



**Impact of corporate citizenship behaviour on customer-based reputation: A case study of Volkswagen, Durban, South Africa.**

By

Christopher Chizondo

215080784

Dissertation Submitted in Partial Fulfillment of the Requirement for the Degree of Master  
of Business Administration

Graduate School of Business and Leadership, College of Law and Management Studies  
University of KwaZulu-Natal, Westville Campus, Durban, South Africa

Supervisor: Dr. MacDonald Kanyangale

December 2017

## DECLARATION

I, Christopher Chizondo, declare that:

- The research reported in this thesis, except where otherwise indicated, is my original work.
- This thesis has not been submitted for any degree or examination at any other university.
- This thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- This thesis does not contain other persons' writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
  - a) their words have been re-written but the general information attributed to them has been referenced;
  - b) Where their exact words have been used, their writing has been placed inside quotation marks, and referenced.
  - c) Where I have reproduced a publication of which I am author, co-author or editor, I have indicated in detail which part of the publication was actually written by myself alone and have fully referenced such publications.
  - d) This thesis does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the thesis and in the References sections.

Signed: .....

**SUPERVISOR'S PERMISSION TO SUBMIT THESIS/  
DISSERTATION FOR EXAMINATION**

Name: <b>Christopher Chizondo</b>		No: <b>215080784</b>	
Title: <b>Impact of corporate citizenship behaviour on customer-based reputation. A case study of Volkswagen (VW), Durban, South Africa (SA).</b>			
Qualification: <b>Master of Business Administration</b>		School: <b>Graduate School Of Business &amp; Leadership</b>	
		Yes	No
To the best of my knowledge, the thesis/dissertation is primarily the student's own work and the student has acknowledged all reference sources		√	
The English language is of a suitable standard for examination without going for professional editing.		√	
Turnitin Report %		<b>4%</b>	
Comment if % is over 10%:			
I agree to the submission of this thesis/dissertation for examination		√	
Supervisors Name: <b>Dr. MacDonald Kanyangale</b>			
Supervisors Signature:			
Date:		8 December 2017	
Co- Supervisors Name: N/A			
Co- Supervisors Signature: N/A			
Date: N/A			

## ACKNOWLEDGEMENTS

I would like to express a special word of appreciation and gratitude to the following people:

- Firstly, I want to thank my family. My wife Linda, who supported and understood me throughout the entire three years of my MBA studies. I want to also thank my kids, Nicole and Christian, who had to contend with the fact that I had to be away from home most of the time due to the high demands of this degree.
- I want to express my admiration and gratitude to my research supervisor, Dr MacDonald Kanyangale for his unwavering and uncompromising demand for high quality work and the thorough feedback he always gave me during the entire time of undertaking my research. His incisive supervision was critical to the completion of this study, and I appreciate it dearly.
- I also thank my MBA group members, Farirai Mubvuma, Sifiso Zubuko, Sma Mkhize, Sashlin Girraj and my dear friend, the late Bongani Mncube for all the hardwork and cooperation throughout my MBA coursework.
- Last but not least, many thanks go to my informal MBA group members and friends, Kagiso Gabonewe, Thulisile Manyi and David Mavukani. The long nights and days we spent helping each other with schoolwork are greatly appreciated.

## **ABSTRACT**

Studies on corporate citizenship in South Africa have mainly focused on mining companies whose reputational damage or good public image in the eyes of local communities does not directly affect local mining companies' sales and profits. This makes it difficult to link the relationship between corporate citizenship behaviour of local mining companies and corporate reputation at customer level within South Africa as these mining companies sell their mining extracts to foreign customers. Focusing on the customer level, this study explores the impact of Volkswagen (VW) corporate citizenship behaviour on customer-based reputation from the perspectives of individual VW car owners in the wake of the 2015 VW emissions scandal. This research employed a qualitative research methodology that utilised in-depth, one on one semi-structured interviews with VW car owners in Durban, South Africa. Non-probability sampling through snowball sampling was used. Data saturation was reached after 8 one on one in-depth semi-structured interviews with individuals were conducted. Data was then analysed using thematic analysis. The main finding of this study was that customers care about corporate citizenship behaviour that impacts them directly. Therefore, the 2015 VW global emissions corporate scandal did not affect the VW car reputation amongst owners in Durban. The affordability of VW and its fuel efficiency are the major reasons why customer-based reputation remained unchanged even in the wake of the 2015 VW emissions scandal. As such, customer-based reputation is a function or an outcome of the product features and not the behaviour of the company exemplified by a corporate scandal. In this regard, VW can be advised to spend more of its resources in creating innovative and fuel efficient cars as these factors build customer level reputation. The current study looked at a homogeneous sample as the majority of respondents were students, who all have similar level of education and income. A truly representative sample would look at a heterogeneous sample comprising of early career professionals, mid-career professionals, those near retirement, retired people and those that are self-employed. The study of people with higher income may generate different patterns since those groups can easily afford to change their cars compared to students. There are a number of focus areas that this research was unable to examine. However, future studies could consider exploring the relationship

between product quality, customer-based reputation and corporate citizenship in the wake of a scandal which directly impacts customers.

**Keywords:** Customer-based reputation; corporate citizenship; corporate citizenship behaviour; corporate scandal; corporate social responsibility

## TABLE OF CONTENTS

DECLARATION .....	i
SUPERVISOR’S PERMISSION TO SUBMIT THESIS/ DISSERTATION FOR EXAMINATION .....	ii
ACKNOWLEDGEMENTS .....	iii
ABSTRACT .....	iv
LIST OF FIGURES AND TABLES .....	ix
ACRONYMS AND ABBREVIATIONS .....	x
CHAPTER ONE: INTRODUCTION OF THE STUDY .....	1
1.1 Introduction .....	1
1.2 Background of the Study .....	1
1.3 Research Problem Statement .....	6
1.4 Research Objectives .....	8
1.5 Research Questions .....	9
1.6 Research Methodology .....	9
1.7 Significance of the Study .....	9
1.8 Delimitation of the Study .....	10
1.9 Dissertation Structure .....	10
1.10 Chapter Summary .....	12
CHAPTER TWO: LITERATURE REVIEW .....	13
2.1 Introduction .....	13
2.2 Exploring the concepts of Citizenship and Corporate Citizenship .....	13
2.3 The Concept of Corporate Citizenship .....	14
2.4 Four Faces of Corporate Citizenship .....	18
2.4.1 Economic face .....	18
2.4.2 Legal face .....	19
2.4.3 Ethical face .....	19
2.4.4 Philanthropy face .....	20
2.5 Theories of Corporate Citizenship .....	21
2.5.1 Shareholder value theory .....	21
2.5.2 Stakeholder value theory .....	24
2.6 The Concept of Corporate Social Responsibility .....	25

2.7 Comparison between Corporate Social Responsibility and Corporate Citizenship	27
2.8 The Corporate Social Performance Model .....	28
2.9 Corporate Citizenship as a Form of Consumer Marketing Tool.....	31
2.9.1 Customer reactions to corporate citizenship .....	32
2.9.2 Suppliers’ reactions to corporate citizenship .....	34
2.9.3 South African government reaction to corporate citizenship .....	34
2.10 Employees’ Reaction to Corporate Citizenship.....	35
2.11 Customer Reactions to Corporate Scandals in the World.....	36
2.12 Customer Reactions to Corporate Scandals in South Africa .....	37
2.13 Media Reaction to Corporate Scandals.....	37
2.14 South African Regulatory Bodies’ Reaction to Corporate Scandals .....	38
2.15 Customer-Brand Loyalty .....	39
2.16 Meaning of Customer-Based Reputation.....	41
2.17 Chapter Summary .....	44
CHAPTER THREE: RESEARCH METHODOLOGY .....	45
3.1 Introduction.....	45
3.2 Research Paradigm.....	45
3.3 Research Design and Methods.....	45
3.4 Population and Sample of the Study .....	46
3.5 Sampling Method.....	46
3.6 Interview Guide .....	47
3.7 Pilot Testing .....	47
3.8 Semi-Structured Interviews .....	48
3.9 Data Collection .....	49
3.10 Data Analysis .....	50
3.11 Research Quality .....	51
3.12 Bias .....	52
3.13 Ethical Considerations .....	52
3.14 Limitations of the Study.....	52
3.15 Chapter Summary .....	53
CHAPTER FOUR: PRESENTATION OF RESULTS .....	54
4.1 Introduction.....	54
4.2 Themes on impact of corporate citizenship behaviour on customer-based reputation .....	55
4.3 Themes on impact of unethical business practice on customer-based reputation ..	57

4.4 Themes on customers’ thoughts and feelings towards VW in the wake of the 2015 emissions scandal.....	59
4.5 Chapter Summary .....	60
CHAPTER FIVE: DISCUSSION.....	61
5.1 Introduction.....	61
5.2 Chapter Summary .....	64
CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS .....	65
6.1 Introduction.....	65
6.2 Study Summary.....	65
6.3 Conclusion .....	66
6.4 Implications of This Research .....	67
6.5 Limitations of the Study.....	68
6.6 Recommendations to Solve the Research Problem .....	68
6.7 Recommendations for Future Studies.....	69
6.8 Chapter Summary .....	70
REFERENCES .....	71
APPENDIX A: INFORMED CONSENT LETTER.....	86
APPENDIX B: INTERVIEW GUIDE .....	87
APPENDIX C: ETHICAL CLEARANCE APPROVAL LETTER.....	88
APPENDIX D: TURNITIN REPORT.....	89

## LIST OF FIGURES AND TABLES

Figure 2.1: An Extended Theoretical Conceptualisation of Corporate Citizenship.....	17
Table 2.1: Comparison between Corporate Social Responsibility and Corporate Citizenship Behaviour.....	27
Table 2.2: Wood’s Corporate Social Performance (CSP) Model.....	29
Table 2.3: Siltaoja’s Revised Corporate Social Performance Model.....	30
Table 4.1. Themes delineated from the 8 VW car owners in Durban, South Africa.....	54

## ACRONYMS AND ABBREVIATIONS

CARB	California Air Resources Board
CBR	Customer-Based Reputation
CC	Corporate Citizenship
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
EMLEG	Enhanced Marine Law Enforcement Grant
EPA	Environmental Protection Agency
ICCT	International Council on Clean Transportation
SA	South Africa
USA	United States of America
VW	Volkswagen
VWSA	Volkswagen South Africa

# **CHAPTER ONE**

## **INTRODUCTION OF THE STUDY**

### **1.1 Introduction**

The aim of this chapter is to introduce the study. This will be achieved by firstly looking at the background of the study, that is, the rise in the occurrence of corporate scandals around the world and in particular the 2015 Volkswagen (VW) diesel cars' emissions scandal that was detected in the United States of America (USA). This introductory chapter highlights the research gap(s) regarding the impact of corporate citizenship behaviour on customer-based reputation in the world and within South Africa in particular. Thereafter the study objectives, methodology and the significance of the study are highlighted. The study will also present the delimitation of this study, which clearly indicates what this study will focus on and what will be excluded and the reasons for excluding such dimensions and/or factors. Lastly the chapter outlines the dissertation structure and a chapter summary is finally provided.

### **1.2 Background of the Study**

There has been a marked increase in corporate scandals which has led to renewed attention to business ethics (Lal, 2015). For example, Mercury Interactive, a US business software firm, had to work incredibly hard to keep customers soothed and happy in the wake of the scandal in which its executives allegedly backdated stock options (Poletti, 2006). Research done in the aftermath of Satyam Computer Services, which implicated former chairman Ramalinga Raju in an accounting scam similar to the Enron accounting scam, showed that customers felt deeply disappointed and cheated in the wake of the Satyam corporate scandal in India. Raju admitted to the Securities and Exchange Board of India that he had manipulated the company's earnings. As much as 94% of the cash on Satyam books was fictitious (Balachandran, 2015; Mitchell, 2009). Years earlier, in the year 2001, Enron, an energy group in the USA with 30 000 employees around the world was involved in an accounting scam similar to that of Satyam. In 2001 Enron was ranked by 'Fortune' among the top 7 firms in the world with \$100 billion of revenues. However, in the same year, the

company filed for bankruptcy and admitted to fictitious financial reporting from 1997 to 2000 (Abid and Ahmed, 2014). One recent scandal, among others, in the automotive industry is that of General Motors. General Motors recalled about 800 000 cars due to ignition switch problems that could have caused cars to shut off while being driven. The flawed ignition switch was tied to at least 13 deaths (Isidore, 2014).

This study seeks to understand the impact of corporate citizenship behaviour on customer-based reputation within the South African context. The study looks at the impact of irresponsible corporate citizenship through investigating the impact of the 2015 VW diesel cars global emissions scandal on customer-based reputation amongst VW car owners in Durban. A case in which VW, one of the leading global car producers within the automotive industry, were found to have contravened the Clean Air Act. In this regard, on September 18, 2015, the Environmental Protection Agency (EPA) publicly announced that Volkswagen had violated the Clean Air Act by illegally installing software in the diesel cars that could detect when they were being tested, changing the performance accordingly to improve results. The German car giant went on to admit cheating emissions tests in the United States. A case in which the VW diesel cars emitted toxic gases up to a staggering 40 times above permitted levels (Hotten, 2015; Zhou, 2016).

This was after the International Council on Clean Transportation(ICCT) had turned its findings to the EPA and the California Air Resources board (CARB), showing emissions level violations by VW on the 15 tested vehicles i.e. VW Passat, Jetta and the BMW X5 (Blackwelder, Coleman, Santoyo, Harrison and Wozniak, 2016; Zhou, 2016). Of the vehicles tested on the open road by the ICCT, both the Jetta and Passat exceeded USA emissions by up to 35 times the upper limit, whilst the BMW X5 passed the road test (Blackwelder *et al.*, 2016). CARB performed standardised laboratory tests on diesel cars and could not detect the ‘cheat programme’. The cheat software which enabled VW diesel cars to understate tailpipe nitrogen oxide emissions during laboratory tests was only detected during real-life driving conditions on the road (Blackwelder *et al.*, 2016).

Underlying the VW emissions scandal are trade-offs between controlling a vehicle’s emissions and improving its fuel efficiency and performance e.g. its acceleration or power.

Diesel technology, when compared to gasoline engines, provides greater fuel economy, resulting in lower carbon dioxide emissions. Yet, relative to gasoline engines, diesel engines tend to emit more nitrogen oxides (Klier and Linn, 2016).

In the aftermath of the scandal, VW's USA stock price immediately fell by a third when the news broke out that 11 million cars worldwide had been fitted with the defeat device, including Audi and Porsche models. VW faced investor lawsuits, recalls of nearly 500 000 diesel cars in the USA, with as many as 11 million cars recalled worldwide. VW's new chief executive officer, Matthias Mueller, warned that workers' bonuses at their main factory plant in Wolfsburg, Germany which employs 60 000 workers, should not expect bonuses as VW needed to pay multi-billion dollar costs for fines, litigation and sanctions, mainly in the U.S.A and Europe (Levin, 2015; Zhou, 2016).

VW CEO, Martin Winterkorn, and a top USA executive immediately resigned after the diesel cars emissions scandal was exposed, which had been going on from 2009 to 2015 (Zhou, 2016). Initial charges of 6,7 billion Euros in the third quarter of 2015 led to VW suffering a loss of 1.7 billion Euros related to recalls (Blackwelder *et al.*, 2016). VW month to month sales in the USA dropped by 25% in November 2015 after the emissions scandal. On the other hand, sales of diesel cars in Western Europe fell below 50% in 2015 after the VW emissions scandal (Campbell, 2016). In October 2015, VW group sales dropped by 3.5% (The Guardian, 2015). According to Blackwelder *et al.* (2016), VW will have to work harder to re-establish the company's reputation for environmental friendliness and to restore customer confidence amongst the many other stakeholders such as customers, communities, governments, regulators and employees.

Prior to the 2015 emissions scandal, VW had overtaken Toyota in global car sales. The European market accounts for 40% of VW profits and USA accounts for 6% of VW unit sales (Zhou, 2016). VW produces its cars in the following locations: Europe (51%); Asia (36%); North America (6%); South America (6%) and South Africa (1%) (Blackwelder *et al.*, 2016). Ironically, the VW emissions scandal originated from the US, where diesel vehicles account for only 1% of vehicle sales. However, VW owns 50% of the diesel

market share in Europe, with more than half of total car sales in Europe being diesel powered (Davidson, 2015).

Volkswagen has been the passenger car market leader in South Africa for the last 7 consecutive years and continued to lead the market in 2017. Overall the Volkswagen Group has a market share year to date of 22.8%, with Volkswagen alone enjoying 19.8% of the local passenger market and Audi accounting for the other 3%. Nearly a quarter of all cars sold in South Africa come from the Volkswagen stable (Roadsafety South Africa, 2017).

Current emissions legislation in South Africa is equivalent to Euro 2. Thus, Euro 2 emissions standard entails carbon emissions test at car idling speed. South Africa has formulated plans to move from Euro 2 to Euro 5 equivalent standards after 2020. Euro 3 standards entails testing emissions of crankcase gases, often referred to as zero emission, Euro 4 is done to test evaporative emissions, while Euro 5 tests durability of anti-pollution devices in cars, and Euro 6 standards test emissions under low temperature. On the other hand, current standards for new passenger vehicles and light duty trucks in the European Union are Euro 6 standards. On the road driving emissions test standards have also been developed and were implemented as from 1 September 2017 in the European Union. The United States Federal emissions standards stipulate that passenger vehicles and light duty trucks as from 2017 should meet Tier 3 standards which is equivalent to California LEV 3 regulations which stipulates nitrogen oxide emissions (Delphi, 2016; EMLEG, 2016. “However, standards for diesels in Europe are not as strictly tested and enforced as the United States” (Zhou, 2016, p. 5). In the United States, automakers conduct their own emissions tests and submit the results to the authorities, while in Europe automakers pick who conducts the tests and where they are done. This leaves room for emissions cheating and lies by automakers as they hold so much sway in how air pollution standards are enforced, especially in Europe. Nevertheless, these two regulatory systems are used as global standards (Hakim and Bradsher, 2015).

While the scandal was unfolding, Volkswagen South Africa (VWSA) issued a statement that its South African VW/Audi vehicles were not affected. This was on the basis that VW’s South African cars i.e. VW passenger, Audi, light and medium commercial vehicles

comply with the Euro 2 compliance standard for carbon dioxide emissions applicable in South Africa. According to VWSA, this meant that the VW emissions scandal did not affect VW dealers in South Africa nor their customers. This was grounded on the basis that the scandal mainly dealt with nitrogen oxide emissions standards, which were not covered under Euro 2 standards used in South Africa in 2015 and were still in use up to this date (Wheels 24, 2015). In this regard, South Africa still lags behind in adopting even the compromised European Union standards. As of 2017, South Africa still uses Euro 2 standards that only regulate carbon emissions at car idling speed, yet Europe has now progressed to Euro 6, which is a much more “rigorous” emissions test that covers nitrogen oxide, a particular substance that causes smog etc. (Hakim and Bradsher, 2015).

On September 25, 2015 newly named chief executive officer of VW, Matthias Mueller, issued a statement which arguably underscored the importance of customer-based reputation, in particular, and stakeholder-based reputation in general, when he stated that VW had to work hard to re-establish its reputation for environmental friendliness and restore confidence among customers, employees, government regulators and the general public (Blackwelder *et al.*, 2016). It is arguable that although the 2015 VW emissions scandal did not violate the Euro 2 emissions standard currently applied in South Africa, that global news is likely to affect customer perceptions regarding the brand worldwide.

