



**Rabobank**

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## Perceived Corporate Social Responsibility performance

*An analysis of the Rabobank Netherlands*

**Project**

Master thesis

**Name**

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# Title page

## Thesis title

Perceived Corporate Social Responsibility performance: an analysis of the Rabobank Netherlands.

## Keywords

*'Corporate Social Responsibility', 'perceptions', 'sustainability', 'stakeholders' and 'performance'.*

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## Executive summary

Perceptions of individuals do not necessarily match reality. Neither does the perceived and actual corporate sustainability performance. It could be quite the opposite. The actual performance could improve while the perceived performance declines or vice versa. A mismatch between perceptions and reality can entail risks or business opportunities could be missed.

### Research question

Corporations aspiring to become a sustainability leader should pay attention to both the perceived and actual sustainability performance. Therefore, the sustainability department would like to acquire an insight in the perceived sustainability performance. The main research question is; 'design a dashboard which provides an insight in the perceptions stakeholders have on the sustainability performance of the Rabobank'.

### Methodology

A literature review was executed in the first phase of the project. It focused on factors relating to the 'perceived sustainability performance' and on 'banks and sustainability'. Simultaneous unstructured interviews were held in order to establish the dashboard requirements and provide an alignment with the targeted audience. After which information was acquired from internal and external secondary sources. During the second phase the dashboard was developed. Validation constituted the last phase.

### Recommendations

Scientific: Research into the perceived sustainability performance is in an immature phase. Nowadays, there is no standardized method for measuring the perceived sustainability performance and should be developed.

Suggestions are pointing towards a combination of a reflective and formative model. Empirical research should be executed on this topics otherwise it remains a suggestion.

## Abbreviations

<b>AA:</b>	Account Ability
<b>CERCLA:</b>	Comprehensive Environmental Response Compensation and Liability Act
<b>CSR:</b>	Corporate Social Responsibility
<b>DJSI:</b>	Dow Jones Sustainability Index
<b>ESG:</b>	Environmental Social Governance
<b>FY:</b>	Financial Year
<b>GRI:</b>	Global Reporting Initiative
<b>ISO:</b>	International Organization for Standardization
<b>NGO:</b>	Non-Governmental Organization

### Disclaimer

- The conclusions, findings and interpretations expressed in this document are of the author and do not represent views of the Rabobank Netherlands or any of its employees.
- The author is not responsible for any erroneous information.

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### Summary

Sustainability issues have the potential to reshape an organizations competitive environment. In order to cope with these changes numerous firms embraced corporate social responsibility programs. Organizations who have implemented corporate social responsibility programs could enable several opportunities, such as increased customer loyalty.

On the other hand in order to capitalize on various corporate social responsibility opportunities. Companies should be recognized for their sustainability performance by stakeholders. This would imply that corporations are not merely ranked on their actual sustainability performance, but on their perceived performance as well. However, actual and perceived performance can diverge substantially because reality and perceptions do not necessarily match.

# 1. Introduction

Sustainability is a rising topic on the business agenda (Lee et al., (a) 2012). A reason is that sustainability issues have the potential to reshape a firm's competitive environment (RobecoSAM, 2012)(Dinota et al., 2013). In order to stay competitive on the long run 'environmental', 'economic' and 'social' challenges should be addressed (Elkington, 1999). Therefore, numerous companies around the globe have embraced 'Corporate Social Responsibility' (CSR). Companies adhering to CSR guidelines should among other strive to be ethical, obey the law and be a good corporate citizen (Lee et al., (a) 2012). These initiatives are not only required to maintain legitimacy to do business (Carroll et al., 2010)(Weber, 2008)(Calabrese et al., 2012)(Dinota et al., 2013)(Pomering, 2009), but also offer opportunities such as risk reduction (European Commission, 2011)(Weber, 2008). The Rabobank has recognized the challenges and opportunities ahead. Among others, it therefore would like to be a front runner in sustainable banking (Brugman, (a) 2013)(Rabobank, (a) 2013).

This document describes the results of a five month master thesis research. The project was commissioned by the sustainability department of the Rabobank Netherlands. The main topic is identifying factors correlating to the perceived performance of CSR activities.

## 1.1 Background

Sustainability challenges are becoming more relevant and visible every year. Among others, an exponential increase in the world population put a strain on the limited availability of resource, such as water and fertile land (Monsanto, 2013). These issues are drivers of change and is felt across industry segments (Dinota et al., 2013). Companies are not merely impacted by these challenges, but are in addition part of the solution.

Therefore, numerous companies across the world are engaged in sustainability initiatives. Incorporating sustainability into business processes can offer several opportunities. It could result in lower costs, greater revenues and improve the corporate image (Peloza, 2012)(Weber, 2008)(Carroll, 2010). When properly implemented, then sustainability efforts could become a source for a competitive advantage (Christmann, 2000)(Hart, 1995).

However, several opportunities are hard to monetize. These include for instance a more motivated workforce, the ability to attract more qualified people or increasing the trust into a company (Wagner, 2010)(Stanaland et al., 2011). Calculating the 'bottom line' could prove to be difficult for firms (Luo et al., 2012). Furthermore, in order to reap the benefits of sustainability efforts a firm should be committed to these initiatives on the long run. For instance, a proper reputation cannot originate on the short term (Stanaland et al., 2011).

Corporate sustainability initiatives performed by an organisation are not always noticed by stakeholders (Pomering et al., 2009). Furthermore, what individuals observe does not necessarily match what corporations actually do (Pickens, 2005). This document focuses on sustainability perceptions, an interpretation of reality. In order to capitalize on various behavioural related opportunities individuals should attribute a proper CSR rating to a firm.

Corporate Social Responsibility has no generally accepted definition (Brunk, (a) 2010)(González-Rodríguez et al., (a)(b) 2012)(Öberseder, 2013). However, it frequently implies three pillars; 'social', 'environmental' and 'economical' responsibilities (Wang, 2011). The European Commission

formulated the following definition: *“the responsibility of enterprises for their impacts on society”* (European Commission, 2011). Arguably, the definition is broad and vague. Among others it contains; ‘human rights’ and ‘pollution prevention’. Chapter two will elaborate on Corporate Social Responsibility in relation to banking. This report uses ‘Corporate Sustainability’, ‘Corporate Social Responsibility’ and ‘Corporate Responsibility’ interchangeably.

### **1.1.1 Banking industry**

The banking industry is an important cornerstone in our society and could have a substantial influence on the transition towards a sustainable future (Imeson et al., 2010)(Jeucken, 2002)(GreenBiz, 2002)(Profundo, 2013). Among others, banks are in a strong position to finance sustainable projects or stimulate local economies (Niven, 2012). This report uses ‘banks’ and ‘financial institutions’ interchangeably.

### **1.1.2 Rabobank**

The Rabobank is one of the largest banks in the Netherlands and is operating globally (Rabobank, (b)(c) 2012). Its origins are found in the last years of the nineteenth century and was primarily focused on supporting the agricultural industry. These origins can still be seen today. The organization remains to be a cooperative bank and has members instead of shareholders. Collaboration between individuals is an important pillar in cooperative thinking (Rabobank Utrecht, 2013)(Rabobank, (d) 2012). Moreover, the Rabobank continues to have a strong presence in the agriculture industry (Rabobank, (c) 2012, (a) 2013).

The organization has the ambition to be one of the leading wholesale banks in the Netherlands. Internationally it focuses on the food and agricultural business (Rabobank, (b) 2012). Furthermore, the organization would like to be a frontrunner in sustainable banking.

Sustainability is one of the core values of the Rabobank (Rabobank, (c) 2012, (a) 2013). Therefore, the bank is committed to make a positive contribution towards economic, social and ecological dimensions.

This indentation presents two numbers in order to provide an insight in the magnitude of sustainability at the organization. At the end of the financial year (FY) 2012 the bank had a total of €6,7 billion Euro in sustainable assets under management and held in custody (Rabobank, (a) 2013), compared to €17,0<sup>1</sup> billion Euro in 2011 (Rabobank, (b) 2012). Moreover, total sustainable financing increased to €7,7 billion Euro at the end of the FY2012 (Rabobank, (a) 2013). Additional information on the Rabobank can be found in appendix A.

## **1.2 Problem statement**

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### **1.3 Research objectives**

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Based upon the problem statement three objectives were formulated. The primary objective is to provide a deeper understanding on factors correlating to the perceived sustainability performance at the Rabobank.

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<sup>1</sup> Sarasin was sold during the FY2012, resulting in a decreased value of these assets (Rabobank, (a) 2013).

The sustainability department assumes that a 'strategic dashboard' (Hetherington, 2009) on stakeholder perceptions will provide the necessary insights. Therefore, a secondary objective is to develop a dashboard which aligns with the requirements and needs of the targeted audience. A dashboard is only useful if it corresponds to the needs of the organization (Smith, 2011).

Although 'regular' perceptions received much attention in the scientific literature. It received little attention in the CSR literature (Brunk et al., 2011)(Öberseder, 2013). Especially, the subject of perceived performance of CSR programs has been neglected in the scientific literature. This thesis would like to contribute to the body of knowledge and provide a deeper understanding on corporate sustainability perceptions.

**1.4 Research questions**

Based upon the objectives and problem statement research questions were formulated. Sub-questions are formulated in order to provide an answer to the main research question.

**Main question**

*'Design a dashboard which provides an insight in the perceptions stakeholders have on the sustainability performance of the Rabobank'.*

**Sub-questions**

The sub-questions are divided into five categories; 'requirements', 'theories', 'empirics', 'design' and 'recommendations'. All main sub-questions are listed below. Additional questions on the sub-questions can be found in appendix B.

**Table 1:** Research questions, requirements of the project

Requirements	
A.1	<p><b>What are the requirements for the dashboard?</b>  <i>An understanding in the underlying requirements should help to design a product which is relevant and useful for the organization. Therefore, requirements were formulated in collaboration with the sustainability department.</i></p>

**Table 2:** Research questions, scientific literature

Theories	
B.1	<p><b>What theories are applicable?</b>  <i>The scientific literature should provide a theoretical basis on the perceived CSR performance. Subsequently, measurement factors can be indexed.</i></p>
B.2	<p><b>What general conclusions can be derived from the literature review?</b>  <i>Formulating conclusions can offer more practical guidelines. Supporting subsequent phases of the project.</i></p>

**Table 3:** Research questions, empirical data

Empirics	
C.1	Which information is available? <i>Too few data points could lower the validity of the dashboard.</i>
C.2	What are the 'best practises' in the financial industry or other industries? <i>After a preliminary search it was established, that reports are written on the discrepancy between actual and perceived performance. These reports could allow for analogies.</i>

**Table 4:** Research questions, design of the dashboard

Design	
D.1	What constitutes stakeholders? <i>Perceptions could differ per stakeholder group.</i>
D.2	Which factors should be included in the dashboard and how? <i>Depicting the factors in the dashboard could have an influence on among others the ability to understand the information. An understanding of the metrics should support decision making processes.</i>

**Table 5:** Research questions, recommendations

Recommendations	
E.1	What are the relevant recommendations for the Rabobank? <i>During the final phase recommendations are formulated.</i>

## 1.8 Management of Technology

The Technical University of Delft has a strong reputation on sustainability topics. Corporations aspiring to become a leader in sustainability should not only manage their actual sustainability performance, but the perceived sustainability performance as well. Therefore, a dimension of sustainability is the perceived corporate sustainability performance. This report covers perceptions.

Besides an overlap between the university and the thesis subject several interfaces with the master Management of Technology are present.

**Responsible innovation:** Throughout the report arguments can be found for responsible innovations within the internal processes of the Rabobank and in the products it offers. A responsible innovation does not imply an improvement of a tangible product. Banks can be innovative as well.

**Marketing:** Communicating sustainability initiatives requires a certain finesse and differs from regular corporate communications. This report provides several guidelines for communicating sustainability initiatives.

**Strategy:** The perceived sustainability performance could be viewed as an intangible asset. Managing a corporate sustainability perception requires strategic thinking.

**Research:** The master Management of Technology teaches students how to perform a proper research. This thesis applied the knowledge within a financial institution.

### Summary

Perceptions are a subjective interpretation of reality shaped by individuals. Therefore, perceptions can differ substantially from reality. Likewise, all individuals have their own perceptions on the 'corporate social responsibility' performance of organizations. This report identified various factors suggested to correlate to the perceived corporate social responsibility performance based upon a literature review.

Seven main categories were identified to contain factors which correlate to the perceived sustainability performance and are listed below.

Stakeholders: Personal characteristics have an important impact on perceptions, because perceptions are shaped by individuals.

Corporate social responsibility efforts: Corporate sustainability efforts and achievements could have an influence on the perceived performance. However, the strength of the relationship depends among others on the stakeholder awareness on corporate social responsibility activities.

Corporate images: General images of an organization could be projected into sustainability perceptions. Research indicates, that a reputation is an important factor. The relationship between a corporate image and the perceived sustainability performance could be two directional.

Communication: Communicating corporate social responsibility efforts and achievements can influence the perceived performance. However, communicating sustainability efforts requires a different approach compared to regular corporate communications.

Social media: Social media can have an impact on perceptions.

Media attention: News items broadcasted can be projected into perceptions. Negative stories could have a larger weight over positive news items and are more durable over time.

Industry: The industry in which the organization is operating could affect perceptions. Industry images can be projected into perceptions of an individual firm.

The seven categories can be combined into three overall groupings; 'sustainability performance', 'external factors' and 'stakeholders'. External factors are not necessarily related to sustainability efforts, but can affect the perceived sustainability performance.



## Methodology literature review

The theoretical section revolved around one sub-question. *'What theories are applicable.'* This indentation discusses the methodology applied to answer the sub question. The methodology is divided into 'banks and sustainability' and 'corporate sustainability perceptions', because other criteria was used for both topics. Additional indentions on the methodology are discussed in chapter five.

**Search engines:** Several online databases and search engines were accessed. Due to the limited availability of information on both CSR perceptions and sustainable banking the number of search engines was extended. Search engines subsequently included; 'JSTOR', 'ScienceDirect', 'Google Scholar', 'Google Search' and 'Springer'. Google Search offers on a more frequent basis practical works. While, other search engines are scientific databases or search engines. Rotating between practical and scientific search engines yielded a complete picture. Internal reports on sustainability were found in the departmental database.

## Perceived corporate sustainability performance

**Disciplines:** Although research on perceptions is common in the psychology literature. Remarkably, nothing was found on perceptions in relation to CSR within the psychology domain. Which could likewise be a result of the limited availability of psychological papers in the used databases. A majority of information can be found in 'marketing sciences', 'behavioural sciences' and 'business sciences'. Frequently resulting in 'ethical', 'marketing' and 'business' journals.

**Search terms:** All search terms were entered in both Dutch and English. The table below presents an overview of all initial search words. A division is drawn between first, second and third order words. First order words are primary search terms complemented with second and third order keywords. Horizontal rows are 'AND' terms, vertical columns are 'OR' terms. Subsequently, references in scientific papers were analysed in order to yield an entire picture.

**Table 6:** Utilized search terms for sustainable perceptions

Order	Search terms
First order	Brand, Perception and Reputation.
Second order	CSR, Corporate Sustainability, Corporate Social Responsibility, Factor and Sustainability.
Third order	Bank, Financial industry, Financial institution, Performance, Report and Score.

**Selection criteria:** One key selection criteria was utilized. Can the scientific article explain which factors correlate to the perceived sustainability performance. Therefore, the search did not include what is corporate social responsibility in the perception of various stakeholders. Nor comprising what are the behavioural consequences of a corporate sustainability perception.

**Time period:** Initially, the time period was set at 2000-2013. Several corporate social responsibility constructs originated before this period. However, over the years the construct has evolved (Dahlsrud, 2006)(Wang, 2011) and therefore this specific time period offers the most recent insights. After understanding the contours of the framework older articles were searched.

**Results:** Evidence suggests that research on factors correlate to the perceived CSR performance received little attention in the literature. However, recently more scholars focused on this topic. Since, articles which were published frequently originate around the years 2011-2012.

## Banking and sustainability

**Search terms:** All search terms were entered in both Dutch and English. The table below presents an overview of all initial search words. Again a division is drawn between the three order search terms.

**Table 7:** Utilized search terms for banking and sustainability

Order	Search terms
First order	CSR, sustainable and sustainability.
Second order	Bank, banking and financial.
Third order	Industry and sector.

**Selection criteria:** One key selection criteria was utilized. Can the article explain the relationship between banking and sustainability. For instance, what dilemmas are specific for the banking industry.

**Time period:** No time period was taken into account.

**Results:** Little literature is found on the relationship between banks and sustainability apart from company websites or news items.

## 2. Banking and sustainability

Corporate social responsibility is a widely applied concept in the industry and attempts to cope with sustainability issues. At present there is no general accepted definition available (Brunk, (a) 2010)(González-Rodríguez et al., (a)(b) 2012)(Herzig et al., 2011)(Öberseder, 2013)(Weber, 2008). Furthermore, the notion of CSR is not static and evolved over time (Herzig et al., 2011)(Wang, 2011). Frequently, organizations use three dimension in order to frame corporate social responsibility (Wang, 2011). Economic, social and environmental responsibilities. This chapter elaborates on the notion of corporate social responsibility in relation to financial institutions. Which should among others help to clarify subsequent chapters.

### Sustainable development

Unsustainable behaviour and sustainability challenges are not a new phenomenon. For instance, the population of 'Easter Island' rapidly declined around 1200-1500 A.D. One explanation provided was, due to a substantial degradation of the environment the island could no longer support its population (Brander et al., 1998). A frequent used definition of sustainable development was formulated by the Brundtland Commission in 1987. *"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (Brundtland Commission, 1987). Corporate sustainability attempts to apply the construct of sustainable development within firms (Korslund et al., 2012).

### Corporate Social Responsibility

Corporate social responsibility acknowledges an interaction between firms and society at large. It is associated with the 'responsibility' firms have towards society (Herzig et al., 2011)(Wang, 2011). An important question within CSR is; *"to whom is a business primarily responsible"* (Wang, 2011)? For instance, all stakeholders could be treated equally. Likewise, priority could be given to shareholders, or stakeholder expectations could be aligned with CSR policies (Wang, 2011). However, who are the stakeholders of an organization. This report will not move into further details. Responsibilities frequently imply three dimensions. Organizations can provide their own substance to the dimension because certain topics are generic (van den Hurk, (c) 2013).

Social responsibilities: An interaction is present between society and organizations. Firms can have a direct and indirect impact on society (Wang, 2011). Among others social responsibilities include; 'product safety', 'employee welfare' and 'human rights'.

Economic responsibilities: Economic responsibilities are not merely focused on the organization itself. Besides profitability and competitiveness it includes the socio-economic impact of the firm (Wang, 2011). For instance, banks should contribute to a durable economic growth (Imeson et al., 2010).

Environmental responsibilities: Activities performed by the organization should not compromise the environment. Among others the dimension includes recycling, emissions and energy usage (Wang, 2011).

Corporate responsibilities include among others reducing negative externalities and attempting to establish a positive impact. For instance, one of the CSR ambitions of the ING Group is to *'minimize harm and contribute to positive change'* (ING, 2013). Among others the 'ING Groenbank' provides loans to microfinance institutions. Likewise, the ING raised 2.8 Million Euro for UNICEF in 2012. Firms

adhering to CSR principles should move beyond legislation pressure (Wang, 2011). For instance, 78 banks signed the Equator Principles and is a voluntary agreement (Equator Principles Association, 2013).

**Business case for CSR**

A number of researchers are arguing that engaging in corporate social responsibility could improve the competitiveness of a firm (Weber, 2008)(Hart, 1995)(Christman, 2000). Scholars ascribe certain benefits for engaging in corporate social responsibility, see the table below for eight examples (Weber, 2008). Which could indicate a business case for corporate social responsibility. However, on various occasions it is difficult to isolate the effect of CSR activities from additional factors. Moreover, research suggests that a strong CSR reputation could entail certain risks. For instance, leading companies could become a more attractive target for NGOs (Weber, 2008).

**Table 8:** Possible benefits for engaging in corporate social responsibility

Benefit	Benefit
- Positive effects on a corporate reputation	- Cost savings
- Positive effects on employee motivation	- Increased revenues
- Positive effects on employee retention	- Improved access to capital
- Positive effects on employee recruitment	- Risk reductions

The empirical relationship between CSR performance and the corporate financial performance has been extensively researched over the years. A meta-analysis of 251 studies in 2009 suggested a small but positive correlation (Margolis et al., 2009). However, the direction of the causal flow remains unclear (Flammer, 2013). Therefore, *‘do CSR activities lead to a better financial performance’*. Or *‘do firms with a better financial performance engage in CSR activities’*. The answer remains yet unclear.

**Drivers for CSR**

Several drivers for implementing sustainability into the business processes of financial institutions can be identified and can be seen in the table below (IFC, 2007)(Jeucken et al., 1999)(Thompson et al., 2004). An example is CERCLA. In the 1980s the United States of America introduced the CERCLA legislation. Which made banks liable for the environmental pollution of their clients. Providing a rationale for engaging in environmental policies (Jeucken et al., 1999).

**Table 9:** Sustainability drivers in the financial industry

Driver	Driver
- Demanded by clients	- NGO pressure
- Business benefits	- Macro-economic forces
- Legislation	- Leading organizations are setting higher standards
- Demanded by investors	- Employee interests

**Industry specific challenges**

Different industry segments could be faced with diverging sustainability challenges. When merely taking the internal processes into account the banking industry could be considered as having a relatively low environmental footprint. Financial products themselves are not polluting, but their clients could be (Thomson et al., 2004). Therefore, the indirect impact of banking could be substantial (Herzig et al., 2011). Consequently, calculating the total footprint of a bank could be a complex exercise (Jeucken et al., 1999)(Korslund et al., 2012).

Corporate sustainability can offer several opportunities within the financial industry. For instance, polluting clients could be exposed to larger risks over environmental conscious organizations. A portfolio of sustainable clients could therefore pose as a lower risk for a bank (Jeucken, 1998)(Jeucken, 2002).

## **2.1 Sustainability and banking**

Banks have an intermediary function between shortages and surpluses of capital (Jeucken et al., 1999). Products among others include; ‘advice’, ‘offering funding’ and ‘savings’. Potentially banks could have a substantial impact on the transition towards a sustainable future (Herzig et al., 2011)(Imeson et al., 2010)(Jeucken, 2002)(Profundo, 2013). The intermediary function enables financial institutions to have an influence on the direction of the economy. Which could include a sustainable direction. Among others banks could support environmental initiatives by extending credits to sustainable projects.

### **Sustainable banks**

Momentum was gained by ‘sustainable banks’ in the wake of the recent financial turmoil (Korslund et al., 2012)(het Parool, 2012)(Trouw, 2011). Various ‘common banks’ required bailouts or were nationalized and trust in banks declined. Sustainable banks however, appeared to be more resilient to the financial crisis and offered an alternative (Korslund et al., 2012). This paragraph will not discuss ‘sustainable banks’, but discusses sustainability in relation to financial institutions. The framing implies a subtle, but important difference. ‘Sustainable banks’ adhere among others to a strict exclusion policy while ‘common banks’ could be less strict (Jeucken, 1998). Moreover, the triple bottom line approach should be fully integrated into a sustainable bank (Korslund et al., 2012).

### **Banks and sustainability**

On a general level a distinction can be drawn between ‘internal’ and ‘external’ activities (Herzig et al., 2011)(Jeucken et al., 1999). Internal activities imply improving the sustainability level of the organization itself. It includes among others reducing energy consumption or paper usage. External activities relate to the products banks offer.

#### *Internal sustainability initiatives*

Various activities aimed at improving the sustainability level of the organization are available. Not only can these activities improve the footprint of a bank they could be cost-effective (Herzig et al., 2011)(Jeucken et al., 1999). For instance, energy and waste reductions could lead to cost savings. Not all activities can be directly linked towards cost reductions. For instance, banks could offer biodegradable credit cards (Jeucken et al., 1999). However, these activities could enable other business benefits, as could be read in a previous table (Weber, 2008).

#### *External sustainability initiatives*

Clients of banks can have an impact on all three dimension of sustainability. By providing funding banks could have an influence on the sustainability direction of clients (Jeucken et al., 1999). Subsequently, banks could support responsible innovations which could lead to a more desirable outcome from a societal standpoint. For instance, the organization could offer environmental portfolios in which clients can invest (Jeucken, 2001). However, competing banks could still fund unsustainable projects (Jeucken, 2002).

