

# **The Effect of Corporate Social Responsibility on Customer Performance and Behavioral Intention - Testing the mediating role of reputation of a private university**

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**Abstract** : An attempt is made in this study to: **(a)** examine the relationship hypothesis between corporate social responsibility (CSR) and corporate reputation (CR) and how they influence customer satisfaction which leads to behavioral intention like word of mouth. **(b)** Does reputation of an institution acts as a mediator in explaining the relationship between social responsibility and customer satisfaction which ultimately results in customer's word of mouth. Scales measuring CSR, reputation, customer satisfaction and word of mouth in this study were adopted from measurement developed in previous literatures. Based on non-probability convenience sampling, 70 star students responded from a private university based in Vellore district (Tyre-2 city of state Tamil Nadu in India). Visual PLS was used to find the causal relationship between CSR and CR and their effect on customer performance and behavioral intention. The mediating effect was calculated as per the *Sobel test*.

The result helps the decision makers of a service sector like education university and researchers to understand that by involving in frequent social responsible activities would enhance the reputation of the service firm and further the result helps in finding whether both CSR activities and reputation of the firm would leads to customer performance like satisfaction towards the service offered by the university that ultimately result in behavioral intention of the customer like positive word of mouth about the university to their friends and relatives.

**Keywords:** Corporate Social Responsibility, Corporate Reputation, Customer Satisfaction, Word of Mouth and Mediation analysis.

## **Introduction:**

For a sustainable growth of a service firm, CSR (corporate social responsibility) is vital where a firm needs to concentrate on various traits such as environmental issues, social needs, human rights safely and welfare of employees and customers. According to Leonard, D., & McAdam, R. (2003) corporate social responsibility includes certain aspects such as (a) environmental aspects (b) human rights (c) workplace and employee issues (d) organizational governance (e) marketplace and consumer issues (f) social development (g) community involvement and (h) ethics and values. ISO strategic advisory group (2002) defined CSR as “a balanced approach for organization to address economic, social and environmental issues in a way that aims to benefit people, communities and society.” In spite of earning profit every firm is responsible on protecting the society and environment within their framework. Previously corporate companies volunteered in social activities but at present according to Company’s act 2013 (Business Standards, December-2014) it is compulsory for every firm in India to indulge themselves in performing certain social welfare activities within their limit. These social activities helps the firm in gaining both financial and non-financial performance.

Factors like trust (Dowling, G. R. 2004; Rose, C., and Thomsen, S. 2004; Chun, R. 2005), innovation (Lippman and McCardle 1987; Caruana, A. 1997; Hillenbrand, C., and Money, K. 2007; Helm, S., and Klode, C. 2011) and quality (Roberts, P. W., & Dowling, G. R. 2002 and Toms, J. S. 2002) are the major drives for gaining corporate reputation, among which social responsibility plays a vital role (Fombrun, C., and Shanley, M. 1990; Brammer, S., and Millington, A. 2005; Brammer, S. J., and Pavelin, S. 2006). Schnietz, K. E., & Epstein, M. J. (2005) stressed that social activities performed by a firm helps them to gain reputation and brand image. According to Yoon, E et al (1993) corporate reputation is an outcome of a firm’s history of past actions. Levitt, T. (1965) defined corporate reputation from a buyer’s perspective where the customer perceive the firm as good or bad, trustworthy, reliable, and believable based on his previous experience with the firm. The basic components of corporate reputation are corporate identity and corporate image (Fombrun, C., and Riel, C. B. M. 1997). This corporate image or

identity is majorly derived based on the involvement and performance of the firm in certain CSR activities. Thus it could be understood that the firm's reputation is gained based on their performance in CSR activities.

It is noted from the existing literature that the corporate social responsibility and corporate reputation independently influence the customer performance like satisfaction (Davies, G., and Chun, R. 2002; Luo, X., & Bhattacharya, C. B. 2006; McDonald, L. M., & Rundle-Thiele, S. 2008; Walsh et al 2009). According to Anderson, Fornell, and Mazvancheryl (2004) and Fornell (1992) customer satisfaction is "an overall evaluation based on the customer's total purchase and consumption experience with a good or service over time". Both stakeholder theory (Maignan, Ferrell, and Ferrell 2005) and institutional theory (Scott, W. R. 1987) state that the company's social related action not only result in economic benefit but also on positive non-financial benefit like customer satisfaction. Further there are various studies (Andreassen, T. W., & Lindestad, B. 1998; Nguyen, N., and Leblanc, G. 2001; Cretu, A. E., and Brodie, R. J. 2007) which state that reputation of the firm ultimately result in satisfaction level of the customer. Even though these studies relate CSR and corporate reputation with customer satisfaction independently, there are dearth of studies empirically relating the combined effect of CSR and corporate reputation on non-financial performance like satisfaction and behavioral intention like WOM (word of mouth). *Thus this study attempts to examine the relationship between CSR and corporate reputation and its combined effect on customer satisfaction. Further the study efforts to examine empirically the effect of corporate reputation as a mediating variable between CSR and customer satisfaction and clarify whether the relationship between CSR and satisfaction is stronger because of the presence of corporate reputation between them.* The reason on considering corporate reputation as a mediating variable because it is clear from the review of studies that CSR is a crucial variable in attaining reputation for the firm in the market.

