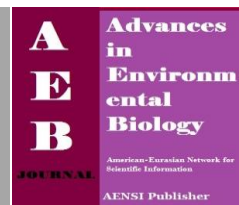




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The Relationship between Corporate Social Esponsibility and Brand Image – A Review.

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ABSTRACT

This paper proposes a conceptual model as to how CSR can lead to the creation of a better brand image with customer awareness moderating the relationship. In other words, when customers are in the know about the CSR efforts undertaken by an organization it may lead to a positive brand image in the minds of the consumers. This is consistent with the view as evidenced from the review of relevant literatures that CSR activities can add value to the firm but only under certain conditions. Hence, examining the role of customer awareness when assessing the relationship between CSR and brand image could prove beneficial to aid Malaysian organizations that are beginning to converge on the platform of corporate social responsibility.

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INTRODUCTION

Corporate Social Responsibility (CSR) is a concept that has attracted worldwide attention and acquired a new resonance in the global economy. While globalization and international trade have given way to tremendous opportunities, it has also opened the door to increased complexities for countries across the globe. This has resulted in the call and urge for enhanced transparency and corporate citizenship and opened the gateway for a culture called Corporate Social Responsibility or CSR which in fact allows for corporations to take on a role in the society, to play the guardian and to show it cares.

There has been substantial empirical evidence showing that consumers buy brands that reflect their own values. Thus, it is very important that organizations never underestimate the impact of their social responsibility efforts. Nike has proved through its sweat shop blunder how much damage can be caused just because someone failed to notice the enormity of business ethics. Brand image is affected, people become reluctant to patronize a brand and all these domino effect leads to a downhill on profits and sales.

Building brand image or equity through CSR is not at all about opening a checkbook. It is about starting out with a value oriented philosophy as the foundation blocks of a brand. The consumers of today expect organizations to help change the world, even in the smallest of ways. It is common knowledge that a good brand is a reflection of quality, price, service and attributes of a product that helps to distinguish one product from another. Brand equity refers to the value the customers assign on the brand based on their perception about the price, quality, service and product attributes. All these are factors that make a brand all that more appealing and influences consumers buying behavior. However, being in the information age customers often explore other factors as well in aiding their purchase decision. Fan [16] argues that customer buying behaviour is not necessarily based on product and service quality or price perception but also on how ethical the company has performed in manufacturing its products and services.

A good brand must provide a positive impact on its owner and user and also ensure there is no negative impact on the general public. It means that brands must contribute positively to society by inserting ethical values, especially in the broader social context. Thus, a positive association of the brand with the general public will result. It has been shown experimentally that consumer knowledge regarding an organization's CSR initiatives may lead to higher evaluation of the company and a more positive evaluation on the company's product [9]. The true level of consumer awareness of such efforts is however uncertain and may be quite low [4]. This clearly indicates the need to examine the role of customer awareness as organizations attempt to use CSR as a tool to create positive brand image.

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Many organizations in Malaysia too have started drawing up CSR policies and practices. CSR involvements and reporting have been made compulsory for Public Limited corporations in Malaysia. As such many organizations are seen implementing CSR practices either through the will of the management itself or succumbing to legislative pressures. Across the broad spectrum from fast moving consumer goods to automobiles and even big Malaysian conglomerates are shifting their attention to CSR. In its bid to encourage CSR practices, the government has even launched the Prime Minister's CSR award since 2007 to recognize companies that are making a difference through their Corporate Social Responsibility (CSR) programmes. The award is given to various types of organizations for outstanding CSR initiatives in different categories. To what extent is CSR efforts in Malaysian organizations successful and how well are they linked to brand image remains an area that is least researched. Though the premise for governments' push for CSR amongst public listed corporations could be due to societal and environmental concerns and for organizations perhaps the premise should be one that revolves around the economics of reputation.

There is some research albeit being embryonic in Malaysia on CSR particularly on peoples or customers awareness levels, consumers' buying behavior and other facets of CSR [26,29,14,15,2,]. It does show that people do gravitate towards organizations committed to CSR. These researches also suffer from limitations such as small sample sizes and are concentrated in the Klang Valley which could be expanded for future research. The research on CSR as a brand enhancing tool and its effect on consumer responses remains an unexplored avenue till date in Malaysia.

It is this that paves the way for research in order to uncover if social responsibility is indeed a meaningful brand enhancing move and how customer awareness can further reinforce the relationship. Thus some of the guiding questions to put the conceptual model into perspective are:-

Does a commitment in CSR by Malaysian organizations help in building positive brand image?

How does customer awareness affect the relationship between CSR and brand image?

1. Conceptual Background:

A review of past and present literature somehow implies that social responsibility may semantically mean an obligation or accountability of some sort but there is a lack of consensus of agreement about CSR.

Some of the most common conceptualizations of CSR are those of Carroll [10], Lantos [21] and Sen and Bhattacharya [7]. Carroll first delineated the now-familiar four categories of CSR in a paper on corporate social performance, depicting them as ordered layers which he labeled economic, ethical and discretionary responsibilities. In its first conception the framework took a retrospective redevelopment perspective, based on the claim that the history of business suggests an early emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects. In Carroll [10] presented his CSR model as a pyramid but then in 1998 appeared to briefly retract his dubious equating of philanthropy with corporate citizenship and to abandon his pyramid concept and renaming it as the Four Faces of Corporate Citizenship. He soon returned to his original construct and most recently in 2001 reproduced his 1991 CSR pyramid once again.

