

Be bad but (still) look good: Can controversial industries enhance corporate reputation through CSR initiatives?

Claudio Aqueveque¹ | Pablo Rodrigo²  | Ignacio J. Duran³ 

¹Marketing Department, Business School, Universidad Adolfo Ibáñez, Región de Valparaíso, Chile

²Strategy Department, Business School, Universidad Adolfo Ibáñez, Región de Valparaíso, Chile

³Centre for Business Sustainability, Business School, Universidad Adolfo Ibáñez, Región de Valparaíso, Chile

Correspondence

Ignacio J. Duran, Centre for Business Sustainability, Business School, Universidad Adolfo Ibáñez, Av. Padre Hurtado 750, Viña del Mar, Región de Valparaíso, Chile.
Email: ignacio.duran@uai.cl

Even though the link between perceived corporate social responsibility fit (PCSR-fit) and corporate reputation has received much attention from scholars, this tradition has ignored that the underpinnings of this association vary depending on the particular characteristics of each industry under study. To delve into this matter, we investigate in the increasingly relevant context of controversial industries (CIs) how PCSR-fit could enhance corporate reputation and which are the mediating mechanisms of this association. Our academic contribution is twofold. First, we find that controversial sectors indeed can increase corporate reputation through CSR activities. However, we find that to achieve this goal, the nature of PCSR-fit should be different than what extant literature indicates, because companies in these settings should directly focus on avoiding or reducing their inherent controversial harm or impact. Second, we evidence that “CSR initiatives’ legitimacy” and “situational skepticism” mediate the PCSR-fit and corporate reputation relationship in CIs. Therefore, we further unravel the underpinnings of this association to advance what we know on the matter and aid practitioners in this particular context.

1 | INTRODUCTION

It has been broadly documented that good evaluations of corporate social responsibility (CSR) may enhance corporate reputation among several stakeholders: for instance, consumers (Groza, Pronschinske, & Walker, 2011; Hsu, 2012), employees (Brønn & Vidaver-Cohen, 2009; Lai, Chiu, Yang, & Pai, 2010), and the general public (Fombrun, 2005; Sen, Bhattacharaya, & Korschun, 2006). Besides these findings, part of this tradition has been evolving from analyzing stakeholder evaluations of generic CSR initiatives toward testing “Perceived CSR-fit” (PCSR-fit), which measures how groups assess the coherence between CSR actions and a firm’s core business (Becker-Olsen, Cudmore, & Hill, 2006; Kim & Ferguson, in press; Nan & Heo, 2007; Sen & Bhattacharaya, 2001; Varadarajan & Menon, 1988). The supporting rationale is that when stakeholders perceive high levels of PCSR-fit they tend to find responsible actions more self-explanatory, and it raises fewer questions as to why companies engage in these actions (de Jong & van der Meer, 2017; Du, Bhattacharya, & Sen, 2010). This fulfills stakeholders’ expectations on firms’ contributions to society, fostering positive opinions about the entity (Aksak, Ferguson, & Duman, 2016).

However, this tradition has generally neglected that certain industries are characterized by conspicuous and graver social and/or environmental impacts, and thus stakeholders not only may exert stronger pressure on these companies to commence CSR practices but also

might have more stringent prospects concerning firms’ responsibilities (Banerjee, Iyer, & Kashyap, 2003; González-Benito & González-Benito, 2006; Short, McKenny, Ketchen, Snow, & Hult, 2016).¹ Because how well reputed a company is depends on the eye of beholders (Agarwal, Osievsky, & Feldman, 2015), this could affect the underpinnings of the link between PCSR-fit and corporate reputation. In fact, Brammer and Pavelin (2006) and Pérez, García de los Salmones, and López (2015) show that stakeholders in sectors with severe negative externalities have unique views on CSR, and to gain reputation these specific groups are the ones that should perceive adequate levels of socio-environmental performance.

These settings with serious and prominent repercussions on society and/or the environment have gradually begun to draw CSR scholars’ attention, to the point of recently forming a new research strain coined “controversial industries” (CIs) (Lindgreen, Maon, Reast, & Yani-de-Soriano, 2012; Sabri, 2017). This stream usually examines theoretical and empirical aspects of “sinful” sectors (e.g., tobacco, gambling, alcohol) (Cai, Jo, & Pan, 2012; Oh, Bae, & Kim, 2017) or those with emergent ethical issues (e.g., weapons, some extractive sectors) (Eweje & Wu, 2010; Hilson, 2012; Ranängen & Zobel, 2014).

Thus, our paper’s purpose is to study CIs to shed light on how particular aspects of these sectors may affect the foundations of the link between PCSR-fit and corporate reputation. This is vital, as works from organizational behavior (De Roeck & Delobbe, 2012), strategy

(Moura-Leite, Padgett, & Galán, 2014), finance (Jo & Na, 2012), and accounting (Grougiou, Dedoulis, & Leventis, 2016) have upheld Palazzo and Richter's (2005) assertion that stakeholders in CIs not only have distinct prospects concerning CSR due to their controversial bearing but also react differently to these practices in contrast to regular settings. Hence, we cannot necessarily extend to CIs received wisdom (e.g., Aksak et al., 2016) on how PCSR-fit triggers reputation. To this end, we conceptualize this issue and test our hypotheses through an experimental design based on an international tobacco company. After collecting a sample of 360 senior undergraduate students of a large Chilean university, we analyze this data by using mediated regression analysis (Hayes, 2013).

We contribute to the field by expanding the tradition linking PCSR-fit with reputation by considering how industry attributes—in this case its “controversiality”—have key implications for this relationship. We advance knowledge because results show that to increase reputation in CIs stakeholders should perceive that firms' CSR activities fit with the core business, but in a specific way: by directly avoiding and/or reducing the inherent controversial impact. Moreover, we find that “CSR initiatives' legitimacy” and “situational skepticism” fully mediate this link. From this process, we highlight in our discussion section the need of a “double CSR-fit,” in which socio-environmental initiatives should not only match with internal strategic aspects but also match with the prospects of stakeholders present in each setting. From a societal lens, we discuss how our findings could even benefit non-market actors in their fight against tobacco prevalence. We posit that by using our model civil society organizations (CSOs) can design and implement better strategies as “watchdogs” and that governments now have incentives to constantly pass new laws to compel companies to keep reducing the harm from smoking.

2 | LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 | Framing the phenomenon

CSR has been generally defined as organizational actions that take into account stakeholders' expectations concerning economic, social, and environmental performance (Aguinis & Glavas, 2012, 2013). Concerning this variable, due to vast empirical evidence there seems to be an agreement that stakeholder perceptions of CSR activities may create a favorable reputation (e.g., Brown & Dacin, 1997; Gardberg & Fombrun, 2006; Groza et al., 2011; Hsu, 2012; Kiessling, Isaksson, & Yasar, 2016; Lai et al., 2010; Mohr & Webb, 2005; Sen et al., 2006; Stanaland, Lwin, & Murphy, 2011; Yoo & Pae, 2016). These works usually conceive corporate reputation “as a generalized favorability that stakeholders and observers hold toward a company” (Agarwal et al., 2015, p. 487). A way in which this strand has been progressing is by shifting from measuring stakeholder evaluations of generic CSR to examining instead the sensed “fit” between CSR and a company's core business. PCSR-fit has been generally defined as the attributed alignment between socio-environmental causes and the company's operations, including its product line, brand image, and target market (Becker-Olsen et al., 2006;

Bigné, Currás-Pérez, & Aldás-Manzano, 2012; Pracejus & Olsen, 2004; Sen & Bhattacharaya, 2001; Varadarajan & Menon, 1988; Zdravkovic, Magnusson, & Stanley, 2010).