The VW Group owns Bentley, Bugatti, Lamborghini, Audi, Porsche, SEAT, Scania, Man, VW Commercial Vehicles, Skoda and Volkswagen. The VW scandal brings to the fore the problems of social concern presented by the VW corporate behaviour in the wake of their emissions scandal within the international economy (Zhou, 2016). In a similar line of argument Marsden and Andriof (2007, p. 329) state that “companies are in effect citizens of the countries they operate and increasingly, with globalizing markets, of the world”.

VW had been promoting their diesel cars to be one of the most environmentally friendly and fuel efficient vehicles on the market, and the company therefore generated some of the highest sales worldwide. Soon after taking the job in late 2013, Vinay Shahani, vice president at VW of America, cited ‘clean-diesel technology’ as one of his leading campaigns in promoting VW diesel cars (Schultz, 2015). VW also ran a marketing

campaign with the tagline, 'Isn't it time for German engineering' along with its focus on environmental sustainability envisaged in 'Strategy 2018' (Blackwelder *et al.*, 2016). In December 2007, VW chief executive officer Martin Winterkorn launched 'Strategy 2018' with the ultimate goal of positioning VW as a global economic and environmental leader, among other goals (Blackwelder *et al.*, 2016; Zhou, 2016). VW started promoting itself as environmentally friendly from as early as the 1960's with advertisements in the USA urging people to 'Think Small' in an era of gas-guzzling cars. In 2010 VW launched a global campaign dubbed 'Think Blue' with the aim to become the world's most ecologically sustainable car manufacturer by 2018 (Blackwelder *et al.*, 2016). Schultz (2015) argues that the VW 2015 emissions scandal could remain in consumers' minds, as the irony is that VW poured so much energy and money into environmental marketing that now looks hypocritical in the wake of the emissions scandal.

### **1.3 Research Problem Statement**

VW is faced with a marketing and public relations problem in the wake of the 2015 emissions scandal. For decades VW promoted its cars as environmentally friendly and spent so a great deal of money on environmental marketing. However, the VW 2015 emissions cheating scandal now makes all that environmental marketing seem hypocritical and VW therefore needs to embark on damage control marketing in order to maintain existing customer-based reputation. In the aftermath of the scandal VW issued a 'Goodwill Package' including gift cards, credits for services or products, and a three-year extension of roadside assistance to affected customers in an attempt to repair relationships with their customers. Marketers, scholars and the media postulated that VW's customer-based reputation would suffer as a result of the 2015 VW global emissions scandal (Kitman, 2015; Schultz, 2015). In this regard, "YouGov BrandIndex, which tracks consumer perception, found that VW's U.S.A. score plummeted to -24 as of 22 September 2015 from 12 just before the scandal broke" (Schultz, 2015, p. 1). As such, Mark McNabb, chief operating officer of VW of America, said in a statement that VW would continue to work diligently to regain customer trust and confidence in the VW brand (Ryan, 2015). The largest emissions scandal in history is damaging to VW's customer-based reputation especially because VW for decades had earned enduring trust within customers' hearts by

promoting its cars as environmentally friendly (Kitman, 2015; Schultz, 2015). Cooperrider and Fry (2009) argue that sustainability in the form of corporate citizens could turn out to be the biggest opportunity of the 21<sup>st</sup> century with the ability to create admiring customers and proud communities. However, there is lack of evidence to underscore the impact that corporate scandals have on customer-based reputation and what is needed to enhance corporate citizenship behaviour in order to exploit the opportunity of creating admiring customers and proud communities. As such, Walsh, Bartikowski and Beatty (2012) recommend that future research on customer-based corporate reputation could use qualitative fieldwork, which could complement literature-based insights and quantitative/statistical scales used to measure customer-based (Beatty and Walsh, 2007; Hodovic, Arslanagic and Mehic, n.d; Terblanche, 2013; Walsh, Beatty and Shiu, 2009; Yuksel and Cintamur, 2016). The decision to use qualitative research is also partly guided by Biraghi, Gambetti and Schultz (2017) who state that there is need for research to identify how quasi-governmental actions such as corporate citizenship impact on corporate brands.

Moreover, previous studies on customer-based reputation have tended to focus on multidimensional customer-based reputation in the service sector (Beatty and Walsh, 2007; Hodovic *et al.*, n.d; Walsh *et al.*, 2009; Yuksel and Cintamur, 2016). The limitation of using multiple dimensions/scales to measure customer-based reputation is that such measures lack the critical specificity of which of the several antecedents has a strongest impact on customer-based reputation (Walsh, Beatty and Holloway, 2006; Walsh, Beatty and Shiu, 2009). For example, Terblanche (2013) examined the relationship between corporate reputation and customer-related behaviours of supermarket customers in South Africa using a shortened customer-based corporate reputation scale developed by Walsh *et al.* (2009). Empirical results in Terblanche's (2013) study showed that customer orientation and competitiveness of a firm were the only two reputation dimensions/variables associated with key customer outcomes such as trust, loyalty, repatronage intention and overall corporate reputation. Interestingly, corporate citizenship variables such as being socially and environmentally responsible did not have an impact on customer-based corporate reputation. In this regard, differences in the results of the cited research on customer-based reputation could be explained by specificities of selected service industries, type of country

and the sensitivities of the respective customers to certain dimensions of corporate reputation (Hodovic *et al.*, n.d; Terblanche, 2013).

Moreover, most research on customer-based corporate reputation concentrate on service firms and customers of service firms. “This is mainly because customers often find it difficult to evaluate services because of their intangibility” (Walsh, Bartikowski and Beatty, 2012, p. 166). In that regard, Walsh and Beatty (2007) recommend that future research on customer-based corporate reputation could be extended to, for instance, manufacturing firms that have less interpersonal interaction between seller and customer. As such, this study sought to understand the impact of corporate citizenship behaviour on customer-based reputation of a manufacturing company in the form of VW.

Banerjee (2010) points out at a gap in research by stating that while there is more than forty years of research on corporate social responsibility (CSR) initiatives, little is known about the impact of CSR on customer-based reputation. In this regard, Walsh and Beatty (2007) and Terblanche (2013) recommend that future research should focus on the predictors of corporate reputation, such as negative incidents and critical news reports. Therefore, the 2015 VW emissions scandal presents a unique opportunity to understand the impact of corporate citizenship behaviour on customer-based reputation.

#### **1.4 Research Objectives**

This study had three research objectives which are as follows:

1. To explore how corporate citizenship behaviour of VW affected customer-based reputation of VW cars among VW car owners in Durban, South Africa;
2. To determine how unethical business practice by VW through the global emissions scandal affected customer-based reputation amongst VW car owners in Durban, South Africa;
3. To investigate Durban VW car owners’ thoughts and feelings on the VW brand in the wake of the 2015 VW diesel cars global emissions scandal.

## **1.5 Research Questions**

In trying to achieve the above research objectives, the following were identified as key research questions in this study:

1. How did corporate citizenship behaviour at VW affect customer-based reputation amongst VW car owners in Durban, South Africa?
2. How does unethical business practice by VW through their diesel cars global emissions scandal of 2015 affect customer-based reputation amongst VW car owners in Durban, South Africa?
3. What possible impact does corporate citizenship behaviour of VW have on Durban VW car owners' thoughts and feelings regarding the VW brand?

## **1.6 Research Methodology**

This research employed a qualitative research methodology that utilised in-depth one on one semi-structured interviews directed at VW car owners in Durban. The research approach tolerated subjective views of participants to obtain multiple understandings of reality by different customers of VW. Biraghi *et al.* (2017) agree that research on the impact of corporate citizenship behaviour on corporate brands be carried out as primary research (fieldwork) in order to understand communities' sentiments and perspectives about corporate brands of those firms deemed contributors to the improvement of society.

## **1.7 Significance of the Study**

The study may contribute to the understanding of the impact of corporate citizenship behaviour at the customer-level. This is very important for business managers in general, and in particular VW managers and marketers, when making decisions which affect customers. Indeed, Cooperrider and Fry (2009) argue that sustainability in the form of corporate citizens could turn out to be the biggest opportunity of the 21<sup>st</sup> century with the ability to create admiring customers and proud communities.

Furthermore, this study is significant as it may guide managers of businesses in South Africa on how to manage corporate citizenship behaviour as a competitive advantage and intangible asset. Customers are the key stakeholder from a marketing and business point of view. As such, customer-based reputation is a very important aspect which affect customer satisfaction, business performance brand loyalty (Walsh and Beatty, 2007) and customer referrals through good word of mouth (Walsh *et al.*, 2009).

### **1.8 Delimitation of the Study**

This study does not investigate customer-based reputation as a multi-dimensional construct. It focusses only on the general evaluation of corporate reputation from the viewpoint of customers with regard to corporate citizenship behaviour.

As the focus is on the views of individual owner of VW cars, the study deliberately excluded companies who own a fleet of VW cars. However, this does not mean that fleet owners or corporates who use VW cars do not have views on this matter. This study focused on individuals in order to grasp their point of view in relation to the VW emissions scandal, as personal accounts are very important in social research of this nature.

The study deliberately focused on VW customers as participants because they are the best people to judge VW's corporate citizenship behaviour than, for instance, VW management and/or VW dealers who are arguably an extension of VW. In this way, it is clear that this study did not focus on views of managers or employees of VW but those outside the company. Therefore, the VW global emissions scandal presents a unique opportunity to understand the impact of corporate citizenship on customer-based reputation.

### **1.9 Dissertation Structure**

Below is the structure of this dissertation, detailing the aim of each chapter and how it is linked to others within this study.

## **Chapter 1: Introduction of the Study**

This chapter introduces both the chapter and the entire study. Firstly, it highlights the background of the study in order to bring to the fore the context of the study. Thereafter, the chapter highlights the research problem pointing out the research gap and justification for this research. Furthermore the chapter also highlights the objectives of this study, its significance and contribution. The delimitation of the study is also clarified in order to explain what is included and excluded in this study and the reasons therefore. Thereafter a brief detail of the dissertation structure is given. Lastly a chapter summary is provided.

## **Chapter 2: Literature Review**

This chapter focusses on reviewing literature of previous studies done on the key concepts considered in this research. To this end, literature was reviewed regarding previous studies on the impact of corporate citizenship behaviour on customer-based reputation, and stakeholder reactions to corporate scandals in the world and South Africa. This was done in order to identify the research gap which then justified the need for this research.

## **Chapter 3: Research Methodology**

The aim of this chapter is to describe the research methodology used in this study i.e. qualitative research. The chapter focuses on the snowball non-probability sampling method used in this study. It also discusses data collection, data analysis, issues of research quality and ethical consideration in this study.

## **Chapter 4: Presentation of Results**

This chapter presents the results of the study in the form of themes that emerged from the in-depth one on one semi-structured interview data to depict the impact of the 2015 VW emission scandal on customer-based reputation.

## **Chapter 5: Discussion**

This chapter discusses the results obtained in this study in relation to existing theories, empirical studies on corporate scandals, corporate citizenship and customer-based reputation.

## **Chapter 6: Conclusions and Recommendations**

This chapter ties up the research objectives in Chapter One with the findings of this research to show how the research objectives are answered. Limitations and recommendations for future research are highlighted.

### **1.10 Chapter Summary**

This chapter has provided an overview of the study. It also provided an introduction and also a clear background to this study depicting the contextual problem. Furthermore, the chapter also highlighted the problem statement, research objectives and the contribution of the study. The delimitation of this study was also clarified. The next chapter provides a review of relevant literature to this study on corporate-citizenship behaviour and customer-based reputation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The aim of this chapter is to review relevant literature on the key concepts and theories of corporate citizenship behaviour and customer-based reputation. In an attempt to achieve this, the chapter is divided into three, namely a discussion on corporate citizenship and its related theories, corporate social responsibility, and stakeholder reactions to corporate scandals.

#### **2.2 Exploring the concepts of Citizenship and Corporate Citizenship**

Scholars of corporate citizenship rarely delve into the concept of citizenship. In brief citizenship “implies membership in a bounded political (normally national) community” (Hettne, 2000, p. 35). One of the most dominant meaning of citizenship relates to as “a set of individual rights”-civil rights, social rights and political rights (Faulks, 2000, p. 55-82). In this way, citizenship is separately linked to a certain (national) territory, which is governed by a sovereign state as guarantor of those citizenship rights (Matten and Crane, 2005).

Civil rights are about freedom from abuses and interferences by third parties (most notably the government); and also right to own property, engage in “free” markets or freedom of speech. Notably, social rights relate to rights that provide the individual with the freedom to participate in society (e.g. right to education, healthcare or various aspects of welfare). For example, corporations provide social rights by feeding homeless people, helping headmasters in managing school budgets, or improving deprived neighbourhoods which are originally tasks of government. It is important to highlight that civil; and social rights are primarily about the position of an individual in society and help to protect his or her status. In terms of political rights, corporations become an active player through involvement in lobbying, party funding and other activities to influence the political process.

In simple terms, corporations are “legal entities with rights and duties, in effect, ‘citizens’ of states within them operate” (Marsden, 2000, p. 11; Seitz, 2002). This is in tune with the view of collective embeddedness of individuals and institutions in societies (Beiner, 1995). Nevertheless, the one –dimensional and direct application of citizenship to corporations is labelled as careless importing of terminology from political theory into management without consideration for its theoretical underpinnings. As social and political rights cannot be regarded as an entitlement for a corporation, it seems difficult to link citizenship and corporation.

However, although corporations are not entitled to certain rights as an individual would, it is actually their power as public actors who have a responsibility to respect those individual citizen’s rights, which makes corporations citizens. This is more critical as corporations have actually taken over many of the roles and actions previously expected of governments (Nyberg, Spicer and Wright, 2006). Perhaps the most important change that has raised the prospect of corporate involvement in citizenship rights is the failure of nation states to any longer be sole guarantor of these rights. In this respect, the corporate involvement in “citizenship” makes the notion of corporate citizenship relevant.

### **2.3 The Concept of Corporate Citizenship**

Freeman *et al.* (2010) and Van den Berg and Lidfors (2012) believe in the stakeholder theory which states that corporations have a responsibility to have a positive impact on the environment, communities and all stakeholders. Stakeholder theory is essential in the operationalization of corporate social responsibility and corporate citizenship (Poonamallee, 2011). It is thus arguable that corporate citizenship and corporate social responsibility are firmly rooted in the stakeholder theory.

Sison (2009) argues that by virtue of corporations coming into existence as creatures of law; it thus makes sense for them to comply with legal requirements. In the best of states, characteristics of a good citizen coincide with those traits synonymous with an excellent human being; traits of which should be embodied by corporates who should behave in a manner that is for the common good of all. For example, Wood and Logsdon (2008) affirmed that businesses, in comparison to biological/natural persons are ‘secondary

citizens'. In this regard, businesses should be seen as secondary citizens and 'citizens of the world' where corporate responsibilities are owed to global stakeholders not only to parent country/government nor host country/government especially for global organisations (Wood and Logsdon, 2008). These views are in sharp contrast to Friedman (1970) who believed that a firm; by virtue of it incorporated as an artificial/fictitious legal person cannot be expected to have a moral obligation to the society as would be expected of natural persons.

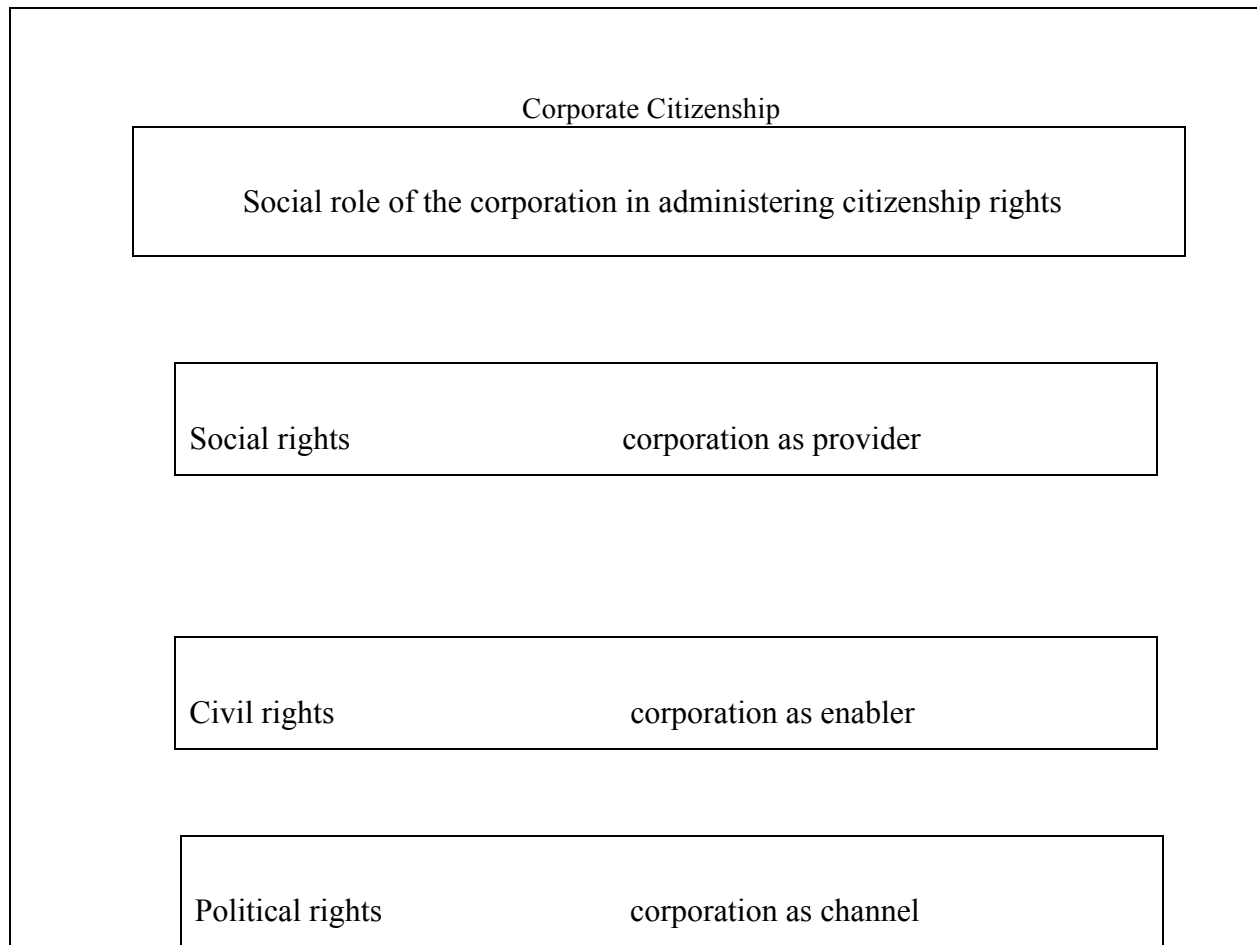
In a slightly different vein of looking at corporate citizenship, Neron and Norman (2008) argue that corporate citizenship is not a philosophy but a call for corporates to also play a political role which caters for societal welfare. In this regard, Palazzo and Scherer (2008) agree with the notion of the political role of corporates and to this end present a case for 'political corporate social responsibility' which is arguably the same concept as corporate citizenship. In this way, corporates are no longer confined exclusively to their business role but are increasingly perceived as moral and political actors (Beckmann and Pies, 2008). For example, society's anger against corporate corruption and harm to the environment is an example of the citizenry unhappiness about the inequitable distribution of power to 'corporate citizens'. Henceforth, the belief that corporates are citizens contributes to the criticism of Shell's role in the oppression of the Ogoni people in Nigeria on the basis that Shell could play a corporate citizenship role by intervening in the infringement of the basic political rights of this tribe by the local government (Crane and Matten, 2008). The emphasis here is on the political social role that companies can play for the wider society's wellbeing.

