (3) Corporate reputation (Fombrun and Shanley 1990). (Maignan et al. 1999) have also highlighted the positive impact of corporate citizenship on customer loyalty.