Finally it is noted from the existing literatures that customer performance like satisfaction has a positive effect on behavioral intention (Woodside, A. G et al., 1989; Cronin Jr, J. J et al., 2000 and Zabkar, V et al., 2010). Behavioral intention of customer either in product or service setting has been measured through customer

retention, cross buying behavior (Liu, T. C., and Wu, L. W. 2007; Keh, H. T., and Xie, Y. 2009; Jeng, S. P. 2008), purchase/ repurchase intention (Yoon, E et al., 1993; De Ruyter, K et al., 2001) or word of mouth (Parasuraman, A et al., 1988; Reichheld, F. F., and Sasser Jr, W. E. 1989 and Boulding, W., 1993). Where word of mouth is sharing of information or experience from one person to another through communication (Richins, M. L. 1983 and Herr, P. M et al 1991). It is to be noted that there are numerous studies relating CSR, corporate reputation and satisfaction with various customer behavioral intentions like purchase intention and repurchasing behavior (David, P et al 2005; Lee, K. H., & Shin, D. 2010 and Lin, C. P et al., 2011) but there is a dearth of studied considering word of mouth as a performance outcome of the combined effect of CSR-corporate reputation and satisfaction. *Thus, this study further empirically provides an insight on the combined effect of CSR- reputation on customer satisfaction which might results in positive word of mouth.*

## **2. Literature review and hypotheses formation:**

In this section, a detailed theoretical and empirical studies related to corporate social responsibility, corporate reputation, customer performance like satisfaction and behavioral intention like word of mouth are reviewed, where the relationship between these constructs are identified based on which theoretical model and hypothesis are proposed. Initially, the review clarifies the effect of CSR activities on reputation of a service firm. Secondly, the impact of corporate reputation on customer performances like customer satisfaction thirdly, the direct effect of CSR on customer satisfaction and finally the mediating role played by corporate reputation between CSR and satisfaction that ultimately leads to customer's positive word of mouth about the service.

### **2.1. Corporate social responsibility and corporate reputation.**

In strategic marketing literatures authors like Podolny, (1993); McWilliams and Siegel, (2000) and Hillman and Keim, (2001) related the constructs CSR and reputation of the firm and noted that there is a strong association between the constructs. A conceptual paper by Fombrun, C. J. (2005) clearly reviewed various empirical results related to the relationship between CSR and corporate reputation

in European product and service sectors where, the author stressed that existing literatures strongly projects that companies in order to strengthen their reputation adopt various CSR activities specified in international norms. Further there are strong support in literatures stating that social responsible activities significantly predicts reputation of the firm (Fan, Y. 2005; Brammer, S. J., & Pavelin, S. 2006; Du, S et al., 2010). That is when a product / service sector involve in social activities that lead to identity about the firm in customer mind forming the image of the brand (either product/service). This identity and image about the firm ultimately result in corporate reputation since the basic components of corporate reputation are corporate identity and corporate image (Fombrun, C., and Riel, C. B. M. 1997). In branding literature Lai, C. S (2010) stated that CSR activities of the firm drives reputation and result in brand performance like creating image and equity. When a firm involve themselves in social activities like adopting the nearby rural area or by providing employment to the society nearby that gives an added advantage to the firm by creating a positive brand image, this brand image provided an identity to the firm discriminating it from its competitors which help them to build reputation in the market. Thus from the literatures it is clearly noted that when a firm involve themselves in social responsible activity that would lead to its reputation in market.

Even though earlier studies (McGuire et al., 1988; Fryxell and Wang, 1994) identified the strong relationship between social responsible activities and reputation of the firm majority of their efforts focused only on the financial investments or outcomes, there are very few literatures that considered CSR and reputation in predicting customer performance and behavioral intention. Thus based on the existing literature support the following hypothesis is proposed,

**H1: There is positive effect of CSR activities on reputation of a service firm.**

## **2.2. Social responsibility leads to customer satisfaction.**

According to Gruca and Rego., (2005) and Fornell et al., (2006) customer satisfaction is considered to be a major part involved in formation of corporate strategy and it is a key driver for firm's market value and profitability long-run.

The term “Generalized customer” coined by Daub and Ergenzinger (2005) denoted those people who not only purchase and consume the service/product but also become a potential member of various stakeholder activities. These generalized customers are those who are actually satisfied with both nature of the product/service and also the social activity performed by the firm since, customer not only focus on the product/service but also on how the firm involves in various socio-economic activities thereby creating attitude towards a firm (Brown and Dacin 1997; Sen and Bhattacharya 2001 and Gurhancanli and Batra 2004).

Study like Lichtenstein et al., (2004) state that when a corporate firm involve themselves in social responsible activity that would gain them identity and image among the people in the society, this gained identity and image is naturally because of the customers who consumed and are satisfied with the service or product. Further on considering the antecedents to customer satisfaction (or drivers of customer satisfaction) it is noted that literatures specified various drivers like innovation, service quality, reputation among which social responsible activity is considered as one of the key determinant of customer satisfaction (Walsh, G., & Bartikowski, B. 2013). For example there are certain firms which gives employment to disabled people and when a customer see this initiative they feel satisfied and tend to support the firm by contribution (purchasing). It is noted that majority of studies (McGuire et al., 1988; Fryxell and Wang, 1994) empirically tested the effect of CSR on firm’s financial performance and only limited studies contributed on empirically testing the effect of CSR on non-financial performance among which studies liked the relationship between CSR and satisfaction considering various sectors like banking (McDonald, L. M., & Rundle-Thiele, S. 2008); restaurants (Lee, S., & Heo, C. Y. 2009); Technology products (Froehle, C. M. 2006) on considering the service sector like education institution helps to understand the linkage better since it involves contribution to student’s education. Thus based on this conceptual and empirical findings the following hypothesis is proposed,

