Reputational Considerations in Firm Response to Social Issues

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Abstract
As firm stakeholders have become more engaged in social issues, they are developing expectations with regard to firm responses to these issues, beyond traditional Corporate Social Responsibility (CSR). This paper examines how firms’ CSR engagement with social issues has evolved from traditional philanthropy to more significant and active actions. As such, corporate social identity is introduced as a new construct that explains the relationship of social issue alignment with the firm’s broader mission. A model is presented that illustrates how a firm’s corporate social identity alignment with a social issue influences stakeholder interpretations of if, when, and how a firm responds to the social issue. The firm’s reputation, as determined by stakeholders, will be significantly influenced by stakeholder evaluation of the firm responses as they align with stakeholder response expectations.

Keywords Corporate social identity · CSR · Stakeholder engagement · Reputation · Politicization of corporations · Social issues

Introduction
Stakeholders increasingly require organizations to take stances and respond to environmental, social, and governance (ESG) issues (Matten and Moon 2020; Schrempf-Stirling et al. 2016). A subset of issues that has gained prominence recently are social issues. In the past, organizations were typically not expected to respond or develop a stance around these issues, but stakeholder expectations are changing. In response, leading organizations are acknowledging the importance of these issues and are adapting. For example, the Business Roundtable leaders have signed a statement acquiescing that stakeholders beyond investors should guide corporate strategy (Business RoundTable 2019). A significant amount of capital is being allotted to ESG investments, with stakeholders devising techniques to untangle substantive ESG strategies from greenwashing and developing instruments to bet against firms whose claims of environmental or social performance are considered unfounded (Busch et al. 2016).

A well-developed body of literature focuses on corporate social responsibility (CSR) and the firm’s response to stakeholder pressures (Aguilera et al. 2007; Campbell 2007). We now understand that firms are more likely to react to salient stakeholders (Freeman et al. 2020; Nason et al. 2018), that their strategies are expected to include CSR actions (Rodriguez-Fernández et al. 2020; Tetrault Sirsly et al. 2019), and that they will communicate their CSR performance (Jain et al. 2015). The evidence is mixed with regard to the link between CSR strategies and financial performance and competitive advantage (Busch et al. 2016).

Many of the environmental performance indicators are quantitative, while the social sustainability initiatives are more difficult to quantify. Capital markets are particularly adept at responding to quantitative measures. As a result, organizational leaders have been expected to invest in quantifiable initiatives as opposed to action plans that are not so easily quantifiable. Many of the ratings and rankings of firms which provide a basis for firm reputation are based on firms’ ethics, how they treat their employees, and other difficult to measure aspects of social responsibility. It is yet unclear how a firm may obtain advantages from engaging in social actions beyond what is required by external stakeholders (Wang et al. 2020). Furthermore, the conversion of such actions to the social goods they promise occurs rarely (Henriques and Husted 2020). There is evidence that some firms

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take on such actions voluntarily and develop reputational benefits (Tetrault Sirsly et al. 2019). Why firms engage in voluntary and substantive social action is an area that requires a deeper understanding of social identity and the salience of such an identity in corporate reputations.

In this conceptual paper we ask broadly why and how firms engage with social issues? We propose Corporate Social Identity (CSI) as a necessary link to understand this question and more narrowly ask what is the role of CSI in improving firms’ reputations when engaging in social issues? We develop a conceptual model that includes CSI as a multifold construct and explains what social issues are congruent with the firm’s broader mission. As such, CSI moderates the firm’s selection and engagement with social issues as well as how stakeholders interpret the firm’s actions. Thus, CSI creates a new lens to view how firms may improve their reputation by engaging with social issues that are aligned with their CSI and avoid reputational decreases by not engaging in misaligned social issues. The introduction of CSI contributes to the broad issues literature of CSR and stakeholder influence by addressing the importance of how a firm’s CSI alignment with the social issue affects issue engagement, response timing, substantive congruency, and stakeholder response.

**Literature Review**

**The Contemporary Appeal of CSR**

CSR continues to elicit the attention of organizations and their stakeholders. However, in the past scholars were seeking motives for CSR behavior (Aguilera et al. 2007; Campbell 2007), presently corporations have had to adjust to the reality of CSR’s functional necessity (Johnson 2020). As the issues that initiated early thought on CSR have evolved, so too have the organizational responses and strategies. In a recent editorial, Matten and Moon (2020) reflect on the meanings and dynamics of CSR between their decade award-winning article and the present context. They observe how, in the 2000s, CSR was primarily related to issues raised by core stakeholders and involved questions surrounding the use of corporate profits and philanthropy. Organizations developed CSR initiatives primarily to generate good faith by using corporate wealth for some social end, usually unrelated to the central mission. Since then, CSR has evolved to encompass international entities dealing with issues beyond core stakeholders (Bhattacharyya 2019), which now include value chains, societies, and the planet.