However, Van Oosterhout (2008) argues against the notion that good corporate citizens should play social and political roles within the society, for example, through corporate contributions towards societal wellbeing in the form of charitable donations or avoiding negative externalities such as environmental pollution. But, unlike natural persons, organisations do not have unique grounding in any particular community. In fact, globalisation and liberalisation have seen corporations moving their operations to areas or countries where corporate labour costs are lower, with less government regulation etc. Secondly, firms cannot sensibly be understood and seen as full and entitled members of a

political community, with the ability to fully distribute rights and responsibilities of natural citizens (Van Oosterhout, 2008). De George (2008) extends Van Oosterhout's view by stating that corporate citizenship transcends national boundaries to global corporate citizenship. In this way corporate citizenship goes beyond the usual meaning of corporate citizenship which is compatible and confined to being a good citizen of a particular state but rather advocates for corporates to be 'global corporate citizens'.

For example, businesses tend to focus on ends (financial gain) above the 'means' through vigorously pursuing to maximise profits at the expense of the environment through pollution. However, all human life on earth has planetary citizenship-whether as individuals or as corporations and that planetary citizenship rejects the objectification of nature, earth and other cultures as the 'the Other'. In that regard, it is not only globally responsible business leaders that are needed but also locally responsible citizens (Prinsloo, Beukes and Jongh, 2006). For example, climate change can be a useful test for the concept of corporate citizenship because the harm to our ecosystem caused by pollution; affects the whole world, present and future generations. Corporate citizenship entails internalising negative externalities, beyond what is required by the law (Nyberg, Spicer and Wright, 2006; Meyer and Kirby, 2010).

Thus, corporate citizenship is about administration of a bundle of rights through three administrative roles: Firstly, the corporation takes on a providing role by supplying individuals with social services and hence administers social rights. Secondly, corporations also perform an enabling role by administering civil rights by either capacitating or constraining citizens' civil rights. Lastly, the corporation acts as a conduit for the exercise of individuals' political rights to perform the channelling role on behalf of 'natural' citizens. In this way, 'corporate' citizenship implies that corporations have replaced some of the functions of the government by administering citizens' social, civil and political rights separately and at a given time (Matten and Crane, 2005) as shown in Figure 2.1 below:



**Figure 2.1: An Extended Theoretical Conceptualisation of Corporate Citizenship**

*(Source: Matten and Crane, 2005)*

However, Edward and Willmott (2008) argue that corporate citizenship is on the decline among some corporations because these corporates are not willing to embrace explicit linkages between corporate activities and politicisation. Henceforth, for corporate citizenship to bear fruits there is need for civil society to put pressure on corporate leaders, politicians and regulatory bodies to bridge the gap between the economics of firms and the wider politics and governance by democratic principles. In this regard, Banerjee (2010) observes that the political role of corporates i.e. corporate citizenship is limited by virtue of corporates lacking the multi-actor and multi-level translocal governance arrangements in an attempt to create forms of power that are more compatible with the principles of economic democracy. This underscores that corporate citizenship can be a force and norm

in modern firms if there is a political conception of the corporation. For example, oil corporations and mining corporations have demonstrated their corporate citizenship but also political force by building and operating social infrastructure such as roads, hospitals and schools in Africa (Banerjee, 2010).

After discussing the various notions of corporate citizenship, this study adopts the view that corporate citizenship is a concept that speaks to both; the active global and national political/social role that firms can play to guarantee fellow individual citizens' rights around the world particularly in terms of reducing environmental pollutants. It is critical to note that corporate citizenship behaviour in this study is limited to the 2015 VW emissions scandal. In that light, it is arguable that the impact of the 2015 emissions scandal by VW can have far and wider implications on the general society and global climate change. This view is supported by Nyberg, Spicer and Wright (2006) who argue that climate change can be a useful test for the concept of corporate citizenship because the harm to our ecosystem caused by pollution; affects the whole world, present and future generations.

## **2.4 Four Faces of Corporate Citizenship**

According to Carroll (1998) corporate citizenship is viewed as having four faces of responsibility. These four faces include the economic face, legal face, ethical face and philanthropic face. Economic responsibilities and legal responsibilities are said to be mandatory whilst the ethical and philanthropic are voluntary. The ethical and philanthropic responsibilities form part of the core foundations of corporate citizenship as it marks a distinction from mere compliance to voluntary responsibilities that business can consider to be regarded as good citizens to the society they operate and are expected to do (Carroll, 1998). The four faces of corporate citizenship i.e. the economic face, legal face, ethical face and philanthropic face are discussed below.

### **2.4.1 Economic face**

Theodore Roosevelt quoted in (Carroll, 1998, p. 2) argues that, "It is a prerequisite that every good citizen must be able to carry his/her own weight". As such each company must be able to sustain itself and fulfil its profit-making obligation. Every individual is supposed to

work hard, earn income and feed him/herself. Corporates are also expected to earn sufficient profit, which enable them to pay their rates and pay their investors. In light of this it can be argued that it is a prerequisite that organizations need profit to survive and it is profit that defines their existence. Therefore, for any private business the fundamental responsibility is to make a profit. “It is clear from public opinion today that businesses are expected to make money, but also to go beyond the bottom line. Harris Poll revealed that 95% of Americans surveyed thought U.S. corporations owe something to their workers and communities and that they should sometimes sacrifice some profit for the sake of making things better for their workers and communities” (Carroll, 1998, p. 2)

#### **2.4.2 Legal face**

In this regard, it is important to understand that good corporate citizen make profit. Carroll (1998) argues that if there is a translation of law to ethics, one way to understand the legal face to corporate citizenship is to perceive law as codified ethics. An understanding of business ethics is that it defines what is right or wrong. Putting that within the business arena, law comes to manifest in the standards in terms of how business operates. Crucial to understand is that business have a responsibility to obey the laws that govern their relationships with consumers, employees, the community and the planet. To be considered a good corporate, businesses have to integrate laws that govern them into their corporate strategies.

#### **2.4.3 Ethical face**

Dorasamy (2013) went on to mention that ethical corporates have business goal that goes beyond profit maximization to also include social objectives towards the society and the environment. According to Dorasamy (2013) the corporate world and their stakeholders demand ethical behaviour because the relationship is based on trust. Therefore, businesses have obligations to execute their operations in honesty and integrity. According to Jose *et al.* (2012) ethics have three forms of responsibilities outlined below:

1. Integrity – business should uphold good moral principles in their operations
2. Responsibility – Businesses should be willing to be held responsible for the social and economic consequences of their behaviour.

3. Affinity – Businesses should adopt positive criteria in their investments.

According to Basgoze and Tektas (2012) found that ethical awareness of consumers has an impact of their purchase decision whereby customers are also willing to pay premium prices to those companies that operate in an ethical behaviour. Boycotts may arise if customers find that a business is operating unethically.

Business thrives to be role models in portraying good corporate citizen behaviour. This depicts that they strive to go beyond economic and legal responsibility in a bid to conduct their business ethically. Carroll (1998) argues that the law is the minimum acceptable behaviour; good corporate citizens should go beyond compliance with law.

#### **2.4.4 Philanthropy face**

“Philanthropy is traditionally used by firms to show their commitment with society, and also as a means of meeting their economic responsibility by improving corporate reputation” (Yusof, Manan, Karim and Kassim, 2015, p. 112). According to Crane and Matten (2004), philanthropy is the responsibility to contribute to society and improve the general quality of life. Donations and charities are very good examples of philanthropic activities. A very common philosophy that can be equated to philanthropy is “giving back to the society”. However, Ramasamy and Yeung (2009) evaluated Chinese consumers’ perception specifically of CSR, which include philanthropic as one of the variables and they found that a philanthropic perception is the least important factor that influence customer purchase decision. In examining consumers' responses to philanthropic in the U.S, Valor (2007) found that price and quality are the most important attributes when making a purchase decision, compared to philanthropic contributions and other social corporate dimensions.

As a fourth face of corporate citizenship, philanthropy can be defined as willingness to assist people within the community through acts such as charity. Robert Payton an expert on philanthropy, argues that “it is defined as three related activities: voluntary service, voluntary association, and voluntary giving for public purposes (Carroll, 1998, p. 5) These acts of community enhance the quality of life and ensure a better future. The late Roberto

C. Goizueta, CEO of Coca-Cola Company was quoted in (Carroll, 1998, p. 5) arguing that “businesses have an obligation to give something back to the communities that support them.” Having delved into the various faces on corporate citizenship, it is significant to focus on this concept in terms of marketing.

## **2.5 Theories of Corporate Citizenship**

The main purpose of the Modern Corporation has been a subject of an unending debate within the field of corporate governance. One school of thought that argues that the solitary purpose of business is maximizing shareholder value. This differs from stakeholder theory, which argues that business has broader responsibility towards the environment and all the other people affected by the corporation endeavours. The two main contrasting theories of corporate citizenship, which are the Shareholder value theory and the Stakeholder value theory are interesting in this study:

### **2.5.1 Shareholder value theory**

One of the most dominant economic theories in corporate governance is the Shareholder value theory. Under this theory, Milton Friedman (1970) hold a capitalistic view that corporations are developed for only the benefit of organisations. Friedman who is an economist argued that ‘there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud’.

Milton Friedman believed that the social responsibility of corporates is solely to increase profits for shareholders. In this way, managers are employed as agents of shareholders. Managers should thus run the firm in the best interests of the shareholders (principals). He argued that companies are mere artificial legal persons; thus cannot be moral agents like biological individuals, and therefore do not have corporate moral obligations towards the society.

Friedman (1970) further argued for (shareholder theory) on the basis of his understanding of a free market and democratic society; that the political and economic spheres of the

society should never mix. Friedman argued that the economic sphere is based upon the principle of unanimity whereas the principle of political sphere is based on conformity. According to Friedman (1970) in politics the general social interest dominates. His main objection to corporate social responsibility (CSR) was that it is an unnecessary imposition of the political principle of conformity on the economy.

The shareholder value theory is based on three main perspectives that lend its support:

#### **a. Externalisation of Costs**

Externalisation of costs state that management should minimise costs by all means with a goal to maximise profit. This perspective assumes that maximising shareholder value is the most efficient way to achieve outcomes for the society. One such way to minimise the cost is by externalising it through even polluting the environment. In another view Carroll (1998) went beyond profit and developed a framework for business to legitimise ethical and philanthropic responsibilities in management actions. Though Carroll's view is considered as an alternative view but both views consider the profit/economic aspects as the primary focus of business. Carroll (1998) states four responsibilities of corporate social responsibility, which include; Economic (Must do), Legal (Have to do), Ethical (Should do) and Discretionary (Might do).

#### **b. Self-Interest as the Prime Human Motivator**

This view is built on the fact that an individual by nature is self-interested (Sison, 2009). In this regard individuals think of themselves before anyone else. The perspective is built upon an "individual motivated by self-interest" model agency theory. The theory states that unless there is proper corporate governance structure a manager act in their own interests and not any other stakeholder's interests.

#### **c. The Firm as a Nexus of Contracts in Service of Profitability**

The nexus of contracts perspective asserts that a corporate shares its stake with stakeholders (Sison, 2009). However, the shareholders are of priority over other stakeholders. In this regard, above all, the board of directors and top management has a responsibility to maximize shareholder value. The nexus of contract is brought in bearing in mind that the corporate also looks outwards into its environment that it works. It emphasizes the relationship that a corporate has to its environment. Another somewhat similar view is the resource dependence theory. It explains the dependence relationship that a corporate has to other stakeholders in the environment and asserts that if a firm ignores those other actors it will have a great impact on its environment.

According to Koslowski (2000) shareholder value theory is the 'control' or instrumental end to profits, not the purpose of the firm. As such, the shareholder value theory is meant to 'control' the actions of employees so that they do not shirk in their duties. In this regard, profit is only a form of guarantee that managers and employees will keep their jobs. The idea is that if the owner does not fulfil his/her duty of 'controlling' his employees; profits will decrease or even worse, the firm may suffer losses or even face closure.

Christopher Stone, cited in Rossouw and Van Vuuren (2013), argued against the three premises put forward by Milton Friedman in his support for shareholder value theory as outlined below:

- **That managers' only obligation is to maximise profits for shareholders**

Christopher Stone argued against the principal-agent principle as both legally and factually wrong. His argument is on the premise that courts do not recognize managers as agents of shareholders and that managers seldom seek to act in the best interest of shareholders. For example, the self-apportioning of stock options by the management is a form of insider trading which benefits managers at the expense of shareholder interests (Koslowski, 2000).

- **That market forces are sufficient to ensure responsible behaviour by corporations**

Christopher Stone denied that markets are efficient in allocating economic resources. He contends that the 'invisible hand' ensures that capital, labour and other productive resources go to firms that will use them effectively. Therefore, the market mechanism is geared towards economic efficiency and not towards the satisfaction of social needs.

- **That the law is adequate to guarantee that corporations do not harm society**

Christopher Stone refutes this claim on the basis that there is a time limitation problem in that laws are usually made as a reaction to existing or past problems. Problems first occur and only then are laws formulated and passed to deal with problems that have already happened. The process of law making is in itself a problem as (1) it is time consuming (2) corporates often play a role in the process of making laws that are supposed to regulate them (3) passed laws always have loopholes which are often exploited by corporates. In that way, corporates often exploit these loopholes for their selfish advantage to the detriment of stakeholders. It is therefore not surprising that regulations do not always reflect the best interests of society.

### **2.5.2 Stakeholder value theory**

Edward Freeman (1984) championed the stakeholder theory based on the notion that corporates are dependent on stakeholders to succeed. This depicts that stakeholders have a stake in organization. The stakeholder theory is based on the premise that corporates serve broader societal interests beyond profit attainment.

The theory has taken center stage in the world of business by stressing the fact that business organization success is heavily dependent on stakeholders. Firms should balance their own interests and the societal interests. It therefore stresses the fact that business should go beyond economic creation and serve interests of all the stakeholders. In the modern day business, the stakeholder theory has become the foundation of business ethics. However, the bigger question is who the stakeholder is and who is constituted in the stakeholder bracket. In this regard, Carroll (1998) argues that if stakeholder theory includes only those who affect a company and its profits, then it becomes subordinate to shareholder value theory, not an alternative to it.

Carroll and Buchholtz (2006) argue that along the way stakeholder theory diverged into two broad parts, namely the normative stakeholder theory and the instrumental stakeholder theory. The normative stakeholder is a traditional approach to stakeholder theory that emphasizes the relationship between a firm and its stakeholders, emphasizing a balance of both business interests and the broad societal interest. On the other hand, the instrumental stakeholder theory assumes stakeholder management as a strategic way for a business to attain profit.

Matten, Crane and Chapple (2003) state that the central notion of stakeholder theory is its normative nature; whereby corporations actually have a 'moral' obligation to all stakeholders. In that regard, the stakeholder theory can be seen as a necessary but not sufficient condition for social responsibility. For example, the recent accounting scandals at Enron, WorldCom and other corporations reveal serious weaknesses of the stakeholder theory about the social responsibilities of business which lacks prohibitions against fraud and deception (Carson, 2003).

Kenneth Goodpaster cited in Rossouw and Van Vuuren (2013) criticised Freeman's stakeholder theory as a 'multi-fiduciary stakeholder conception', meaning that managers have a fiduciary duty towards all stakeholders of the firm. Such a situation is intolerable and an irreconcilable burden as various stakeholders have different demands. If this were to happen, private firms would become public institutions that are no longer geared towards wealth creation for shareholders.

## **2.6 The Concept of Corporate Social Responsibility**

The concept of corporate social responsibility began in 1950 but it was in 1970 that the concept took a center a stage within academic circles. Carroll (1998) argues that the renaissance of corporate social responsibility was marked by the four model responsibilities which describes that business have four main business which are; economic responsibility – a responsibility to make profit to sustain the business, legal responsibility- a responsibility to abide with the laws of the society, ethical responsibility-the responsibility to do what is right to the society and lastly the philanthropic responsibility-

the responsibility to do other discretionary activities that benefit the society such as donations.

Nijhof and Jeurissen (2010) assert that there are different definitions that exist in the discourse of corporate social responsibility, ranging from corporate philanthropic activities to the strategic positioning of a firm within the society. “Corporate social responsibility comprises a number of corporate activities that focus on the welfare of stakeholder groups, including society and the natural environment” (Sprinkle and Maines, 2010, p. 3). Khojastehpour and Johns (2014) argued that corporate social responsibility is used to describe the firms’ responsibilities that go beyond economics. In this regard, “Corporate social responsibility is based on three general attitude-based dimensions, that is, human responsibility; environmental responsibility; and product responsibility” (Anselmsson and Johansson, 2007, p. 2). Definitions within the realm of corporate social responsibility and it includes a variety of concepts that covers ethical, social and environmental aspects (Polonsky and Jevons, 2009). To quote (Benoit-Moreau and Parguel, 2011, p. 6) “corporate social responsibility is understood as the voluntary integration of social and environmental concerns in the enterprises’ daily business operations and in the interaction with their stakeholders”. It is notable that while the emphasis is on voluntary nature of social and environmental dimensions, the economic aspects are not equally pronounced. Nonetheless, corporate social responsibility is a multidimensional concept that is oriented towards various stakeholders such as the community, regulators, employees and the environment.

Critics of corporate social responsibility assert that the concept is too narrow in content by virtue of it being articulated as management of externalities than as a holistic criterion to comprehensively redefine the organisations internally, its broad content, its academic origin and the difficulties to operationalise corporate social responsibility. In this regard, corporate social responsibility is seen as an attack to property rights and a threat to free society (Valor, 2005).

Siltaoja (2014) also weighed in onto the criticism against the concept of corporate social responsibility by describing corporate social responsibility as often normative and duty based. That means companies are expected to contribute to the betterment of society.

However, it is not much the dimensions of corporate social responsibility that are contested in debates on corporate social responsibility but the means of practicing and measuring corporate social responsibility. For example, whether some corporate practices add to the premise of social betterment or not and who gets to define someone’s wellbeing (Banerjee, 2007).

## 2.7 Comparison between Corporate Social Responsibility and Corporate Citizenship

Businesses have never been overly happy with the language of ‘corporate social responsibility’ as this implies that the concept is not present in business. The term was used by many proponents in the sense of reminding businesses something that they should or must do but have been omitting (Matten, Crane and Chapple, 2003). According to Waddell (2000) corporate citizenship came in to put firms at their rightful place by considering them as fellow citizens in a community, which depicts that corporates form part of a community. As citizens henceforth, they are interdependent and interlinked on each other when it comes to responsibilities. Matten *et al.* (2003, p. 111) argued that “rather than accepting the exhortations of academics and critics to become more “socially responsible”, corporations simply chose to set their own agenda based around being a “good corporate citizen”. Below is table 2.1 which depicts similarities and differences between corporate social responsibility and corporate citizenship:

**Table 2.1: Comparison between Corporate Social Responsibility and Corporate Citizenship Behaviour**

Corporate social responsibility	Corporate citizenship behaviour
Corporate social responsibility is regarded as a fundamental building block of corporate citizenship	Corporate citizenship can be seen as an extension of the previous work and role of businesses in society through corporate social responsibility
Corporate social responsibility is regarded as a normative concept which speaks to	Corporate citizenship is also regarded as a normative concept, however corporate

<p>society's expectation of the corporate social role of uplifting societies.</p>	<p>citizenship speaks more of the political and social role that corporates are expected to play to bridge the gap in provision and guaranteeing of citizens' rights e.g. On issues such as environmental protection and provision of social infrastructure.</p>
---	--

*(Source: The researcher)*

## **2.8 The Corporate Social Performance Model**

Notably, Carroll (1979) developed the first conceptual corporate social performance model. Carroll argued that corporate social responsibility was not a measurable object and could thus be replaced with a concept of corporate social performance which is better suited for the purpose. In this regard, corporate social performance differs from corporate social responsibility in the sense that corporate social responsibility is generally more about the role businesses play for social upliftment whereas corporate social performance is more about how corporate responsibility is manifested in the context of disparate individual organisations (Siltaoja, 2014).