Using stakeholder theory as an overarching framework (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010; Griffin, 2017), several studies have supported that higher levels of PCSR-fit cause beneficial firm evaluations. The rationale is that PCSR-fit acts as a cue that attracts stakeholders' attention, especially consumers (Deng & Xu, 2017). The resulting process is that this fulfills their prospects regarding companies' contributions to society, which in turn improves reputation (Aksak et al., 2016; Tetrault-Sirsly & Lvina, in press). According to de Jong and van der Meer (2017), Du et al. (2010), and Elving (2013), stakeholders are more appreciative and cognizant when CSR practices stem from the organization's core business and value this logical connection. Moreover, lower levels of PCSR-fit lead stakeholders to ascribe ulterior motives (e.g., profit or “greenwashing”) due to incongruities between CSR and firms' operations, leading to negative responses toward the company (Kim & Ferguson, in press; Lii & Lee, 2012).

Still, most of this tradition has been homogenizing given that it has ignored how the underpinnings of the link between PCSR-fit and corporate reputation may vary due to particular aspects of the industries in which firms operate (Brønn & Vidaver-Cohen, 2009; Tetrault-Sirsly & Lvina, in press). Concerning this, certain sectors are known for their exacerbated or debated effects on society and the environment (Banerjee et al., 2003; Short et al., 2016), for example oil, tobacco, gambling, and weapons (González-Benito & González-Benito, 2006; Grougiou et al., 2016). Literature studying these “type” of industries has evidenced that how stakeholders pressure companies into initiating CSR activities—and what these groups expect out of CSR efforts—is different in contrast to regular sectors. Because corporate reputation depends on stakeholder evaluations in each setting (Agarwal et al., 2015), this issue could affect how they assess well-reputed enterprises. Actually, recently Dorobantu, Henisz, and Nartey (2017) show that in contested markets, stakeholders' beliefs regarding these industries' negative attributes could trigger critical events (e.g., protests or boycotts) that hurt firms' reputation.

Specifically in the tradition linking PCSR-fit to corporate reputation, Brammer and Pavelin (2006) support the idea that some sectors possess graver socio-environmental impacts. These authors posit that industries can be classified according to the severity of their externalities, and in each “type” employees evaluate differently the effectiveness of CSR initiatives. Reputation will rise only if key stakeholders perceive that responsible actions are appropriate, given the milieu (i.e., severe or normal externalities) in which firms operate. More recently, Pérez et al. (2015) second this insight by arguing that stakeholders in high-profile industries—or those with serious effects on society and/or the environment—tend to be more demanding than those in low-profile sectors. Because stakeholders are heterogeneous across these industry “types,” they not always hold the same views on how enterprises should benefit society through CSR.

Arguments in the preceding paragraphs lead us to propose that apparently a congruence is necessary not only internally (i.e., between CSR and the firm's core business) but also with the company's context.

Regarding this last point, an alignment seems to be required with stakeholder prospects of CSR in each “type” of industry, particularly if the setting is characterized by salient and severe socio-environmental impacts. This compels us to probe into the unique attributes of these kinds of sectors, and particularly how stakeholders’ beliefs vary.

2.2 | Controversial industries and the link between PCSR-fit and corporate reputation

Industries that are typified based on their conspicuous and graver effects on society and/or the environment have increasingly drawn the attention of CSR researchers in the past few years (e.g., Melé & Armengou, 2016; Miller & Michelson, 2013; Oh et al., 2017). Scholars have recently labeled them “Controversial industries” and used as a conceptual basis the work by Wilson and West (1981, p. 92), which defines CIs as “products, services, or concepts that for reasons of delicacy, decency, morality, or even fear tend to elicit reactions of distaste, disgust, offense, or outrage when mentioned or when openly presented.”

According to this incipient literature, CIs are distinct for two main reasons. First, it has been posited that due to their exacerbated impacts CSR activities are unable to match those in non-controversial contexts (Lindgreen et al., 2012). Palazzo and Richter (2005) claim that these milieus can reach an “instrumental” and “transactional” level of CSR but not a “transformational” one. This implies that they can only deliver products in line with stakeholders’ beliefs and act in line with legal and moral norms. However, they cannot transcend and contribute to society’s general well-being. Second, due to their controversial bearing, stakeholders react differently to responsible practices leading to significant discrepancies regarding CSR outcomes in comparison to non-CIs. For example, from a finance lens, Jo and Na (2012) show that stakeholders in CIs may perceive CSR as unethical, which could backlash and increase firm risk. Accounting research has reported that stakeholders in these sectors have greater informational needs, making companies more prone to disclose CSR reports (Grougiou et al., 2016; Kilian & Hennigs, 2014). Cai et al. (2012) argue that better social performance increases firm value, but Rodrigo, Duran, and Arenas (2016) hint otherwise because stakeholders differ due to market-level (business-to-business or business-to-consumer) or institutional factors (developed or emerging nation).

Given that literature from various business-related disciplines evince that CSR and stakeholder reactions to these initiatives vary significantly in contrast to regular sectors, it is uncertain how and under what conditions could PCSR-fit engender higher levels of corporate reputation in CIs. So far only three works investigate this phenomenon (i.e., Du & Vieira, 2012; White & Willness, 2009; Yoon, Gürhan-Canli, & Schwarz, 2006), yet their antecedents, mediating variables, and conclusions are conflicting. This incipiently confirms that the underpinnings of this link differ in these settings and are comparatively more complex.²

The earliest article by Yoon et al. (2006) studies the link between CSR activities and a company’s image in firms with bad reputation (tobacco and oil). Two experiments are based on what the authors

name the “benefit salience of the cause,” and the central argument is that when CSR initiatives fit with the entity’s core business (e.g., tobacco companies that support entities that fight lung cancer), this increases the cause’s salience thus drawing consumers’ attention. In this scenario, “CSR activity is at odds with the negative health effects of the company’s core business [and] this combination should arouse profound suspicion regarding the sincerity of the company’s motives” (Yoon et al., 2006, p. 379). Consumers attribute ulterior reasons such as profit or promotional goals, backfiring and negatively affecting the firm’s image. These authors’ findings lead us to suggest stakeholders should perceive that CSR activities from infamous firms should support causes that are *not* aligned with its core business to reduce its salience and consequently garner positive opinions.

The second article is by White and Willness (2009), and it focuses on how “decreased usage message,” understood as information aimed at reducing consumption of a product due to its controversial nature (e.g., alcohol and gambling), affects consumers’ firm evaluations. For instance, in the case of tobacco companies, this implies cessation information on the boxes. However, because these CSR activities go against the entity’s goals and core business by attempting to minimize the intrinsic impact of polemic goods, the authors claim that they create a sentiment of incongruity in consumers’ minds, rendering negative perceptions of the enterprise. The reason being that the incompatibility between CSR messages and core business leads people to engage in increased elaborative thought processing, begetting negative feelings toward the firm. Evidence presented confirms this conjecture, prompting us to suggest that CSR messages should not try to lessen the product’s inherent harm through decreased consumption, and thus CIs should *not* directly address their controversial bearing in their social message.

Notwithstanding the works by White and Willness (2009) and Yoon et al. (2006), more recent literature on CIs builds an incipient general case in favor of a tight fit between the firm’s core business and CSR activities, but in a very specific way. Articles suggest that CSR actions should be targeted precisely at avoiding or reducing the inherent impact or harm that CIs have on society and/or the environment. For instance, Lindorff, Jonson, and McGuire (2012, p. 464) mention that CIs should “mitigate existing or anticipated adverse impacts of the business”, and Reast, Maon, Lindgreen, and Vanhamme (2013, p. 146) posit that CSR in casinos should reflect the “willingness to consider, address, and neutralize potential social and societal concerns and issues that might be associated with its business proposal.” This resonates with Yani-de-Soriano et al.’s (2012) article on online betting: these companies’ CSR strategies should help reduce consequences on addicted players. Ranängen and Zobel (2014) emphasize that extractive industries concentrate in addressing matters that directly arise from their operations (e.g., mining centers on community involvement).

