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# The spillover of CSR perceptions for market shaping – Portuguese banking industry.

Laura Filipa Barbosa de Cristo

Dissertation submitted as partial requirement for the conferral of Business Administration Master

Supervisor:
Assistant Professor Álvaro de Borba Cruz Lopes Dias, Department of Marketing, Operations and General Management (IBS) ISCTE-Instituto Universitário de Lisboa

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BUSINESS SCHOOL

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*“The world is my oyster.”*

*William Shakespeare*

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# Abstract

Adopting a multi-theoretical approach to CSR, this thesis speculates whether customer loyalty and brand trust, mediated by stakeholder perceptions of banking performance – competitive and socially responsible – can spillover into the competitive sphere directly and indirectly, due to market pressures generated by impact of CSR's reputation. Such is attributable to customers associations, who actively shape the competitive game through the application of their endowed market power to penalize or favour the Banks that, respectively, impose their accountability or not.

Accordingly, results from the structural equation modelling (SEM) hypothesis testing from 176 questionnaire respondents' perceptions, indicated that most relations are significant, above all, the strong mediation of the competitive banking performance in the link between brand trust and CSR spillover. The exceptions were the rest of the indirect effects and, surprisingly, the direct effects of the relation between CSR performance and its spillover, and between CSR spillover and customer loyalty. Such results signal the fundamental role that brand trust plays for the occurrence of CSR spillover, suggesting that general banking CSR impressions are leveraged by customers' perceptions of banks' competitive performance, as they foster closer and more grounded interactions with this type of performance, conjecturing it as their entitled participation on the bank's social responsibility performance.



**Keywords:** Customer Loyalty; Brand Trust; Corporate Social Responsibility; Competition; Spillover;

**JEL Classification:** (G41) Role and Effects of Psychological, Emotional, Social, and Cognitive Factors on Decision Making in Financial Markets, (M14) Social Responsibility

# Resumo

Adotando uma abordagem multi-teórica da RSC, esta tese especula se a lealdade do cliente e a confiança na marca, mediadas pelas perceções dos *stakeholders* sobre o desempenho bancário - competitivo e socialmente responsável - podem transbordar para a esfera competitiva direta e indiretamente, devido às pressões do mercado geradas pelo impacto da reputação da RSC. Tal deve-se às associações dos clientes, que moldam ativamente o jogo competitivo através da aplicação do seu poder de mercado para favorecer ou penalizar Bancos que, respetivamente, impõem ou não a sua responsabilidade.

Concordantemente, os resultados da *structural equation modelling* (SEM) de 176 perceções dos inquiridos, indicaram a significância da maioria das relações hipotéticas, sobretudo, a forte mediação do desempenho bancário competitivo no vínculo entre a confiança na marca e o efeito de *spillover* de RSC. As exceções foram os restantes efeitos indiretos e, surpreendentemente, a relação entre o desempenho de RSC e o seu *spillover* e entre o *spillover* de RSC e a lealdade do cliente. Tais resultados sinalizam o papel fundamental que a confiança da marca desempenha para a ocorrência do *spillover* de RSC, sugerindo que as impressões generalistas de RSC do setor bancário são alavancadas pelas perceções dos clientes sobre o seu desempenho competitivo, pois nutrem interações mais próximas e fundamentadas com esse tipo de desempenho, conjeturando-o como a sua participação na *performance* da responsabilidade social do banco.

**Palavras-Chave:** Lealdade do Cliente; Confiança na Marca; Responsabilidade Social e Corporativa; Competição; *Spillover.*

**Classificação JEL:** (G41) Papel e efeitos de fatores psicológicos, emocionais, sociais e cognitivos na tomada de decisões nos mercados financeiros, (M14) Responsabilidade Social

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Chapter 1

# Introduction

## 1.1. Problem contextualization

Firms, operating in liberal economies, have been expected to use the power of the marketplace to help shape a more sustainable future, throughout the ages (Boutola & Pitelis, 2014). Currently, the pursuit of Corporate Social Responsibility (CSR) practices has been undermining such Adam Smithian notion (Smith, 2015; Leong & Yang, 2020), since the widespread race of industries to chase CSR unveils the firms rational way to maximize profits consequently creating a discretionary opportunity to position themselves strategically better in the market (Liang & Renneboog, 2017), proving how responsible and ethical behaviours are not deterrent for profit and utility maximization (Porter & Kramer, 2006; Ellen et al., 2006; Du et al., 2007; Romani et al., 2016).

Built upon the multi-theoretical premise of Frynas and Yamahaki (2016), through the combination of the external and internal drivers of CSR theory, this dissertation authenticity lies on understanding how the selfish-altruistic competitive ambitions of Banks to commit to more sustainable and socially responsible actions can exhibit advantages from proactively consider the external driving forces of reputational attributes (Melo & Garrido-Morgado, 2012; Pérez, 2016; Zhao et al., 2016; Pérez & Del Bosque, 2017; Latif et al., 2018; Gallardo-Vásquez, 2019; Lloyd-Smith and An, 2019; Cambra-Fierro et al., 2021) beyond the conventional internal pressures of the capitalism system (Saeidi et al., 2015; Gangi et al., 2018; Chen et al., 2006; Rodrigues et al., 2014; Singh & Misra, 2021). Hence, this is due to the external stakeholders' perception input, who actively shape the competitive game by acting with their endowed portion of market power to penalize or favour Banks, which respectively, impose their accountability or not to correct market inefficiencies (Brandenburger & Nalebluff, 1995; Boutola & Pitelis, 2014; Romani et al., 2016; Leong & Yang, 2020; Raza et al., 2020; Hur et al., 2020, Kim, 2011; Tezer & Tofighi, 2021; Chen & Tao, 2020).

## 1.2. Academic relevance

Hereupon, the academic community has underexplored general indirect effects, that is, the spillover effect of CSR. First, this topic is widely debated in marketing and public relations research with little connection to management (Tezer & Tofighi, 2021). Second, spillover studying academic community is incited on covering intra industry effects (Chen et al., 2016), or involving stakeholder perception effects on the same product/service category (Tezer & Tofighi, 2021), e.g when launching a new product (Brown & Dacin, 1997; Janakiraman et al. 2009), than on discovering inter industry perspectives, e.g

Kim (2011). Spillover literature has a record of focusing on negative premisses, precisely how it negatively affects competition and how stakeholders' associations are impacted by the spillover effect of CSR crises (Chen et al., 2016; Sohn & Lariscy, 2014; Kim & Choi, 2018; Chen & Tao, 2020; Borah & Tellis, 2016; Janakiraman et al. 2009; Roehm & Tybout 2006). The exceptions were Kim (2011), Melo and Garrido-Morgado (2012), Wang and Korschun (2015), Tao and Wilson (2016), Kim et al. (2019) and Lloyd-Smith and An (2019), whose findings were positive. Even Tezer and Tofighi (2021) who found a middle ground in which CSR information does not negatively affect the valuation of rival brands - only when competing brands have low brand typicality.

This thesis also accounts for the unprecedented application of this theme to the (Portuguese) banking sector, following the recent trend of Tezer and Tofighi (2021), since it has been more commonly applicable to consumer goods industry than to service sectors. Another peculiarity of this thesis is the indispensable requisite of association between managerial practice and theoretical relevance, once it follows the most recent research tendencies for demystifying CSR performance harms other companies within the same sector (Brandenburger & Nalebluff, 1995; Porter & Kramer, 2006; Boutola & Pitelis, 2014; Romani et al., 2016; Leong & Yang, 2020).

Therefore, the focus of this study is precisely on that positive spillover effect of CSR because if the market is pontificated by players who actively shape the corporate game (Lloyd-Smith & An, 2019), both from businesses coopetition moves (Brandenburger & Nalebluff, 1995) and customers powers of penalize or favour firms (Boutola & Pitelis, 2014; Romani et al., 2016; Latif et al. 2018; Raza et al., 2020); if one banking brand is engaged in – and is recognized by customers – by its CSR policies and actions, such customer associations benefit the whole of the industry, including competing brands (Kim, 2011; Melo & Garrido-Morgado, 2012; Lloyd-Smith & An, 2019). Furthermore, it is an added value to apply such arguments to the banking sector, since its objective has been to contribute to an efficient market that benefits all participants (Gangi et al., 2018; Leong & Yang, 2020), even more imperative after the global financial crisis (Iglesias et al. 2020; Rodrigues et al., 2014), which incentivized investing strongly in CSR to regain customer trust and loyalty, to rebuild its reputation.

Hence, this dissertation aims to contribute academically and managerially with cementing results on viewing how CSR communications reward the banking industry with a positive outcome once it strengthens brand trust (more than brand loyalty) enhancing reliable brand reputations (Chai et al., 2015; Iglesias et al., 2020); with the insight to consider trust and customer loyalty as dissociate variables (Morgan & Hunt, 1994; Ranganathan et al., 2013; Rather et al., 2019) when treating spillover effects (Ahmed et al., 2014; Sun & Lin, 2010). Additionally, it contributes for noticing that customer competitive banking performance perceptions leverage the general CSR banking performance perceptions (Wattanakamolchai et al., 2016; Khan et al., 2015; Poolthong & Mandhachitara, 2009). In other words, banks are more influenced by competitive pressures and social responsive customer demands, which in turn motivates them to reduces their social performance concerns by addressing some of market failures (Leong & Yang, 2020). Beyond that, it contributes to expand the academic conceptualization concerning negative spillover effects (Chen et al.,2016; Sohn & Lariscy, 2014; Kim & Choi, 2018; Chen & Tao, 2020; Tao, 2018; Tao & Song, 2020; Tezer & Tofighi, 2021; Chen & Luo, 2016; Chen & Tao, 2021; Borah & Tellis, 2016; Janakiraman et al., 2009; Roehm & Tybout, 2006), because banks compliance with CSR practices, only prove a positive effect to the industry (Tao & Wilson, 2016); it is the individual or group action of default that shape negative industry associations (Borah & Tellis, 2016; Trump & Newman, 2017), because by increasing customer susceptibilities of risk and vulnerability, they are harming the industry's production of moral elevation and self-identification (Choi & La, 2013). Whereas CSR apologetic banks feed the industry's customers community with their social contributory and company belongingness aspirations. Moreover, this work gears bank managers with the empowerment to differentiate by leaving their sustainable reputational mark and propel positive customers perceptions throughout the banking industry (Porter & Kramer, 2006; Janakiraman et al., 2009; Melo & Garrido-Morgado, 2012). This study also shows external stakeholders not only acknowledge but also pressure the proactive efforts of banks in bringing CSR into their general operations, benefiting customer trust (Tabrani et al., 2018; Kandampully et al., 2015), enriching the belief that maximizing utility or profit can be aligned with sustainable strategies, as stressed by customers (Boutola & Pitelis, 2014).

## 1.3. Research questions and structure

Thus, addressing the referred problem, some research questions were structured: RQ1) do all reputational attributes contribute equally to CSR spillover, or is there a difference between customer loyalty and brand trust? RQ2) What is the interaction between the reputational attributes of customer loyalty and brand trust with different performance categories? RQ3) Regarding banking performance, are customers more conscientious about its CSR performance or competitive performance? RQ4) Are CSR performance and competitive performance even mediators for CSR spillover to happen? RQ5) Does the CSR performance of one rival bank prejudice or benefit the competitors via stakeholder's perceptions of the industry?

Ultimately, this dissertation is divided onto four ensuing chapters. Chapter 2 opens with revised key concepts (the basis for directing this project) followed by the literature review of the conceptualization of brand trust and customer loyalty, the importance of stakeholders' perceptions as mediators for the propositions of the hypothesized model, and the relation between these and the CSR spillover effects for market shaping. This chapter is supported by Chapter 3 which provides the justification of the choice of the quantitative research method employed and the description of its conception. Such was indispensable to Chapter 4, where the hypotheses testing take shape, being relevant for discussing the results and for leading the general conclusions, recommendations, and implications on Chapter 5.

## 1.4. Concept delimitation

Corporate Social Responsibility (CSR) can be an immense fluid concept (Chandler, 2014). Hence, this dissertation conceptualizes CSR as a corporate tool of communication (Vaara et al., 2000), i.e. a gathering of non-financial information (announcements, blogs, advertisements) which looks into the dimensions of the ESG's[1] (Kashyap et al., 2020; Pérez et al., 2013, 2016) in order to achieve better strategic positions through being integrated in the planning of a firms' core operations to achieve maximum economic and social value by addressing the broad interests of stakeholders (Chandler et al., 2014). Such conceptualization might trigger the question of whether an "insurance effect" is present (Kashyap et al., 2020) i.e., if CSR practices are being manipulated to create a performing "insurance" effect to hold back Corporate Social Irresponsibility (CSI) events (Kashyap et al., 2020), or when it is used to create a reservoir of goodwill to offset reputational threats during organizational crises (Kim & Choi, 2018; Chen & Tao, 2020). This reasoning does not hold true in this study due to the corrective act of sanctioning from stakeholders – associated with increased awareness and governments, namely, stakeholder rights agencies – with more reach and more coordination over social media coverage (Creyer & Ross, 1997; Trudel & Cotte, 2008; Romani et al., 2016). In fact, social media now grants brands the possibility of stakeholder socialization and knowledge sharing, pushing further the role of communication and advertising by saving time, money, and impact greatly the brands social influence (Ramadani et al., 2014; Kashyap et al., 2020). Moreover, it allows stakeholders to actively monitor every corporate move under a surveillance society.

The Portuguese banking industry exemplifies this possible insurance effect, since it has been in a fragile position, for many years (Zyglidopoulos & Philips, 1999; Sohn & Lariscy, 2014). It began when the subprime crisis extended globally and hit European countries around 2010. Although the year 2014 marked the end of this financial crisis, recessions were still recurrent throughout the coming years, until last year (2020) when the first national economic surplus under the democratic political system

[1] The "ESGs" stand for Environmental, Social, and Corporate Governance terms which were cemented by the propositions of Elkington (1998) one of the forerunners that integrated and revealed the importance of including non-financial information in determining the value assessment of companies, urging the fusion of environmental, social and financial concerns. Hence, ESGs are the data criteria that represents the metrics related to intangible assets of a company. Being such standards important for the future of company value, investors' judgment became more accurate when guided by how a company operates under the environmental sphere, how it manages customers, suppliers, employees, or other communities, and how companies behave ethically through shareholders rights, audits, or internal controls.

was achieved (ECO, 2020). This argument proves that behind the large efforts of recovery from the government and financial institutions to meet the requests of communitarian and international organisms such as European Central Bank, European Commission, and International Monetary Fund (known as Troika), citizens did not saw recognized the efforts they so actively engage in the country's recovery, foreseeing such endeavour as unpopular. Similarly, Coombs and Holladay (2015) stated negative stakeholders' perceptions often provoke reputational crises, before they even escalate to that state, which explains the aggravated risks of these financial crises for banking institutions.