On the other hand, Wood (1991) proposed a corporate social performance model focused on structural principles of responsibility; comprised of inputs, processes of social responsiveness (throughputs) and outputs/outcomes of corporate social responsibility. Wood's depiction of corporate social performance viewed a firm as having a locus of actions that have consequences for stakeholders, society and the firm itself as shown in Table 2.2 below.

**Table 2.2: Wood’s Corporate Social Performance (CSP) Model**

<p><b>PRINCIPLES OF SOCIAL RESPONSIBILITY</b></p>	<p><b>PROCESSES OF SOCIAL RESPONSIVENESS</b></p>	<p><b>OUTCOMES AND IMPACT PERFORMANCE</b></p>
<p><b>Legitimacy:</b>  Businesses that abuse the power society grants them will lose that power</p>	<p><b>Environmental scanning:</b>  Gather the information needed to understand and analyse the firm’s social, political, legal and ethical environments</p>	<p>Effects on people and organizations</p>
<p><b>Public responsibility:</b>  Businesses are responsible for outcomes related to their primary and secondary areas of involvement with society</p>	<p><b>Stakeholder management:</b>  Active and constructive engagement in relationships with stakeholders</p>	<p>Effects on the natural and physical environments</p>
<p><b>Managerial discretion:</b>  Managers and other employees are moral actors and have a duty to exercise discretion toward socially responsible, ethical outcomes</p>	<p><b>Issues/public affairs management:</b> A set of processes that allow a company to identify, analyse, and act on the social or political issues that may affect it significantly</p>	<p>Effects on social systems and institutions</p>

*(Adapted from Siltaoja, 2014)*

However, Siltaoja (2014) critiques corporate social model (Wood, 1991) for not explaining how information gathered through ‘environmental scanning’ by businesses might be

converted into knowledge that will aid in achieving corporate social performance outcomes. Against that backdrop, (Siltaoja, 2014) suggest the replacement of ‘environmental scanning’ with ‘social and environmental learning’. In this regard, Siltaoja (2014) proposed a revised corporate citizenship model as shown in Table 2.3 below:

**Table 2.3: Siltaoja’s Revised Corporate Social Performance Model**

<b>PRINCIPLES OF SOCIAL RESPONSIBILITY</b>	<b>PROCESSES OF SOCIAL RESPONSIVENESS</b>	<b>OUTCOMES AND IMPACT PERFORMANCE</b>
<p><b>Sustainable development</b></p> <p>Businesses are responsible for managing their processes and activities in a manner in which they recognize the importance of preserving and sustaining the natural environment and biodiversity for future generations</p>	<p><b>Corporate citizenship activities</b></p> <p>The way corporations play an active role in citizenship activities and democratic regulation</p>	<p>Effects on people and organizations</p>
<p><b>Institutional context</b></p> <p>Contextual effects depending on what is required and what is expected from a responsible business when evaluating the legitimacy of business activities</p>	<p><b>Stakeholder management:</b></p> <p>Active and constructive engagement in relationships with stakeholders</p>	<p>Effects on the natural and physical environments</p>
<p><b>Managerial discretion:</b></p> <p>Managers and other employees are moral actors and have a duty to exercise discretion toward socially responsible, ethical outcomes</p>	<p><b>Environmental and social learning:</b></p> <p>The focus on developing and learning about practices and products that meet the demands of a more ecological and sustainable future</p>	<p>Effects on social systems and institutions</p>

*(Adapted from Siltaoja, 2014)*

## **2.9 Corporate Citizenship as a Form of Consumer Marketing Tool**

Walters and Chadwick (2009) and Hensel and Lacey (2016) state that corporate citizenship activities have the ability to impact the image and reputation of professional sports franchises in England and USA respectively. Their findings show that when fans expect their team to exhibit social responsibility that is closely matched by the team's perceived corporate citizenship practices, the combined results improve the quality of customer-based reputation. This can be argued as a clear indication that corporate citizenship initiatives have become key organisational initiatives that now transcend the corporate realm going even into sports entities. In spite of this, the major weakness of these studies is that sport fans are fanatics who support their teams through thick and thin. For example, in a study done in U.S.A, Chien, Kelly and Weeks (2016) found that sport fans support their team despite increased sport scandal severity but negatively judge a rival team's transgressions. Therefore, generalising that corporate citizenship positively impacts on customer-based reputation by virtue of using sports teams' fans and the teams they support can be misleading. Let alone, Walters and Chadwick (2009) stated that future research could examine whether the same results could be replicated in a commercial organisation. As such, Biraghi, Gambetti and Schultz (2017) state that there is need for research to identify how quasi-governmental actions such as corporate citizenship impact on corporate brands. They argue that such research should be carried out as primary research (fieldwork) in order to understand the impact of corporate citizenship on corporate brands through tapping into the communities' sentiments and perspectives about corporate brands of those firms deemed contributors to the improvement of society.

Cooperrider and Fry (2009) point out that firms that were lauded as corporate citizens in the US by virtue of their sustainability activities during the 2008 economic recession earned big profits whilst those that made the least investment in corporate citizenship are bankrupt. In this regard, sustainability in the form of corporate citizens could turn out to be the biggest business opportunity of the 21<sup>st</sup> century with the ability to create admiring customers and proud communities. In this regard, a number of companies are making public commitments positioning their products as environmentally friendly or socially responsible. Drivers for such initiatives include pressure from customers' demands and expectation that corporates

should behave as good citizens who should always do good deeds towards the planet and people.

### **2.9.1 Customer reactions to corporate citizenship**

McEachern (2015) showed that socially responsible products have become important criteria for some customers when making purchase decisions. However, McEachern pointed out that the limitation of his research was that it only refers to a single industry i.e. chocolate. McEachern used exploratory focus group in Lancaster, United Kingdom and study interviews were done in Edinburgh, Lancaster, Manchester and Birmingham in participants' homes. Therefore, there is need to ascertain whether the results hold water in other industries or in a developing country such as South Africa.

Tsai, Joe, Lin, Chiu and Shen (2015) concluded that corporate citizenship indirectly influences customer purchase intention with brand trust and corporate identification as mediating variables in Taiwan. Tsai *et al.* (2015) further suggest that by virtue of this corporate citizenship builds brand trust and corporate identification which in turn influence customer purchase intention. They postulated that two variables (i.e. social corporate identity and brand trust) are an outcome of corporate reputation. However, this conclusion was arrived at without backing of empirical research. It is arguable that such a conclusion need to be tested or verified through empirical research.

Dapi and Phiri (2015) state that although most Vodacom customers (respondents) in Pietermaritzburg, South Africa were not aware of what corporate citizenship is as a concept, they felt that firms are obligated to be socially responsible. In this regard, knowledge of a firm's corporate citizenship initiatives can lead to enhanced corporate reputation and brand loyalty. For example, in a research done in Australia, King and Mackinnon (2001) found that customers do care about corporate behaviour such as corporate community involvement, sponsorship and development. Customers are willing to punish and reward corporations on this basis.

Su and Jie (2015) argue that the selection of dimensions of corporate citizenship in future research should be developed within the context and realities within a particular geographical region and examine the impact of the corporate citizenship dimension(s) on

different stakeholders. For example, Pour, Nazari and Emami (2014) state that the concept of corporate citizenship of businesses is no stranger in the developed world suggesting that the concept is not yet a big issue in the developing world. It is thus arguable that there is need for research to understand the impact of corporate citizenship on customer-based reputation in a developing country such as South Africa.

In a study done in California, U.S.A to examine how customers respond to corporate citizenship initiatives that vary in geographic focus, Russell and Russell (2010) found that customer patronage is biased in favour of companies that undertake corporate citizenship initiatives that are focused in the customers' local state than for distant state corporate citizenship initiatives. In this regard, customers are more concerned with locally focused corporate citizenship initiatives that directly affect their lives. However, this egocentric bias, exhibited in the form of increased purchase intentions can be moderated by customers' superordinate identities, for example, customer environmental consciousness. For example, when consumers are highly environmentally conscious, there is much higher individual action, such as product boycott against a company that violates environmental pollution standards. In contrast consumers who exhibit low environmental consciousness respond less strongly, in their individual consumption behaviour towards products of firms that violate environmental pollution standards (Russell, Russell and Honea, 2015).

Kajalo and Jyrama (2015) argue that corporate citizenship behaviour through contributions to the local community positively influences customer-based reputation and customer-based reputation in turn positively influences customer brand loyalty amongst Nokia customers in Finland. In this regard, when managers target to boost customer - based reputation they should embark on contributions to the local community.

Asatryan and Asamoah (2014) found that corporate citizenship has a positive impact on the four antecedents of customer loyalty (customer satisfaction, product quality, company image, customer trust). A total number of 500 airline customers were used in a web-based survey. The data was analysed using multiple regression statistical analysis. With regards to the strength of prediction, it was found that customer trust had the strongest effect on

customer loyalty, followed by, image of the firm, customer satisfaction and product quality respectively (Asatryan and Asamoah, 2014).

Perez and del Bosque (2014) state that corporate citizenship positively influences customer identification with the firm. Customer identification with the firm in turn influences customer emotions generated by the service performance of Spanish banks and customer satisfaction positively influences customer loyalty. In this way, customer loyalty towards service firms is gained through customer thoughts, attitudes, emotions and feelings generated by a firm's service performance.

### **2.9.2 Suppliers' reactions to corporate citizenship**

Zhang, Ma, Su and Zhang (2013) used data from 2003 to 2010 of listed companies in China to investigate the influence of corporate citizenship behaviour on suppliers. The conclusions of their study suggest that corporate citizenship activities can help a firm in transition economies to enhance corporate image, establish and consolidate the good relationship with suppliers, and obtain economic benefits or achieve long-term business objectives. For example, a firm's charitable donations to society can yield a positive corporate image in the eyes of the suppliers. In this way, strategic philanthropy view and stakeholder theory are applicable to the supply chain empirically (Zhang *et al.*, 2013).

### **2.9.3 South African government reaction to corporate citizenship**

Since the dawn of freedom in 1994, the government of South Africa has mainly focused on corporate citizenship initiatives through legislation such as Broad-Based Black Economic Empowerment Act (BBBEE) No.53 of 2003, Skills development (SDA) Act No.97 of 1998 and the Employment Equity Act (EEA) No.55 of 1998 to uplift the previously downtrodden black majority. The BBBEE Act aims to economically empower all black people by increasing the number of black people that manage, own and control enterprises and productive assets. The BBBEE Act also uses codes and points earned system towards private businesses; based on ownership, management control, employment equity, skills development, preferential procurement, enterprise development, socioeconomic development and qualifying small enterprises. Private enterprises that earn the threshold BBBEE Act scorecard points enjoy the benefits of getting preference to

getting government and parastatal tenders and contracts. On the other hand, the EEA outlines measures to encourage employers to undertake organisational transformation and to speed up the employment, training and promotion of individuals from the black majority. The EEA also stipulates that the national racial population demographics should be mirrored in all designated organisations in South Africa. The SDA is aimed at developing skills of the South African workforce by compelling companies in South Africa to contribute towards the national skills development levy. Revenues collected through the national skills development levy are used to train students in Technical and Vocational Education and Training (TVET) and through Sector Education and Training Authority (SETA) (Nel, Kirsten, Swanepoel, Erasmus and Poisat, 2012).

## **2.10 Employees' Reaction to Corporate Citizenship**

In a study done in Pakistan, Saleem (2014) found that the existence of corporate ethical climate and corporate citizenship can enhance organisational commitment of employees towards their organisation and help in enhancing employees' workplace experiences. For example, corporate citizenship behaviour and perceived ethical citizenship positively influence employee organizational citizenship behaviour and individual performance (Glavas and Piderit, 2009; Lin, Lyau, Tsai, Chen and Chin, 2010; Obamiro, Ogunnaike and Osibanjo, 2014); Yahya and Ha, 2014).

Evans and Davis (2014) did a study with a sample of working adults in U.S.A and results show that perceptions of corporate citizenship affects employee citizenship behaviour and in turn affects employee behavioural outcomes such as helping co-workers, volunteering to work extra hours, promoting the company through good word of mouth etc. Similarly, Aguilera *et al.* (2007) found out that jobseekers, employees and even some investors prefer companies that show environmental stewardship and consider the impact of corporate actions on community welfare.

In an attempt to understand employee sentiments in the wake of a corporate scandal affecting their employer companies, Pelletier and Bligh (2008) used a sample of employees from a large southern California government agency after a highly publicised ethics scandal and interviews from former Enron employees who lost their life savings as a result

of Enron corruption to examine employee sentiments in the wake of a corporate scandal involving their employer. The research results showed that employee emotional reactions to the scandals included cynicism, optimism, pessimism, paranoia and fear.

### **2.11 Customer Reactions to Corporate Scandals in the World**

Mercury Interactive, a US business software firm, had to work incredibly hard to keep customers soothed and happy in the wake of the scandal in which its executives allegedly backdated stock options (Poletti, 2006). Research done in the aftermath of Satyam Computer Services which implicated former chairman Ramalinga Raju in an accounting scam similar to the Enron accounting scam, showed that customers felt deeply disappointed and cheated in the wake of Satyam corporate scandal in India. Raju admitted to the Securities and Exchange Board of India that he had manipulated the company's earnings. As much as 94% of the cash on Satyam books was fictitious (Mitchell, 2009; Balachandran, 2015).

In an online survey conducted using a scenario-based experiment, Tsarenko and Tojib (2015) found that consumer awareness of a company's corporate citizenship initiatives and company response to a corporate scandal moderates the relationship between corporate scandal severity and customer-based reputation. As such when customers perceive the corporate scandal as mild and the firm offers an apology for the current transgression, customers are more willing to forgive the company if it has a good past record of good deeds.

Zhou and Brown (n.d) found out that the more U.S.A consumers believed they knew about automotive industry (consumer product knowledge), the less severe they perceived VW's 2015 emissions scandal. The study also found that the more consumers believed the corporate scandal is severe, the more negatively they evaluated VW's reputation.

In a study done in U.S.A, Chien, Kelly and Weeks (2016) found that sport fans support their team despite increased sport scandal severity but negatively judge a rival team's transgressions.

## **2.12 Customer Reactions to Corporate Scandals in South Africa**

Ford South Africa recalled 4000 Kuga Ecoboost 1.6 litre models manufactured between 2012 and 2014. The recall came after over 40 cases of engine fires had been reported and one death allegedly as result of a Ford Kuga exploding in December 2015. Ford South Africa was criticised heavily in the South African media and angry customers even resorted to legal action against the company (Wepeneron, 2017). It is arguable that South African customers react angrily to corporate scandals that directly affect them or threaten their lives. Indeed, most communities living in mining areas feel strongly that mining companies are not doing enough to create employment and skills amongst locals living around the mines. Residents complain of lack of access to water, electricity, the collapse of sustainable farming due to degraded soils as a result of mining activities, loss of livestock due to drinking of contaminated water and cracking houses due to blasting by the mines. In this regard, residents in these mining communities feel that the government has given too much power to mining companies who are ‘literally’ running the country according to the words of the locals (Raborife, 2016).

In a similar development, respondents were concerned that the predominant selection of black participants in HIV vaccine trials in South Africa perpetuate racist practices of the apartheid days (Essack, Koen, Barsdorf, Slack, Quayle, Milford, Lindegger, Ranchodand, Mukuka, 2010). It is thus arguable that South African communities are negatively sensitive to corporate initiatives that seemingly perpetuate inequality and white dominance in South Africa. In this regard, firms that are perceived to perpetuate white dominance are resented by the black majority. Such firms stand to lose customer-based reputation amongst the black population of South Africa.

## **2.13 Media Reaction to Corporate Scandals**

The media plays an important function in developing discourse regarding the role of business in society. In this regard, the South African media has placed corporate scandals and corruption on the public agenda by reporting swiftly and widely on corporate and corruption scandals in South Africa (Van der Merwe, de Jongh, Schulschenk and Nieuwoudt, 2015). In this regard, the media plays a key role on public agenda and in this

way firms that the media is critical of in terms of scandals and corruption can lose customer-based reputation. For example, British public relations firm, Bell Pottinger, lost its corporate customers including Hong Kong Shanghai Banking Corporation (HSBC) in the aftermath of the scandal regarding the public relations campaign they did on behalf of the Gupta family which deliberately inflamed racial tensions in South Africa (Eliseev, 2017). In a similar case, KPMG lost its corporate customers including the South African waste management company, Interwaste, fund managers, Sygnia and brokers, Sasfin in the aftermath of the auditing scandal involving the billionaire family, the Guptas (Bonorchis, 2017). The two cases were widely reported through electronic, print and social media in South Africa. It is critical to point out that the evidence clearly show that corporate customers can be swift to break ties with firms that are deemed to have bad reputation. It is thus imperative to undertake research that seeks to understand the impact of irresponsible corporate citizenship behaviour on customer-based reputation by looking at the perspectives of individual consumers/customers.

#### **2.14 South African Regulatory Bodies' Reaction to Corporate Scandals**

The South African Institute of Chartered Accountants (SAICA) called for a press briefing in August 2017 to outline the processes that were underway in respect of members who were accused of alleged improper conduct in the ongoing scandal of state of capture implicating the Gupta family and President Zuma. The scandal which has been dubbed the "Guptaleaks" in the media implicated some of the members of SAICA including Eskom chief financial officer, Anoj Singh and a number of chartered accountants working for KPMG, who were auditors to the Gupta companies for 15 years (Thompson, 2017). In this regard, the Institute of Directors in Southern Africa temporarily suspended all co-branded activities with KPMG and dropped KPMG as a sponsor for its golf day and involvement in the Audit Committee Forum (Quintal, 2017). It is thus evident that corporate business partners are quick to cut ties with firms that have tainted public reputation. It is arguable that organisations do not want to be associated with firms viewed in bad light by the public, possibly out of fear of losing their own customer-based reputation.

On the other hand, the South African Competition Commission waged a war on corporate collusion as it conducted raids on nine fresh produce market agents. This was after the

Department of Agriculture, Forestry and Fisheries reported cartel conduct, which could limit the development of black farmers and raise food prices –affecting the poor households the most. According to the Competition Commission, the country’s largest fresh produce market agencies were undercutting prices in order to keep out emerging black farmers and agents out of the market (Nicolson, 2017). Such practices have a danger of possibly leading to loss of customer-based reputation amongst the black population who are naturally sensitive to racial discrimination practices due to the terrible racial history of South Africa.

The Competition Commission also made news headlines for investigating cases against banks accused of manipulating dealings in foreign currency, particularly trading of the rand. The Competition Commission stated that the case against the banks involved price-fixing and market allocation in the trading of foreign currency pairs involving the rand since April 2015. The Competition Commission referred the case to the tribunal for prosecution accusing the banks of contravening the Competition Act. Unilever was also targeted by the Competition Commission for dividing markets related to goods in the bakery and cooking sector. Recruitment advertising agencies also faced the wrath of the Competition Commission for allegedly agreeing on listing prices. It is interesting to note that, the case against banks has been the most publicised case, largely because the financial sector has been criticised as a leading symbol of ‘white minority capital’ (Nicolson, 2017).

