

Does CSR Really Build Brands?

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ABSTRACT

Despite the complete dot.com bubble, a new international economy is taking profile all around us. It is built on new forms of implication formation and, it is often colliding with both old and new values. Now a new signal of society stress is reshaping business philosophy. Business is being pressured - by governments as well as campaigners - to deal with a broad range of new liability and corporate social responsibility (CSR) issues, some of which would once have been handled wholly by governments. We see companies appealing in Corporate Citizenship for multiple reasons- status and brand building, competitiveness, risk management, improved admittance to capital and markets, amplified sales and profits, operational cost savings, superior efficiency and quality, resourceful human resource base and better customer loyalty. Certainly the greatest motivator for a company to go in for CSR is name and brand building, and surveys confirm this conclusion. Some companies have managed to do CSR and build brands. Some have done CSR only to be labeled as glass dressers and green washers. And for some, CSR has had no contact on brands. In this paper, the researcher has tried to study some worldwide as well as Indian firms which have managed to stroll. Thus here an effort is made to confirm does CSR really build Brands?

Key words: Brand building, Corporate Citizenship, Corporate Social Responsibility

Introduction

The term “social responsibility” was proposed in the U.S. by Frank Abrams, Chairman of the Board of Standard Oil of New Jersey in 1951, in a statement about the duties of executives to society. It gained a following with the publication two years later of the “Social Responsibilities of the Businessman” by economist Howard Bowen who, having surveyed the consequences of laissez-faire economics in the 1920s through to the Great Depression, concluded that business had obligations to society over and above creating jobs, paying taxes, and obeying the law. Corporate Social Responsibility started off as charity with roots in ethics. Organizations had excess profits, and some influential, who were philanthropists, chose to share out their prosperity amid the not so privileged. Then internationalization happened, and the world became a less important place with sourcing, production,

consumption of the same product spread across various continents. Businesses realized that the only way to cultivate was to help the consumers grow with them, and a more mutual development model was employed. On the other hand, speedy environmental squalor led to concerns about sustainability of our planet- important to greater customer consciousness. Also, various Enrons of the world forced companies to focus on ethics. All of a sudden, it was not unusual to see capitalists spend in social and environmental up gradation and put up with to ethical standards, even build business models which led to improvement of society and environment. While CSR started off as some leaders looking at the triple bottom line, today it has become a game changer. The World Business Council for Sustainable Development in its publication 'Making Good Business Sense' by Lord Holme and Richard Watts, said 'Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.' While there is no universally established definition, the key points in CSR are acknowledged by all - environmental management, responsible sourcing, stakeholder rendezvous, labour welfare, population relations, gender fairness, good governance and anti-corruption procedures. The changing global environment is demanding companies to look beyond financial presentation to force business. Business managers are more and more identifying the call for to incorporate environmental and social issues within the business plan. An upcoming drift is the addition of Corporate Responsibility rudiments, particularly climate change, into the CEO program. Most of the companies are at this time taking actions to fight climate revolutionize and influence the Kyoto mechanism to accept cleaner technology and also generate extra revenues. We see companies appealing in Corporate Citizenship for multiple reasons- status and brand building, competitiveness, risk management, improved admittance to capital and markets, amplified sales and profits, operational cost savings, superior efficiency and quality, resourceful human resource base and better customer loyalty. certainly the greatest motivator for a company to go in for CSR is name and brand building, and surveys confirm this conclusion. In the framework of extent of CSR, the ISO 26000 by the International Organization for Standardization is exciting. This standard offers direction on socially responsible behaviour and potential measures. However, in difference to ISO management system standards, it is not certifiable. CSR rating agencies have sprung up diagonally the sphere, and demand for non-financial trial of value creation has augmented.

Social accounting, auditing and reporting have emerged as disciplines of cram. Yet, it would be a fault to think that CSR is only regarding fulfillment to standards, laws and indices.

