

Fit, Misfit and Supra-Fit in Corporate Social Performance: Towards a Theoretical Model of Corporate Reputation

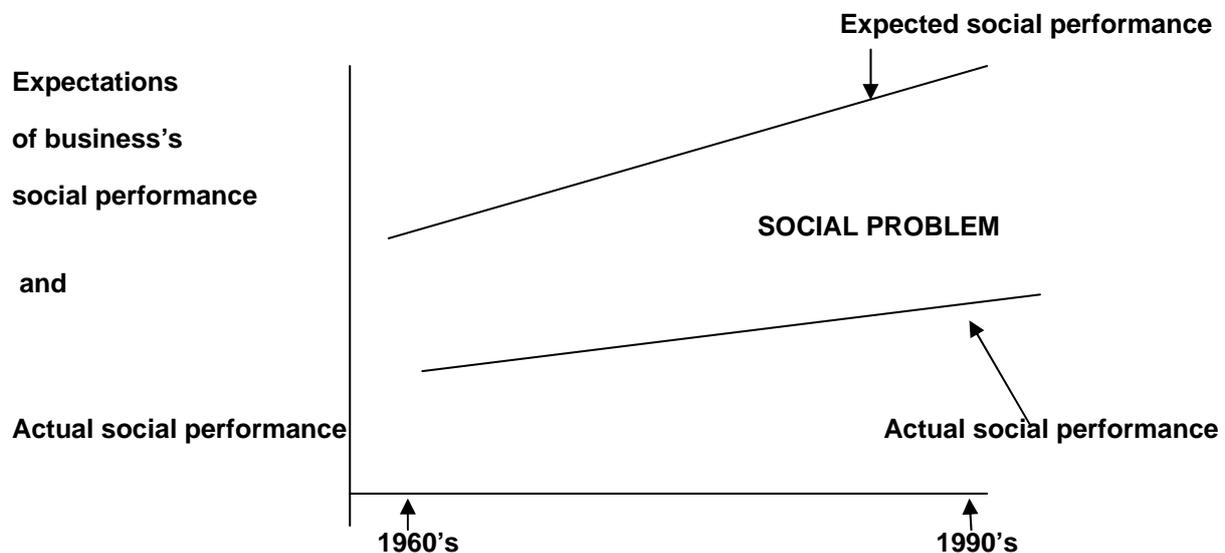
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Abstract

This paper develops a theoretical model of specific fit configurations of actual and expected social performance and their effects on corporate reputation. The theoretical model introduces the concepts of fit, misfit and supra-fit as they relate to particular perceptions of actual and expected social performance in organizations operating in particular societal and industrial contexts. Particular configurations between these aspects are identified and briefly discussed utilizing a Venn diagram and prospects for empirically measuring the incidence of corporate social reputation are briefly outlined.

Introduction

Robbins (1994, p. 123) has defined corporate social responsibility (CSR) as ‘a business firm’s obligation, beyond that required by the law and economics to pursue long-term goals that are good for society’. Boone and Kurtz (1994, p. 54) suggest that ‘social responsibility is management’s acceptance of the obligation to consider profit, consumer satisfaction and societal wellbeing of equal value in evaluating the firm’s performance.’ The concept of Corporate Social Performance (CSP) is defined in terms of ethical and discretionary aspects of Carroll’s (1979) model. This model underlines the proactive responsiveness of organizations to social performance expectations and is adopted here since it conforms to the ethical expectations and perceptions aspects essential to the model developed in the paper. However, before describing the theoretical model to be delineated in this paper, a brief discussion of the original theoretical structure on which it is based is required. A model incorporating relationships between actual and expected corporate social performance over time was first developed in detail by Carroll and Buchholtz (2000); see Figure 1.



Carroll and Buchholtz (2000) suggest that the gap indicated in Figure 1 has been widening since the early sixties. Public expectations of corporate social performance have, increasingly since that time outstripped actual business social performance; a phenomenon referred to as the 'revolution of rising expectations,' (Carroll and Buchholtz, 2000) and based on the plausible notion that succeeding generations expect a standard of living and quality of life better than the preceding one.

Carroll and Buchholtz point out that although social expectations continue to rise, the gap in expectations and actual performance is being affected by increasing levels of poverty, environmental pollution and disease. These social problems have led educated better-off sections of the public to understand that constant rises in standards of living may not be sustainable over time (Carroll and Buchholtz, 2000). Although the model has found general empirical support (e.g. Globespan, 2000), the theoretical idea that people's expectations of CSP are *always* greater than actual business performance has recently been contested (see, Coldwell 2000).