## **2.15 Customer-Brand Loyalty**

In a study done in Hong Kong among cosmetics customers, He and Lai (2014) is clear that ethical corporate citizenship behaviour impacts positively on symbolic brand image of the firm in the eyes of the customers. This is often accompanied by customer social approval of the brand. In this regard, customers view ethical corporate citizenship action(s) as an admirable symbolic gesture. The more favourable the brand image, the higher is the perceived customer loyalty. In that vein, it is advisable that firms should focus on key dimensions of corporate citizenship initiatives based on the expectations of consumers at a particular time, market segment and/or geographic region.

Van den Berg and Lidfors (2012) in Lifestyles of Health and Sustainability (LOHAS) studies done in Sweden show that consumers are steering towards brands of corporates

deemed to be better corporate citizens. Interestingly, Van den Berg and Lidfors (2012) made a distinction between behavioural and emotional loyalty of customers towards a brand. The difference is based on whether or not the customer has an emotional relationship with a particular brand. For example, Hartono and Raharjo (2015) used a survey method through personal interviewing and face-to-face questionnaire to collect data. Research results showed that both affective and cognitive customer satisfaction positively affect customer loyalty in service companies, such as hotels in Indonesia.

Marin, Cuestas and Roman (2015) concluded that customer attributes such as interpersonal trust about a firm is a psychological state comprising the intention by a customer to accept vulnerability based on the positive expectations of the intentions of corporates. It can thus be argued that customers are relational and become trusting to corporates that they open themselves up to being exposed to the negatives that may arise as a result of unethical conduct by firms. However, it is arguable that two questions that remained unanswered are (i) how far and (ii) how much unethical corporate conduct customers may tolerate from firms and if customer's psychological and emotional attachment to a brand mediate the relationship between corporate citizenship and brand loyalty.

On the other hand, Helm and Tolsdorf (2013) found out that the moderating effects of a favourable corporate reputation on customer loyalty were weaker during a corporate crisis. They argue that this is in tandem with the theory of 'expectancy-violation' i.e. indicating that pre-existing favourable corporate reputation does not shield a company from the negative effects of corporate crisis, but may present a liability because customers have higher expectations with regard to highly reputable companies.

Yang, Chen and Chien (2014) customers' product knowledge and customer affective commitment to a brand relate positively to customer participation through, say, helping other customers and also enhances customer loyalty in B and B tourism services in Taiwan. In this regard, affective commitment refers to the sense of liking, emotional attachment and belongingness and individuals with affective commitment show a favourable attitude towards a brand and wish to remain loyal. For example, affective customer commitment positively influences customer good word of mouth and customer participation in helping the brand grow amongst Pakistan customers (Hasan, Lings, Mortimer and Neale, 2017).

Choi, Lotz and Kim (2014) when customers perceive support and/or justice from a company, they feel affective commitment towards the company and they voluntarily help the company resolve service failures in the U.S.A. In this regard, customers are viewed as value co-creators in building service organisations' overall success

## **2.16 Meaning of Customer-Based Reputation**

Different scholars have focused on different aspects to unpack the concept of corporate reputation. For example, Fombrun (1996, p. 72) focusses on images to define corporate reputation as a “snapshot that reconciles images of a company held by all its constituencies”. Other scholars focus on character. To exemplify this, Rossouw and Van Vuuren (2013, p. 113) focus on characters to define organisational reputation as “attributed character of an organization that determines the extent to which stakeholders would be comfortable to form relationships, business or otherwise, with the organization”. Corporate reputation is also sometimes about opinions held by stakeholders. In this view, Bromley (2001, p. 317) define corporate reputation as “a distribution of opinions about a person or other entity, in a stakeholder or interest group”. Focusing on attitudes, Schwaiger (2004, p. 49) define corporate reputation as “an attitudinal construct, where attitude denotes subjective, emotional, and cognitive mindsets”. Three aspects, namely subjective, emotional and cognitive, characterize corporate reputation. Audience interpretations of economic and other signals associated with the firm are very important in conceptualizing reputations.

Walsh and Beatty (2007) used a multi-dimensional scale of corporate reputation which consisted of 28 items with the following five dimensions: product and service quality, customer orientation, good employer, reliable and financially strong company and social and environmental responsibility as a scale to measure customer-based reputation in the banking services industry, fast-foods restaurants and retailing. The findings showed a positive relationship between good corporate reputation and customer outcomes such as customer satisfaction, loyalty, trust, and good word of mouth.

In a research done in Turkey, Yuksel and Cintamur (2016) used eight dimensions of customer-based reputation scale namely; products and services, good employer, customer

orientation, financial performance and financially strong company, social and environmental responsibility, trust, employee behaviours, and omnipresence within the banking industry. The aim of the study was to develop an alternative scale to measure customer based reputation in the banking services industry.

Hodovic *et al.* (n.d) used five dimensions of customer-based reputation developed by Walsh and Beatty (2007) namely; product and service quality, customer orientation, good employer, reliable and financially strong company and social and environmental responsibility to measure customer outcomes in Bosnia and Herzegovina. The results showed that elements of customer-based reputation have a positive impact on customer satisfaction. Specifically, the good employer dimension did not have an influence on customer satisfaction.

On the other hand, Bartikowski and Walsh (2009) found that customer-based reputation positively influences customer citizenship behaviours amongst customers of internet service firms in Germany and the United Kingdom. Citizenship behaviours entailed customer's willingness to help other customers and to help the company through, say, spreading a good word of mouth (viral marketing) about the company. It was found that variables such as customer commitment and loyalty towards a firm are mediating variables on the positive co-relationship between customer-based reputation and customer citizenship behaviours. For example, customers of highly reputable corporates engage in voluntary, extra role supportive behaviours such as providing feedback to the company (Sung and Yang, 2008).

Terblanche (2013) examined the relationship between corporate reputation and customer-related behaviours of supermarket customers in South Africa using a shortened customer-based corporate reputation scale of Walsh *et al.* (2009). Empirical results in Terblanche's study showed that customer orientation and competitiveness of a firm were the only two reputation dimensions/variables associated with key customer outcomes such as trust, loyalty, repatronage intention and overall corporate reputation. Corporate citizenship variables such as being socially and environmentally responsible did not have an impact on customer-based corporate reputation. This could signal that supermarket customers in

developing countries such as South Africa are less concerned about corporate citizenship or they may be ignorant of corporate citizenship and its benefits to the greater society. In this regard, differences in the results of the cited research on customer-based reputation could be explained by specificities of selected service industries, type of country and the sensitivities of the respective customers to certain dimensions of corporate reputation (Terblanche, 2013; Hodovic *et al.*, n.d).

However, Banerjee (2010) points out at a gap in research by stating that while there is more than forty years of research on corporate social responsibility (CSR) initiatives, little is known about the impact of corporate social responsibility on customer-based reputation. In this regard, (Walsh and Beatty, 2007; Terblanche, 2013) recommend that future research should focus on the predictors of corporate reputation, such as negative incidents and critical news reports. Moreover, most research on customer-based corporate reputation concentrate on service firms and customers of service firms. “This is mainly because customers often find it difficult to evaluate services because of their intangibility” (Walsh *et al.*, 2012, p. 166). In that regard, Walsh and Beatty (2007) recommend that future research on customer-based corporate reputation could be extended to say, manufacturing firms that have less interpersonal interaction between seller and customer. Walsh *et al.* (2012) also recommend that future research on customer-based corporate reputation could use qualitative fieldwork, which could complement literature based insights and quantitative/statistical scales used to measuring customer-based reputation.

Walsh, Beatty and Shiu (2009) concluded that customer satisfaction and trust have a positive impact customer-based reputation and in turn customer-based reputation leads to customer loyalty and spreading of good word of mouth by customers on behalf of service firms. They pointed out that it will be key for future research to specify customer-based reputation antecedents and outcomes: which is a gap in research which this study aims to fulfil by specifically investigating the impact of corporate citizenship behaviour on customer-based reputation.

A study by Walsh, Beatty and Holloway (2006) on customer-based reputation classified customers into three market segments as follows: Reputation Criticals, Reputation

Admirers and Reputation Ambivalents. They concluded that Reputation Criticals may be the hardest to win over, while Reputation Admirers already think highly of the brands they like and hence do not require excess attention. On the other hand, Reputation Ambivalents, may offer swing power with regards to corporate reputation. However, the limitation of their research was that they used five variables as possible antecedents of customer-based reputation which then arguably lacks the critical specificity of which of the five antecedents has a strongest impact on customer-based reputation.

It is evident that all the cited previous studies on customer-based reputation focussed on multidimensional customer-based reputation in the service sector (Beatty and Walsh, 2007; Walsh, Beatty and Shiu, 2009; Hodovic *et al.*, n.d; Yuksel and Cintamur, 2016). Lewellyn (2002) argues that any attempt to understand stakeholder-based corporate reputation should answer two key questions namely; reputation for what and according to whom? For example, Wartick (2002) believes that corporate reputation should be measured in terms of a single stakeholder group and industry. In this regard, this study views customer-based reputation as a single dimensional construct that presents the general evaluation of corporate reputation from the viewpoint of customers with regard to corporate citizenship behaviour.

## **2.17 Chapter Summary**

The chapter has discussed the meaning of corporate citizenship and corporate reputation from a variety of authors. Particular attention was also placed on the stakeholder reactions to corporate scandals. The following chapter is the research methodology.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology used to investigate the impact of corporate citizenship behaviour on customer-based reputation. Corporate citizenship behaviour in this study is limited to the 2015 VW emissions scandal. The chapter explains the research paradigm, research design, population, sampling, nature of interviews, data collection, analysis, research quality, bias, ethical considerations, and limitations of the study and conclude with the summary of the chapter.

#### **3.2 Research Paradigm**

A paradigm can be defined as a set of interconnected assumptions about the social world which provides a philosophical and conceptual framework for the organized study of that world (Ponterotto, 2005). The paradigm chosen guides the study's philosophical assumptions and helps in the selection of tools, instruments, participants, and methods (Denzin and Lincoln, 2000). The study applies a constructivist (or interpretivism) paradigm, which adheres to a relativist position that assumes multiple, apprehendable, and equally valid realities. This paradigm maintains that meaning is hidden and must be brought to the surface through deep reflection. This reflection can be stimulated by the interactive researcher-participant dialogue (Ponterotto, 2005). The uniqueness of constructivism is the interaction between the investigator and the object of investigation because it is only through this interaction, which allows deeper meaning, be uncovered. Constructivism-interpretivism emphasize the goal of understanding the experiences from the point of view of those who live it day to day (Schwandt, 1994; Ponterotto, 2005). The study requires talking to people in order to grasp their point of view in relation to the VW diesel cars emission scandal and personal accounts are very important in social research of this nature.

#### **3.3 Research Design and Methods**

This research employs a qualitative research methodology. Qualitative research analyses data from direct fieldwork observations, interviews, and written documents (Patton, 2005). The qualitative research methodology helps the researcher to gain an understanding of underlying reasons, opinions, and motivations. Qualitative research is also important as it helps in revealing trends in thought and opinions, and gets deeper into a problem or issue.

The primary reason for using a qualitative research methodology is that customer perceptions about corporate brands gives a judgement on how well the firm's corporate citizen initiatives are contributing to the improvement of society.

A qualitative research is often employed to get a comprehensive understanding of the subject of study. Hair, Bush and Ortinau (2000) posits that, a research design serves as a master plan of methods and procedures that should be used to collect and analyze data needed by the decision maker.

### **3.4 Population and Sample of the Study**

Population is the total number of individuals or units from which the research is designed to collect information (Banerjee and Chaudhury, 2010). In this study, the population of the study consists of all VW car owners in Durban of approximately 22 000 VW car owners. The sample size used in this qualitative research is smaller than that used in quantitative research methods because the researcher is concerned with gaining an in-depth understanding of meaning. In this case, the focus was on the views of VW car owners to get their understanding of reputation of VW cars after a corporate scandal. Most scholars argue that the concept of saturation is the most important factor to think about when deciding over sample size decisions in qualitative research (Mason, 2010). Saturation is defined as the point at which the data collection process no longer offers any new or relevant data. A number of issues can affect sample size in qualitative research; however, the guiding principle should be the concept of saturation (Mason, 2010).

### **3.5 Sampling Method**

A total of 8 people comprising 3 women and 5 men from a selected higher education institution in Durban participated in this study. All the 8 participants in this study are

identified as P1 to P8. These were selected using snow balling sampling. The average age of participants was twenty-four years and they had been driving VW cars for at least three years. Saturation was reached after interviewing eight participants. Snow balling was used whereby the first participant referred to another VW car owner and so forth until the eighth participant. The snow balling method has the advantage that it makes it possible to conduct research in scenarios where it is difficult to get participants. The method was more appropriate because participants could recommend other people whom they know use VW cars and assuring them of the confidentiality importance of participating in the research. The process helps identify VW car owners with a similar trait of interest and characteristics. The disadvantage of the method is that the researcher has little control over the sampling (Saunders, Lewis and Thornhill, 2012). The participants that the researcher obtain rely mainly on the previous participants that were observed. The method does not guarantee representativeness of the sample. There is also an element of bias because initial subjects tend to nominate people that they know well.

### **3.6 Interview Guide**

An interview guide that includes the three key topics namely, corporate citizenship and customer-based reputation, unethical business practice and customer-based reputation, and customer perspectives and feelings in the wake of the VW 2015 emissions scandal was used in this study. The interview guide was designed to help the interviewer focus on topics that are important to explore and gain in-depth understanding (see appendix). The interview guide covered questions based on the following headings: customer thoughts and feelings on the brand of VW after the emissions scandal, effect of corporate citizenship behaviour on customer-based reputation, how unethical business practice by VW affected customer-based reputation.

### **3.7 Pilot Testing**

Pilot testing refers to mini version of a full-scale study. It is also referred to as feasibility study (Saunders, Lewis and Thornhill, 2012). The pilot testing was done using one on one semi-structured interviews as the primary data collection instrument. Pilot studies may also try to identify potential practical problems in following the research procedure (Van

Teijlingen and Hundley, 2001). The importance of a pilot study is to test the adequacy of research instruments, assessing the feasibility of a study, designing a research protocol, assessing whether the research protocol is realistic and workable. The first phase of the pilot involved conducting three in-depth one on one semi-structured interviews with VW car owners in Durban to check the duration and how participants would respond to issues or questions in the actual study. The pilot study helped to improve the wording and the order of the interview guide. The pilot studies were conducted between 9 and 13 October, 2018.

### **3.8 Semi-Structured Interviews**

Interviews are a systematic way of talking and listening to people (Kajornboon, 2005). There are many types of interviews, which include structured interviews, semi-structured interviews, unstructured interviews and non-directive interview.

The study used one on one semi-structured interviews because they help to gain an in-depth understanding of customer experiences and behaviour. All the eight interviews were done at the premises of the selected higher education institution in Durban. The primary advantage of in-depth interviews is that they provide much more detailed information than what is available through other data collection methods, such as surveys (Saunders, Lewis and Thornhill, 2012). Interviews also provide a more relaxed atmosphere in which to collect information. People may feel more comfortable having a conversation with the researcher about their experiences as opposed to filling out a questionnaire. The challenges associated with the method is that the interviewing process is time-intensive (Saunders, Lewis and Thornhill, 2012). The interviews involved time-intensive evaluation activity because of the time that was taken to conduct interviews, transcribe them, and analyse the results.

Individual interviews are probably the most widely used method in qualitative research. They take different forms such as structured and semi-structured but the key feature is their ability to provide an undiluted focus on the individual (Ritchie *et al.*, 2013). Face-to-face interviews rely on self-report, which facilitates the collecting of primary information required for analysis of customer-based reputation. The major reasons behind the choice

of this research design is that it is cheap and accessibility of information is easy since the research design seeks more of in-depth open-ended responses (Saunders, Lewis and Thornhill, 2012). Thus, the actual research purpose was achieved through this research design, where interviews were administered.

This study used in-depth one on one semi-structured face to face interviews which are non-standardised and are frequently used in qualitative analysis. The interview guide had sub-heading and questions under each sub-heading. The order of the questions would be changed depending on the direction of the interview. Semi structured interviews allows the interviewer to direct the conversation as he thinks fit, ask the questions he deems appropriate (Kajornboon, 2005). The type of interviews also allows the interviewer to use the words he considers best, give explanation and ask for clarification if the answer is not clear, to prompt the respondent to explain further if necessary (Kajornboon, 2005).

### **3.9 Data Collection**

Eight in-depth one on one semi-structured interviews were conducted at a selected institution of higher learning in Durban in order to investigate the experiences of VW customers with an aim to explore the impact caused by VW corporate citizenship behaviour. In-depth interviews are useful when detailed information about a person's thoughts and behaviours are required. The methodology also helps to explore the corporate citizen issues in depth. The use of in-depth one on one semi-structured interviews provided context to customer-based reputation offering a more complete picture of what happened in relation to VW corporate citizenship behaviour. Interviews provides context of the outcome variable and gives more reasons to what happened in the programmes and why (Boyce and Neale, 2006). Interviews unlike questionnaires are more powerful in producing narrative data that allows researchers to investigate people's views in greater depth (Kvale 1996, 2003). The presence of the interviewer allows for mutual understanding as the interviewer may rephrase or simplify questions that were not understood by the participants. Interviews are interactive, the interviewer can press for complete, clear answers and can probe into any emerging topics (Alshenqeeti, 2014). The process helped to get answers that are more appropriate and subsequently, data that is more accurate was collected.

The researcher made introductions in the beginning of the interview, explained the aim of the study, and ensured that the respondent is relaxed. The interview session was audio recorded, upon seeking the respondent's permission. The interviewer tried to interpret what is being said and sought clarity and understanding throughout the interview. Transcribing of the interviews was done which involves creating a verbatim text of each interview by writing out each question and response based on the audio recordings. The interviewer's side notes were also included in the transcription in a separate category. The responses are complemented with written notes by the interviewer. Written notes include observations of both verbal and non-verbal behaviours as they occur, and immediate personal reactions about the interview. A total of eight face-to-face, in-depth one on one semi-structured interviews were conducted by the researcher. The interviews lasted for 20minutes on average.

### **3.10 Data Analysis**

The method of data analysis used is thematic analysis which has the benefits of flexibility (Braun and Clarke, 2006). Aronson (1995) indicates that thematic analysis involves drawing patterns of experiences from the transcribed conversations. This can come from direct quotes or paraphrasing common ideas. The next step to a thematic analysis is to combine and catalogue related patterns into sub-themes. Themes are defined as units derived from patterns such as "conversation topics, vocabulary, recurring activities, meanings, feelings, or folk sayings and proverbs" (Taylor and Bogdan, 1989, p. 1). A theme captures something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set (Braun and Clarke, 2006). Themes which are important in the description of the phenomenon under study should be illustrated (Joffe, 2012). When gathering sub-themes to obtain a comprehensive view of the information, it is easy to see a pattern emerging. When patterns emerge it is best to obtain feedback from the informants about them. Thematic analysis involves drawing patterns of experiences from the transcribed conversations which can come from direct quotes or paraphrasing common ideas. A simple frequency count of the themes is presented simply to reflect variety of responses rather than quantify the findings as this is not a quantitative research. In this way, three themes were delineated from the

participants depicting how corporate citizenship behaviour of VW through the 2015 emissions scandal affected customer-level reputation. With a focus on unethical business practice and customer reputation, three themes were delineated from the participants. Lastly, two themes were delineated from the participants depicting customers' thoughts and feelings in the wake of the 2015 VW emissions scandal.