External stakeholders have an economic and transactional relation with banks (Du et al., 2007). However, their reaction upon the violation of such relation, hurting their emotional expectations, poses companies' reputation and financial assets at stake. Likewise, when they perceive the transgression of an organization's commitment towards social obligations, negative outcomes are generated for the firm and general stakeholders (Sohn & Lariscy, 2014; Chen & Tao, 2020). As so, CSR perceptions reveal significant direct influences on company reputation assessment (Kim, 2011; Du et al., 2010; Matzler et al., 1996). Thus, companies incur great expenses to repair possible collateral brand damages since it pushes away the more stable investors and smudges the firm's ability to hire talent, which consequently hurts its capability of innovation that nowadays resembles their own survival (Liang & Renneboog, 2017; Kashyap et al., 2020). Even though, there is no national or international pattern for disclosure CSR activities, nor is there any legislative obligation to disclosure such activities in Portugal, only the application of the "comply or explain" rule[2] (Ho, 2017; Haji, 2020), banking industry should be ahead of the law and respective tendencies, by foreseeing the voluntary CSR communication in accordance with customer behaviour as a vital opportunity and mechanism for regulating the Portuguese banking perceptions (Agudelo et al., 2019).

## 1.5. Theoretical framework

As aforementioned CSR is an umbrella term, thus is targeted for a variety of theories (Frynas & Yamahaki, 2016; Kim et al., 2019). Due to the referred concept delimitation, this dissertation cannot incline for just one conceptual framework; it continues the stream of logic developed by Frynas and Yamahaki (2016), which emphasized the academic need for multi-theory studies, suggesting the employment of a combination of two or more theories for explaining corporate social

[2] The comply or explain rule allows companies to comply with the code of best practices. They do not need to be in fully compliance, and when that happens, they must explain what is behind the decision of non-compliance. Such can be done by providing a statement of compliance on websites, formal declarations, press conferences, but usually they are left to be presented in the company's annual reporting.

responsibility. For instances, recent literature has already been developed under such proposition, relating external and internal drivers of CSR theories (Jones & Felps, 2018; McGram, 2021; Freeman & Phillips, 2021) and combining legitimacy and stakeholder theories (Fernando & Lawrence 2014; Ching & Gerarb, 2017; Pesci & Fornaciari, 2018).Therefore, this work combines the external drivers of CSR theory – involving stakeholder theory and the consequent legitimacy theory – and one internal theory motivation – Resource-Based View (RBV) – since the pressures from social actors can reveal how the ability of a company to develop social and environmental resources is constrained or enabled by competition (Kotler & Lee, 2004). Such combination will be used to ascertain how firms can proactively develop and deploy (social and corporate) capabilities and even shape the macroeconomic context (Frynas & Yamahaki 2016).

First, stakeholder scholarship commonly assumes key stakeholders reward firms who are sensitive to their concerns and punish the ones who are not, helping, or damaging firms' reputational assets (Creyer & Ross, 1997; Trudel & Cotte, 2008; Romani et al., 2016; Deegan & Unerman 2006). Therefore, by conceiving corporate actions as a direct result of pressures from different stakeholders this theory advocates a positive relationship between CSR and firm performances - as does this dissertation. Likewise, this study englobes the stakeholder descriptive theory perspective on what the corporation means for customers (Donaldson & Preston, 1995; Gray et al. 1996).

Second, most external perspectives such as stakeholder theory, involve the legitimacy theory, which suggests firms must continuously legitimize their activities in order to stay congruent between societies and their organizational objectives (Pfeffer, 1981; Suchman, 1995). So, if stakeholders are the evaluators of companies, they are the tenets of their survival and success, once their vulnerabilities are associated with the risks of customer taste shifting and competition moves in the marketplace. Thus, the conception of CSR as an informational tool in this study is aligned with the firms attempt of deposit a disseminated assumption among its stakeholders (Tao & Wilson, 2016). For banks and firms to thrive in the long run, they depend on communicating their CSR activities which creates organizational meaning, purpose, enabling the rationalization of stakeholder associations regarding a firm's behaviours to perceive them as trustworthy and stable (Vaara et al., 2000). This explains why an occurrence of communicational deficiency generates an absence of meaning creation, sharing, and enhancement, leading to less meaningful organizational behaviours (Pfeffer, 1981; Suchman, 1995).

Ultimately, this work spillover analysis is dependent on the RBV theory contributes because one banks brand CSR positioning – or the lack of it – will affect stakeholder perceptions and the respective industry market environment. Such action demands to acknowledge the heterogeneity and individuality of banks and firms and their strategic abilities to exploit internal resources in que conquest for sustainable advantage (Rugman & Verbeke 2002; Lockett & Thompson, 2004). This type of advantage grounds itself in owning valuable, rare, imitable, resources accordingly to Barney's (1997)

VRIO framework, which was designed to understand a firm's competitive advantage by establishing a set of questions to ascertain if a firm's resources are valuable, rare, costly to imitate and if are exploited by the organization – if a company holds all these features, it has achieved sustainable competitive advantage – contributing for CSR-related studies by providing a perspective where the proactivity of a firm's strategies, specialized skills or capabilities attached to the investment in CSR are considered (Barney & Hesterly, 2011; McWilliams & Siegel 2011). According to such framework it is expected good CSR performance can only bear temporary competitive advantage or at the extreme, competitive parity; once its inherent activities are developed under a logic of transparency, rivals are able to imitate them, when visible. Still, Porter and Kramer (2006) advanced CSR perceptions could only impact positively firms when fully integrated in its reputation. Similarly, Du et al. (2007) found consumer-company identification is strengthen if socially responsible initiatives are integrated into the core business strategy. Following mainstream strategies, in the detriment of individual fit strategies, obscures the interdependency of CSR, business, society, the company identification, and the prioritization of social issues, impacting the long-term competitiveness since it harms the social performance of firms. Diffused CSR strategies in the authors point of view (Porter & Kramer, 2006; Du et al., 2007) are inert strategies, which conditions companies by losing their chance of creating social well-being to fragmentation. Melo and Garrido-Morgado (2019) also shared this view and proposed CSR imply intangible hard-to-duplicate competitive advantages only when embedded in the firm's strategy, due to being a driver of corporate reputation (Casais & Sousa, 2019).

Regardless the difficulty of CSR strategies in generating sustainable advantages, it is through this imitation basis, that the spillover of CSR is possible to happen, improving the way the marketplace functions (Kim, 2011). Moreover, CSR can give firms competitive advantages through spillover as noted by Chen et al. (2016), Romani et al. (2016), Lloyd-Smith and An (2019) and Tezer and Tofighi (2021). Although most CSR initiatives are perceived negatively at a short-term by market players due to being associated with costly legislative events (Gangi et al., 2018; Flammer, 2015), at the long-term, CSR practices can have effects on general firm value (Koh et al. 2014; Lins et al., 2017) – liquidity, stock price, crash risk, cost of capital, debt, information asymmetry (Rodrigues et al., 2014) – and in general profitability - return on assets and return on equity (Cheng et al., 2014; Ahmed Haji, 2020). All, due to increasing the information available, which fosters customer and institutional investors satisfaction (Luo & Bhattacharya, 2006; Saeidi et al., 2015; Gangi et al., 2018; Kamalirezaei et al., 2020; Leong & Yang, 2020). Hence, the appealing notion of a win-win model between the social and the competitive financial performance of firms came to substitute the conventional trade-off notion (Tsang et al., 2020).

CHAPTER 2

# Literature Review

## 2.1. Reputation, attributes, and associations

Reputation assumes the role of the agent that brings social and economic legitimacy to banking agents and other firms, by linking CSR performance and corporate performance (Cantele & Zardini, 2018; Kamalirezaei et al., 2020). It goes beyond the shared image publics nurture, demanding for features of performance and perception management (Lloyd-Smith & An, 2019), hence justifying the reputational attributes – brand trust and customer loyalty – being the departure points to embody the market pressures present in this academic debate. Reputation is deeply attached with customer collective perceptions, their own judgment, observations, and direct interactions with the services associated with a brand name, a brand image, company attributes and company identity (Veloutsou & Moutinho, 2009; Melo & Garrido-Morgado, 2019; Esmaeilpour et al., 2017), defining their cognitive, emotional, and attitudinal outcomes regarding the brand (Choi et al., 2015). In fact, Alhaddad (2015) found positive connections among brand image, brand trust, and brand loyalty, however its theoretical relationship recalled for further investigation. Iglesias et al. (2020) also alerted for the lack of empirical research related with rational (customer trust) and behavioural (customer loyalty) variables.

Nevertheless, reputational attributes can acquire a double role by acting as a driver of competitiveness, being determinant for gaining a sustainable advantage (Aksak et al., 2016; Islam et al., 2021), and as a buffer against adverse scenarios (Cabral, 2012), justifying the fact of being among the most valued resources of organizations despite its intangible nature, according to the RBV theory (Gallardo-Vásquez et al., 2012; Pérez, 2016; Cantele & Zardini, 2018). For example, countries, firms and small medium enterprises which support higher CSR standards and develop a more responsible reputation attract better investment opportunities (Boutola & Pitelis, 2014). Such duality of advantages relies on customers attributions about the motives that fuel the vehicle with which organizations express their identities: the behaviour (Tao, 2018; Tao & Song, 2020; Kim & Choi, 2018).

According to Du et al. (2010) reputation functions as the pre-existing picture upon which stakeholders rely to interpret genuine or ambiguous information about the firm (Fombrun & Shanley, 1990; Lange & Washburn, 2012), including its CSR activities. Some research (Menon & Kahn, 2003; Sen et al., 2006) confirmed that when exposed to CSR information customers frequently make two types of attributions underlying firm's behaviour. Batson (1998) proposed this two-stage model of attributions, corroborating company evaluations accrue from the clustered causal inferences of customers subjective assessment (Kim & Choi, 2018). As so, there are firms which display extrinsic or self-interested motivation for engaging in CSR in order to thrive the increase of the brand's own welfare (e.g. improve profits and corporate image), and others which evidence intrinsic or selfless motivations for pursuing altruistic acts, fulfilling societal obligations and responsibilities by intrinsically integrating " doing good" into their business model [e.g. benefit communities linked with the business or supporting causes and initiatives to reduce the externalities from its operations (Romani et al., 2016)]. Thus, extrinsic, and intrinsic motives are foreseen as opposites, but, comparing the two antagonist specks of CSR motives, Rifon et al. (2004) and Becker-Olsen et at. (2006) ascertained stakeholders' attributions of intrinsic motives generate more positive evaluations than those of extrinsic motives (Keller, 1993; Yoon et al., 2006; Pargel et al., 2011). Hence, only then can reputation under stakeholder cognitions and behavioural intentions nurture various organizational benefits (Markovic et al., 2018), justifying the importance of shedding light on the assessment of reputational crises, popular by the publicization of major negative event(s) which have the potential to threaten collective perceptions held by all relevant stakeholders of an organization leading them to re-evaluate their impressions (adapted from Sohn & Lariscy, 2014; Zyglidopoulos & Philips, 1999).

Subsequently, CSR strategic benefits and businesses returns, rely not only on managing stakeholder attributions but also on the creation of stakeholder awareness (Batachaha & Sen, 2010; Romani et al., 2016). This is strictly related with stakeholder's exposure to CSR communication of firms. Such reduces stakeholder scepticism – the distrust or disbelief of marketing actions (Forehand & Grier 2003, p. 350) – directly linked with the perceived extrinsic motives of firms' pursuit of socially responsible actions (Skarmeas & Leonidou, 2013) leading to negative brand evaluations (Webb & Mohr, 1998; Forehand & Grier, 2003; Ellen et al., 2006). Raising awareness and reducing scepticism leans on firm-stakeholder communication: to know what to communicate, when, and how. There must be a coherent line of rationalization between customer expectations and a company's social and business goals, otherwise CSR efforts are perceived as unnatural, leading to distrust (Hastie, 1984). Even though one can infer that extrinsic and intrinsic motives are not extreme concepts in a continuum, some authors (Ellen et al., 2006; Du et al., 2007; Romani et al., 2016) believe a brand's CSR actions can be attributable to both intrinsic and extrinsic motives and that profit is not contrary to altruistic motives. Thus, a key challenge of CSR communication is to overcome stakeholder scepticism and to generate favourable CSR attributions (Du et al., 2010) since CSR communication is a delicate matter which can easily backfire (Batachaha & Sen, 2010).

When dealing with spillover matters it is necessary to extend the insights of stakeholders' associations – in this case concerning CSR – since it is through the expansion, invigoration, and activation of such, that numerous company-favouring outcomes are achieved (Wang & Korschun, 2015). At an utter point, the customers perceived values and identities of firms can even merge with their own, casting a consumer-company identification (Sen & Bhattacharya, 2001; Bhattacharya & Sen, 2003; Pérez et al., 2013; Pérez & Del Bosque, 2015). Fundamentally, one can conclude customers nurture diverse associations with brands; and when a brand is under concern, it is frequently associated with a set of elements, such as customers evaluations and reputational attributes (Keller, 1993) which will be discussed from hereafter.

## 2.2. Brand trust

As any other concept, trust is a dynamic one with miscellaneous conceptualizations (Tabrani et al., 2018). The most agreed definition of trust is the one given by Morgan and Hunt (1994), more precisely the degree of confidence expected during the interactions with an exchange partner pontificated by the relational qualities and values of integrity, reliability, honesty, credibility, benevolence, and consistency. Broadly, trust can be defined as the confidence that a certain business will act with integrity and reliability during its interactions (Delgado-Ballester et al., 2003).

From this perspective, one can infer trust has often implied the element of uncertainty and vulnerability of the party who is trusting. As so, trust becomes an important asset in situations of distress by making customers, the trusting party, feel less vulnerable (Doney & Cannon, 1997; Chaudhuri & Holbrook, 2001).

Most literature places brand trust as a mediator to establish relations between variables, or as a key antecedent of customer loyalty (Ahmed et al., 2014; Sun & Lin, 2010), however, in this dissertation this variable is treated as independent, due to such linkages being widely researched by the fields of business, marketing, and CSR, which found to behave equally (Morgan & Hunt, 1994; Ranganathan et al., 2013; Rather et al., 2019). So, trust has a positive effect on customer loyalty (Chaudhuri & Holbrook, 2001; Delgado-Ballester et al., 2003; Kumar & Advani, 2005), and, reversely, if customers trust less in a firm, they are more prone not to be so loyal towards it (Leonidou et al., 2013).

Perceptions of trust develop over time and are based on repeated interactions with a service provider (Rather et al., 2019). Therefore, being built up by past experiences and having a long-lasting conscious impetus, trust presents itself as a continuum of opportunities to evaluate firms' abilities and capacities (Choi & La, 2013), a massive asset to weight not only in today's business, but also for the future transactions benefit (Islam et al., 2021). Such rational component of reputation is aggregated to cognitive and affective effects (Chai et al., 2015; Johnson & Grayson, 2005). The cognitive one is incited by knowledge, being consequently grounded on the customers evaluation on the expertise, reliability, and performance of a brand, thus it demands methodical thought to determine if a brand is trustworthy (Johnson & Grayson, 2005). The economic benefits associated with a brand and its related services shape customers cognitive brand trust by reducing their risk perception and enhancing their performance expectations (Kim et al., 2014; Chen & Tao, 2020). On the other hand, affective brand trust is determined by customers emotions, care, and concerns. Here the feelings of security and assessment on how vigorous the brand-customer relationship is steps in for shaping their affections for the brand through their interactions (Huang et al., 2020).

