Impact of Corporate Social Responsibility on Corporate Image and Identity

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Abstract

The current article is a conceptual work exploring the potential impact of corporate social responsibility (CSR) on corporate image and identity globally. The findings reveal that CSR has a strong and positive impact on company image as it creates a positive image of the organisation in the minds of the stakeholders including employees, suppliers, partners, shareholders, local communities among others. The findings also bring to light that CSR adds value to the organisation by reducing the cost and risk of doing business, adds to the reputation of the companies, harnesses greater competitive advantage, and creates a win-win situation for all stakeholders. The results may have important implications for multinational corporations (MNCs) operating in developing countries, development agencies including the United Nations (UN), UNCTAD and researchers working in the field of CSR, stakeholder management, branding,

Key words: ***CSR, Corporate Image, Credibility, Stakeholders***

Introduction

In today's fast changing and highly globalised world environment, the image of an organisation is often central to the organisation's competitive strategy both for its short and long term future because it serves as the foundation or basis which directly affects the organisation's financial bottomline. Corporate image works by developing credibility in the minds of the customers by ensuring quality, consistency and security (Werther & Chandler, 2005). On one hand such credibility ensures that existing customers remain loyal to the brand while customer base increases, on the other hand the company invests more in research, development of the current product, advertisement of the product and it's distribution, with the aim to further strengthen the company's brand image and value for customers and to increase the company's sales and revenues. However, apart from other things, a company's image also significantly rests on it's value proposition and the perceived image in the eyes of the stakeholders including its customers and other people. According to Levy (1999), consumers would reward those companies whom they consider to be socially responsible and who may support and contribute towards some social cause. However, the stakeholders including the customers and local communities living where a particular business is based can also punish those firms who are

considered to be insincere in their efforts with issues which are considered to be socially relevant or who are found to be indulging in unethical business practices (Sen and Bhattacharya, 2001). For instance, according to a survey on consumer preference conducted in the United States and Canada, the majority of the respondents said that they form impression about a particular brand partly on the basis of the company's ethics, environmental impact and social responsibility (Allen & Root, 2004), whilst damage to brand loyalty and company image can prove to be devastating for any organisation, as happened with Nike which is a world-famous global brand in the late 1990s[1]. During 1990s, the company was accused of outsourcing its manufacturing activities to suppliers in developing countries including Vietnam who were found to be using child labour in their factories. When the news got out, there was massive public protests by ordinary citizens in places including New York against the company and Nike suffered huge losses resulting from tremendous reputational damage at that time. It took Nike a lot of time and promises made to the people that the company in the coming future would only choose those suppliers overseas who pledge to follow the same rules and guidelines against child labour as in the United States[2]. In addition the company had to work very hard as part of it's CSR initiatives to erase those memories from the minds of the people in order to establish itself again as a global brand commanding respect and credibility. Similarly GAP which is a famous brand, manufacturing garments had to suffer huge damage to its brandname when it was found that the company's suppliers in India were using child labour in ramshackle factories in Delhi in the year 2007[3]. As a result of those scandals in the past which threatened to tarnish the companies' image as well as survival, brand managers today are extra vigilant and remain on their toes when it comes to protecting their corporate and brand image against any sort of bad or negative publicity which might hamper their reputation. It's here that CSR comes in handy to the managers globally, as those companies who are recognised to be ethical and responsible corporate citizens by the stakeholders are in a better position to manage risks and any sort of externalities related to their brand image (Zadek, 2000).

Brand Image and Reputation

In a fast and rapidly changing globalised world, companies are constantly under the lens of government and environmental bodies, NGOs and multilateral development agencies and have to work extra hard to protect their brand image and reputation. According to Keller (1993), "Brand image is the perception about a brand as reflected by the brand association held in consumer's memory". Whilst according to Herzog (1963), Brand Image is "the sum of the total impressions a consumer receive from many sources". Following the global economic crisis in 2008, several large business conglomerates were accused by many including the common people for causing it due to their unscrupulous and unethical business practices, which they argued resulted in job loss for millions and lifetime savings in banks being wiped out and thereby

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[1] http://www.nytimes.com/1997/11/08/business/nike-shoe-plant-in-vietnam-is-called-unsafe-for-workers.html

[2] http://www.nytimes.com/1998/05/13/business/international-business-nike-pledges-to-end-child-labor-and-apply-us-rules-abroad.html

[3] https://www.theguardian.com/business/2007/oct/28/ethicalbusiness.india

causing havoc and innumerable hardships to the lives of millions of those affected. This caused a lot of resentment in the public against big businesses and fuelled several protest movements by the people such as "Occupy Wall Street" in different parts of the world (Crane, 2013). It forced the large MNCs to respond to the challenge which severely threatened to endanger their brand identity and questioned the very reason for their existence? The MNCs responded to the challenge by adopting more people-centric policies and initiatives for local communities in societies where they operate as part of their CSR policy and initiatives, in order to regain their social acceptance among the people whilst earning their 'social licence to operate' as well as to reestablish their brand's image and identity.