### **3.11 Research Quality**

Qualitative research requires credibility, consistency, dependability and transferability. The paradigms which are critical in conducting qualitative research were stated by Lincoln and Guba (1985) who stated that these aspects closely correspond to the notion of reliability in qualitative research. Credibility refers to the faithfulness to the description of the phenomenon in question (Koch and Harrington, 1998). Dependability involves the researcher giving the reader sufficient information to determine how dependable the study and the researcher are (Ryan, Coughlan and Cronin, 2007). The concept of credibility addresses the issue of whether there is consistency between the participants' views and the researcher's representation of them (Ryan, Coughlan and Cronin, 2007). In order to ensure the dependability, credibility and transferability the research used an inquiry audit. An inquiry audit enhance the dependability of qualitative research. This can be used to examine both the process and the product of the research for consistency (Hoepfl, 1997). The concept of dependability with the concept of consistency were endorsed by Seale (1999). The consistency of data was achieved by verifying the steps of the research through examination of the raw data, data reduction instruments, and process notes. The researcher examined the raw data, the process used to summarize the results into themes and the notes which were taken down during the interview process. Transferability was ensured by providing sufficient detail of the context of the fieldwork. The outlining of the prevailing environment enables the evaluation whether the findings can be similar to another situation or setup. It is important to consider whether the findings can be justifiably applied to another setting (Shenton, 2004). The last stage was to achieve conformability. The researcher took steps to prove that findings arose from the data and not the opinions of the researcher.

### **3.12 Bias**

The results may be prone to bias because a VW customer may be proud of the brand they own and might want to prove that everything is well therefore their interview responses might be biased. The findings may not be generalisable because when in-depth interviews are conducted, generalizations about the results are usually not able to be made because small samples are chosen and random sampling methods are not used.

### **3.13 Ethical Considerations**

Studies which deal with human participants are required to rigorously follow ethical considerations. According to Cohen *et al.* (2007), as interviews are considered an intrusion into respondents' private lives regarding time allotted and level of sensitivity of questions asked; a high standard of ethical considerations should be maintained. The researcher ensured that participants provided their informed consent before participating in the interview. Participants' rights were also protected to avoid causing them any harm, the researcher ensured that the collected data was strictly confidential and anonymous. The interview participants were told that their participation in the interview is entirely voluntary, and that they could withdraw at any time.

### **3.14 Limitations of the Study**

The study was conducted in Durban in South Africa among VW car owners whilst the scandal happened in United States. As such, it did not involve cars produced for the South African market. The study only analyses the impact of scandals albeit only as far as reported through the news rather than assessing the experiences of the people directly affected by the scandal. The car owners in Durban are just part of the several stakeholders of VW as such does not reflect the overall impact of VW's corporate citizenship behaviour in the South African market. The research employs a qualitative methodology and uses in-depth one on one semi-structured interviews therefore the results cannot be generalized but rather transferred to similar contexts.

### **3.15 Chapter Summary**

This chapter detailed the research methodology and how research quality was ensured. The collected data from in-depth one on one semi-structured interviews was analysed and interpreted through a constructivist paradigm. The results and findings of the study were presented through themes and the relationships between the categories. Data presentation and analysis is the subject of the next chapter.

## CHAPTER FOUR

### PRESENTATION OF RESULTS

#### 4.1 Introduction

In this chapter, findings of the study were presented according to the main themes that emerged from the interviews. Three themes were delineated from the participants depicting how corporate citizenship behaviour of VW through the 2015 emissions scandal affected customer-level reputation. With a focus on unethical business practice and customer reputation, three themes were delineated from the participants. Lastly, two themes were delineated from the participants depicting customers' thoughts and feelings in the wake of the 2015 VW emissions scandal. Table 4.1 presents these emergent themes delineated from the responses of the 8 VW car owners in Durban, South Africa.

**Table 4.1. Themes delineated from the 8 VW car owners in Durban, South Africa**

Themes in evidence	Frequency
Product quality insulating the firm from company scandal	2
Misbehaviour elsewhere is irrelevant	2
Life threatening scandal	3
Distrust and forgiveness	4
Trust and longterm-loyalty	1
Not bothered	2
Questionable environmental responsibility	2
Disappointment by informed cheating	4

## 4.2 Themes on impact of corporate citizenship behaviour on customer-based reputation

- *Product quality insulating the firm from company scandal*

Product quality emerged as the main theme of the endurance of customer-based reputation in the wake of the scandal. The product quality continues to hold fort customer-based reputation regardless of the 2015 VW emissions scandal. Participants regard VW highly and favourably because of its quality. The following response portrays WV as a company which offers quality products.

*As a company which largely deals with mechanics, a fault was bound to happen. My reputation of the brand was unaffected because they always deliver on quality and they have been in business for a long time with very few scandals tarnishing their name. P3*

Product features provided by WV which ensures safety and customer satisfaction builds customer-based reputation which was not affected by the scandal. The following responses affirms how product features in VW cars cushioned customer reputation in the wake of the scandal.

*The VW scandal does not affect my perspective of the brand because they provide a lot of additional features in the vehicle that makes it safe for its customers. They go above and beyond to ensure that every customer is satisfied by their product by taking the needs of the customers into consideration when designing the vehicle. I like the fact that regardless of the scandal, the comfort, performance and safety of their vehicle remains unchanged. That's quality assurance right there. P1*

*As mentioned above, VW is a well reputable company whose actions spoke for them and the quality they provide. This quality, despite the scandal, is not only for the mechanical part of the business, but also that the fact that they showed respect for their customers by how they acted or reacted during and after the scandal. P3*

- ***Misbehaviour elsewhere is irrelevant***

The failure to comply with legal requirements of a country by a car manufacturer may damage the customer-based reputation of a company. However, participants who value legal compliance are tolerant of bad corporate citizenship behaviour if it happens elsewhere.

*I am disappointed that they cheated the emissions test in the overseas market but since this did not violate South Africa laws therefore it did not dampen the reputation that I have for VW in any way...the scandal did not affect the South African emissions policies therefore the scandal did not affect my perception I have for VW in a negative way. P5*

One of the participants highlighted that he was not affected directly by the scandal because it did not happen in South Africa. VW South Africa was compliant to South African emission laws as stated by the following response.

*It hasn't really affected me in any way because the VW cars in South Africa did abide by the emission laws. Therefore, my customer reputation towards VW did not change due to the fact that they have been abiding by the emissions laws in South Africa. P8*

- ***Life threatening scandal***

The 2015 emissions scandal was not considered to be of threat to life by two of the participants. The participants reported that if the scandal was a threat to their lives they would leave VW. The following response by one of the participants state that participant's life was not threatened by the emission scandal.

*If the scandal involved a threat to my life or threatened to cause harm to me, then I would drop VW. P4*

The magnitude of the scandal was not severe and was considered by participants as not dangerous. The following responses testify that the emissions scandal was not greater than other scandals such as the Ford Kuga scandal.

*I think it would take a very larger scandal than the 2015 emissions scandal. For example, if VW is involved in a scandal that is equal to that of Ford KUGA where the Ford Kuga cars were reported to be bursting into flames whilst in motion. Because then the VW cars will be considered unsafe and dangerous. P7*

*If VW produced and sold cars that had undetected and repeated faults that resulted in accidents and death. P3*

### **4.3 Themes on impact of unethical business practice on customer-based reputation**

- ***Distrust and forgiveness***

Two of the participants showed distrust and forgiveness towards the VW brand in the wake of 2015 emissions scandal. The emissions scandal was an unethical practice which made VW car owners rethink about the brand. The following response shows that one of the participants is willing to rethink the ethical standing or position of VW as the company may be hiding more.

*In a way, it has raised concern because I am thinking that if they can cover up their emissions, they are possibly hiding other things. But if I compare it to the Ford Kuga that are burning on the road that is even more scary because that can lead to death from a burning car. Besides I feel VW is too big a brand and this is just a setback for them and they can spend billions of dollars in research and development to create cleaner cars and they will survive the scandal. P6*

Another participant reflected a change on how VW customers view the brand in the wake of the emissions scandal as follows:

*Well, honestly speaking I only learnt of the scandal now during this interview, it does make me see VW a little bit in a different light rather than being completely happy, it makes you rethink what else are they doing. P2*

Two of the participants were also of the view that VW can redeem themselves. As such, participants are willing to forgive VW for the 2015 emissions scandal. The view is that

VW can mend its reputation. The following two quotations from participants testifies the willingness to forgive the brand after the scandal as illustrated below:

*... I think it is a lie perpetuated by VW rivals to tarnish the image of VW. Even after you tell me now that VW admitted to committing the scandal, I think it is the first scandal I have heard of VW being on the wrong side of the law, so I think they will redeem themselves and be even better. P8*

*No, I feel it is just a learning curve for them and no one is perfect, so I can forgive them and they are professional and they can mend their reputation because they have the financial muscle to redeem themselves and they will survive this scandal.” P3*

- ***Trust and Long-term loyalty***

One of the participants state that product functioning is what gives a VW car owner trust and long-term loyalty towards VW. The emissions scandal did not change the participant’s loyalty to VW. The use of the car over a long period assures participant of trust and loyalty, the following response from the participant testifies of this trust.

*...No, it has not, because my loyalty lies with them and the fact that I have driven VW I always know that I can still trust them regardless of the 2015 scandal. P1*

- ***Not bothered***

As price of VW cars is a very critical issue in choosing this brand, some of the participants were not affected by the 2015 emissions scandal. Price and affordability is considered far more important than the emissions scandal. The following response from one participant shows how price is considered as key by car owners such that issues like emissions do not bother them.

*It has not simply because VW did not violate South African emissions standards and what is key to me is price. P5*

Besides price, durability was also a key factor which car owners considered such that they ignored the effect of the unethical business practice on them. The violation of emission

standards and laws was not local therefore participants in Durban were not directly affected. The following response shows that the participant was not bothered and would still support the VW brand.

*No, it has not because I am not directly affected by the scandal, I would still support the brand even after the scandal. Because things like product durability matter more to me. P7*

#### **4.4 Themes on customers' thoughts and feelings towards VW in the wake of the 2015 emissions scandal**

- ***Questionable environmental responsibility***

Two of the participants stated that the emissions scandal showed lack of care for the environment by VW. The following response by one of the participants highlighted the lack of care for the environment by VW.

*This has affected the manner in which I think about the brand in different ways. Firstly, I now believe and think that they do not care not just about the environment, but also about the laws that regulate the emissions levels that are permitted and their customers. Secondly, the great lengths that VW went in order to conceal their emissions makes me question the brand. P4*

Another participant highlighted the lack of care for the environment considering the future generations.

*My loyalty towards the brand hasn't changed, however, they seem like a careless brand when it comes to preserving the environment for future generations. P8*

- ***Disappointment by informed cheating***

Three of the participants were disappointed particularly by the effort taken by VW to cheat the emissions test and project itself as an environmentally friendly brand. The following participant expressed disappointment towards VW since the company cheated deliberately with full knowledge of the laws and expertise required to do so.

*They are a car brand, which one way or the other they do/are allowed to emit carbon dioxide and other pollutants, but emitting more than what they're allowed to makes them seem like they did it deliberately knowing the laws. Therefore, I feel disappointed by them.*  
P8

The following two participants highlighted their disappointment based on the fact that cheating is fundamentally wrong and unethical in itself.

*I am disappointed that they were caught cheating the emissions test because that is wrong and unethical.* P5

In a slightly different way, another participant focused more on how VW attempted to recover from the scandal, but also emphasised the necessity of compensation to customers as appropriate.

*During the scandal, I felt disappointed and inconvenienced with VW. However, I feel that they acted appropriately by recalling the affected vehicles, but as a loyal customer I feel a compensation should have been done for the inconvenience that they caused.* P3

Despite the inherent nature of cheating and unethical conduct, it is interesting that one participant stated that he did not feel cheated or disappointed. With a focus on cheating as normal in business, this is what one participant had to say:

*My feelings towards VW after the scandal, is that like many businesses do, VW also proved to be profit driven and they cheated the system. I feel like it is a brand that is cheating its way. But I don't feel cheated or disappointed because I do not feel that emotional attachment to VW because I am not a long-time customer, maybe if this car was say my third or fourth VW car then I could have an emotional feeling regarding the scandal.* P6.

#### **4.5 Chapter Summary**

This chapter presented the themes of corporate citizenship on customer-based reputation, unethical business practice on customer-based reputation and customer thoughts and feelings in the wake of the scandal. The following chapter discusses these findings and relate them to literature.

## **CHAPTER FIVE**

### **DISCUSSION**

#### **5.1 Introduction**

This chapter provides a discussion of research findings. The findings of the study are explained in relation to literature and research conducted both locally and internationally. The discussion of findings is done for drawing more meaningful contributions to business, consumers and society.

First, one of the notable findings in this study reveal that corporate citizenship behaviour has an impact on customer-based reputation and the impact is greater if someone directly benefits or is directly affected by such corporate behaviour. This present finding concurs with research conducted in the U.S.A. by Russell and Russell (2010) which found that customer patronage is biased in favour of companies that undertake corporate citizenship behaviour that are focused in the customers' local state than for distant state corporate citizenship initiatives. The indifferent behaviour to the 2015 VW global emissions scandal emanates from the view that the participants regarded the scandal as something that did not affect them.

Furthermore, VW maintained its good corporate reputation amongst Durban car owners despite the news of the global emissions scandal. The pre-existing favourable corporate reputation of VW was maintained by product attributes such as affordability, fuel efficiency, durability, quality and cheap maintenance cost.

The most popular dimension of corporate citizenship amongst VW car owners is being compliant to laws of the land where the firm operates. The participants find no reason to punish VW since the company was compliant with South African emission laws and regulations. The violation of United States laws and cheating on emissions test did not affect the South African market.

Secondly, the current study has revealed that VW customers in South Africa do not really understand fully the concept of corporate citizenship especially regarding scandals,

unethical behaviour and polluting the environment which have global consequences. The failure by participants to comprehend that issues such as global warming and climate change affect the whole world despite of the country where pollution happened seems to be the reason why the participants had a view that the scandal did not affect South Africa therefore it is of no consequence. Indeed, Wood and Logsdon (2008) state that businesses should be seen as secondary citizens and ‘citizens of the world’ where corporate responsibilities are owed to global stakeholders not only to parent country/government nor host country/government especially for global organisations. De George (2008) concurs to the notion of global corporate citizenship behaviour by stating that corporate citizenship transcends national boundaries to global corporate citizenship. In this way corporate citizenship goes beyond the usual meaning of corporate citizenship which is compatible and confined to being a good citizen of a particular state but rather advocates for corporates to be ‘global corporate citizens’. Henceforth, it can be argued that there is need to educate customers and communities that emissions and environmental pollutions have world-wide consequences regardless of the geographical region the pollution emanates from.

The narrow view of corporate citizenship behaviour and customer-based reputation held by VW car owners is evident in two ways. First, VW cars owners thought of corporate citizenship and customer-based reputation mainly in terms of product quality at the expense of environmental damage. While internal factors such as the company’s history, price and durability of product offering are the principle factors which helped to maintain VW’s customer-based reputation amongst car owners in Durban, there is need for VW as an organisation but also its customers to be mindful of needs of society and environment. Secondly, this narrow view of corporate citizenship behaviours is also manifested in their understanding of the effects of emission scandals which is erroneously seen as a USA matter. This negates or ignores the fact that emission is a global issue in a much interconnected society. Furthermore, these narrow views of corporate citizenship behaviour based on where it occurs are potentially misleading and an understatement of the problem.

Banerjee (2010) asserts that for corporate citizenship to bear fruits there is need for civil society to put pressure on corporate leaders, politicians and regulatory bodies to bridge the

gap between the economics of firms and the wider politics and governance by democratic principles. In this regard, South Africa being a developing country; there is less awareness of customer rights, activism or pressure groups that compel firms to be responsible citizens. This lack of awareness of customer rights and corporate citizenship is evident in the research conducted by Dapi and Phiri (2015) in South Africa who found that most customers were not aware of what corporate citizenship is as a concept. Similarly, Terblanche (2013) who did a research in South Africa found that corporate citizenship such as being socially and environmentally responsible did not have an impact on customer-based corporate reputation which confirms the major finding of this present study.

In a globalised society, the views expressed by VW cars owners that the VW emissions scandal did not affect them simply because it happened elsewhere are dangerous as they may incentivise organisations to view the world and society as less connected which is not the case. Voluntary compliance by corporates should complement emissions laws and standards to ensure good corporate citizenship behaviour. It can be argued that abiding by laws is in tandem with the legal face of corporate citizenship proposed by Carroll (1998). Carroll (1998) argues that it is crucial to understand that businesses have a responsibility to obey the laws that govern their relationships with consumers, employees, the community and the planet. To be considered a good corporate, businesses have to integrate laws that govern them into their corporate strategies (Carroll, 1998). Sison (2009) concurred with the legal face to corporate citizenship by stating that by virtue of corporations coming into existence as creatures of law; it thus makes sense for them to comply with legal requirements. In South Africa it is notable that laws still lag behind the developed world therefore the same cars that may be falling short of developed countries' emissions standards may be compliant with South African laws on emissions.

In light of the above it is not sufficient for organisations to create and sustain good corporate citizenship behaviour by simply focusing on product features alone. A study by Helm and Tolsdorf (2013) agrees that corporate reputation was weaker during the times of corporate crisis and customer loyalty diminished. Henceforth, it calls for companies to balance quality product features and good corporate citizenship behaviour to create enduring corporate reputation.

Thirdly, it is noteworthy that this study has found that VW customers trust of the brand and long term loyalty are critical in how customers give a corporate brand a chance to redeem itself and learn from a company scandal. It is interesting that studies carried out in developed countries reveal that customers are more demanding when it comes to corporate citizenship behaviour. For example, a study by Van den Berg and Lidfors (2012) in Sweden show that consumers prefer brands of corporates deemed to be better corporate citizens.

In a research done in Australia, King and Mackinnon (2001) found that customers do care about corporate behaviour such as corporate community involvement, sponsorship and development. Customers are willing to punish, and reward corporations based on corporate citizenship. In this way, the “forgiving” view of VW customers in Durban, South Africa evident in this study contradict the findings from developed countries. It is vital for corporates and consumers to understand that social and environmental responsibility has an effect on customer-based reputation which in turn has an impact on customer satisfaction (Hodovic *et al.*, n.d). In a study done in England, McEachern (2015) showed that socially responsible products have become important criteria for some customers when making purchase decisions. To the contrary, this study showed that the purchase decision for car is not influenced by whether the company is socially responsible amongst VW car owners in Durban, South Africa.

## **5.2 Chapter Summary**

Product features such as affordability, durability, quality, fuel efficiency and brand history are the main reasons why Durban VW car owner’s customer-based reputation remained unaltered by the 2015 emissions scandal. The views of VW car owners in Durban reflect that they were not directly affected by the scandal which occurred elsewhere. This manifest a narrow view of corporate citizenship behaviour in a very interconnected and global society where environmental-related scandals have borderless effects. The following chapter presents the implications of the study, conclusions and recommendations.

## **CHAPTER SIX**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 Introduction**

This chapter restates the aim of the study, research objectives, research methodology used and key findings of this research. Conclusions are then drawn by tying up research objectives with the findings of this study. Thereafter, implications of this study, limitations of the study, recommendations to solve the problem as well as recommendations for future studies are outlined respectively. The chapter concludes with a summary which address whether research questions were answered and whether the collected data solved the problem.