Some companies have managed to do CSR and build brands. Some have done CSR only to be tagged as window dressers and green washers. And for some, CSR has had no blow on brands. In the next section, the author has studied some international as well as Indian firms which have managed to build the brands. With a view to fast imminent into Corporate Responsibility (CR) Reporting trends in India, one survey was carried out by KPMG. This survey was designed to put on idea into corporate responsibility reporting trends in India. The survey is on the lines of the KPMG International Survey of Corporate Responsibility Reporting 2008 which was released in October 2008. The survey includes top 100 listed companies in India by revenue. KPMG examined information disclosed publicly by these companies to discern emerging trends in corporate responsibility reporting.

Corporate Responsibility Reporting Trends

Most companies highlight information on few elements of corporate responsibility as a division of their annual reports.

1. Almost 73 companies among the 100 have incorporated CR information in their annual reports and about 96 percent of these companies provide only qualitative information in the form of a section highlighting Environmental, Health and Safety (EHS)- related initiatives.
2. On the other side, only 3 out of the 31 CR reporters present comprehensive CR performance as a part of their annual report.

Boosters for Reporting

1. Spiraling reputation and brand” and “Ethical considerations” appear as the top boosters amongst the 100 companies to report on CR.
2. “Cost savings”, “Economic considerations”, “Innovation and Learning” and “Employee motivation” stands very low in the boosters list in distinction with global trends where “Economic considerations” tops the list followed by “Innovation and Employee motivation”

Deciding on the Report Substance

1. 53 percent use the GRI's doctrine to define report content and quality and GRI indicator protocols to develop the CR report content.
2. 18 percent use feedback received from stakeholders to turn up at the report contents.

3. Practice of company's risk assessment structure and company's CR policy to decide on report substance is tremendously short which confirms the truth that CR issues do not have clear connection with the business plan of the companies.

CR and the Investment Community

9 Percent companies reveals CR performance to the financial investor by presenting CR reports and data mentioned in the investor section of their web site or in meeting.

Corporate Responsibility Strategy and Approach

In order to evaluate the strategic momentum at the back of CR activities, the goals, targets, governance frameworks, and risk management structure incorporated by the 100 companies were assessed.

Management Policies and Structure

All in all 25 percent companies have developed policies for managing, evaluating and reporting on important CR problems. Rest of the companies is mute on management policies and structure which is really an area of concern.

Administration of CR Issues

Administration of CR problems has acknowledged considerable importance specifically in area of hope from stakeholders on responsibilities, ethical scams in present times and rising national and international legislations on CR issues.

The survey reveals that 95 percent of the 100 companies state governance aspects but

1. Only 42 percent coherent the connection of corporate governance to company's CR structure.
2. When it comes to amalgamation of CR into the administration and risk executive framework, only 15 percent of the 100 companies have managed to incorporate CR into their administration structure and only 8 percent have managed to implant CR into their risk executive framework.

Responsibilities for CR Administration

One way to assess the significance or precedence credited to corporate responsibility by a company is to know the unit responsible for implementing and running the CR structure, and whether or not that unit has a straight line of coverage to the Board of Directors.

1. Only 21 percent of the 100 companies have appointed a senior executive/ division specifically accountable for CR administration.
2. In case of reporters, 78 percent have elected this responsibility either to a impartial Sustainability Cell, EHS division or the Corporate Communication division. What is

astonishing is the fact that the residual 22 percent of the reporters have not disclosed on this facet.

3. This argues on whether Indian companies are sufficiently focusing CR issues at Board or at other corresponding levels within the company.

Corporate Responsibility Reporting Problems

Climate Change has emerged as one of the most significant CR problem worldwide. Stress from the media, consumers, investors, NGOs and governments have enforced the companies to think the special effects of climate change.

1. It is not worthy that, only 23 percent of the 100 Indian companies report on the Business risk of climate change. It is also appealing to watch that another 26 percent report on business opportunities related to it.
2. Metal and mining, and oil and gas companies take the lead in understanding risks and opportunities linked with Climate Change. Sectors such as FMCG, Pharmaceuticals, Chemicals and Automotive remain backward when it comes to talking about climate change from a strategic perspective.