Remembering the extrinsic-intrinsic dichotomy of customers perceived motives regarding firm's engagement corporate socially responsible activities, CSR also functions for the antecedent of the "ethical capital" for trust (Godfrey, 2005; Iglesias et al., 2020; Islam et al., 2021) by minimizing consumer scepticism and boosting the moral elevation through a proper management of consumer perceptions about perceived CSR initiatives which can enhance CSR's business benefits and social ones. Recently, greater investment in CSR from small and medium firms, which have a leaner reputation, has enhanced positively stakeholder perceptions (Singh & Misra, 2021).

Moreover, the intangible factor of stakeholder trust dictates the functioning of financial services. Losing it would represent a big reputational risk to their community, once a bank's role in society goes beyond generating profits (Latif et al., 2018). Moreover, CSR can even be a reputational driver of value creation during a post-crisis period, minimizing reputation deterioration of global financial crises by building stronger and more trusting relationships with customers, mitigating information barriers, contributing to an evolutionary vision of the interaction between banks and customers (depositors and financed companies) and finally shutting off the conventional transactional approach (Gangi et al., 2018). This is how the first hypothesis was formulated:

**H1a: Brand trust positively influences CSR performance.**

Porter and Kramer (2006), Poolthong and Mandhachitara (2009), Pérez and Del-Bosque (2014, 2017), corroborate this, by stating that CSR helps banks to differentiate themselves from their competitors and improve customer perceptions of quality. Thus, banks with good reputation present higher consumer retention; consequently, being more profitable, they can also gain the trust of stakeholders more easily, strengthening performance (Pérez et al., 2013). Moreover, trust can also be about demanding credibility in the ability of the service firm to deliver services of high quality, and benevolence which is associated with the customer's belief and confidence in the firm's ability to offer competent and reliable service (Garbarino & Johnson, 1999; Kandampully et al., 2015; Choi & La, 2013). Trust can easily be presented as a quality indicator of services companies provide (Wu, 2013; Islam et al., 2021).

If perceptions of trust develop over time and are based on repeated interactions with a service provider (Rather et al., 2019), it gifts stakeholders with a continuum of opportunities to evaluate firm's abilities and capacities (Choi & La, 2013). In the same way some authors believe CSR performance is the most significant source of trust, others disagree, believing service experience is the most important once it requires a high level of involvement between the firm and stakeholders because customers are confident that the firm will deliver its services as promised (Tabrani et al., 2018). Following this argument, Rather et al. (2019), stated efficiency, effectiveness, productivity and relationship building are promoted by trust (Morgan & Hunt, 1994; Sui & Baloglu, 2003). Moreover, Iglesias et al. (2020) endorses the importance of such capabilities because research estimates acquiring a new customer could be anywhere between five and twenty-five times more expensive than retaining an existing one (Gallo, 2014). Alike to satisfaction, brand trust has also been recognized as essential in fostering ongoing relationships with customers in the service sector (Pérez et al., 2013). Thus, the second hypothesis was asserted:

**H1b: Brand trust positively influences competitive performance.**

As previously mentioned, brand trust has an implicit association with vulnerabilities – whether of firms or customers (Doney & Cannon, 1997; Moorman et al., 1993; Chaudhuri & Holbrook, 2001). This is an important topic because trust can be the basis for either positive or negative spillover to happen. Customers expectation upon reliability during their interactions with firms can be affected by disturbing events caused inside the industry or by competing brands, hurting their ethical perceptions (Trump & Newman, 2017). As so, organizations are more likely to be successful when they develop trust relationships with their stakeholders; when one firm pursues a socially responsible action, it benefits the sector, by augmenting a brand trust and consequently enhancing the broad industry impression of trust in the whole of the industry (Trump & Newman, 2017; Wang & Korschun, 2015).

Similarly, Janakiraman et al. (2009) investigation suggested competitive spillover is more prone to occur between suchlike brands indicating that besides the first impact and exposure of customers with a new positive or negative CSR event (isolated or aggregated), what determines the polarity of CSR spillover is precisely the underlying dynamic perception process that affects trust, once the transfer of the perceived social responsibilities is based on the customers' ongoing experience with competing services. Likewise, if a firms' identity is pontified by the trustworthy or the unreliable image stakeholders perceive of it, the whole surrounding competitive environment will be affected by it and shaped according to the changes and evolution of the reputation of each rivalry firms' images within the industry (Gallardo-Vázquez et al., 2019; Cantele & Zardini, 2018). If a positive CSR spillover gradually occurs, such actions could improve the market interactions, by improving trust, more transparent and open communications are incentivized, boosting firm proactivity in increasing efficiency, and upgrading competitiveness (Boulouta & Pitelis, 2014). Moreover, the strengthening or worsen of trust is almost proportional to positive or negative CSR spillover, respectively. Whether customers have a developed relationship with the brand or not, a positive CSR spillover effect will always act upon the strengthening of the trusting. In reverse, if customers have a developed relationship with the brand or not, a negative CSR spillover effect will damage any trust insight. Thus, the H1c hypothesis was found:

**H1c. Brand trust positively influences CSR spillover effect.**

## 2.3. Brand customer loyalty

Most academia acknowledges the former variable (trust) as the antecedent for building valuable relationships with stakeholders and, thereby, for building customer loyalty (Rather et al., 2019; Morgan & Hunt, 1994; Ranganathan et al., 2013). Hence, an extensive research finds service companies' customer loyalty to rely on customer satisfaction, trust, service quality, corporate reputation, and CSR initiatives (Pratminingsih et al., 2013; Martínez & Del Bosque, 2013; Islam et al., 2021).

Common delimitations of the concept are given by Oliver (1999), defending that customer loyalty bounds itself as a continuous consumer preference for making purchases of the same brand's products or services; Watson et al. (2015) coined brand customer loyalty as the alignment of a series of attitudes with a diverse purchase behaviours that systematically favour one entity over competing ones; Latif et al. (2018) complemented with customer loyalty being when the dedication and fidelity to re-buy a product or service in the future is shown (CuestaValiño et al., 2019; Liu et al., 2019). A more enriching input recently came from Närvänen et. al (2020) which examined customer loyalty from a customer's perspective under the assumption of sensemaking, detecting that customers perceive loyalty as a multidimensional, context-based, and dynamic concept.

Differently from brand trust, customer loyalty comprises more instrumental and expressive dimensions, the subscription intention, and the advocacy intention, respectively (Chai et al., 2015). The first is driven by economic benefits and factors that favours customers (Jones et al., 2008) being described by them as the judgment of maintaining/subscribing to a brand service. Advocacy intention is the expression of that endeavour through the likelihood of customer recommendation intention (Chai et al., 2015).

As so, although existing an extensive literature approaching the impact of CSR performance of firms on customer loyalty, there is little evidence on the other way around. Still, most of it is in accordance that customer loyalty contributes to expand the CSR performance of firms under the customer company-identification notion (Martínez & Del Bosque, 2013; Ranganathan et al., 2013; Pérez & Del Bosque, 2015; Watson et al., 2015; Tabrani et al., 2018).

Rather et al. (2020) assessed that customers need to identify themselves with a company in order to satisfy their self-definitional needs. Such affinity can be strengthened when banks assume a public position regarding some CSR problem or launch specific CSR initiatives, thus signalling the customer about whether both share the same values, or the company character matches their own (Martínez & Del Bosque, 2013). It is only when the matching and overlapping of the bank's values with the customers values that the formation of the identification process takes place (Du et al., 2007; Martínez & Del Bosque, 2013; Adler et al., 2017). Furthermore, banks which act socially responsible provide better chances for customers to assess their rate of identification with the service, becoming more appealing to stakeholders (Deng & Xu, 2017).

Customers of socially responsible firms are more prone to thrive a moral elevation (Romani et al., 2016) due to the opportunity provided by the firm in give them the ability of indirectly fulfil what they believe it is their social, environmental, or ethical obligations, not just as customers but as part of a community (Hur et al., 2018).

Besides, CSR performance pursuit of banks incites unobservable attributes which underlies the service characteristics that matter for customers. In other words, customers also feel such genuineness by perceiving the scope of the bank's structural resources, by knowing its services, social resources, and personal resources (Vlachos et al., 2009). Thereupon, H2a hypothesis was established:

**H2a: Customer Loyalty positively influences CSR performance.**

Still, based on the specificities of the banking industry, it is true customer loyalty can have a much more conventional emphasis, meaning loyalty is not as much as a reflexive behaviour, since it has a much more private drive instead of a social one, related with the easiness, familiarity, and safety (Oliver, 1999). Such assumption derives from the habitual loyalty and inherited loyalty as a consequence of customers personal history with the company (McAlexander & Koening, 2002; Bhattacharya & Sen, 2010; Närvänen et al., 2020). Yet, it is also widely known customers have now the vehemence to purse their values on the reflection of banks policies and initiatives (Sen & Bhattacharya, 2001; Bhattacharya & Sen, 2003), due to a more transparent society which possibilates such behaviour, though social media channels, media coverages, and even individual organizational culture announcements promoted banks (Ramadani et al., 2014; Kashyap et al., 2020).

Thereby, instead of focusing on the mere customer repurchase intentions or the behavioural side of customer loyalty, since approaching the services sector, it makes more sense to study the attitudinal aspect of customer loyalty, namely, the positive bank-related perceptions and willingness to recommend the bank to others (Hur et al., 2018; Raza et al., 2020). Nevertheless, customer loyalty has become an imperative feature for businesses to hold on to, since it represents a source of profitability, and competitive advantage, especially in the banking service industry, filled with electronic services as e-banking, online banking, digital banking and internet banking that required any human interaction, being a more economic and time-saver option for customers but also a much more efficient and low cost maintenance of banks (Shah & Khan, 2019; Raza et al., 2020; Ahmed et al., 2020).

As so, a good reputation (implying good customer loyalty) depends upon the distinctive traits of service quality management to guarantee the adaptability of service to customer needs (Wu, 2013). A low-quality service can damage large investments and key organizational activities, affecting the service-provider effectiveness (Kotler & Armstrong, 2004). According to Parasuraman et al. (1988), service quality is grounded with several dimensions such as tangible factors, reliability, accountability, trustworthiness, and empathy. CSR invigorates such dimensions, affecting reputation due to its impact on customer loyalty, which is also imperative for sustaining the banking industry, as proved by the global intensification of competition between private and public banks, consequence and product of the increased knowledge and awareness which raised the expectations of customers regarding services provided by banks (Lee & Shin, 2010; Pérez, 2016; Esmaeilpour et al., 2017; Sign & Misra, 2021). Under this proposition, Gangi et al. (2018) confirmed that an investment in such reputational capital gives banks more resistance against the consequences of financial crises. Moreover, if banks genuinely invest in CSR and customers positively evaluate their service quality, only show how, by providing excellent service quality, this is related to the ethical responsibility of firms (Ahmed, 2020). Based on such arguments H2b was ascertained:

**H2b: Customer loyalty positively influences competitive performance.**

As so, customer loyalty resulting from the CSR perceptions will spillover under the assumption that whether being the customer gains or bank reputational gains at stake, everyone is a storyteller; thereby, stakeholders need the external and internal stimulus to drive their interpretations of the surrounding world and the identity of the self (Adler et al., 2017). Thus, it is important to revisit the work of Närvänen et. al (2020) which detected customer loyalty as a multidimensional, context-based and dynamic concept, important for conceptualizing how customer loyalty positively influences the

CSR spillover. First, because customer loyalty is not only personal due to personal beliefs, such as what are customers loyal to – is it the company, the employees, the brand? – but that personal impetus also relies on the market and industry characteristics, such as competition. This is particularly important because customers might have relationships with a single brand but in addition, they also have relationships with customers who nurture relationships with other brands (McAlexander & Koening, 2002). This suggests customers are involved in and exposed to miscellaneous communities (Aksoy et al., 2015; Folkman et al., 2002). According to McAlexander and Koening (2002) customer communities have various dimensions which shape them, but more intensely by commonality or devotion; they are made up by the interactions its members, manifesting the instrumental role it assumes for people general well-being (Trump & Newman, 2017). Hence, it is where the processes of creating and negotiating meanings of the marketplace proliferates, once it is through communities that essential resources are shared – cognitive, emotional, material, etc. Second, customer loyalty is a dynamic process once it tackles the continuous customer identity construction and social interactions. Loyalty can be conceived as a personal experience or a shared one (Bhattacharya & Sen, 2010; Närvänen et al., 2020). Thus, the importance of looking into customer loyalty from this perspective for studying the scope of CSR effects. Third, such propositions go against the understanding customer loyalty as a routinized and automatic conception, for it is treated as a reflexive behaviour driven by conscious and deliberative reasoning (McAlexander & Koening, 2002).

Reversely, some authors disagree with this reflexive behaviour of customer loyalty, (Oliver, 1999; McMullan & Gilmore, 2008; Raza et al., 2020), believing situational influences, advertisements or any other marketing effort do not afflict customer loyalty, for the purchase or subscription intention is not disturbed. However, this dissertation considers situational loyalty to develop the construct of CSR spillover. Oliver (1999) did not distinguish between this loyalty category and proactive loyalty; however, proactive loyalty is when the costumer frequently resorts to a brand and settles for it. Situational loyalty is when a customer had a motivation linked to a certain occasion or opportunity to subscribe to a certain service, or product. Justifying this is the fact that the object of this study, banks, are inserted under the service sector coating, making only situational loyalty matter since most services are purchased or subscribed annually (Oliver, 1999; Närvänen et. al., 2020).

Hereupon, customers feeling of loyalty pressures the market to give them the sense of belonginess. It is the spillover that will account for leveraging the bank corporate social responsibility strategies in the loyalty programme, while creating opportunities to build longer-lasting loyalty as it is connected to customers' values and the relationships within both. Of course, such spillover will be sharpen as customers are more aware and exposed to CSR initiative, deepening the subsequent associations (Bhattacharya & Sen, 2004; Du et al., 2007; Du et al., 2010; Lee & Shin, 2010; Servaes & Tamayo, 2013). Thus, the H2c hypothesis was prepared:

**H2c: Customer loyalty positively influences CSR spillover effect.**

## 2.4. CSR performance and Competitive performance associations

Taking into consideration the necessity to bridge CSR spillover effect with brand trust and brand customer loyalty, a stakeholder perception approach was needed, e.g Romani et al. (2016). To assess the stakeholder evaluation on perceived performances, Kim & Rader (2010) perception approach was preferred for this dissertation, neglecting the instrumentalization of public ratings, firms' reputational rankings, and the mainstream, pioneer studies of Pérez et al. (2013, 2014) or Pérez and Del Bosque (2015, 2017), as it is broadly discussed in Chapter 3 – Methodology.