Matten and Moon (2020) argue that the firm is not only expected to show how profits are used philanthropically, but also disclose how profits are made. A strategic use of CSR enables corporations to use wealth for social ends, and to be a vehicle for social responsibility. If used proactively, CSR should be expected to enable the creation of economic, social, and environmental benefits. Corporate reputation has emerged as a practically efficacious variable to persuade corporate leaders why CSR deserves a strategic treatment (Nason et al. 2018). Johnson (2020) shows how bad publicity often determines significant changes in firms’ CSR behavior, in contexts where stakeholders have sufficient power to push for change. While in earlier conceptualizations of CSR, reputation was used in latitudinal contexts, with a necessary yet imperfect time lag, scholars have more recently explored complex longitudinal effects of CSR investments and reputational effects (Den Hond et al. 2014; Tetrault Sirsly et al. 2019). Furthermore, recent research explores the risk of past actions, or historical CSR on current reputation (Schrempp-Stirling et al. 2016). The idea that corporations should be held responsible for actions undertaken along the supply chain at some point in their history may have appeared trivial two decades ago, yet is pertinent now.

**CSR and Firm Reputation**

A major link between CSR and firm performance is how a firm’s engagement in CSR affects its reputation (Schnietz and Epstein 2005; Mahon 2002). As reputation is a valuable resource to firms that can be managed to achieve a competitive advantage (Barney 1991; Deephouse 2000; Hall 1993; Russo and Fouts 1997), understanding how CSR affects reputation has developed into an important aspect of CSR research. Scholars have identified stakeholders’ judgment about the appropriateness of a firm’s CSR activities as a primary mechanism for CSR-caused reputational change (Nason et al. 2018; Peloza and Papania 2008). Thus, stakeholders’ responses to CSR activities may lead to reputational increases or decreases.

Firms create reputational increases through CSR by engaging in activities that are interpreted as appropriate by stakeholders. Stakeholders determine appropriateness by judging if the CSR activities are substantive and dedicate adequate resources to the CSR initiatives (Mahon 2002; Peloza and Papania 2008). For example, Sethi and colleagues’ (2016) study of CSR in extractive industries found that firms who provide high-quality information about their substantive CSR activities are able to receive reputational increases as stakeholders are better able to determine that the firms are engaging in meaningful CSR activities. The converse also holds that stakeholders can negatively judge a firm’s CSR activities if the firm’s activities are trivial which can lead to a decrease in the firm’s reputation.

This literature establishes a cautionary perspective for how firms engage in CSR. While CSR can lead to reputational advantages and increased performance this is not always the case. Further, as reputation is formed over
time and difficult to change quickly, any loss of reputation may be difficult to restore (Mahon 2002). Thus, as firms become more politicized and are increasing their engagement with social issues, understanding how stakeholders may interpret their CSR actions on social issues is increasing in importance.

**The Politicization of the Corporation**

While organizations have always had overlapping trajectories with the political milieu, the politicization of corporations has only increased over time. Palazzo and Scherer (2008) foresaw this trend in their discussions of the post-national corporation, which is called upon to function in processes of public will form beyond the boundaries of the nation-state. They argue that corporations would not be able to maintain acts of citizenship as philanthropy and would be pressurized to assume explicit participation and positions in social and political issues. Indeed, within the last decade CEOs have had to adapt to guiding their organizations through ever more treacherous waters. Gaines-Ross (2017) notes that CEOs no longer have the option of staying quiet on socio-political issues that affect their stakeholders and that they should prepare purposeful and prudent positions on key issues.

Yet, a recipe for how to engage the social and the political seamlessly and profitably evades the theoretical and praxis realms. Executives often find themselves mired in controversy when stated positions do not match the expectations of one or more stakeholder groups (Adomako and Nguyen 2020). The reputational outcomes of taking stances on controversial issues can be significant (Fuhrmans and Feintzeig 2018). Yet, as critical mass builds and societal groups develop stronger messaging, firms find themselves sheltered by collective standpoints.

Den Hond and colleagues (2014) liken the engagement of corporations in politically charged social issues to playing on two chessboards. While firms may engage in social issues through a CSR vehicle to improve their reputation, the political activity that these arrangements necessitate may have unintended reputational consequences. Palazzo and Scherer (2008) saw this evolution as inevitable and called for scholars and practitioners alike to reconsider the role of the corporation in society through frameworks that transcend the narrow economic logic. More recently, Rehbein et al. (2020) show that CSR has important complementary elements with a firm’s political activity, if the firm is credible, and the alignment between the two areas is convincing. This line of thinking leads to the idea that an organization may form an identity based on its investments in social issues.

