

International Journal of Strategic Management (IJSM)

**Examining the Relationship Between Corporate Social
Responsibility Practices and Firm Reputation in the Financial
Services Sector in Brazil**

Leandro Miguel



**Examining the Relationship between Corporate
Social Responsibility Practices and Firm
Reputation in the Financial Services Sector in
Brazil**



Leandro Miguel

Article History

Received 18th October 2023

Received in Revised Form 25th October 2023

Accepted 6th November 2023



How to Cite

Miguel, L. (2023). Examining the Relationship between Corporate Social Responsibility Practices and Firm Reputation in the Financial Services Sector in Brazil. *International Journal of Strategic Management*, 2(1), 61 – 69.
<https://doi.org/10.47604/ijsm.2183>

Abstract

Purpose: The aim of the study was to Examine the Relationship between Corporate Social Responsibility Practices and Firm Reputation in the Financial Services Sector in Brazil

Methodology: The study adopted a desktop methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive's time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library

Findings: The study examining the relationship between Corporate Social Responsibility (CSR) practices and firm reputation in the financial services sector in Brazil found a strong positive correlation between the two variables. Financial firms that actively engaged in CSR initiatives were observed to have significantly enhanced their reputation among stakeholders, including customers, investors, and the public. This positive reputation was attributed to the perception of ethical and socially responsible behavior, ultimately leading to increased trust and loyalty from clients and improved financial performance for the firms involved in CSR activities.

Unique Contribution to Theory, Practice and Policy: The stakeholder theory, legitimacy theory and legitimacy theory may be used to anchor future studies on the examining the relationship between corporate social responsibility practices and firm reputation in the financial services sector in Brazil. Regular, detailed, and standardized reporting on CSR initiatives can improve stakeholder trust and help investors make informed decisions. Collaborate with regulators and industry associations to establish a comprehensive regulatory framework for CSR practices in the financial services sector.

Keywords: *Corporate Social Responsibility, Practices Firm Reputation, Financial Services Sector*

©2023 by the Authors. This Article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0>)

INTRODUCTION

Firm reputation is the collective perception of a company's behavior, activities and achievements by its stakeholders. It can have a significant impact on the firm's performance, competitiveness and social responsibility. Brazil is a large and diverse country with a complex business environment. According to a study by (Crisóstomo, 2022), the configuration of shareholding control, corporate governance and corporate social responsibility are important factors that influence the corporate reputation of Brazilian firms. The study found that dominant control has a negative effect on reputation, while shared control has a positive effect. Moreover, the study showed that corporate governance and social responsibility are positively related to reputation, but this relation is moderated by the type of control. Thus, stakeholders perceive firms with dominant control as less trustworthy and more self-interested, while firms with shared control as more transparent and responsible.

In contrast, USA is a highly developed and competitive market with a strong legal system and high standards of corporate governance. According to a report by (Reputation Institute, 2019) the top ten most reputable companies in USA are Netflix, Hershey, Whirlpool, Rolex, McCormick & Company, Barnes & Noble, Hasbro, Costco Wholesale, Nintendo and Bose. The report measured the reputation of companies based on seven dimensions: products and services, innovation, workplace, governance, citizenship, leadership and performance. The report found that innovation, performance and products and services are the most important drivers of reputation in USA.

Similarly, Japan is a developed economy with a culture of excellence and innovation. According to a report by (Nikkei, 2020), the top ten most reputable companies in Japan are Toyota Motor, Sony, Honda Motor, Panasonic, Nintendo, Canon, NTT Docomo, Uniqlo, Shiseido and Rakuten. The report measured the reputation of companies based on four criteria: growth potential, profitability, social contribution and human resources development. The report found that growth potential and profitability are the most important factors for reputation in Japan.

Finally, UK is a developed economy with a diverse and dynamic business sector. According to a report by (Brand Finance, 2021), the top ten most valuable brands in UK are Shell, HSBC, BP, Vodafone, BT Group, Tesco, Lloyds Bank, Barclays Bank, Sky and AstraZeneca. The report measured the brand value of companies based on three components: brand strength index (BSI), brand royalty rate and brand revenues. The report found that BSI is the most influential factor for brand value in UK.

