



What is a theory?

- “A theory is a set of interrelated hypotheses or propositions concerning a phenomenon or a set of phenomena (Smith, 1975)”



The building blocks of theories (1)

- **What** (constructs/variables)
- **How** (causal relationships)
- **Why** (theoretical explanations)

**Hows + Whats (description) + Whys (explanation) =
Hypotheses/Propositions**

- **Who, Where, When** (Boundaries of generalizability)



The building blocks of theories (2)

- **Construct** (or concept): an abstract, unobservable property or attribute of a social entity (e.g. *culture, identity, personality, strategy, structure*, etc.)
 - **Proposition**: a relationship linking constructs (e.g. “the strategy of an organization reflects the goals of its leader”)
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- **Variable**: a particular type of construct: a classification into two or more mutually exclusive and totally inclusive categories which explicitly vary by *degree*; it can be tied directly to empirical measures (e.g. *identification, reputation, brand loyalty, self-esteem, diversification, centralization*, etc.)
 - **Hypothesis**: a relationship linking variables, stated in a testable form (e.g. “the higher the size of a firm, the higher its financial performance”)
 - **Measure/Indicator**: property or relation whose presence or absence in a given case can be ascertained by direct observation
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TURBAN ET AL. PAPER



Turban et al.: review of existing work...

Many scholars and practitioners today are paying increasing attention to firms' corporate social performance (CSP), a construct that emphasizes a **company's responsibilities to multiple stakeholders, such as employees and the community at large, in addition to its traditional responsibilities to economic shareholders** (Clarkson, 1995; Donaldson & Preston, 1995; Freeman, 1984; Shrivastava, 1995).

Early CSP work focused on firms' alleged wrong-doings, how firms affect specific social groups, and how firms' actions might be controlled through regulation, public pressure, and judicial actions (Sethi, 1995). **Recently, however, attention has been directed toward identifying how socially responsible actions may be associated with certain competitive advantages** (Porter & van der Linde, 1995; Romm, 1994; Shrivastava, 1995).

For example, **researchers have investigated relationships between corporate social performance and corporate financial success** (Cochran & Wood, 1984; Johnson & Greening, 1994; McGuire, Sundgren, & Schneeweis, 1988; Waddock & Graves, 1994) and **between CSP and certain consumer purchase decisions** (Romm, 1994; Solomon & Hanson, 1985; Vandermerwe & Oliff, 1990)



Attracting and retaining superior human resources can provide organizations with a sustained competitive advantage (Lado & Wilson, 1994; Pfeffer, 1994; Wright, Ferris, Hiller, & Kroll, 1995). As scholars have noted, with the current labor shortages in some fields (e.g., engineering, programming) and the projected shortages in the future, attracting top-quality applicants is becoming increasingly important for organizational success (Jackson & Schuler, 1990; Offermann & Gowing, 1990; Rynes, 1991).



Additionally, scholars have suggested that firms adopting socially responsible actions may develop more positive images, which yield a competitive advantage by attracting a higher quantity and quality of human resources (Davis, 1973; Fombrun & Shanley, 1990); **however, no previous research has investigated such links. (....)**

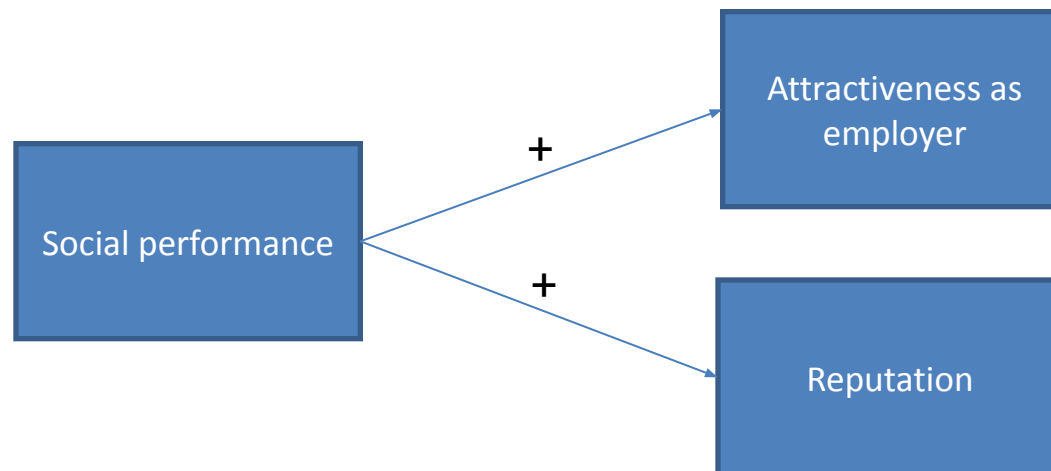
Little research, however, has investigated factors that influence applicants' initial attraction to a firm, which in turn influences their decision to interview with the firm (Barber & Roehling, 1993; Gatewood, Gowan, & Lautenschlager, 1993; Rynes, 1991). Nonetheless, scholars have suggested that initial applicant attraction to a firm is based on perceptions of the firm's **image, which is thought to be influenced by the firm's corporate social performance** (Fombrun & Shanley, 1990; Rynes, 1991).