## **H2: CSR activities has a positive impact on satisfaction level of the customer.**

### **2.3. From corporate reputation to customer satisfaction.**

Gianfranco Walsh et al (2009) described that determining which construct is better in predicting other has not been examined before between customers based corporate reputation and satisfaction. In a study by Davies, G., and Chun, R. (2002) found that corporate reputation and customer satisfaction are related to each other and positively associated (Walsh, Dinnie and Wiedmann 2006). Researcher's view varied in predicting the path of the relationship between corporate reputation and customer satisfaction. Authors (Fornburn and Shanley, 1990; Walsh, Dinnie and Wiedmann 2006; Helm S 2007 and Helm S et al 2010) treated corporate reputation as an antecedent variable in predicting customer performance such as satisfaction, trust and loyalty, whereas Fisher (1996); Wang, Lo and Hui (2003) and Gianfranco Walsh et al (2009) stated that corporate reputation is an outcome of performance of the firm (both internal and external performance). Fisher (1996) indicated that it is difficult to understand the relationship flow between corporate reputation and customer performance but it is necessary that to find one construct the other construct is essential. Nguyen and Leblanc (2001) observed that customer satisfaction could be better predicted by corporate reputation through service production process. Whereas Gianfranco Walsh et al (2009) predicted that good reputation of a firm is determined by the satisfied service provided by the firm. Even though there is a contrast argument related to the causality between corporate reputation and customer satisfaction, this study attempts to examine corporate reputation as a mediator between CSR and customer satisfaction it is necessary to consider corporate reputation as an antecedent variable to customer satisfaction and thereby proposing the hypothesis as,

### **H3: corporate reputation positively influences customer satisfaction.**

#### **2.4. Corporate reputation as mediator**

For mediation analysis, there is a need to meet the following criteria namely - firstly, the predictor (CSR) has significant influence on the mediator (corporate reputation). And secondly, the mediator (corporate reputation) has significant influence on the criterion variable (customer satisfaction). Third, the predictor (CSR) has significant influence on the criterion variable in the absence of the mediators' influence. Now, to establish the mediating effect, the indirect effect of  $a \times b$  ( $\beta$  values) has to be significant. In order to examine the indirect effect Sobel's (1982) z statistic is applied with 0.05 significance level.

From the earlier studies it is clear that customer performance such as customer satisfaction is an outcome of CSR and corporate reputation. Researchers empirically tested the relationship independently by not considering both CSR and corporate reputation together in predicting customer performance. Since existing studies stress that CSR strongly predicts reputation it is better to keep CSR as an antecedent variable to corporate reputation further, it is to be noted that keeping CSR as an antecedent to corporate reputation would result in higher customer performance. The attempt of combining both CSR and corporate reputation in predicting customer performance has not done by earlier researchers. Further, considering corporate reputation as a mediator between CSR and customer performance was least empirically tested.

Earlier literature studies considered corporate reputation as a mediating variable between corporate social responsibility and brand performance (Lai, C. S 2010), perceived value and aspects of quality (Caruana, A., and Ewing, M. T. 2010) and customer satisfaction and loyalty (Helm, S., Eggert, A., and Garnefeld, I. 2010). There is also a study by Galbreath, J., & Shum, P. (2012) who tested the mediating effect of corporate reputation between CSR and firm performance but did not consider customer performance as an outcome variable. Thus, this study attempts to fill the gap by taking CSR as predictor and corporate reputation as a mediator in predicting customer performance and thus the following hypothesis is proposed,



#### **H4- M: Corporate reputation mediates the relationship between corporate social activities and customer satisfaction. (Mediation effect)**

#### **2.5. Customer satisfaction improves the behavioral intention of the customer like positive word of mouth about the service.**

Behavior intention is how customer reacts on experiencing the services that is, if a customer is satisfied with various social responsible activities of the firm he/she might have an intention to purchase or repurchase the service which led to recommendation of the service to other customers which create a positive non-financial performance for the firm. This shows that on creating environment/ social friendly product/ services would lead to customer satisfaction which ultimately results in positive word of mouth about the product/ service.

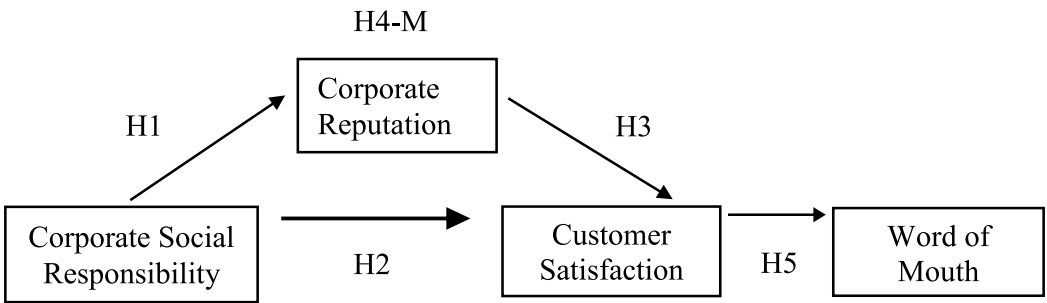
There are conflict in judging whether satisfaction leads to WOM or the dissatisfaction, theoretical and empirical studies are numerous explaining both possibilities (Yi, 1990). Even though there is association between customer satisfaction and WOM, it is difficult to predict which path is comparatively better. Either customers who are satisfied tend to communicate better or the other way?

Literatures like Swan and Oliver (1989); Bolton and Drew (1992) and Holmes and Lett (1977) stressed that there is a positive relationship between customer satisfaction and word of mouth. That is when satisfaction increased then word of mouth also increased, on the other hand there are certain studies like Richins (1984) and Westbrook (1987) which stated that there is a negative correlation between satisfaction and WOM. That is when satisfaction decreased to dissatisfaction then there is an increase in WOM. But this study considered the positive effect since literatures support that CSR activities leads to positive satisfaction level. Further, According to Soderlund, M. (1998) customers who are satisfied with the service generally communicate about the service / products compared to dissatisfied customers. That is customers who are more satisfied are the customers who tent to positively comment about the product/service to their friends and relatives based on “Polyanna principle”. This is because dissatisfied customers generally avoid telling their negative experience to their friend or

relatives which would lead to various negative comments on their judgment in selecting the product (Peterson and Wilson, 1992 and Soderlund, M. 1998). On support of this prediction the following hypothesis is framed,