Furthermore, the bank itself could offer innovative products. For instance, banks could lower the interest rates on loans for companies leading in sustainability (Jeucken et al., 1999)(Jeucken, 2001). In 1998 NatWest had a budget set aside in order to provide favorable interest rates to project which were environmental friendly (Jeucken, 2001). Which could be an incentive for clients to operate in a more sustainable manner.

Financial institutions have a strong knowledge basis on macro-economic trends (Jeucken, 2004). Offering knowledge to clients could support a transition towards sustainability (Jeucken, 2001). For instance, it could be argued that small and medium enterprises do not have the resources to acquire this kind of in-depth knowledge. By providing an insight in expected macro-economic changes on a longer term could support small and medium enterprises into a more durable business.

### **Dilemmas concerning sustainability**

Several dilemmas could arise when banks attempt to become more sustainable. This indention mentions five examples sequenced on alphabet. Bottom line; *'how far are banks willing to go in their sustainable activities'* (Jeucken et al., 1999).

**Competition:** A project excluded by one bank frequently is financed by another bank. Therefore, the project is still executed although it is not sustainable. Should a committed bank engage in these projects and attempt to steer towards a less negative situation or exclude the entire project (Jeucken, 2002).

**Interference:** When banks would take the impact of their clients into account. It requires an interference with their client activities (Jeucken et al., 1999)(Jeucken, 2002).

**Long term commitment:** Banks prefer short-term payback periods over long-term payback periods. However, various sustainable investments are requiring a long term payback period (Jeucken et al., 1999).

**Profit maximization:** Sustainable investments do not necessarily yield the largest rate of return. Banks could therefore be faced with a choice. Should an organization forgo a commercial opportunity at the financial cost of not funding an unsustainable project (Jeucken et al., 1999)(Korslund et al., 2012). Or capitalize on the commercial opportunity and fund an unsustainable project. A dilemma could arise. Not funding an unsustainable project could still be funded by a competing bank (Jeucken, 2002).

**Responsibility of whom:** The products of financial institutions are in itself not polluting. To what extend is a bank responsible for the behavior of its clients (Jeucken et al., 1999).

## **2.2 Unsustainable behavior of clients**

Irresponsible sustainability behavior of clients could affect banking organizations themselves and can manifest itself on various different ways (Jeucken, 2001)(Thompson et al., 2004). Clients could be faced with continuity problems, such as the client is unable to pay its interest rates. For instance, the unsustainable behavior of a firm could lead to a boycott. Resulting in lower revenues and possible losses (Thompson et al., 2004). Or the client may face financial penalties (Thompson, 1998).

Likewise, the collateralized assets could decline in value. An example is land which could serve as a security for a loan. When the land is polluted the value of the security could be lowered substantially (Thompson et al., 2004). In a number of countries banks can be held liable for environmental damages caused by its clients. For instance, banks could be held accountable for cleaning up the contaminated land caused by its clients. The involved costs can even exceed the loan principal.

Moreover, reputational risks are involved. For instance, the media could broadcast on an environmental unfriendly project (Jeucken, 2001)(Thompson et al., 2004). Banks that operate within the legal boundaries could still face reputational damages. Any transaction with an environmental unfriendly firm could already be interpreted as an 'association'. Constituting a risk towards a corporate reputation (Thompson, 1998).

## 3. Sustainability perceptions

All individuals around the world have their own perceptions of reality (Pickens, 2005)(Balcetis et al., 2006). Likewise, all individuals should have their own perception on the 'corporate social responsibility' performance of organizations. Therefore, individuals could attribute a strong perceived sustainability performance to a company even when the actual rating is lower (Brandlogic, 2012). This chapter describes the results of a literature study on 'corporate social responsibility' in relation to perceptions.

### 3.1 Introduction into perceptions

An objective interpretation of reality which is applicable to all individuals around the world does not exist. Each individual is living their own interpretation of reality. The subjective interpretation of reality is broadly defined as a 'perception'. *"Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment"* (Robbins et al., 2012) and all individuals have a different perception of reality. Moreover, perceptions could differ substantially from reality (Pickens, 2005). Individuals could be exposed to the same reality, but the perceptions could differ substantially (Balcetis et al., 2006)(Pickens, 2005)(Rao, 2008)(Robbins et al., 2012). This paragraph provides a basic understanding in perceptions shaped by individuals.

Numerous factors correlate to a perception. Among others, factors include; 'individual values', 'personality', 'individual experiences', 'motivations' and 'attitudes' (Pickens, 2005). Therefore, each individual has their own perception. In the literature a distinction is drawn between 'the perceiver', 'the target' and 'the context', in which a perceptual factor can reside (Rao, 2008)(Robbins et al., 2012). The individual who is interpreting a sensory impression, is called the perceiver. What is being perceived is framed as the target. The situation is grouped as the context.

#### Perceiver

Characteristics of an individual have a strong influence on the perceptions of this person, such as expectations (Robbins et al., 2012)(Rao, 2008). For instance, what we see is, at least to some extent, influenced by what we expect to see. Thus, when a person expects irresponsible behavior of a firm then the individual could perceive irresponsible behavior. Irrespectively of its actual behavior. Moreover, all individuals have limited cognitive abilities and individuals attempt to simplify the world around them. Resulting in among others 'stereotyping' or 'halo effects'. Which in turn could affect a perception.

#### Target

Likewise, the characteristics of an observed target is correlated to a perception (Robbins et al., 2012). For instance, a differentiated company could stand out, relative to corporations which cannot differentiate themselves.

#### Context

Evaluations of organizations are not shaped in isolation (Robbins et al., 2012). Contextual factors are influencing perceptions. For instance, the target and perceiver could remain the same, but due to contextual factors perceptions can differ.



### Implications of perceptions

Behavior is not based upon reality, but on the perceptions individuals have (Robbins et al., 2012). For instance, behavior is not based on objective information, but on our interpretation of the provided information. Therefore, understanding perceptions can be of value to corporations.

Likewise, corporate sustainability initiatives by an organisation are not always noticed by stakeholders (Pomeroy et al., 2009). Furthermore, what individuals observe does not necessarily match what corporations actually do (Pickens, 2005). In order to capitalize on various behavioural related opportunities individuals should assign a proper CSR rating to a firm.

## 3.2 Structure and background

Although 'regular' perceptions received much attention in psychological and behavioral sciences. It received little attention in the CSR literature (Brunk et al., 2011)(Öberseder, 2013). Scholars who did perform research on perceptions focused more on '*what does CSR mean*'. Compared to '*how do stakeholders rank organizations*'. Research interests focused to a greater extent on the behavioral consequences of a perception over identifying factors shaping a CSR perception (Brunk, (a) 2010)(Brunk et al., 2011). This focus by scholars on the behavioral consequences could be interpreted as logical. Since, several CSR opportunities are based upon behavioral change. This paragraph discusses the background and structure of the chapter.

### A perspective

In order to place this report in perspective a small discussion on perceptions and behavioral consequences is written in this indentation. A perception has origins. It is possible to measure perceptions by a survey or interviews (Brunk, (a) 2010)(Brunk et al., 2011)(Calabrese et al., 2012)(Costa et al., 2013)(Rego et al., 2011). Recent research provided initial guidelines to measure these perceptions. For instance, a survey could provide a performance rating on several dimension of sustainability based upon various 'Global Reporting Initiatives' topics (Calabrese et al., 2012)(Costa et al., 2013). Among others, corporations are attempting to influence human behavior by engaging in corporate sustainability (Becker-Olsen et al., 2006)(Brunk, (a) 2010)(Brunk et al., 2011)(Lee et al., (b) 2012)(Öberseder, 2013). Thus, after a perception has been changed it should alter individual behavior. It is possible to measure certain results of behavioral change such as, 'customer loyalty', 'employee motivation' or 'employer attractiveness'. Ultimately, CSR efforts should lead to a (sustained) competitive advantage (Christmann, 2000)(Hart, 1995). This report provides an insight factors suggested to correlate to a CSR perception. Arguably, this could be important information for corporation. Firstly, it allows firms to acquire a better understanding in the perceived performance. Secondly, it provides organizations with instruments to move the perceived sustainability performance more in line with actual sustainability rankings.

### Influence sphere of organizations

Shaping perceptions is on the other hand not entirely in the control of organizations. Several factors of individuals cannot be changed or merely by large investments. Neither can the entire context be shaped, nor managed. Therefore, it could be argued that there is a direct influence sphere of the organization and an indirect influence sphere.

## Structure of the chapter

The subsequent structure of this chapter is as follows. A discussion on stakeholders is the first topic. Stakeholders shape a perception and are thereby important moderators. Because perceptions are shaped by stakeholders it is the first topic of this chapter. The subsequent paragraph discusses the actual corporate sustainability performance in relation to perceived performance. It would be reasonable to expect a relationship between actual performance and perceived performance. Therefore, this is the second topic. The next paragraph discusses the relationship between the corporate image and perceptions. Evidence suggests, among others that corporate reputation is an important factor. A discussion on communications is the fourth topic. Again, this category can be influenced by corporate actions. Communication is a relatively well researched topic compared to other topics on perceptions. As a result the communication paragraph is the longest written paragraph of this chapter. This does not imply that communication is the most important topic in CSR perceptions. Scholars merely wrote more on this specific topic. A subsequent subject is social media. Which can to an extent be influenced by corporate action. Topics voiced on social media can affect the perceived performance. The following paragraphs are substantially outside an organizations influence sphere, such as media attention. Which is an important topic because images broadcasted by the media could be projected into perceptions. Likewise, the financial industry could have an influence on the perceived performance and is another paragraph. Subsequently, three additional categories are discussed; 'halo effect', 'time' and 'black box'. The last paragraph discusses correlational effects between factors.

After each paragraph a table is presented. The tables displays what should be measured in an idealized situation for the Rabobank. Firstly, a brief description of the factor is provided. The 'influencer' depicts which variables could be affected by the focal factor. Vice versa, 'influenced by', reveals by which variables the focal factor could be affected. Research on the perceived sustainability performance is in an infancy phase and the suggested causal flow are therefore a preliminary indication. It should be remembered that not all suggested relationships have been empirically tested. Behind the sub-factors a '0', '+' or '-' is depicted. Indicating the suggested direction of the correlational effect. A zero implies an either positive or negative correlation depending on the context. All suggested relationships are based upon the literature.

A note is in order. Various factors are interrelated and it is plausible that some factors are not written down. For instance, it would be reasonable to argue that a reputation is among others correlated to media attention. Much attention was aimed at Nike in relation to sweatshops, resulting in a damaged reputation. However, the relationship between media attention and reputation was not written down. Because, the analysed literature did not report on this relationship. A discussion on correlations is written in paragraph 3.14. Subsequently, requirements for a specific factor are written down. Overall requirements include; 'reliability' and 'validity'. Requirements are based upon the literature review and scope. When an article or report mentioned a specific method then it is written under availability.

#### Key note

Never is a causal relationship implied. For instance, the level of knowledge on sustainability could influence attitudes (Pickens, 2005). Therefore, knowledge on sustainability is depicted as an influencer of attitudes. However, it would be plausible to assume that attitudes towards sustainability could likewise affect the level of knowledge on sustainability. Additional factors could likewise have a correlation to attitudes. See paragraph 3.14 for more information.

### **3.3 Communication model**

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On the next page the overall communication model is depicted. The subsequent paragraphs are discussing all categories of the structure. This model is designed for communication purposes only and is based upon a literature review. By which a simplistic overview is provided and a number of factors are excluded in order to reduce the complexity. In appendix D the entire model is presented.

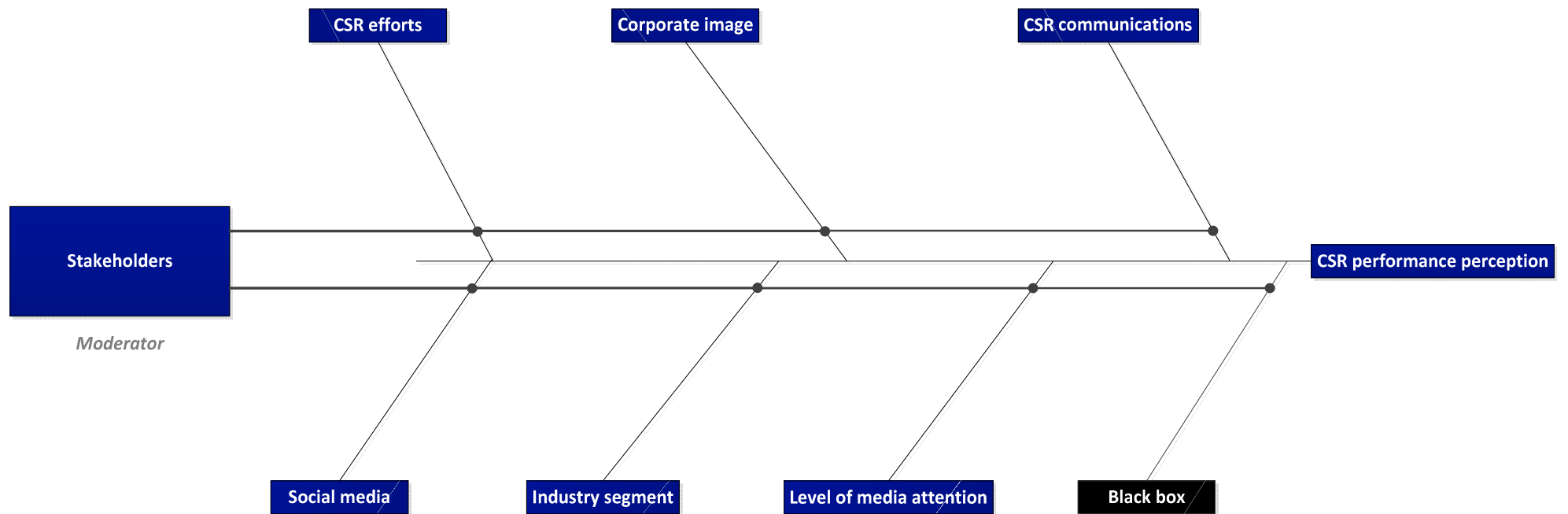


Figure 1: Overall communication model

## 3.4 Stakeholders

Perceptions which are shaped by individuals are based upon personal characteristics. Understanding the characteristics of individuals could enhance the effectiveness of CSR efforts (Lee et al., (a) 2012). Stakeholders are moderating factors between various relationships leading to the perceived performance.

All individuals possess limited cognitive abilities. For instance, resulting in the use of heuristics like stereotyping (Peloza et al., 2012)(Smith et al., 2010). Another implication is that people are not aware on everything what is occurring around them (Balci et al., 2006). People are selective in what they see (Pickens, 2005). Those humanly characteristics have an influence on the perceived performance. For instance, an organization could donate an amount of funds to cancer research. People who recently had cancer could assign a greater perceived performance to the firm in question. Compared to people who did not suffer from cancer (Brunk et al., 2011). This paragraph discusses individuals and stakeholder groups. A large body of research was executed on general perceptions throughout the years. Especially in the psychology literature. This paragraph will merely provide the results of research performed on perceptions in relation to corporate sustainability.

Stakeholder theories define stakeholders as; *“any group or individual who can affect or is affected by the achievement of the firm’s objectives”* (Morsing, 2006)(Mitchell et al., 1997). Individuals therefore do not necessarily have to be a stakeholder. However, ‘corporate sustainability’ is a broad concept and has the potential to affect many stakeholders. Organizations should question, *‘who are their stakeholders’* (Öberseder, 2013)(Mitchell et al., 1997).

### 3.4.1 Values of individuals

Personal values are correlated to perceptions (González-Rodríguez et al., (a)(b) 2012)(Maignan et al., 2001)(Öberseder, 2013)(Robbins et al., 2012)(Schwartz, 2006)(Wang, 2011). Recent research suggests a correlation of personal values on perceived the CSR performance (González-Rodríguez et al., (a)(b) 2012)(Wang, 2011). Values could be defined as; *“desirable, trans-situational goals, varying in importance, that serve as guiding principles in people’s lives”* (González-Rodríguez et al., (b) 2012). Therefore, values could be interpreted as representations to what is important for an individual (Schwartz, 2006).

A widely used and recognized value-theory is the ‘Schwartz’s Value Theory’ (González-Rodríguez et al., (a)(b) 2012)(Wang, 2011). Schwartz distinguishes between ten value types and grouped them into four value orientations; ‘openness to change’, ‘self-transcendence’, ‘conservation’ and ‘self-enhancement’ (Schwartz, 2006). Self-enhancement oriented individuals are more self-centred and values include; ‘achievement’ and ‘power’. Opposed to a self-transcendence orientation, containing ‘universalism’ and ‘benevolence’. Self-transcendence oriented individuals have a greater interest in others. For instance, they seek to enhance societal welfare. The other two value orientations are likewise approximately opposed to each other. Individuals with an openness to change orientation are focusing on new experiences and independent action. While a conservation orientation prefers to keep traditions and security. Evidence suggests that value orientations of individuals correlate to the perceived performance (González-Rodríguez et al., (a)(b) 2012)(Wang, 2011).

### 3.4.2 Backgrounds of individuals

Besides values, other background characteristics of individuals correlate to the perceived performance, see the table below. For instance, scholars suggest a correlation between the country of origin and perceptions on performance (Wang, 2011)(González-Rodríguez et al., (a) 2012)(Tonello, 2013). Underlying reasons could for instance be, religious backgrounds or the level of economic development. For more information see the table below.

**Table 10:** Correlational effects between backgrounds of individuals and the perceived CSR performance

#	Correlation	Source(s)
1	Gender is correlated towards the perceived CSR performance.	(Wang, 2011)(González-Rodríguez et al., (a)(b) 2012)
2	Study major is correlated towards the perceived CSR performance.	(Wang, 2011)(González-Rodríguez et al., (a) 2012)
3	Stakeholder salience is correlated with the perceived CSR performance.	(Wang, 2011)
4	Stakeholder perceptions on environmental reporting has a correlation to the perceived CSR performance.	(Wang, 2011)
5	Country of origin is correlated towards individual perceptions on CSR performance.	(Wang, 2011)(González-Rodríguez et al., (a) 2012)(Tonello, 2013)
6	Cultural values are correlated towards the perception of business ethics.	(Wang, 2011)(González-Rodríguez et al., (a) 2012)

### 3.4.3 Knowledge on ‘corporate sustainability’

General knowledge on ‘corporate sustainability’ tend to be low (Öberseder, 2013). Individuals frequently cannot understand the CSR construct. Since, it is too wide and difficult to comprehend for various individuals. As a result stakeholders tend to divide CSR into several domains varying in importance. Scholars indicate that employer practises are viewed as an important area of CSR (Brunk, (a) 2010)(Synergie et al., 2013). For instance, Brunk performed a number of interviews and suggested a large spread between board member wages and lower level employees wages was viewed as unethical by respondents.

Understanding what are important issues for stakeholders is relevant for two reasons. Firstly, individuals will base their judgement on what is perceived to be important. Thus, by aligning CSR efforts and perceived importance of issues could improve the perceived performance (Brunk et al., 2011)(Bhattacharya et al., 2010). Secondly, important issues could receive a greater weight relative to non-important issues. Important issues could stronger affect the perceived performance compared to non-important issues (Brunk et al., 2011). Moreover, knowledge could be a driver of expectations. Expectations in turn could affect the perceived performance (Peloza et al., 2012).

### 3.4.4 Personal motives

Personal motives count in perceptions. Research suggests that individuals could be indifferent to unethical behaviour when there are strong personal motives involved (Brunk et al., 2011). Because, there could be a trade-off between ethical norms and personal gain. Likewise, motives can affect perceptions (Balçetis et al., 2006). For instance, when a CSR issue has a direct impact on an individual then this person could assign a larger weight on this specific issue. Compared to an unimportant issue. Motives likewise could have an indirect relationship to a perception. For instance, stakeholders who are motivated to digest CSR information could influence the effectiveness of communications (Bhattacharya et al., 2010).

### 3.4.5 Lifestyles

Stakeholder lifestyles could be correlated to the perceived performance (Lee et al., (a) 2012). Lifestyles could be viewed as a representation of how an individual chooses to live. Thereby including behavioural patterns. For instance, individuals could adhere to a green lifestyle and as a result separate waste. Research indicates a positive correlation to the degree of fit between lifestyles and CSR activities (Lee et al., (a) 2012).

### 3.4.6 Stakeholder groups

It is possible to categorize individuals on the basis of one or multiple characteristics. For instance, governmental employees tend to share the same values (Wang, 2011). Individuals could be a member of multiple groups (Öberseder, 2013). For instance, employees could likewise be a customer of the same company. However, an important question remains which stakeholder groups should be taken into account (Öberseder, 2013)(Mitchell et al., 1997). Corporations have limited resources and choices should be made.

Stakeholders could be mapped on various criteria. Mitchell et al. propose three dimensions; 'legitimacy', 'power' and 'urgency' (Mitchell et al., 1997). Mapping should be considered as a fluid state, because characteristics can change over time. Interests between stakeholder groups could align or diverge. For instance, shareholders could have a different interest in a company over NGOs. Likewise, stakeholder groups could be dependent on each other. Separate NGOs could lack power. However, they could establish a coalition in order to become more powerful.

The perceived sustainability performance could diverge between stakeholder groups. Underlying reasons among others include; differences in expectations or assigned importance to issues. For instance, it could be argued that Greenpeace assigns a different weight to environmental issues. Compared to Amnesty International. Since, both groups have a diverging focus (Amnesty International, 2013)(Greenpeace, 2013). It should be noted that an individual could be a member of both Amnesty International and Greenpeace at the same time.

#### Recap

1. All individuals are different. Therefore, reactions to CSR efforts could diverge. It is possible to classify individuals into groups possessing similar characteristics.
2. Knowledge on the construct of CSR is generally low.
3. Awareness on CSR activities tend to be low.
4. Corporations should attempt to acquire an understanding in what are important CSR issues to stakeholders.
5. Individuals have limited cognitive abilities and as a result cannot process everything. Therefore, individuals tend to be selective in their perceptions.

## Measurement

**Table 11:** Measurement factor - Level of sustainability knowledge

Factor	Level of knowledge on sustainability <sup>1,2</sup>	
<b>Description</b>	The level of knowledge on sustainability could differ per individual.	
<b>Influencer</b>	[1] CSR perceptions (0) [2] CSR expectations (0) [3] Attitudes (0) [4] Level of scepticism (0) [5] Effectiveness of CSR communication (+)	[1] (Pickens, 2005) [2] (Peloza et al., 2012) [3] (Pickens, 2005) [4] (Pomering et al., 2009) [5] (Bhattacharya et al., 2010)
<b>Influenced by</b>	[1] Level of education (0) [2] Study major (0) [3] Media attention (+)	[1] (Wang, 2011) [2] (Wang, 2011)(González-Rodríguez et al., (b) 2012) [3] (González-Rodríguez et al., (a) 2012)
<b>Requirements</b>	[a] Readings should provide an insight in the level of knowledge per stakeholder group. [b] An insight should be acquired on what basis stakeholders segment CSR. [c] An understanding on the expectations of various stakeholders should be offered.	

<sup>1</sup>: Sustainability in this setting is an umbrella term for; 'corporate sustainability', 'sustainable development', 'Cradle to Cradle', 'corporate social responsibility', 'triple bottom line' and all other definitions regarding sustainability.

<sup>2</sup>: Arguably the definition of CSR diverges per individual or stakeholder group. Previous researchers executed initiatives to identify 'what perceptions are there on CSR'. It would be reasonable to expect an influence of these perceptions on the perceived performance. However, which views there are on CSR fell outside the scope.

**Table 12:** Measurement factor - Ranking the importance of CSR domains

Factor	The ranking of the importance of CSR domains	
<b>Description</b>	Knowledge on the ranking of CSR domains offers among others two advantage. Insights on the perceived important CSR domains of stakeholders can offer opportunities to CSR programs. Moreover, issues of importance could receive a greater weight. Compared to non-important issues (Brunk et al., 2011).	
<b>Influencer</b>	[1] CSR perceptions (0)	[1] (Brunk et al., 2011)(Bhattacharya et al., 2010)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a] Provide an insight in the ranking of CSR domains per stakeholder group. [b] It should be specific to the financial industry.	
<b>Availability</b>	Various reports are available. Which are ranking several domains of CSR in importance. For instance, the 'social image monitor' is ranking 'health' and 'environment' as the two most important areas (SE Consultancy et al., 2012). However, what relates specifically to financial institutions should likewise be analysed. Because, the ranking order for financial institutions could diverge. Several signals indicate for instance, that 'bonuses' and 'wages' are perceived as important topics in the financial sector (BBC, 2013)(NOS, (b) 2013)(Pomering et al., 2009). These specific topics are not necessarily relevant in other industries.	