**Corporate, Organizational, and Social Identity**

Organizational identity is broadly viewed as encompassing the interests of all stakeholders, internal and external, and relies on the concepts of image, as perceived by external stakeholders, and culture, as experienced by internal stakeholders (Hatch and Schultz 2000). Within the organizational identity framework, a focus has developed on the deliberate perspectives of top managers in influencing the views of internal and external stakeholders with regard to the firm’s image. This represents the corporate identity which can evolve into a core competence that serves to differentiate the firm from industry peers or unite otherwise disparate businesses. Within the realm of intentional actions taken to form a corporate identity, organizations may choose to integrate social issues in a way that builds or supports their image.

A social identity may form when organizations make decisions about which social actions to invest in and actively pursue. Path dependencies develop when actions are rooted in a strategic intent, such as when the organization embeds values of social responsibility in the mission or vision. The diffusion of a CSR intent through the organization contributes to employee–organization identification. The ways in which executives make sense of the tension between social and profitability logics contribute to how the firm’s social identity is shaped (Wry and York 2017). Furthermore, these identities contribute to the level of adoption of CSR practices in acquisition scenarios, where compatible CSR identities are more likely to be maintained and adopted by an acquiring organization (Wickert and Vaccaro 2013).

Social identity may also serve to engage stakeholders. Nason et al. (2018) argue that firms negotiate acceptable referents of social performance with stakeholders who are invested in those issues and identify with the organization. Among the key stakeholders, employees are more likely to weave their individual identities within the identity of the organization (Nejati et al. 2019). Furthermore, threats to the organization’s identity challenge employees’ own identity and cause responses that could lead them to disidentify (Piening et al. 2020). For example, negative media coverage of the employer, if recognized as a substantial threat to the organizational identity may lead employees to social distance themselves from the organization, or to strengthen the shared identity referents. Bayle-Cordier et al. (2015) show that stability in the organizational identity with regard to CSR is challenging to achieve, yet desirable as related to employees. This is confirmed by Nejati et al. (2019) whose results suggest that ethical leadership contributes positively to employees’ engagement with CSR. Along those lines, Monga (2020) underscores the importance of fit between brand and CSR activities and suggests that firms are better served through a portfolio of activities that align with the
brand and can be easily communicated to consumers and substantiated with matching outcomes.

In the previous section, we argued for the continued importance of CSR, its evolution and relevance for the current age, the role of firms in socio-political issues, and the relationship between CSR strategies and organizational identities. In the next section, we address the questions of how firms’ social actions relate to the development of a CSI, and how this identity may benefit the firm through the emergence of reputational advantages. Over time, a firm’s responses to various societal issues form a portfolio of achievements or failures in the eyes of the public, which become part of the company’s identity.

Theoretical Development

CSI, as a component of corporate identity (Alvesson 1990; Olins 2017), is viewed as the firm’s expressions, actions, or inactions in response to societal issues. Firms that take action on social issues and are deliberate in developing a CSI, develop a portfolio of value- and mission-congruent strategic initiatives which become associated with the company’s identity. While most firms are called upon to do more than increase shareholder value or produce goods and services that satisfy a market need, some see themselves as being part of a social system and choose to use their surplus capabilities, profits, and talents to resolve a societal problem.

Firms may choose to make large investments in long range initiatives, such as Apple committing $100 m in June 2020 to restructure their supply chain to encourage minority-owned businesses, in response to the unrest surrounding the death of George Floyd and the Black Lives Matter movement. Although the company was not targeted by the movement, it chose to proactively engage with this broad societal issue. The investment makes a strong statement about Apple’s position relative to the issue of racial equity and its commitment to be part of the solution.

Firms may also make investments of a more episodic nature, as a response to specific events, where the company’s unique resources and capabilities can more quickly and effectively solve a problem. For example, in response to several blackouts in South Australia in 2016 and 2017, Tesla offered to build 100 megawatts of electricity storage in 100 days. Had it failed to meet these goals, it pledged that the installation would be free. The company recognized an opportunity to gain recognition for their breakthrough technology, by responding to an area that relied on the ability to store power during unforeseen circumstances, such as weather events.

Firms may also engage in initiatives that do not require either investments or a significant operational commitment, but that become part of their social identity, nonetheless. For example, grocery retailers are known to sometimes collect donations for victims of a hurricane, or organize food drives associated with holidays such as Thanksgiving in the U.S. Similarly, retailers also engage in community service “roundup” (to nearest dollar) options, in efforts to support hospitals, charities, and associations that rely on donations as an important part of their yearly budgets. The repetitive nature of the initiatives in response to various events becomes part of the firm’s identity, as a contributor to the local community.