**H5: Customer satisfaction positively effects on customer’s word of mouth.**

The descriptive and empirical studies firstly, have explained and proved that CSR activities positively influences the firm’s reputation. Secondly, studies have proved that both CSR activities and corporate reputation influence customer satisfaction positively. Finally, positive impact of customer satisfaction on word of mouth was experiences by earlier studies. Based on the above theoretical background the following conceptual model is developed,



**Fig 1: CSR-CR-CS-WOM relationship and mediation effect proposed hypothetical model**

In Multicultural society and knowledge-based economy like India, educational institution should create an opportunity for increasing the number of enrolment and improvement in quality of education system. In order to gain competitive advantage education universities take many initiatives in order to sustain in the market. One of the major initiatives would be institution involving themselves in social responsible activities. Earlier times in India CSR was just a voluntary involvement but later the central government in 2013 proposed it in companies’ law thereby becoming compulsory for every organization to participate in various social responsible activities. This enforced law made all the public and private sectors in India to concentrate and contribute towards social development. In particular to education sector, various universities has shown their involvement

by introducing new courses like ethics and values to their students and made them to involve in student club activities like YRC (youth red cross) and NSS (national service schemes). In addition universities managements have decided to invest by adopting nearby villages and developing them to higher standard (providing employment and education to people in that village at free cost). Further, take care of employees and environment made them to be considered as unique from other institutions. In literature there are many studies carried on verifying the impact of CSR on various sectors like there are even studies related to education sector but there is very less empirical study conducted (Atakan, M. S., & Eker, T. 2007; Christensen, L. J et al 2007). Even among the few empirical study, the result was majorly related to internal perspective of the firm (Cornelius, N et al 2007 and Sobczak, A et al 2006) where there is a dearth of studies related to customer's perspective on CSR initiatives. Thus, this study helps the education institution to understand how CSR helps in building reputation of the institution and further achieving non-financial performance like customer satisfaction and behavioral intention like word of mouth.

### **3. Methodology**

The causal approach was employed to empirically test the relationship between corporate social responsibility and corporate reputation and their impact on customer satisfaction, along with association between customer satisfaction and word of mouth.

A structured questionnaire was developed to collect the data related to corporate social responsibility, corporate reputation, customer satisfaction and word of mouth. CSR activities of an educational institution was measured with scaled items which were adopted from the study by Singh, J., & Del Bosque, I. R. (2008) and reframed to address the education sector customers. Corporate reputation was measured using the scaled items developed by Cohen (1963), customer satisfaction was measured by adopting the items developed by Andreas Leverin, Veronica Liljander., (2006) and finally word of mouth scaled items was borrowed from the work of Harrison-Walker, L. J. (2001). These constructs were measured using a 5 point Likert-type scale ranging from (5) strongly agree to (1) strongly disagree. The questionnaire also includes the demographic data of the respondents.

The sample units were the star students (District toppers of Secondary Education in India) who were given scholarship to study in a private university in Vellore district (Tire 2 city in the state Tamil Nadu, India). Convenience sampling method is used in this study to collect the responses based on the student's interest and availability. Each student was approached and questionnaire was distributed to the students who were ready to fill their responses. Out of 78 questionnaires distributed 74 questionnaires was returned, due to lack of information provided by the respondents finally 70 responses were considered for further analysis. A proper care was taken to avoid the response error, while and after the data collection from each respondents. On the other hand since convenience sampling is based on collecting data from the available subjects the possibility of nonresponse error is limited.

## **1.2. Demographic Profile:**

Of the 70 survey respondents 48 (68.6 per cent) were male respondents the remaining 22 (31.4 per cent) were female respondents (Table 1). Regarding age of the respondent there is no major difference found because all the respondent were college students whose age is lesser than 25 years. Of the total sample 81.4 per cent were students in under-graduation and 18.6 per cent of the students are in post-graduation. Majority of the star students were in under-graduation because the star category is based on their higher secondary performance. On their residence background, since all the star students were toppers of different districts the university provided them the scholarship for hostel facilities and thus they reside in respective hostel rooms.

**Table 1: Demographic details of the Respondents**

<b>General Information on Sample</b>	<b>Scale Details</b>	<b>Percentage</b>
<b>Gender</b>	Male	<b>68.6</b>
	Female	<b>31.4</b>
<b>Undergone Course</b>	Under-graduation	<b>81.4</b>
	Post-graduation	<b>18.6</b>

Software tool named Visual PLS was used to test the hypothetical model of causal relationship between CSR, corporate reputation, customer satisfaction and word of mouth. Sobel's test is used for mediation analysis. Cronbach's alpha was used to measure internal consistency and overall validity of the instrument.

#### **4. Result**

The reliability values (Cronbach's alpha) of CSR, corporate reputation, customer satisfaction and word of mouth (Table 2) ranged from 0.83 to 0.96, and satisfies the threshold level suggested by Nunnally, J. C. (1978). According to Nunnally (1978) an alpha of 0.7 or higher is considered as a sign of satisfactory internal consistency.

**Table 2: Internal Consistency and Overall Validity of the Instrument**

<b>Construct</b>	<b>Composite Reliability</b>	<b>AVE</b>	<b>Cronbach's Alpha</b>
CSR	0.940023	0.567154	0.930236
CR	0.966760	0.503307	0.964264
CS	0.913171	0.602149	0.887383
WOM	0.882345	0.556080	0.833439

According to Burns, N., and Grove, S.K., (1993) content validity can be obtained by three sources namely literature review, representative of the population and experts in the field. Similarly, construct validity refers to the quantity to which operationalization of a construct do actually conclude what the theory says they do. Construct validity facts engage the empirical and theoretical support for the explanation of the construct. In this study constructs and its measurement were adopted from existing literature thereby satisfying both content and construct validity.