**Table 13:** Measurement factor - Perceived importance of sustainability

Factor	Perceived importance of sustainability	
<b>Description</b>	The perceived importance of sustainability could differ per individual. When the perceived importance either rises or falls perceptions can change.	
<b>Influencer</b>	[1] CSR perceptions (0) [2] Communication effectiveness (0)	[1] (Balcetis et al., 2006) [2] (Bhattacharya et al., 2010)
<b>Influenced by</b>	[1] Media attention (0)	[1] (González-Rodríguez et al., (a), 2012)
<b>Requirements</b>	[a] Both on an overall level and in relation to banking the perceived importance of sustainability should be known. [b] The readings should support stakeholder segmentation.	



**Table 14:** Measurement factor - Fit lifestyles and CSR activities

Factor	Degree of fit between stakeholder lifestyles <sup>1</sup> and CSR activities
<b>Description</b>	Lifestyles could be viewed as a representation of how an individual chooses to live. Which includes behavioural patterns (Lee et al., (a) 2012). In an idealized situation corporations are aware of certain individual lifestyles and the degree of fit between lifestyles and CSR activities.
<b>Influencer</b>	[1] CSR perceptions (+) [1] (Lee et al., (a) 2012)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	[a] Lifestyles should be measured per stakeholder group and segmented. Subsequently, a profound knowledge on stakeholder groups could be developed.
<b>Availability</b>	One scholar performed an analysis on lifestyles and CSR activities. A question derived is for instance, "this company's CSR activities are congruent with my interests" (Lee et al., (a) 2012).

<sup>1</sup>: Frequently, researchers take a corporate perspective for their analysis. However, this factor is reasoning from a stakeholder perspective (Lee et al., (a) 2012).

**Table 15:** Measurement factor - Individual values

Factor	Values of individuals
<b>Description</b>	Values are a representation of what is meaningful to an individual (Schwartz, 2006). Individuals within stakeholder groups can share similar value orientations (Wang, 2011).
<b>Influencer</b>	[1] CSR perceptions (0) [1] (González-Rodríguez et al., (a)(b) 2012)(Wang, 2011)
<b>Influenced by</b>	[1] Socialization processes (0) [1] (Wang, 2011)
<b>Requirements</b>	[a] Values could differ per individual. However, it is possible to group individuals based on their value structure (Wang, 2011). Measurements should provide readings for stakeholder segmentation.
<b>Availability</b>	A widely accepted instrument for measuring values is the 'Schwartz Values Questionnaire' (Wang, 2011). Subsequently, it is possible to classify individuals into value orientation groups.

### 3.5 Sustainability performance

This paragraph describes the correlation between actual CSR performance and sustainability perceptions. A distinction is found in the literature between four categorizations; 'social', 'environmental', 'financial' and 'governance'. Chapter two already elaborated on a number of dimensions. Therefore, no in-depth discussion is written in this paragraph.

Several scholars initiated a survey in order to establish the behavioral consequences of hypothetical actions in the field of CSR. At which research frequently was performed in the three domains of the 'triple bottom line' approach. For instance, it included; 'environmental records', 'philanthropy', 'employment practices' or 'child labor'. One of the limitations is that the respondent was actually aware of the (hypothetical) sustainability initiatives. However, awareness on CSR activities tend to be generally low (Pomering et al., (a)(b) 2009)(Auger et al., 2003)(Bhattacharya et al., 2010)(Peloza et al., 2012). Besides these surveys preliminary research has been executed in order to establish the link between CSR actions and perceptions (Brunk et al., 2011)(Cho et al., 2012)(Stanaland et al., 2011).

Another limitation is the content of the survey. Several scholars did not investigate a broad definition of CSR. Which could distort the perceptions individuals have. For instance, a person could be concerned with environmental issues. But when those are not depicted in the survey then the perceived performance could be different. However, organizations do not have to excel in all dimensions. When stakeholders perceive a strong performance in one dimension, then they could make interferences about other dimensions (Brunk et al., 2011)(Peloza et al., 2012)(Smith et al., 2010). Therefore, this report assumes, when people assign a better CSR performance based on one dimension they would likewise assign a better CSR performance when focusing on another dimension.

### **3.5.1 Social performance**

Three common denominators were discovered in the literature; 'employer practices', 'customer practices' and 'citizenship'. Evidence suggests a positive correlation to the perceived sustainability performance. Citizenship is externally oriented, whereby a firm should attempt to make a positive contribution to society. Whereas employer practices is more internally focused and relating to the well-being of employees. Customer practices relates among others to how clients are treated. Research is suggesting a positive correlation between social performance and perceived performance (Stanaland et al., 2011).

Several scholars did not explain what constructs were precisely included in the research, simply stating that several constructs from the social dimension were utilized (Boston College Center for Corporate Citizenship, 2010)(Brandlogic, 2012)(Lee et al., (a) 2012)(Synergie, 2012, 2013). Others provided some examples which included among others; 'philanthropic activities' (Lee et al., 2012) or 'community impact' (Peloza et al., 2012).

One important key point should be memorized; the measurements mentioned above are sometimes already a perception in itself (Brunk et al., 2011). Suggesting an overall perceived rating which is based upon several perceptions. However, scholars indicate when people are aware of an actual score in one or all dimensions. Then a correlation could exist between the perceived and actual performance. This assumption is supported by a recent research on perceived corporate social responsibility in which a 'good' ethical corporation was depicted (Stanaland et al., 2011). Which was found to correlate to the perceived performance.

### **3.5.2 Financial performance**

The financial performance of an organization should be regarded as a 'special' dimension. Evidence suggests an influence on the perceived CSR rating by the financial performance (Stanaland et al., 2011). For instance, subjects were provided with various statements on 'profits', 'return on assets' and 'return on investments'. Which was found to positively correlate to the perceived performance. Practitioners indicate that individuals prefer a corporation which has continuity and does not go bankrupt (Boerman, 2011)(Synergie et al., 2012). However, scholars likewise argue that organizations should not explicitly communicate the benefits a company can derive by engaging in CSR activities (van de Ven, 2008) and other business activities (Boerman, 2011)(Synergie et al., 2012). This would signal extrinsic motivations for engaging in CSR activities. A paradox could ensue, corporations that pledge themselves to corporate sustainability promise to be honest and transparent. On the other hand, it is suggested that being too transparent about business reasons for engaging into CSR activities could actually backfire.

### **3.5.3 Environmental performance**

Research indicates a correlation between actual environmental performance and environmental perceptions (Cho et al., 2012)(Brunk et al., 2011). However, the relationship is not entirely clear. A research performed in 2011 discovered evidence that actual environmental performance could be negatively correlated towards environmental perceptions (Cho et al., 2012). The authors argue that these striking results are related towards the measurement method. During their investigation they did not perform a research under lab conditions. Implying, numerous factors which could have an effect on perceived performance.

### **3.5.4 Governance**

Besides the triple bottom line dimensions, governance elements were suggested to have a positive correlation towards CSR perceptions. The most frequently cited factor within governance is, sustainability initiatives should be tied to the core business of the organization (Bhattacharya et al., 2004)(Boerman, 2011)(Mohr et al., 2010)(Öberseder, 2013)(Peloza et al., 2012)(Pomering et al., 2009)(Synergie et al., 2013)(Tonello, 2013). Corporations tying sustainability initiatives to the core business are more frequently perceived to have integrated CSR into their processes.

A mediocre link towards the core business could be perceived as non-logical and inconsistent. Such inconsistencies can make it harder for individuals to integrate new information into existing memory structures (Becker-Olsen et al., 2006). Moreover, scholars suggested that sustainability initiatives with a low fit can lower credibility (Becker-Olsen et al., 2006). On the other hand research indicates that under certain circumstances a mediocre link can actually enhance sincerity perceptions (Bhattacharya et al., 2010). It is likewise indicated that people expect sustainability initiatives to be tied to the core business. A best practice is, to communicate, why engaging in an activity has a logical fit. An example could be financial institutions providing lessons on money management to vulnerable or young stakeholder groups (ABN-AMRO, 2013).

One of the principles of sustainable banking is transparency (Korslund et al., 2012). Several practitioners suggested a positive correlation between transparency and perceived performance (Boerman, 2011)(Connolly, 2009)(Interbrand, 2011)(Wang, 2011). An increasing number of stakeholders is requiring companies to be transparent (Ministerie van Economische Zaken, (a) 2013). Offering a larger degree of transparency can allow stakeholders to know more about the CSR initiatives (Calabrese, 2012)(Janssen et al., 2012) and in turn shape impressions on the intrinsic or extrinsic motivations for engaging in CSR activities (Janssen et al., 2012). When an intrinsic motivation is assigned then individuals could be more favorable towards the company. For instance, a research performed on Australian banks revealed that 1/3 of the respondents stated that they would like to receive more information on executive wage. Respondents likewise indicated that three percent had actually received this information. Not offering such information can be signaling a lack of commitment (Pomering et al., 2009).

However, cultural differences could be correlated towards how important transparency is perceived to be. European banks are frequently engaged in environmental reporting. For instance, in Japan transparency is not in high regard (Jeucken, 2002).

A best practice is to issue formal codes of conducts for suppliers (Tonello, 2013). Issuing formal codes of conduct could signal that CSR is an integral element of its business. It could be argued that this would signal commitment towards CSR practices. Another argument to issue formal codes of conduct is risk management. Negative perceptions are not always based upon the focal firms missteps. Business partners depicting misbehavior could affect CSR perceptions of the focal firm. Some stakeholders are under the impression that focal firms have an obligation to be knowledgeable about their supply chain (Brunk, (a) 2010).

### **3.5.5 Additional factors**

Besides the factors described above several additional constructs were identified. Differentiation of CSR activities is several times cited in the literature (van de Ven, 2008)(Bhattacharya et al., 2004)(Interbrand, 2012). Engaging in CSR activities is viewed in the strategic management literature

as a way to differentiate (Christmann, 2000)(Hart, 1995). Evidence suggests that differentiation can affect perceived performance. Among others, differentiated CSR programs can enlarge the visibility (Bhattacharya et al., 2004, 2010). Moreover, it can signal intrinsic motivations (Bhattacharya et al., 2010).

Furthermore, the literature indicates that an inclusion in the Dow Jones Sustainability Index or receiving a rating by an independent organization is positively correlated to perceived performance (Cho et al., 2012). However, only organizations listed on a stock exchange can be included into the Dow Jones Sustainability Index (Cho et al., 2012)(RobecoSAM, 2012). This would imply that non included organizations cannot benefit from this advantage.

The literature is signaling an influence of halo effects on perceived performance (Brunk et al., 2011)(Smith et al., 2010). Organizations do not have to excel in all dimensions. When stakeholders perceive a strong performance in one dimension, then they could make interferences about other dimensions (Brunk et al., 2011)(Peloza et al., 2012)(Smith et al., 2010). Additional information on halo effects is discussed in paragraph 3.11.

### **3.5.6 Discussion**

The perceived importance of CSR topics changes over the years (SE-Consultancy et al., 2012)(Sigwatch, 2009, 2011, 2012). Nowadays ‘transparency’ is perceived to be of importance. Therefore, such topics emerge and vary over the years. Organizations should adapt to these changes.

#### **Recap**

1. It is indicated that actual corporate sustainability efforts positively correlate to the perceived performance. Implying, an increased commitment in the ‘social’, ‘environmental’ and ‘financial’ dimension could raise perceived ratings. Due to halo effects organizations do not have to excel in all dimensions.
2. Sustainability initiatives having a close fit to the core business of an organization could increase the perceived performance. Actions with a low fit are more frequently perceived to be illogical.
3. Transparency could affect the perceived performance. Engaging in a larger degree of transparency can signal intrinsic motivation and can allow for an increase in awareness.
4. A differentiated CSR program can affect the perceived performance because it enhances the visibility of the program.
5. Inclusion in the Dow Jones Sustainability Index is positively correlated to the perceived performance. A prerequisite is that stakeholders are aware of an inclusion.

## Measurement

**Table 16:** Measurement factor - Social performance

Factor	Social performance
<b>Description</b>	Several scholars and practitioners divide CSR into three domains 'social', 'environmental' and 'financial' (Wang, 2011). A dimension is social performance.
<b>Influencer</b>	[1] CSR perceptions (+) (Brunk et al., 2011)(Stanaland et al., 2011)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	<p>[a] The construct should provide a score on how well the organization is performing in the social dimension.</p> <p>[b] It should be possible to benchmark actual CSR efforts between organizations within the financial industry.</p> <p>[c] Readings should be based upon a proper array of factors. Otherwise the measurement is not representative for the entire dimension.</p>
<b>Availability</b>	Organizations frequently use the 'Dow Jones Sustainability Index' ranking to report on CSR accomplishments. This rating contains numerous factors on all dimensions.

**Table 17:** Measurement factor - Environmental performance

Factor	Environmental performance
<b>Description</b>	Several scholars and practitioners divide CSR into three domains 'social', 'environmental' and 'financial' (Wang, 2011). A dimension is environmental performance.
<b>Influencer</b>	[1] CSR perceptions (+) (Brunk et al., 2011)(Cho et al., 2012)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	<p>[a] The construct should provide a score on how well the organization is performing in the environmental dimension.</p> <p>[b] It should be possible to benchmark actual CSR efforts between organizations within the financial industry.</p> <p>[c] Readings should be based upon a proper array of factors. Otherwise the measurement is not representative for the entire dimension.</p>
<b>Availability</b>	Organizations frequently use the 'Dow Jones Sustainability Index' ranking to report on CSR accomplishments. This rating contains numerous factors on all dimensions.

**Table 18:** Measurement factor - Financial performance

Factor	Financial performance
<b>Description</b>	Several scholars and practitioners divide CSR into three domains 'social', 'environmental' and 'financial' (Wang, 2011). A dimension is the financial performance.
<b>Influencer</b>	[1] CSR perceptions (+) (Brunk et al., 2011)(Stanaland et al., 2011)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	<p>[a] The construct should provide a score on how well the organization is performing in the financial dimension.</p> <p>[b] It should be possible to benchmark actual CSR efforts between organizations within the financial industry.</p> <p>[c] Readings should be based upon a proper array of factors. Otherwise the measurement is not representative for the entire dimension.</p>
<b>Availability</b>	Organizations frequently use the 'Dow Jones Sustainability Index' ranking to report on CSR accomplishments. This rating contains numerous factors on all dimensions.

**Table 19:** Measurement factor - Fit core business and CSR activities

Factor	Perceived degree of fit between CSR activities and the core business	
<b>Description</b>	Corporation should attempt to align CSR activities with the core business. Activities tied to the core business are more frequently perceived as logical.	
<b>Influencer</b>	[1] CSR perceptions (+) [2] Credibility of CSR activities (+)	[1] (Bhattacharya et al., 2004)(Boerman, 2011)(Mohr et al., 2010)(Öberseder, 2013)(Peloza et al., 2012)(Pomeroy et al., 2009)(Synergie et al., 2013)(Tonello, 2013) [2] (Becker-Olsen et al., 2006)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The instrument should indicate whether stakeholders perceive a logical fit between the CSR activities and core business of an organization. It should be possible to distinguish between activities.

**Table 20:** Measurement factor - Transparency

Factor	Transparency	
<b>Description</b>	Stakeholders are more frequently demanding a larger degree of openness by firms. Transparency could recede in various areas for instance in; ‘products and services’, ‘CSR activities’ or ‘internal processes’.	
<b>Influencer</b>	[1] CSR perceptions (+)  [2] Awareness (+) [3] Perceived motives (0)	[1] (Boerman, 2011)(Connolly, 2009)(Interbrand, 2011)(Synergie, 2012)(Wang, 2011) [2] (Calabrese, 2012)(Janssen et al., 2012) [3] (Janssen et al., 2012)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The instrument should signal if the organization is transparent and in which areas.
	[b]	It should be measured in which areas stakeholders expect banks to be transparent.

**Table 21:** Measurement factor - Differentiation in CSR activities

Factor	Degree of differentiation in CSR activities	
<b>Description</b>	Engaging in CSR activities could be viewed as a method to differentiate. Which in turn could eventually enhance the perceived sustainability performance.	
<b>Influencer</b>	[1] CSR perceptions (+) [2] Awareness (+) [3] Perceived motives (0)	[1] (Bhattacharya et al., 2004, 2010) [2] (Bhattacharya et al., 2004, 2010) [3] (Bhattacharya et al., 2010)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The readings should signal if various stakeholders are aware of the positioning of the firm.
	[b]	Responses should indicate how various stakeholders judge the positioning of the organization.

### 3.6 Corporate images

Images of the organization itself could affect the perceived sustainability performance. Five factors related to the overall image were suggested to correlate to a CSR perception; ‘reputation’, ‘brand images’, ‘sustainable image employees’, ‘the sustainable image of the CEO’ and ‘corporate size’. This paragraph does not discuss how a reputation or a brand image can be shaped. Nor does it describe how these groupings are interrelated towards each other. Since, a correlation between reputation and brand image can be expected. Both topics are not within the scope of the project.

#### 3.6.1 Reputation

There are strong indications that the reputation is a key factor in CSR perceptions and has several overlapping factors. This topic has been mentioned throughout the literature. A reputation could be correlated towards several factors. For instance; 'skepticism', ‘attributed motives’, ‘credibility’ and ‘perceptions’. Therefore, it is important to maintain and construct a proper reputation. This indention will discuss reputation in relation to sustainability perceptions. Other relations are

described in subsequent paragraphs. Reputation could not only be an independent factor of CSR perceptions (Bhattacharya et al., 2004)(Boston College Center for Corporate Citizenship, 2010)(van de Ven, 2008)(Trotta et al., 2011), but likewise a dependent factor (Bebbington et al., 2008)(Bhattacharya et al., 2010)(Fombrun, 1990)(Hasanbegovic, 2011)(Maden et al., 2012)(Mohr et al., 2010)(Reputation Institute, 2012)(Stanaland et al., 2011)(Trotta et al., 2011)(Weber, 2008). An increase in the perceived CSR performance could positively influence corporate reputation (Peloza et al., 2012)(Tortta et al., 2011) and vice versa. However, research indicates that conventional measures (e.g. quality, service and financial performance) have a stronger effect on a reputation, relative to CSR perceptions (Peloza et al., 2012)(Boston College Center for Corporate Citizenship, 2010). A study on reputation in 2008 and 2010 revealed that 'citizenship', 'governance' and 'workplace' accounted for 40% of an organizations reputation in the USA (Boston College Center for Corporate Citizenship, 2008)(Boston College Center for Corporate Citizenship, 2010). On the other hand practitioners indicate a strong fluctuating percentage (Augusteijn, (a) 2013). For instance, when media attention is focusing on one important CSR issue. Which was discovered to be sub-standard.

In strategic disciplines corporate reputation is viewed as an intangible asset (Bebbington et al., 2008)(Maden et al., 2012) and is a basis for a competitive advantage (Barney, 1991). Although reputation could have an intuitive appeal. Scholars have not been able to find a consensus on the definition (Maden et al., 2012). Therefore, the construct can diverge between disciplines (Bebbington et al., 2008)(Maden et al., 2012)(Fombrun et al., 1997)(Torotta et al., 2011). This report utilizes the following definition; *"a corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders"* (Fombrun et al., 1997). Implying, actions in the field of CSR could affect a corporate reputation. Moreover, corporate reputation is a perception in itself (Hasanbegovic, 2011). Key point is; *"positive reputations are hard to build and easy to lose"* and require a long term development (Stanaland et al., 2011). Therefore, in order to capitalize on the reputation building potential of CSR initiatives. An organization should be committed towards these initiatives on the long term. Likewise, rebuilding a lost reputation is difficult (Murray, 2004). Nike for instance, was associated with 'sweatshops'. Although Nike is now regularly recognized in their corporate sustainability achievements (Nike, 2013), it still is sometimes associated with sweatshops (Murray, 2004)(Brunk et al., 2011). A reason for these negative associations is, once a negative image has been shaped it remains rather static and resistant to modifications over time (Brunk et al., 2011).

### **3.6.2 Brand image**

A concept related to reputation is brand images. Which likewise could be interpreted as an intangible asset. Brand image can be applied to 'organizations', 'services' and 'products'. Similar to a reputation, brand images are likewise developed over time. A simplistic definition of a brand is; *"a brand is a name, term, sign, symbol, design or a combination of them, used to identify and differentiate the goods and services of one seller from another"* (Mohr et al., 2010). However, it usually implies a promise of quality towards customers. Evidence suggests that brand images can positively correlate towards CSR perceptions (Interbrand, 2011)(Tonello, 2013). For instance, the Disney brand is perceived as caring. It is suggested that the relationship between the concepts is two directional (Peloza et al., 2012). Thus, CSR efforts can likewise create positive brand associations (Mohr et al., 2010)(van de Ven, 2008)(Trotta et al., 2011) or irresponsible behavior can generate negative associations (Becker-Olsen et al., 2006).

### 3.6.3 Sustainable image employees

Moreover, the literature suggests that the sustainable image of the CEO could affect the perceived performance (Peloza et al., 2012). CEOs are one of the best visible persons of a firm. Not only external individuals watch how the CEO is behaving, but employees as well. Their behaviour could be used to make deductions on how sustainable a company is. For instance, Ab van der Touw, CEO Siemens Netherlands is dubbed as “mister sustainability” (Siemens, 2013). A consistent image could help to improve the perceived performance (Interbrand, 2012). Related to consistency, is the sustainable image of employees (Dielen, 2013). Employees are the faces of the organization and represent a certain image of this corporation. Therefore, it could be suggested that employees are another signal individuals can receive on the commitment to CSR activities.

### 3.6.4 Corporate size

A research indicated that the corporate size and location could affect the perceived motives for engaging in CSR activities, such as self-serving motives. Small, local, personal and private organizations are assigned more positive motives over large corporations (Bhattacharya et al., 2004). Which in turn can eventually affect the perceived performance. Executing sustainability initiatives on a local scale is offering an advantage. Local initiatives could provide a larger salience to stakeholders. Resulting in a greater awareness (Pomeroy et al., (b) 2009).

#### Recap

1. Reputation could be an important factor in the perceived sustainability performance. Not only is a reputation positively correlated to the perceived performance. It correlates to other factors as well. Furthermore, the relationship between the perceived sustainability performance and reputation could be two directional.
2. Brand image could be positively correlated towards the perceived sustainability performance. The relationship could be two directional.
3. The sustainable image of employees could affect the perceived performance. Especially, visible employees could have a larger influence.
4. Size matters, smaller local companies are more frequently attributed an intrinsic motivation for engaging in CSR activities.

## Measurement



**Table 22:** Measurement factor - Reputation

Factor	Reputation	
<b>Description</b>	Reputation is an accumulated representation of an organizations previous actions (Fombrun et al., 1997)(Maden et al., 2012). Evidence suggest that reputation is an important factor in CSR perceptions.	
<b>Influencer</b>	[1] CSR perceptions (+) [2] Level of scepticism (-) [3] Perceived credibility (+) [4] Perceived motives (0)	[1] (Bhattacharya et al., 2004)(Boston College Center for Corporate Citizenship, 2010)(van de Ven, 2008) [2] (Morsing et al., 2006)(Pomeroy et al., (b) 2009) [3] (Bhattacharya et al., 2010)(Stanaland et al., 2011) [4] (Bhattacharya et al., 2004, 2010)
<b>Influenced by</b>	[1] CSR perceptions (+) [2] Industry segment (0) [3] Social media attention (0)	[1] (Bebbington et al., 2008)(Bhattacharya et al., 2010)(Fombrun, 1990)(Hasanbegovic, 2011)(Maden et al., 2012)(Mohr et al., 2010)(Reputation Institute, 2012)(Stanaland et al., 2011) [2] (Communication Controlling, 2013) [3] (Hayzlett, 2011)(Jones et al., 2009)
<b>Requirements</b>	[a] Per stakeholder group the reputation should be measured. A rationale is that the reputation could diverge per stakeholder group. [b] Reputation is based upon several drivers. Per driver the rankings should be known. [c] Readings should allow for benchmarking between organizations.	
<b>Availability</b>	A worldwide used reputation measurement is the 'Reputation Quotient' and is developed by Fombrun (Hillenbrand et al., 2007)(Maden et al., 2012)(Communication Controlling, 2013). The Reputation Quotient is based upon six dimensions. Including; 'vision and leadership', 'products and services', 'workplace environment', 'citizenship', 'financial performance' and 'emotional appeal' (Maden et al., 2012)(Communication Controlling, 2013). However, the Reputation Institute added 'innovation' and 'governance' (Reputation Institute, 2012). Subsequently, an overall reputation ranking can be calculated.	