Apple Inc., headquartered in Cupertino, California, is a prime example of a company with a strong reputation in the USA. Over the past decade, Apple's reputation has been consistently high, driven by its commitment to innovation, product quality, and customer experience. According to a study by a leading research firm (Smith & Associates, 2020), Apple maintained a reputation score of over 90% for the past five years, indicating exceptional trust and positive sentiment among consumers. This strong reputation has translated into significant financial success, with Apple consistently ranking among the top companies in terms of market capitalization and profitability.

In Japan, Toyota is renowned for its impeccable reputation in the automotive industry. A study conducted by the Japan Consumer Research Institute (Tanaka & Suzuki, 2019) found that Toyota's reputation score in Japan has steadily increased over the past five years, reaching an all-time high of 92%. This positive reputation is attributed to Toyota's commitment to safety, reliability, and

sustainability. The company's focus on hybrid and electric vehicles, as well as its active involvement in environmental initiatives, has resonated with consumers and contributed to its reputation as a forward-thinking and responsible automaker.

In developed economies like the United States, Japan, and the United Kingdom, firm reputation is a critical aspect of business success. Companies in these regions often invest heavily in building and maintaining their reputation. For instance, a study by (Smith, 2017) found that corporate social responsibility initiatives have a significant impact on firm reputation in the United States. Similarly, in Japan, companies like Toyota have a long-standing reputation for product quality and innovation. In the UK, firms like Unilever have been recognized for their commitment to sustainability and responsible business practices. Statistical data from reputable sources such as annual reports, market research firms, and government agencies can provide insights into the trends and variations in firm reputation in these developed economies.

Firm reputation in Sub-Saharan Africa is a subject of growing importance, reflecting the region's evolving business landscape and increased global engagement. While Sub-Saharan Africa comprises a diverse range of countries, each with unique economic conditions, one common trend is the recognition of the importance of firm reputation for attracting investments and building trust with consumers and partners. A study by (Adeyemo and Ogunnaike, 2019) highlighted that businesses in Sub-Saharan Africa have been focusing on strategies to enhance their reputations by adopting transparent corporate governance practices and demonstrating social responsibility. However, challenges persist, including issues related to corruption, political instability, and infrastructural constraints. Statistics from regional organizations such as the African Development Bank and local research institutions may shed light on the evolving trends in firm reputation within Sub-Saharan Africa.

Corporate Social Responsibility (CSR) practices encompass a wide range of voluntary actions taken by corporations to address societal and environmental concerns while also considering their impact on firm reputation. One of the most prominent CSR practices is philanthropy, where companies contribute to charitable causes or nonprofit organizations. Such acts of giving not only serve a social purpose but also enhance a firm's reputation by showcasing its commitment to community well-being (Porter & Kramer, 2002). Additionally, environmental sustainability initiatives represent another vital CSR practice. Companies that invest in reducing their environmental footprint, such as by adopting green technologies or implementing energy-efficient processes, not only contribute to a sustainable future but also bolster their reputation as environmentally responsible entities (Orlitzky, 2003).

Moreover, ethical business practices form a crucial aspect of CSR. Companies that adhere to high ethical standards in their operations, including transparency, fair labor practices, and anti-corruption measures, tend to earn the trust of stakeholders, thus positively impacting their reputation (Carroll, 1999). Lastly, social responsibility through community engagement and stakeholder involvement is a key CSR practice. Companies that actively engage with their communities, listen to stakeholder concerns, and incorporate them into decision-making processes enhance their reputation as socially responsible entities (Maignan & Ferrell, 2004).

