Spanish Journal of Marketing - ESIC (2017) **xxx**, xxx—xxx

SPANISH JOURNAL OF MARKETING - ESIC

www.elsevier.es/sjme

ARTICLE

Corporate social responsibility, customer satisfaction, corporate reputation, and firms' market value: Evidence from the automobile industry

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Received 8 April 2016; accepted 29 May 2017

KEYWORDS
Corporate social responsibility;
Stakeholders management;
Customer satisfaction;
Corporate reputation;
Market value

Abstract How does corporate social responsibility (CSR) impact on firms' market value? Academy had found it difficult to give a suitable answer to this question, considered as the ''Holy Grail'' of CSR. In contrast to previous research that stressed subjective measures to rate CSR performance, was multi-sector focused and encompassed short periods, we propose a different insight. Using an objective CSR performance rating (Ethical Portfolio Management [EPM] owned by EIRIS), taking a single industry—the automobile industry—, and spanning 8 years, in this paper, we try to make a difference. Our results suggest that certain CSR issues—those related to corporate core business and critical stakeholders—may lead to companies' better financial performance.

PALABRAS CLAVE
Responsabilidad social corporativa;
Gestión de grupos de interés;
Satisfacción del consumidor;
Reputación corporativa;
Valor de mercado

Responsabilidad Social Corporativa, Satisfacción del consumidor, Reputación corporativa y Valor de mercado de la empresa: Evidencia en el sector del automóvil

Resumen ¿Cuál es el impacto de la Responsabilidad Social Corporativa (RSC) en el valor de mercado de las empresas? La academia ha encontrado difícil dar una respuesta adecuada a esta pregunta considerada por muchos como el ''Santo Grial'' de la RSC. En contraste con investigaciones anteriores, que han valorado el rendimiento de RSC con medidas subjetivas, se han centrado en múltiples sectores, y han abarcado periodos cortos, proponemos una visión diferente. En esta investigación, se utiliza una medida objetiva del desempeño en RSC (*Ethical Portfolio Management* (EPM), avalado por EIRIS), el análisis en una sola industria – la del

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http://dx.doi.org/10.1016/j.sjme.2017.05.003
2444-9695/

Please cite this article in press as: García-Madariaga, J., & Rodríguez-Rivera, F. Corporate social responsibility, customer satisfaction, corporate reputation, and firms' market value: Evidence from the automobile industry. *Spanish Journal of Marketing - ESIC* (2017), http://dx.doi.org/10.1016/j.sjme.2017.05.003

automóvil— y un horizonte temporal de 8 años. Nuestros resultados sugieren que ciertos temas de RSC, las relacionadas con el negocio central corporativa y los principales grupos de interés, pueden llevar a las empresas a un mejor desempeño financiero.

Introduction

Recently, there has been much research on Corporate Social Responsibility (CSR) and Firms' Market Value (MV), divided into two main streams. On the one hand are those works that analyze whether there is a direct link between CSR and MV (Aupperle, Carroll, & Hatfield, 1985; Fombrum & Shanley, 1990; López, García, & Rodriguez, 2007; Margolis & Walsh, 2003; Margolis, Elfenbein, & Walsh, 2009; Mc Williams & Siegel, 2000; McGuire, Sundgreen, & Schneeweis, 1988; Omram, Atrill, & Pointon, 2002; Orlitzky, Schmidt, & Rynes, 2003; Soloman & Hansen, 1985; Van Beurden & Gossling, 2008). On the other hand are the researches that analyze the link between CSR and MV through the impact of CSR on critical stakeholders (Galbreath & Shum, 2012; Griffin & Mahon, 1997; Hillman & Kleim, 2001; Luo & Bhattacharya, 2006; Sen & Bhattacharya, 2001). However, all of them have something in common: their findings are contradictory, making it difficult to reach any solid conclusion regarding how these two variables work together.

This paper posits that the origin of these controversial results lies in the omission of contingency conditions (Galbreath & Shum, 2012; Griffin & Mahon, 1997; Luo & Bhattacharya, 2006; Margolis & Walsh, 2003; Margolis et al., 2009; Sen & Bhattacharya, 2001), such as Customer Satisfaction (CS) (Luo & Bhattacharya, 2006), both CS and Corporate Reputation (CR) (Galbreath & Shum, 2012) or Stakeholder Management (Hillman & Kleim, 2001), and/or the lack of moderating variables such as, for instance, industry characteristics or company size (Margolis et al., 2009). In addition, how CSR is measured, using subjective tools based on stakeholders' perceptions, is also questioned in this research.

If CSR is a source of competitive advantages that could lead companies to increase their organizational effectiveness (higher MV), each firm will need to develop its own CSR strategy, appropriately allocating its resources to deal with its particular issues, which will be conditioned by the industry it belongs to and its particular business environment. This suggests that comparing companies from different sectors might lead to mistaken conclusions about how CSR and MV work together both for practitioners and academics, in spite of using control variables, as Margolis et al. (2009) recommend. Besides, if CSR implies companies' recognition and integration of social and environmental concerns in their operation—leading to entrepreneurial practices that satisfy those concerns (Valor & De la Cuesta, 2003)—, this implies that CSR is about performance, not perception, and new tools must be used to measure it.

This paper proposes a novel insight to fill this gap from a triple point of view. First, we have developed and used objective performance measurements to rate CSR, analyzing in depth 303 corporate documents to achieve this goal. There are no precedents in previous literature of such an in-depth analysis. Second, this paper is focused on a single industry: the automobile. This was chosen due to its huge economic, social, and environmental impact. We focus on a single industry to avoid biasing our results by mixing different sectors. Third and finally, this paper spans nine years (2000–2008), which is one of the longest periods ever analyzed in relation to CSR. We also posit that the CSR and MV relationship will be understood in depth in a long-term scenario.

The main goal of this research is to highlight how these two variables —CSR and MV—really work together and to determine whether CSR can lead companies to higher MV through CS and CR. There is also a broader and more philosophical target, which is to propose a new model to analyze CSR and its impact on other significant management variables.

The empirical findings of the present research are somewhat surprising. It must be underlined that whereas most researches have used subjective measures for CSR (Galbreath & Shum, 2012; Heidarzadeh Hanzaee & Sadeghian, 2014; Luo & Bhattacharya, 2006; O'Sullivan & Mc Callig, 2012), this research uses objective performance; whereas it is common to analyze multiple industries (Galbreath & Shum, 2012; Luo & Bhattacharya, 2006; Servaes & Tamayo, 2013), our paper focuses on a single one. Far from considering our results focused on a single industry to be a drawback, we posit that it offers some concrete clues for practitioners to develop CSR strategies in their companies. Regarding academics, we believe that our research contributes to create a new methodology and insight for future research.

In line with previous literature (Galbreath & Shum, 2012; Luo & Bhattacharya, 2006), we posit that contingency conditions such as CS and CR will mediate the CSR-MV relationship. To take advantage of our longitudinal design, a panel data analysis is proposed.

Our results suggest some new approaches for managers to make CSR profitable. Besides, they underline that more research is needed to improve the understanding of what can work for each industry, company, and kind of organization. Nevertheless, stakeholder relations management seems to be critical for corporate success, also suggesting that a new proactive paradigm of corporate management might become essential for companies' survival.

This paper is divided as follows. First, a literature review is carried out. Second, the analysis model is proposed; third, results are presented. Finally, conclusions and future avenues of research are proposed.

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