**Table 23:** Measurement factor - Brand image

Factor	Brand image	
<b>Description</b>	A brand image can be a source of differentiation (Mohr et al., 2010). It should be noted that a brand image is a perception in itself (Chandon, 2003). The literature on CSR perceptions did not suggest a relationship between 'brand value' and CSR perceptions. Although a relationship could be expected, 'brand value' is excluded in this report.	
<b>Influencer</b>	[1] CSR perceptions (+)	[1] (Interbrand, 2011)(Tonello, 2013)(Peloza et al., 2012)
<b>Influenced by</b>	[1] CSR perceptions (+) [2] Advertising (0) [3] Degree of perceived cultural icon <sup>2</sup> (0) [4] Social media attention	[1] (Mohr et al., 2010)(van de Ven, 2008)(Peloza et al., 2012)(Becker-Olsen et al., 2006) [2] (van der Blom, et al., 2011) [3] (van der Blom, et al., 2011) [4] (Hayzlett, 2011)(Jones et al., 2009)
<b>Requirements</b>	[a] Measurements should depict the 'corporate brand image' and 'product-services brand image', because both concepts are different. [b] Values on brand awareness should include sustainability. [c] Readings should allow for a comparison between corporations.	
<b>Availability</b>	Various methods exist for establishing the 'brand image' and 'brand awareness'. Several are written below and are derived from one paper (Chandon, 2003). Utilizing these methods can provide an insight in the overall brand image. It is likewise possible to adapt measurements in order to include sustainability.  <b>Brand awareness</b> <i>Brand recall:</i> Attempting to retrieve the brand from memory by offering certain information. For instance, respondents could be asked to name all the 'sustainable banks' they can think of. <i>Brand recognition:</i> Presenting a brand and asking if the respondent has seen it before.	

<sup>2</sup> Research suggests that Dutch inhabitants value brands which are connected to the Dutch culture. For instance, the Rabobank advertised the international role it has. However, after this commercial the Rabobank was lowered within the ranking of indispensable brands. A negative relationship between the international image and the ranking of indispensable brands was suggested (EURIB, 2012).

<p><b>Brand image</b></p> <p><i>Brand personality list:</i> This method uses ‘personality’ characteristics to describe a brand. For instance, perceived sincerity could be a dimension.</p> <p><i>Projective techniques:</i> An unstructured method of questioning where individuals are given an incomplete incitement.</p> <p><i>Laddering method:</i> A method that combines individual values and benefits.</p>
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**Table 24:** Measurement factor - Sustainable image employees

Factor	Sustainable image of employees, including the CEO
<b>Description</b>	Employees are the face of the organization. Their behaviour could be used to make deductions on how sustainable an organization is.
<b>Influencer</b>	[1] CSR perceptions (+) [1] (Peloza et al., 2012)(Dielen, 2013)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	[a] The measurement should rank the sustainable image of employees. Likewise, ‘image’ could be interpreted as a perception by itself. [b] Readings should allow for a comparison between corporations. [c] The measurement should differentiate between internal stakeholders.

**Table 25:** Measurement factor - Firm size

Factor	Firm size
<b>Description</b>	Smaller firms are more frequently perceived to have intrinsic motivations for engaging in corporate sustainability activities.
<b>Influencer</b>	[1] CSR perceptions (-) [1] (Bhattacharya et al., 2004)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	[a] Readings should allow for a comparison between corporations.
<b>Availability</b>	Various methods for the organizational size are available. For instance, the European Commission differentiates on; FTE, turnover and balance sheet assets (EC, (b) 2013).

### 3.7 Communication

A relatively well-researched area, compared to other dimensions within the sustainability domain is CSR communications. In order to be able to seize various CSR opportunities in a durable manner. Stakeholders must first be aware of the corporate sustainability initiatives (Brandlogic, 2012)(Pomering et al., (a) 2009)(Bhattacharya et al., 2010)(Ulvila, 2011)(Maignan et al., 2001)(Öberseder, 2013)(van de Ven, 2008). For instance, corporations with an outstanding sustainable performance are able to attract talented individuals (Maden et al., 2012)(Pérez et al., 2012)(Bhattacharya et al., 2010). However, evidence indicates that awareness of corporate sustainability initiatives is generally low (Pomering et al., (a)(b) 2009)(Auger et al., 2003)(Bhattacharya et al., 2010)(Peloza et al., 2012). Pomering et al. performed a research on CSR initiatives by Australian banks. They indicated that few respondents could recall funding initiatives for small rural communities by financial institutions. Which was surprising, since a nationwide advertising campaign was launched on these initiatives before the fieldwork started. Communicating CSR efforts can create stakeholder awareness when properly executed (Interbrand, 2011). This paragraph discusses CSR communications.

Communications do not merely include advertising. It could be viewed as signals or messages emitted by an organization. For instance, the services offered by a corporation sends a messages towards various stakeholders (Fombrun, 1990). Likewise, the literature indicates that employees are important communicators of CSR efforts. Since, they are viewed as more trustworthy within their own social network (Pomering et al., 2008)(Bhattacharya et al., 2010). Therefore, it could be argued

that 'communication' implies an accumulation of signals sent by the organization by which stakeholders can make inferences about the CSR performance and (intrinsic) motivation for engaging in CSR activities.

### **Greenwashing**

Care should be taken when communicating CSR efforts to stakeholders (Morsing et al., 2006). Stakeholders are wary of 'greenwashing', "*in which a company inaccurately describes its products or business practices as beneficial to the environment, when in fact they are not*" (Mohr et al., 2010). Practitioners have established six 'greenwashing sins', which are more focused on the products over services. The four most common sins are described. One, "*sin of the hidden trade-off*", focusing on a single green attribute. While in reality the overall product is not green. Two, "*sin of no proof*", the inability to verify a sustainable claim. Three, "*sin of vagueness*", an unclear claim that is meaningless. Four, "*sin of irrelevance*", for instance framing a claim that is actually mandatory by law (Mohr et al., 2010).

Individuals are searching for a 'sincere' message and a 'sincere' organization. For instance, when the amount spent on sustainable advertising is substantially larger over the amount invested on sustainable practices, could create a risk (Mohr et al., 2010). Perceived opportunistic behavior could be punished by stakeholders (Bhattacharya et al., 2010)(van de Ven, 2008). Research indicates that unethical behavior is penalized to a greater extent by certain consumers than ethical behavior is rewarded (Smith et al., 2010)(Trudel et al., 2009). Both a sincere message and creating awareness are prerequisites for effective CSR communications (Bhattacharya et al., 2010). A more effective CSR communication could lead to an increased perceived sustainability performance (Stanaland et al., 2011).

Five groupings were established based upon the literature. Containing factors which were suggested to have an impact on the effectiveness of CSR communications. Effectiveness could be interpreted as the ability to communicate a message which is received, understood and believed by an individual. A perception on communications is constituted by individual stakeholders, moderating all the relationships leading to effective communication. Evidence suggests, stakeholders have a natural tendency to be initially skeptical of sustainable communications by corporations (Tonello, 2013). Skepticism could have an impact on effectiveness, because skepticism leads among others to a lower willingness to accept the message (Skarmeas et al., 2013). Therefore, the message itself is another factor. The content of the message has implications on the effectiveness of communications. Common knowledge would suggest that a proper message could be more readily accepted over an ill constructed message. What communication channels or medium to use, could differ per stakeholder (Mohr et al., 2010). Different stakeholder groups could require other channels to receive the message. For instance, it can be argued that investors analyze sustainability reports written by the corporation, but common retail clients do not (Peloza et al., 2012). Finally, the perceived credibility of the organization could have an influence on the effectiveness of communication.

### **3.7.1 Reducing skepticism**

Skepticism towards corporate sustainability initiatives could be correlated to the effectiveness of CSR communications and are suggested to be negatively correlated towards each other (Pomering et al., (a) 2009)(van de Ven, 2008). Generally speaking skepticism refers to "*a person's tendency to doubt, disbelieve and question*" (Skarmeas et al., 2013). The degree of skepticism strongly depends on

perceived sincerity of the organization, which is a normative judgment made by individuals. In general two motivations can be established for executing sustainability initiatives; 'intrinsic' and 'extrinsic'. Extrinsic motivations are related to increasing profits and acting out of self-interests. While intrinsic motivations are viewed as acting out of genuine interests. Companies which are perceived to have merely an extrinsic motivations for establishing CSR initiatives can expect to face a higher degree of skepticism (Becker-Olsen et al., 2006)(Bhattacharya et al., 2010)(Pomering et al., (a) 2009)(Maignan et al., 2001)(van de Ven, 2008). However, scholars indicate that stakeholders are becoming more tolerant for extrinsic motivations. Since an increasing number of people nowadays view CSR as a win-win situation. Implying, CSR should serve the organization as well as society (Bhattacharya et al., 2010).

Pro-active initiatives can signal intrinsic motivations. When organizations engage in reactive behavior, then stakeholders can more easily understand the context of why a corporation depicts this behavior. A pro-active stance was found to have two benefits; it could lower skepticism and it could increase the perceived CSR performance (Becker-Olsen et al., 2006).

Moreover, research indicates that prior perceptions of a firm could have an influence on the perceived motives for engaging in CSR activities (Kim et al., 2012). Therefore, a two directional relationship could exist between CSR perceptions and perceived motives. This would indicate that organizations with a proper perceived CSR performance are viewed as more sincere in their efforts and consequently meet less skepticism.

Previous actions in the field of corporate sustainability underlie a CSR reputation (Maden et al., 2012)(Peloza et al., 2012). Stakeholders could utilize this firm specific (CSR) reputation to make inferences about the underlying motives for engaging in CSR initiatives (Bhattacharya et al., 2004, 2010). Therefore, it can be reasoned that the reputation-skepticism correlation is negative (Morsing et al., 2006)(Pomering et al., (b) 2009). Organizations with a bad reputation should anticipate facing a larger degree of skepticism over companies possessing a good reputation (Morsing et al., 2006). Besides the influence of an individual corporate reputation on the degree of skepticism. There is evidence that the industry segment likewise has implications. Depending on the industry, the organization can expect a higher or lower degree of skepticism (Pomering et al., (a) 2009)(Bhattacharya et al., 2004). For instance, polluting industries could encounter a larger degree of skepticism relative to non-polluting industries after communicating CSR initiatives (Bhattacharya et al., 2004, 2010). When the previous line of argumentation is extended. A CSR reputation can create stakeholder expectations. However, when expectations are not met. It can evoke skepticism (Pomering et al., (b) 2009)(van de Ven, 2008).

Furthermore, the content of the message could be related stakeholder skepticism. Companies who are merely conveying a positive impression of their CSR efforts could evoke skepticism (Morsing et al., 2006). Therefore, in order to decrease skepticism companies should communicate improvement points. Moreover, quantifying the impact of CSR initiatives and communicating them can reduce skepticism (Pomering et al., (b) 2009). A quantification allows for a better comprehension to establish if a company is committed to CSR practices (Pracejus et al., 2003).

### **3.7.2 Message construction**

The message itself could have an impact on the effectiveness of CSR communications. Stakeholders should understand the issue at stake and what actions the organization is taking in order to resolve

the issue. A clear message can help stakeholders to make inferences on the motivation of an organization. Hopefully leading to an increased effectiveness of CSR communications (Pomering et al., (b) 2009), if an intrinsic motivation is attributed. The concept of 'a clear message' could likewise be interpreted as a perception in itself.

Effectiveness of CSR communications could be affected by the content of the message. Tonello argues that companies should communicate sustainability accomplishments and commitments towards stakeholders in order to decrease skepticism (Tonello, 2013). Which in turn should lead to a more favorable CSR perception by stakeholders. Tonello noticed that sustainability leaders integrated CSR messaging into their value propositions and brand communications. Thereby, increasing the number of sustainable messaging contact points and as a result the communication effectiveness could increase (Peloza et al., 2012). Not only the number of contact points is increased by this integration, it could likewise be argued that it enhances the consistency of the message.

### **3.7.3 Communication channels**

Scholars indicate that the communication channels utilized could influence the effectiveness of communications. Communication channels used to convey CSR messages could among others determine which stakeholders it reaches. Evidence suggests that (CSR) reports are more frequently read by investors over private clients. Reports which are perceived to be transparent and use standards (such as the GRI or AA1000) could positively influence CSR perceptions. It could be argued that a firm should not rely on reporting to reach a mainstream audience. Because not all individuals read them or can understand the report (Peloza, 2012). Moreover, research indicates that the level of discreteness of the communication channel could affect the effectiveness of communications. Preferences for the level discreteness were found to exist between inhabitants of countries (Morsing, 2006).

### **3.7.4 Level of perceived credibility**

A relationship between the perceived credibility of corporate sustainability efforts and skepticism can be expected (Mohr et al., 2010). Messages sent by an organization possessing a low attributed credibility could trigger more skepticism. Compared to corporations having a strong credibility record. Vice versa, a skeptical person could attach a lower credibility towards a message over a non-skeptical individual (Bhattacharya et al., 2010)(Pomering et al., 2008). Likewise, perceived credibility depends among others on the motives stakeholders attribute to a company (Öberseder, 2013). Credibility in turn can enhance communication effectiveness (Interbrand, 2012)(Maignan et al., 2001)(van de Ven, 2008).

Scholars argue that employees as CSR advocates are effective communicators (Pomering et al., 2008)(Bhattacharya et al., 2010). Employees are more frequently perceived as a credible source of information within their own network. Therefore, employees should 'live' the CSR values and support the CSR initiatives. Allowing a consistent message towards external stakeholders, which in turn could provide evidence of the motivations for engaging in CSR initiatives (Robbins et al., 2012).

Evidence suggests that actions performed by the corporation can affect the perceived credibility. Therefore, one of the variables is 'corporate reputation' (Bhattacharya et al., 2010)(Stanaland et al., 2011). Which is affected by previous actions of the firm (Maden et al., 2012)(Fombrun et al., 1997). Corporations having a proper reputation are expected to have a larger perceived credibility over firms in possession of a mediocre reputation. Another factor related to action is the CSR positioning

of the firm. Positioning includes differentiation and the depth of CSR initiatives. For instance, differentiation can attract stakeholder attention. A proper position was suggested to positively correlate to the effectiveness of CSR communications. Since, it provides an indication on organizational motives (Bhattacharya et al., 2010).

Controllability of the message has implications on the perceived credibility. A lower controllability could increase the credibility of the message (Bhattacharya et al., 2010)(Pomering et al., 2008)(Morsing et al., 2006)(Guardian, 2010). For instance, third party endorsements could increase the credibility. Especially by an independent source. A survey executed by the Guardian indicated that stakeholders are best convinced by 'environmental awards' and 'scientific endorsement'. 'Positive media attention' ranked third. The bottom three contained; 'advertising', 'corporate communications' and 'corporate pledges to increase CSR activities' (Guardian, 2010). Controllability has an overlap with 'media attention' and can be read in paragraph 3.9.

There is one important key point. Evidence suggests that credibility is actually a perception in itself and could be influenced by perceived CSR efforts. A greater perceived CSR performance can create trust in an organization (Stanaland et al., 2011)(Wagner, 2010). It would be reasonable to argue, when an organization is trusted then the organization would be perceived as more credible. A research operationalized trust among others as "*the firm does not make false claims*" (Stanaland et al., 2011). Therefore, the relationship between effective CSR communications and credibility could be two directional.

### **3.7.5 Stakeholders**

CSR efforts can be targeted towards a stakeholder group with similar characteristics. Since, different stakeholder groups are suggestible to other messages and communication channels. For instance; 'motivations', 'knowledge' and 'values' could differ per group. Suggesting a different perception. Therefore, identifying key stakeholders and how to reach them could increase the effectiveness of communications (Peloza et al., 2012). Moreover, certain groups are pro-active in searching for CSR information. While others are not (Brunk, (b) 2010). Which would require a different communication channel (Peloza et al., 2012). Furthermore, expectations could be shaped by sending messages containing CSR initiatives. Only, when experiences do not match expectations in a negative sense then a lower perceived performance can be expected (Brunk et al., 2011)(Peloza et al., 2012). Preliminary research indicates that stakeholders expect companies to obey the law and is a topic of CSR (Lee et al., (a) 2012)(Tan et al., 2006). Therefore, not obeying the law could have an influence on perceived performance (Brunk et al., 2011). Likewise, when actions performed by a corporation exceeds expectations. It could be rewarded with a more positive attitude (Becker-Olsen et al., 2006).

### **3.7.6 Discussion**

Evidence suggests that stakeholders are searching for a sincere corporation. Which is executing sustainability initiatives out of intrinsic motivations. Individuals are therefore on the lookout for gaps between actions and promises (van de Ven, 2008). For instance, do promises match with the corporate identity. A gap between actions and promises can likewise increase skepticism. An example is when a firm states a social goal, while actions are perceived to be out of mere self-interest (Becker-Olsen et al., 2006). A perceived mismatch could lower the perceived performance of an organization. It is indicated that communicating CSR efforts requires a different approach compared to regular communications. Strives should be taken in order not to be perceived as

opportunistic. For instance, minor initiatives should not be promoted too aggressively, since this could be interpreted as opportunistic behavior (Peloza et al., 2012).

Not only individuals outside the organization receive signals from communications. Employees likewise pick up these messages. They are in a unique position to compare actual experiences with corporate messages. However, when the motives behind these messages are perceived to be extrinsic, their CSR perceptions could falter (Maignan et al., 2001).

### Recap

1. Communicating CSR activities should be treated with care and differs from ‘regular’ corporate communications. Stakeholders are searching for signals revealing a sincere organization initiating CSR activities out of intrinsic motivations.
2. Awareness of CSR efforts is a prerequisite for capitalizing on CSR opportunities in a durable manner. Perceptions could likewise be based on other factors not related to sustainability.
3. Reducing skepticism should be treated as a key point. Since, skepticism could eventually affect the perceived sustainability performance.
4. The message and utilized communication channels have implications on which stakeholders it could reach and the effectiveness of communications.
5. Credible organizations are more effective in CSR communications.
6. Stakeholders are on the lookout for gaps between sustainability promises and actions.
7. Companies are emitting signals on intrinsic or self-serving motives for engaging in corporate sustainability activities.

## Measurement

**Table 26:** Measurement factor - Communication effectiveness

Factor	Degree of communication effectiveness in relation to CSR	
<b>Description</b>	Communicating CSR efforts is suggested to positively correlate to the perceived sustainability performance.	
<b>Influencer</b>	[1] CSR perceptions (+) [2] Awareness (+)	[1] (Stanaland et al., 2011) [2] (Bhattachary et al., 2010)(Pomering et al., (b) 2012)
<b>Influenced by</b>	[1] Level of scepticism (-) [2] Clearness of messages (+) [3] Variety of communication channels utilized (+) [4] Degree of credibility in CSR activities (+)	[1] (Pomering et al., (a) 2009)(van de Ven, 2008) [2] (Pomering et al., (b) 2009) [3] (Peloza et al., 2012) [4] (Interbrand, 2012)(Maignan et al., 2001)(van de Ven, 2008)
<b>Requirements</b>	[a] The measurements should indicate if a message is received, understood and believed by individuals. [b] Readings should indicate the reach of the messages sent by the organizations. [c] The instrument should allow for stakeholder segmentation in order to enlarge corporate knowledge on stakeholders.	

**Table 27:** Measurement factor - Awareness of CSR activities

Factor	Level of awareness of CSR activities by stakeholders	
<b>Description</b>	Awareness of CSR accomplishments can provide an indication on the strength of the relationship between actual sustainability performance and perceptions. Moreover, awareness is a prerequisite to capitalize on various CSR opportunities related to individuals.	
<b>Influencer</b>	[1] Behaviour (0)	[1] (Brandlogic, 2012)(Pomering et al., (a) 2009)(Bhattacharya et al., 2010)(Ulvila, 2011)(Maignan et al., 2001)(Öberseder, 2013)(van de Ven, 2008)
<b>Influenced by</b>	[1] CSR communications (+) [2] Transparency (+)	[1] (Bhattacharya et al., 2010)(Pomering et al., (b) 2012) [2] (Calabrese, 2012)(Janssen et al., 2012)
<b>Requirements</b>	<p>[a] The measurement should indicate whether stakeholders are aware of both the accomplishments and actions of the firm in the area of corporate sustainability.</p> <p>[b] Readings should indicate in which CSR dimensions there is substandard awareness.</p> <p>[c] The instrument should allow for stakeholder segmentation. In order to enlarge corporate knowledge on stakeholders.</p>	
<b>Availability</b>	An inquiry into the awareness of various CSR actions and accomplishments can be established by a survey (Pomering et al., (a) 2009).	

**Table 28:** Measurement factor - Level of scepticism

Factor	Level of scepticism towards CSR activities by stakeholders	
<b>Description</b>	Scepticism of stakeholders is viewed as a barrier which corporations should overcome in order to increase the effectiveness of its CSR program.	
<b>Influencer</b>	[1] Communication effectiveness (-)	[1] (Pomering et al., (a) 2009)(van de Ven, 2008)
<b>Influenced by</b>	[1] CSR perceptions (-) [2] Perceived motivations (0)  [3] Reputation (-) [4] Industry reputation (-) [5] Quantifying impact of CSR activities (-) [6] Promise-action gap (+) [7] Expectation-action gap (+) [8] Communicating improvement points (-) [9] Proactive behaviour of corporation (-) [10] Degree of credibility in CSR activities (-)	[1] (Kim et al., 2012) [2] (Becker-Olsen et al., 2006)(Bhattacharya et al., 2010)(Pomering et al., (a) 2009)(Maignan et al., 2001)(van de Ven, 2008) [3] (Morsing et al., 2006) [4] (Bhattacharya et al., 2004)(Pomering et al., (a) 2009) [5] (Pomering et al., (b) 2009) [6] (Ven, van de, 2008) [7] (Pomering et al., (b) 2009)(van de Ven, 2008) [8] (Morsing et al., 2006) [9] (Becker-Olsen et al., 2006) [10] (Mohr et al., 2010)
<b>Requirements</b>	<p>[a] Readings should indicate the level of scepticism related to CSR on a general level and aimed at the organization.</p> <p>[b] The measurement should indicate in which CSR areas the greatest degree of scepticism has been developed.</p> <p>[c] Background information on stakeholders would be required in order to establish a more in-depth knowledge of stakeholders.</p>	
<b>Availability</b>	Reports sometimes indicate a level of scepticism towards sustainability in general (Dossier Duurzaam, 2012)(Dossier Duurzaam, 2011)(Dossier Duurzaam, 2010).	



**Table 29:** Measurement factor - Signals of motivation

Factor	Signals <sup>1</sup> of motivation. Viewed from the outside to inside	
<b>Description</b>	Corporations are emitting signals of motivation for engaging in CSR activities. Stakeholders could perceive these signals as either skewed towards intrinsic or extrinsic motivations.	
<b>Influencer</b>	[1] CSR perceptions (0) [2] Level of scepticism (0)	[1] (Kim et al., 2012) [2] (Becker-Olsen et al., 2006)(Bhattacharya et al., 2010)(Pomering et al., (a) 2009)(Maignan et al., 2001)(van de Ven, 2008)
<b>Influenced by</b>	[1] CSR perceptions (0) [2] Proactive behaviour (0) [3] Reputation (0) [4] Corporate size (0) [5] Consistency of messages (0)	[1] (Kim et al., 2012) [2] (Becker-Olsen et al., 2006) [3] (Bhattacharya et al., 2004, 2010) [4] (Bhattacharya et al., 2004) [5] (Robbins et al., 2012)
<b>Requirements</b>	[a] The measurement instrument should provide an insight in when and where the organisation is emitting intrinsic or extrinsic motivations.	

<sup>1</sup>: Signals in this report are viewed as a wider concept compared to messages. For instance, actions could signal intrinsic or extrinsic motivations.