Firms’ intent on developing CSI will acknowledge their responsibility and exposure to social and reputational risks. They understand that not taking a stance on certain socio-political issues is equivalent to taking the wrong position. As a result, these organizations will form structures to actively manage their reputations. To improve the authenticity of social actions, firms are likely to develop portfolios of social involvement that are mission-congruent. In cases where a proactive stance is desired, firms may opt for social activism as a conduit for transmitting a socio-political stance. Finally, it should be expected that suppliers of organizations that espouse corporate social identities will be expected to align with their values.

The Conceptual Model

In Fig. 1, we present a snapshot of the conceptual model of the contribution of this paper. Constructs and relationships already established in the literature are included for reference. The moderating role of CSI is central to this paper as it explains when and how firms will respond to incoming social issues. The dynamic loop is key to understanding how CSI may change over time, depending on how iterations of response, stakeholder interpretations, and reputation effects perform.

Issues, CSI, and Issue Salience

Issue salience is how much a firm identifies with and prioritizes an issue (Clark et al. 2017). A more nuanced understanding of the construct reveals that issue salience influences how a firm identifies, evaluates, and responds to an issue (Clark et al. 2017; Dutton and Jackson 1987). As CSI
influences what social issues a firm perceives as important and worthwhile, it has a direct effect on how firms identify and evaluate social issues for possible response. This in turn affects if and how a firm responds to the social issue. The first way CSI affects issue salience is by guiding a firm’s identification of social issues. The number of social issues that firms can potentially engage with are plentiful (Marsden et al. 2020). CSI provides guidance for identifying social issues that align with the firm’s social identity and are important to the firm.

As firms identify issues, decision makers within the firm must evaluate if the issue is worth a response (Dutton and Jackson 1987). The evaluations of issues include the severity, relevance, and importance as it relates to the firm’s ability to achieve its goals (Wartick and Mahon 1994). As such, CSI can guide the firm evaluation on social issues in determining if the social issue may hinder or aid the firm achieving its goals. For example, Nike CEO John Donahoe described that Nike evaluates social issues based on how they align with the company values and if engagement will be good for Nike and its sponsored athletes (Ciment 2020). Thus, social issues that align with the firm’s CSI are more likely to be evaluated by the firm as needing a response.

Finally, strong issue salience has been shown to increase a firm’s responsiveness to social issues (Bundy et al. 2013; Clark et al. 2017). Highly salient issues are likely to be deemed the firm’s responsibility, and therefore, are more likely to allocate resources in response to the issue (Ansoff 1980; Dutton and Jackson 1987). For example, CVS Caremark, a large pharmacy retailer, stopped selling all tobacco products in its stores in 2014. CVS CEO Larry Merlo, said selling tobacco products was inconsistent with the company’s purpose to help people achieve better health (Landau 2014). As we propose that strong CSI alignment with the social issue increases the firm’s issue salience, it is also probable that firms are more likely to respond to social issues that strongly align with the firm’s CSI.

- **P1a.** Strong CSI alignment with the social issue will increase the salience of the issue to the firm.
- **P1b.** Weak CSI alignment with the social issue will decrease the salience of the issue to the firm.
- **P2a.** Firms are less likely to respond to social issues when issue salience and CSI alignment are low.
- **P2b.** Firms are more likely to respond to social issues when issue salience and CSI alignment are high.

### Stakeholder Interpretation

As firms choose to engage or not engage with a social issue, the appropriateness of their choice will be judged by the firm’s stakeholders. The firm responsiveness literature has focused on how a firm’s stakeholders interpret and influence how the firm responds to issues (Bundy et al. 2013; David et al. 2007). A major component of this research is that the stakeholder’s issue salience affects their evaluation of the firm’s response. As expected, the higher the stakeholder issue salience the higher the expectations are for the firms to engage with the issue (Bansal and Roth 2000; Bundy et al. 2013). We look to extend this literature by exploring how a firm’s CSI affects stakeholder interpretation of a firm’s actions on social issues.

We posit that stakeholder’s interpretation of the appropriateness of the firm’s response to a social issue is also influenced by the firm’s CSI. As firms vary on how their CSI aligns with a social issue, stakeholders have different expectations about if and how firms will respond. Therefore, we propose that the ways stakeholders interpret if and how the firm engages with a social issue is influenced by the firm’s CSI alignment with the social issue.