Following this general precursory view on CSR-fit, the third article that deals with the link between PCSR-fit and corporate reputation in CIs is the one by Du and Vieira (2012). This work suggests that controversial companies attempt to boost their credibility through varied means of CSR communication (e.g., websites), which may also improve their corporate image. These investigators summon executives to

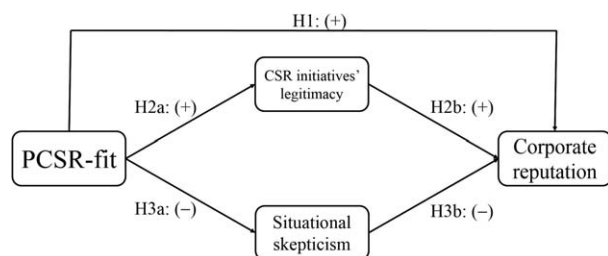


FIGURE 1 Conceptual model

ingrain socio-environmental activities into their core business to better stakeholder perceptions by abandoning peripheral CSR, and instead address the firm's controversial impact. In this sense, this work seems to suggest that CSR initiatives *should* be aimed at reducing the inherent harm done, and stakeholders are to perceive socio-environmental activities in this particular way.

Having this conception of PCSR-fit in mind, Du and Vieira (2012) hint that as CIs abandon the “public relations” mentality, and move away from philanthropic activities toward actions targeted at reducing their innate harm, this might enhance corporate reputation. We concur with this assessment because on one hand, stakeholder theory highlights that reputation is enhanced when CSR activities address stakeholders' socio-environmental demands insofar these practices are aligned with their beliefs on how enterprises should benefit society (Aksak et al., 2016; Tetrault-Sirsly & Lvina, in press). On the other hand, as stated above CIs are summoned by stakeholders to try and remedy the inherent impacts associated with their contentious operations (e.g., Lindorff et al., 2012; Reast et al., 2013; Yani-de-Soriano, Javed, & Yousafzai, 2012). As Frynas (2005) exemplifies, these groups expect that instead of delivering mosquito nets, oil companies should reduce the harm from petroleum extraction.

Therefore, as long as companies in CIs satisfactorily convey higher levels of PCSR-fit, stakeholder perceptions of corporate reputation may improve. The rationale is that firms target their affected groups by addressing the direct problems that arise and consequently fulfill stakeholders' prospects regarding controversial firms' contribution to society. This argument leads us to hypothesize (see Figure 1) that:

Hypothesis 1): *In controversial industries, as the level of PCSR-fit increases, corporate reputation will also improve.*

2.3 | The mediating role of CSR initiatives' legitimacy

Even though many works have studied the link between CSR and “organizational legitimacy,” CI-focused literature has focused instead on if and how CSR initiatives themselves can be deemed legitimate (e.g., Davidson, 2003; De Roeck & Delobbe, 2012; Joutsenvirta & Vaara, 2015; Reast et al., 2013). Concerning this, we delve in the latter and use as a basis the conceptualization by Suchman (1995, p. 574), which conceives legitimacy as “a generalized perception or assumption that the *actions* of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (italics in “actions” added by us). Hence, we are interested in inquiring

the degree to which stakeholders view certain company activities as socially adequate because its practices comply with industry norms and broader societal expectations (Bitektine, 2011; Rindova, Pollock, & Hayward, 2006). Depending on this assessment, society can render if corporate endeavors, such as CSR initiatives, are more (or less) legitimate. Actually, regarding CSR initiatives' legitimacy scholars have shown that depending on the characteristics of socio-environmental actions, stakeholders resolve if these actions are acceptable and in line with social standards or not (e.g., Miller & Michelson, 2013; Yang & Wu, 2016).

According to Ozdora-Aksak and Atakan-Duman (2016) and Pava and Krausz (1997), one characteristic of a legitimate CSR program is to be designed to ameliorate problems for which the corporation is directly responsible. This resonates with what literature has suggested regarding CIs. Lindorff et al. (2012) has coined this idea as “harm minimization”: CSR activities must lessen their intrinsic harm and attempt to maximize good aspects of their operation. Reast et al. (2013) and Yani-de-Soriano et al. (2012) defend this notion, establishing that as long as controversial enterprises attempt to amend or reduce the impact associated with their operations through CSR initiatives (i.e., a higher level of PCSR-fit), stakeholders will perceive these socio-environmental endeavors as more legitimate. This occurs because they are in accordance with societal norms and beliefs and aligned with what stakeholders consider that CIs should do in terms of CSR activities (Du & Vieira, 2012; Melé & Armengou, 2016; Joutsenvirta & Vaara, 2015). Hence, we propose (see Figure 1) that:

Hypothesis 2a): *In controversial industries, as the level of PCSR-fit increases, evaluations of CSR initiatives' legitimacy will also improve.*

Additionally, a relationship between legitimacy and reputation has been proposed (King & Whetten, 2008; Pérez et al., 2015). This perspective suggests that the achievement of CSR initiatives' legitimacy obtained through the compliance with rules and social practices may help the creation of competitive differences between the compliant company and its competitors (Bitektine, 2011; Fombrun, 2005; Fombrun & van Riel, 2003). For example, results of an exploratory research conducted with managers from over 500 Norwegian companies evidence that when socio-environmental initiatives are perceived as legitimate, this may have the potential of improving corporate reputation (Brønn & Vidaver-Cohen, 2009). Castelló and Lozano (2011) argue that CSR initiatives' rhetoric has the potential to strategically shift stakeholders' legitimacy ascriptions of these actions and in this process positively affect corporate reputation.

In controversial contexts, Grougiou et al. (2016), Kilian and Hennigs (2014), and Toppinen and Korhonen-Kurki (2013) conceptually suggest that these companies are more prone to publish CSR reports to gain a reputational edge. This insight is essential, as legitimacy theory has been one of the main frameworks to explain non-financial disclosure: these documents are an explicit CSR-related activity in response to information-seeking stakeholders, so that these parties can certify that the entity's actions are proper in terms of societal expectations, norms, values, and so on (Cho, Michelon, Patten, & Roberts,

2015; Deegan, 2002). Hence, if CIs are increasingly engaging in CSR reporting because it is considered a legitimate initiative, and as Grougiou et al. (2016), Kilian and Hennigs (2014), and Toppinen and Korhonen-Kurki (2013) suggest as a byproduct it might improve their reputation, then it is possible to posit (see Figure 1) that:

Hypothesis 2b : *In controversial industries, evaluations of CSR initiatives' legitimacy positively mediate the relationship between PCSR-fit and corporate reputation.*

2.4 | The mediating role of situational skepticism

According to Bernstein (2009) and Parguel, Benoît-Moreau, and Larceneux (2011), stakeholders receive inconsistent CSR information and frequently have trouble distinguishing conscious from negligent companies. This leads them to question why companies embrace CSR, becoming skeptical about their socio-environmental involvement (Forehand & Grier, 2003; Vanhamme & Grobбен, 2009). Generally, skepticism refers to a person's propensity to doubt, disbelieve, and question (Boush, Friestad, & Rose, 1994; Skarmas & Leonidou, 2013). Most studies focus on "situational skepticism," which is a state-induced independent of evaluator traits that fluctuates depending on the context and situation (e.g., Marín, Cuestas, & Román, 2016; Mohr, Eroğlu, & Ellen, 1998). Within the CSR field, situational skepticism is mentioned, for instance, in the context of cause-related claims (Singh, Kristensen, & Villaseñor, 2009) and as an outcome of CSR programs (Pirsch, Gupta, & Grau, 2007). Regarding this last point, recent findings reveal that the perception of self-centered and stakeholder-driven motives behind CSR initiatives contribute to the development of individuals' situational skepticism, while benevolence-motivated CSR initiatives inhibit its formation (Skarmas & Leonidou, 2013).

