Building A Corporate Socially Responsible Brand: An Investigation Of Issue Complexity

Michael Jay Polonsky, Victoria University
Colin Jevons, Monash University

Abstract

Corporate social responsibility (CSR) is increasingly being leveraged in branding activities. This paper suggests that there are four types of issue complexity associated with defining what issues should be considered for CSR branding activities to be effective. These include the number of social issues considered, diversity of sub-issues, measurement difficulties and determination of appropriate performance levels. Some implications for developing CSR-leveraged brands are discussed.

Introduction

To date there has been extensive discussion of the benefits to firms and brands of being socially responsible (Knox and Maklan 2004), including: improved financial performance (Johnson 2003, Miles and Covin 2000), building a connection with consumers (Porter and Kramer 2002), improving product quality (Montillaud-Joyel and Otto 2004) and even internal benefits such as increases in employee commitment and reduced employee turnover (Dawkins and Lewis 2003, Maio 2003), not to mention improving society overall (Sirgy 2002). It is no surprise that "CSR is increasingly being recognised by firms as central to core business activities rather than a peripheral consideration associated with philanthropy" (Bhattacharya et al. 2004 p6). The implementing of a socially responsible brand is not straightforward, and some expected benefits do not necessarily eventuate (Ginsberg and Bloom 2004, Kitchen 2003).

Linking socially responsible behaviour with the brand can be essential in developing the brand's values and personality (Kitchen 2003), as well as creating value in terms of differentiation within the market (Johnson 2003). The view that corporate social responsibility is an integral component of corporate activity and corporate identity was supported by 24% of the business people at the 2004 World Economic Forum in Davos Switzerland (Economist 2004). While some might consider this percentage low, there is evidence of an increased appreciation of CSR by managers over time (Lewis 1999).

Because of the complexity of CSR issues, firms promoting the message that their brands (corporate or product) are responsible will have to understand all aspects of the social issues they are seeking to integrate into their brands (Lewis 2003). These social values also need to be clearly communicated in all internal and external activities (Kitchen 2003), as well being accurately reflected in organisational activities (Maio 2003). Any perception of "puffery" (exaggeration of brand values) will quickly be picked up and used by activists or other stakeholders to publicise inconsistencies (Miles and Covin 2000). Of course, given the diversity of social issues, it will be potentially difficult to position a corporate or product brand as being responsible across all fronts. This is more difficult when one considers that the state of knowledge of social issues and society's views on them, inevitably change over time. Thus what is seen as a responsible action today may be considered harmful in the future (Polonsky and Rosenberger 2001), and therefore organisational CSR practices and leveraging of these activities need to continually be revised (Sirgy 2002).

CSR activities are a significant business concern: “in 20 developed countries surveyed, CSR-related factors collectively accounted for 49% of a company’s brand image (Business and Sustainable Development 2001).” This result is not surprising as firms’ brand images –serving as a representation of the firm – are used as a lens in which stakeholders evaluate all performance, including social performance (Werther and Chandler 2005). In this way managers explicitly create brand promises to stakeholders on product and corporate attributes, including CSR (Kitchen 2003). However, if stakeholders perceive implicit higher level CSR promises made by brands - corporate or product - dissatisfaction will occur with any perceived under-delivery against those promises (Kitchen 2003).

CSR is important to a broad range of organisational stakeholders, with an equally broad range of expectations of brand responsibilities (Dawkins and Lewis 2003, Maio 2003). For example, between 1995 and 1998 there was more than a 50% increase in the number of business leaders, from 25% to 39%, who believed industry was not doing enough to meet its social responsibilities (Lewis 1999). Consumers also appear to be exhibiting a significant interest in firms’ CSR activities, with 38% of UK respondents reporting that it was “very important that a company show a high degree of responsibility…” (Dawkins 2004 p1). A study by Business and Sustainable Development (2001) reported that in the US 42% of customers surveyed indicated they would be likely to switch brands because of CSR issues, although this figure was lower in Europe (25%), Latin America (23%) and Asia (8%). CSR has also been supported by employees, with 90% in one UK study reporting that their firm’s social and environmental responsibility was important to them, with 58% saying it was very important to them (Dawkins 2004).

It is therefore no wonder that some firms have sought to integrate CSR as a core value in brand positioning (Ginsberg and Bloom 2004, Middlemiss 2003, Werther and Chandler 2005). While promoting CSR linked brand and corporate identity is not new, the number of brands focusing on CSR values seems to be increasing, although implemented in different ways (Menon and Kahn 2003, Dawar 2004, Maio 2003).