Convergent validity can be tested based on factor loadings or AVE value or Composite reliability. Firstly, all the items loading to its respective construct is found to be above the threshold limit of 0.5 (see in Appendix 2). Secondly, The AVE of the constructs ranged from .50 to .60, as against the proposed cut-off 0.5 by Fornell, C., and Larcker, D. F., (1981). Finally, on checking the composite reliability the values ranged from 0.88 to 0.96 which satisfies the required threshold value (Table-2). Based on the above mentioned criteria, it can be concluded that the convergent validity is also ensured which means that the items used to measure the construct do measure the construct.

On successfully evaluating discriminant validity it can be proved that the test of a concept is not highly correlated with other tests intended to measure theoretically different concepts. For discriminant validity squared correlation values of the variables obtained are lesser than the AVE values of the respective constructs, thus supporting the condition for discriminant validity (Fornell, C., and Larcker, D. F. 1981). Thus from the above literature the construct, content, convergent and discriminant validity are examined and proved that the measurement scale is reliable and valid to test the proposed CSR-CR-CS-WOM model.

### **1.1. Estimated CSR-CR-CS-WOM relationship and mediation effect proposed model:**

The Causal Model (Fig.1) is tested by using the software tool namely; Visual PLS. PLS analysis is an alternative to OLS regression or canonical correlation. The major advantages of PLS is that it has the ability to handle multicollinearity among the independents; and the strength of handling the data noise and missing data; and creating independent latent directly on the basis of cross products connecting the response variable, and improving the predictions. Fundamentally, the PLS technique uses two steps; the first step is measurement of model analysis which observe the reliability and validity. Then the structural model analysis which observes the correlation between the hypothesized variables. The overall  $R^2$  value obtained states that CSR, corporate reputation and customer satisfaction together explains 49.2 per cent ( $R^2=0.492$ ) of the variation in customer's word of mouth.

**Table 3: Structural Model – Bootstrap**

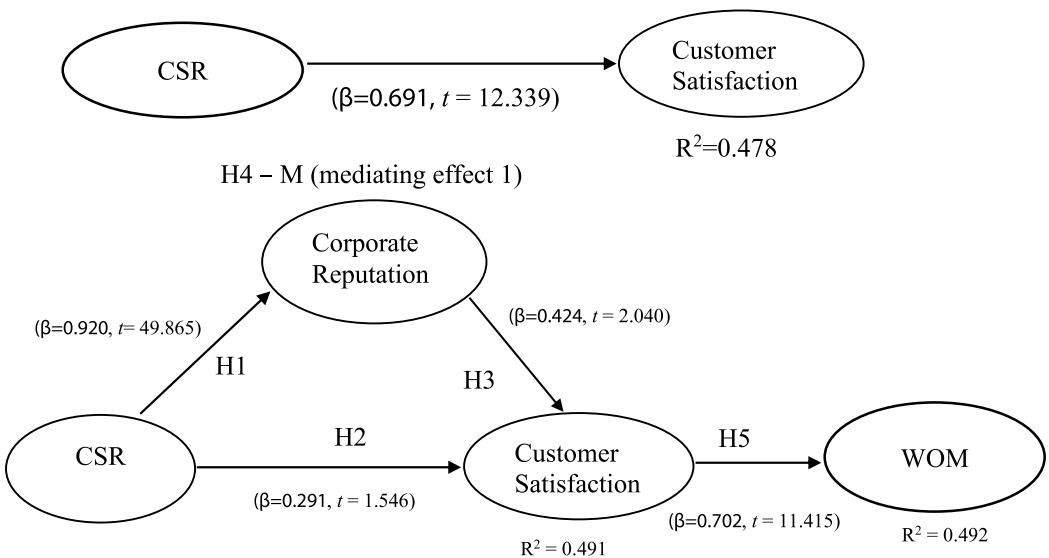
<b>Path</b>	<b>Entire sample estimate</b>	<b>Mean of subsamples</b>	<b>Standard error</b>	<b>T-statistic</b>
CSR->CR	0.9200	0.9191	0.0184	49.865
CR->CS	0.4042	0.4242	0.2079	2.0398
CS->WOM	0.7020	0.7132	0.0615	11.4149
CSR->CS	0.2910	0.3222	0.1883	1.5456

The value exceeding 1.96 represents a level of significance of 0.05 (Anderson and Gerbing, 1991 and Davis et al. 1989). The obtained value for the path analysis using VisualPLS (Table 3) firstly, indicates that CSR strongly predicts corporate reputation ( $\beta=0.920$ ,  $t=49.865$ ) which supports the acceptance of H1, this result is in line with the findings of the earlier studies by Fan, Y. (2005); Brammer, S. J., & Pavelin, S. (2006) and Du, S et al., (2010) who stated that both CSR activities and reputation of a firm are highly related. Secondly there is a significant effect of corporate reputation on customer satisfaction ( $\beta=0.424$ ,  $t=2.0398$ ) the obtained result reflects the existing study's observations that corporate reputation positively influences customer satisfaction (Walsh, G et al.,2006; and Helm, S et al.,2010) and thus H2 is accepted. Thirdly, the direct effect from CSR to customer satisfaction in the absence of corporate reputation as a mediator is also statistically significant ( $\beta=0.691$ ,  $t=12.339$ ) this impact is in line with the observation of studies namely, McDonald, L. M., & Rundle-Thiele, S. (2008); Lee, S., & Heo, C. Y. (2009) and Froehle, C. M. (2006) who stated that CSR leads to customer performance and hence, H3 is also accepted.