When a social issue is strongly aligned with a firm’s CSI, stakeholders view the firm as having a responsibility to engage with the issue. As such, firm engagement on the social issue is not only acceptable but expected by stakeholders. Therefore, if a firm engages with a social issue that is strongly aligned with its CSI, stakeholders are likely to positively interpret the firm’s actions. Conversely, if the firm chooses to engage with a social issue when the social issue and firm CSI are misaligned, stakeholders may view the social issue as residing outside the firm’s scope. This can cause stakeholders to view the firm’s engagement as straying from the firm’s mission and strategic focus. Thus, the firm’s engagement can be viewed as unnecessary and misguided. Therefore, if a firm engages with a social issue that is strongly misaligned with its CSI, stakeholders are likely to negatively interpret the firm’s actions.

- **P3a.** Firm’s engagement on social issues is more likely to be positively interpreted by stakeholders if the social issue is strongly aligned with the CSI.
- **P3b.** Firm’s engagement on social issues is likely to be negatively interpreted by stakeholders if the social issue is misaligned with the CSI.

It is not just that the firm chooses to engage with the social issue that will affect stakeholder’s interpretation. How the firm acts in the engagement is also interpreted. One engagement factor that affects stakeholder interpretation is if the engagement is substantive or symbolic. A firm’s engagement on social issues ranges from substantive actions that change the firm’s social performance, to symbolic actions that are meant to change stakeholder expectations without altering the firm’s social performance (Bundy et al. 2013; Mahon and Wartick 2003; Nason et al. 2018). For example, in 2017, the cosmetic company L’Oréal placed a series of advertisements supporting the LGBTQ community. However, these advertisements were criticized for being only symbolic actions after the company fired its first trans model, Munroe Bergdof, for her remarks against
racial violence on social media (Fortin 2017). Accordingly, when the social issue is strongly aligned with the firm’s CSI, stakeholders expect the firm to take substantive action that addresses the issue and changes the firm’s performance. Given these stakeholder expectations, if a firm takes only symbolic action when the social issue is strongly aligned with the firm’s CSI, stakeholders will view symbolic actions as inadequate.

In a similar vein, how quickly the firm responds to the social issue can also influence stakeholder’s interpretation (James and Wooten 2006). If a firm responds too slowly to a social issue, stakeholders may negatively interpret the firm’s engagement even if the action is substantive. For example, Twitch, the video game streaming platform, created new chat filters to proactively address hate speech on its platform in response to the #TwitchDoBetter social media campaign. However, the founder of the social movement still criticized Twitch for taking too long to engage with the issue (Moore 2021). Once stakeholders become aware of the social issue, the expectations of how quickly the firm engages in the social issue vary. If the social is strongly aligned with the firm’s CSI, stakeholders will expect the firm to act quickly and engage with the social issue. Therefore, quick actions are likely to be well received by stakeholders when the social issue is strongly aligned with the firm’s CSI and slow actions are likely to be negatively received.

P3c. The stronger the social issue is aligned with the CSI the more likely stakeholders will positively interpret the firm’s engagement if the engagement is substantive.

P3d. The stronger the social issue is aligned with the CSI the less likely stakeholders positively interpret the firm’s engagement if the engagement is symbolic.

P3e. The stronger the social issue is aligned with the CSI the more likely stakeholders will positively interpret the firm’s engagement if the engagement is quick.

P3f. The stronger the social issue is aligned with the CSI the less likely stakeholders positively interpret the firm’s engagement if the engagement is slow.

As previously discussed, firms always have the option to not engage with social issues. Generally, stakeholders expect a firm to engage with issues that are salient to the stakeholder (Bundy et al. 2013). Yet, not all social issues are aligned with a firm’s CSI. When the social issue is not aligned with the firm’s CSI, stakeholders will view nonaction as an acceptable behavior and will likely evaluate the nonengagement neutrally. However, if a firm chooses not to engage with a social issue that is strongly aligned with their CSI, stakeholders will view the firm as shirking their responsibility. In this case, stakeholders will view the firm’s nonengagement negatively.

P3g. Firm’s nonengagement on social issues is more likely to be neutrally interpreted by stakeholders if the social issue is misaligned with the CSI.

P3h. Firm’s nonengagement on social issues is more likely to be negatively interpreted by stakeholders if the social issue is aligned with the CSI.

**Stakeholder Effects on Firm Reputation**

Stakeholders’ interpretation of the firm’s reaction to social issues can strategically affect the firm by impacting the firm’s reputation (Pfau et al. 2008; Hillman and Keim 2001; Mahon 2002). As reputation is formed over time through a series of interactions between the firms and its stakeholders, reputation decreases can be challenging to recover from (Mahon 2002). Therefore, firms need to take care when determining how their engagement or nonengagement with social issues may affect their reputation. Prior literature on stakeholder effects on reputation can be easily applied in this model (Mahon 2002). When stakeholders positively interpret a firm’s actions, its reputation increases. Conversely, when stakeholders negatively interpret a firm’s action the firm reputation decreases. These straightforward relationships have been applied to stakeholders’ interpretation of a firm’s reaction to social issues (Hillman and Keim 2001), and, as such, apply to our model. Yet, there are special considerations for firms with regard to social issues when considering how stakeholders can influence their reputation, which hold implications for CSI.