#### **6.2 Study Summary**

The aim of this study was to understand the impact of corporate citizenship behaviour, particularly the 2015 VW emissions scandal on customer-level reputation among VW car owners in Durban, South Africa. In order to achieve the study aim, the following research objectives were stated:

1. To explore how corporate citizenship behaviour of VW affected customer-based reputation of VW cars among VW car owners in Durban, South Africa;
2. To determine how unethical business practice by VW through the global emissions scandal affected customer-based reputation amongst VW car owners in Durban, South Africa;
3. To investigate Durban VW car owners' thoughts and feelings on the VW brand in the wake of the 2015 VW diesel cars global emissions scandal.

In an endeavour to accomplish the aforementioned research objectives, this study employed a qualitative research methodology that utilised in-depth one on one semi-structured interviews directed at VW car owners in Durban. The research approach tolerated subjective views of participants to get multiple understanding of reality by

different customers of VW. The following are the three key findings of this study which reflect that the research objectives were achieved:

First, one of the notable findings in this study reveal that corporate citizenship behaviour has an impact on customer-based reputation and the impact is greater if someone directly benefits or is directly affected by such corporate behaviour.

Secondly, the current study has revealed that VW customers in South Africa do not really understand fully the concept of corporate citizenship especially regarding scandals, unethical behaviour and polluting the environment which have global consequences. The failure by participants to comprehend that issues such as global warming and climate change affect the whole world despite of the country where pollution happened seems to be the reason why the respondents had a view that the scandal did not affect South Africa therefore it is of no consequence.

Thirdly, it is noteworthy that this study has found that VW customers trust of the brand and long term loyalty are critical in how customers give a corporate brand a chance to redeem itself and learn from a corporate scandal.

### **6.3 Conclusion**

It should be noted that the focus was the product and only the emissions scandal was investigated and not the whole concept of corporate citizenship in its totality. The affordability of VW, its durability, fuel efficiency and product features are the major reasons why customer-based reputation of VW remained unchanged among Durban VW car owners even in the wake of the 2015 VW emissions scandal. Ethical conduct does not affect or influence customer-based product reputation. Customer-based reputation is a function or an outcome of product features and not the behaviour of the company exemplified by corporate scandals. The product does not suffer reputational damage from the conduct of the company, but it should however be considered that the 2015 VW emissions scandal may have affected the reputation of the company instead.

VW car owners in Durban are indifferent to the global emissions scandal mainly because they were not directly affected by the scandal. Durban VW car owners are not affected by

the unethical business practice by VW through cheating the emissions tests but rather rely on the product regardless of the scandal. In this way, VW car owners do not consider ethical conduct of the firm but they focus on affordability, their requirements and need for the product.

Customers' thoughts and feelings on the VW brand in the wake of the emissions scandal did change, where some participants highlighted that they felt disappointed that VW cheated the emission test. Some of the participants developed distrust towards the VW brand and some participants felt disappointed that VW cheated the emissions test. Even though VW car owners in Durban felt that the company acted dishonestly they felt that the company can still redeem itself and they remain loyal to the brand despite what happened in 2015. The car owners are willing to forgive the company and give them another chance. They are indifferent to the violations of emission standards in United States. The feelings of sympathy to the firm is mainly due to their attachment to the brand and the fact that they have not encountered a problem with the car.

#### **6.4 Implications of This Research**

The study helps business managers to understand the impact of corporate citizenship behaviour mainly whether corporate scandals affect their product reputation. Marketers and public relations professionals get the insight that the corporate scandal does not affect the product reputation. Therefore, they can focus on the image of the company when making damage control in the wake of corporate scandals. The implications of the findings also mean that firms must invest in research and development and produce quality and reliable products which will help the company products reputation sustenance in times of crisis. The major finding is that people care about corporate citizenship emissions scandals when they impact on them directly. Therefore, VW must ensure that they are not involved in scandals that can impact directly on their customers in South Africa. The violation of South African emission laws in South Africa, will affect the firm's customer-based reputation. The company ought to be a good citizen that complies with local laws and behave morally just as is expected of a human being. The non-compliance to laws in a regime will lead to customers punishing the firm for that behaviour.

This study helps to guide managers of businesses in South Africa on what the market values and how to manage corporate citizenship behaviour considering the sensitivities of customers. The most important factors are legal compliance and ethical behaviour. The findings help in crafting marketing strategies to maintain repeat buys from the current customer base. The focus should be on the quality of the product in order to maintain customers who will stand with the brand in times of company crisis.

### **6.5 Limitations of the Study**

The study used snow balling; a method which has an element of bias of selecting respondents with similar characteristics. The use of large probability sampling in the future will help to obtain results which are representative of the total population. The study focused only on the global emissions scandal. A focus on a local scandal may improve the quality of the research. The sample used of VW car owners are like fanatics of the brand. It can be recommended that future research can use a sample which would include potential customers and those who decided to boycott the brand because of the emissions scandal. Such approach may improve the quality of the research results.

Customer-based reputation measured through the interviews was very subjective; an improved method of measuring reputation and evaluation of the whole concept of corporate citizenship, without focusing only on scandals and unethical behaviour may also improve the quality of findings.

There was no accurate measure of assessing customer-based reputation of VW cars before and after the scandal. The methodology used may fall short in terms of trying to understand how the negative incidents of critical news reports affect customer-level reputation. Moreover, the 2015 VW global emissions use may not have been the critical news amongst Durban VW customers.

### **6.6 Recommendations to Solve the Research Problem**

The research contributes and fills a gap in literature on the impact of corporate citizenship behaviour on customer-based reputation. The investigation of the 2015 VW global

emissions scandal is a negative incident and a critical news issue which helps to evaluate whether corporate scandals affect customer-based product reputation. The VW emissions scandal did not alter customer-based reputation among VW car owners in Durban. Therefore, corporate citizenship behaviour has shown to have limited impact on customer-based reputation. In that regard, VW can be advised to spend more of its resources in building cars that comply with respective regulatory bodies' laws and emissions standards that are in place in those respective countries to avoid the hefty fines VW paid in lawsuits and fines in USA and Europe. On the other hand, VW should put more energy and resources in creating innovative and fuel efficient cars as these factors build customer-based product reputation. It is arguable that VW does not need to spend money in damage control marketing and public relations campaigns aimed at appeasing customers as the study results showed that VW customers are indifferent to the emissions scandal.

### **6.7 Recommendations for Future Studies**

The current study looked at a homogenous sample, majority of participants were students, who all have similar level of education and income. A truly representative sample would look at heterogeneous sample comprising of early career professionals, mid-career professionals, those near retirement, retired people and those that are self-employed.

The study of people with higher income may generate different patterns since those groups can afford to easily change their cars compared to students. There are a number of focus areas this research was unable to examine. However, future studies could consider the following topics that arise from this study:

- Environmental pollution impact
- Environmental pollution awareness and health hazards
- Legal compliance and corporate citizenship
- Product quality and customer-based reputation
- Corporate citizenship economic and social impact

## **6.8 Chapter Summary**

The research addressed three questions mainly whether corporate citizenship behaviour has an impact on customer-based reputation, whether unethical business practice has an impact on customer-based reputation and customers' thoughts and feelings towards VW in the wake of the 2015 global emissions scandal. The data collected answers all three questions, mainly that there is no impact on customer-based reputation caused by the scandal, and unethical business practice did not affect product reputation and the thoughts and feelings of VW car owners in Durban reflected disappointment and some distrust of the brand. However, the customers' customer-based product reputation remained unaltered due to the fact that VW customers think and feel that product features are more important than corporate behaviour. The major reason why there was a lack of impact is that the scandal happened in United States whilst the research was done in South Africa. Pollution is a global problem which affect the whole world which might be an aspect which the participants failed to comprehend and focused on the fact that the scandal did not happen in South Africa or did not affect the local market.

## REFERENCES

- Abid, G., & Ahmed, A. (2014). Failing in corporate governance and warning signs of a corporate collapse. *Pakistan Journal of Commerce and Social Sciences*, 8(3), 846-866.
- Aguilera, R.V., Rupp, D.E., Williams, C.A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organisations. *Academy of Management Review*, 32, 836-863.
- Alshenqeeti, H. (2014). Interviewing as a data collection method: A critical review. *English Linguistics Research*, 3(1), 39.
- Anselmsson, J., & Johansson, U. (2007). Corporate social responsibility and the positioning of grocery brands: an exploratory study of retailer and manufacturer brands at point of purchase. *International Journal of Retail & Distribution Management*, 35, 835-856.
- Aronson, J. (1995). A pragmatic view of thematic analysis. *The Qualitative Report*, 2(1), 1-3.
- Asatryan, R., & Asamoah, E.S. (2014). Perceived corporate social responsibility and the antecedents of customer loyalty in the airline industry. *Scientific papers of the University of Pardubice, Faculty of Economics & Administration*, 5-17.
- Balachandran, M. (2015). The Satyam scandal:How India's biggest corporate fraud unfolded. Quartz India, 09 April p.1. Quartz India,India.
- Banerjee, A., & Chaudhury, S. (2010). Statistics without tears: Populations and samples. *Industrial Psychiatry Journal*, 19(1), 60.
- Banerjee,S.B. (2007). *Corporate social responsibility: The good,the bad and the ugly*. Cheltenham, UK.
- Banerjee,S.B. (2010). Governing the global corporation: A critical perspective. *Business Ethics Quarterly*, 20(2), 265-274.

- Bartikowski, B., & Walsh, G. (2009). Investigating mediators between corporate reputation and customer citizenship behaviors. *Journal of Business Research*, 64(2011), 39-43.
- Basgöze, P., & Tektas, O. O. (2014). Ethical perceptions and green buying behavior of consumers: A cross-national exploratory study. *Journal of Economics and Behavioral Studies*, 4(8), 477-488.
- Beatty, E.S., & Walsh, G. (2007). Customer-based corporate reputation of a service firm: Scale development and validation. *Journal of the Academy of Marketing Science*, 35, 127-143.
- Beiner, R. (1995). Why citizenship constitutes a theoretical problem in the last decade of the twentieth century. *Theorizing Citizenship*, pp. 1-28.
- Beckmann, M., & Pies, I. (2008). Sustainability by corporate citizenship: The moral dimension of sustainability. *The Journal of Corporate Citizenship*, 31, 45-57.
- Benoit-Moreau, F., & Parguel, B. (2011). Building brand equity with environmental communication: an empirical investigation in France. *EuroMed Journal of Business*, 6, 100-116.
- Biraghi, S., Gambetti, R.C., & Schultz, D.E. (2017). Advancing a Citizenship Approach to Corporate Branding: A Societal View. *International Studies of Management & Organisation*, 47(2), 206-215.
- Blackwelder, B., Coleman, K., Santoyo, S., Harrison, J. S., & Wozniak, D. (2016). The Volkswagen Scandal. *Robbins School of Business*: [Online]. Available WWW: <http://scholarship.richmond.edu/robbins-case-network> (Accessed 30 September 2017).
- Bonorchis, R. (2017). Sasfin FIRES KPMG in wake of Gupta scandal. *Moneyweb*, 19 September, p. 1.
- Boyce, C., & Neale, P. (2006). *Conducting in-depth interviews: A guide for designing and conducting in-depth interviews for evaluation input*.

- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research In Psychology*, 3(2), 77-101.
- Bromley, D.B. (2001). Relationships between personal and corporate reputation. *European Journal of Marketing*, 35(3/4), 316-334.
- Campbell, P. (2016). Diesel sales fall to lowest in seven years after VW scandal. *Financial Times*, 24 October, p.1.
- Carroll, A.B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4), 497-505.
- Carroll, A.B. (1998). The four faces of corporate citizenship. *Business and Society Review*, 100/101, 1-7.
- Carroll, A.B., & Buchholtz, A.K. (2006). *Business and society: Ethics and stakeholder management* (6th ed.). Mason, Ohio: Thompson.
- Carson, T. L. (2003). Self-interest and business ethics: Some lessons of the recent corporate scandals. *Journal of Business Ethics*, 43(4), 389-394.
- Chien, P.M., Kelly, S.J., & Weeks, C.S. (2016). Sport scandal and sponsorship decisions: Team identification matters. *Journal of Sport Management*, 30, 490-505.
- Choi, L., Lotz, S.L., & Kim, M. (2014). The impact of social exchange-based antecedents on customer organisational citizenship behaviours in service recovery. *Journal of Marketing Development and Competitiveness*, 8(3), 11-21.
- Cohen, L., Manion, L., & Morison, K. (2007). *Research methods in education*. (6<sup>th</sup> ed). London: Routledge.
- Cooperrider, D., & Fry, R. (2009). Is corporate citizenship spreading and shrinking? *The Journal of Corporate Citizenship*, (35), 1-5.
- Crane, A., & Matten, D., (2004). *Business Ethics*. Oxford University Press, Oxford.

- Crane, A., & Matten, D. (2008). Incorporating the corporation in citizenship: A response to Neron and Norman. *Business Ethics Quarterly*, 18(1), 27-33.
- Dapi, B., & Phiri, M.A. (2015). The impact of corporate social responsibility on brand loyalty. *Journal of Governance and Regulation*, 4(4), 8-16.
- Davidson, K. (2015). *The VW emissions scandal: The death of diesel and the impact on the auto industry*. Schroders Talking Point 1-6.
- De George, R.T. (2008). Reflections on "Citizenship Inc." *Business Ethics Quarterly*, 18(1), 43-50.
- Delphi. (2016). Worldwide Emissions Standards: Passenger cars and light duty vehicles.
- Denzin, N.K., & Lincoln, Y. (2000). Qualitative research. *Thousand Oaks ua*, pp. 413-427.
- Dorasamy, N. (2013). Corporate social responsibility and ethical banking for developing nation. *Journal of Economics and Behavioral Studies*, 5(11), 777-785.
- Edward, P., & Willmott, H. (2008). Corporate citizenship: Rise or demise of a myth? *The academy of management review*, 33(3), 771-773.
- Eliseev, A. (2017). Bell Pottinger clients moving to other companies as firm crashes. *Eye Witness News*, 16 August, p. 1.
- EMLEG. (2016). [Online]. Available WWW: [www.emleg.com](http://www.emleg.com) (Accessed 15 September 2017).
- Essack, Z., Koen, J., Barsdorf, N., Slack, C., Quayle, M., Milford, C., Lindegger, G., Ranchod, C., & Mukuka, R. (2010). Stakeholder perspectives on ethical challenges in HIV vaccine trials in South Africa. *Developing World Bioethics*, 10(1), 11-21.
- Evans, W.R., & Davis, A. (2014). Corporate citizenship and the employee: An organisational identification perspective. *Human Performance*, 27, 129-146.
- Faulks, K. (2000). *Citizenship*. London: Routledge.

- Freeman, R.E., Harrison, S.J., Wicks, C.A., Parmar, L.B. & De Colle, S. (2010). *Stakeholder theory: The state of the art*. Cambridge University Press: UK.
- Freeman, R.E. (1984). *Strategic management. A stakeholder approach*. Boston, MA: Pitman.
- Friedman, M. (1970). The social responsibility of business is to increase its profits. *The New York Times Magazine*, 13 September.
- Fombrun, C.J. (1996). *Reputation: Realising value from the corporate image*. Boston, MA: Harvard Business School Press.
- Glavas, A., & Piderit, S.K. (2009). How does doing good matter? Effects of corporate citizenship on employees. *The Journal of Corporate Citizenship*, 36, 51-70.
- Goodpaster, K.E. (1991). Business ethics and stakeholder analysis. *Business Ethics Quarterly*, 1(1), 53-73.
- Hair, J.F., Bush, R.P., & Ortinau, D.J. (2000). *Marketing research: A practical approach for the new millennium*. Irwin Professional Publishing.
- Hakim, D., & Bradsher, K. (2015). After Volkswagen revelation, auto emissions tests come under global security. *The New York Times*, 24 September, pp. 1-4.
- Hartono, M., & Raharjo, H. (2015). Exploring the mediating role of affective and cognitive satisfaction on the effect of service quality on loyalty. *Total quality management*, 26(9), 971-985.
- He, Y., & Lai, K.K. (2014). The effect of corporate social responsibility on brand loyalty: the mediating role of brand image. *Total quality management*, 25(3), 249-263.
- Helm, S. & Tolsdorf, J. 2013. How does corporate reputation affect customer loyalty in a corporate crisis? *Journal of Contingencies and Crisis Management*, 21(3), 140-152.

Hensel, P.K., & Lacey, R. (2016). How expectations and perceptions of corporate social responsibility impact NBA fan relationships. *Sport Marketing Quarterly*, 25, 21-33.

Hettne, B. (2000). The fate of citizenship in Post-Westphalia. *Citizenship Studies*, 4, 35-46.

Hodovic, V.B., Arslanagic, M., & Mehic. (n.d). Importance of internal marketing for service companies corporate reputation and customer satisfaction. *International conference of the faculty of economics, University of Sarajevo*, pp. 1-18.

Hoepfl, M.C. (1997). Choosing qualitative research: A primer for technology education researchers, (9)1, 1.

Hotten, R. (2015). Volkswagen: The scandal explained. *BBC News*, 10 December, p. 1.

Isidore, C. (2014). GM cars sold: 12 million. Recalled: 13.8 million. *CNN Money*, 22 May, p. 1.

Joffe, H. (2012). Thematic analysis. *Qualitative research methods in mental health and psychotherapy: A guide for students and practitioners*, 1, 210-223.

Jose, S., Rugimbana, R., & Gatfield, T. (2012). Consumer responses to CSR driven microfinance strategy of bank – An empirical investigation based on India. *International Journal of Business and Management*, 7(21), 1-14.

Kajalo, S., & Jyrama, A. (2015). Exploring the dynamics of corporate social responsibility and brand loyalty. *Aalto University Business School*, 1-3.

Kajornboon, A.B. (2005). Using interviews as research instruments. *E-journal for Research Teachers*, 2(1), 1-9.

King, D., & Mackinnon, A. (2001). Who cares? Community perceptions in the marketing of corporate citizenship. *The Journal of Corporate Citizenship*, 3, 37-53.

Kitman, J.L. (2015). Volkswagen on its back. *The Nation*, 19 October, pp. 1-3. *Nation Company Newspapers*.

- Khojastehpour, M., & Johns, R. (2014). The effect of environmental CSR issues on corporate/brand reputation and corporate profitability. *European Business Review*, 26, 330-339.
- Klier, T., & Linn, J. (2016). Comparing US and EU approaches to regulating automotive emissions and fuel economy. *Resources for the future:Policy brief*, pp. 1-9.
- Koch, T., & Harrington, A. (1998). Reconceptualizing rigour: the case for reflexivity. *Journal of Advanced Nursing*, 28(4), 882-890.
- Koslowski, P. (2000). The limits of shareholder value. *Journal of Business Ethics*, 27(1/2), 137-148.
- Kvale, S. (1996). *InterViews. An introduction to qualitative research writing*. Thousand Oaks, CA: Sage.
- Kvale, S. (2003). The psychoanalytic interview as inspiration for qualitative research. *Qualitative research in psychology: Expanding perspectives in methodology and design*, pp. 275-297.
- Lal, K. (2015). Effects of ethical behaviour on corporate performance. *International Journal of Research in Management, Sciences & Technology*, 5(10), 1-3.
- Levin, D. (2015). Here's why Europe should be very worried about the Volkswagen scandal, pp. 1-2. [Online]. Available WWW: <http://search.ebscohost.com> (Accessed 1 October 2017).
- Lewellyn, P.G. (2002). Corporate reputation a research agenda using strategy and stakeholder literature. *Business and Society*, 41(40), 415-445.
- Lincoln, Y.S., & Guba, E.G. (1985). *Naturalistic inquiry*. Sage.
- Lin, C., Lyau, N., Tsai, Y., Chen, W., & Chin, L. (2010). Modeling corporate citizenship and its relationship with organisational citizenship behaviours. *Journal of Business Ethics*, 95(3), 357-372.