Few Examples

Reputation Institute, an International Organization, has tracked how CSR ratings influence the company's reputation and brand. They exposed that the CSR index predicted 40% of overall status. In the Indian framework, the Times Foundation survey found that TATA Group (67 per cent) was the number one company with active CSR initiatives, vaguely followed by Infosys (13 per cent), ITC (12 per cent), NTPC (11 percent), Anil Dhirubhai Ambani Reliance Group (10 per cent), Ambuja Cement (9 per cent), Microsoft (7 per cent), Wipro, BILT and L&T (6 per cent each). The findings of the survey place education, health and environment as three of the most popular areas of intervention for companies as part of their CSR initiatives. Internationally however, environmental problems together with climate change are the most popular outlay areas for CSR. Organizations like Body Shop, Ben and Jerry's, Patagonia have been cases studies in Business Schools, weighing the corporate citizenship initiatives of these firms. These hard works have directed to their achievement, and lastly their take over (in many cases) by conventional companies. The top firms in CSR in US context today comprise Walt Disney, Microsoft, Google, Honda, Johnson & Johnson and Pepsi. However, in this section more focus is on Indian success stories, as Indian socio-cultural context is quite different. No conversation on CSR in the Indian situation can be possible devoid of the Tata Group. A group which has become identical with faith and morals, and doing good for the society- the company has accomplished what many

companies would slay to get. Customers' belief the brand and anything which has a 'TATA' to its name must be sincere and factual. In this perspective, it is notable that even the Tata Group which conventionally by no means advertised its CSR, is now doing the same. The Values Stronger than Steel campaign, highlights how Tata Steel, a Tata Group company has always paying attention on ethical practices and employee and people progress. Then there are brands like Mahindra Group, which have only lately initiated with huge CSR initiatives internationally such as the RISE crusade. This initiative not only tries to tie together all the Mahindra entities, it also depicts that the brand is becoming more socially cognizant. Overall, the FMCG sector seems to direct CSR initiatives with ITC's E-Choupal and HUL's Project Shakti. From being a cigarette mogul, ITC is now recognized for edifice public private partnerships, social and farm forestry, revitalizing Indian Classical music and the e-Choupal initiative. Unnecessary to say, consumers have a high regard for the company for its sustainability efforts. ITC is also one of the few Indian firms to come up with a devoted Sustainability Report year on year, and they are GRI - G3 acquiescent Application Level A+. On the environmental facade, the firm is carbon positive for five years in a row, water positive for 8 successive years and waste recycling positive for last three years. ITC, different to the Tata Group has by no means shied away from propagating its CSR initiatives. Be it PR or advertising campaigns such as 'Responsible Luxury' for ITC Hotels, the claims are always in our face. In the long run however, it is believed that the genuineness of Tata's CSR cannot be harmonized by violent advertising. HUL's success in attainment to women self-help groups crossways the country, and giving them a sustainable living foundation has been so victorious that the model has been taken to Srilanka and Bangladesh. It's not astonishing then that HUL's 'Small Actions, Big Difference' has been translated to 3 of the top 10 brands in India being HUL brands. Coca Cola (another brand which has a devoted sustainability report for India) focuses on water stewardship; sustainable packaging, energy management, climate protection, solid waste management etc. and this had led to better brand credit and augmented brand equity. Coca Cola India has won the Golden Peacock Global CSR Award for 2009 for two successive years in credit of the company's water conservation/management practices and society development initiatives. The specifics that such rewards have come to live, again establish the point that brands are being built by CSR. These are some brands that have got in their conventional business owing to their CSR focus. Brands carry on to move towards CSR and CSR spends have greater than before. More prominently, CSR deliberations are now very important in the board room. CSR helps build brands, but only when brands be alive up to their assure. Green washing and window dressing is harshly punished in this linked world,

and there are other brands which haven't actually been talented to cash in on the CSR publicity in spite of having done good work in this field.

CSR: Not always Building Brands!

Nowadays, CSR has become the hymn for each organization in the globe. It is after that to impossible to find a company which doesn't do CSR as part of their actions. Everybody has a Sustainability & CSR flap on their website, everybody meeting about it yet there are companies which are not capable to attach with the consumers based on their CSR work. These are companies which have completed quite a morsel of CSR but it hasn't contributed in building their brand. These are companies which customers don't relate with CSR, but are yet brawny and commanding brands in themselves.