The effects of gaps in actual and expected social performance and the importance of creating better fits between these phenomena as a means of enhancing social performance-derived aspects of corporate reputation are discussed in the following section.

A model of the effects of fit, misfit and supra-fit in actual and expected social performance on corporate reputation

A number of causal contributors to corporate reputation other than social performance have been raised in the literature (e.g., Carroll and Buchholtz, 2000; Birnik and Billsberry, 2007, Coldwell, 2001; Coldwell et al, 2007 Preston and O'Brannon, 1997), most notable among these is financial performance which is sometimes regarded as the primary causal variable in corporate reputation (Carroll and Buchholtz, 2000). Although RI (Reputation Index) researchers have identified several predictor variables of corporate reputation including: service, quality, leadership, practices, governance, citizenship climate and innovation in addition to financial performance. (Vidaver-Cohen, 2007), evidence for social performance as an important factor in corporate reputation is substantial. For example, Grayson and Hodges (2004) found that corporate reputation was strongly influenced by a company's commitment to CSR and its actual social performance, and Oriesek (2004) suggested that corporate social performance contributed up to 55% of corporate reputation quotient score in certain organizational situations.

Evidence of this kind suggests a clear association between corporate social performance and corporate reputation where corporate reputation is regarded as essentially a "...perceptual phenomenon-emerging from observers' collective judgements about an organization based on assessment of the organization's performance over time in areas observers deem important (Vidaver-Cohen, 2007 p. 279-80). Figure 2 indicates the concepts of fit, misfit and supra-fit as they relate to social performance aspects of corporate reputation.

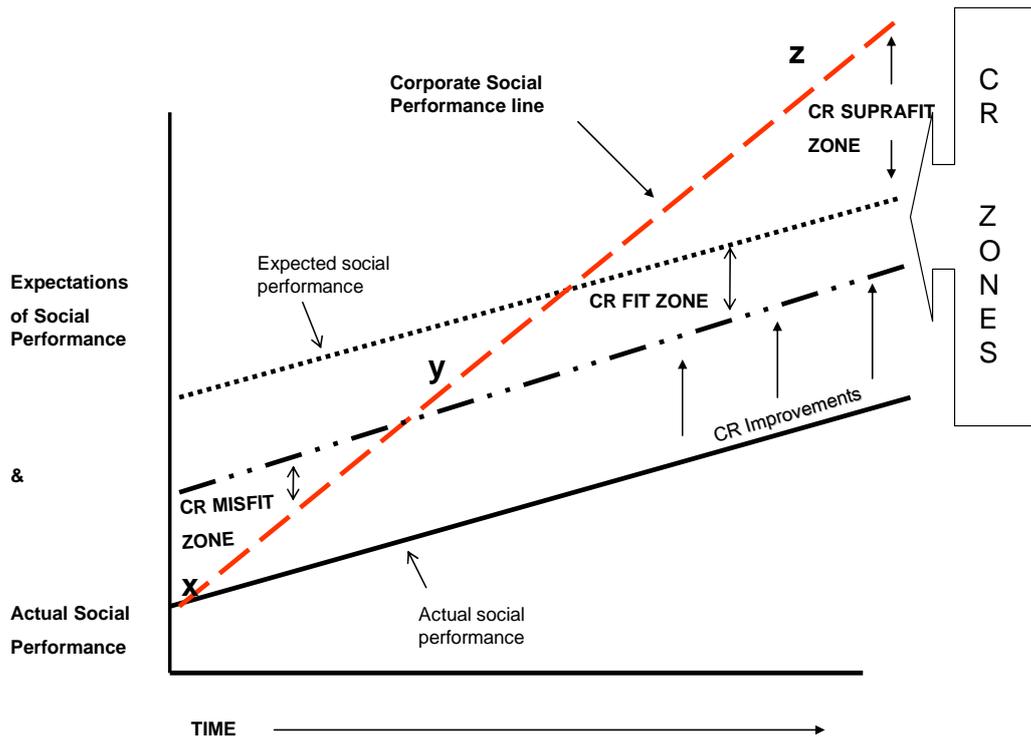


Figure 2 Fit, misfit and supra-fit in actual and expected social performance effects on corporate reputation

Figure 2 indicates actual and expected social performance on the vertical, and time on the horizontal axes respectively. A zone of corporate reputation (CR) shows different configurations of fit between actual (A) and expected (E) social performance (CSP) levels. The red spaced upward sloping line shows various levels of actual CSP (i.e. how a company is perceived to be actually performing against generalized perceptions of actual social performance of companies in society as a whole and in their specific industrial context their configurations with A- E fit. At point X (see Figure 2) on the line a company's actual CSP is perceived as lagging behind expected CSP by an amount equal to the lowest generalized societal and specific industry and organizational performance levels. A negative CR attributable to CSP can be expected for organizations performing at this level. At point Y a company is perceived to have attained middling performance socially, industrially and organizationally. A company at point Z in the diagram, where expectations outstrip actual CSP at these three levels is regarded as performing exceptionally and enjoying a superior CR as a result.