The mediation analysis result through path model indicates that corporate reputation acts as a perfect mediator between CSR and customer satisfaction (Fig. 2). The mediation role can be evaluated based on the change in 't-value' from significant to insignificant before and after introduction of corporate reputation between CSR and customer satisfaction. That is, the direct effect between CSR and customer satisfaction was ( $\beta=0.691$ ,  $t=12.339$ ) and on introducing corporate

reputation the values become insignificant ( $\beta=0.291, t=1.546$ ). In addition the total variation explained in direct effect between CSR on customer satisfaction ( $R^2=0.478$ ) increased in indirect effect when corporate reputation was introduced as a mediator ( $R^2=0.491$ ), explaining the variation in customer satisfaction accounted by CSR is 47.8 percent, when reputation mediates the variation increased to 49.10 percent. This means that corporate reputation clearly acts as a mediator between CSR and customer satisfaction, which leads to the acceptance of H4-M (Baron R.M and Kenny D.A. 1986; Preacher K.J et al., 2007)

- **Before Mediation effect of Corporate reputation (Direct Effect )**



- **After Mediation effect of Corporate reputation (Indirect Effect )**

**Fig 2: Empirically tested SI-CR-CS-RI relationship and mediation effect hypothetical model**

The mediation effect is further analyzed based on Sobel’s test. The formula of Sobel test and to evaluate VAF (variance accounted for) is,

$$Z = \frac{a*b}{\sqrt{(b^2 * Sa^2) + (a^2 * Sb^2) + (Sa^2 * Sb^2)}}$$



Where,

a= beta value of H1

b= beta value of H2

Sa and Sb = Standard errors of H1 and H2

By substituting the obtained values in the equation,  $Z = 0.9200 * 0.4240 / \sqrt{(0.8464 * 0.043) + (0.1797 * 0.00033) + (0.043 * 0.00033)} = 2.054$ . The value 2.054 which is greater than the significant limit 1.96 at 5% level of significant thus H4-M is accepted.

To estimate the size of the indirect effect, the VAF (Variance Accounted For) is used where the value represents the ratio of the indirect effect to the total effect. It is calculated as follows,

$$a * b / (a * b) + c$$

Substituting the  $\beta$  Values in the above equation,  $0.9200 * 0.4240 / (0.9200 * 0.4240) + 0.2910 = 0.5735$

Where the VAF value indicates that 57.35 % of the total effect of CSR on customer satisfaction is explained by indirect effect (corporate reputation).

Finally, for H5 the obtained values ( $\beta = 0.702$ ,  $t = 11.415$ ) shows that customer satisfaction have a positive impact on word of mouth supporting the existing studies like Swan and Oliver (1989); Bolton and Drew (1992) and Holmes and Lett (1977). Hence all the five hypothesis were accepted. In the evaluated model CSR, corporate reputation and customer satisfaction together explains 49.2 per cent of variation in customer's word of mouth with respect to education service. That is when customer experience social responsible activities from a service provider that will lead the service provider to become reputed in the market, when these activities satisfies the customer that would ultimately result in customer's positive word of mouth about the education institution to their friend and relatives.

## **5. Discussion and Managerial Implications :**

This study aimed to empirically estimate the combined effect of CSR and corporate reputation on customer performances like customer satisfaction which leads to behavioral intention which is positive word of mouth in the context of education service sector. Secondly is to identify whether corporate reputation plays a pivotal mediating role between CSR and customer satisfaction. The result of the study supports the earlier finding of Podolny, (1993); McWilliams and Siegel, (2000) and Hillman and Keim, (2001) and concludes that there is a positive effect of CSR on corporate reputation with respect to education sector. Further, the result provides an insight that both CSR and corporate reputation have a significant effect on consumer satisfaction which ultimately result in customer's positive word of mouth communication about the service offered.

The empirical finding of the causal flow from CSR to corporate reputation suggest that when a firm is continuously involving in social responsible activities the firm gains competitive advantage and sustain in the market. The attained competitive advantage through CSR differentiation strategy helps the firm to be a reputed one compared to that of its competitors. The obtained result suggest that CSR is a key determinant of corporate reputation. The result further highlights that reputation of the firm leads to customer satisfaction which is in line with earlier findings of Fornburn and Shanley, (1990); Walsh, Dinnie and Wiedmann (2006); Helm S 2007 and Helm S et al (2010). That is service offered from a reputed firm result in customer satisfaction. The study concluded that the combined effect of CSR and corporate reputation has a significant effect on customer performance. For instance, in an education sector when social activity is performed by a reputed educational institution then the service offered is widely accepted by the customer. For example when reputed university offers free education to top performers then that offer is widely accepted and leads to high satisfaction level of the service users. The study further identifies that the relationship between CSR and satisfaction is explained by the construct corporate reputation. That is corporate reputation mediated the relationship between CSR activities and customer satisfaction. Customers expect reputed firms to involve themselves in CSR activities like free education to performers, rural development, environmental care and economic

development of the society. The result finally highlights that when customers are highly satisfied with CSR activity of a reputed firm they tend to communicate about the service offered to their relatives and friend which results in positive WOM about the institution which is in line with the earlier finding of Swan and Oliver (1989); Bolton and Drew (1992) and Holmes and Lett (1977). The result of this study proposes that positive word of mouth can be attained by increasing the satisfaction level of the customer through performing social related activities by a reputed firm.

The result helps the decision makers of an education institution to understand that in order to gain reputation in the market they need to perform social development activities. Institutions should focus on various social responsible activities like creating students clubs like YRS (youth red cross), NSS (National service schemes) thereby performing social developments, Fund allocation for environmental reforms like investing in solid waste management, water recycling, producing bio-gas, energy saving, reducing the usage of plastics and paper, hydroelectric generation , adopting under developed villages, providing scholarships, investing in green campus, taking care of employees and families, taking care of ethics and values, conducting free health checkups, blood donation camps and etc. when performing these activities continuously that would help for the development of the surrounding. This involvement in developing the society distinct them from the competitors thereby making them as reputed institution in the society. Continuous performance of these activities further attains the satisfaction level of both employees and students which result in positive word of mouth about that institution. For example when a poor customer gets scholarship it encourages him to study further that would help the society in increasing the literacy level, thereby he is satisfied and communicates to his friends and relatives about the initiatives done in the university where the information passes virally in the society. Since WOM is a fast and best way of promotion top management of the institution can concentrate on these social reform activities to promote their institution and attain competitive advantage.

