Corporate Social Responsibility (CSR) is a highly important driver of reputation. Although companies are increasingly becoming more sustainable, the public often does not know or recognize a company’s CSR commitment. Consequently, a company’s actual and perceived CSR is frequently misaligned. Aligning CSR minimizes reputational risks and can improve reputation significantly.

Reputation Institute’s RepTrak® tracks seven key dimensions impacting corporate reputation. A company’s CSR performance is reflected by three of these dimensions: Citizenship, Governance and Workplace. Therefore, a company’s CSR RepTrak® score reflects if a company is considered a good corporate citizen, responsibly-run and an appealing place to work.

CSR is essential for a company’s reputation
The importance of CSR for a company’s reputation should not be underestimated. Perceptions of the corporate social responsibility practices have a critical impact on reputation. Figure 1 depicts the importance of the dimensions in determining a company’s reputation, or dimension weights, for the 30 largest Dutch companies in 2016. The CSR dimensions account for 41.4% of the overall reputation of the top 30 largest Dutch companies.

Figure 1: The CSR dimensions account for more than 40% of the overall reputation of the top 30 largest Dutch companies
Not only has Corporate Social Responsibility become an increasingly important driver of reputation, but it is also the area where most companies have the lowest scores. As seen in figure 2, Dutch companies on average score 3-4 points lower in CSR than they do in the other reputation drivers—Products & Services, Innovation, Leadership and Performance—and in overall reputation. Thus, there is an opportunity to set yourself apart by focusing on CSR.

**Perceived and actual CSR are often misaligned**

According to Reputation Institute’s Co-Founders Fombrun & van Riel’s (2003) reputational gap analysis, misalignment of actual and perceived CSR can offer great opportunities, but also great risks. Specifically, when a company is more sustainable than perceived there is an opportunity to bring perception closer to reality. On the other hand, when perceptions regarding CSR are better than the reality there is a risk when people discover their perception does not match the reality. In this case, not only will CSR perception go down, but so will overall reputation.
Figure 3 illustrates the relationship between the perception of a company’s CSR (based on CSR RepTrak® score) and actual sustainability (according to Corporate knights’ 100 worlds’ most sustainable corporations published in 2017) of five large Dutch companies. Perceived and actual CSR are often misaligned; out of the five companies only Philips’ actual and perceived CSR are truly aligned. For ASML and Wolters Kluwer perceptions regarding CSR are better than the reality, while ING and DSM are actually more sustainable than perceived.

The gap between actual and perceived CSR can partially be explained by the public’s lack of awareness of the CSR initiatives of companies. The Dutch public is often unsure about the three CSR-related dimensions; on average, 31.0% of the public is not sure how to evaluate the top 30 Dutch companies on Workplace, Governance and Citizenship (Figure 4).

Closing the gap
In an ideal situation companies showcase proof points in actual CSR efforts in combination with positive perceptions around CSR. Being highly sustainable only benefits a company’s reputation if key stakeholders know about it and recognize it. If a company is actually more sustainable than perceived, like ING and DSM, there is a valuable opportunity to capitalize on good reality by actively communicating the company’s CSR commitment and practices. The opposite is true when CSR perception is better than a company’s actual CSR. These companies face the risk of being confronted with disappointed stakeholders, if they discover that the CSR initiatives are not up to par with their perception. In order to avoid disappointment, intensifying CSR efforts by launching meaningful initiatives becomes key.

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