Transversal to all these approaches, is the fact that stakeholder perceptions are not binary, linear, nor exclusive (Brown & Dacin, 1997; Lee et al., 2010; Kim et al., 2019; Tao, 2018; Tao & Song, 2020). In fact, for spillover to happen, two perception transfers are required (Janakiraman et al., 2009). The one-time perception transfer or prior perception spillover, the first contact customers have with new information or communications, achieving a new state of perceived quality and responsiveness. And, the ongoing perception transfer, customer learning or dynamic perception spillover, a process that takes place over time and that is based on the customer experience and the continuous exposure to marketing communication of the brand and competing products and services of other brands as well (Janakiraman et al., 2009).

Regardless, this study revisits the two-dimensional pioneer work of Brown and Dacin (1997), since they initiated the projection of customers associations, i.e., what they know about corporate abilities (CA) and corporate social responsibilities (CSR), in a path model, impacting directly and positively the evaluation of companies. Other authors had proposed earlier similar approaches to other fields of study, such as Etzioni (1988) concerning economic performance and social responsibility, Chew (1992) mixture the first and social conduct, Goldberg (1999) investigated business competency and social conscience performance, Riahi-Belkaoui and Pavlik (1992) overviewed organizational effectiveness and social performance and De Castro et al. (2006) surveyed business and social reputation. Yet, this study resembles more Kim (2011) and Tao and Wilson (2016) findings who continued Brown and Dacin (1997) line of search, with the difference that it will not focus exclusively on the internal point of view of banks' strategic communications about CSR and corporate abilities (Kim & Rader, 2010; Sohn & Lariscy, 2014; Tao, 2018; Kim et al., 2019; Tao & Song, 2020), but rather on its adaptation to the external point of view of its customers and the brand associations they retain regarding corporate social responsibility performance and competitive performance questions – under the spillover orientation. Such mechanisms dictate stakeholders' indirect or direct experiences with firms and services and consequent evaluations (Chen & Tao, 2020; Rim & Song, 2017). In fact, Brown and Dacin (1997) discovered how customers evaluations were indirectly affected by CSR associations and directly by CA associations.

The customer's CSR performance evaluation envisages Kim et al. (2011) CSR associations, namely the banks performance in fulfilling its societal obligations encompassing environmental, social, and ethical ones. When customers perceive the firm's delivery such obligations, they tend to develop positive CSR associations (Kim & Rader, 2010; Kim et al., 2014; Kim et al., 2019). Also, Leong and Yang (2020) ascertained researchers and managers should not just rely on the invisible hand of the market for it is limited to deal with the multidimensional challenges of a firm's social performance. At an utter point, the role of competitive performance not to be the driving force for better socially responsible performance loses its significance when the effect of market competition on CSR is conditioned on the education, cultural, legal, or any other aspect that characterizes customer demand – e.g, through heated customer awareness, legislation, or organized labour – which prompts firms to bother with CSR behaviour (Wang & Korschun, 2015; Freeman & Phillips, 2021). Hence, the 3$^{rd}$ hypothesis was conceived:

**H3: CSR performance positively influences CSR spillover effect.**

On the other hand, competitive performance perceptions are connected to a strong record of corporate abilities or, by other words, a company's professional skills in providing quality products and services, acknowledging its success in providing superior products/services, developing innovative products/services, demonstrating industry leadership and global success (Kim, 2011; Chen & Tao, 2020; Rim & Song, 2017). Regarding competitive performance, customers judge the objective of firms to build a public corporate association related with the organization's expertise in terms of their products/services (Kim et al., 2014).

Competition encourages firms to be more socially responsible (Leong & Yang, 2020). Similarly, Du et al. (2007) and Sen and Bhattacharya (2011), found that customers sense the direct implications CSR activities have on firm's abilities. Thus, customers often expect companies to engage in CSR issues that have logical associations with the core corporate abilities of the firm, meaning, the customers are more prone to denote a link between CSR initiatives and corporate abilities from companies they perceive that have a better CSR fit (Du et al., 2010) increasing the brand expertise and credibility. Customer's behaviours in the marketplace are somewhat determined by the brands competitive positioning on CSR and its competitors positioning, namely, how much do customers perceive a company's strategic positioning is due to its dependence on CSR, in relation to its competitors (Du et al., 2007). Still, in the absence of a high degree of competition, firms with large market power will be able to resist consumers' demand. Nevertheless, the promotion of good social performance requires the collective efforts of firms, consumers, workers, and government. Such spillover efforts could promote the self-regulation of the industry by incentivizing open communications with stakeholders and transparency, improving society's trust in business and increase social capital, through the flexibilization of the macroeconomic and institutional structure. By involving social dialogue, partnerships with stakeholders, firm efficiency can be enhanced, since a more productive use of labour reduces costs at national level, hence improving general competitiveness (Boulouta & Pitelis, 2014; Kashyap et al., 2020).

Likewise, Leong and Yang (2020) research on understanding the linkages between CSR and competitive performances, found firms are more influenced by competitive pressures to reduce their social performance concerns in the industry, and while in the process, addressing some of the market failures. Such argument is embedded on Porter and Kramer (2006) strategic CSR conception, since it provides an opportunity for innovation and competitive advantages, while in between, serves to solving pressing social problems. This symbolizes that firms rely more on strategic interests and competitive forces, translating into a selective treatment of their social performance problems, confirming the 4$^{th}$ hypothesis:

**H4: Competitive performance positively influences CSR spillover effect.**

Ultimately, added importance is given to the effects the two associations bear on crisis situations. Competitive performance reputation is better to restore and cultivate than repairing or building from scratch CSR performance reputation (Kim et al., 2014). Likewise, CSR performance downfalls damages more the overall firm reputation than competitive performance hardships (Chen & Tao, 2020). Furthermore, although this study looks at these associations as isolated mediators, is known that the coexistence of both performance perceptions, make it very likely to have one association spilling over or nurturing transferring effects on the other, impacting collectively stakeholder assessment on the brand (Chen & Tao, 2020; Kim, 2011; Lee et al., 2010; Kim et al., 2019; Tao, 2018; Tao & Song, 2020)

Additionally, the enlightenment this dissertation expects to bring to this matter is the perception of market players as interdependent and not opposites (Porter & Kramer, 2006; Lloyd-Smith & An, 2019) because for every action there is a reaction, which can match or overtake them. So, market is not about expecting others to fail, there might be times when firms need to opt for a win-lose strategy but there are also times when market players can create a win-win situation, which doesn't force other players to retaliate, although imitation can limit competitive advantages of the most, it can also reveal to be more sustainable due to the belief of temporary advantage which cannot backfire at a long term (Brandenburger & Nalebluff, 1995).

Brandenburger and Nalebluff shared this view in early 1995, calling it coopetition or, a mix of co-operative and competitive efforts (Donaldson & Preston, 1995). These authors positioned their strategic perspective that the ultimate game theory is to (pro)actively shape the game of business, of creating and capturing value, and playing the right game, also because players interactions, expectations, and concerns are not fixed (Lloyd-Smith & An, 2019). Instead of focusing egocentrically in one firms' position, market players should know what they bring to others, to assess their added value – the 'enlightened self-interest' of firms (Porter & Kramer, 2006; Melo & Garrido-Morgado, 2019). Businesses can accomplish changing the game through alter one of the five competitive aspects: the players, the added values, the rules, the tactics and the scope. In this case, it is suggested to enable competitiveness and change the way firms operate by competing for social responsibility and shared value – antagonistically to the conventional competing form – through taking into consideration the customer feelings of trust and loyalty and their perceptions regarding performance, which can imply changing all of Porters competitive aspects.

Nonetheless, the author Sinek (2020) stated companies always try to annihilate the competition, but it never happens, because each one rules and creates their own metrics, they can be winners or losers whenever they want, they dictate their success (Porter & Kramer 2006; Lloyd-Smith, & An, 2019; Melo & Garrido-Morgado, 2012). Being the competition based on rivalry, worthy rivals do business better than some companies, revealing the other companies' weaknesses as opportunities for improvement. Janakiraman et al. (2009) instigated this, by finding competitive spillover to be more prone to occur when brands are similar. For instances, with the covid-19 pandemic hit, there was not a single company trying to beat their competition, just trying to survive, which made businessman believe that whether dealing with a recessionary time or with a bull market, firms' behaviour should be to survive and stay in the game as long as possible, always. This reasoning shows there is no risk in focus on improving firms own systems.

Recent empirical study of Leong and Yang (2020) departing from a liberal economic perspective believed competition is good for providing incentives for firms in order to become more efficient and innovative in production. Corroborating this, Adam Smith himself stated monopoly is a great enemy to a good management (Smith, 2015). The authors following this presupposition explored whether market failures or externalities could be internalised through the invisible hand of the market; they found firms are more reactive in reducing social concerns than proactive in augmenting their social strengths, because market competition only significantly reduces social concerns but not increases social strengths.

Ultimately, the old arguments of Brandenburger and Nalebluff (1995), Porter and Kramer (2006) and the new ones verified by Leong and Yang (2020) and Sinek (2020) fundament both third and fourth hypotheses.

## 2.5. CSR spillover effect on market shaping

Despite proposing CSR performance and competitive performance as the vehicle to assess reputation variables and the CSR spillover variable, while encompassing the stakeholder perceptions mediating effects were cogitated (Gallardo-Vázquez et al., 2019; Cantele & Zardini, 2018), taking into consideration the deconstructed and multidimensional concept of CSR. Following Rather et al. (2020) study, mediation happens when a dependent variable is both directly and indirectly influenced by an independent variable using another mediator variable. It can have mediating effects that behave as supporters or weaknesses between relations (Oliver, 1999). Likewise, CSR performance and Competitive performance operated as mediators between brand customer loyalty and brand trust, and CSR spillover effect.

Hereupon, the literature has underexplored general indirect effects, that is the spillover effect of CSR reputational impact. Thus, the presence of unexplored relations between the attendant variables implies a subliminal lack of direct evidence, however literature suggests spillover across competing brands is possible, as proved ahead.

Spillover studying academia was more incited on covering intra industry effects regarding the effects of stakeholder perceptions on the focal company and competition within the same sector (Chen et al., 2016), or the effects the focal company and its subsidiaries and vice-versa, which concerns the stakeholder perception effects on the same product/service category (Tezer & Tofighi, 2021), for example when launching a new product (Brown & Dacin, 1997; Janakiraman et al., 2009), than on inter industry perspective (e.g Kim, 2011). Commonly, spillover literature focuses on negative premisses, how spillover negatively affect competition, and there is even a massive negative review oriented on the association spillover effect of CSR crises on stakeholders' responses (Chen et al.,2016; Sohn & Lariscy, 2014; Kim & Choi, 2018; Chen & Tao, 2020; Tao, 2018; Tao & Song, 2020; Tezer & Tofighi, 2021; Chen & Luo, 2016; Chen & Tao, 2021; Borah & Tellis, 2016; Janakiraman et al. 2009; Roehm & Tybout, 2006). Thus, it was necessary an adaptation of results of the existing literature, and even reverse some constructs, as it will be further developed throughout this topic.

The exceptions were Kim et al. (2011) Melo and Garrido-Morgado (2012), Wang and Korschun (2015), Tao and Wilson (2016), Kim et al. (2019) and Lloyd-Smith and An (2019), whose findings were positive, and even Tezer and Tofighi (2021) who found a middle ground in which CSR information does not negatively affect the valuation of rival brands, only when competing brands have low brand typicality. Still, the fundamental argument behind the development of all the forthcoming hypotheses mediating effects, is the adaptation of the positive nexus of CSR spillover effect stipulated by Wang and Korschun (2015) and, mainly Kim et al. (2011) results where both corporate abilities associations and corporate social responsibilities associations have a direct influence on company evaluation. This is the major indication that there are transferring effects, or in this case, a spillover of both CSR and competitive associations when preceded by a positive reputation:

**H3a: CSR performance mediates the relationship between brand trust and CSR spillover effect.**

**H3b: CSR performance mediates the relationship between customer loyalty and CSR spillover effect.**

**H4a: Competitive performance mediates the relationship between brand trust and CSR spillover effect.**

**H4b: Competitive performance mediates the relationship between customer loyalty and CSR spillover effect.**

First, the spillover understanding is based on the impact a given information about a brand might (indirectly) have on the judgment or perception of another, which wasn't addressed at all (Janakiraman et al., 2009; Tezer & Tofighi, 2021). Moreover, Wang and Korschun (2015) provide a much more scientific input, stating spillover effect is created by the spreading and strengthening of associations between nodes and primary elements. It functions on the base of activation of mental node(s) and its associated element(s) that consequently spread to related nodes in the cognitive network through the pre-existing links between them. Moreover, stakeholders are constantly exposed by brands announcements, advertisement, initiatives, and sometimes even scandals, which shape the way they perceive them, and even evaluate firms' services. Thus, as companies and their respective image operate in the same competitive arena, those type of informational disclosures are very much responsible for shaping their reputation and competitiveness (Wu et al., 2020). This is true for the cases of parent company and subsidiary brands or the cases of similar company brand portfolio, in the same product or service category (Wang & Korschun, 2015). Lloyd-Smith, & An (2019) motivated by the firm's active role in producing and managing their reputation, discover that once CSR and advertisement function as substitutes and not as complements, the difficulty external stakeholder have in differentiating between own-firm and industry-level CSR activities may allow firms to freeride on CSR investments of its industry competitors – creating a positive link. Janakiraman et al. (2009) also contributed to the theme by finding customers also transfer their perceptions of quality across competing brands. Romani et al. (2016) similarly found company-customer partnerships can benefit customer awareness and engagement in action of CSR issues. Therefore, the spillover is intrinsically infiltrated the evaluation and association process of customers.

Likewise, corporate social responsibility associations, at a more corporate level, is rooted with subconscious values which, for customers, defines their perception upon the brands identity (Brown & Dacin, 1997; Stone, 1992; Wang & Korschun, 2015). When such susceptibility overlaps with the customer notion of self, and customer identification with the brand, impressions become stronger; if a firm is involved in CSR activities, that customer identification is much deeper since it elevates the customer self-esteem (Dacin & Brown, 2002; Sen & Bhattacharya, 2001). Of course, the customer-company identification and subsequent associations get strengthen when customers are more aware and expose to CSR initiatives e.g., Klein and Dawar (2004), Bhattacharya and Sen (2004), Sen et al., (2006) and Du et al. (2007). Thereby, the contributions of Wang and Korschun (2015) will support H3a and H3b.