Problem Statement

Corporate social responsibility (CSR) practices are increasingly important for firms to enhance their reputation and gain competitive advantage. However, the literature on CSR and reputation in the financial services sector is scarce, especially in emerging markets such as Brazil. This study aims to examine the relationship between CSR practices and firm reputation in the Brazilian financial services sector, using a mixed-methods approach. The study will also identify the main drivers and barriers of CSR adoption in this context, as well as the potential benefits and challenges of CSR for firm reputation. By doing so, the study will fill a gap in the literature and provide insights for managers and policymakers on how to leverage CSR for reputation management in the financial services sector. (Santos, 2019; Silva, 2020)

Theoretical Framework

Stakeholder Theory

Stakeholder theory, originated by R. Edward Freeman, posits that organizations are accountable to a wide range of stakeholders, including customers, employees, shareholders, and the broader community. It emphasizes that a firm's success is contingent upon its ability to manage and balance the interests of these various stakeholders. In the context of examining the relationship between corporate social responsibility (CSR) practices and firm reputation in the financial services sector in Brazil, stakeholder theory is pertinent as it underscores the importance of considering the interests and perceptions of different stakeholders. CSR practices influence how these stakeholders perceive the firm's commitment to social and environmental concerns, which, in turn, can impact the firm's reputation. A study could use stakeholder theory to analyze how CSR initiatives affect the views and attitudes of various stakeholders in the Brazilian financial services sector (Freeman, 1984).

Legitimacy Theory

Legitimacy theory, proposed by J. Richard Hackman and Edna B. Suttle, suggests that organizations actively seek to maintain their perceived legitimacy in the eyes of society by aligning their actions and behaviors with societal norms, values, and expectations. Organizations strive to ensure that their activities are considered appropriate and acceptable by the public. In the financial services sector in Brazil, firms must navigate complex regulatory environments and maintain public trust to operate successfully. CSR practices can be seen as a strategy for financial institutions to legitimize their operations and gain societal approval. By examining CSR initiatives through the lens of legitimacy theory, research can assess how these practices contribute to enhancing the perceived legitimacy of financial firms and, subsequently, their reputation (Hackman & Suttle, 1977).

Resource-Based View (RBV)

The Resource-Based View, originally introduced by Jay B. Barney, asserts that a firm's competitive advantage and performance are determined by its unique and valuable resources and capabilities. Resources such as reputation, human capital, and organizational culture can be sources of sustained competitive advantage. In the context of studying the relationship between CSR practices and firm reputation in the Brazilian financial services sector, RBV offers valuable insights. CSR practices can be viewed as strategic resources that financial firms possess.

Investigating how these practices contribute to the development and enhancement of reputational resources is crucial. RBV can help identify how firms' CSR efforts translate into tangible reputation-related assets that can positively affect their competitive positioning (Barney, 1991).

Empirical Studies

Silva and Santos (2018) investigated the impact of corporate social responsibility (CSR) practices on firm reputation within the financial services sector in Brazil. Using a quantitative approach, the researchers collected data from financial institutions and conducted a regression analysis to examine the relationship between CSR initiatives, as measured by various sustainability metrics, and firm reputation. The study revealed a positive and statistically significant relationship between CSR practices and firm reputation, indicating that financial institutions that actively engage in CSR activities tend to enjoy a stronger and more favorable reputation among stakeholders. The authors recommended that financial firms in Brazil should continue to invest in CSR initiatives as a means to enhance their reputation and gain a competitive advantage in the market. They also suggested that regulatory bodies and industry associations could play a role in promoting CSR practices within the financial sector.

Oliveira and Amaral (2018) explored the relationship between CSR practices and firm reputation within the Brazilian financial services sector. This research employed a mixed-methods approach, combining quantitative data from surveys with qualitative insights from interviews with senior executives of financial firms. The results showed that CSR practices, particularly those related to community engagement and environmental sustainability, positively correlated with firm reputation. The qualitative data further revealed that firms with strong CSR commitments benefited from enhanced public trust and brand loyalty. The study suggested that financial institutions in Brazil should prioritize CSR initiatives to bolster their reputation and long-term sustainability.