Due to the bad connotation of CIs (Oh et al., 2017; Wilson & West, 1981), it is possible that the level of stakeholder situational skepticism exceeds that of non-CIs (Jahdi & Acikdilli, 2009). However, since in these settings higher levels of PCSR-fit imply activities targeted at reducing or amending the inherent harm or impact generated by their activity (Lindorff et al., 2012; Reast et al., 2013), there is a greater need for a communication-based exchange with stakeholders in order to collect accurate information of the affected parties (e.g., which stakeholders are being impacted and how) (Du & Vieira, 2012). This urges firms to incorporate their demands into the company's business and communication strategies (Freeman et al., 2010). Using "real-life" messages or narratives based on stakeholders that have been helped by firms in CIs may have the collateral effect of enhancing credibility and reliability, which consequently might help reduce consumer skepticism (Jahdi & Acikdilli, 2009). Therefore, in this scenario higher levels of PCSR-fit may be sensed as more benevolence-motivated because it involves a true attempt from the company to help stakeholders impacted by its controversial operations, reducing the belief of ulterior motives such as profit or distraction (cf. Groza et al., 2011; Marín et al., 2016). So, we can hypothesize (see Figure 1) that:

Hypothesis 3a : *In controversial industries, as the level of PCSR-fit increases, situational skepticism will decrease.*

When motives behind CSR involvement are perceived as insincere, these initiatives can hurt company's image (Groza et al., 2011; Marín et al., 2016). In fact, in the context of grocery retailers, Skarmas and Leonidou (2013) report that CSR skepticism leads to lower levels of consumer-based retailer equity and dropping the incremental value of the retailer's name in consumers' minds. Consistent with these findings, Aksak et al. (2016) and Forehand and Grier (2003) report that when consumers ascribe firm self-serving motives to CSR activities, this renders negative company evaluations.

Concerning CIs, one explanation for this negative effect is stakeholders' skeptical stance toward controversial firms' CSR efforts due to their inherent grave and salient impacts (Jahdi & Acikdilli, 2009). When individuals have substantial doubts regarding the underlying reasons of socio-environmental initiatives, situational skepticism might actually reduce corporate reputation (Moura-Leite et al., 2014). However, following the results by Forehand and Grier (2003), Vanhamme and Grobбен (2009), and mainly Kim (2014), we propose that under the evaluation of higher levels of PCSR-fit, stakeholders find responsible activities as more sincere and appropriate given that it involves an attempt to fix their innate controversial impact, which leads to reduce their skepticism and enhance reputation. In fact, according to Elving (2013) and Kim (2014), the explanation is that stakeholders could perceive these types of CSR initiatives as more honest because it entails a genuine way of solving socio-environmental ills that directly arise from the business' operations even if it implies going against the company's core business. Because these evaluations could seem a more proper way of contributing to society, they may reduce doubts in people's minds and engender instead positive company opinions among stakeholders. This leads us to conjecture (see Figure 1) the following:

Hypothesis 3b : *In controversial industries, situational skepticism negatively mediates the relationship between PCSR-fit and corporate reputation.*

3 | METHODOLOGY

3.1 | Study design

3.1.1 | Experimental design and sample

An experiment was constructed to test the hypotheses and inquire how PCSR-fit affects corporate reputation in CIs. Because we are interested in studying the direct and indirect relationships between both variables (Figure 1), we followed a mediated regression analysis (as we explain below; "Data analysis" section). Based on an existing international tobacco company, two manipulations were built (low-fit/high-fit) with the goal of generating a continuous measure of PCSR-fit to match the chosen data analysis method.

The final sample consists of 360 senior undergraduate students enrolled at a large Chilean university, who were invited to participate in a study concerning CSR initiatives.³ There was no mention of "CI" to avoid response bias. Also, even though these individuals have a

TABLE 1 Demographic characteristics of the final sample ($n = 360$)

Demographics	Total sample	Low-fit condition	High-fit condition
Gender			
Male	211 (58.6%)	105 (57.1%)	106 (60.2%)
Female	149 (41.4%)	79 (42.9%)	70 (39.8%)
Age			
Mean	23.52	23.59	23.44
SD	1.224	1.298	1.140
Maximum	28	28	28
Minimum	22	22	22
Smoke			
Yes	132 (36.67%)	66 (35.9%)	66 (37.5%)
No	228 (63.33%)	118 (64.1%)	110 (62.5%)

mandatory workshop on “Non-Market Strategy” during their junior year in college, they do not have any formal training in CSR. Hence, their knowledge on the matter should not be any different than other undergraduate students in Chile. Participants were asked to read a brief description of the company and its CSR activities/programs and then answer some questions. Participants were given a questionnaire that randomly assigned them to one of the two manipulations, with a total of 184 subjects in the low-fit condition and 176 subjects in the high-fit condition. The administration of the paper-and-pencil questionnaire was during students' normal class time and included different groups of students. A research assistant administrated the survey, and participation was voluntary. The demographics of the total sample and of each condition are summarized in Table 1.

3.1.2 | Stimuli

Based on pretesting (98 senior undergraduate students not included in the 360 individuals final sample), the company selected was an existing international tobacco company. This firm has a very strong position in the local market, with a market share above 90%. The pretest was conducted to verify if PCSR-fit manipulations were perceived as intended. Additionally, the credibility of the source and CSR initiatives were measured and compared among treatments, and scales comprehension and reliability were evaluated.

Pretest results showed that participants perceived the high-fit CSR treatment as higher ($M_{\text{PCSR-fit}} = 3.99$) than the low-fit CSR treatment ($M_{\text{PCSR-fit}} = 2.96$; $t(96) = 4.156$, $p < .001$). The credibility of the source ($M_{\text{High PCSR-fit}} = 4.95$; $M_{\text{Low PCSR-fit}} = 4.52$; $t(96) = .612$, $p > .1$) and CSR initiatives ($M_{\text{High PCSR-fit}} = 3.81$; $M_{\text{Low PCSR-fit}} = 3.67$; $t(96) = 1.630$, $p > .1$) did not differ among treatments. Also, Cronbach's Alphas (α) coefficients of all the scales were greater than the accepted threshold of .70 (Hair, Black, Babin, & Anderson, 2010), with the exception of situational skepticism ($\alpha = 0.649$), and no items were considered unclear or difficult to understand by respondents. Finally, the pretest indicated that the company is perceived as controversial due to the nature of its products, which is aligned with the CI definition presented above (i.e., Wilson & West, 1981).

Because the pretest's findings were suitable, we moved on and performed the experiment in the final sample. Participants were provided with information about the company, its history in the local market, and

the CSR activities it conducts. To endow credibility to this information, it was presented as if it were part of a report produced by a real, independent, highly reputed, and well-known non-profit professional association that for over 15 years has promoted the development of CSR in Chile.

The manipulations for PCSR-fit were developed by providing different CSR initiatives in each condition (both treatments are shown in the Appendix). For the high-fit condition, the CSR initiatives described were oriented to mitigate the negative consequences of the product. These initiatives were presented as three programs: responsible business, focused on educating retailers to avoid underage smoking; damage reduction, an internal program oriented to develop products with lower toxicity and less prejudicial to smokers and non-smokers; and creating “ex-smokers,” a program oriented to support organizations that help smokers quit. As a final note, it was stressed that the company recognizes the damage produced by cigarettes and that their business is based on the free decision of consumers, and not on deception.

For the low-fit condition, the CSR initiatives described were oriented to help the community, also through three programs: cultural bus, supplying the community with two buses adapted as libraries to grant access to books in small towns near the production facility and tobacco plantations; reducing the digital divide, a program open to the community oriented to provide computer education and increase employability of participants; and micro-funding, a program oriented to provide micro-loans to entrepreneurs. As a final note, it was emphasized the company's commitment with the community.

3.1.3 | Measures

Our model considers four variables: PCSR-fit, CSR initiatives' legitimacy, situational skepticism, and corporate reputation. PCSR-fit was measured using four scaled items adapted from Bigné et al. (2012). Although their original scale considers six items, two of them were difficult to translate to Spanish and therefore were not included. Nonetheless, this measure is in line with how we defined this variable above. Legitimacy of CSR activities was measured using four scaled items adapted from Handelman and Arnold (1999), situational skepticism was measured using four scaled items adapted from Skarmas and Leonidou (2013), and corporate reputation was assessed utilizing four scaled items referring to Agarwal et al. (2015).