**Table 30:** Measurement factor - Clearness of messages

Factor	Perceived clearness of CSR messages	
<b>Description</b>	A clear CSR message is significant for communication effectiveness. A clear message is more readily understood over confusing messages.	
<b>Influencer</b>	[1] Communication effectiveness (+)	[1] (Pomering et al., (b) 2009)
<b>Influenced by</b>	[1] Communicating CSR accomplishments (+) [2] Communicating CSR commitment (+) [3] Integrating sustainability into brand communications (+)	[1] (Tonello, 2013) [2] (Tonello, 2013) [3] (Tonello, 2013)
<b>What</b>	[a] Responses should indicate if various stakeholders understand broadcasted message. [b] The instrument should depict if the messages sent are consistent.	

**Table 31:** Measurement factor - Variety of communication channels utilized

Factor	Variety of communication channels utilized	
<b>Description</b>	Depending on the communication channels utilized to broadcast sustainability messages different stakeholders are reached.	
<b>Influencer</b>	[1] Communication effectiveness (+)	[1] (Peloza et al., 2012)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a] Responses should indicate which stakeholder groups are reached.	

**Table 32:** Measurement factor - Promise action gap

Factor	Promise-action gap	
<b>Description</b>	When sustainability promises do not align with actions then it could lower the perceived CSR performance.	
<b>Influencer</b>	[1] CSR perceptions (-) [2] Degree of scepticism (+)	[1] (Becker-Olsen et al., 2006) [2] (van de Ven, 2008)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a] Responses should indicate whether promises are met by actions.	

**Table 33:** Measurement factor - Perceived credibility

Factor	Level of perceived credibility in CSR activities	
<b>Description</b>	Corporations which are perceived to be more credible in their sustainability activities could be more efficient in communicating CSR messages. Subsequently, credibility could have an indirect relationship to the perceived CSR performance.	
<b>Influencer</b>	[1] Degree of scepticism (-) [2] Communication effectiveness (+)	[1] (Mohr et al., 2010) [2] (Interbrand, 2012)(Maignan et al., 2001)(van de Ven, 2008)
<b>Influenced by</b>	[1] CSR perceptions (+) [2] Reputation (+) [3] Third party endorsement (+) [4] Attributed motives (0) [5] Degree of fit between CSR activities and core business (0) [6] Consistency of the message (+)	[1] (Stanaland et al., 2011)(Wagner, 2010) [2] (Bhattacharya et al., 2010)(Stanaland et al., 2011) [3] (Guardian, 2010) [4] (Öberseder, 2013) [5] (Becker-Olsen et al., 2006) [6] (Robbins et al., 2012)
<b>Requirements</b>	[a] A measure should indicate the CSR program credibility.	

### 3.8 Social media

It appears that social media are increasingly becoming more widespread and in turn more relevant for companies. Facebook for instance, already topped over one billion monthly active users (Olanoff, 2012). Scholars indicate, topics voiced on social media can have an impact on the perceptions of an organization. This would suggest a relationship between CSR perceptions and social media.

Social media offers several opportunities to an organization. A characteristics of social media is the 'user generated content'. Stakeholders favoring a CSR initiative could communicate this on the World Wide Web. Thereby, turning stakeholders into 'ambassadors' of corporate sustainability initiatives. Since, 'mouth to mouth' advertising is less controllable. It is frequently perceived to be more credible (Bhattacharya et al., 2010)(Pomering et al., 2008)(Morsing et al., 2006). A credible message could eventually affect the perceived performance. Research likewise indicates that social media can shape a 'brand image' and a 'corporate reputations' (Hayzlett, 2011)(Jones et al., 2009). Which could indirectly influence the perceived performance of a firm. Because, social media is strongly based upon user generated content the controllability could (substantially) lie outside the firm.

How a company behaves on the internet is frequently perceived to be of greater importance over 'philanthropy' or 'donations' (Jones et al., 2009). Engaging in social media can offer several opportunities to CSR domains. Monitoring social media can provide insights in the sentiment on CSR activities. Implying a measurement on the perceived sustainability performance. For instance, it can provide a rapid feedback on corporate sustainability initiatives (Hayzlett, 2011). Another possibility is to create awareness on CSR activities (Hayzlett, 2011). For instance, employees could blog about the sustainability initiatives. Moreover, social media allows a two way communication between various stakeholders and the corporation. Which in turn could provide a better insight in what CSR topics are relevant for stakeholders (Morsing et al., 2006).

Besides the opportunities which social media offers there are risks involved. Currently, all stakeholders with an internet connection can blog or start a website and ventilate negative opinions on corporate sustainability efforts (Hayzlett, 2011). Negative mouth to mouth advertising could likewise have an impact on the perceived sustainable performance. Furthermore, the speed at which social media operates is fast. One social misstep and it is readily on the web.

## Recap

1. Social media could affect the perceived sustainability performance. For instance, stakeholder ‘ambassadors’ can affect the perceived performance.
2. Social media cannot be fully controlled by an organization. Suggesting risks to the perceived sustainability performance.

## Measurement

Social media is split between positive and negative attention. The underlying reason is, negative images have a greater weight over positive images (Brunk et al., 2011)(Skarmeas et al., 2013).

**Table 34:** Measurement factor - Level of negative social media attention

Factor	Negative social media attention	
<b>Description</b>	Topics voiced on social media sites can affect the perceived performance. Each individual with an internet connection has the power to write something about a corporation.	
<b>Influencer</b>	[1] CSR perceptions (-) [2] Brand image (-) [3] Reputation (-)	[1] (Hayzlett, 2011) [2] (Hayzlett, 2011)(Jones et al., 2009) [3] (Hayzlett, 2011)(Jones et al., 2009)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The measurement instrument should indicate the sentiment towards the organization on an overall level.
	[b]	Readings should indicate which CSR issues are voiced and what the sentiment is on those issues in relation to the organization.

**Table 35:** Measurement factor - Level of positive social media attention

Factor	Positive social media attention	
<b>Description</b>	Topics voiced on social media sites can affect the perceived performance. Each individual with an internet connection has the power to write something about a corporation.	
<b>Influencer</b>	[1] CSR perceptions (+) [2] Brand image (+) [3] Reputation (+)	[1] (Hayzlett, 2011) [2] (Hayzlett, 2011)(Jones et al., 2009) [3] (Hayzlett, 2011)(Jones et al., 2009)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The measurement instrument should indicate the sentiment towards the organization on an overall level.
	[b]	Readings should indicate which CSR issues are voiced and what the sentiment is on those issues in relation to the organization.

## 3.9 Media attention

Scholars and practitioners are suggesting that media attention is correlated towards sustainability perceptions (Brunk, (a)(b) 2010)(Peloza et al., 2012, 2013). Moreover, negative information receives a larger weight over positive information (Brunk et al., 2011)(Skarmeas et al., 2013). Individuals process negative news items and could project them into their CSR perceptions of the firm (Peloza et al., 2012)(Synergie et al., 2013). For instance, the banking industry received a lot of negative media attention after the recent financial crisis. Research suggests that this negatively affected the CSR perceptions of stakeholders in relation to banking.

Several scholars argue that CSR efforts can create goodwill in the public. However, a recent study on oil spills indicates a conflicting result (Lou et al., 2012). Empirical evidence suggests that the media

has a larger probability to pick up accidents at a company with a superior CSR record, compared to mediocre performing firms. Furthermore, when the items were broadcasted they were no less negative over items aired on bad performing firms. These findings would suggest, a superior CSR record can actually be a liability.

Again, stakeholders are moderating the relationship between media attention and CSR perceptions. Attention to CSR issues was suggested to have an implication on the CSR knowledge of individuals (González-Rodríguez et al., (a) 2012). Additional knowledge could change the perceptions individuals have (Pickens et al., 2005). However, not all individuals read the newspaper or watch the news. Therefore, the influence of media attention could differ per individual.

**Recap**

1. Aversively media attention was suggested to be negatively correlated to the perceived sustainability performance. Individuals could process negative associations and project them into their CSR perceptions of the firm.
2. A superior CSR record could attract more media scrutiny. Furthermore, media attention was found to be no less negative at a superior performing firm in relation to CSR efforts compared to mediocre performing firms.

**Measurement**

Media is split between positive and negative attention. The underlying reason is, negative images have a greater weight over positive images (Brunk et al., 2011)(Skarmeas et al., 2013).

**Table 36:** Measurement factor - Level of negative media attention

Factor	Level of negative media attention	
<b>Description</b>	Negative images can be projected into CSR perceptions of an organization. Therefore, when negative news items are aired it could have consequences on the perceived sustainability performance.	
<b>Influencer</b>	[1] CSR perceptions (-)	[1] (Brunk, (a) 2010)(Brunk, (b) 2010)(Peloza et al., 2012)(Synergie et al., 2013).
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The measurement instrument should count the number of times a negative news item is broadcasted in relation to the organisation.
	[b]	Readings should provide the number of times a negative news item is aired in relation to the CSR program of a firm.
	[c]	The instrument should measure how many times a negative news item is broadcasted in relation to the industry.
	[d]	Likewise, the instrument should count the number of times a negative news item is broadcasted on CSR issues in relation to the industry.
	[e]	It should be indicated which sustainability issues are at stake. A comprehension on the issues can yield more information.
	[f]	Indications should provide information on the impact of a news item.

**Table 37:** Measurement factor - Level of positive media attention

Factor	Level of positive media attention	
<b>Description</b>	Positive images could be projected into CSR perceptions. Therefore, when positive news items are aired it could have consequences on the perceived sustainability performance.	
<b>Influencer</b>	[1] CSR perceptions (+)	[1] (Brunk, (a)(b) 2010)(Peloza et al., 2012)(Synergie et al., 2013).
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	The measurement instrument should count the number of times a positive news item is broadcasted in relation to the organisation.
	[b]	Readings should provide the number of times a positive news item is aired in relation to the CSR program of a firm.
	[c]	The instrument should measure how many times a positive news item is broadcasted in relation to the industry.
	[d]	Likewise, the instrument should count the number of times a positive news item is broadcasted on CSR issues in relation to the industry.
	[e]	It should be indicated which sustainability issues are at stake. A comprehension on the issues can yield more information.
	[f]	Indications should provide information on the impact of a news item.

### 3.10 Industry segment

The industry in which the organization is operating is suggested to correlate to the perceived performance. Individuals are susceptible to industry signals and could project them into perceptions of a specific company. Scholars indicate a relationship between the industry segment and CSR perceptions (Peloza et al., 2012)(Interbrand, 2011)(Boston College Center for Corporate Citizenship, 2010)(Connolly, 2009). Commonly, the service sector has a lower perceived sustainability performance compared to manufacturing sectors (Boerman, 2011)(Connolly, 2009)(Synergie et al., 2012, 2013). A reason is that services are not tangible and are not immediately linked to sustainability. Fuel efficient cars for instance, produce an immediate benefit of sustainability. Savings in petroleum expenses. Which is more visible and tangible over a service (Interbrand, 2011)(Dossier Duurzaam, 2012). In turn a halo effect could be created. By which individuals assume that the manufacturers of fuel efficient cars are engaged in CSR initiatives (Peloza, 2012).

Besides the impact of offering services, the segment could have an impact on CSR perceptions (Interbrand, 2011)(Boston College Center for Corporate Citizenship, 2010)(Connolly, 2009). Not all industry segments enjoy the same reputation. Operating in an industry with a strong reputation could create positive halo effects. By which a more positive perception is projected. Vice versa, a weak industry reputation could lead to a lower perceived sustainability performance (Boston College Center for Corporate Citizenship, 2010). Currently, the financial industry has a reputation under pressure and can be found in multiple rankings at the lower regions (Boston College Center for Corporate Citizenship, 2010)(Peloza et al., 2012). Furthermore, the trust in financial institutions is currently at an all-time low (Kruk et al., 2012). However, within the Dutch sector the Rabobank is attributed the highest trust scores (ANP, 2012).

Research results are mixed on the correlation between an industry segment and the perceived motives for engaging in CSR activities (Kim et al., 2012). Contradictory results are found on the relationship between the industry segment and perceived motives for engaging in CSR activities. It appears that individuals are strongly influenced by the previous perceptions of an organization. Therefore, if an individual has a positive perception of a specific corporation. Then it can ascribe an intrinsic motivation even in an industry having a low reputation.

Not only overall reputation could correlate to the perceived performance, but the sustainability performance of an entire industry could likewise have a correlation (Peloza et al., 2012). Industries with a greater sustainability performance are expected to receive higher perceived performance ratings. As could be read in paragraph 3.5, differentiation of sustainability initiatives compared to other companies could be of importance. A recent report by the Boston Consultancy Group revealed that 27% of the interviewed executives was under the impression that their company was at the same competitive level on sustainability as their competitors. Around 48% reported a just above average (Peloza et al., 2012).

**Recap**

1. The literature suggests that organizations in the service sector generally receive lower perceived sustainability performance ratings over corporations in the manufacturing industry.
2. The industry segment and subsequent reputation could be correlated to the perceived sustainability performance.

**Measurement**

**Table 38:** Measurement factor - Industry segment

Factor	Service or manufacturing industry
<b>Description</b>	Commonly service providers are attributed a lower perceived performance. Compared to manufacturing companies. An underlying reason is the intangible character of services.
<b>Influencer</b>	[1] CSR perceptions (0) (Boerman, 2011)(Connolly, 2009)(Synergie et al., 2012, 2013)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	[a] A binominal measurement should distinguish between manufacturing and service industries.

**Table 39:** Measurement factor - Industry reputation

Factor	Industry reputation
<b>Description</b>	The industry reputation can create a halo effect. Which in turn could be projected on the individual organizations.
<b>Influencer</b>	[1] CSR perceptions (+) (Interbrand, 2011)(Boston College Center for Corporate Citizenship, 2010)(Connolly, 2009)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	[a] The instrument should provide an industry reputation ranking.

**Table 40:** Measurement factor - Sustainable performance of the industry

Factor	Sustainable performance of the industry
<b>Description</b>	The sustainability performance of the entire industry is correlated to the perceived performance of individual organizations.
<b>Influencer</b>	[1] CSR perceptions (+) (Peloza et al., 2012)
<b>Influenced by</b>	N.A.
<b>Requirements</b>	[a] A measure should provide the industry performance on CSR accomplishments and activities.

### 3.11 Halo effects

Throughout the literature halo effects are described. Not merely in the CRS perception literature, but likewise in other areas. A halo effect occurs when an individual draws a general conclusion based upon a few characteristics (Brunk et al., 2011)(Smith et al., 2010). For instance, when an organization is perceived to have an outstanding record in the social dimension individuals could assume an outstanding performance in all dimensions. It is important to understand halo effects, since it implies that organizations should at least draw attention to a few outstanding dimensions. For instance, research indicates an influence of perceived product and service quality on CSR perceptions (Synergie, 2012). Therefore, organizations should pay attention to the product quality as a basis for a proper perceived performance. A research executed in 2008 supports this claim. Scholars asked respondents to rank six topics of CSR in importance. Honesty was ranked first and price-quality was placed second (Connor et al., 2008).

#### Recap

1. Organization should pay attention to 'service' and 'product' quality. Since, it could provide an input for a halo effect. Which in turn can affect the perceived CSR performance.
2. Halo effects can pose as a risk. Because, individuals could base their perception on a few factors.
3. Due to halo effect organizations do not need to excel in all dimensions of CSR.

### Measurement

**Table 41:** Measurement factor - Product and service quality

Factor	Perceived product and services quality	
<b>Description</b>	The perceived quality of products and services can create a halo effect and in turn affect the perceived sustainability performance.	
<b>Influencer</b>	[1] CSR perceptions (+)	(Synergie, 2012)
<b>Influenced by</b>	N.A.	
<b>Requirements</b>	[a]	A measurement should indicate if expectations match experiences.
	[b]	The measurement should provide an insight in the perceived price-quality.

### 3.12 Time

Time has an important effect on all factors discussed in this report. Various factors are not in a steady state and can change through time. This paragraph will discuss a few examples in order to provide a better understanding. As discussed previously, a reputation can be acquired and lost (Stanaland et al., 2011). Therefore, it is reasonable to expect that a reputation changes over the years. Which in turn could have implications on the perceived CSR performance (Bhattacharya et al., 2004)(Boston College Center for Corporate Citizenship, 2010)(van de Ven, 2008)(Trotta et al., 2011). It is assumed in this report that individual knowledge on sustainability issues are time dependent. A greater degree of knowledge could for instance result in a change in expectations and affect perceptions (Pickens, 2005).

Sustainability issues are time dependent. Forcing organizations to adapt to changes in order to retain a relevant CSR policy and to stay competitive (Dinota et al., 2013)(RobecoSAM, 2012). Best practices suggest that organizations should involve stakeholders into CSR strategy development. Involving stakeholders could allow a better understanding on pressing issues within society (Morsing et al., 2006). Another rationale for involving stakeholders is that CSR issues are becoming more unpredictable and volatile (Morsing et al., 2006). Assuming stakeholders are willing to engage in a constructive discussion.

### Recap

1. Time is an important factor. For instance, 'knowledge buildup', 'perceived importance of sustainable development', 'perceived CSR issues' and 'media attention' are all time dependent.

### 3.13 Black box

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A consequence of social sciences are the factors which cannot be controlled or are difficult to research. It is most likely that there are unknown factors which correlate to CSR perceptions. Therefore, a 'black box' has been constructed. This black box should among others serve as a strong reminder that not everything can be controlled. Nor everything is known. An example could be personal experiences.

### 3.14 Discussion on correlations

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This paragraph describes a discussion on the correlations between factors. The factors discovered in the literature are frequently interrelated and constitute a complex model. The first indention discusses the implications of a correlation versus causality. Indention two describes the interrelations between factors. The third indention discusses formative and reflective scales. This paragraph offers various examples to provide a better understanding on the correlations.

#### No causality

Correlations do not imply causality. A well-known example in the literature could provide an insight. Ice cream sales are at its highest when the rate of drowning is likewise the highest. It would be wrong to imply a causal relationship between ice cream sales and the rate of drowning. However, a confounding factor could have affected both the ice cream sales and the rate of drowning. A few examples are mentioned in this indention.

A proper example is the entire research on perceived sustainability performance. Several scholars wrote a paper on the correlation between actual sustainability performance and the perceived performance. On various occasions they found a positive correlation. However, improving the actual performance does not necessarily improve the perceived sustainability performance (Peloza et al., 2012)(Brandlogic, 2012). This report discovered evidence for various confounding factors in the literature.

Another example could be the awareness of stakeholders on corporate sustainability activities. Corporations could communicate about their corporate sustainability activities. However, this does not necessarily translate itself into a larger awareness. Individuals could not be interested in



information on sustainability and consequently ignore the information (Bhattacharya et al., 2010). Sustainability is frequently perceived as difficult to comprehend (Brunk, (a) 2010). Corporations could communicate about sustainability, but individuals do not necessarily understand the message. Competitors could likewise communicate about their sustainability achievements and in turn create clutter.

Neither is the direction always known. For instance, the level of knowledge is suggested to correlate towards media attention (González-Rodríguez et al., (a) 2012). The scholars argue that media attention on sustainability issues can affect individual knowledge on sustainability. However, this specific line of reasoning could be turned upside down. It would be plausible that people who have a certain level of knowledge on sustainability would search for items on sustainability, because they are interested in the subject. For instance, they could watch a documentary and other individuals do not watch the same documentary.

Therefore, care should be taken in interpreting these findings. Firstly, a correlation does not imply causality and confounding factors could be present. Secondly, when a direction is implied it could frequently be reversed and still offer a plausible explanation.

### Similar underlying factors

Several factors appear to have a relationship to similar factors and are frequently correlated towards each other. For instance, the degree of skepticism and perceived motivations could be related towards each other (Becker-Olsen et al., 2006)(Pomering et al., (a) 2009)(Maignan et al., 2001). These relationships would suggest charts moving together and a positive feedback loop could be present.

Various factors discussed are a perception in itself, such as a brand image (Chandon, 2003). A corporate sustainability perception could therefore be an accumulation of perceptions. However, it would be reasonable to expect similar underlying factors and several different factors. For instance, a person could already have a negative attitude towards an organization. Subsequently, this attitude could affect several perceptions of this company (Pickens, 2005). On the other hand experiences per perceptions could differ.

Moreover, most likely not all correlations are written down. Therefore, the factors discussed could be more interrelated than written down. For instance, the example of Nike. Nike was associated with sweatshops (Murray, 2004). The media broadcasted the issue and Nike suffered reputational damages. However, no correlation between a reputation and media attentions is written down. Because this correlation was not mentioned in the examined literature. Another example is a possible correlation between expectations and promises. Both concepts are different, but a correlation could be expected. Promises are voiced by an organization while expectations are shaped by individuals. Commons sense would indicate when promises are voiced expectations could be shaped.

### Formative versus reflective model

Research on the construct 'perceived sustainability performance' is still in an immature phase. Indications are pointing towards a combination of a formative and a reflective model. In various cases the flow of causality appears to be two directional. Within a reflective model causality flows from the construct to the items (Coltman et al., 2008). However, in a number of cases the suggested

causal relationship could be turned upside down by an alternative formulation and still offer a plausible explanation. Therefore, a formative model could be present. Moreover, several indicators appear to have a large degree of interrelations, suggesting a reflective model (Coltman et al., 2008). This suggestion cannot be either falsified or corroborated without proper empirical research. Which could pose as a problem. Within a reflective model dropping an item does not change the construct (Coltman et al., 2008). However, within a formative model it does. In this phase it cannot be said with relative certainty that a reflective, formative or a combination of the two is present.

## 4. Literature review conclusions

The actual and perceived sustainability performance can differ substantially. Perceptions on CSR performance are shaped by individuals and are affected by numerous factors. Which could provide an explanation for the diverging performance ratings. Organizations which received a superior actual<sup>3</sup> performance rating do not necessarily obtain a great perceived rating. For instance, TNT has several times been praised for their corporate sustainability efforts (TNT, 2013). However, this did not translate itself into a great perceived performance (Synergie et al., 2010). This chapter describes the relevant conclusions derived from the literature.

Individuals could rely on a limited number of signals in order to shape a perception. Corporations are regularly a black box and individuals cannot observe everything what is occurring within a firm (Brugman, (b) 2013). Furthermore, individuals are selective in what they observe (Pickens, 2005).

Another challenge are the limited cognitive abilities of individuals, which has an influence on perceived performance (Peloza et al., 2012)(Smith et al., 2010). An implication is that every person is different and each perception could differ per person. Therefore, what works for one person does not necessarily work for another person (Lee et al., (a) 2012). For instance, not all persons are interested in CSR activities and do not search for CSR related information. A person who recently had cancer could assign a greater perceived rating to corporations donating to cancer research (Brunk et al., 2011).

### Limited cognitive abilities

Individuals frequently cannot comprehend the concept of CSR (Öberseder, 2013). In order to simplify the concept people tend to divide CSR into several domains varying in importance. For instance, a fair treatment of employees is frequently viewed as an important domain (Brunk, (a) 2010)(Synergie et al., 2013).

Corporations should acquire an understanding in how individuals segment CSR, especially in their industry sector. Acquiring insights in those domains could help to improve the perceived sustainability performance (Brunk et al., 2011)(Bhattacharya et al., 2010). For instance, by aligning corporate sustainability activities with the important domains.

Stakeholder knowledge on CSR activities performed by organizations tend to be low (Pomering et al., (a)(b) 2009)(Auger et al., 2003)(Bhattacharya et al., 2010)(Peloza et al., 2012). Which would suggest that when knowledge on CSR activities is low then CSR perceptions could be substantially influenced by factors not related to corporate sustainability. As a consequence, general images could be projected into the perceived CSR performance. For instance, a large disturbance in internet banking could already have a negative influence on the perceived performance of CSR activities. This could be viewed as an undesirable situation. Because it would imply that improving a sustainability perception could be to a greater extend not be dependent on sustainability efforts.

Several opportunities of corporate sustainability are based upon behavioural change of stakeholders. For instance, the perceived corporate sustainability performance is correlated towards trust

<sup>3</sup> As indicated earlier, 'actual' CSR performance could be subjective. Because, there is no universally accepted definition of corporate social responsibility. Actual performance implies, measured by a set of factors which are shared throughout the industry. However, the measurement itself could be executed objective.

(Wagner, 2010)(Stanaland et al., 2011). When a sustainability perception is substantially not influenced by actual sustainability efforts. Would the factors affected by a sustainability perception then likewise substantially not being influenced by actual sustainability efforts?