PepsiCo India is one such company. Their stress on sustainability is obvious from the enormous amount of work they have done in India ranging from society development, water replacement, and waste management and partnering with farmers. PepsiCo India has exhausted over \$11 mn in the years 2008-10 for their CSR actions in India. in spite of this, the Pepsi brand in India is not viewed as one which is socially responsible. There are examples where PepsiCo has regreted because of being identified as a Multi-National Corporation which is exhausting the property in India – particularly water. PepsiCo has come with labels on their packaging to dismiss the fable but to no benefit. It also has an special website which facts out the various steps PepsiCo has taken for water conservation and how it has come up with water positive organization. The Pepsi brand is viewed as a youth sloping one suggestive of freedom and a trivial line of revolt among the younger age group. Over the years, its revelation has been constant to this subject and it has consequently come up as one of the strongest brands for the 18-25 segments. This could be one cause that the social responsibility feature is by no means really linked with Pepsi. Their positioning for the brand doesn't gel with initiatives like water conservation and it is in cases like these that CSR fails to propel the brand's success. There is one more way of looking at this; it might twist out i.e. the "true CSR" which the company continues to do regardless of getting no clear brand benefits out of it.

The case of Reliance Industries as an organization is something alike. Their websites lists out a countless number of programs through which it has contributed to diverse spheres of health, infrastructure, education development and also environment protection. The public insight of Reliance although is that of a brutal corporate entity which doesn't give back adequate to the society. The question then becomes, is Reliance not doing an adequate amount of CSR? Or is it not advertising its CSR as well as other companies is? This is a cute dangerous question

and the answer probably deceit somewhere in amid. The passing of CSR as by now been discussed before has become a matter of huge debate. Reliance Industries has won a lot of awards at the corporate level for their social work but the common public is more or less ignorant of these developmental actions. Reliance Industries majorly operates in the Oil and Gas segment which is it self viewed as a great threat to the environment and ecosystems. The CSR reports and work take more distinction in this industry because companies are frantic to break the mould of being called a 'polluting organization' and want to be seen as a green, socially mindful entity. British Petroleum was ranked in top 3 in the Sustainability index on Dow before the oil spill happened and all its work came to not anything. These are troubles companies have to deal with because they work in an intrinsically risky industry which makes huge amounts of money.

Challenges

CSR has transformed to become more of a necessity than an alternative. We know how it is being used to build the brand worth for an organization. There are still many challenges to conquer before it becomes a two way process. The two way process; real CSR work being done rather than just reports and window dressing and this work benefitting the organization's picture in the long run.

Government Policy:

The Government Policy in India with regards to CSR is negligent. The policy could authorize private organizations to work more intimately in combination with public ones to reach the waged people of the rural community. For this, the policy first has to tackle the working of the public bodies. The Government's policies have to move absent from the bigoted view of CSR being a contribution obsessed movement and use it more as a participative tool. The heartening point to reminder is that the policy has ensured that there is adequate number of Public Sector organizations which have come up trumps in implementing CSR initiatives.

CSR in Small and Medium Enterprises:

SMEs have classically not been concerned in CSR activities. This has been viewed as the responsibility of the big corporate houses. The Government can try and incentivize CSR for the SMEs to set the ball undulating and this in turn will have a major impact on India's growth since the number of SMEs and their possible impact would be appreciably high in India.

Incongruent Brand Identities:

In some cases, though the companies pamper in CSR, their brand is such that it is incongruent with the whole notion. The whole plan of socially mindful might not fit in with how

powerfully the brand conveys its other character traits and CSR doesn't become an important contributor. This is more of an advertising problem, for the company to outline which activity will fit in with the brand image and bank on this to propel CSR to prominence.

Conclusion

There is an adequate amount of proof that Indian companies are now paying enlarged concentration to corporate responsibility problems and huge companies have on track to set up an obvious relation between corporate responsibility and risk management. A fresh drift experiential is to take in sustainability rudiments as part of interior review so that the problems are discussed at the board level. However, there is still a long means to go previous to corporate responsibility is completely included into business plan. The examples decisively set up the detail that CSR does have an important bang on brand value of the organization in most of the cases. The quandary is that, whether it was achievement of the CSR activities themselves or the advertising of these CSR activities. It won't be long before the consumer realizes the disparity between CSR and window dressing, and that will be when the true bang of CSR on brands will be identified.

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