Leveraging corporate social responsibility requires a shift away from any purely altruistic motives for undertaking socially responsible activities, where no benefit accrues to the firm from its public-spirited action (Drumwright and Murphy 2000). Leveraging CSR related activities has been considered a strategic action from which there needs to be a direct “return on investment” (Porter and Kramer 2002). However, attempting to leverage good work may be counterproductive and result in stakeholder scepticism (Mayer et al 2003). In this way firms and their brands may ultimately lose, or at least not gain the maximum positive social and reputational benefit that they could achieve (Klein and Dawar 2004).

Leveraging of CSR branding requires thorough understanding of the increased issue complexity, especially when CSR is not embraced within the traditional branding concept. That is a brand is designed to embody and reflect the core values and attributes of the “product” (Kitchen 2003, Middlemiss 2003, Werther and Chandler 2005). CSR branding therefore explicitly means that CSR ***is*** a core part of the brand and associated activities communicating brand characteristics. If it is a core business activity (Bhattacharya et al 2004) and not simply PR or marketing hype (Freankental 2001), then it is words that are supported by and inextricably linked with action. There must be a long-term commitment to CSR activities, which must be supported at senior management level, taking into consideration the issues that are salient to the brands' stakeholders. There also must be sufficient resources to support actions and provide robust measures of performance (Dawkins and Lewis 2003, Middlemiss 2003, Werther and Chandler 2005). Further, CSR activities must be supported by other core brand and product attributes (Lewis 2003) otherwise there is the risk that CSR becomes puffery, which is a consumer concern already in some areas of social responsibility (Mayer et al. 1993).

Developing and maintaining a "responsible" brand can clearly be difficult for organisations and there are layers of complexities involved. We suggest that organisations should consider three types of complexity - issue, organisational, and implementation -when considering the degree to which CSR is, or should be, integrated into branding and overall activities. This paper concentrates on the first and fundamental type of complexity, issue complexity.

Issue Complexity

Corporate social responsibility is a broad concept and means different things to different stakeholders, including the firm (Dawkins and Lewis 2003, Frankental 2001). As such, the very nature of socially responsible actions expected by stakeholders may not necessarily be clearly understood by the firm (Guay et al 2004) or the stakeholders themselves (Polonsky and Rosenberger 2001). Even when organisational behaviour and stakeholder expectations are consistent with the types of issues that might need to be considered, the definition of "responsible" performance may vary across stakeholders (Zyglidopulos 2002). Further, even if performance criteria are agreed, the difficulty of making subjective judgements against those criteria may lead to different perceptions of outcomes (Goodpaster 2003).

Social issues

In looking at issue complexity we will first focus on the range of social issues that might need to be integrated in activities in order to claim that a brand is behaving in a socially responsible fashion. Within social investing areas there are broadly defined lists of activities that need to be considered when classifying an organisation as socially responsible. For example, the KDL social investing group (KDL2004) examines firms' performance on eight broad social issues to be considered in classifying a firm. These include: Community, Corporate Governance, Diversity, Employee Relations, Environment, Human Rights, Product, and Controversial Business Issues.

Some firms have sought to address the complexity of CSR issues by having clearly stated positions on a broad range of these issues, if not all of them. For example, Nestle has a series of Web pages and links devoted to the social responsibilities it has defined as being important to the organisation. These include: responsibility - Environment; UN Global Compact; Sustainability; Nestlé Donations, Nestlé in the Community; Water - as well as issues related to specific products, including Infant Formula and Coffee Prices - and activities - Gene Technology; Quality; Water. The specific way in which Nestle seeks to demonstrate that it has addressed these issues might in part relate to the past problems it has experienced, i.e. they have learned from past mistakes of themselves and others. In this context there is some research suggesting that adopting CSR can dilute corporate image problems (Klein and Dawar 2004), although these and other authors suggest that using CSR to try and overcome past problems needs to be undertaken carefully so that it is not seen to be a superficial public relations activity without underlying shifts in activities (Doonar 2004, Werther and Chandler

2005). Nestle has clearly defined the scope of issues that inform its CSR policy and explains how these form a core part of its business principles. However, there are still some stakeholder groups that promote boycotts of Nestle, criticising its poor performance on the very issues the firm has identified as core "CSR strengths".