Halo effects influencing the perceived CSR performance could be present. A halo effect occurs when an individual draws a general conclusion based upon a few characteristics (Brunk et al., 2011)(Smith et al., 2010). For instance, a great reputation could be of positive influence on sustainability perceptions (Bhattacharya et al., 2004)(van de Ven, 2008). Likewise, brand images could have an impact on the perceived performance (Interbrand, 2011)(Tonello, 2013). An example is the Disney brand, which is perceived as 'caring' (Peloza et al., 2012). Although a caring brand image does not necessarily relates to corporate sustainability activities it could affect perceptions. Furthermore, brands could be associated with sustainability (van Breukelen et al., 2012).

Organizations should measure the brand image and if it is associated with sustainability. A proper brand image could affect a sustainability perception. Sustainability associations could provide another indication on the perceived sustainability level of the organization.

Organizations should analyze on what factors sustainability perceptions are based. Furthermore, halo effects could entail risks. When a perception is based on merely a few factors then a challenge could ensue if one of these factors drops.

### External factors

A variety of factors not immediately linked to sustainability could affect a sustainability perception and this report categorizes them as 'external factors'. For instance, the perceived quality of the products and services (Connor et al., 2008). Indications are pointing towards an increased weight of price considerations over sustainability considerations (Dossier Duurzaam, 2012).

Organizations should monitor the perceived price-quality of products and services.

Media attention directed towards a company could have an impact on the perceived CSR performance (Brunk, (a) 2010)(Peloza et al., 2012)(Synergie et al., 2013). Positive and negative images could be projected into sustainability perceptions. Furthermore, negative information receives a larger weight over positive information and negative images are quite durable (Brunk et al., 2011)(Skarmeas et al., 2013). It could be argued that news items on sustainability activities could have a greater impact on sustainability perceptions over non-related issues.

What if stakeholder awareness on sustainability activities is low and a negative news item is broadcasted on the unsustainable behavior of an organization. Stakeholders acquired information on an area which they had little previous information. Would this piece of information then be utilized as a proxy for the sustainability performance of an organization during a period of time?

Leading organizations in corporate sustainability should expect a larger degree of scrutiny by the media over mediocre performing organizations (Lou et al., 2012). Evidence suggests a larger degree of attention for leading firms and substandard firms. Leading organizations should therefore anticipate a larger degree of risks related to a corporate reputation and sustainability perceptions.

Organizations should monitor the level of media attention and the sentiment aired. Furthermore, firms should measure the number of broadcasted items related to sustainability and its content. Not monitoring the sentiment could entail a risk. It could lower the ability to pick up early signals and subsequently react to them. Measuring the sentiment could offer an opportunity. Combining the readings with the perceived performance could provide an indication on the impact of the media attention.

Reputation is mentioned throughout the literature and should be considered as a key factor. The literature indicates that a reputation is correlated towards the sustainability perceptions (Bhattacharya et al., 2004, 2010)(Boston College Center for Corporate Citizenship, 2010)(van de Ven, 2008)(Bebbington et al., 2008)(Fombrun, 1990)(Hasanbegovic, 2011)(Maden et al., 2012)(Mohr et al., 2010)(Reputation Institute, 2012)(Stanaland et al., 2011). Furthermore, it has several overlapping dimensions with a CSR perception. Besides overlapping dimensions a proper reputation could among others reduce the number of skeptical people towards a firm and signal non-self-serving motivations (Kim et al., 2012)(Morsing et al., 2006).

The following is important to remember: *“positive reputations are hard to build and easy to lose”* (Stanaland et al., 2011) and negative images are quite durable (Brunk et al., 2011). For instance, although Nike is nowadays regularly recognized for their sustainability achievements (Nike, 2013) it is still sometimes associated with sweatshops (Murray, 2004)(Brunk et al., 2011).

Organizations should measure their reputation.

### Sustainability performance

Actual sustainability performance is correlated towards the perceived CSR performance, ceteris paribus, if individuals are aware of them (Brunk et al., 2011)(Stanaland et al., 2011)(Cho et al., 2012). The financial performance should be treated as a special category. Corporations should not explicitly communicate the benefits a company can derive from engaging in CSR (van de Ven, 2008) and other business activities (Boerman, 2011). It could signal self-serving motives and from a sustainability viewpoint attributed self-serving motives could be undesirable. Individuals are looking for a firm which will not turn bankrupt (Boerman, 2011). However, it would be reasonable to assume that investors and business associates are interested in financial information.

Furthermore, transparency was suggested to be of importance (Boerman, 2011)(Connolly, 2009)(Interbrand, 2011)(Wang, 2011). Increasingly, stakeholders are demanding corporations to open up the black box (Ministerie van Economische Zaken, (a) 2013). Transparency could offer opportunities to corporations. A larger degree of transparency in CSR activities could enhance stakeholder awareness and signal non-self-serving motives (Calabrese, 2012)(Janssen et al., 2012).

Is it desirable when sustainability perceptions are depending substantially on other factors over corporate sustainability factors? On the other hand, creating awareness could be an expensive exercise. For instance, knowledge on CSR tend to be low (Öberseder, 2013). Which suggests that stakeholders should be educated first. Moreover, when the external factors are more favourable compared to sustainability factors then on the short run perceptions could reveal a downswing.

Organizations should measure their actual sustainability performance and perceived transparency.

Corporations should have insights in the degree of stakeholder awareness on CSR efforts.

The importance of CSR areas could change over the years (SE-Consultancy et al., 2012)(Sigwatch, 2009, 2011, 2012). Organizations should be open to these changes and attempt to include these into the measurements.

### Challenging conditions in the financial industry

The financial sector is faced with several challenging conditions. Commonly, the service sector is assigned a lower perceived sustainability performance over the manufacturing sector (Boerman, 2011)(Connolly, 2009)(Synergie et al., 2013). An underlying reason is the non-tangible character of services. By which individuals do not perceive a link to sustainability. For instance, individuals driving a hybrid automobile could capitalize on an immediate benefit of sustainability. Savings in petroleum expenses. Individuals in turn could assume that the car manufacturer itself is engaged in CSR initiatives (Peloza, 2012). While in reality the car manufacturer does not necessarily have to be engaged in CSR activities at all.

Banks offering a sustainable product which produces a benefit resulting in lower costs could affect the perceived CSR performance.

A characteristic of banks is the relatively low number of customer contact points (Brugman, (b) 2013). Subsequently, a lower number of sustainable contact point could be expected. For instance, when a firm depicts a sustainability initiative on a milk carton. Then every time a person pours in milk the individual can view the sustainable message. Which in turn should help to internalise the message. Likewise, a sustainable message could be depicted on an ATM display or a debit card.

People could have a limited number of associations with a company. The question is do people associate an organization with sustainability and is it on top of their mind. Not all people are interested in sustainability and do not necessarily search for information related to this topic. The question is how to establish an association between sustainability and the organization within the minds of people. Moreover, if an organization is readily associated with sustainability would it influence their purchase decision?

Financial institutions should investigate the number of times individuals come into contact with a sustainable message of the bank. A consistent message and a larger degree of sustainable contact points could affect the perceived sustainability performance (Peloza, 2012). However, sustainability communications should be treated with care.

### Action

Numerous actions exist which could affect the perceived CSR performance. This indention will mention a limited number of possible actions. Furthermore, only sustainability actions are mentioned. Because non-sustainability actions could likewise be of influence.

Differentiation of CSR activities compared to competitors could affect the perceived CSR performance (Bhattacharya et al., 2004, 2010).

Organizations should establish if the firm is actually and perceptually differentiating its corporate sustainability programs.

Stakeholders are on the lookout for 'promise-action' gaps (van de Ven, 2008). Corporations are voicing CSR promises, however firms do not necessarily back it up with actions. For instance, a corporation could pledge itself to an equal treatment of women and men. However, when wages and the number of women in senior positions are lower compared to men then a promise-action gap ensues. Likewise, a corporation could pledge itself to a better environment. However, when a toxic spill occurs. Then a promise-action gap ensues.

When individuals are not aware of CSR activities. Then the question arises. Are individuals aware of the sustainability promises voiced by an organization?

Organizations should know which sustainability promises are voiced and if they are backed up with actions.

Besides 'promise-action' gaps, there are 'expectation-action' gaps. Expectations partly influence what we see (Rao, 2008)(Robbins et al., 2012). For instance, when an individual expects unethical behavior of a firm. Then the individual could perceive unethical behavior. Moreover, certain actions are expected of corporations. For instance, individuals expect corporations to obey the law and associate this with CSR (Lee et al., (a) 2012)(Tan et al., 2006). Not obeying the law could be of negative influence on the perceived CSR performance.

Unethical behavior is penalized to a greater extend by several stakeholders than ethical behavior is rewarded (Smith et al., 2010)(Trudel et al., 2009). Suggesting corporations should be vigilant on sustainability dissatisfiers. Managing dissatisfiers could therefore be a minimum requirement in order to acquire a proper perceived sustainability performance.

Corporations should investigate what is expected of them in relation to sustainability and if the organization meets the expectations.

When CSR efforts are aligned with the core business it could have a positive influence on the perceived CSR performance (Bhattacharya et al., 2004)(Boerman, 2011)(Mohr et al., 2010)(Öberseder, 2013)(Peloza et al., 2012)(Pomering et al., 2009)(Synergie et al., 2013)(Tonello, 2013). CSR activities related to the core business are more frequently perceived as logical and are more easily memorized (Becker-Olsen et al., 2006).

Organizations should verify if CSR activities are tied to the core business. When an activity is not related to the core business then it could be wise to explain why the organization is engaging in a specific activity. Otherwise people could view the action as ill logical.

Communication is correlated to the perceived CSR performance (Stanaland et al., 2012). However, communicating CSR activities requires a different approach compared to 'regular' corporate communications. For instance, individuals are wary of 'greenwashing' by corporations. Communications do not merely imply marketing efforts, but are an accumulation of all signals send by an organization. For instance, employees could be important communicators of CSR efforts. Since, they are viewed as more trustworthy within their own social network (Bhattacharya et al., 2010)(Pomering et al., 2008). Therefore, it would be reasonable to communicate sustainability efforts to internal stakeholders.

Certain issues could be adversely charged because of the negative framing in the media (Mulder, 2012). When an organization is not associated with a negative framed issue sometimes the best strategy could be to not communicate about this issue. Which would attract negative attention to the firm. Issues in the media come and go. Likewise, the framing towards an issue could change over time.

## Discussion

Measurements could be divided into four categories; 'stakeholders', 'actual corporate sustainability performance', 'external factors' and 'perceived CSR performance'. Stakeholder measurements offer more qualitative data. For instance, it should include on what areas people tend to divide CSR. External factors are not immediately linked to the actual sustainability efforts. Actual sustainability performance could be viewed as an input factor. The perceived performance could be affected by all three mentioned categories. Therefore, from this point on the report distinguishes between four categories. Which should offer more practical guidelines.

A few important notes should be memorized. Frequently, there is a two directional relationship between a factor and the perceived sustainability performance. Due to the two sidedness several factors appear to move together and a positive feedback loop could be present.

It could be suggested that a positive feedback loop could pose as a certain challenge. For instance, when individuals are aware of a sustainability dissatisfier then the negative effect on several factors could be enhanced due to the entanglement.

Moreover, several factors are actually a perception in itself. Therefore, the perceived CSR performance is an accumulation of perceptions. For instance, the level of transparency could be interpreted as a perception. Some people could view a corporation as transparent, while others do not. This would suggest that all factors are actually more interrelated than described. Finally, there is always the possibility of an unidentified factor having a substantial influence.

During the last pages an insight was provided into the perceptions individuals have of an organization. It was argued that a discrepancy between reality and a perception could either entail risks or missing business opportunities. Likewise, employees within a firm could have a sustainability perception on a business client. If the employee misjudges the sustainability performance of an organization a risk could ensue. For instance, when the environmental risks have been misjudged (Brandlogic, 2012).

## Practical implications

Numerous factors are suggested to correlate to the perceived CSR performance. Monitoring and managing the right factors could allow for an improvement in sustainability perceptions. Which is important because consumer behaviour is among others based upon sustainability perceptions and not reality itself (Robbins et al., 2012). However, practically improving a sustainable perception could be a difficult and expensive exercise. Various factors are interrelated and could require a simultaneously adaptation. Moreover, corporations cannot completely change the context in which it is operating.

It could be assumed that the frequency in which factors are measured can have implications on the information corporations acquire. Depending on the factor the frequency of the measurement can



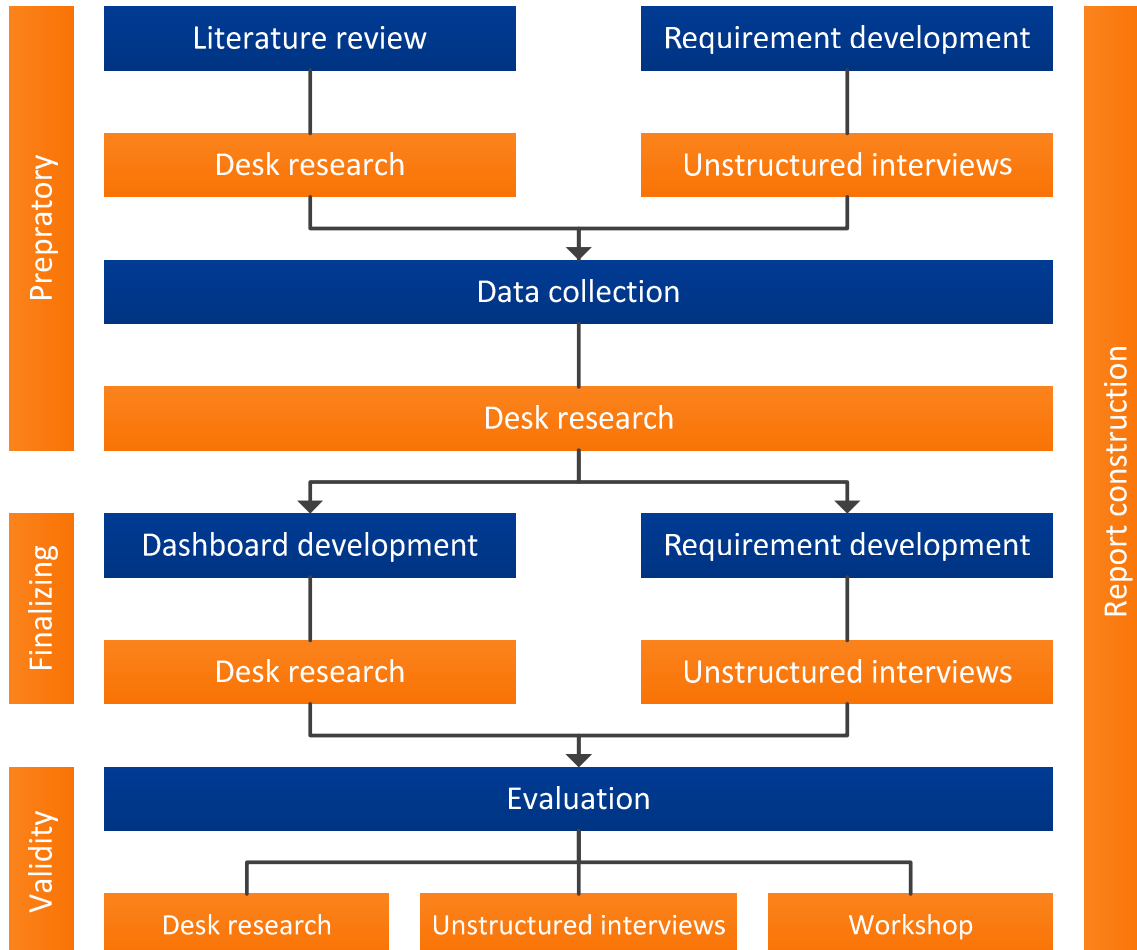
be adjusted. Not all factors require a regular indexation. For instance, it could be helpful to index some factors after a sustainability action. Two examples are provided below.

The perceived sustainability performance should be measured on a weekly basis. Measuring perceptions on a weekly basis could provide a better insight in the relationships between perceptions and related factors. For instance, it could provide an indication on the effectiveness of corporate action in the field of sustainability. Likewise, the media could report on the sustainability accomplishments of a corporation.

Stakeholder awareness should be measured on a yearly basis. Awareness is not a factor which would require a quick action of an organization. This report assumes that awareness does not change rapidly. It provides an indication on the relationship between sustainability efforts and perceptions. When a special sustainability action has been implemented it could be helpful to measure the stakeholder awareness afterwards. In order to gain an insight in the possible effectiveness of the action.

## 5. Dashboard design

This chapter discusses the methodology of the thesis project. The methodology of the literature review is excluded. Which was discussed in a previous section. The structure of the chapter is based on a chronological order of events and is presented in the overview below.



### 5.1 Dashboard requirements and validity

**Objective:** Develop a dashboard which is relevant for the sustainability department and the organization itself.

**How:** The requirements and validity verifications are based upon three separate methods. Unstructured interviews were utilized in order to established the requirements and validate the dashboard. Among others a workshop and a newspaper analysis were used for validation purposes.

#### Unstructured interviews

A number of unstructured interviews were held during which the requirements were formulated. Some employees were contacted multiple times in order to guide them through the process. Especially, the targeted audience was contacted on a regular basis. The underlying reason is to align the dashboard with the targeted audience. The unstructured interviews frequently lasted between 45-60 minutes.

Three timeframes can be distinguished; 'preparatory', 'finalizing' and 'validity check'. The preparatory phase took place before the dashboard construction. During the other two phases at least a mock-up design was present. The topics are listed in the tables below. None of the conversations were recorded. Notes written during the interviews were immediately typed out afterwards. Immediately typing out notes could lower bias of the researcher (Sekaran et al., 2011).

### **Workshop**

A workshop of one hour was held in order to create awareness on the limitations of the dashboard. Furthermore, the workshop offered a validity check. The issue topics are written in a table below. Besides creating awareness it was a last chance to establish if there was really no systematic information on the issues written below. Moreover, the question arose; *'does the Rabobank need all this information'*. Are all ideal factors necessary in order to utilize the dashboard.

Expertise domains of the participants included reputation management, corporate communication, corporate social responsibility, sustainability KPIs and issue management. Before the workshop the communication model, the dashboard and all issue topics were emailed to the participants. The email explained why these topics could be issues. An elaboration on the topics can be read in paragraph 7.8.

One extra validity step was added. Before the workshop an unstructured interview took place with a communication manager who had an overview on the corporate communications of the Rabobank Netherlands. The main two objectives were to acquire an insight on the communication issues of the workshop. Moreover, to ask an opinion, if it would be realistic to measure all sustainability communications. A short insight is provided below.

### **Newspaper analysis**

Five Dutch newspapers were analysed on a number of topics not merely related to sustainability. The main reason was attempting to find a relationship between the threads in the newspapers and the corporate sustainability perceptions of the Rabobank. *'Could the threads provide an explanation for a change in the perceived sustainability performance of the Rabobank'*. The five newspapers included; 'Algemeen Dagblad', 'NRC Handelsblad', 'het Parool', 'Trouw' and 'de Volkskrant'.

**Sample:** Judgement sampling was applied for the workshop and the unstructured interviews (Sekaran et al., 2011). Not all employees possessed the knowledge required. The workshop included employees outside the sustainability department. Because a perception is not merely based upon the sustainability efforts of an organization.

**Topics:** The list below presents the main topics during the interviews with Rabobank employees.

## **Preparatory phase**

**Whom:** A communication manager, a sustainability reporting manager, an issue manager and two project members sustainability strategy. A total of five employees.

**Dashboard version:** No version of the dashboard was available. However, the communication model was used in several interviews.

**Table 42:** Topics preparatory phase

#	Topics
1	For whom is the dashboard intended?
2	What should the dashboard do?
3	What are the requirements of the dashboard?
4	Should the dashboard include benchmarks?
5	What are the underlying reasons for requesting the dashboard?

## Finalizing phase

Whom: The department head, a project member sustainability strategy, a sustainability reporting manager and an issue manager. A total of four employees.

Dashboard version: A mock up version of the dashboard is available. For instance, the colors could be diverging or too many charts are included.

**Table 43:** Topics finalizing phase

#	Topics
1	For whom is the dashboard intended?
2	Do employees understand the dashboard without an explanation, is it intuitive?
3	At which timeframes should the information be updated?
4	Does the dashboard meet the requirements?
5	Does the dashboard meet the expectations?
6	Is there anything missing?

## Validation phase

Whom: The department head, a project member sustainability strategy, a sustainability reporting manager and an issue manager. A total of four employees. The dashboard was emailed to the respondents before the interview took place. Which allowed individuals to read the dashboard without any help.

Dashboard version: The dashboard was in this phase almost finished.

**Table 44:** Topics validation phase

#	Topics	Comment
1	Is the dashboard understandable?	When individuals cannot understand the dashboard then it would be less useful.
2	Is the right information included into the dashboard?	Information should be relevant for the target group.
3	Is the amount of information provided enough?	Information could be relevant. However, too little information could be provided. Likewise, too much information could be presented.
4	Is the dashboard trustworthy?	It is assumed that before the information within the dashboard is used it should be trustworthy.
5	Does the dashboard contains too many pages?	It is assumed that when the dashboard is too long employees do not read it.

## Reactions during interviews

### Workshop

Whom: A sustainability reporting manager, a public relations manager, a communication manager and an issue manager. A total of four employees, excluding myself. All employees are known with the project and have seen the dashboard and communication model before.

Version dashboard: The dashboard is finished.

## Reactions during the workshop

### Newspaper analysis

## 5.2 Data collection

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Objective: Collect all the relevant data which could be utilized as an input for the dashboard. Implying secondary data (Sekaran et al., 2011). During this phase a broad data set was collected. Because it was not known what eventually would be used. Subsequently, data sets were removed step by step from the dashboard. Validity issues with the measurements weren't taken into account during this phase, except for face validity.

Method: Information originates out of internal and external sources. External data sets were found on the World Wide Web. Internal data sets were discovered within the organization itself. A database in Excel was constructed which categorized information on the basis of the literature review.

Selection criteria: A number of selection criteria was used and are based upon the scope of the project. The selection criteria utilized are listed below. Few criteria were drawn up, because a large data set was required.

**Table 45:** Selection criteria data collection

#	Criteria	Explanation
1	Based on literature	Information should align with the measurement factors which were indexed during the literature review.
2	Current data	Information should be available on the year 2012. Otherwise it is not possible to provide a snapshot of the current situation.
3	Longitudinal data	Longitudinal data allows to analyse historical trends. Therefore, only data sets with longitudinal data were indexed.
4	Netherlands	The project is focused on the Rabobank within the borders of the Netherlands. Therefore, reports should focus on the Netherlands.
5	Rabobank	The thesis is focused on a financial institution the Rabobank. Information should therefore relate to the organization or financial institutions.

## External information

**Search terms:** A number of key words were entered into ‘Bing’ and ‘Google Search’ (see the table below). The keywords are divided into first, second and third order search terms. First order keywords are the primary keywords complemented with second and third order search terms. Horizontal rows are ‘AND’ terms. Vertical columns are ‘OR’ terms. Due to the focus on the Netherlands all search terms were entered in both Dutch and English.

**Table 46:** Search terms

First order	Second order	Third order
Corporate Responsibility	Assessment	Bank
CSR	Award	Banks
Corporate Social Responsibility	Benchmark	Financial institution
Environment	Image	ING
Ethics	Index	Rabobank
Green	Performance	Triodos
Sustainable	Perception	
Sustainability	Ranking	
Transparency	Rating	
	Score	

**Results:** A variety of reports was found on a number of factors relating to corporate sustainability perceptions. However, a substantial number of reports were already terminated or are not released on a structural basis. Furthermore, several consultancy groups release an annual report on sustainability perceptions. However, these organizations change the presented information which makes it hard to find longitudinal data. The underlying method used by the consultancy organizations did not necessarily change.

## Internal information

### 5.3 Dashboard development

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**Objectives:** Select the information which yields a proper picture. Various factors were indexed, but among others frequently contained similar information. Therefore, not all information was inserted into the dashboard. Which would merely add to the complexity. Moreover, the validity was not properly verified yet.

Another objective is to choose the right order of presenting information in the dashboard.

#### Selection of factors

**Selection criteria:** A number of selection criteria was utilized and it focuses on the Rabobank. The selection criteria are listed below. The sequence is based upon the alphabet. Selection criteria are based upon the interviews with the Rabobank employees, the literature review and logical reasoning.