Following the suggestions made by Saris and Gallhofer (2014), these scale items were translated to Spanish by two different individuals fluent in English, and later refined by a third individual, all of whom were blind to the research design and objectives. The scales were subsequently tested in a small group of 10 subjects and then refined a second time to guarantee comprehension and accurate translation. The final scales were also pretested in the sample of 98 students not included in the final sample. All the items were measured by 7-point Likert scales (1—strongly disagree; 7—strongly agree). Table 2 contains all scales with Cronbach's α , organized by construct.

In addition to the four main constructs, we included three control variables: age and gender, which are generally included in experimental studies (e.g., Deng & Xu, 2017), and if individuals smoked or not, as evidence exists that customers tend to evaluate companies more positively than non-customers (Shamma & Hassan, 2009).

TABLE 2 Variables, items, and results of the reliability test

Variable	Item	CITC	CAID ^a	Cronbach's α
PCSR-fit	The CSR initiatives described are coherent with Company X.	.807	.885	.912
	The CSR initiatives described are compatible with Company X.	.805	.885	
	The CSR initiatives described goes together with Company X.	.806	.884	
	The CSR initiatives described are logical for Company X.	.786	.881	
CSR initiatives' legitimacy	Company X sets an example for how other tobacco companies should conduct their activities.	.605	.868	.864
	Company X is committed to meet the standards that people expect of tobacco companies.	.790	.794	
	Company X genuinely listens to the demands that people put on it.	.788	.795	
	Company X sets an example for how tobacco companies should behave.	.685	.839	
Situational skepticism	It is doubtful that Company X is a socially responsible company.	.559	.645	.728
	Company X is certainly concerned to improve the well-being of society. ^b	.583	.632	
	It is sure that this tobacco company follows high ethical standards. ^b	.547	.650	
	It is questionable that this tobacco company acts in a socially responsible way.	.406	.743	
Corporate reputation	I have a good feeling about this company.	.725	.807	.857
	I admire and respect this company.	.562	.872	
	I trust this company.	.734	.804	
	This company has a good overall reputation.	.789	.779	

^aCronbach's α if item deleted.^bReversed item.

3.2 | Data analysis

The main and mediating effects comprised in our hypotheses (Figure 1) were tested using mediated regression analysis (instead of using an ANOVA approach), particularly Hayes' (2013) parallel multiple mediator model (PMMM; PROCESS plugin in SPSS). We chose this method as it has the benefit of delivering more robust results in terms of statistical validity than other widely used mediation-based techniques (for instance, Baron & Kenny, 1986).⁴

According to Hayes (2013), PMMM comparatively has four main advantages: first, it allows to formally quantify and examine the magnitude of indirect effects and attempt inferential tests about them. In fact, through bootstrap samples, it is possible to determine confidence intervals for each one and confirm if the effects are indeed significant or not. Second, by allowing simultaneous examination of various mediating variables, a steps approach is not necessary and inferential tests are reduced to one (contrary to what Baron & Kenny, 1986 suggest). This minimizes the chance of making Type-I and Type-II errors. Third, it also avoids special cases where direct and indirect effects may sum to (near) zero, cancelling out and suggesting no mediation, even though it might be present but unnoticed. Fourth, because it allows quantification of indirect effects, it permits scholars to move beyond a qualitative mentality and actually empirically test—in a robust manner—the underlying processes among variables.

4 | RESULTS

4.1 | Multicollinearity and reliability tests

Before engaging in our data analysis, two previous steps need to be undertaken to enhance our results' accuracy and validity. First, we need to rule out any risk of multicollinearity. Otherwise, estimation will be

affected because shared variance decreases the ability of independent variables to accurately predict the dependent variable. The correlation matrix for all main constructs used in this study is shown in Table 3. Following Hair et al. (2010), we see that there is no apparent risk of multicollinearity because all Pearson correlation coefficients (in absolute value) are below from the .9 suggested cutoff. To be certain, we assessed two different collinearity statistics: tolerance and variance inflation factor (VIF) (see Table 4). The tolerance values for all main variables are all above the .1 threshold, and VIF statistics are below 10 (Hair et al., 2010). All this evidence hint that multicollinearity is not a serious issue in our final sample, and especially in Model 4 (Table 5) that includes all variables.

Second, scale reliability assessment was conducted for all four main variables. We adopted the corrected item-total correlation (CITC) method to refine the scale items, which uses Cronbach's α coefficient to test the internal consistency and reliability of the scales (Henrysson, 1963). The elimination of an item needs to satisfy simultaneously two conditions: first, the CITC value of the item must be less than .4, and second, the deletion of the item must significantly improve the Cronbach's α coefficient, thus, increasing the overall reliability (see, Deng & Xu, 2017; Kline, 2000; Nunnally & Bernstein, 1994; Ray, Frick, Thornton, Steinberg, & Cauffman, 2016). This analysis considered the main variables involved in the model, and the results are shown in Table 2. All CITC values are above .4, and thus deletion is not recommended in all cases. Finally, the Cronbach's α coefficients of all the scales are greater than the accepted threshold of .70 (Hair et al., 2010), evidencing high reliability.

4.2 | Manipulation check

A *t* test was performed to evaluate if treatments were perceived as intended. Results indicate that participants significantly sensed a higher

TABLE 3 Correlation matrix for the main variables used in this study

	PCSR-fit	CSR initiatives' legitimacy	Situational skepticism	Corporate reputation
PCSR-fit				
Pearson correlation coefficient	1			
Significance (bilateral)				
CSR initiatives' legitimacy				
Pearson correlation coefficient	.672	1		
Significance (bilateral)	.000			
Situational skepticism				
Pearson correlation coefficient	-.507	-.669	1	
Significance (bilateral)	.000	.000		
Corporate reputation				
Pearson correlation coefficient	.451	.652	-.726	1
Significance (bilateral)	.000	.000	.000	

PCSR-fit under the high-fit condition ($M_{\text{PCSR-fit}} = 4.13$) than in the low-fit condition ($M_{\text{PCSR-fit}} = 2.52$; $t(358) = -12.230$, $p < .001$).

4.3 | Hypotheses tests

4.3.1 | Main effect

Hypothesis 1 proposes that in CIs as the level of PCSR-fit increases, corporate reputation will also improve. In order to test this hypothesis, reputation was set as dependent variable, and control variables (age, gender, smoke) and independent variable (PCSR-fit) were entered into the equation. It is possible to see that PCSR-fit has a significant positive effect on corporate reputation (Table 5; Model 1, $\beta = .357$, $p < .001$). Therefore, Hypothesis 1 is supported.

4.3.2 | Mediating effects

The results of Hayes' (2013) PMMM procedure, including the two hypothesized mediations (four hypotheses), are shown in Table 5. Findings indicate that as the level of PCSR-fit increases, this has a significant positive effect on CSR initiatives' legitimacy (Model 2, $\beta = .550$, $p < .001$) and a significant negative effect on situational

skepticism (Model 3, $\beta = -.370$, $p < .001$), supporting Hypotheses 2a and 3a, respectively.

Moreover, Model 4 in Table 5 also reveals significant mediation of CSR initiatives' legitimacy ($\beta = .332$, $p < .001$) and situational skepticism ($\beta = -.550$, $p < .001$) on corporate reputation. Additionally, by comparing Model 1 with Model 4, it is possible to observe that the inclusion of the mediator variables in the model turns the coefficient of PCSR-fit non-significant, and therefore it is possible to conclude that CSR initiatives' legitimacy and situational skepticism fully mediate the effect of PCSR-fit on corporate reputation. In conclusion, Hypotheses 2b and 3b have been supported.

Regarding the quantification of direct and indirect effects (inferential tests), following Hayes' (2013) recommendation we used 10,000 bootstrap samples. Table 6 presents the results. The criterion is that if the confidence interval includes zero, then there is evidence to suggest that such effect is non-significant. In this case, confidence interval analysis coincides with our results: all intervals fail to include zero, except for the direct effect once mediation variables have been included, indicating full mediation of CSR initiatives' legitimacy and situational skepticism. In sum, our findings provide support for all five hypotheses (see Table 7 for a summary).