Heterogeneity

The second area of issue complexity relates to the multitude of sub-areas within a CSR activity that also should be considered, including regional variations in issue importance (Bhate 2003). Take for example a firm that positions its brand as being sensitive to human rights. The KDL social screen lists three major areas that need to be addressed in order for a firm to be considered responsible: Indigenous Peoples' Relations, Labor Rights and Others (exceptional human rights initiatives) as well as listing areas of activity that should be excluded, such as sourcing from Burma and controversies related to employee relations (KDL 2004). The breadth of this list can make it difficult for a firm to demonstrate appropriate CSR action on all the various fronts specified, to say nothing of issues that are perceived by stakeholders to be implicit to organizations, even though they are not explicitly stated by the firm. For example, will a firm promoting the message that they pay a working wage in all countries in which it operates be perceived by all stakeholders to be behaving in a CSR fashion? Such claims could be difficult for a wide variety of stakeholders to support, especially when there are vast differences in what constitutes a living wage across the world. Will consumers or activists in developed countries perceive "living wages" paid in developing countries as fair? In addition, what if there are other labour practices that some stakeholders perceive as being more important than a living wage, such as occupational health and safety? How can a global firm effectively manage all stakeholder perceptions in global markets? Zygilidopoulos (2002) has suggested that managing global CSR expectations is very difficult, and adoption of the strictest global expectations is required to avoid negative reaction.

Measurement

This leads us to a third area of issue complexity, that of how CSR activities are to be measured (Goodpaster 2003, Knox and Maklay 2004). For example, how is it possible to definitively measure genuine equality of opportunity? Measures of CSR performance should consider both the criteria used and the processes by which those criteria are measured. In cases where CSR is measured using subjective evaluations there may be potential for disagreement in regards to CSR performance. One possible way to standardize subjective evaluation could be to have external bodies providing consistency in measures of CSR performance (Maio 2003). Disagreements about the standards used to measure CSR would result in these measures not being generalisable (Goodpaster 2003). The temptation to create objective quantifiable measures can fail due to the necessarily artificial way in which such measures of CSR would have to be constructed. For example, setting equal opportunity targets or quotas for minority groups may not actually bring about equal opportunities within a workplace. The heterogeneous perceptions of various activities across geographical or social areas referred to in the previous section further add to the difficulty of setting robust, unequivocal, and measurable CSR standards.

Interpretation

Even if all stakeholders agree on the criteria to objectively measure performance, they may disagree about the level of achievement required for positive or negative performance. How do we determine when a given level of social performance is positive? This may depend on who is being asked. For example, during the apartheid era in South Africa, some consumers and investors criticised firms for operating in that country even though the firms had adopted the widely agreed Sullivan Principles of responsible behaviour (Mangaliso 1997). In the view of these stakeholders, any corporate activity in South Africa was seen negatively and as supporting an oppressive regime. Yet, on the other hand, there were consumers and investors who considered that the firms operating under the Sullivan principles were contributing to social enhancement and improved standards of living of the oppressed in that country. Who was right from a CSR perspective? Certainly both groups believed that they were ethically correct and in this case some stakeholders would criticise the firm for behaving irresponsibly, even though others would praise the firm for exemplary action.

This aspect of complexity therefore relates to what level of performance is seen to be responsible. This is an important issue to be considered in defining the CSR positioning of the brand. The implication for CSR leveraging is that no matter how responsible a firm is, there may be those that criticise it for not performing better, based on expectations that may or may not be realistic. To claim a brand (corporate or product) is responsible must mean that system-wide issues have been tackled and managed (Polonsky and Rosenberger 2001). Responsible branding can thus result in organisations thoroughly reviewing their overall social impact, not simply focusing on narrowly defined issues.

Conclusions

Developing CSR is something that requires intensive corporate commitment (Lewis 2003) and needs to be embraced by senior management, while at the same time translated to strategic and operational activities (Bluenenthal and Bergstrom 2003). Stakeholders expect CSR activities (Dawkins 2004) and any then irresponsibility results in reputational damage. As such firms need to keep the implied 'promises' stakeholders perceive they have made (Kitchen 2003) and as such need to understand all dimensions of issues on which CSR clams are based. In this way understanding CSR issue complexity is essential and something that firms should be integrating into activities (Werther and Chandler 2005).

The degree to which CSR is leveraged should be carefully considered. CSR-linked brand positioning is not a short-term tactical activity. CSR positioning in most cases will be a significant strategic shift in the way the organisation thinks about itself and its activities and its communications with internal and external stakeholders. While presently CSR is a "voluntary action," increasingly it is becoming expected. It may be the case that firms choose to undertake responsible actions without seeking to leverage these actions. Any leveraging of CSR should ensure that the firm has genuinely integrated CSR into its corporate culture and actions. To do this the firm needs to understand its behaviour in the context of issue complexity and be able to substantiate its actions as well as leveraging them. This allows proactive external leveraging with the confidence that actions support the brand positioning.

We suggest that one of the more pressing issues for future research is to examine how firms define the scope of issue complexity and the extent to which these are systematically used to develop a CSR brand personality. The effectiveness of the definition of brand personality will impact on the successful implementation of CSR branding and will therefore need to be understood before examining the outcomes of CSR branding activities.