Wang and Korschun (2015) studied precisely the spillover effect of CSR activities at the brand level and found how spreading CSR cognitive associations result in several company-favouring outcomes namely the return on its investment under the form of purchase intent (Sen et al., 2006) and willingness to pay (Trudel & Cotte, 2008), but mostly due to the word-of-mouth behaviours (Du et al., 2007), and consumer–company identification (Sen and Bhattacharya, 2001), supporting H4a and H4b. However, they alerted those benefits are commonly dependent upon the effects of CSR associations, the company, and other situational factors. Spillover effect between elements is deepened when activated by external stimuli, i.e., new information or personal experiences, as it will be seen in Chapter 3. Wang and Korschun (2015) work also indicate that the similarity of brands reputation and positioning can be a more important contributor to the existing link between brands than the similarity of product categories. Likewise, such finding is incumbent to Janakiraman et al. (2009) ones, which pontified competitive spillover is more prone to occur between similar brands suggesting besides the first impact and exposure of customers with a new positive or negative CSR event, isolated or aggregated, what determines the spillover is precisely its underlying dynamic perception process.

Tezer and Tofighi (2021) went beyond and investigated methodologically the spillover effect of a brand's CSR information on a competing brand's evaluations. So, their findings were that a CSR disclosure about a brand should nurture a negative effect on competing brands, hurting their competitiveness. CSR disclosure information only does negatively affect the valuation of rival brands, when the competing brands have low brand typicality, or by other words, when the brand does not represent the service/product category for the customer, and for that, their evaluation is not influenced by the disclosure of CSR information (Le Roux et al., 2016). As opposed to a mere descriptive informational disclosure about a brand, which does not demand a negative perception from customers. Hence, their proposition is that CSR spillover about a brand has a general negative impact on other brands.

Furthermore, Chen and Luo (2016) are two of the few authors whose findings actually focused on the CSR strategic spillover effects on firm performance and its implications on firm competition. For the purpose of this work, they confirmed some propositions such as: CSR spillover effects significantly affect firm competition, and both consumers and firms benefit from CSR expenditures. However, they agreed CSR can have a negative spillover effect once its effect can become a double-edged sword. Presuming CSR effects play a role in firm competition it creates a distinctive factor between the companies' ways of competing, disaggregating competition in two groups: the pro-CSR firms *versus* the non-CSR firms. This is notable through the consumer willingness to pay for products, which increases for the firm's CSR products and decreases for non-CSR firms' products (Kim & Choi, 2018). Consequently, competing for CSR affects the regular competitive arena, since pro-CSR firms by increasing their socially responsible expenditures, lowers the reputation of non-CSR competitors. Primarily, CSR spillover effects increased firm outputs, prices and profits; but, secondarily, CSR spillover can also lower the outputs, prices and profits of non-CSR firms, disrupting the competitive efforts of the latter. Thus, CSR strategies can assist governments by helping distinguish high quality firms from low quality ones once it lowers non-CSR firm demand (Tao, 2018). Or, at the extreme, they can even remove them from the market or otherwise force these companies to improve their practices. Moreover, CSR spillover can also reduce consumer surplus and social welfare levels because it penalizes the non-CSR firms which sell products at a lower cost due to poor quality consequently impacting diversification. Furthermore, a competitive disadvantage can motivate the implementation of firm CSR, but it can also have no direct effect on firm CSR investments (Chen & Luo, 2016).

Chen and Tao (2021) studying the theoretical gap about the spillover effect of CSR crises on stakeholders' perceptions also found discouraging conclusions, such as if the stakeholder perceptions about CSR associations of a certain brand worsens it also damages directly that corporate ability associations, and consequent service evaluation.

Still, Kim (2011) and Tao and Wilson (2016) who treated the same associations on non-crises events, had much positive insights. Kim (2011) called the spillover effects the transferring effects which reflects the corporate communication strategies that in turn influences the customer impressions about product and company evaluations. Hence, from the public relations perspective (Kim, 2011) the competitive success of companies depends on the adequacy of their CSR practices with their stakeholder's perceptions about those communication-based CSR practices efforts. Therefore, when a company is associated with a previous positive reputation, and customers take notice of their CSR messages, they transfer those perceptions to that company performance and capabilities (Tezer & Tofighi, 2021).

Nevertheless, Trump and Newman (2017) also contradict the negative findings of Chen and Tao (2021) and Tezer and Tofighi (2021), by destabilizing the widespread assumption on how a brands wrongdoing benefit the competitors on the same industry, or as they quoted, similar competitors (e.g., Borah & Tellis, 2016; Janakiraman et al., 2009; Roehm & Tybout, 2006). Their research indicates the opposite spillover logic pursued in this dissertation, since it is based on how ethical transgressions of one brand hurt the ethical perceptions of customers regarding the competing brands, meaning that in the same industry, one firm loss is another firm loss. Similarly, Borah and Tellis (2016) cite this as a perverse halo when the negative saying about one brand spills over to another. Moreover, the authors did not find one brand that had benefit from the transgressions studied. The reasoning here presented proposes how the ethical compliance of one band can benefit its competing brands. Although conceived in reserve, such contributions support H3a and H3b.

The authors, Trump and Newman (2017) also consolidate H4a and H4b, whilst approaching the negative downstream consequences from the negative spillover. Because when customers focus on superficial and shared features between the competing brands, negative spillover is more prone to take place. In the absence or insufficiency of customer loyalty or brand trust during adverse events, the authors recommended the proactive action of structure effective differentiators, so that the rest of the alike industry brands would distance themselves from a transgressing brand and develop a solid and sustained marketing strategy. Porter and Kramer (2006) named these positioning strategies the value capture firm strategies, which can be cost leadership (producing comparable products more cheaply than competitors), differentiation (producing differentiated, usually higher quality products) and niche strategies (being a cost leader, or a differentiator within a particular market segment). All of these are 'entry deterrence' strategies, namely barriers to new competition, such as branding (Boutola & Pitelis, 2014).

## 2.6. Conceptual Model Research Hypotheses

Revisiting the previous arguments, one can conclude customers nurture diverse associations with brands and, when a brand is under concern, it is frequently associated with a set of elements, such as reputational attributes and performance evaluations (Keller, 1993). Thus, based on the referred literature review, this research examines the theoretical relationships of reputational attributes of brand trust and customer loyalty with banking brand's CSR performance, competitive performance, and CSR spillover; equally, it is observed the relations between brand trust and customer loyalty with CSR spillover effect being mediated by the CSR performance and the competitive performance.

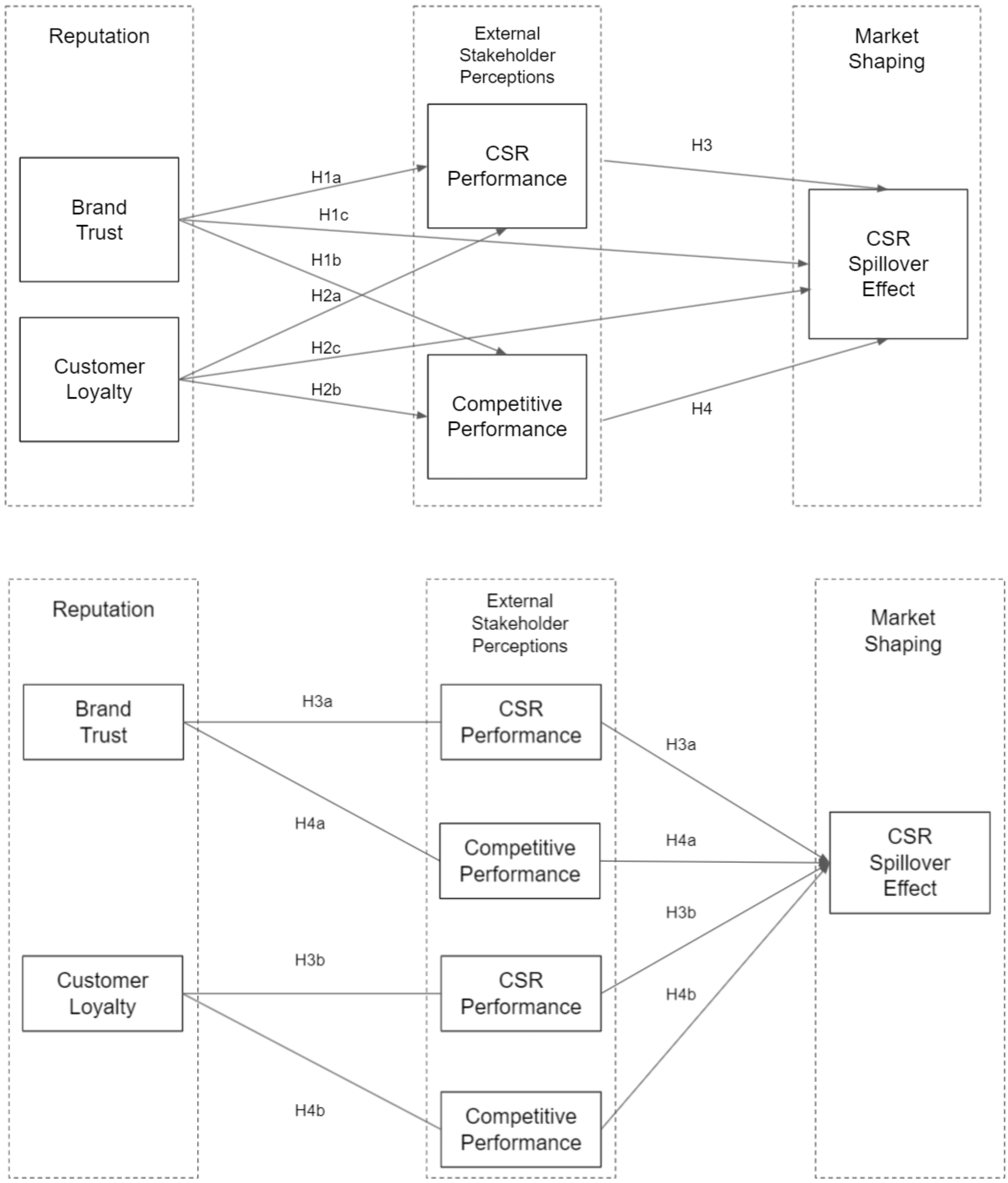


Figure 2.1 - Conceptual model demonstrating hypothesised direct and indirect effects.

CHAPTER 3

# Methodology

## 3.1 Quantitative Research Method

Given the above research hypotheses model, it was necessary to conduct a quantitative research study so that the relation between the dependent variable (CSR spillover) and the independent variables (brand trust, customer loyalty, CSR performance and competitive performance) was attested, within a sample of the population of the users and customers of banks operating in Portugal (Creswell & Creswell, 2017). Moreover, this type of research method is known for emphasizing a numerical analysis of data collected from questionnaires to generalize it to the whole of the population and explain the CSR spillover phenomena (Svensson, 2001; Singh, 2007). As the determination of the hypotheses conceived in the literature review, required the collection of external stakeholders' perceptions, the quantitative research method was exclusively descriptive. Since the conjecture of the constructs demanded to measure once the proposed subjects, through the establishment of association between the variables, it did not recall for an experimental study, which measures the causality established before and after a particular event (Singh, 2007; McNabb, 2017).

Needless to state such research method implied the hypothetical-deductive model, once it considers the research problem resolution with inputs from recent studies which serve several hypotheses formulation, and deduce predictions out of them, achieving the results from a software testing capable of proving or disproving the suggested association between the constructed hypotheses (Godfrey-Smith, 2009).

## 3.2 Sample

As aforementioned the target audience of this study was rather broad, encompassing, possibly, all bank users from banks operating in the commercial activity in Portugal in order to understand how CSR perceptions shape the Portuguese banking industry. The determination of the hypotheses conceived in the literature review, required the collection of external stakeholders, the users and customers of banks operating in Portugal, who provide the input to access their impressions regarding reputational attributes, corporate social responsibility, and the competitiveness of those institutions.

Of course, it is impossible to study the whole of such population, so, it was gathered a probability and voluntary response sampling of 176 respondents.

Furthermore, it is also crucial to approach the selection criteria behind the banking institutions portrayed in the questionnaire. The financial system, and in this case, banks, play a crucial role in everything that concerns the use of money by the economy. But there are specific roles attributed to each type of financial institutions; the General Regime for Credit Institutions and Financial Companies (RGICSF) in Portugal divides financial entities into two main groups: Credit Institutions and Financial Companies; leaving out the financial companies classified by the RGICSF as financial brokerage companies; brokerage firms; the mediating companies of money or foreign exchange markets; investment fund management companies; wealth management companies; regional development societies; exchange offices; and credit securitization fund management companies (Associação Portuguesa Bancária, n.d. a; Banco de Portugal, n.d. b; Associação Portuguesa Bancária, n.d. c).

This work imported some of the Credit Institutions (CI) whose activity is characterized by companies which receive deposits or other repayable funds from the public, in order to apply them on their own account by granting credit. The choice of examine this type of financial institution is due to capitalism being rooted to the use of currency to mediate the economic activity, leading to exchange currency for goods; currency allows the excess resources (savings) of a given economic agent – individuals, families, companies – to be channelled to other economic agents who need them (investment). Thus, such banking institutions are fundamental in financial intermediation, that is, they collect savings from those who have surplus resources and make these resources available to those who need them (Associação Portuguesa Bancária, n.d. c). Without this operation, the investment capacity of individuals and companies would be very limited. Hence, the banks considered here resemble the universe of study of Cabrita et al. (2017) but with the addition of more recent banks and more importantly digital banks, so that stakeholders' impressions towards CSR were better integrated (Banco de Portugal, n.d. b).

## 3.3 Variables and Measures

The survey is composed with 15 intuitive questions so that respondents would answer more consciously and spend more time on each question asked; hence, following the research limitation of Tao and Wilson (2016), taken into consideration the length of the questionnaires fatigues the participants during the process. As so, the findings of this study were not affected by such loss of stimuli.

The questionnaire is organized in five parts [see Appendix A]. Its overall structure has large parity with the recent Raza et al. (2020) and Hur et al. (2020) studies, once they both measure customer perceptions, customer loyalty and trust. Moreover, the guidelines behind most measures were driven by the work of authors who explore the external stakeholder customer perceptions via surveys, such as Romani (2016), Latif (2018), Li (2019), Saeidi (2015), Gallardo-Vásquez (2019), Pérez (2011; 2016), Pérez and Del Bosque (2017), Zhao et al. (2016), Cambra-Fierro, et al. (2021); Hur et al. (2020); Raza et al. (2020). Nonetheless, there were also important insights to consider from the study of internal stakeholders, namely employee perceptions, such as Fatma et al. (2014), Gangi et al. (2018), Cantele, and Zardini (2018), Singh and Misra (2021) and Chen et al. (2006) did, as customers are citizens bounded with social obligations, prior to being customers, employees or employers.

The first part regards single answers about the social-demographic data of the respondents such as: sex, age, education level, and occupation. The second part examines customer profile, from what bank is the respondent client, and for how long.