5 | DISCUSSION

5.1 | Academic implications

According to our results, to enhance corporate reputation in CIs, stakeholders should perceive higher levels of PCSR-fit, understood as a correspondence between a company's core business and its socio-environmental activities. The main insight is that to achieve this goal in these sectors, CSR needs to have a specific characteristic: stakeholders should sense that these practices avoid or reduce the inherent controversial harm or impact. We also find that CSR initiatives' legitimacy and situational skepticism mediate this association. To probe into these findings, we can break down our analysis into two distinct dimensions: what occurs inside the firm, and what happens externally (i.e., how industry stakeholders perceive CSR).

From an internal lens, we highlight the distinction made by scholars between "strategic CSR" and "corporate philanthropy" (Rodrigo et al., 2016; Toppinen & Korhonen-Kurki, 2013). The difference lies in that the former socio-environmental activities stem from a firm's core business and hence prioritize addressing aspects of its regular operations. On the latter, however, endeavors concentrate in general goodwill, donations, and activities aimed at peripheral and inessential features of a firm's activity (see, Michelon, Boesso, & Kumar, 2013; Singer, 2013). From a general CSR lens, our research concurs with the assertions made by Lindorff et al. (2012), Reast et al. (2013), and Yani-de-Soriano et al. (2012) that emphasize that in CIs the strategic character of CSR is a must. To gain reputation the least that these companies can do is design practices that address and reduce their inherent controversial effects. The implication is that we confirm the necessity of an "internal CSR-fit" to garner positive opinions, understood as a situation where socio-environmental initiatives stem from the core business despite its

TABLE 4 Multicollinearity statistics

	Multicollinearity statistics	
	Tolerance	VIF
PCSR-fit	.524	1.907
CSR initiatives' legitimacy	.385	2.599
Situational skepticism	.539	1.856
Age	.942	1.062
Gender	.890	1.123
Smoke	.977	1.024

TABLE 5 Results of the main and mediating effects

	Model 1: Reputation			Model 2: Legitimacy			Model 3: Skepticism			Model 4: Reputation		
	Coeff.	SE	p	Coeff.	SE	p	Coeff.	SE	p	Coeff.	SE	p
Independent variable												
PCSR-fit	.357	.037	<.001	.550	.031	<.001	-.370	.033	<.001	-.029	.037	.429
Mediating variables												
Legitimacy	-	-	-	-	-	-	-	-	-	.332	.053	<.001
Skepticism	-	-	-	-	-	-	-	-	-	-.550	.050	<.001
Covariates												
Age	-.007	.046	.885	.021	.039	.585	-.002	.041	.971	-.014	.033	.667
Gender (Male = 1)	-.183	.113	.107	-.433	.096	<.001	.206	.102	<.050	.076	.085	.376
Smoke (Yes = 1)	.470	.113	<.001	-.009	.096	.923	-.192	.109	.060	.367	.083	<.001
Constant	2.116	1.077	.050	1.730	.915	.060	5.735	.971	<.001	4.694	.863	<.001
	$R^2 = .249$			$R^2 = .482$			$R^2 = .275$			$R^2 = .600$		
	$F(4, 355) = 29.389,$ $p < .001$			$F(4, 355) = 82.615,$ $p < .001$			$F(4, 355) = 33.625,$ $p < .001$			$F(6, 353) = 88.233,$ $p < .001$		

polemic nature. This resonates with Du and Vieira (2012) who posit that to obtain positive firm evaluations stakeholders should observe an alignment between CSR and business strategy.

Most works in the tradition linking PCSR-fit with reputation have assumed that an internal CSR-fit is enough to obtain beneficial reputational outcomes (e.g., Aksak et al., 2016; de Jong & van der Meer, 2017; Du et al., 2010; Elving, 2013; Kim & Ferguson, in press; Nan & Heo, 2007), overlooking that stakeholders are heterogeneous across different “types” of industries. Our findings uphold that this is not enough in CIs to enhance reputation. We contribute to this literature strain by showing that an “external CSR-fit” is also required, given that PCSR-fit explicitly entails that the particular stakeholders present in CIs are noticing that firms are avoiding or reducing their innate controversial consequences. In this case, we focused on tobacco, and as the manipulations of our experiment revealed, this implies that responsible initiatives are addressing the harm from cigarettes. Following the arguments from stakeholder theory (Freeman et al., 2010; Griffin, 2017), only then will stakeholders that endure CIs find greater purpose in CSR

activities, which permits fulfilling prospects regarding firms' contribution to society and garnering positive firm opinions.

The discussion in the two preceding paragraphs allows us to propose that a necessary condition to enhance reputation in CIs is a “double CSR-fit.” An essential contribution we make to this strand is extending the internal fit notion in order to also consider sectorial differences (i.e., an external fit), particularly the prospects of key stakeholders present in each kind of industry. Even though the idea of double fit has been a dominant paradigm in management, particularly in strategy and organization theory (see, Fortwengel, 2017; Miller, 1992), this idea has not been applied to the tradition linking PCSR-fit to corporate reputation. In fact, only recently has a similar idea been proposed by Hawn and Ioannou (2016), given that this article highlights the importance of a concurrent internal-external effort when undertaking CSR initiatives to enhance firm value. These authors evince that as the internal and/or external CSR gap increases, companies' performance declines.

Extending this idea, following Ben-Menahem, Kwee, Volberda, and Van Den Bosch (2013) and Vashchenko (2017), we thus posit that

TABLE 6 Quantification of the total, direct, and indirect effects

	Effect	SE	t	p	LLCI	ULCI
Total effect of PCSR-fit on reputation	.357	.037	9.729	< .001	.285	.429
Direct effect of PCSR-fit on reputation	-.029	.037	-.792	.429	-.102	.043
Indirect effect of PCSR-fit on reputation						
Total	.386	.034 ^a	-	-	.321 ^a	.455 ^a
Legitimacy	.183	.030 ^a	-	-	.126 ^a	.244 ^a
Skepticism	.203	.025 ^a	-	-	.158 ^a	.257 ^a

^aStandard error (SE), lower limit confidence interval (LLCI), and upper limit confidence interval (ULCI) for indirect effects were estimated based on 10,000 bootstrap samples.

TABLE 7 Hypotheses support summary

Hypotheses		Result
Hypothesis 1	<i>In controversial industries, as the level of PCSR-fit increases, corporate reputation will also improve.</i>	Supported
Hypothesis 2a	<i>In controversial industries, as the level of PCSR-fit increases, evaluations of CSR initiatives' legitimacy will also improve.</i>	Supported
Hypothesis 2b	<i>In controversial industries, evaluations of CSR initiatives' legitimacy positively mediate the relationship between PCSR-fit and corporate reputation.</i>	Supported
Hypothesis 3a	<i>In controversial industries, as the level of PCSR-fit increases, situational skepticism will decrease.</i>	Supported
Hypothesis 3b	<i>In controversial industries, situational skepticism negatively mediates the relationship between PCSR-fit and corporate reputation.</i>	Supported

controversial companies are to develop processes and routines with the goal of monitoring, scanning, and reacting to socio-environmental changes, which might accrue new sets of inner organizational competencies. In this sense, a firm's ability to constantly readapt or "re-fit" internal and external aspects of its CSR initiatives could constitute a rare, valuable, inimitable, and non-substitutable intangible asset, becoming a significant source of competitive advantage (Hawn & Ioannou, 2016; Miles & van Clieaf, 2017). This speaks of the complex dynamics of how CSR enhances reputational aspects, leading us to propose that the relationship linking CSR with corporate reputation is not as direct, static, or simple as extant literature assumes (see, Tetrault-Sirslly & Lvina, in press).