One consideration is that different stakeholder groups may not agree as to the importance of the social issue to the firm. For example, Walmart received both praise and criticism from different stakeholders when they decided to raise the minimum age for gun sales in Walmart stores from 18 to 21 years old after the Parkland Florida school shooting (Nassauer 2018). Thus, a well-defined CSI provides clarity to stakeholders if the social issue is the firm’s responsibility. With a well-defined CSI, different stakeholder groups are more likely to agree if a social issue is the firm’s responsibility than if the CSI is not well defined.

Additionally, a well-defined CSI provides a clear communication message of why the firm is not engaging with the social issue to stakeholders who disagree with the firm’s nonengagement. For example, a group of prominent religious leaders in Georgia called for the boycott of Home Depot for not taking direct action in fighting the state’s controversial voter restriction laws. The stakeholder group felt as one of the largest companies in the state Home Depot had a responsibility to influence state legislators to drop the bill. Home Depot’s statement on the boycott called defended their nonaction by mentioning existing initiatives, such as internal voting participation programs and efforts to make voting locations safe during the Covid-19 pandemic, as better aligned with their CSR mission than the voting restriction law (Kamisar 2021). Additionally, a well-defined CSI is especially helpful for guiding a firm’s reaction to minor
stakeholders who are more likely to hold fringe views of what the firm’s responsibilities are. If the firm’s CSI is well defined, the firm will be more likely to ignore minor stakeholder’s fringe views. Therefore, a well-defined CSI lowers the chances of reputational decreases from a firm’s reaction to the social issue.

**P4.** A well-defined CSI lowers the chances of stakeholder caused reputational decrease from a firm’s reaction to the social issue.

Finally, a stakeholder’s effect on a firm’s reputation also influences a firm’s CSI. CSI is a dynamic construct as what social issues a firm deems as important may change over time. Thus, reputational changes brought on by stakeholder interpretation to the firm’s reaction to social issues will impact the firm’s CSI. If the stakeholder interpretation leads to a reputational increase, this will reinforce the firm’s CSI. As such the firm will maintain their CSI or even strengthen their belief that its CSI is appropriate. However, the stakeholder interpretation leads to a reputational decrease, the firm will question if their CSI is appropriate. This may lead to the firm redefining its CSI.

**P5.** Stakeholder caused reputation changes will likely impact CSI.

**Discussion and Conclusion**

In this paper, we advance the idea that CSI is a contemporary construct worthy of further scholarly development and exploration. It follows an evolutionary path for firms seeking to enhance their competitiveness by using CSR foundations. While other triple-bottom-line elements have been more easily quantified, social aspects have eluded easy computations, yet have become key to how corporations are seen by stakeholders. Where the idea of a socially involved politicized corporation may have appeared far-fetched a decade ago, it is the reality for many firms now. This paper contributes to the growing body of CSR by explaining the significant role a firm’s social identity plays in the firm’s selection and engagement with social issues and how the CSI influences stakeholders’ assessment of the firm, which has the potential to lead to reputational advantages.

**Contributions to the Firm-Issue Fit and Issue Salience Literature**

The addition of CSI as a component of corporate identity contributes to the issue management and salience theories (Clark et al. 2017; Dutton and Jackson 1987; Wartick and Mahon 1994). This literature has demonstrated the importance of firm-issue fit as firms are more likely to respond to issues that have a high issue salience (Clark et al. 2017; Bundy et al. 2013; Dutton and Jackson 1987). A growing area of this literature has focused on how a firm’s identity affects issue salience, finding that issues that resonate with an organization’s identity will have increased issue salience (Bundy et al. 2013; Logsdon and Van Buren III 2008). Yet, organizational identity in these studies has either been viewed broadly to incorporate all core values and beliefs or focused on a singular aspect of identity such as justice (Logsdon and Van Buren III 2008).

The introduction of CSI extends this literature by suggesting firms may create a subset of their identity that specifically pertains to how the firm defines their values and views on societal issues. Hence, for firm-issue fit, CSI increases salience for social issues more than other aspects of the firm’s identity. Thus, CSI’s effect on social issues salience may result in changes in firm behavior. For example, as firms develop their CSI, the frequency and intensity that social issues are salient to the firm will increase. This can result in firms’ engaging with social issues that align with their CSI more often and taking greater action towards the issue. Additionally, CSI may decrease issue salience for social issues that do not align with the firm’s CSI causing firms to not act on some social issues. Therefore, especially as firms more commonly adopt the roles of social actors, CSI is a vital component of corporate identity that alters the firm-issue fit by directing a firm’s decision on what social issues are salient.