Group three measures customer perceptions, embracing the dated Kim (2011) scaling. As mentioned earlier, the selected approach to assess the stakeholder evaluation on perceived performances, was the one from Kim (2011) due to neglecting the instrumentalization of public ratings, firms' reputational rankings, and the mainstream, pioneer studies of Pérez et al. (2013, 2014) or Pérez and Del Bosque (2015, 2017). Such alternatives were forsaken in the virtue academic warnings about the inconclusive outcomes that perceived performance might have due to stakeholder's difficulty in perceiving or evaluating the firms competitive, or socially responsible implications (e.g., Luo et al., 2015; Muslu et al., 2019). The first problem could be bypassed by using third-party data sources to rate or quantify CSR performance, such as such as KLD (Sheikh, 2019; Lloyd-Smith & An, 2019; Bhattacharya et al., 2020), Asset4 (Liang & Renneboog, 2017; Lloyd-Smith & An, 2019; Gangi et al., 2018), Sustainalytics (Bhattacharya et al., 2020), Trucost and Bloomberg (Tsang et al., 2020). However, Porter and Kramer (2006) signal how social performance rankings should be a powerful way to influence corporate behaviour. But, as the criteria is broadly variable and the data is frequently unreliable, they become meaningless rankings since every company meets social responsibility. Besides, they should be the means to create a social agenda so that CSR policies were effective, making the most significant social impact and reap the greatest business benefits. Lloyd-Smith and An (2019) also elucidated that executive reputation ratings may not address the firm's demographic targets and might even underestimate CSR effect on those public ratings.

The second alternative is believed to overcome such problems through the development of customer perception scales (Pérez et al., 2013; Pérez & Del Bosque, 2014), however, recent researchers started noticing the external stakeholders, namely customers, lack of understanding in CSR-related matters concerning employees, suppliers, and shareholders, for example, striking some of the most consolidate literature on the subject. Yet, there is still a glance of Latif et al. (2018) and Raza et al. (2020) new perception scale that was used on this thesis, since it was based on the only substance customers can base their knowledge on regarding CSR performance. It introduces aspects related with customer experience such as a firm's developmental responsibilities; ethical responsibilities; relationship-building responsibilities; responsiveness; and information-sharing responsibilities.

Still, this dissertation resemblance Pérez and Del Bosque (2017) and Raza et al. (2020) studies for they treat customer perceptions, but due to its extensive survey, it was best not to adopted them. While Latif et al. (2018) being the most accurate to the dissertation but missing the study objectives since customer experience was very limiting to the purpose of the study, Kim and Rader (2010) and Kim (2011) gathered the resemblance and the treatment of the study objectives in a concise survey, tackling both corporate social responsibility and competitiveness performance under a spillover orientated study. These general questions served to reach the respondents' perceptions that their banks occupy in a broader and memorable sense.

Beyond that, only on group four customer loyalty and trust measurements are encompassed since the last group depended on the temporal distance and distraction of respondent's previous answers, as it is common in spillover research (Roehm & Tybout, 2006). So, in order to see the mediating role of performance perceptions and how it translated onto reputational gains, trust is recalled, being therefore measured according to Morgan and Hunt (1994) and Martínez and Del Bosque (2013) scales; consequently, this affective commitment of customers to the brand, were measured by Hur et al. (2018) scaling (Raza et al., 2020). Most reputational studies treated reputational variables according to the service quality measures from Parasuraman et al. (1988) article. However, Pérez and Del Bosque (2017) shaped those measurements to the image of customers regarding CSR, providing additional value to this dissertation, once it can bridge CSR stakeholder perceptions, reputation, and competitiveness (Raza et al., 2020). Banks that have a good service quality and an impeccable CSR image, are the ones that present better performance activity.

The last group, relied on the temporal distance and distraction of respondents as aforementioned (Roehm & Tybout, 2006), being that useful to adapt Tezer and Tofighi (2021) measurements concerning the spillover effect, albeit trying to prove its positive relation. Thereof, the measurements consisted in providing a short text, containing a certain banks CSR message, retrieved from official bank website, to test the effects of receiving a brand's CSR activity information after the respondents evaluating their own bank, encompassing their reaction of CSR information regarding a competing brand as a function of their perceptions.

## 3.4 Data collection

The data collection was understood in the period of 17 of May to 30 of May of 2021. The questionnaire was shared randomly through social media channels to respondents, so every member of the population could be selected, being the respondent's sample mainly dependent on the promotion and the ease of access of the questionnaire.

CHAPTER 4

# Discussion

## 4.1. Data Analysis

The collected data was analysed based on the partial least squares (PLS) path modelling method, demanding a variance-based structural equation modelling technique (SEM) which was accomplished by the SmartPLS 3 software (Ringle et al., 2015), suitable for estimating the cause-effect of the latent variables associated with customer perceptions regarding the Portuguese banking brands environment, since this thesis intents to measure a phenomenon that is not directly observable – the CSR spillover effect. For this purpose, latent variables function as hypothetical constructs which are manifested to explain covariation in behaviours; they are unobserved and therefore, measured by errors, once any measure procedure is pursuant of two components: true score variation and the error variation (Smelser & Baltes, 2001). Thus, if latent variables are highly inferable from observable variables which are commonly measured though the mere path analysis, in this case, they demanded a structural equation modelling for data analysis (Salkind, 2010).

## 4.2 Model quality

Correspondingly, the measurement model quality was estimated according to the indicators of reliability, convergent validity, internal consistency reliability, and discriminant validity as presented in table 4.1 (Hair et al., 2017); the internal consistency reliability is exemplified by the Cronbach's alphas and the compositive reliability (CR), the convergent validity is arbitrated by the compositive reliability and the average variance extracted (AVE) and the discriminant validity is monitored by the Heterotrait-Monotrait ratio (HTMT) and the square roots of AVE.

Thus, looking into the correlations of the hypothesized model, one can imply that the standardized factor loadings of the items was entirely above 0.6, being the minimum value 0.722, indicating that all the proposed causal effects were significant at $p < 0.001$, reflecting the individual indicator reliability (Hair et al., 2017). Hence, such is a reflection of the individual indicator reliability, confirmed by the internal consistency reliability which shows exceeding values of Cronbach's alphas and compositive reliability (CR) above 0.7 (Hair et al., 2017).

Accordingly, the model also presents convergent validity due to the positive and significant relation of the items loaded with their constructs and to the CR and AVE values being higher than 0.7 and 0.5, respectively (Bagozzi & Yi, 1988).

Concerning the discriminant validity, results were framed under the Fornell and Larcker (1981) criteria which suggests a construct's square root of AVE exceeds the biggest correlation with any construct, as shown on the Table 4.1 diagonal with values in bold (Fornell & Larcker, 1981). Such criterion was followed by the employment of the heterotrait-monotrait ratio (HTMT) (Hair et al., 2017; Henseler et al., 2015) which requires ratios to be below the threshold value of 0.85 as it is evidenced on Table 4.1 (Hair et al., 2017; Henseler et al., 2015).

Table 4.1 - Compositive reliability, average variance extracted, correlations and discriminant validity checks

| **Variables** | α | **CR** | **AVE** | **1)** | **2)** | **3)** | **4)** | **5)** |
|---|---|---|---|---|---|---|---|---|
| 1) Customer Loyalty | 0,784 | 0,852 | 0,536 | **0,732** | 0,662 | 0,874 | 0,697 | 0,689 |
| 2) CSR Spillover | 0,726 | 0,807 | 0,677 | 0,429 | **0,823** | 0,754 | 0,710 | 0,515 |
| 3) Brand Trust | 0,790 | 0,856 | 0,544 | 0,694 | 0,497 | **0,737** | 0,782 | 0,608 |
| 4) Competitive Performance | 0,722 | 0,828 | 0,546 | 0,533 | 0,440 | 0,600 | **0,739** | 0,612 |
| 5) CSR Performance | 0,814 | 0,866 | 0,520 | 0,553 | 0,335 | 0,501 | 0,475 | **0,721** |

Note: α - Cronbach Alpha; CR - Composite Reliability; AVE - Average Variance Extracted. Bolded numbers: square roots of AVE. The correlations between the constructs are below the diagonal elements, and above them are the HTMT ratios.

## 4.3 Hypotheses test and Quantitative Results

With respect to the hypotheses testing, Table 4.2 shows that customer loyalty does not have a significant effect on CSR spillover ($\beta$ = 0.318, $p < 0.05$) as well as CSR performance does not have a significant effect on CSR spillover ($\beta$ = 0.598, $p < 0.05$), being the only non-significant direct results. Therefore, hypotheses H2c and H3 do not hold true for the suggested purposes, respectively, since each hypothesis did not evidence dependence between their apprehended relations. Contrarily, Brand Trust and CSR Performance ($\beta$ = 0.008, $p < 0.001$), Brand Trust and Competitive Performance ($\beta$ = 0.000, $p < 0.001$), Brand Trust and CSR spillover effect ($\beta$ = 0.003, $p < 0.001$), Customer Loyalty and Competitive Performance ($\beta$ = 0.004, $p < 0.001$), as Customer Loyalty and CSR Performance ($\beta$ = 0.000, p < 0.001), and Competitive Performance and CSR spillover effect ($\beta$ = 0.038, $p < 0.05$), nourish significant and positive effects as shown in the paths exemplified by Table 4.2. These results provide support for the remaining H1a, H1b, H1c H2a, H2b, and H4 hypotheses respectively.

To obtain the results on Table 4.3, concerning the mediating hypotheses effects (H3a-H4b), Hair et al. (2017; p. 232) analysis was resorted, i.e the indirect effects significance was tested via mediator, using a bootstrapping procedure (Preacher & Hayes, 2008). As so, the indirect effects of Brand Trust and CSR spillover via CSR Performance ($\beta$ = 0.603, $p < 0.05$), Customer Loyalty and CSR spillover via CSR Performance ($\beta$ = 0.619, $p < 0.05$) and Customer Loyalty on CSR spillover via Competitive Performance ($\beta$ = 0.111, $p < 0.05$) are not significant. Thus, H3a, H4a and H4b hypotheses are not supported, being the only significant result, the indirect effect of hypothesis H3b, accountable for Brand Trust on CSR spillover via Competitive Performance ($\beta$ = 0.048, $p < 0.05$).

Table 4.2 - Structured Model Assessment

| **Path** | **Original Sample** | **Standard Errors** | ***t* Statistics** | ***p* values** |
|---|---|---|---|---|
| Customer Loyalty → CSR Spillover | 0,102 | 0,102 | 1,000 | 0,318 |
| Customer Loyalty → Competitive Performance | 0,225 | 0,077 | 2,929 | 0,004 |
| Customer Loyalty → CSR Performance | 0,397 | 0,081 | 4,914 | 0,000 |
| Brand Trust → CSR Spillover | 0,291 | 0,098 | 2,958 | 0,003 |
| Brand Trust → Competitive Performance | 0,444 | 0,074 | 5,984 | 0,000 |
| Brand Trust → CSR Performance | 0,226 | 0,085 | 2,657 | 0,008 |
| Competitive Performance → CSR Spillover | 0,191 | 0,092 | 2,077 | 0,038 |
| CSR Performance → CSR Spillover | 0,042 | 0,079 | 0,527 | 0,598 |

Table 4.3 – Bootstrap result for Indirect Effects

| **Path** | **Estimate** | **Standard Errors** | ***t* Statistics** | ***p* values** |
|---|---|---|---|---|
| Customer Loyalty → Competitive Performance → CSR Spillover | 0,043 | 0,027 | 1,598 | 0,111 |
| Brand Trust → Competitive Performance → CSR Spillover | 0,085 | 0,044 | 1,944 | 0,048 |
| Customer Loyalty → CSR Performance → CSR Spillover | 0,017 | 0,033 | 0,498 | 0,619 |
| Brand Trust → CSR Performance → CSR Spillover | 0,009 | 0,018 | 0,520 | 0,603 |

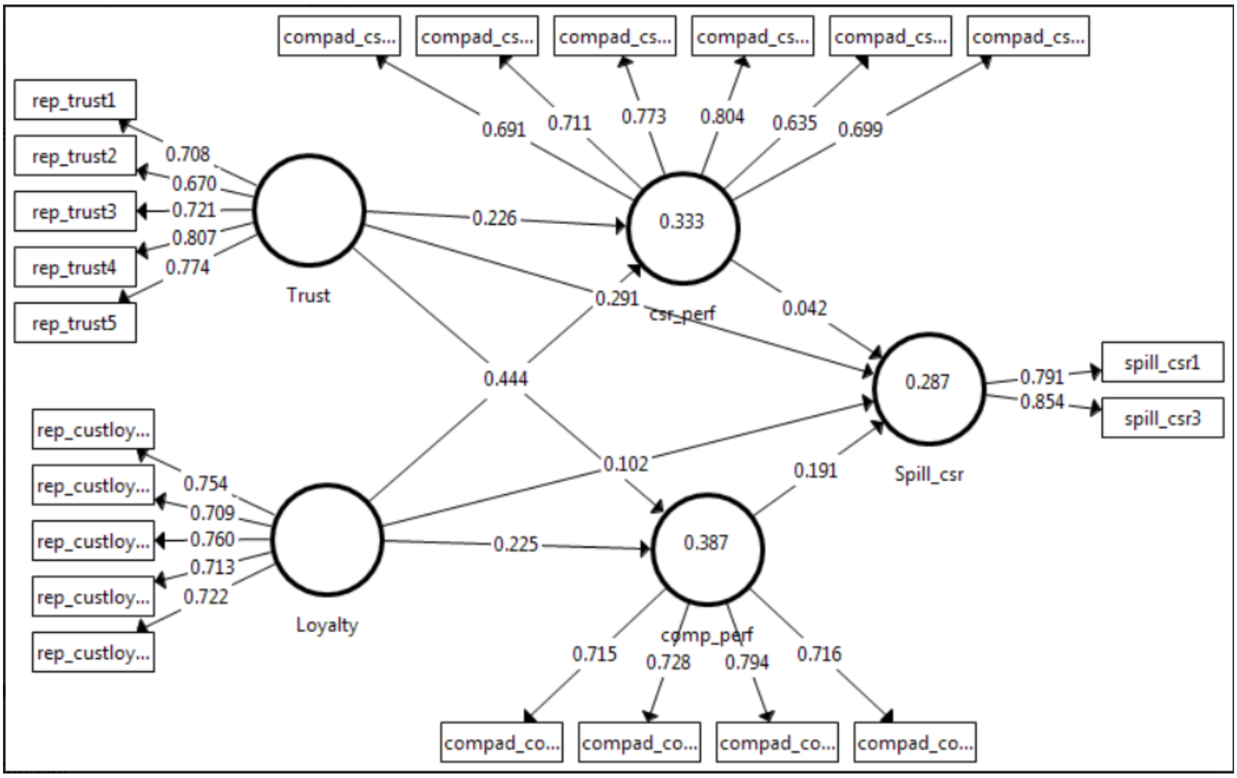


Figure 4.1 – Multiple mediation analysis

## 4.4 Discussion of Results

Starting from the least encouraging results and escalating to the more meaningful insights, first, it is possible to ascertain customer loyalty does not have a significant direct impact on CSR spillover effect (H2c; $\beta$ =0.318, $p < 0.05$), because it is not affected by firm's disclosure on communications, advertisements or announcements, and other situational influences from other competing brands as adverted in the works of Raza et al. (2020), McMullan and Gilmore (2008) and Oliver (1999). Besides, it fortifies the notion of being a much more private driven reputational attribute than a social one, related with the easiness and instrumental needs of customers (McAlexander & Koening, 2002; Bhattacharya & Sen, 2010) than one of relationship (Rather et al., 2019), adding that the attitudinal aspect of customer loyalty – the positive bank-related perceptions and the willingness to recommend the bank to others – is not that imperative for the discussion (Hur et al., 2018). This finding can be viewed as immense, from the perspective of customer interaction intra and inter brand communities (Shah & Khan, 2019) due to its insufficient significance on the proliferation of exchange and negotiation of brand meanings and consequent CSR initiatives for the market (McAlexander & Koening, 2002).