The Link Between CSR and Protecting Brand Image and Reputation

The concept of CSR has grown significantly in the last few decades since Bowen's seminal work entitled "Social Responsibilities of the Businessmen" (1953), which is arguably considered as the beginning of the modern period of literature on CSR (Carroll, 1999). Since then it has been the subject of numerous debates, theory building and research among academics, corporates, governments, NGOs and the people world over. However, despite numerous arguments and growth in the literature on the subject, no consensus has been achieved till date as to what CSR means and what it embraces. The idea that businesses have some responsibility towards society beyond that of making profits for shareholders has been around for centuries (Jenkins, 2005), however, what those responsibilities might or might not entail have been the focal point of the debate globally all these years. According to Dahlsrud (2008), who conducted a comparative analysis of 37 different definitions of CSR, refers to CSR "as a social construction and as such, its not possible to develop an unbiased definition" (Dahlsrud, 2008, pp. 2). Whilst according to Matten & Moon (2008), "CSR empirically consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good. Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation". From being considered earlier as a voluntarily activity done by the companies as part of their social and ethical responsibility (Carroll, 1991, 1979), towards their stakeholders, today CSR is being viewed by the firms globally as an effective tool not just for creating goodwill among their stakeholders but also as an insurance against unforeseen and unpredictable things or events which may have the potential to damage the firm's brand image in the future (Muthuri et al, 2012). For instance, "Eighty-one percent of the executives in a 2005 poll stated that corporate responsibility is essential to their business. They disagree about what exactly 'corporate responsibility' means, but the majority believe that business should serve as a steward in society, and that it has a duty to investors, employees, consumers, communities and the environment" (Blowfield & Murray 2008, p.10). For a number of reasons, companies now have to work much harder to protect their reputation and the environment in which they do business. Scandals such as at Enron and World Com in the past and most recently, the Wall Street financial scandals have shaken the trust in big business leading to heavy-handed government regulation. Also the rapidly growing numbers of NGOs stand ready to do battle with the multinational companies at the slightest sign of misbehaviour. Countless rankings and ratings put pressure on companies to report on their non-financial performance as well as on

their financial results, and more than ever, companies are being watched. Embarrassing news anywhere in the world for example, a child working on an item of clothing with your company's trade name on it, can be put on the internet in an instant as happened with companies such as Nike[4] and Gap[5] in the past. The growing concern over climate change is also one of the biggest drivers of growth in the CSR industry of late and companies have had to have a serious look at their own impact on the environment. In fact, 95% of CEOs surveyed in 2007 by Mckinsey, a consultancy firm, said that society now has higher expectations of business taking on public responsibilities than it did five years ago[6]. Whilst a 'Business for Social Responsibility' report cites a growing body of data - quantitative and qualitative - that shows the bottom line benefits of socially responsible performance which include: improved financial performance, increased ability to attract employees, enhanced brand image and improved quality and productivity"[7]. According to Zadek (2010), companies increasingly adopt CSR strategies to (1) defend their reputations (pain alleviation), (2) justify benefits over costs (the 'traditional' business case), (3) integrate with their broader strategies (the 'strategic' business case), and (4) learn, innovate and manage risk (New Economy Business case). Whilst in the words of Kurucz et al. (2008), companies engage in CSR activities to reduce cost and risk; (2) to gain competitive advantage; (3) develop reputation and legitimacy and (4) trying to create win–win outcomes through synergistic value creation for all the stakeholders (as quoted in Carroll & Shabana, 2010). One of the most famous studies exploring the link between corporate social performance (CSP) and corporate financial performance (CFP) have been conducted by Margolis & Walsh (2003), who argued that there is a positive relationship between a firm's social initiatives and its financial performance and those companies who are seen as socially responsible brands such as the Tatas in India or the Marks & Spencer Group in the UK are in a better position in dealing with and managing any unforeseen risk and externalities related to their business and reputation that may arise in the future.

Conclusion

From a reputational aspect CSR adds value and credibility to organisations whilst those organisations who may not adopt CSR practices as part of their company strategy are more exposed to negative publicity and loss of reputation which can pose a serious threat to their very existence as happened with companies like Nike, Gap and many others in the past. Thus although research may not have established a direct link between a firm's CSP and its profitability (Geva, 2008), however, not being a responsible corporate citizen is without any doubt prove to be highly damaging for a company's reputation and brand value which would then affect its financial bottomline negatively.

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[4] https://en.wikipedia.org/wiki/Nike_sweatshops

[5] http://www.telegraph.co.uk/news/worldnews/1567849/Gap-sweatshop-children-saved-in-India-raid.html

[6] The Economist. London: Jan. 19, 2008, Vol.386, Iss. 8563; p.3

[7] Leader to Leader, (2007), p. 57

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