**Table 47:** Selection criteria for including factors into the dashboard

#	Criteria	Comment
1	Dashboard requirements	A dashboard could be useful when it aligns with the organization and target audience (Smith, 2011). For instance, the charts and tables should be focused on the financial industry. Various external reports are to a greater extent focused on manufacturing industries. Which does not necessarily apply to the financial industry and could provide a skewed image. The dashboard requirements are based upon the unstructured interviews and can be read in chapter six.
2	Decreasing overlap	Several indexed charts are containing overlapping factors. Decreasing the number of overlapping factors is preferred over increasing the number of overlapping factors. When charts have similar underlying factors then to an extent they could move in a similar direction (Brugman, (e) 2013). This could distort information. A separation could lead to an improved representation of the situation.
3	Longitudinal data	Information sets with a larger number of historical data points are preferred over information sets with a limited number of longitudinal data points. The main reason is to enable progress monitoring and not be too vulnerable to a onetime event (Sekaran et al., 2011). Otherwise, a skewed image could arise. Furthermore, sustainability implies a long term vision.
4	Literature review	During the data gathering a requirement was that factors should align with the literature review. Verifying the factors a second time could allow for an improvement in the selected factors. For instance, the literature discussed brand images (Mohr et al., 2010)(Becker-Olsen et al., 2006). However, several external reports indexed brand value. Subsequently, brand value factors could be excluded.
5	Peer Group	It is assumed that a number of factors have similar values for the peer group. Factors with similar values could be excluded. Because they should present a similar influence. For instance, all peer companies are large organizations and are operating in the service sector.

#	Criteria	Comment
6	Reliability	<p>Measurements should be consistent (Sekaran et al., 2011). Two notes are in order. Only preliminary research has been performed on the perceived sustainability performance. As a consequence several constructs have not been properly researched yet. Secondly, this report depends strongly on the publicly available information provided by external organizations. Therefore, several reliability tests cannot be established due to a lack of information.</p> <p>However, it is possible to take certain reliability issues into account. For instance, indexing the sample. This report attempted to identify a number of reliability issues.</p>
7	Stakeholder segmentation	<p>Information supporting stakeholder segmentation is preferred over information which does not support this. Not only is the ability to segment stakeholders a requirement. Differences in perceptions between groups can be expected due to diverging characteristics (Pickens, 2005).</p>
8	Validity	<p>Factors included into the dashboard should provide a valid picture. They should measure the concept as intended (Sekaran et al., 2011). Two notes are in order. Only preliminary research has been performed on the perceived sustainability performance. As a consequence several constructs have not been properly researched yet. Secondly, this report depends strongly on the publicly available information provided by external organizations. Therefore, several validity tests cannot be established.</p> <p>However, it is possible to establish a number of validity issues. This report indexed if the information provided aligns with the theory and subsequently offered face validity. As a consequence, scholar could in a later time frame falsify the research.</p> <p>Moreover, questions presented by surveys were analysed on bias. Therefore, among others questions should not be double barred or ambiguous. Which could elicit multiple answers (Sekaran et al., 2011). Likewise, questions should not elicit a socially desirable response (Sekaran et al., 2011). For instance, <i>'do you think sustainability is an important topic'</i>. It is assumed that this would lead to a socially desirable response.</p>

## Selecting the order of information

Two key selection criteria were utilized in order to establish the sequence of charts. The main research question relates to sustainability perceptions. Therefore, sustainability perceptions are presented first. Not all categorizations are within the influence sphere of the sustainability department. Categorizations which are substantially related to the sustainability department are presented earlier. Compared to categorizations at which the department has little relationships or influence over.

### 5.4 Underlying sources

This paragraph discusses the underlying sources presented in the dashboard. The indentions elaborate on the underlying methodology applied and validity-reliability issues. The sources are sequenced on the alphabetic order. An important note is in order. The validity-reliability issues indexed are often based upon publicly available information. Therefore, information could be not entirely complete. Not all questions included in the dashboard are presented in this chapter, these are provided in chapter 7.



## Reputation award

The reputation award is constructed by the 'Reputation Institute' and is a consulting company (Reputation Institute, (b) 2013). Every year the organization releases a report containing the reputation rating of the thirty largest corporations in the Netherlands. Therefore, the report is biased towards the thirty largest companies in the Netherlands.

The organization developed a methodology to measure the reputation of a corporation and performance scores range between 0-100. One hundred is the largest performance score a company can receive. A reputation is measured on 23 key performance indicators and are categorized on 7 dimensions. The dimensions are; 'leadership', 'products and services', 'governance', 'performance', 'innovation', 'citizenship' and 'workplace' (Reputation Institute, 2011). These are greatly corresponding to the worldwide used Reputation Quotient (Hillenbrand et al., 2007)(Maden et al., 2012). Moreover, the seven dimensions are adjusted for the cultural difference between a country. It is reasonable to expect cultural differences, because cultural differences among others correlate to the perceptions of business ethics (Wang, 2011)(González-Rodrigues et al., (a) 2012). For instance, in 2011 the products and services received a weight of 22.6% within the Netherlands. Besides an adjustment in the dimensions and adjustment is performed in the scores. The organization states that some cultures are universally more positive in their responses (Reputation Institute, 2011). In 2011, the scores of the last four years were modified in order to capture a change in responses. The organization uses an online survey.

Only respondents who are 'somewhat' or 'very familiar' with the organization are included into the analysis. Otherwise, a perception could be based upon too little signals. Suggesting that respondents are aware on several corporate actions and are therefore better able to judge a company. Respondents are divided into 'age' and 'education level'. A minimum sample size of 1200 respondents per company exists. During 2011, a total of 11.000 respondents were collected (Reputation Institute, 2011).

The methodology used by the Reputation Institute could be considered as a reliable measurement. Not only is the methodology a standardized method (Reputation Institute, 2011), it has been executed various times across several countries across the globe. However, the consulting organization did not share all information. Therefore, it is not possible to provide a definitive answer to several types of reliability. The measurement developed does offer a high face validity. Which appears to correspond to the well accepted Reputation Quotient (Hillenbrand et al., 2007)(Maden et al., 2012). Another line of reasoning, Charles Fombrun one of the scholars who developed the widely used Reputation Quotient. Is one of the founders of the Reputation Institute (Reputation Institute, (c) 2013). Which could provide more weight to the measurement.

**Table 48:** Validity-reliability issues, Reputation Institute

<b>Validity issues</b>
(-) A variety of validity tests could not be established.
<b>Reliability issues</b>
(-) The report is biased towards the thirty largest corporations in the Netherlands.
(-) The methodology applied changed during 2011.
(-) An online survey is used. Therefore, the sample is not necessarily representative.
(-) Only people who are 'somewhat' or 'very familiar' with an organization are included. Therefore, the sample is not representative.
(-) It is not known in what time frame the Reputation Institute executed the survey. It appears that the survey could be somewhat skewed towards a single event. For instance, SNS Reaal declined substantial between 2012-2013. SNS Reaal was nationalized in the start of 2013 (NOS, (d) 2013).
(-) Various reliability tests could not be established.

## Transparantie Benchmark

The Transparantie benchmark is an initiative of the Ministry of Economic Affairs and is released on a yearly basis (Ministerie van Economische Zaken, (b) 2013). It ranks the sustainability reports of various organizations on a number of criteria and does not merely include large corporations. For instance, the ranking includes universities and governmental institutions as well. In 2012, 473 reports were ranked (Ministerie van Economische Zaken, 2012).

The scores are based upon documents which are publicly available and can be acquired against no costs (Ministerie van Economische Zaken, 2012). When an organization cannot substantiate a criteria by a public document it receives zero points. Total scores can range between 0-200 and 200 is the largest score an organization can receive. After 2010 the maximum scores changed (Ministerie van Economische Zaken, (c) 2013). Organizations are required to fill in a self-assessment. Which are verified by an independent organization on the basis of a sample. Subsequently, a jury panel can increase or decrease the scores by a maximum of fifteen percent. The Transparantie benchmark is based upon fifty criteria. Scores of individual criteria are added together in order to calculate the total scores. The criteria are based upon standardizations, for instance an alignment exists between the ranking and the Global Reporting Initiative (Ministerie van Economische Zaken, (c) 2013).

The Transparantie benchmark could be interpreted as a somewhat reliable instrument. When the self-assessment is repeated it should yield the same results. Assuming organizations will not enter wrongfully information into the questionnaire (Windolph, 2011) and the verifying company will not overlook information. Likewise, the expert panel could distort the repeatability. Because, it could lower the objectivity of the ranking. The validity is debatable. It appears that transparency is actually a perception in itself. Since, it is an interpretation of reality. Therefore, the concept of transparency could be difficult to apprehend. For instance, information could be presented, but the report could feel ill-transparent. However, the rankings are based upon standardized criteria, such as ISO norms. Which could increase the validity of the Transparantie benchmark.

**Table 49:** Validity-reliability issues, Transparantie Benchmark

<b>Validity issues</b>
(-) Construct validity could be not entirely met.
(-) Various validity tests could not be established.
<b>Reliability issues</b>
(-) The sample is not random.
(-) Employees could accidentally fill in wrongfully information.
(-) Another employee could fill in the questionnaire in other years.
(-) Employees filling in the questionnaire differ per organization.
(-) The organization verifying the information could overlook information.
(-) The methodology could change over the years.
(-) The jury panel could distort the results.

## 5.6 Research limitations

A number of research limitations surfaced during the project. This paragraph discusses known limitations. Not all limitations are discussed. Paragraph 3.14 already elaborated on the interdependencies between factors. Including among others correlations and non-causality. A discussion on the limitations of the dashboard itself is written in paragraph 7.8. The validity of the dashboard is discussed in paragraph 7.9. Topics are sequenced on alphabetical order.

### 5.6.1 Scope

#### Cooperative structure

Local banks of the Rabobank have the freedom to set up their own initiatives. Therefore, CSR efforts are not equal in all areas of the Netherlands (Brugman, (c) 2013). It is reasonable to suggest a difference in perceived performance per area (González-Rodríguez et al., (b) 2012).

#### Large corporations

It was discovered that frequently only large corporations are included into analyses. This report assumes that small and medium enterprises could be as sustainable or even more sustainable over large corporations. Therefore, this research is skewed towards larger corporations and is only applicable on large corporations.

#### Netherlands

Focusing on the Netherlands lowered the generalizability to other countries (Truscott et al., 2009). Scientific research suggested an impact of cultural and national differences on attitudes and perceptions towards CSR initiatives (Beckmann, 2007)(Dinota et al., 2013)(Wang, 2011). Therefore, the developed framework is not applicable to other countries. Research should indicate which dimensions are applicable to other countries.

### 5.6.2 Secondary sources

#### Change in measurements of external reports

Sometimes external ranking organizations change the manner in which they assign sustainability ratings to corporations (van den Hurk, (c) 2013). An underlying reason is to keep the measurements up to date with sustainability issues. This lowers the reliability of the external reports. However, it implies that all organizations included are faced with a similar change. Therefore, there should be no substantial impact on this analysis.

### 5.6.3 Stakeholders

#### Stakeholders grouping

During the research stakeholders were grouped based upon common characteristics. However, it is reasonable to expect that within these groups people could have different perceptions (Murray, 1997). For instance, a research found support for a discrepancy of perceptions based upon the majors college students attended (Wang, 2011). Further research could investigate differences within groups.

#### Stakeholders in previous research

It was established that in several previous analyses the investigated population was not representative for the entire population. Frequently, the analysis included; 'students', 'customers' or, 'employees'. However, society is much broader. Therefore, conclusions drawn at previous research is frequently not representative for the complete society. This report largely focused on customers. No substantial impact is therefore expected.

#### Triple bottom line

Several secondary sources implicitly assume that stakeholder perceptions are based upon triple bottom line thinking (Wang, 2011). However, this does not have to be the case (Korslund et al., 2012). Therefore, the conclusions drawn in those analyses are quite possibly not entirely accurate.

### 5.6.4 Validity and reliability

#### Construct

Previous research did not use an unequivocally construct for the perceived corporate social responsibility performance. A difference in the construct could imply diverging results. Further research could provide a better understanding.

#### Little previous research

Little previous research was executed on the topic of corporate sustainability perceptions (Brunk et al., 2011)(Öberseder, 2013). Inherently weakening the scientific basis of the project. This research should add to the body of knowledge on corporate sustainability perceptions. Future research could falsify the research or elaborate on components.

#### Missing factors

Perceptions could be based upon numerous factors. For instance, mail which has been wrongly delivered could already be an influencing factor. All those signals contribute to a perception (van der Meulen et al., 2012). Identifying all factors is not possible in this amount of time, thereby lowering the validity of the framework. On the other hand, the proposed model should include all substantial factors. Since, it is based upon a literature review.

### **Reflective versus formative model**

Research into the construct of 'perceived sustainability performance' is currently in an infancy phase. Therefore, the model type is not known. Indications are pointing towards a combination of a reflective and a formative model. However, without proper empirical evidence it remains a suggestion. Empirical research could provide a better understanding.

### **Sampling bias**

A judgement sampling approach is used for the interviews and this choice can create a bias (Sekaran et al, 2011). Other respondents could have among others provided different responses.

### **Standardized method**

No standardized and accepted method was found which could index the perceived sustainability performance. Further research could falsify or corroborate this analysis on sustainability perceptions.



## 6. Dashboard requirements

Based on several unstructured interviews within and outside the sustainability department, requirements were formulated. Foremost, the dashboard should provide a clear and understandable representation of the relevant information available. The table below presents the requirements.

## 7. Results

This chapter discusses the results of the thesis project in relation to the Rabobank. The implications of a movement within a chart are not described. Nor are the underlying mechanism for a movement discussed. Which could be based upon numerous factors and it is not realistic to index them in this time frame. Both can be read on a general level in the literature review or the conclusions.

A discussion on the sources of the dashboard is presented in paragraph 5.4. An in-depth discussion on validity and reliability issues can likewise be found in paragraph 5.4.

### Reputation

**Peer group:** Compared to five years ago the discrepancy between the Rabobank reputation performance and two peer companies decreased, as measured by the annual reputation award (Reputation Institute, 2010, 2011, 2012)(Reputation Institute, (a) 2013). However, the Rabobank still has the strongest reputation in the peer group.

**Rabobank:** Compared to 2009 the Rabobank presents a (small) downswing from 77.3 to 73.2 in 2013 out of 100 points.

**Validity:** The dimensions taken into account greatly correspond to the 'Reputation Quotient' which is widely accepted (Hillenbrand et al., 2007)(Maden et al., 2012). Questions of the Reputation Quotient are known and are presented in the table below. These questions should provide a better understanding, but these questions do not necessarily perfectly align with the questions written by the Reputation Institute. Sentences in the table below are quotations (EURIB, 2009).

**Table 50:** Reputation Quotient questions

#	Question	#	Question
<i>Emotional appeal</i>			
a	I have a good feeling about the company	c	I admire and respect the company
b	I trust this company		
<i>Products and services</i>			
a	Stands behind its products and services	c	Offers high quality products and services
b	Develops innovative products and services	d	Offers products and services that are good value for money
<i>Vision and leadership</i>			
a	Has a clear vision for its future	c	Recognises and takes advantage of market opportunities
b	Has excellent leadership		
<i>Workplace</i>			
a	Is well managed	c	Looks like a company that would have good employees
b	Looks like a good company to work for		
<i>Social and environmental responsibility</i>			
a	Supports good causes	c	Maintains high standards in the way it treats people
b	Is an environmental responsible company		
<i>Financial performance</i>			
a	Has a strong record of profitability	c	Tends to outperform its competitors
b	Looks like a low risk investment	d	Looks like a company with strong prospectus for future growth



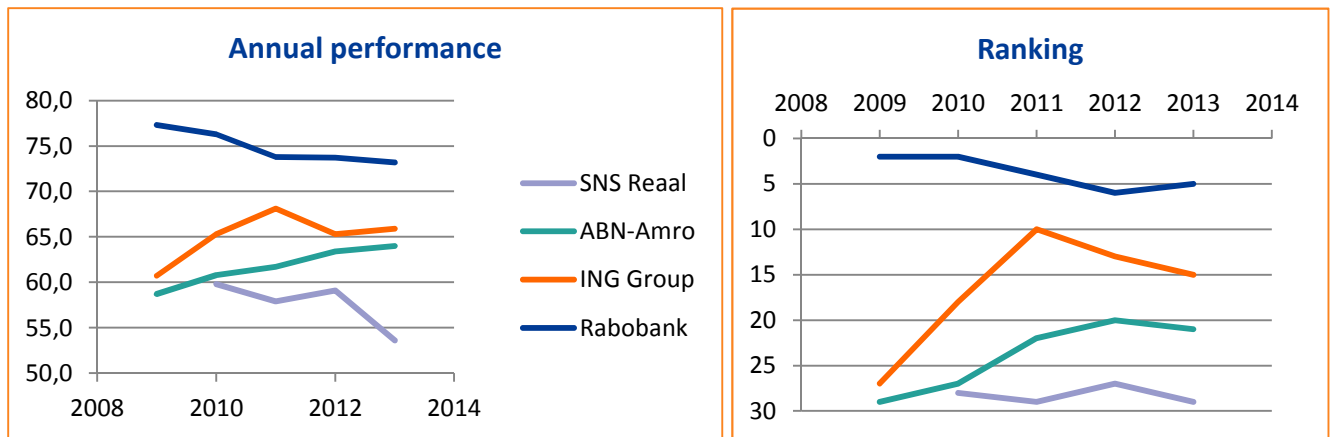


Figure 2: Reputation

### Transparency: CSR reporting

**Peer group:** Compared to 2010 all peer companies increased their rating (Ministerie van Economische Zaken, (b) 2013). Furthermore, in 2012 ING overtook the Rabobank. The discrepancy in performance between the Rabobank and the peer group decreased during 2010-2012.

**Rabobank:** The Rabobank reveals a downswing in performance between 2010-2012. Furthermore, the Rabobank received a lower ranking in this period of time.

**Validity:** The charts are based upon a rigid sustainability framework and offers a valid picture.

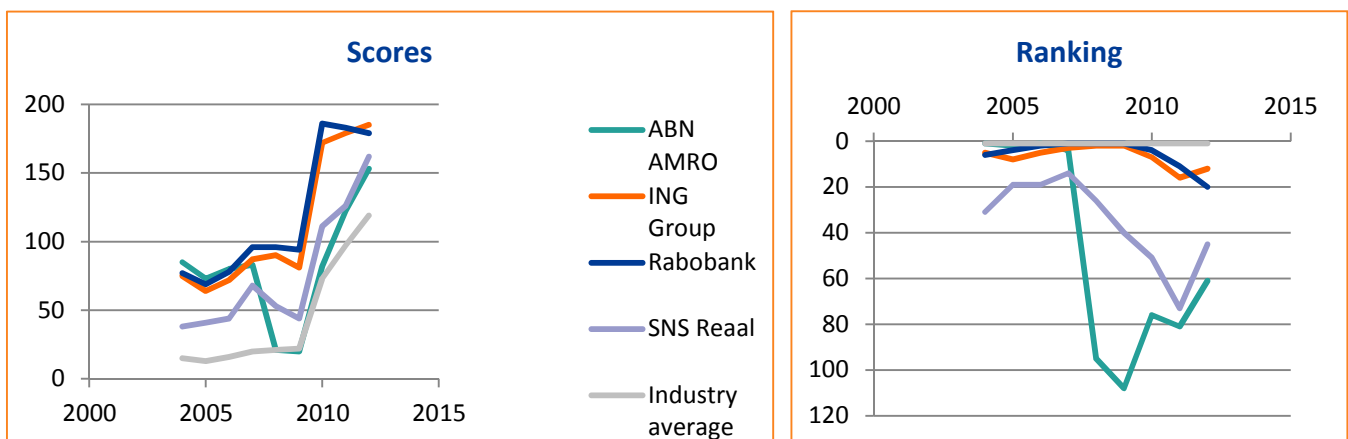


Figure 3: Transparency in CSR reporting

### Topics NGO campaigns

The table below presents the topics on which NGOs were focusing in relation to European banks (Sigwatch, 2011, 2012). As can be seen the regulation of financial institutions was an important topic during 2012. The ranking provides an overview on the relevant topics for NGOs.

nov-11	nov-12
Tax havens, avoidance & financial transparency	Regulation of financial institutions
Funding of carbon industries	Tax havens, avoidance & financial transparency
Regulation of financial institutions	Funding of carbon industries
Tobin tax, Robin hood tax	Speculation in agriculture commodities
World bank, IMF and other MLAs	CSR standards for financial institutions

**Figure 4:** NGO attacks on banks in Europe

## 7.8 Limitations of the dashboard

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## 7.9 Validity of the dashboard

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## 8. Conclusions

The perceived and actual sustainability performance do not necessarily align. It could be quite the opposite. The actual sustainability performance could improve while the perceived performance declines or vice versa. During the thesis several underlying mechanisms which could provide an explanation on why a misalignment emerges were discovered. The research question was; ‘design a dashboard which provides an insight in the perceptions stakeholders have on the sustainability performance of the Rabobank’.

This chapter describes the relevant conclusions for the organization and science. Additional in-depth information on the written conclusion can be read in previous chapters. Neither are the limitations of the dashboard discussed which could be read in chapter seven. Conclusions on the literature review can be read in chapter four.

### Research questions

Several research questions were established at the start of the project. This indention briefly provides an answer to all the research questions.

### Practical implications

#### Scientific relevance

Perceived sustainability performance has largely been unexplored in the scientific literature. This thesis connected various dimensions and offers a better understanding in corporate sustainability perceptions. A number of scholars researched some areas but did not connect them. Neither have scholar applied the theories in a business environment. This project could offer a number of guidelines on how to apply the scientific knowledge on sustainability perceptions in a business environment. Furthermore, the report provides preliminary information on how to lower the discrepancy between perceptions and reality.

Most importantly the report offers an insight in factors having a relationship with sustainability perceptions. It appears that scholars and practitioners recently obtained an interest in this topic. Articles on this topic often originated within the last five years. Hopefully, this thesis can add to the body of knowledge.

### Reflection

#### Management of Technology

The Technical University of Delft has a strong reputation on sustainability topics. Corporations aspiring to become a leader in sustainability should not only manage their actual sustainability performance, but the perceived sustainability performance as well. Therefore, a dimension of sustainability is the perceived corporate sustainability performance. Among other it provides a strong rationale for engaging in sustainability activities. For instance, several basic dimensions of sustainability should be covered by companies in order to acquire legitimacy. Companies which are not fulfilling these basic necessities could face reputational damages when individuals become aware of them.

## Responsible innovation

Perceived sustainability performance has several interfaces with the master Management of Technology. Technology is not necessarily something physical. Likewise, 'innovation' does not necessarily imply an improvement of a tangible product. Banks themselves could be innovative. For instance, the Rabobank could lower the interest rates for sustainability leaders. Which is a product innovation. This project provided arguments for responsible innovations within the internal processes of the Rabobank and in the products it offers. For instance, a larger degree of 'transparency' appears to be valued within Dutch society. The Rabobank should attempt to understand what society values and what they require of the organization. Fulfilling these 'requirements' in innovation processes could lead to a more desirable outcome from a societal standpoint.

## Marketing

Furthermore, several courses within the master Management of Technology relate to the perceived sustainability performance. A sustainability perception could be substantially affected by marketing efforts. Communicating sustainability efforts requires a certain finesse and differs from regular corporate communications. Brand associations could likewise be strongly depended on marketing efforts. Which would suggest that sustainability brand associations could be substantially related to marketing efforts.

## Strategy

Sustainability perceptions are related to a corporate strategy. For instance, within the strategic management literature engaging in corporate sustainability activities is viewed as a method to differentiate an organization. Differentiation is likewise important in perceptions. Furthermore, a perceived sustainability performance could be viewed as an intangible asset with the potential to become a source for a competitive advantage. The asset requires certain flows in order to improve its 'stock'. A perceived sustainability performance could be difficult to imitate. The asset could be path dependent and social complex. Likewise, the asset is immobile. Other banks cannot buy this asset neither can the Rabobank sell it. Therefore, acquiring a proper perceived sustainability performance could require strategic thinking.

Management of Technology is among others aimed at analyzing corporations. This project analyzed the Rabobank Netherlands on the perceived sustainability performance. Finally, Management of Technology teaches students how to perform a proper research. This thesis applied the knowledge acquired in Management of Technology.