Also, the established relations of customer loyalty with CSR performance (H2a; $\beta$ = 0,000, p < 0.001) and with competitive performance (H2b; $\beta$ = 0,004, p < 0.001), were found to be more significant relations, perhaps due to banking being increasingly a homogeneous industry, which relies on CSR as a differentiation strategy (Shah & Khan, 2019). Judging on respondents' answers on Question 1 – Performances [see Appendix A], the communication efforts of banks operating in Portugal do not reach their customers, as most of them had little knowledge about the CSR performance of the bank they integrate (Aksoy et al., 2015). Suchlike hurdle becomes an obstacle in the dynamic process of customer identity construction since customer loyalty is driven by the private sphere of satisfying their self-definitional needs (Rather et al., 2020), rather than a social one, related with the customer's practical sense. Moreover, customer loyalty is a consequence of the customers personal history with their bank(s) (McAlexander & Koening, 2002; Bhattacharya & Sen, 2010; Närvänen et al., 2020), which complicates even more the task of evaluating or having a deeper understanding about the CSR performance of given banking brands. Thereby, it was presumable to find some kind of reflective behaviour with customer loyalty, but the conventional emphasis of the banking industry was stronger than expected (Oliver, 1999; Watson et al., 2015; Raza et al., 2020).

Still, it is worth noticing customer loyalty depends more on competitive performance than on brand trust, as it will be latter presented, which confirms the pragmatical and opportunistic feature of this reputational attribute in comparison with brand trust (Närvänen et al., 2020).

Second, and the most unforeseen result, was that the instinctively prospect of CSR performance to function as a significant influencer on CSR spillover was not found to be true. Such result ($\beta$ = 0.598, p < 0.05) remits to the RBV-theory and legitimacy theory assumptions, namely the banks originality in combining its internal drivers, i.e., their abilities to deploy strategically resources to conquer businesses advantages from CSR (Rugman & Verbeke, 2002; Barney & Hesterly, 2011) with the fit of such actions, as a consequence of the reputation and business goals congruency (Suchman, 1995). Porter and Kramer (2006) adverted perceptions concerning CSR could only nurture a positive organizational impact if it was fully integrated in a firm's reputation. Moreover, they explain that a firm must be self-oriented when engaging in CSR and should not follow the common mainstream strategies adopted by competitors in the market (Melo & Garrido-Morgado, 2019). Potentially, this finding results from such strategic ambivalence fostered by Portuguese banking brands (Hastie, 1984), leading to customers negative (extrinsic) associations, attributions, and evaluations (Keller, 1993; Tao, 2018; Tao & Song, 2020; Kim & Choi, 2018), grounded to the ongoing customer exposure and familiarity (Janakiraman et al., 2009) with reactive promotion of CSR initiatives by Portuguese banks, instead of a proactive one, letting the positive intrinsic motives slip from their overall associations. This could be explained by the long-lasting fragility of the banking system in Portugal; this industry had unfavourable past experiences, negatively impacting the continuum of opportunities of customers to evaluate banks abilities and capacities (Skarmeas & Leonidou, 2013; Webb & Mohr, 1998; Ellen et al., 2006; Choi & La, 2013), crucial since trust is sedimented over time and based on repeated interactions with those service providers (Shukla et al., 2016; Rather et al., 2019). Thus, respondents manifested how the effect of previous financial instability and consequent post-crisis evaluations (Zyglidopoulos & Phillips, 1999) are still impregnated in perceiving of CSR performance as a buffer against adverse events (Cabral, 2012; Islam et al., 2021) or an organizational insurance (Kashyap et al., 2020; Chen et al., 2016; Chen & Tao, 2020). Du et al. (2007) contributed to this inference by urging customers attitudes towards performance evaluation is determined by the way brands position themselves competitively on CSR matters. Adding to this judgement, Coombs and Holladay (2015) signalled, the impact of stakeholder perceptions goes beyond the damage of reputational crises, for it becomes part of the history of that brand's associations (Sohn & Lariscy, 2014). Still, regardless of the cause that incentivized firms to act sustainably it is important to always retain a deep consideration of CSR performance to these discussions, once it forces customers to deal with social and ethical sustainable notions and learn from them (Romani et al., 2016). If customers interactions with banking brands are coined with a socially responsible impetus, their demand (even being of a transactional nature) will become subsequent more sophisticated and responsible (Zadek, 2006). Also, market competition on CSR may be conditioned with such sophistication (Boutola & Pitelis, 2014).

Hence, the lack of support of the past inference is justified by the significance of H4, indicated by competitive performance and CSR spillover effect dependency results ($\beta = 0.038$, $p < 0.05$), once external stakeholders perceive the CSR performance of Portuguese banks, or its internal capabilities to commit to CSR practices, are inhibited. This dissertation justifies this finding with the argument that such commitment if forced to fall back on their selfish-altruistic competitive motivations (Leong & Yang, 2020).

Clarifying this third finding, is the fact that customers perceived better i.e proved to have a deeper sense of understanding and more positive associations concerning the competitive performance of banks as opposed to its CSR performance (Kim, 2011; Kim et al., 2014; Kim et al., 2019). Likewise, Chen and Tao (2020) and Kim (2011) emphasized how the coexistence of both performance perceptions make very difficult for external stakeholders to dissociate one type of association from another, due to transferring effects, impacting collectively their assessment on the brand (Chen & Tao, 2020; Kim, 2011). Thus, the only distinctive element regulating customers' assessments is the knowledge they have about the way in which each bank operates; evaluating records of corporate professional abilities in providing quality products/services, acknowledging its success in providing superior products/services, developing innovative products/services, demonstrating industry leadership and global success, and/or showcasing expertise (Kim, 2011; Kim et al., 2014; Chen & Tao, 2020; Rim & Song, 2017). Additionally, is more difficult for the average customer to perceive if a bank is delivering its societal obligations unless it communicates it, whereas customers can easily assess corporate and competitive performance impressions. Also, behind this reasoning is the circumstance of CSR performance decadency being more harmful to the overall banking brand reputation than competitive performance hazards (Kim et al., 2014; Chen & Tao, 2020). Moreover, even though banking customer relations are pontificated by a transactional nature, at an extreme point, Du et al., (2007) and Sen and Bhattacharya (2011) found customers to be sensible to the direct implications CSR activities have on firms' abilities, indicating customers are concerned in bringing the social engagement onto the bank's competitive performance.

Furthermore, this finding confirms Porter and Kramer (2006), Du et al. (2007), Leong and Yang (2020) and Sakunasingha et al. (2018) positioning about firms relying more on strategic interests and competitive forces, translating into a selective treatment of their social performance problems. Thusly, this balances out the idea that banks which conduct more socially responsible initiatives outperform the banks less engaged in CSR, because although such engagement opens a path for differentiation, it also increases the general reliability of the sector (Gangi et al., 2018). By increasing the reliability of the banking industry through this strategy, the win-lose paradigm does not thrive since the temporary advantages of the banks that outperform other rivals has the potential to become a long-term sustainable advantage for all the agents operating within the industry, reinforcing the win-win proposition suggested by Gangi (2018). Such industry competitive advantage may come to encompass a broad increase in the reputational capital (Godfrey-Smith, 2009; Tsang et al., 2020) to more robust firm value (Koh et al., 2014; Lins et al., 2017; Shiu & Yang, 2017) granting firms the access to capital and future financial performance (Cheng et al. 2014; Lys et al. 2015), creating more competitive advantages (Flammer, 2015), enhance customer satisfaction and attract institutional investors (Luo & Bhattacharya, 2006; Dhaliwal et al., 2011).

In regard to the differences of significancy between the relations of brand trust with CSR performance (H1a; $\beta$ = 0,008, $p < 0.001$) and brand trust with competitive performance (H1b; $\beta$ = 0,000, $p < 0.001$), although both low, a much stronger significance was expected from H1b, since trust represents an indicator of the service provider quality to customers (Morgan & Hunt, 1994; Sui & Baloglu, 2003; Wu, 2013; Islam et al., 2021); hence, the worse significance score obtained by CSR performance is justified by the same arguments used on the second finding covered above, namely by the jeopardized long-term reputation of the Portuguese banking system, and customer accustomed perceptions of hazardous past interactions with its services, damaging trust (Shukla et al., 2016; Rather et al., 2019; Choi & La, 2013). Moreover, both outcomes are enforced by the fact that the CSR concept is not yet very acquainted in the Portuguese society, as so, when questioned upon bank performance evaluations, respondents' resort to pressuring the industry to act more ethically and sustainably (Agudelo et al., 2019). Such insight explains researcher's motivation to cover CSR as an insurance or a reservoir of goodwill to discard banking reputational and organizational crises (Kashyap et al., 2020; Chen et al., 2016; Chen & Tao, 2020, Borah & Tellis, 2016; Janakiraman et al. 2009; Roehm & Tybout, 2006).

Likewise, assessing H1c, brand trust and CSR spillover effect ($\beta$ = 0.003, $p < 0.001$) relation implies the notion of vulnerability and strength, being the basis for negative or positive spillover effects. Brand trust by being built from the long-lasting conscious customer expectations upon reliability, these become object of disturbance or reinforcement caused by competing firms inside the industry (Doney & Cannon, 1997; Moorman et al.,1993; Chaudhuri & Holbrook, 2001). So, when the Portuguese banking industry was injured by the global financial crisis and consequently recovery, customers notions of risk and scepticism impregnated the industry, bringing a negative evaluation upon banks and requesting positive socially responsible actions, in order to augment brand trust (Trump & Newman, 2017; Wang & Korschun, 2015). Lloyd-Smith and An (2019) shared this view, by assuming reputation is the agent that brings social and economic legitimacy to (banking) firms (Suchman, 1995), by linking CSR practices and firm performance. Needless to highlight that all arguments gathered here are reinforced by the fact that customers tend to react more upon superficial and shared features between competing brands; so, when a negative CSR spillover takes course, those are the aspects customers will rely on to base their positioning towards brands (Trump & Newman, 2017). Reversely, if banks foster brand trust by revealing its socially responsible behaviour throughout the day-to-day business, it provides customers distinctive reasonable traits, resulting in a much more thoughtful decision instead on focusing on superficial and shared features.

Comparing H1c and H2c variable dependency, is elucidative to test the asymmetrical contributions of brand trust and customer loyalty to the overall objective of this dissertation, consolidating the fact that one variable is not an antecedent, or a condition for the other to happen; such variables need to be looked at individually, for they lead to different results. Also, customer loyalty for the banking industry has its basis on convenience whereas trust has a much more bounding and profound basis sufficient for the development of other reputational attributes. The H1b formulated hypothesis testifies this ($\beta$ = 0.000, $p < 0.001$). In the banking industry, customers are more attracted by the company's abilities, so loyalty is based on the superficiality and adequacy of the offer, also demonstrated by the positive significance customer loyalty had on competitive performance ($\beta$ = 0.004, $p < 0.001$). Thus, it is the trust, not just the loyalty alone that avoids losing customers to the competition. Besides, H1b shows a lower significance between customer loyalty and CSR performance, as expected, confirming Närvänen et al. (2020) research, namely, the customers latest vehemence on pursuing firm values as a reflection of their own (Rather & Hollebeek, 2019; Chang & Yeh, 2017; Raza et al., 2020), keeping in mind that loyalty comes from a more private drive instead of a social one, related with the easiness, familiarity and safety, instead of having exclusively a reflexive behaviour (Olsen et al., 2013; Närvänen et al., 2020).

The following results continue the academic input of Tao and Wilson (2016) work concerning CSR messages, namely when CSR is presented as an individual strategy of one specific banking brand [See Appendix A], that isolated CSR message can produce favourable evaluations regarding the industry, reinforcing and transferring some of it, simultaneously, to the competitive performance of banks (Kim, 2011). This suggests similarities with Wang and Korschun (2015) contributes, indicating customers perceptions commonly depends on external stimuli. In this case, CSR messages activate the customers mental nodes and respective associated elements spreading to the related node of competitive performance through the existing links between them. Moreover, Janakiraman et al. (2009) encompasses such finding once they found customers can transfer their perceptions across competing brands.

Furthermore, such findings reveal that customer previous evaluations of their elected banking brand benefit from the disclosure of the CSR message of another rival banking brand, showing how Tezer and Tofighi (2021) proposition does not hold true in this study, once they found that relation to have a negative effect on competing brands, hurting their competitiveness. Maybe, as they also proposed, this could be due to the competing brands have low brand typicality; meaning customers do not perceive their bank as the maximum exponent on the service category proposed, and for that it has no influence on their evaluations (Loken & Ward, 1990).

Besides, the CSR message presented in the questionnaire could divide the respondents banking brands into non-CSR competitors and the banking brand from the CSR message into a pro-CSR competitor (Chen & Luo, 2016). Although not being possible to draw significant conclusions about this, one can infer customers perceptions are align with the fact that CSR strategies in the banking industry are positive to all, because they can help lowering the operation of non-ethical banking brands. Equally, banking brands do not benefit from rivalry ethical transgressions. This demonstrates the non-significant results found on CSR Performance mediating the relationship between brand trust and CSR spillover effect ($\beta = 0.603$, $p < 0.05$) and the relationship between Customer Loyalty and CSR spillover effect ($\beta = 0.619$, $p < 0.05$). Additionally, the intangibility of both CSR performance and brand trust, the little visibility that this issue has among customers, and the fact that customer loyalty plays a much more opportunistic attitude of customers, shows CSR performance does not work as a mediator between variables.