**Contribution to Stakeholder and Reputation Literature**

In the late 20th Century, there was limited scholarly literature on corporate reputation Fombrun and van Riel (1997) lamented in the first issue of Corporate Reputation Review. In the intervening years, there has been an exponential growth in corporate reputation literature across diverse fields of management, marketing, communications, social issues, and many others. The definition of corporate reputation has evolved and expanded over the years as it has been operationalized across disciplines. However, the Fombrun and van Riel (1997) definition has been the more frequently used “the perceptual representation of an organization in the minds of its key stakeholders” (Ali et al. 2015, 1105), which has led to identity along with image being subsumed in the concept of corporate reputation. One of the contributions of this paper is to conceptualize reputation and corporate identity as two clearly distinct notions. Reputation is seen as a value judgment on a positive/negative or good/bad scale, while corporate identity is conceptualized as what the firm is “known for” or “associated with.” Treating reputation as a value judgment is consistent with Barnett and colleagues (2006) thinking that the corporate reputation construct should move away from awareness-based definitions to one of assessment. In contrast, identity is treated as a construct...
of awareness. For example, Ben and Jerry’s ice cream is associated with various social issues while the U.S. firm, My Pillow which is strongly associated with its founder Michael James Lindell, also known as the My Pillow Guy, an American businessperson, political activist, and far-right conspiracy theorist. Both are examples of awareness-based identity.

The more recent corporate reputation literature has focused on three major foci: (1) the antecedents of Corporate Reputation, (2) various performance measures showing the consequences or impact aspects of corporate reputation, 3) and/or possible moderating variables influencing corporate reputation. The contribution of this paper falls primarily in the last category—conceptualizing CSI, not as an antecedent, but as a moderating variable on selected antecedents (firms’ actions and stakeholder interpretations) of corporate reputation.

As stakeholders can directly affect a firm’s reputation through their evaluation of how a firm responds to issues, the first contribution to reputation moderation relates to how CSI affects stakeholder expectations and interpretation of firm responsiveness on issues (Bundy et al. 2013; Nason 2008; Mahon and Wartick 2003; Pelzoa and Papania 2008; Mahon 2002). This body of literature has established that the severity of a firm’s response (e.g., substantive or symbolic), as well as the speed of the firm’s response to an issue, affects how stakeholders interpret the firm’s issue engagement. The CSI construct contributes to this literature by adding CSI-issue fit to improve our understanding of how stakeholders interpret a firm’s response to a social issue. The addition of CSI-issue fit theoretically explains when stakeholders are more likely to favorably respond to substantive or symbolic actions as well as to quick or slow responses. Additionally, CSI-issue fit provides an understanding of when stakeholders will find it acceptable for firms to not respond to social issues. In these ways, the addition of CSI fit provides a greater understanding of how firms can manage their social issue engagement or nonengagement to improve their reputation and guard against reputation damage.

Viewing the CSI construct’s implications on reputation moderation more broadly shows the potential for a firm with a well-developed CSI to manage stakeholder expectations has significant implications for reputation management. Extant literature has established that stakeholder prioritization of an issue affects how the stakeholder expects a firm will respond to the issue (Pelza and Papania 2008; Clark et al. 2017). Given that many social issues are gaining broader recognition with society, stakeholders are increasing the number of social issues they find salient (Clark et al. 2017). As such, firms are at an increased risk of having their reputations damaged due to stakeholders and society deeming that the firm should be responding differently to a newly salient issue. Yet, CSI provides a way for a firm to influence the stakeholder’s expectations of how the firm will react to a nascent issue by allowing it to define the scope of what social issues are the firm’s responsibility. This does not change the stakeholder salience towards the issue but influences the expectation stakeholders have about how the firm will respond. Therefore, firms can take a more selective look at the issue knowing their CSI alignment may help negate stakeholder pressure.

Thus, CSI makes a substantial contribution to this literature by conceptualizing that a firm can use CSI to influence how stakeholders view firm action to social issues. Viewed this way, a well-developed CSI can give a firm more agency to manage how stakeholders evaluate the firm’s actions on social issues preemptively by allowing the firm to shape the stakeholders’ expectations before the social issue even arises. Further, CSI can increase a firm’s power over how social issues affect its reputation by allowing it to define its social identity and be less vulnerable to stakeholders’ self-conceived perceptions of the firm’s social responsibility.