## 9. Recommendations

A number of recommendations were formulated for the Rabobank and are discussed in this chapter. Likewise, certain question marks arose during the project and could provide an input for future research.

### Practical

### Scientific

A number of pointers for further scientific research arose during the research. Several areas within the perceived sustainability performance domain have largely been unexplored. Information on perceived performance could be of value to organizations, because behavior is based upon our perception of reality and not reality itself. It is relatively easy to provide pointers for further research, because little previous research exists on this topic. A few are mentioned below.

#### Empirical research

In various dimensions proper empirical research has not been executed yet. On a number of occasions research was performed by one scholar. Which would suggest that the research has not been falsified or a higher corroboration degree could be reached. Empirical research could provide a better understanding in the relationships.

An underlying problem is the inability to formulate a definition of 'corporate social responsibility'. It could be problematic to measure a construct which does not have a widely accepted definition. Nowadays organizations frequently adhere to three dimensions in order to frame corporate sustainability. However, not all individuals frame corporate sustainability into these three dimensions. It would be possible that the construct of perceived sustainability performance therefore does not correspond to the three dimensions.

#### Formative versus reflective model

It is not exactly known if the perceived sustainability performance represents a formative or a reflective model. Indications are pointing towards a combination of the two. Further research should attempt to find empirical evidence on this topic. Among others, at this phase the causal flow is yet too uncertain in order to provide an answer. Likewise, several items appear to be highly correlated towards each other. However, this suggestion has to be examined by proper empirical research.

#### Standardized method for measuring sustainability perceptions

Within the literature no standardized method exists in order to measure the perceived sustainability performance of organizations. One scholar and a number of practitioners recently developed a framework for measuring the perceived sustainability performance. The framework consists of various factors related to the ESG guidelines.

However, individuals have limited cognitive abilities. Which would suggest that individuals cannot properly answer all the questions. Consequently, individuals could assign a rating based on non-sustainability related signals. This would lower the validity of the method. Likewise, because of these limited cognitive abilities it would be reasonable to argue that individuals do not take all these factors into account in order to shape a perception. Therefore, a limited number of questions could

possibly capture the perceived sustainability performance. Scholars should develop a standardized framework for measuring the perceived sustainability performance.

### **Taking awareness into account**

Several scholars are indicating a relationship between the sustainability performance and the perceived sustainability performance. Either scholars performed a research under lab conditions or in a non-contrived setting. The former provided subjects with a hypothetical sustainability activity of a firm. The latter utilized a sustainability rating and a perceived sustainability rating of real-life companies.

However, other scholars are indicating a low awareness on sustainability activities performed by an organization. The lab experiments are indicating a positive correlation between sustainability actions and perceptions. In a real environment the relationship between the two could be small or even non-existent. Within a non-contrived setting when awareness is low a large degree of non-sustainability factors affecting a sustainability perception could be present. Therefore, further research should analyze the impact of stakeholder awareness on sustainability activities in relation to the perceived sustainability performance.

### **Reputation**

Indications are pointing towards a strong overlap between the perceived corporate sustainability performance and a corporate reputation. Both appear to be correlated towards similar factors. Further research should investigate the relationship between both concepts. However, before this relationship can be researched a proper definition of corporate sustainability is required. For instance, is price-quality a dimension of corporate sustainability.

### **Financial crisis**

On various occasions the financial crisis was mentioned in relation to sustainability perceptions. Could the financial crisis be viewed as a confounding factor? Moreover, what is the influence of the financial crisis on sustainability perceptions.

**Section D: Appendices and references**

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## Appendix

### A Rabobank

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## B Research questions

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### Main research question

How can a dashboard provide an insight in the perceptions stakeholders have on the sustainability performance of the Rabobank?

### Requirements

#### A.1 What are the requirements for the dashboard?

- A.1.1 For whom is the dashboard?
- A.1.2 What should the dashboard do?

### Theories and literature

#### B.1 What theories are applicable?

- B.1.1 What methodological frameworks can be used?
- B.1.2 Which articles are written on CSR perceptions?
- B.1.3 What is the relationship between banks and sustainability?
- B.1.4 What are specific sustainability challenges for banks?

#### B.2 Which general conclusions can be derived from the literature?

- B.2.1 Is it possible to distinguish important factors?

### Empirics

#### C.1 Which information is available?

- C.1.1 What internal and external information is available?
- C.1.2 How much information is available?
- C.1.3 Is there an existing benchmark on stakeholder perceptions?
- C.1.4 Which corporations are available for benchmarking?
- C.1.5 What reports are written on 'perceived' versus 'actual' sustainability performance?

#### C.2 What are the 'best practises' in the financial or other industries?

- C.2.1 Could 'sustainable banks' provide an insight?

### Design

#### D.1 What constitutes the stakeholders?

- D.1.1 How does the Rabobank segment stakeholders?
- D.1.2 On what basis is it possible to distinguish stakeholders?

#### D.2 Which factors should be included in the dashboard and how?

- D.2.1 Should information not related to financial institutions be included?
- D.2.2 What are the selection criteria?

### Recommendations

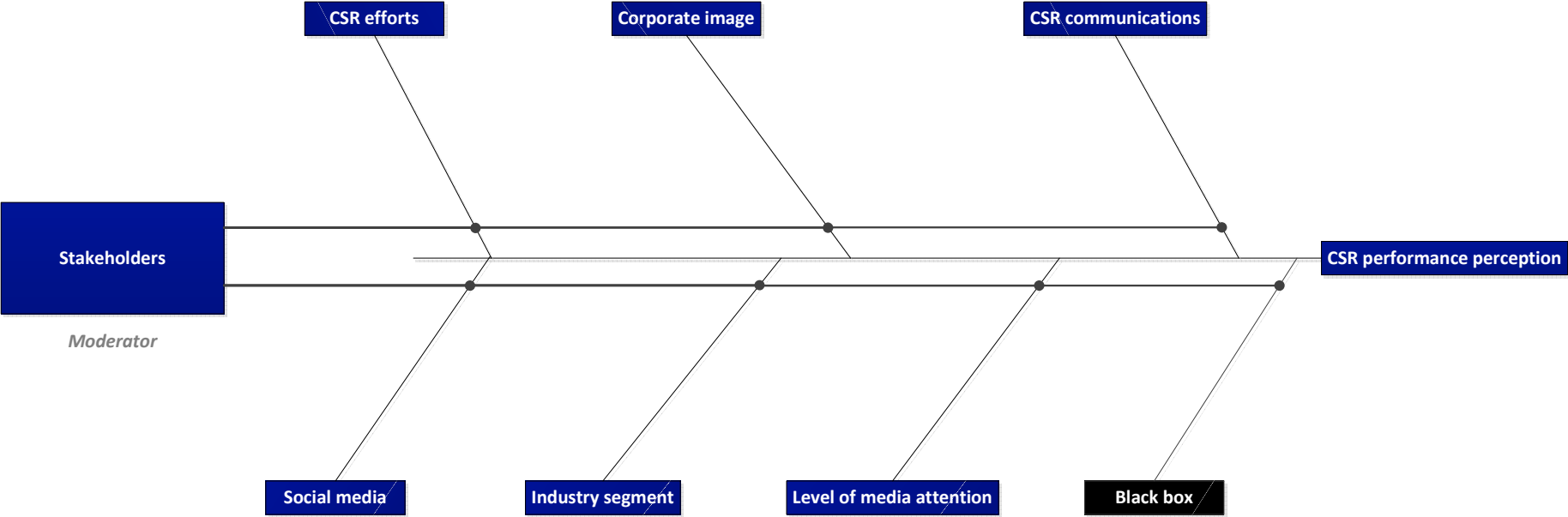
#### E.1 What are relevant recommendations for the Rabobank?

- E.1.1 How do perceptions match reality?

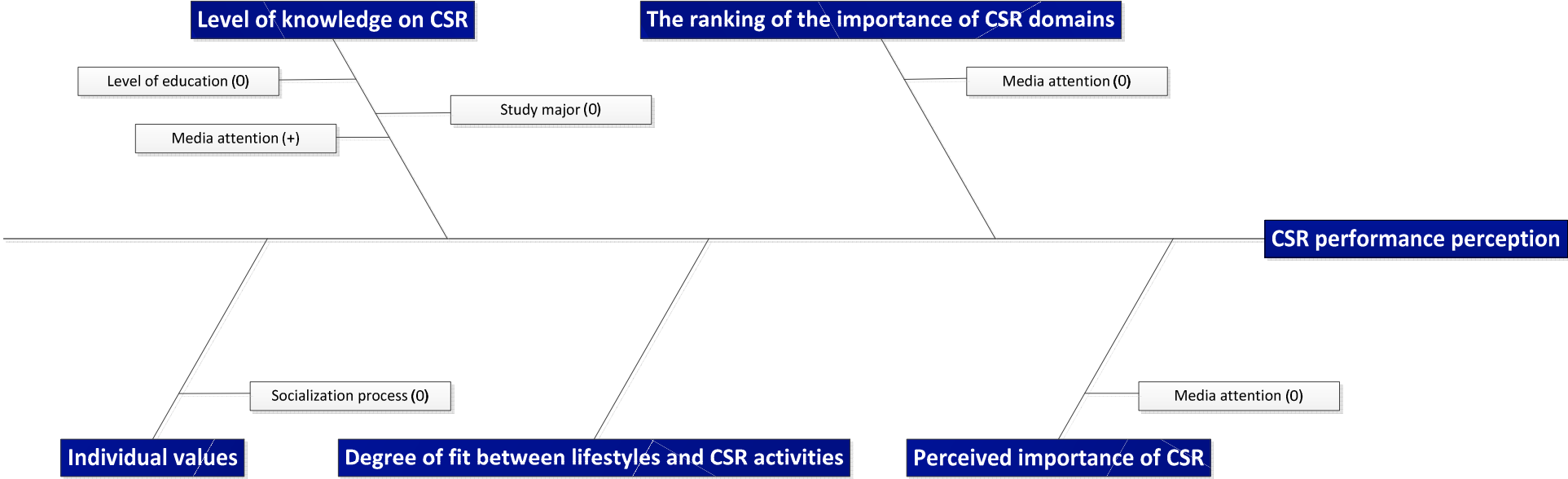
## D Model utilized for internal communication

The following pages presents the model utilized for communications within the organization. It should be noted that a causality between factors is not implied. See paragraph 3.14 for more information.

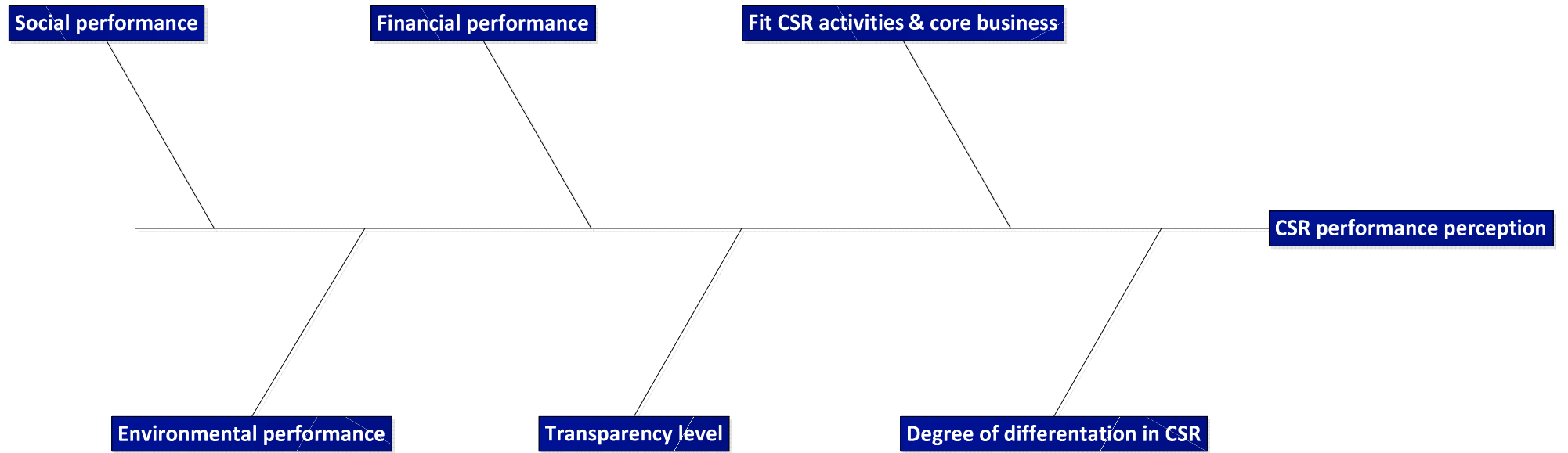
### D.1 Overall model



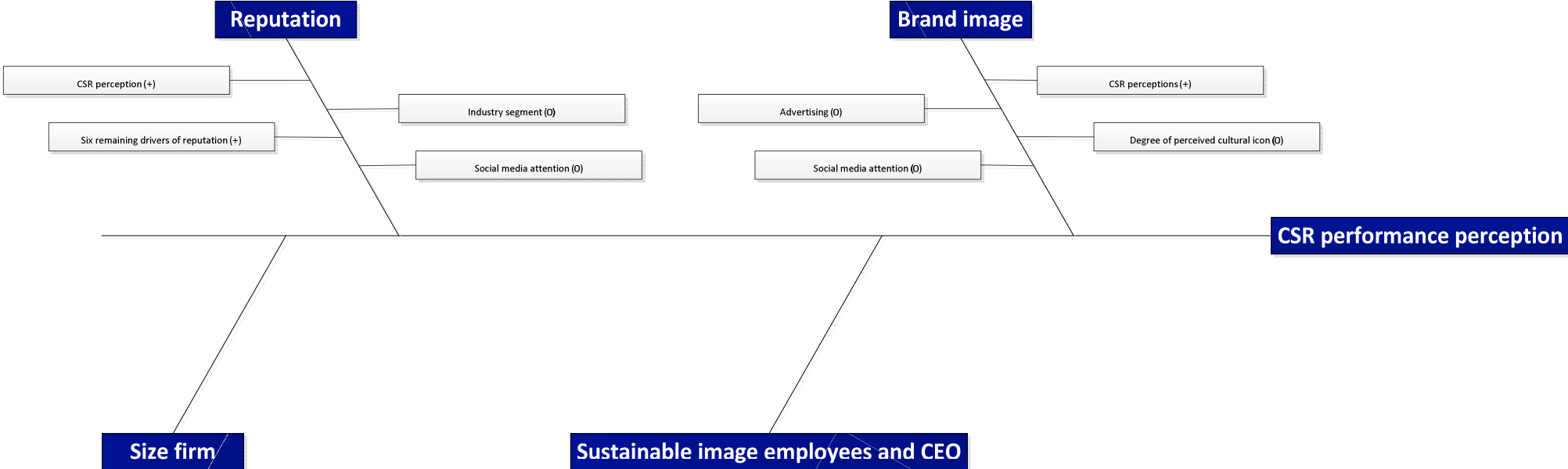
**D.2 Stakeholders**



### D.3 Actual CSR efforts

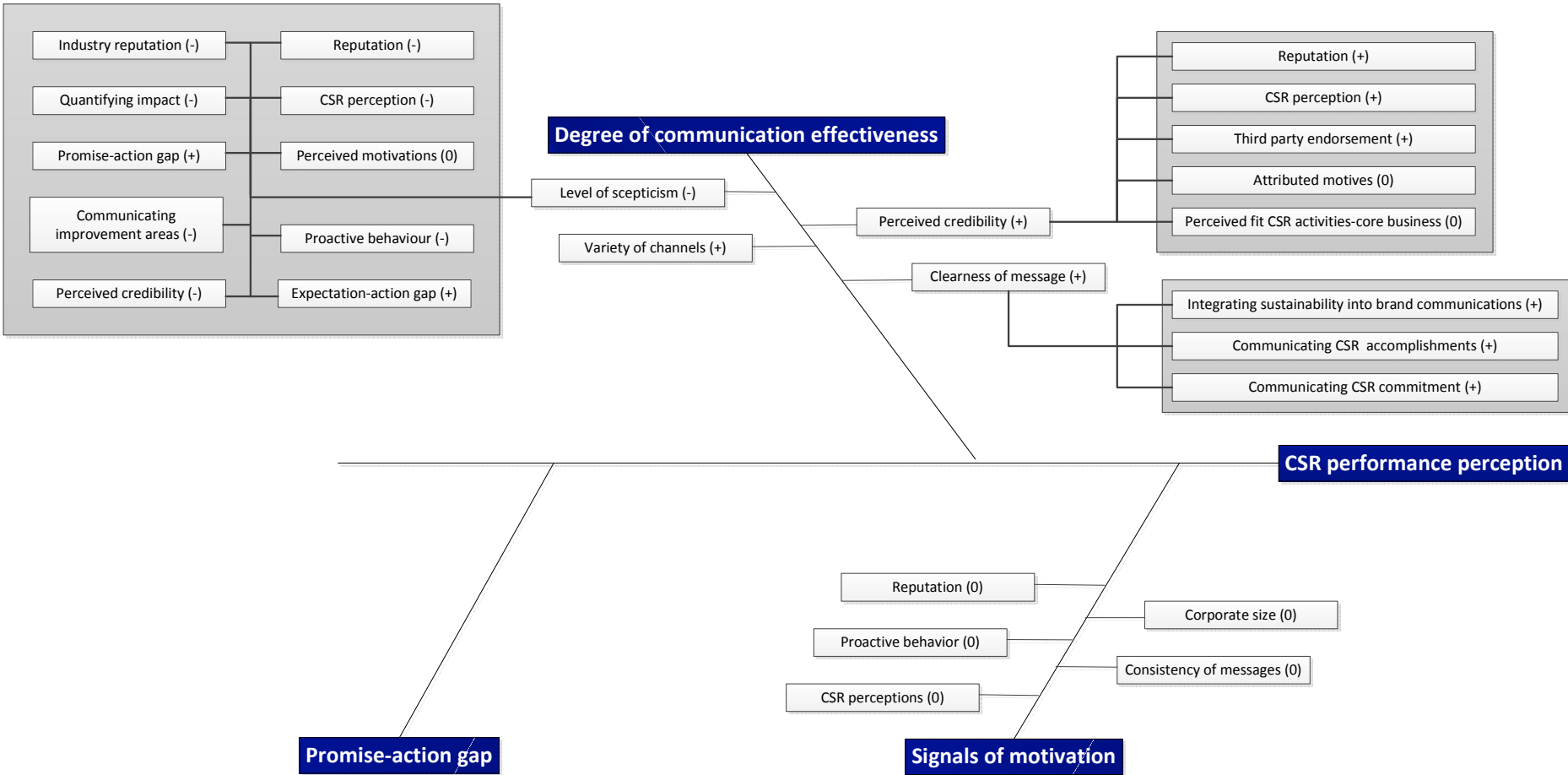


**D.4 Corporate image**

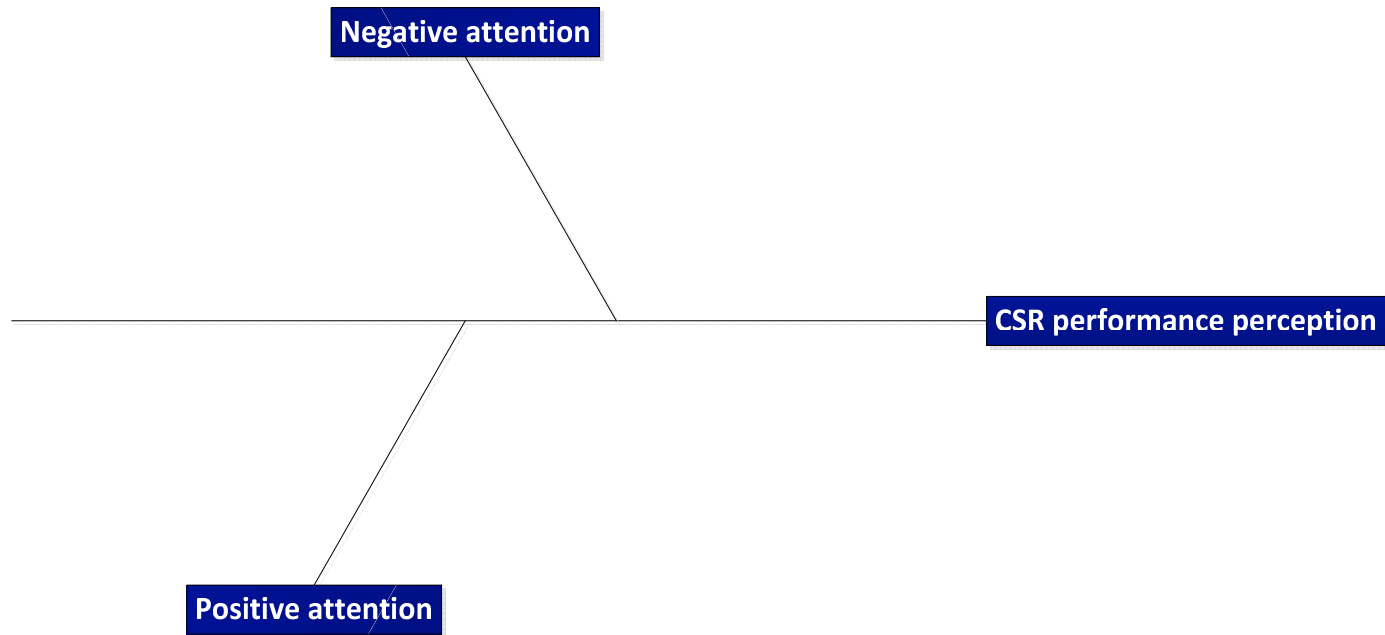




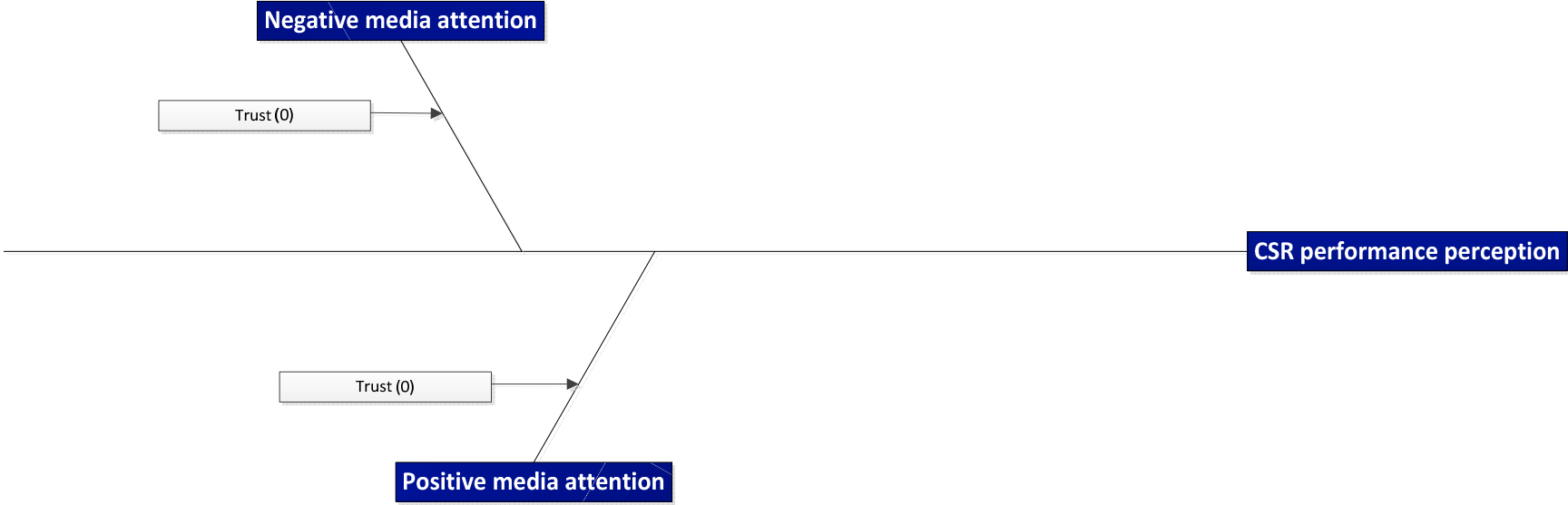
# D.5 Communication



## D.6 Social media



**D.7 Media attention**



## D.8 Industry segment