Regarding the mediating variables, our findings indicate that CSR initiatives' legitimacy mediates the association between PCSR-fit and corporate reputation in CIs. Legitimacy entails a correspondence between firms' activities and certain socially constructed and agreed norms, values, and principles (Bitektine, 2011; Ozdora-Aksak & Atakan-Duman, 2016; Suchman, 1995). Since in this case to garner legitimacy of CSR activities controversial firms are to convey a reduction or avoidance of their salient impact (i.e., PCSR-fit), our evidence indicates that stakeholders have the conviction that these companies possess the in-built responsibility of minimizing harm through their socio-environmental programs. In this sense, following Reast et al. (2013), CIs should undertake "transactional legitimacy-seeking strategies." In these types of actions, entities mobilize tangible resources (e.g., money) to engage affected stakeholders and avoid or reduce the intrinsic harm or impact done. This implies that firms in these settings need to emphasize that despite their harmful operations, they are acting as just and transparent as possible by showing that they are at least trying to fulfill the "instrumental" and "transactional" levels theorized by Palazzo and Richter (2005).

Concerning situational skepticism, our literature review highlighted the role of communication-based relationships so that firms could gather stakeholder information to reduce situational skepticism. In this sense, following Du and Vieira (2012) and Jahdi and Acikdilli (2009), controversial companies are prone to involve in their operations these parties with the goal of delivering credible messages. This in turn has the collateral effect of reducing doubt in peoples' minds regarding CSR initiatives. This is because they observe that companies are actually helping groups that are directly affected by the entity's inherent impact or harm, as PCSR-fit implies that programs of this nature run against the controversial characteristic (e.g., by ameliorating the effects of

tobacco consumption). The combination of more trustworthy stakeholder-delivered messages, plus activities that attempt to help affected parties, reduces the level of situational skepticism and in fact improves reputation.

Moreover, situational skepticism plays a key role in the PCSR-fit path to corporate reputation in CIs. This implies that social and environmental initiatives—when conforming to damage minimization—will reduce this type of doubt in stakeholders' minds. According to our literature review, this construct is driven by motive attribution: it depends whether stakeholders ascribe benevolence or egoistic reasons for CSR actions (Groza et al., 2011; Marín et al., 2016). Our evidence suggests that this is a plausible explanation of the mediation of situational skepticism between PCSR-fit and corporate reputation. Even though we do not explicitly study this process, consistent with the way we defined and measured situational skepticism (using Skarmas & Leonidou's, 2013 article; see Table 2), items inquire if stakeholders truly believe or not if the company is interested in being a responsible societal actor or in its ethical standards. Therefore, in a way, it conveys if individuals are doubtful or not regarding how responsible or ethical the firm is actually being, given their level of PCSR-fit. As long as stakeholders attribute benevolence-oriented reasons, their level of situational skepticism is bound to decrease.

5.2 | Societal implications

Our results have societal implications considering that non-market actors worldwide—chiefly civil society and governments—can use our model to better comprehend how CIs, and particularly tobacco companies, design and implement CSR initiatives in order to gain corporate reputation. With this insight, these actors can discover and implement more effective ways to fight tobacco prevalence. This is particularly relevant given that around 6.1 million people die every year due to smoking-related illnesses (Kunkle, Christie, Hajat, & Yach, 2016) such as heart disease, stroke, cancer, and chronic respiratory conditions (Johnston & Finegood, 2015).

Concerning civil society as a non-market actor, literature has deemed this body as crucial because its demands are increasingly articulated through "Civil Society Organizations" (CSOs) (Arenas, Sanchez, & Murphy, 2013),⁵ which have become strong counterweights to corporate action (Harangozó & Zilahy, 2015). Through the implementation of different strategies, CSOs pursue socio-environmental objectives that other parties ignore (Laasonen, Fougère, & Kourula, 2012;

Teegen, Doh, & Vachani, 2004). In the specific case of tobacco, Weishaar, Collin, and Amos (2016) argue that these entities' main aim is to promote smoke-free initiatives in order to protect people's health. To this end, anti-tobacco CSOs have historically acted as "watchdogs," generating consciousness concerning the adverse effects of smoking, persistently observing and evaluating the actions of cigarette companies while also pressuring them to comply with societal norms and reduce the inherent harm of their products (Champagne, Sebr  , & Schoj, 2010; Reubi & Berridge, 2016; Thomson, Dey, & Russell, 2015).

With our findings, these guardian-like, health-focused CSOs can design and implement more effective societal initiatives to reduce the impact of smoking. Concretely, by using our model, these entities now can know that tobacco firms will seek higher levels of PCSR-fit to boost reputation. Hence, CSOs could become critical monitors that assess the true alignment between these enterprises' core business and socio-environmental initiatives and judge if these actions are truly reducing the controversial harm of cigarettes. Modern democratic societies validate these organizations because they have the suitable knowledge to watch tobacco corporations (Champagne et al., 2010; Gonzalez, Green, & Glantz, 2012). Therefore, they can communicate to the general public if and how tobacco firms' CSR initiatives are reducing (or not) the impact from smoking. In this process, if CSOs regard that responsible activities are merely philanthropic, and thus not related to the core business, they can stage protests so that the public realizes that companies are not addressing the innate impact of their controversial goods. By revealing this misfit, CSOs could affect stakeholder evaluations of CSR initiatives' legitimacy by exposing that these actions are not in line with what society expects, and by highlighting the perhaps "greenwashing" nature of CSR it could increase situational skepticism, both being scenarios that hinder reputation according to our results. Thus, with this information that can be extracted from our model, CSOs have the possibility of better influencing tobacco firms into harm-reducing CSR endeavors.

Concerning governments as a non-market actor, they are also interested in fostering CSR activities because they help improve the population's well-being (Dentchev, van Balen, & Haezendonck, 2015; Knudsen & Brown, 2015). In the case of tobacco, governments aim to pass stringent laws that reduce cigarette consumption in order to not only reduce the number of deaths but also the total health expense from associated ailments (Reubi & Berridge, 2016; Towe et al., 2016). Given that CSR is usually conceived as a discretionary above-the-law activity (Aguinis & Glavas, 2012, 2013), new enacted smoke-free bills will force tobacco companies to constantly "raise the bar" and implement innovative initiatives that reduce the impact of smoking, insofar they wish to gain reputation. This is an interesting insight, because this compels firms to always fund CSR initiatives beyond what public policy demands, which could ease public expense in the long term. Otherwise, governments have the ability to fine these companies if they do not adhere to health regulations. In this scenario, at the expense of losing CSR initiatives' legitimacy if they do not—at least—comply with the law, public administrations have the capability of constantly forcing tobacco

corporations to reduce the harm of their products as new laws are passed, fulfilling this way governments' health objectives. This creates a virtuous circle, where new bills are approved and companies respond by developing stricter CSR activities.

6 | CONCLUSION

The main contribution of this article is further unraveling the association between PCSR-fit and corporate reputation by addressing how the severe socio-environmental impacts that characterize CIs affect this relationship. We have discovered that strategic harm-reducing CSR endeavors are the ones that enhance reputation in this setting because they entail a "double internal-external CSR-fit." Moreover, we also identify two mediating variables—CSR initiatives' legitimacy and situational skepticism—advancing our comprehension of this association's underlying mechanisms. Finally, we also identify how the broader society could benefit from our results. In sum, we extend knowledge regarding the corporate reputation in a specific context.

From our work we propose a research agenda in three different directions. First, due to the importance of a "double CSR-fit" in CIs, we summon scholars to delve into how this construct could help these companies attain effectiveness. Because most works focusing on the idea of internal-external fit come from organizational theory, we propose using current methodological approaches in this discipline, particularly case study analysis (e.g., Ben-Menahem et al., 2013; Fortwengel, 2017). Second, given that the level of "controversiality" of an industry depends on country-level variables (Rodrigo et al., 2016; Waller, Fam, & Erdogan, 2005), we posit that future research should undoubtedly test our results in other parts of the globe to see if our results still hold. Third, scholars should also attempt to consider how reactions of specific stakeholders might have different underpinnings when it comes down to the link between PCSR-fit and reputation. For example, past literature suggests that employees (e.g., Lai et al., 2010) and consumers (e.g., Deng & Xu, 2017) might have different expectations concerning firms' CSR activities.