- Marin, L., Cuestas, J. P., & Roman, S. (2015). Determinants of consumer attributions of corporate social responsibility. *Journal of Business Ethics*, 138, 247-260.
- Marsden, C. (2000). The new corporate citizenship of big business: Part of the solution to sustainability. *Business and Society Review*, 105, 9-25.
- Marsden, C., & Andriof, J. (2007). Towards an understanding of corporate citizenship and how to influence it. *Citizenship Studies*, 2(2), 1-25.
- Mason, M. (2010). Sample size and saturation in PhD studies using qualitative interviews. *Forum: Qualitative social research*, 11(3), 1-19.
- Matten, D., Crane, A., & Chapple, W. (2003). Revealing the true face of corporate citizenship. *Journal of Business Ethics*, 45(1/2), 109-220.
- Matten, D., & Crane, A. (2005). Corporate citizenship: toward an extended theoretical conceptualization. *Academy of Management Review*, 30(1), 166-179.
- McEachern, G.M. (2015). Corporate citizenship and its impact upon consumer moralization, decision-making and choice. *Journal of Marketing Management*, 31(3-4), 430-452.
- Meyer, C., & Kirby, J. (2010). Leadership in the age of transparency. *Harvard Business Review*, 88(4), 38-46.
- Mitchell, D. (2009). Mahindra Satyam-what's in a name?; Saytam had its woes, but remember the context. *M2PressWIRE* [Online]. Available WWW: <http://search.ebscohost.com> (Accessed 1 October 2017).
- Nel, P.S., Kirsten, M., Swanepoel, B.J., Erasmus, B.J., & Poisat, P. (2012). *South African employment relations: theory and practice*. Pretoria. Van Schaik Publishers.
- Neron, P.Y., & Norman, W. (2008). Do we really want businesses to be good corporate citizens? *Business Ethics Quarterly*, 18(1), 1-26.

Nicolson, G. (2017). Competition Commission: Fresh produce dealers 'collude' to up food prices and muscle out emerging black farmers. *Daily Maverick*, 24 March, pp. 1-3. Daily Maverick Newspaper, South Africa.

Nijhof, A.H.J., & Jeurissen, R.J.M. (2010). The glass ceiling of corporate social responsibility. *International Journal of Sociology and Social Policy*, 30, 618-631.

Nyberg, D., Spicer, A., & Wright, C. (2006). Incorporating citizens: Corporate political engagement with climate in Australia. *Discipline of Work and Organisational Studies. The University of Sydney*, 20(3), 433-453.

Obamiro, J.K., Ogunnaike, O.O., & Osibanjo, O.A. (2014). Organizational citizenship behaviour, hospital corporate image and performance. *Journal of Competitiveness*, 6(1), 36-49.

Palazzo, G., & Scherer, A.G. (2008). The future of global corporate citizenship: Towards a new theory of the firm as a political actor. *The handbook of research on global corporate citizenship*, 577-590.

Patton, M.Q. (2005). *Qualitative research*. Wiley Online Library.

Pelletier, K.L., & Bligh, M.C. (2008). The aftermath of organisational corruption: Employee attributions and emotional reactions. *Journal of Business Ethics*, 80, 823-844.

Perez, A., & del Bosque, I. R. (2015). An integrative framework to understand how CSR affects customer loyalty through identification, emotions and satisfaction. *Journal of Business Ethics*, 129, 571-584.

Poletti, T. (2006). Software firm tides up: Mercury Interactive attempts to rebuild image amid scandal. *San Jose Mercury News*, 08 May, 1-2. Mercury News, California.

Polonsky, M., & Jevons, C. (2009). Global branding and strategic CSR: an overview of three types of complexity. *International Marketing Review*, 26, 327-347.

Ponterotto, J. G. (2005). Qualitative research in counseling psychology: A primer on research paradigms and philosophy of science. *Journal of Counseling Psychology*, 52(2), 126.

Poonamallee, L. (2011). Corporate citizenship: Panacea or problem? The complicated case of Hindustan Unilever. *The Journal of Corporate Citizenship*, 44, 9-28.

Pour, B.S., Nazari, K., & Emami, M. (2014). Corporate social responsibility: A literature review. *African Journal of Business Management*, 8(7), 228-234.

Prinsloo, P., Beukes, C., & de Jongh, D. (2006). Corporate citizenship education for responsible business leaders. *Development Southern Africa*, 23(2), 198-211.

Quintal, G. (2017). Institute of directors cut ties with KPMG after Gupta scandal. *Sunday Times*, 7 September, p.1 .

Raborife, M. (2016). Mining companies are running SA-mining communities. *News24*, 15 September, pp. 1-2. News24, South Africa.

Ramasamy, B., & Yeung, M. (2009). Chinese consumers' perception of corporate social responsibility (CSR). *Journal of Business Ethics*, 88, 119–132.

Ritchie, J., Lewis, J., Nicholls, C. M., & Ormston, R. (2013). *Qualitative research practice: A guide for social science students and researchers*. Sage.

Rossouw, D and Vuuren Van, L. (2013) *Business ethics*. 5<sup>th</sup> ed. Cape Town: Oxford University Press.

Roadsafety South Africa. 2017. [Online]. Available WWW: <http://www.roadsafety.co.za/2017-08/volkswagen-group-south-africa-continues-to-build-on-its-successes/> (Accessed 15 September 2017).

Russell, C.A., & Russell, D.W. (2010). Here or there? Consumer reactions to corporate social responsibility initiatives: Egocentric tendencies and their moderators. *Marketing Letters*, 21(1), 65-81.

Russell, C. A., Russell, D. W., & Honea, H. (2015). Corporate social responsibility failures: How do consumers respond to corporate violations of implied social contracts? *Journal of Business Ethics*, 136, 759-773.

Ryan, B. (2015). Amid scandal, VW sales flat. [Online]. Available [www: http://search.ebscohost.com](http://search.ebscohost.com) ( Accessed 1 October 2017).

Ryan, F., Coughlan, M., & Cronin, P. (2007). Step-by-step guide to critiquing research. Part 2: Qualitative research. *British Journal of Nursing*, 16(12), 738-744.

Saleem, F. (2014). Impact of corporate ethical values on employees' behaviour: Mediating role of organisational commitment. *Pakistan Journal of Psychological Research*, 29(1), 245-263.

Saunders, M., Lewis, P., & Thornhill, A. (2012) *Research methods for business students*. 6<sup>th</sup> ed. Essex: Pearson.

Schultz, E.J. (2015). Scandal threatens VW brand. [Online]. Available WWW: <http://search.ebscohost.com> ( Accessed 1 October 2017).

Schwaiger, M. (2004). Components and parameters of corporate reputation-an empirical study. *Schmalenbach Business Review*, 56, 46-71.

Schwandt, T.A. (1994). Constructivist, interpretivist approaches to human inquiry. *Handbook of qualitative research*, 1, 118-137.

Seale, C. (1999). Quality in qualitative research. *Qualitative inquiry*, 5(4), 465-478.

Seitz, B. (2002). The economic approach to corporate citizenship: The economic argument. In H. van Wertzen Hoivik (Ed), *Moral leadership in action*, pp. 42-52. Cheltenham, UK:

Shenton, A.K. (2004). Strategies for ensuring trustworthiness in qualitative research projects. *Education for information*, 22(2), 63-75.

Siltaoja, M.E. (2014). Revising the corporate social performance model-Towards knowledge creation for sustainable development. *Business Strategy and the Environment*, 23, 289-302.

Sison, J.G. (2009). From CSR to corporate citizenship: Anglo-American and Continental European perspectives. *Journal of Business Ethics*, 89(3), 235-246.

Sprinkle, G.B., & Maines, L.A. (2010). The benefits and costs of corporate social responsibility. *Business Horizons*, 53, 445-453.

Sung, M., & Yang, S.U. (2008). Student-university relationships and reputation: a study of the links between key factors fostering students' supportive behavioural intentions towards their university. *Higher Educ*, 57(6), 787-811.

Su, R., & Jie, X. (2015). Literature review on corporate social responsibility. *International conference on management engineering and management innovation*, pp. 11-14.

Taylor, S.J., & Bogdan, R. (1989). On accepting relationships between people with mental retardation and non-disabled people: towards an understanding of acceptance. *Disability, Handicap & Society*, 4(1), 21-36.

Terblanche, S.N. (2013). Validation of the customer-based corporate reputation scale in a retail context. *International Journal of Market Research*, 56(5), 655-671.

The Guardian. (2015). Volkswagen sees 25% US sales drop compared with 2014 after scandal. *The Guardian*, 1 December, p. 1.

Thompson, W. (2017). SAICA responds to allegations of members implicated in state capture. *Moneyweb*, 17 August, p. 1.

Tsai, Y.H., Joe, S., Lin, C., Chiu, C., & Shen, K. (2015). Exploring corporate citizenship and purchase intention: mediating effects of brand trust and corporate identification. *Business Ethics: A European Review*, 24(4), 361-377.

- Tsarenko, Y., & Tojib, D. (2015). Consumers' forgiveness after brand transgression: The effect of the firm's corporate social responsibility and response. *Journal of Marketing Management*, 31(17/18), 1851-1877.
- Valor, C. (2005). Corporate social responsibility and corporate citizenship: Towards corporate accountability. *Business and Society Review*, 11(2), 191-212.
- Valor, C. (2007). The influence of information about labour abuses on consumer choice of clothes: a grounded theory approach. *Journal of Marketing Management*, 23(7/8), 675-95.
- Van den Berg, H., & Lidfors, L. (2012). The effects of perceived CSR on customer loyalty. An empirical study into consumer behaviour on Swedish chocolate market. *Linnaeus University, School of Business and Economics*, pp. 1-113.
- Van der Merwe, A.W.A.J., de Jongh, D., Schulschenk, J., & Nieuwoudt, M. D. (2015). An analysis of the prominence of corporate governance in South African Media for the period 1990-2012. *The Journal of Corporate Citizenship*, 59, 168-226.
- Van Oosterhout, J. (2008). Transcending the confines of economic and political organization? *Business Ethics Quarterly*, 18(1), 35-42.
- Van Teijlingen, E.R., & Hundley, V. (2001). The importance of pilot studies. *University of Surrey: Social research update*, 35, 1-4.
- Waddell, S. (2000). New institutions for the practice of corporate citizenship: Historical, intersectoral, and developmental perspectives. *Business and Society Review*, 105(1), 107-126.
- Walsh, G. and Beatty, S.E. (2007). Customer-based corporate reputation of a service firm: scale development and validation. *Journal of the Academy of Marketing Science*, 35(1), 127-143.

Walsh, G., Bartikowski, B., & Beatty, S.E. (2012). Impact of customer-based corporate reputation on non-monetary and monetary outcomes: The roles of commitment and service context risk. *British Journal of Management*, 25, 166-185.

Walsh, G., Beatty, S.E., & Holloway, B.B. (2006). Customer-based corporate reputation: introducing a new segmentation criterion. *American Marketing Association*, pp. 1-3.

Walsh, G., Beatty, S.E., & Shiu, E.M.K. (2009). The customer-based corporate reputation scale: replication and short form. *Journal of Business Research*, 62, 924-930.

Walters, G., & Chadwick, S. (2009). "Corporate citizenship in football: delivering strategic benefits through stakeholder engagement", *Management Decision*. *Corporate citizenship in football*, 1, 51-66.

Wartick, S. L. (2002). Measuring corporate reputation: Definition and data. *Business and Society*, 41(4), 371-392.

Wepeneron, T. M. (2017). Ford South Africa failed to protect its reputation. What it should have done. *The Conversation*, 27 January, pp. 1-3.

Wheels 24, 2015, 'Emissions scandal: VW South Africa responds', *Wheels 24*, 5 October. Available at: [wheels24.co.za](http://wheels24.co.za). [ 5 October 2015].

Wood, D.J. (1991). Corporate social performance revisited. *Academy of Management Review*, 16, 691-718.

Wood, D.J., & Logsdon, J.M. (2008). Business citizenship as metaphor and reality. *Business Ethics Quarterly*, 18(1), 51-59.

Yahya, W.K., & Ha, N.C. (2014). Investigating the relationship between corporate citizenship culture and organisational performance in the Malaysian context. *Asian Academy of Management Journal*, 19(1), 47-72.

Yuksel, C.A., & Cintamur, I.G. (2016). An attempt to develop an alternative scale to measure customer based corporate reputation. *International Journal of Global Business*, 9(1), 59-73.

Yang, C., Chen, P., & Chien, Y. (2014). Customer expertise, affective commitment, customer participation, and loyalty in B & B services. *International Journal of Organisation Innovation*, 6(4), 174-180.

Yusof, J.M., Manan, H.A., Karim, N.A., & Kassim, N.A.M. (2015). Customer's loyalty effects of CSR initiatives. *Faculty of Business Management, Universiti Teknologi MARA, Malaysia*, 170, 109-119.

Zhang, M., Ma, L., Su, J., & Zhang, W. (2013). Do suppliers applaud corporate social performance? *Journal of Business Ethics*, 121, 543-557.

Zhou, A. (2016). Analysis of the Volkswagen scandal possible solutions for recovery. School of Global Policy and Strategy, UC at San Diego Prepared for Professor Peter Gourevitch Course on corporate social responsibility winter 2016.

Zhou, Z., & Brown, K.A. (n.d). Does what we know affect our judgement? Exploring the role of consumer knowledge during a corporate crisis. *The University of Alabama*, 1-11.

## APPENDIX A: INFORMED CONSENT LETTER

Informed Consent Letter 3C
----------------------------

**UNIVERSITY OF KWAZULU-NATAL  
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Dear Respondent,

**MBA Research Project**

**Researcher:** Christopher Chizondo (078 262 3437)

**Supervisor:** Dr. MacDonald Kanyangale (031 260 7934)

**Research Office:** Ms. P Ximba 031-2603587

I, Christopher Chizondo an MBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal. You are invited to participate in a research project entitled Impact of corporate citizenship behaviour on customer-based reputation. The aim of this study is to: establish how corporate citizenship behaviour affect customer-based reputation.

Through your participation, I hope to understand **the impact of corporate citizenship behaviour on customer-based reputation**. The results of the interview(s) are intended to contribute to theoretical and empirical evidence on the antecedents that can impact on customer-based reputation.

All data collected during the interview will be audio-recorded and later transcribed by the researcher. However, to protect interviewee identities no names of the individual participants will be disclosed nor the companies they form part of.

Participants/Interviewee is more than welcome to choose or arrange an interview location that he/she feels comfortable in provided it is devoid of disturbances such as noise and is also safe for all involved. However, the full onus is upon the researcher to arrange a suitable interview venue in agreement with the interviewee.

Your participation in this project is voluntary. You are also free to reschedule an interview to your convenience without any negative consequence upon you. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this interview. Confidentiality and anonymity of you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about participating in the interview or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The interview should take about **30** minutes to complete. I hope you will take the time to be part of the interview.

Yours Sincerely

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_

## **APPENDIX B: INTERVIEW GUIDE**

### **Interview guide questions:**

#### **1. VW corporate citizenship behaviour (2015 emissions scandal) and customer-reputation**

1. How did the behaviour of VW – the 2015 emissions scandal affected your reputation of the brand? In what way? Why? When?
2. Why did this change or no change in customer reputation (mentioned in 1 above) occur?
3. What would it take for your customer reputation of VW to change?

#### **2. How unethical business practice by VW, through the 2015 VW global emissions scandal affected customer-based reputation among VW car owners in Durban, South Africa.**

1. Do you use corporate ethical conduct as a criterion when choosing to buy a product brand?
2. Has the 2015 VW emissions scandal which can be deemed unethical corporate behaviour affected your brand loyalty towards VW? In what way? Why?

#### **3. VW 2015 emissions scandal and customer-based reputation**

1. Tell me how did the 2015 emissions scandal by VW affected the way:
  - (a) You think about VW now? Why?
  - (b) You feel about VW? Why?
2. What is your overall perspective of VW in the wake of the 2015 emissions scandal?

# APPENDIX C: ETHICAL CLEARANCE APPROVAL LETTER



25 May 2017

**Mr Christopher Chizondo (215080784)**  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Chizondo,

**Protocol reference number: HSS/0290/017M**

**Project title:** Impact of corporate citizenship behaviour on customer-based reputation. A case study of Volkswagen (VW)

**Full Approval – Expedited Application**

In response to your application received on 31 March 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and FULL APPROVAL for the protocol has been granted.

**Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.**

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

**The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr M Kanyangale  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyraj

---

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: [ximbap@ukzn.ac.za](mailto:ximbap@ukzn.ac.za) / [snymanm@ukzn.ac.za](mailto:snymanm@ukzn.ac.za) / [mohunp@ukzn.ac.za](mailto:mohunp@ukzn.ac.za)

Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

## APPENDIX D: TURNITIN REPORT

preferences

turnitin  
Originality Report

Processed on: 04-Dec-2017 10:16 PM CAT  
ID: 880289789  
Word Count: 21830  
Submitted: 2

MBA research for  
Christopher Chizondo  
2150807...  
By Christopher Chizondo

Similarity Index  
4%

Similarity by Source  
Internet Sources: 4%  
Publications: 5%  
Student Papers: 3%

Document Viewer

include quoted include bibliography excluding matches < 1% mode: show highest matches together

CHAPTER 1: INTRODUCTION OF THE STUDY 1.1 Introduction The aim of this chapter is to introduce the study. This will be achieved by firstly looking at the background of the study i.e. the rise in the occurrence of corporate scandals around the World and in particular the 2015 Volkswagen (VW) diesel cars' emissions scandal that was detected in the U.S.A. The introduction highlights the research gap(s) regarding the impact of corporate citizenship behaviour on customer-based reputation in the World and South Africa in particular. Thereafter study objectives, methodology and the significance of the study are highlighted. The study will also present delimitation of this study which clearly indicates what this study will focus on and what will be excluded and the reasons of excluding such dimensions and/or factors. Lastly the chapter outlines the dissertation structure and chapter summary respectively. 1.2 Background of the study There has been a marked increase in corporate scandals which has led to renewed attention to business ethics (Lal, 2015). For example, Mercury Interactive, a US business software firm, had to work incredibly hard to keep customers soothed and happy in the wake of the scandal in which its executives allegedly backdated stock options (Poletti, 2006). Research done in the aftermath of Satyam Computer Services which implicated former chairman Ramalinga Raju in an accounting scam similar to the Enron accounting

- 1% match (student papers from 31-Jul-2016)  
[Submitted to Mahidol University](#)
- 1% match (Internet from 01-Apr-2009)  
<http://www.nottingham.ac.uk>
- 1% match (Internet from 30-Dec-2016)  
<http://docplayer.net>
- 1% match (publications)  
[Yusof, Jamaliah Mohd., Hasman Abdul Manan, Norzilah Abd. Karim, and Nor Akila Mohd. Kassim. "Customer's Loyalty Effects of CSR Initiatives". Procedia - Social and Behavioral Sciences, 2015.](#)
- 1% match (Internet from 09-Oct-2012)  
<http://loma-med.com>