A *CR misfit* zone is indicated where large A-E fit disparities exist and where an organization has made little or no effort to improve its social performance (i.e. between the bold black dash/dot line and the actual social performance line in Figure 2). A *CR fit* zone is identified where the gap between A-E CSP has narrowed to the extent that expectations of CSP of a specific organization are regarded as having been met (i.e. between the bold black dash/dot line and expected social performance line in Figure 2). The model also introduces a *CR supra-* (i.e. above/greater than) *fit* CR zone. This aspect delineates situations when an organization's actual CSP is regarded as being above expected CSP (an outcome supported by empirical evidence (See, for example, Coldwell, 2000). The model suggests that as an organization moves up the diagonal red line from misfit, through fit to supra-fit, perceptions

of CR are enhanced. (However, this may not always be the case as has been found to occur when actual CSP is regarded by certain individuals as being above expected and to be inimical to financial performance).

Social Performance induced corporate reputation

The perception mechanics of the *zones of corporate reputation* described in Figure 2 are indicated graphically in Figure 3.below

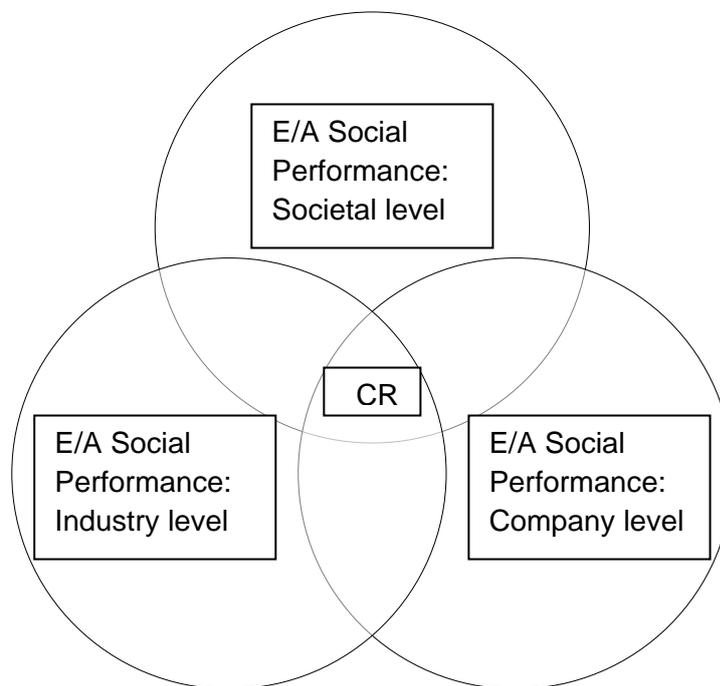


Figure 3 A model of social performance induced corporate reputation

The model comprises three overlapping rings. Each ring represents one of the three major corporate social performance contexts that have a bearing on CSP- induced perceptions of CR. (societal, industrial and organizational). Each is potentially influential in individual perceptions of CR. The model suggests that the nature of the configurations in actual and expected social performance at these three distinct levels defines an organization's CR. For example, a company perceived to be performing socially above an industry norm and performing above the general level of business as a whole, can be expected to have a

corporate reputation exceeding its competitors. On the other hand, a company perceived to perform socially no better than the norm for the industry, but better than business generally, can be expected to have a lower corporate reputation than in the situation illustrated earlier. Also such an organization might be expected to have a superior corporate reputation to one perceived as operating below both societal and industrial social performance norms.

Clearly there are a large number of *mathematically possible* comparative permutations that can be theoretically derived from particular societal, industrial and organizational actual/expected social performance configurations and these would need to be exposed through empirical analysis to have any substantiated predictive value.

Conclusion and recommendations

The concepts of fit, misfit and supra-fit have been delineated in terms of differing configurations between actual and expected corporate social performance. In general terms, the model suggests that the closer actual CSP corresponds to (fits with) expected social performance, the greater the corporate reputation of a particular company will be perceived to be. Supra-fits define situations where actual social performance is perceived to be above expectations this leading in most cases (but not all) to perceptions of excellence. Actual permutations and outcomes of perceived social, industrial and organizational performances on specific corporate reputations require investigation through thorough empirical analyses to be able to identify where on the misfit, fit and supra-fit CR model a specific organization lies.

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