On the contrary, the mediating hypothesis of H3b, the relation of brand trust with CSR spillover via competitive performance ($\beta = 0.048$, $p < 0.05$) provided the strongest significance as a mediating effect. Underlying such result is the primacy of the cognitive aspect of trust as opposed to the affective one (Chai et al., 2015; Johnson & Grayson, 2005). Trust, a rational component of reputation, is built over long-lasting relationships and interactions, guided by a conscious reasoning (Islam et al., 2021), therefore, customers are more grounded with the reliability and performance issues of a brand, especially in the banking sector, where risk and vulnerabilities are offset by competency (Huang et al., 2020) once a bank's role in society goes beyond generating profits. In the same way this argument stands for Wu's (2013), Kandampully et al. (2015) and Rather et al. (2019) findings; trust can also be about reliability of the services and confidence in the quality firms provide. As so, one can guess the strengthening of trust is proportional to positive CSR spillover.

Finally, looking into the relation of customer loyalty with CSR spillover effect via competitive performance (H3a; $\beta = 0{,}111$, $p < 0.05$), non-significance was found comparatively to the previous hypothesized relation, which is explained by McMullan and Gilmore (2008) arguments, who point out the relationship between competition and customer loyalty is intensified by an increasing level of competition. However, as previously stated, banking is a very homogenous industry of which stakeholders have very little awareness regarding the social performance of its representatives. As so, the expected differentiating aspects enhanced by the competitive advantages provided by CSR initiatives are not so determinant (McAlexander & Koening, 2002; Bhattacharya & Sen, 2010; Närvänen et al., 2020). Still, the customer process of building brand trust, is more exposed and more prone to shared experiences than a customer loyalty is, so it takes advantage of the interaction with other banking users; whereas customer loyalty is more of a closed process considering the personal needs of customers at every moment of their life, and/or the family inheritance (McAlexander & Koening, 2002; Bhattacharya & Sen, 2010; Närvänen et al., 2020).

CHAPTER 5

# Conclusion

## 5.1 Research Questions Clarification

Addressing RQ1 not all reputational attributes contribute equally to CSR spillover, customer loyalty does not show influencing results when CSR spillover effects is under focus, mainly because CSR does not push the reflexive component of this reputational attribute (McAlexander & Koening, 2002; Bhattacharya & Sen, 2010; Närvänen et al., 2020). Such is derivative from the difficulty bank users expressed in associating the banks CSR performance with their self-definitional values (Agudelo et al., 2019; Rather et al., 2020). Moreover, consumer-company identification is only strengthened if socially responsible initiatives are integrated into the core business strategy (Du et al., 2007). So, customers blurred perceptions regarding CSR performance features (Raza et al., 2020), remits for the lack of banking agent's guidance in promoting effective CSR efforts, which has been missing the mark – external stakeholders – obscuring their task of evaluating them fairly (Barney & Hesterly, 2011; Melo & Garrido-Morgado, 2019). Thus, it is inferable that only now banking agents are positioning themselves on the starting point of the CSR performance race to combat the homogeneity of the industry (Agudelo et al., 2019; Rather et al., 2020), which will only be won if they overcome the dichotomy of business and society by integrating both under a coherent core strategy, striking the diffused CSR strategies that enclose the industry (Melo & Garrido-Morgado, 2019).

Thus, the influence of brand trust on CSR spillover effect is stronger than the customer loyalty influence, and as expected, brand trust has a stronger relation with banking CSR performance (Huang et al., 2020; Godfrey, 2005; Iglesias et al. 2020; Islam et al. 2021), since customers trust on brands is remarkably associated with its vulnerabilities or strengths throughout its course of operations (Tao & Wilson, 2016). Hence, responding to RQ2, the reputational attributes under research do interact differently with each of the proposed performances. In turn, customer loyalty, nurtures a higher influence in competitive evaluations comparing with the relation between brand trust and competitive performance (McMullan & Gilmore, 2008; Huang et al., 2018; Ahmed et al., 2020). Yet, when mediated by competitive performance the latter is significant to CSR spillover, whereas the brand trust and customer loyalty standing alone, and customer loyalty mediated by both performance categories are not.

Likewise, such arguments respond to RQ3, once Portuguese banking customers demonstrated to be more contemplative of their bank's competitive performance rather than CSR performance (Wattanakamolchai et al., 2016; Tabrani et al., 2018; Kandampully et al., 2015; Wu, 2013; Islam et al., 2021). Since banks commitment to CSR practices rely cyclically on their selfish-altruistic competitive motivations (Leong & Yang, 2020), competitive performance becomes the only distinctive element guiding consumers' assessments; namely, their awareness regarding banking operations and evaluation on records of corporate professional abilities in providing quality products and services, and in demonstrating industry leadership (Kim, 2011; Kim et al., 2014; Chen & Tao, 2020; Rim & Song, 2017). Equally, the average customer does not perceive how well the bank is performing their social responsibilities unless they communicate it, whilst customers can easily assess corporate and competitive performance associations, since they are an active player of that part of the business (Vaara et al., 2000; Sen & Bhattacharya, 2001; Bhattacharya & Sen, 2004; Romani et al., 2016). Consequently, customers by controlling part of such transactional relation, once its fundament functions upon a conventional basis rather than an affective or social one, they conceive the endorsement of their customer power as their endowed and socially responsible way of appealing to the bank's improvement, pushing it to be more transparent, reliable, credible, closer to customer needs and designing new services which benefit each segment of users. These competitive abilities implications can have a direct impact in CSR banking activities (Du et al., 2007; Sen & Bhattacharya, 2011), contributing for players to act more sustainable, to promote more effective CSR practices, transforming from within the general banking operations.

Keeping that and RQ4 in mind, it is obvious CSR and competitive performance do not serve as even mediators for CSR spillover to take place, in fact, the most surprising finding was competitive performance to be more influential on CSR spillover than CSR performance itself, attributable to the competitive abilities being more in tune with core businesses strategies than the socially responsible initiatives, thus being more salient for customers to judge on.

Finally, attending to the previous statements, one CSR message of rival banks does not prejudice other competitors, via customers perceptions (RQ5). Customers reputational associations were favourable to the new disclosure of a bank socially responsible action, indicating such information's benefit the industry in which it operates; therefore, proving the indissociability of firms' corporate social responsibilities and corporate abilities, once customers perceptions and evaluations are a bulk of corporate associations from their indirect or direct experiences with services (Kim & Rader, 2010).

## 5.2 Final Considerations

Under these circumstances, one can deduct that individual CSR communication efforts reward the banking industry with a positive outcome once it strengthens brand trust (more than brand loyalty) for enhancing a reliable brand reputation. This is justified by the competitive performance leverage CSR performance (Wattanakamolchai et al., 2016; Khan et al., 2015; Poolthong & Mandhachitara, 2009) i.e., firms are more influenced by competitive pressures and social responsive customer demands to address some of market failures, by reducing their social performance concerns. Although it has been suggested that it is not possible to fully rely on the invisible hand of the market to improve social performance amongst firms (Leong & Yang, 2020), CSR spillover of rival banks is positive, since external stakeholders not only acknowledge but also compensate the proactive efforts of banks in bringing CSR into their general operations, benefiting customer trust (at an industry-wide scale). This thesis enriched the belief that maximizing utility or profit does not impede ethical and responsible behaviours since it leads to sustainable strategies, as stressed by customers perceptions (Boutola & Pitelis, 2014). Still, the liberal functioning of the market it is limited to deal with the multidimensional challenges of a firm’s social performance; competitive performance of banking brands operating in Portugal stood out on customers associations, however, the effect of market competition on CSR may be conditioned by education, cultural, legal, or other country specificities. Thus, it is always important to acknowledge the multidimensionality of CSR, especially when treating CSR spillover effects (Boutola & Pitelis, 2014).

## 5.3 Managerial implications and recommendations

Although brand trust being more prevalent for CSR spillover incidence than customer loyalty, bank managers should consider the general repercussions of both to reputation. Hence, bank managers could enforce this by: expose added-value partnerships, rewards, prizes, certificates on diverse communication channels; design a genuine and deliberate brand mission, where the CSR commitment of the bank is highlighted; create effective platforms to respond to stakeholders claims without leaving them unattended; invest in employee training, once stakeholders trust professionalism (as ascertained by results); and, ultimately, disclosure the course of the business activities which will improve the stakeholders holistic vision of the company services and quality, developing their awareness and sense of reliability or safety, blocking, consequently, scepticism and doubt. Equally, these recommendations testify how beneficial CSR investment is for the significance of customers social identification, contributing to demystify the notion of that being a liability (Raza et al., 2020). Such demystification also comes from propelling bank managers, through the feeling of empowerment, differentiation by leaving their sustainable mark and boosting the customers positive performance associations regarding the industry. Accordingly, CSR apologetic banks feed the industry's community of customers with their social contributory and company belongingness aspirations (Trump & Newman, 2017).

Furthermore, banks can only gain from this proactive posture once they can adjust their socially responsible commitments to their own customers cravings, providing the possibility to relish on a macroeconomic flexibility which they would not be able to take advantage of by occupying a more conformist condition. Still, a challenge is posed for bank managers, namely, how to manage perceptions with the digital transformation of monetary transactions, once Fintech leads to expectations of outstanding competency and performances, by allowing for more transparent transactions, but troubling customer trust due to strengthen the transactional relation between depositors and institutions (Mandell et al., 1981; Pimenta, 2020).

## 5.4 Limitations and future research

The exploratory core of this thesis was rather ambitious since it had to deal with the lack of literature regarding the link of reputational attributes with spillover effects via performance associations. Apart from this, the study had other limitations. One of them was objectifying the Portuguese banking environment, thereby it should be a plus to adapt to other countries environments and service sectors for future research, replicating a similar methodological design - as Melo and Garrido-Morgado (2012), Lloyd-Smith and An (2019) and Kim et al., (2019) indicate, spillover varies across industries. Beyond that this study lacks an extensive sample in size, a precious requirement when studying spillover effects, to give robustness to the results. Moreover, there is a chance that customers perceptions might have been influenced by the succession of previous financial crisis and the forthcoming corona virus financial crisis. As so, it would have been beneficial to set a time horizon in which financial crises would be excluded from customers' evaluations.

For future research it would be an added value to convey how effective CSR spillover is by tracing a more profound causal linkage and behavioural outcomes between a firm's initiative and the repercussion it had on the competing brands and/or in the industry. Additionally, although being a public relations and marketing theme, it would be interesting to quantify the results of CSR spillover effects from a sustainable finance management perspective, and to adapt and compare the conventional business metrics with the qualitative findings of marketing contributes. Furthermore, it would also be relevant to study how decentralized financial institutions that involve cryptocurrencies impact customers perceptions. Would they strengthen on competitive performance or CSR performance, since it involves more dim processes but highly efficient? On that note it would also be interesting to study spillover from an evolutionary rather than a stationary point of view.

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# Appendix

## Appendix A – Questionnaire (English Version)

Welcome! If you are here, it is because you were invited to participate in this questionnaire, developed within the scope of the Master's thesis in Business Administration by ISCTE Business School, whose objective is to understand how customers' perceptions can shape the competitive financial environment in Portugal, through Corporate Social Responsibility and Reputation in the Banking sector. This questionnaire guarantees the complete confidentiality of the answers given by the respondents, as well as their anonymity, and, since this investigation lacks your impressions, there are no right or wrong answers, therefore your utmost sincerity is appealed.

Thank you for your cooperation!

**Demographic Data (4 items)**

1- Gender *

□ Female.

□ Male.

□ Other.

2- Age *

□ ≤ 20 years.

□ 21 - 30 years.

□ 31 - 40 years.

□ 41 - 50 years.

□ 51 - 60 years.

□ ≥ 60 years.

3- Level of Education (Concluded) *

□ Highschool.

□ Bachelor’s degree or Equivalent.

□ Master’s Degree or Equivalent.

□ PhD.

□ Other:

4- Occupation *

□ Student.

□ Self-Employed.

□ Employed.

□ Unemployed.

□ Retired.

□ Other:

**Personal Finance (2 items)**

1- What is your bank? (If you have more than one, indicate the one you use regularly)

2- For how long?

**Performances (2 items)**

1- Rate your level of agreement regarding the Corporate performance of the personal bank on a seven points Likert-type scale (1= totally disagree; 7= totally agree):
□ I associate this bank with innovative products.

□ I associate this bank with market leadership.

□ I associate this bank with good quality products.

□ I associate this bank with efficient facilities.

□ I associate this company with expertise in its service.

□ I associate this company with global success.

2- Rate your level of agreement regarding the CSR performance of your bank on a seven points Likert-type scale (1= totally disagree; 7= totally agree):
□ I associate this company with environmental responsibility.

□ I associate this bank with philanthropic giving.

□ I associate this bank with social diversity.

□ I associate this bank with a great care for communities.

□ I associate this company with educational commitment.

□ I associate this bank with commitment to public health.

**Reputation (3 items)**

1- Rate your level of agreement regarding the evaluation of our bank on a seven points Likert-type scale (1= totally disagree; 7= totally agree)
□ I think this company is attractive.

□ I think this bank is reliable.

□ I think this company is trustworthy.

□ I like this company.

□ My overall impression about the bank is favourable.

2- Rate your level of agreement regarding the following statements on a seven points Likert-type scale (1= totally disagree; 7= totally agree)

□ I would like to give you my opinion and contribute to the improvement of your financial services.

□ I would like to suggest ideas for the Bank.

□ I would like to participate in the development of new products and services.

□ I said more positive aspects about this Bank compared to others.

3- Rate your level of agreement regarding customer loyalty on a seven points Likert-type scale (1= totally disagree; 7= totally agree)

□ I am a loyal customer of this bank.

□ I intend to remain a customer of this bank.

□ I am likely to say positive things about this bank.

□ This bank is my first choice when I want to open the account.

□ I will recommend this bank to my family and friends.

□ I will recommend this bank if asked by others.

**CSR spillover Effect (4 items)**

1- We kindly ask you to read this short text: For the third consecutive year, Caixa Geral de Depósitos attributes the Caixa Mais Mundo Awards, worth €150,000, recognizing the academic merit of students admitted through the national competition for access in the academic year 2020/2021, at national level, in Professional Education and College Institutions, which have a protocol with Caixa. In a year marked by the pandemic, in which social inequalities tend to worsen, Caixa increases the number of winners to 150 students with prizes worth €1,000, creating an opportunity for more students, including financially more vulnerable social groups, to continue with their studies in higher education, enabling them to contribute to achieving the United Nations Sustainable Development Goal #4 – Ensuring access and quality education.

2- Knowing this what is your attitude towards CGD?

□ Very Negative.

□ Negative.

□ Somewhat Negative.

□ Neutral.

□ Somewhat Positive.

□ Positive.

□ Very Positive.

3- Knowing this would you consider engaging in CGD services?

□ Extremely Unlikely.

□ Unlikely.

□ Somewhat Unlikely.

□ Neutral.

□ Somewhat Likely.

□ Likely.

□ Extremely Likely.

4- Compared to CGD, other brands in the banking industry are... 1 = less trustworthy/ less reliable, 7 = more trustworthy/more reliable'

□ Vey untrustworthy.

□ Untrustworthy.

□ Somewhat untrustworthy.

□ Neutral.

□ Somewhat trustworthy.

□ Trustworthy.

□ Extremely Trustworthy.