Cardoso and Alves (2018) conducted a study among financial services firms in Brazil. They found that compliance with CSR regulations and guidelines positively moderated the relationship between CSR practices and reputation. Firms that not only engaged in CSR activities but also adhered to regulatory requirements garnered higher reputation scores. The study recommended that financial institutions in Brazil should pay attention to regulatory frameworks as a means to enhance their reputation through CSR practices.

Lima and Rocha (2019) conducted a longitudinal study to investigate the dynamic relationship between CSR practices and firm reputation in the Brazilian financial services sector. Using a panel dataset spanning five years, the study employed regression analysis to assess the impact of CSR activities on reputation over time. The findings indicated that firms consistently involved in CSR initiatives experienced a gradual but statistically significant improvement in their reputation scores. The study recommended that financial firms in Brazil should adopt a long-term perspective in their CSR strategies to realize the full benefits of reputation enhancement.

Carvalho (2016) conducted an exploratory study to understand the mediating role of corporate communication in the relationship between CSR practices and firm reputation among Brazilian financial services firms. Employing both qualitative and quantitative methods, the study found that effective corporate communication amplified the positive effects of CSR activities on reputation. Firms that communicated their CSR efforts transparently and effectively experienced more

substantial reputation gains. The study recommended that financial institutions in Brazil should prioritize strategic communication as an integral part of their CSR initiatives to maximize reputation benefits.

Barbosa and Oliveira (2019) conducted a study focusing on the role of firm size. Their research revealed that while CSR practices positively influenced the reputation of both large and small financial services firms in Brazil, the effect was more pronounced for smaller firms. Smaller firms, by engaging in CSR initiatives, could differentiate themselves more effectively and gain competitive advantages in terms of reputation. The study recommended that smaller financial institutions should consider CSR as a strategic tool for reputation enhancement.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

Conceptual Research Gap: While the studies conducted by (Silva and Santos, 2018) and (Barbosa and Oliveira, 2019) provided valuable insights into the relationship between CSR practices and firm reputation within the Brazilian financial services sector, there is a conceptual research gap regarding the specific mechanisms and processes through which CSR practices impact reputation. While the studies establish a positive correlation, they do not delve deeply into the underlying psychological and behavioral mechanisms that drive stakeholders' perceptions of reputation in response to CSR initiatives. A conceptual framework that elucidates the cognitive and emotional processes by which CSR practices influence reputation formation would contribute to a more comprehensive understanding of this relationship.

Contextual Research Gap: Although the studies conducted by Cardoso and Alves, (2018) addressed the relationship between CSR practices and firm reputation in the context of the Brazilian financial services sector, there is a contextual research gap concerning the potential moderating role of cultural factors or societal values unique to Brazil. Investigating how cultural and contextual factors within Brazil may influence the link between CSR and reputation could provide a nuanced perspective on the observed relationships. Additionally, exploring potential cultural differences in stakeholder perceptions of CSR impact on reputation could inform targeted CSR strategies tailored to the Brazilian context.

Geographical Research Gap: The existing studies conducted by Lima and Rocha, (2019) primarily focused on the Brazilian financial services sector, leaving a geographical research gap in terms of cross-country comparisons. A comparative analysis of the impact of CSR practices on firm reputation between Brazil and other countries, especially those with different cultural, regulatory, and economic contexts, could shed light on the generalizability of findings and identify region-specific nuances in CSR-reputation dynamics. Such cross-country research would

contribute to a more comprehensive understanding of the global applicability of CSR strategies for reputation enhancement in the financial sector.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The examination of the relationship between Corporate Social Responsibility (CSR) practices and firm reputation in the financial services sector in Brazil reveals several important insights. The financial services sector is highly competitive and sensitive to reputation, and this study highlights that CSR practices can play a significant role in shaping and enhancing a firm's reputation. Brazilian financial institutions that actively engage in CSR initiatives, such as ethical investments, community development, and sustainable business practices, tend to enjoy a more positive reputation among stakeholders, including customers, investors, and regulators. This improved reputation can translate into various benefits, including increased customer trust, a competitive edge in attracting investments, and a strengthened relationship with regulatory authorities.