Turban et al.: hypotheses to fill the gap

Hypothesis 1. Organizations higher on independently rated corporate social performance will have more positive reputations and will be perceived as more attractive employers than organizations lower on corporate social performance.

Weaknesses of this hypothesis?



Was this your first idea for the research model?



Turban et al.: support the hypothesis with theory

Propositions based on **signaling theory** suggest that organizational attributes provide applicants with information about what it would be like to be a member of an organization because such attributes are interpreted as providing information about working conditions in the organization (...). **Because a firm's CSP is thought to signal certain values and norms, it seems likely that it influences applicants' perceptions of working conditions** in the organization and, therefore, the attractiveness of the organization as an employer.

Furthermore, **social identity theory** suggests that people classify themselves into social categories on the basis of various factors, such as the organization they work for, and that membership in these social categories influences an individual's self-concept (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994). (...) **we expect that CSP positively affects an organization's attractiveness as an employer because potential applicants will expect to experience positive outcomes**, such as an enhanced self-concept, from being employed by a firm that engages in more socially responsible actions.



Process

The unit of analysis for this study was the organization, and we investigated the relationships between organizations' corporate social performance, their attractiveness as employers, and their reputations. The sample of organizations was drawn from Kinder, Lydenberg, Domini & Co. (KLD)

Measures

Corporate social performance ratings. KLD rates firms on nine dimensions of corporate social performance, five of which are typically used for research. These dimensions are community relations, treatment of women and minorities, employee relations, treatment of the environment, and quality of services and products. Every firm in the KLD database is given a "strength" and a "concern" score for each dimension.

Organization reputation. Students ($n = 75$) in two sections of a senior-level strategic management course rated 189 companies in terms of their reputations on a five-point scale ranging from 1, "very poor reputation," to 5, "very good reputation."

Organizational attractiveness as an employer. We followed a similar procedure, using different students, to obtain ratings of organizational attractiveness as an employer. Students in two sections of a senior level strategic management course ($n = 34$) rated each of the 189 companies in terms of its attractiveness as an employer on a five-point scale ranging from 1, "unattractive employer," to 5, "one of the most attractive employers."



TABLE 2
Results of Regression Analyses Predicting Reputation and Employer Attractiveness^a

| Predictors | Attractiveness as an Employer | | Organizational Reputation | |
|-----------------------------------|----------------------------------|-----------------|------------------------------|-----------------|
| | β | Change in R^2 | β | Change in R^2 |
| Step 1 | | .07** | | .07** |
| Assets | .14† | | -.06 | |
| Profitability | .19* | | .22** | |
| Step 2 | | .09** | | .07* |
| Community relations | .12 | | .03 | |
| Employee relations | .16† | | .09 | |
| Environment | -.05 | | .13 | |
| Product quality | .19* | | .10 | |
| Treatment of women and minorities | -.03 | | .08 | |
| Total R^2 | | .15** | | .14** |

^a Standardized regression coefficients for the full model are shown. The unit of analysis is the organization; $n = 160$ for attractiveness as an employer and 161 for reputation.

† $p \leq .10$

* $p \leq .05$

** $p \leq .01$

What do you think about this results?

What do you think about 'unfamiliarity' story?



Turban et al.: mention limitations and call for future research

...Some of the CSP dimensions, such as treatment of women and minorities and employee relations, were more likely to be interpreted as providing signals about working conditions in the organization than were other CSP dimensions, such as concern for the environment and product quality. Future research might use structural equation modeling to investigate whether organizational values and perceptions of working conditions mediate the relationship between CSP and organizational attractiveness....