Despite our contributions, some limitations must be acknowledged. Even though the methodology was sound according to the tests performed, the sample used was narrow in the sense that it only contained senior undergraduate students. Future works might aim to develop more diverse data sets to see if our results hold for different demographic segments. In addition, we have considered only two mediators, but given that CIs is a relatively new field other constructs could also be influencing the link between PCSR-fit and reputation. To fully comprehend this phenomenon, more conceptual research is thus required, specifically, more qualitative investigations in order to discover other underlying mechanisms besides CSR initiatives' legitimacy and situational skepticism.

Our findings definitely give CSR initiatives in controversial sectors a reason to exist. In fact, these activities seem to be a worthwhile endeavor by themselves, as even in the most salient sectors there is apparently a light at the end of the tunnel. As long as they can allocate resources to strategically reduce and amend the damage done,

reputation can be enhanced through the increase in CSR activity's legitimacy and the reduction of situational skepticism. Therefore, companies *can* be bad but (still) look good.

ORCID

Pablo Rodrigo  <http://orcid.org/0000-0002-0017-4321>

Ignacio J. Duran  <http://orcid.org/0000-0002-9188-0538>

ENDNOTES

¹ Usually, the tradition linking PCSR-fit and corporate reputation has focused on stakeholders in general (e.g., Aksak et al., 2016; Du et al., 2010; Kim, 2014), consumers (e.g., Becker-Olsen et al., 2006; Brown & Dacin, 1997; Kiessling et al. 2016), or employees (e.g., Brammer & Pavelin, 2006; Brønn & Vidaver-Cohen, 2009; Lai et al., 2010). Considering this typology, our article is deliberately based on the first strand, which mostly considers external stakeholders (i.e., outside company limits) that somewhat represent the general public. We clarify this issue, because throughout our work we refer to "stakeholders" with this conception in mind.

² We do not consider as part of the review the works by Davidson (2003), Jahdi and Acikdilli (2009), Oh et al. (2017), Sabri (2017), Waller et al. (2005), and Wilson and West (1981), because, even though they focus on marketing aspects of CIs, these articles do not explicitly address the link between CSR initiatives and corporate reputation (which is the focus of our research). Nevertheless, we do include them in different parts of this article to support some of our arguments.

³ According to SENDA (2012), the Chilean governmental entity that works to prevent drug consumption, over 50% of the Chilean population aged 19–26 years smoke tobacco (latest data they have). As a point of comparison with other OECD countries, only around 18% and 21% of adults aged 18–24 years smoke tobacco in the USA (CDC, 2015) and the UK (ONS, 2015), respectively. Hence, in comparative terms Chile has a higher tobacco consumption prevalence in this age group. This is why we purposely chose Chilean college students to study the tobacco industry, as they are more likely to be familiar with this sector than in other contexts.

⁴ We performed both Baron and Kenny (1986) and Hayes' (2013) analyses and reached the same conclusions. However, we only present the results of the PMMM method for two main reasons: space and it is more robust. Also, a comparative study of both approaches is beyond our paper's scope.

⁵ Several names have been utilized when referring to entities that represent civil society: social movement, advocacy group, collective action, non-governmental organization (NGOs), non-profit organization (NPOs), among others (Johnston & Finegood, 2015; Teegen et al. 2004). However, following Arenas et al. (2013) we prefer the generic term "Civil Society Organizations," because it more clearly encompasses groups that are not controlled by governments and/or firms.

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AUTHOR BIOGRAPHIES

CLAUDIO AQUEVEQUE is Associate Professor at the Business School of Universidad Adolfo Ibáñez (Chile). He holds a Ph.D. in Business Administration & Management from Bocconi University, and an undergraduate degree in Industrial Engineering from Universidad Técnica Federico Santa María. His research interests include information processing and decision making, with applications in different stakeholders, such as consumers and managers.

PABLO RODRIGO is Associate Professor at the Business School of Universidad Adolfo Ibáñez (Chile). He holds a Ph.D. in Management Sciences from ESADE Business School, and an undergraduate degree also in Management Sciences from Universidad Adolfo Ibáñez. His research focuses on understanding (1) the corporate interest for sustainable development and its relationship to business strategy and the internal outcomes it effects on companies, (2) the socio-political impacts of firms' corporate sustainability strategies, and (3) inter-generational ethics and the operational challenges it entails for organizations.

IGNACIO J. DURAN is Research Associate at the Centre for Business Sustainability in the Business School of Universidad Adolfo Ibáñez (Chile). He holds a M.Sc. in Management and an undergraduate degree in Business Administration, both from Universidad Adolfo Ibáñez. His research focuses on the link between general management, corporate social responsibility, and sustainability in emerging markets. He is particularly interested in the studying controversial industries and the challenges that these sectors face.

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APPENDIX

STIMULI USED IN THIS EXPERIMENTAL DESIGN

The following text and questionnaire are part of a consumer behavior study, for which I need your collaboration. Please read carefully the following report and then answer the questions. Participation in this study is totally voluntary, and answers will be analyzed in an aggregate and confidential manner.

CSR STUDY IN CHILE

(Name of CSR-related professional association) was founded in 2000, and this non-profit professional organization aims to study and promote the

development of CSR in Chile. (*Name of CSR-related professional association*) is one of the most renowned organizations in terms of CSR in this country, and it works in association with prestigious institutions such as (*names of certain Universities and other professional associations*). The main activities of (*name of CSR-related professional association*) are applied research and other type of reports and manuals; business case studies; training executives in what CSR entails; and instances to promote CSR matters (meetings, seminars, award ceremonies, etc.). The following paragraphs represent an extract from a report made by (*name of CSR-related professional association*) about (*tobacco company's name*) in Chile.

(*Tobacco company's name*) entered the Chilean market over 100 years ago, and it begun its operations specifically in the (*name of a Chilean region*). Nowadays, it commercializes and distributes seven cigarette brands all over Chile, the most important ones being: (*several brand names*). Currently (*tobacco company's name*) has a market share of 93%.

Through time, (*tobacco company's name*) has considered CSR a fundamental pillar in the implementation and development of its core business, to the extent of already having an established program of social responsibility, which includes a series of initiatives. The following activities can be highlighted:

[For the high PCSR-fit initiative stimuli]

- **Responsible business program:** Aimed at prohibiting cigarette access to minors. This program seeks to instruct cigarette sellers that it is strictly forbidden and illegal to sell products from (*tobacco company's name*) to people under the age of 18, and therefore they should card people (ask for their identification document), and hopefully turn this into a habit.
- **Damage reduction plan:** (*tobacco company's name*) owns laboratories that constantly work in the development of new products with reduced toxic components and cigarette substitutes that allow reducing damage in consumers' health.
- **Creating "Ex-Smokers" program:** (*tobacco company's name*) jointly works with a myriad of centers that seek eliminating tobacco addiction. This program provides information and education regarding the negative consequences of smoking on peoples' health. In addition, it uses a series of tools and methods to help people quit smoking. It is a face-to-face program and it is led by a multidisciplinary team of experts.

Adhering to Chilean law, (*tobacco company's name*) publicly communicates that smoking has negative consequences on peoples' health. However, (*tobacco company's name*) recognizes that multiple alternatives exist to help people quit smoking and that their business is not based on deceiving consumers but rather on each individual's free choice of consuming cigarettes or not.

[For the low PCSR-fit initiative stimuli]

- **Cultural bus program:** (*tobacco company's name*) created two mobile libraries that visit various rural communities in (*name of two Chilean regions*). These libraries allow free access to books, music, and it also offers craft workshops. This program was mainly executed in (*two nearby towns*), where this firm has a factory and tobacco plantations, respectively.
- **Reduction of the digital divide program:** This program offers free computer courses to the community, whose aim is to certify individual digital competences. This program designed by (*tobacco company's name*) teaches people basic computer skills that enhance employability.
- **Micro loans program:** In an attempt to create new prospects that might contribute to society's general well-being, (*tobacco company's name*) gives micro loans to small local entrepreneurs, with the goal of helping them develop and improving their businesses. This program also has the objective of providing opportunities to low-income families, so that in the long term this country's poverty is reduced.

(*Tobacco company's name*) publicly communicates its commitment to society, because by being an integral part of it they feel it is important to contribute to its development.