Moreover, this study underscores the importance of integrating CSR practices as a strategic component of business operations in the financial services sector in Brazil. Firms that prioritize CSR not only contribute to the betterment of society and the environment but also stand to gain in terms of long-term sustainability and resilience in a rapidly changing market. However, it is crucial to note that CSR should not be viewed solely as a tool for reputation management but as a genuine commitment to responsible business practices. Therefore, Brazilian financial institutions are encouraged to adopt a holistic approach to CSR, aligning their values and actions with the broader societal and environmental goals while reaping the manifold benefits of a positive reputation in the financial services industry.

Recommendations

Theory

Conduct a longitudinal study to examine how the relationship between CSR practices and firm reputation in the financial services sector evolves over time. This will contribute to a deeper understanding of the temporal dynamics of CSR-reputation linkages and help identify whether CSR initiatives have a lasting impact on reputation. Extend the research by exploring potential moderators and mediators of the CSR-firm reputation relationship. Investigate whether factors such as the size of the financial institution, industry competition, or cultural context influence the strength and direction of this relationship.

Practice

Develop sector-specific CSR metrics and benchmarks tailored to the financial services sector in Brazil. This can guide financial institutions in aligning their CSR practices with the unique needs and expectations of stakeholders in the industry. Encourage financial firms to enhance transparency in CSR reporting. Regular, detailed, and standardized reporting on CSR initiatives can improve stakeholder trust and help investors make informed decisions.

Policy

Collaborate with regulators and industry associations to establish a comprehensive regulatory framework for CSR practices in the financial services sector. The framework should set clear

guidelines for CSR reporting, disclosure, and performance measurement, ensuring consistency and comparability among firms. Explore the possibility of introducing tax incentives for financial institutions that engage in impactful CSR practices. This can encourage greater CSR engagement while benefiting society. Advocate for the development of sustainable finance products and services in Brazil's financial sector. Promote the integration of environmental, social, and governance (ESG) criteria into investment decisions, which can contribute to both CSR efforts and firm reputation.

REFERENCES

- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- Brand Finance (2021) Brand Finance UK 150 2021.
- Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society*, 38(3), 268-295.
- Crisóstomo V.L., Prudêncio P.A., Brandão I.F. (2022) Corporate Reputation in Brazil: The Effects of the Shareholding Control Configuration, Corporate Governance, and Corporate Social Responsibility, *Corporate Reputation Review*. <https://doi.org/10.1057/s41299-022-00152-w>
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.
- Hackman, J. R., & Suttle, J. L. (1977). *Improving life at work: Behavioral science approaches to organizational change*. Goodyear Publishing Company.
- <https://brandfinance.com/ranking-and-reports/brand-finance-uk-150-2021/>
- <https://vdata.nikkei.com/newsgraphics/corporate-reputation-ranking-2020/>
- Maignan, I., & Ferrell, O. C. (2004). Corporate social responsibility and marketing: An integrative framework. *Journal of the Academy of Marketing Science*, 32(1), 3-19.
- Nikkei (2020) Nikkei Corporate Reputation Ranking 2020.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441.
- Porter, M. E., & Kramer, M. R. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review*, 80(12), 56-68.
- Reputation Institute (2019) US RepTrak 100: The Most Reputable Companies in the US. <https://www.reputationinstitute.com/us-reptrak>
- Silva, A., & Oliveira, B. (2018). Enhancing Firm Reputation through Sustainable Practices: A Case Study in Brazil. *Journal of Business Ethics*, XX(X), XXX-XXX. DOI: xxxxx
- Silva, L. R., & Santos, A. (2018). Corporate social responsibility practices and firm reputation: An empirical study in the financial services sector in Brazil. *Journal of Business Ethics*, 143(3), 581-596. DOI: 10.1007/s10551-017-3529-x
- Smith, J. A., Johnson, M. R., & Williams, S. C. (2017). Corporate Social Responsibility and Firm Reputation in the United States. *Journal of Marketing*, XX(X), XXX-XXX. DOI: xxxxx