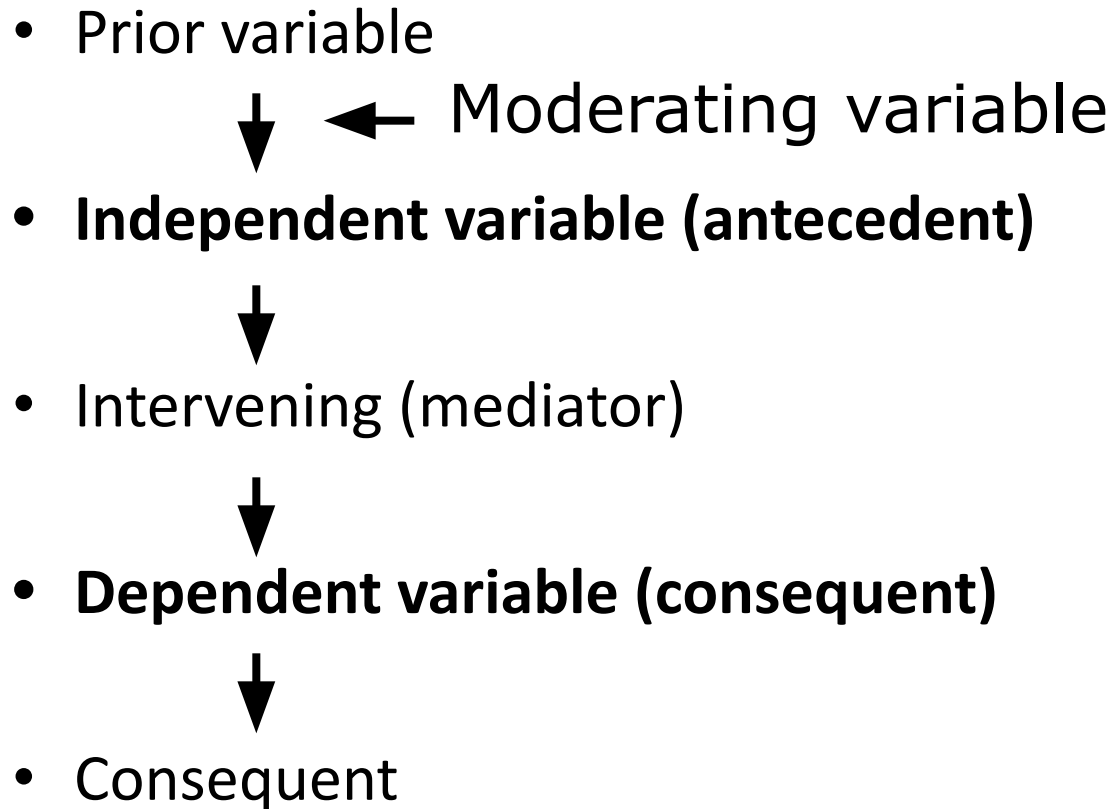
..... More broadly, research is needed to further explicate the causal relationships among corporate social performance, reputation, and attractiveness as an employer....*REALLY???*

...additional research is needed to investigate the causal mechanisms linking these variables. Additionally, research might further extend social identity theory by investigating whether individuals who work for firms with positive CSP report higher levels of organizational identification (Mael & Tetrick, 1992) than individuals working for firms with negative CSP...



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The relative position of variables in a theory





Conditions for causal inference (Campbell & Stanley, 1963)

The discovery of a statistical association does not imply causality. In order to claim causal relationships (X (predictor) \Rightarrow Y (criterion)):

- The cause should precede the effect in time (X occurs before Y)
- The cause and the effect co-vary (changes in X tend to produce changes in Y)
- There is no plausible alternative explanation for the co-variation (e.g. confounds, spurious correlations)



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When is causality impossible? (Davis, 1985)

Y cannot cause X if...

- Y starts (scores start) after X freezes (changes no longer possible)
- During a span of time X never changes and Y changes
- X is relatively *stable, hard to change* or “*fertile*”, (relatively sticky: e.g. organizational culture, personality), while Y is relatively *volatile, easy to change* or *has few consequences* (relatively loose: e.g. organizational climate, mood)



Spurious and intervening relationships

Statistical association does not necessarily imply that variables are affecting each other:

- Spurious correlations (generated by variables prior to the IV and the DV):
 - e.g. the number of churches and the crime rate in a city
- Intervening variables (indirect effects)
 - e.g. corporate reputation and financial performance



Endogeneity (+ sample selection bias + common method bias)

- Reverse causality
 - Theory first!
 - Lagged data
 - Panel data
 - Control variables
- Omitted variables
 - Theory first!
 - Mediators-moderators
 - Control variables
- Measurement error
 - Previous literature (so again theory)
 - check your measurement model



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Try to represent the following hypotheses...

- **The higher the organizational identification, the higher the organizational citizenship**
- The higher the diversification, the stronger the positive relationship between ownership concentration and profitability
- Commitment mediates the relationship between job satisfaction and individual performance
- The higher the degree of internationalization, the weaker the positive influence of size on profitability