An additional contribution of this paper is to consider that one of the consequences of corporate reputation changes is its influence on a firm’s CSI. The identity change literature (Dhalla 2007; Gioia et al. 2013; Corley et al. 2006) has challenged the initial assumption that organizational identity is stable and rarely changes (Albert and Whetten 1985). Instead, this work suggests that an organization will adapt its identity to project a more agreeable organizational identity (Elbsbach and Kramer 1996; Dhalla 2007). The CSI model proposes that as a firm observes how its reputation is changed by stakeholder reaction to the firm’s social issue response, the firm may change its CSI. Thus, reputational damage caused by stakeholders viewing the firm’s social issue response unfavorably is likely to lead to the firm changing its CSI to construct a more favorable identity. Therefore, this paper contributes to the identity change literature by demonstrating how stakeholder-driven reputational change can lead to strategic changes in corporate identity.

Contributions to the CSR Literature

In a recent article, the editors of the Academy of Management Review lamented that CSR research lacks a solid theoretical foundation, coherence, and lacks credible implications for practice (Wang et al. 2020). Regarding theoretical substance, the editors argue that, while CSR research is diverse and complex, the underlying theories are adapted from lateral fields that may not fit well with the intent of the research. Ployhart and Bartunek (2019) observe that theory pieces are rarely cited in the general press, which speaks to the perceived lack of relevance of management theory. They encourage academics to allow themselves to be stimulated by practice, in the quest for better theory.
While criticism around CSR continues to multiply, we believe that the literature continues to have a contemporary appeal, especially as social issues have become central to many firms’ raison d’être. In these regards, this paper contributes to the field a discussion of ways in which social responsibility can increase a firm’s reputation and thus influence the firm’s competitive position and strategy formulation. Furthermore, the CSI construct aims to resolve tensions between the stakeholder theory’s focus on reacting to stakeholder concerns and strategic management’s interest in proactive action (Freeman et al. 2020). Accordingly, we propose that pursuing a CSI through a mission-congruent portfolio approach provides the necessary motives for organizations to invest in social issues. Thus, the paper contributes to the strategic CSR view that has evolved to look at how profits are made and used towards social ends, as a vehicle for societal change.

In addition, the dynamic nature of the CSI model presented here contributes to CSR work on historical reputational risk (Schrempf et al. 2016). Exposure to reputational risk from past actions is likely to increase for firms in the future. We argue that investing in CSI over time and over repeated dynamic cycles is more likely to reduce this exposure and allow firms to control the narrative around their potential missteps.

Finally, the focus of this paper is not on the financial implications of social actions, but on the impact and reputational outcomes associated with these strategies. This addresses the criticism that CSR work is overly focused on financial criteria and provides little to no guidance on what firms may report relative to their social initiatives. Barnett et al. (2020) ask if CSR initiatives provide the societal impact promised, and critique the many studies published over the last decades for focusing almost exclusively on the relationship between CSR inputs and financial performance. The model proposed here addresses this criticism by offering the interplay between reputation and CSI as proxies for social impact.

Practical Implications

Regarding practical implications, criticisms of CSR usually coalesce around its failure to inform managerial practice, due to its generic nature and lack of attention to the social outcomes of CSR. This paper is partially motivated by these shortcomings and contributes to informing managerial practice in both aspects. For instance, by focusing on the social aspect of CSR, and describing CSI as a motivator for organizations, it allows for a deeper understanding of ways in which firms may develop and change their CSI.

Further, managers can understand how their CSI may influence stakeholders’ interpretations of their engagement or nonengagement with social issues and how this may lead to reputational changes. The research suggests that firms have choices in defining their CSI and further describes the trade-offs across activities and stakeholders. In addition, the model provides managers with expected stakeholder responses to their responsiveness to the issue. This can inform managers on an appropriate response strength and speed depending on the issues fit with the firm’s CSI. Finally, the model provides a range of corporate expressions, actions, and inactions in response to social issues, allowing for firms with agnostic views on social issues, who may be less engaged.

Scholars wishing to advance development of CSI may focus on how firms develop an identity over time. Anecdotal data suggest that some firms focus on multiple issues at the same time, while others develop a deep following around one or few issues during a given period, then move to others. Developing a focus or foci of social identity should provide fruitful research pathways. Similarly, research may focus on how these social identities resonate with the public. Scholars may examine how announcements about engagement with new issues and policies are received by customers or other stakeholders. This stream would yield valuable information about ways in which corporations may communicate new initiatives and their broader contribution to the mission.

Declarations

Conflict of interest On behalf of all authors, the corresponding author states that there is no conflict of interest.

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