References

Bhate, S. (2003). One world, one environment, one vision: are we closer to achieving this? An exploratory study of consumer environmental behaviour across three countries, Journal of Consumer Behaviour, 2(2): 169-184.

Bhattacharya, N.C., C. Smith and D. Vogel (2004). Integrating social responsibility and marketing strategy: An introduction, California Management Review, 47(1): 6-8.

Bluementhal, D. and A.J. Bergstorm (2003), Brand councils that care: Towards the convergence of branding and corporate responsibility, Brand Management, 10(4-5): 327-241.

Business and Sustainable Development (2001). Corporate social responsibility monitor. http://www.bsdglobal.com/issues/sr_csrm.asp accessed November 2004.

Dawkins, D. and S. Lewis (2003). CSR in stakeholder expectations: and their implication for company strategy, Journal of Business Ethics, 44(2/3). 185-193.

Dawkins, J. (2004) The public's view of corporate responsibility 2003, Mori: London, UK.

Drumwright, M.E. and P. Murphy (2000). Corporate societal marketing, in The Handbook of Marketing and Society, edited by P.N. Bloom and G.T. Gundlach, Newbury Park CA., USA: Sage Publications.

The Economist (2004). Corporate social responsibility: Two-faced capitalism, The Economist, (Jan 22).

Frankental, P. (2001). Corporate social responsibility- a PR invention? Corporate Communications: An International Journal, 6(1): 18-23.

Ginsberg, J.M. and P.N. Bloom (2004). Choosing the right green marketing strategy, Sloan Management Review, 46(1): 79-84.

Goodpaster, K.E. (2003). Some challenges of social screening, Journal of Business Ethics, 43(3), 239-246.

Guay, T., J.P. Doh and G. Sinclair (2004). Non-governmental organisations shareholder activism and socially responsible investments: ethical, strategic and governance implications, Journal of Business Ethics, 52: 125-139.

Johnson, H.J. (2003). "Does it pay to be good? Social responsibility and financial performance, Business Horizons (6): 34-40

Kitchin, T. (2003). Corporate responsibility: a brand extension," Journal of Brand Management, 10(4-5) 312-326.

KLD Research and Analytics, Inc. (2004) "Social rating criteria," www.kld.com/research/ratings.html Accessed September 2004.

Klein, J. and N. Dawar (2004). Corporate social responsibility and consumers' attributions and brand evaluations in product-arm crisis, International Journal of Research in Marketing, 21: 203-217.

Knox, S. and S. Maklan (2004). Corporate social responsibility: Moving beyond investment towards measuring outcomes, European Management Journal, 22(5): 508-516.

Lewis, S. (1999). Measuring Corporate Reputation, Mori: London, UK.

Lewis, S. (2003). Reputation and corporate responsibility, Journal of Communication Management, 7(4): 356-364.

Maio, E. (2003). Managing brand in the new stakeholder environment," Journal of Business Ethics, 44 (2/3) 235-246.

Mangaliso, M.P. (1997). South Africa: Corporate social responsibility and the Sullivan principles, Journal of Black Studies, 28(2), 219-239.

Mayer, R.N. and D.L. Scammon and C.D. Zick (1993). Positioning the well: Do environmental claims strain consumer credulity, Advances in Consumer Research 20: 698-703.

Menon, S and B.E. Kahn (2003). Corporate sponsorships of philanthropic activities: When do they impact perception of sponsor brand, Journal of Consumer Psychology, 13(3): 316-327.

Middlemiss, N. (2003). Authentic not cosmetic: CSR as brand enhancement, Brand Management, 10(4-5) 353-361.

Miles, M. and J.G. Covin (2000). Environmental marketing: A source of reputational competitive and financial advantage, Journal of Business Ethics, 23: 299-311.

Montillaud-Joyel, S. and M. Otto (2004). Why should companies care about environment and social responsibility? The answer is simple: More and more consumers are asking for it," MORI.

Polonsky, M.J. and P.J. Rosenberger III (2001). Re-evaluating to green marketing - An integrated approach, Business Horizons, 44(5): 21-30.

Porter, M.E. and M.R. Kramer (2002) The competitive advantage of corporate philanthropy, Harvard Business Review, 80(12):

Sirgy, M.J. (2002). Measuring corporate performance by building on the stakeholders' model of business ethics, Journal of Business Ethics, 35(3), 143-162.

Werther, W.B and D. Chandler (2005). Strategic corporate social responsibility as a global brand insurance, Business Horizons, 48: 317-324.

Zyglidopoulos, S.C. (2002). The social and environmental responsibilities of multinationals: Evidence from the Bret Spar case, Journal of Business Ethics, 36: 141-151