## **Limitations, Area for future research and Conclusion:**

The study has few limitations like less sample selection in small geographical area and the usage of analysis tool. This creates a gap for the future researchers who can study the relationship by considering a larger sample group which eventually gives a different result. Further researchers can check the path keeping customer satisfaction as an antecedent to corporate reputation since there are literatures explaining the effect of satisfaction on reputation where the result may shows a different approach thereby helping the managers of the firm in attaining extraordinary behavioral intention. The above study determined the mediating role of corporate reputation between CSR and customer satisfaction there can be future research where the reciprocal effect between CSR and corporate reputation and corporate reputation and customer satisfaction can be studied. There are further limitations that are associated with the research design that is, there might be existence of common method variance (Straub et al., 1995). Thus, the reliability analysis can be improved by applying longitudinal analysis among various adopter groups. It is also suggested to adopt other methodology for future research to discover powerful variables that might help to explain better prediction of the model. The explanatory power of the independent variables –CSR and corporate reputation are 49.1 per cent on customer satisfaction, when new variables are identified the explanatory power can be improved. In this regard, moderating variable can also use and the combined mediation and moderation effects can be studied. Finally, it would be useful for future research to use other software tool like AMOS, EQS or LISREL to test the fitness of the model by introducing additional construct or an additional mediating or a moderating variable.

It is concluded that there is strong positive relationship between CSR and corporate reputation. In addition, both CSR and corporate reputation have an impact on customer satisfaction. The findings further concluded that there is mediation effect of corporate reputation between CSR and customer satisfaction. Finally customer satisfaction ultimately results in customer's positive word of mouth about the service to their friends and relatives. This result suggest the decision makers of an education sector that they need to continuously adopt and improve their social activities based on the environment and social needs there by creating a reputation for the service offered in customers mind, which eventually leads to the customer satisfaction thereby positive and strong word of mouth about the institution extents in the society.

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## Appendix -1

### Questionnaire Used For this Study

#### Impact of Corporate Social Responsibility, Corporate Reputation on Customer satisfaction and Word of Mouth - A study on Private University.

This questionnaire is to measure how **corporate social responsibility** of an educational institution have an impact on **reputation, student's satisfaction and word of mouth**. There is no right or wrong answers. Please fill all questions. You are requested to choose the best as per your knowledge or experience and circle the respective number. **5 – Strongly agree; 4 – agree; 3 – neutral; 2 – disagree; and 1 – Strongly disagree.**

#### A. General Details.

Gender : Male ( ) Female ( )  
Age : Less than 25 years ( ) 25-30 ( ) 31-25 ( ) >35 ( )  
Undergone Program / course in VIT University : UG ( ) PG ( )  
You were a : 1. Day Scholar ( ) 2. Hosteller ( )

#### B. Please rate the following items to measure Social Responsibility of our university.

Items for Corporate Social Responsibility practiced by VIT University	5	4	3	2	1
Our University is an innovator and launches new social activities continuously	5	4	3	2	1
Our University's social activities always maintain good quality	5	4	3	2	1
Our University informs in a correct and truthful way about the characteristics/properties of its social activities	5	4	3	2	1
Our University behaves ethically/honestly with students	5	4	3	2	1

Our University is concerned to fulfil its obligations vis-a`-vis its shareholders, suppliers, distributors and other agents with whom it deals	5	4	3	2	1
Our University is concerned to respect the human rights when carrying out its activities	5	4	3	2	1
Our University always respects the norms defined in the law when carrying out its social activities	5	4	3	2	1
Our University respecting ethical principles in its relationships has priority over achieving superior economic performance	5	4	3	2	1
Our University is concerned about protecting natural environment	5	4	3	2	1
Our University directs part of its budget to donations and social works favoring the disadvantaged	5	4	3	2	1
Our University supports the development of the society financing – social and/or cultural activities	5	4	3	2	1
Our University is concerned to improve general well-being of the society	5	4	3	2	1

**C. Please rate the Following items to measure reputation of VIT University.**

<b>Items to measure reputation of VIT University</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
You can depend on University’s social activities.	5	4	3	2	1
University’s social activities are of highest quality.	5	4	3	2	1

University's activities are the leader in their field.	5	4	3	2	1
University's activities are among the best in appearance.	5	4	3	2	1
Performance of the University's social activities is outstanding.	5	4	3	2	1
Very pleasant to study in this university.	5	4	3	2	1
University tries to be fair on the prices charged.	5	4	3	2	1
University tries to understand student's needs.	5	4	3	2	1
University treats students fairly on complaints.	5	4	3	2	1
University goes out of the way to please their students.	5	4	3	2	1
One of the most progressive university.	5	4	3	2	1
A fast growing and expanding university.	5	4	3	2	1
University is outstanding on making new and improved social activities.	5	4	3	2	1
University always develops new uses for their services.	5	4	3	2	1
One of the most research –minded university.	5	4	3	2	1
University has imaginative and forward-looking management.	5	4	3	2	1



University is outstanding in scientific achievement.	5	4	3	2	1
Our University is one of the most modern in plants and equipment.	5	4	3	2	1
Our University has good record on steady work.	5	4	3	2	1
University is good on training and advancing employees.	5	4	3	2	1
Our University is outstanding for their attention to on-the job-safety.	5	4	3	2	1
University has excellent benefits for employees.	5	4	3	2	1
University tries to deal fairly with labor unions.	5	4	3	2	1
University tries to be fair in the wages it pays.	5	4	3	2	1
University shows an interest in people as well as profits.	5	4	3	2	1
University tries to live up to its community responsibilities.	5	4	3	2	1
University tries to do its share to support education.	5	4	3	2	1
University's executives are active in community improvement.	5	4	3	2	1
University tries to be helpful to small business.	5	4	3	2	1

**D. Please rate the following items with your satisfaction level for your university.**

<b>Items for satisfaction level for your university</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
I am satisfied with the quality of education service offered by the University.	5	4	3	2	1
I am satisfied with my university's educational programs.	5	4	3	2	1
When I have experienced unforeseen or critical situations, my university has managed these in a satisfactory manner.	5	4	3	2	1
I am satisfied with the interactions that I have had with the University's management.	5	4	3	2	1
I trust that the university informs me about new services.	5	4	3	2	1
My university satisfies my needs.	5	4	3	2	1
My university understands my needs.	5	4	3	2	1

**E. Please rate the following items based on Word-of Mouth activity and praises you do for VIT University.**

<b><i>Items to measure customer's word of mouth about the University</i></b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
I mention about the University to others quite frequently.	5	4	3	2	1
I've told more people about my University than I've told about most other educational institutions.	5	4	3	2	1
I will never miss an opportunity to tell others about my University.	5	4	3	2	1

When I tell others about my University, I tend to talk about the University in great detail.	5	4	3	2	1
I have only good things to say about my University.	5	4	3	2	1
I am proud to tell others that I studied in this University	5	4	3	2	1

## Appendix- 2

### Tables and Figures

**Table 1: Demographic details of the Respondents**

General Information on Sample	Scale Details	Percentage
<b>Gender</b>	Male	36.3
	Female	63.7
<b>Age</b>	Less than 18 years	2.8
	18-22	94.8
	23-27	2.8
<b>Undergone Course</b>	Under-graduation	55.3
	Post-graduation	38.0
<b>Residence</b>	Day-scholar	11.6
	Hosteller	52.9

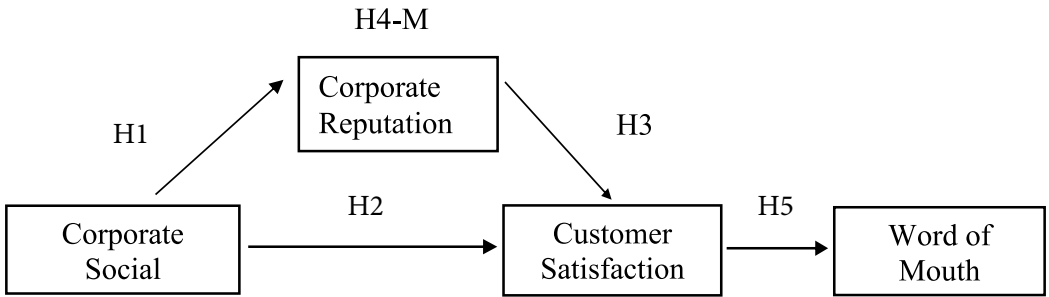
**Table 2: Internal Consistency and Overall Validity of the Instrument**

<b>Construct</b>	<b>Composite Reliability</b>	<b>AVE</b>	<b>Cronbach's Alpha</b>
CSR	0.940023	0.567154	0.930236
CR	0.966760	0.503307	0.964264
CS	0.913171	0.602149	0.887383
WOM	0.882345	0.556080	0.833439

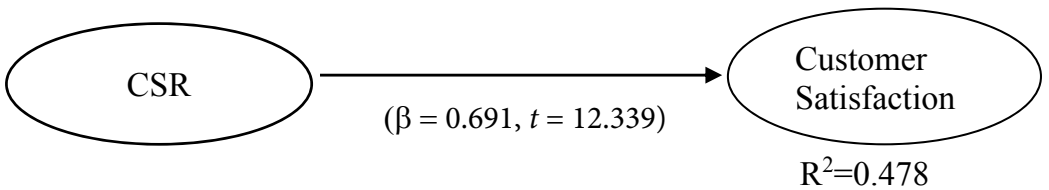
**Table 3: Structural Model – Bootstrap**

<b>Path</b>	<b>Entire sample estimate</b>	<b>Mean of subsamples</b>	<b>Standard error</b>	<b>T-statistic</b>
CSR->CR	0.9200	0.9191	0.0184	49.865
CR->CS	0.4042	0.4242	0.2079	2.0398
CS->WOM	0.7020	0.7132	0.0615	11.4149
CSR->CS	0.2910	0.3222	0.1883	1.5456

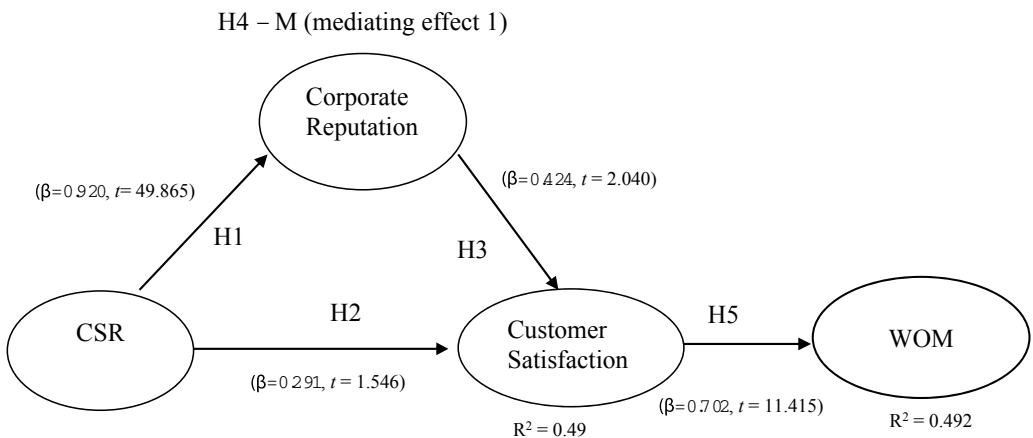
**Fig 1: CSR-CR-CS-WOM relationship and mediation effect proposed hypothetical model**



**Fig 2: Empirically tested SI-CR-CS-RI relationship and mediation effect hypothetical model**



- **Before Mediation effect of Corporate reputation (Direct Effect )**



- **After Mediation effect of Corporate Reputation (Indirect Effect)**