Carroll differentiated between four types of corporate social responsibilities which includes; economic, legal, ethical and discretionary, while Lantos collapsed these categories into three, *ethical, altruistic and strategic*. According to Lantos, Ethical CSR is morally mandatory and goes beyond fulfilling a firm's economic and legal obligations, to its responsibility to avoid harm or social injuries, even in cases where the business does not directly benefit. Altruistic CSR according to Lantos [21] is humanitarian / philanthropic CSR, which involves genuine optional caring, irrespective of whether the firm will reap financial benefits or not. Examples include efforts to alleviate public problems (e.g. poverty, illiteracy) in an attempt to enhance society's welfare and improve the quality of life. Strategic CSR on the other hand is strategic philanthropy aimed at achieving strategic business goals while also promoting societal welfare. The company strives to identify activities and deeds that are believed to be good for business as well as for society [28].

Given the broad conceptualization of CSR, it is not surprising that the domains of socially responsible behaviours are many and diverse. Sen and Bhattacharya summarized different CSR action into six broad domains which are as follows:-

- i. Community Support (Arts, education, corporate giving)
- ii. Diversity (sex, race, disability)
- iii. Employee Support (job security)
- iv. Environment (environmentally-friendly products, waste management, pollution controls)
- v. Non-US Operations (overseas labour practices, operations in countries with human rights violations)
- vi. Product (safety concerns, research and development).

Branding is an important marketing exercise which means more than just giving a name. To an organization, brand helps to distinguish themselves from others and for users a brand may create an emotional bond. Brand represent anything and everything the company does, put simply it is the face of the company. The

total sum of actions the company commits helps people to form perceptions about the brand giving the brand an image which in turn helps in building long – turn reputation. Just as bad actions may render bad image, good actions and policies may render a good image. One of the more inclusive defining concepts or models of branding is perhaps the model of brand equity that has found itself placed in the limelight over recent years and will probably continue to gain interest as one of the most appealing fields of marketing. Brand equity is the added value endowed to products and services. Aaker [1] defined brand equity as a set of brand assets and liabilities associated to a brand that adds or detracts the product or service value based on the customer's perspectives. This value may be reflected in the way consumers think, act and feel with respect to the brand that consumers perceive from marketing programs. Brands represent the value behind the product that the consumer can relate to [19]. Branding creates a brand image, which when presented to the customer enables relationship building which is a crucial factor for brand equity [35].

Brand equity is an important intangible asset that has psychological and financial value to the firm. The value of brand equity depends on the number of people that buys it regularly [1]. He developed the following model to illustrate his definition:-

1. Literature review:

Several studies have investigated patronage regarding consumer perceptions of socially conscious businesses [9,24,27], and found that corporate associations influenced product evaluations and overall consumer attitudes about the organization. Hoeffler and Keller [18] argued that corporate social marketing (i.e., marketing with at least one social objective) can be a major way to build brand equity and increase sales. Bhattacharya and Sen [8] made a similar argument for how non-product aspects of the company, such as CSR, can lead to customer loyalty and positive purchase related outcomes. Ross, Stutts, and Patterson [31] found that a firm's support of a cause had been a primary reason for them to purchase a product.

It is commonly believed that a socially responsible company that fulfills the needs of its stakeholders should rake in financial benefits. The general rationalization for this widespread belief is that when stakeholders observe a firm's socially responsible behavior, they will consider that firm a preferred party to have transactions with. This would then translate in terms of revenue when the new consumers are attracted to a firm, and when its loyal stream of consumers repeat purchase despite having to pay premium prices [5]. A survey carried out by Pizzolatto and Zeringue, showed that 77% of Americans' purchase decisions were affected by a firm's reputation for social responsibility. A different survey said that 82% of their respondents said that they would pay premium prices for environmental friendly products. But, another research found that these studies did not try to relate consumer perceptions to actual purchase behavior in the field.

Yin Fan [16] in her paper explored the concept of ethical branding and its link to corporate reputation. She contents that a corporate brand is a vital part of corporate reputation management. An ethical brand enhances the firm's reputation; such a reputation reinforces the brand in turn. Corporate reputation is concern with how people feel about a company based on whatever information (or misinformation) they have on, company activities, workplace, past performance and future prospects [17]. Martinez *et al* regarded brand strategy as a unique opportunity for corporations to trigger consumer perception. Analyzing the features of a brand, Yin Fan regarded corporate brand as the core component of corporate reputation. Reputation seems to be the missing link between corporate financial and social performance. Companies engaging in CSR would be rewarded by their stakeholders as a result of improved corporate reputation and this in the long – run would lead to superior financial performance [25,27,30].

Melo, T. and Galan, J. [23] in their study "*Effects of CSR on brand value*", involving 54 US based corporations carried out assessments and appraisals by relying on secondary sources to answer the crucial question of whether CSR pays off or not – in terms of enhancing brand value (economic earnings, driving consumer demand and brand strength). The results provide strong evidence supporting all three hypotheses. CSR impacts positively on brand value, but the impact is of a lesser magnitude than those of market size and market-based performance. It also brings to light a critical evaluation about the use of CSR as an integrative variable which according to Sholten and Zhou [34] are of a very different nature and perform under its own logic. The regression confirms the contention that CSR as a long-term investment as the models with a two-year lag on brand value were significantly more robust with one year lag.

As advocated by Bhattacharya and Sen [8] and Schuler and Cording [32], the lack of customers' awareness about CSR initiatives is a major limiting factor in their ability to respond to these initiatives. Potential customers must be fully aware of CSR characteristics for CSR differentiation to be successful and it is also predicted that there is a positive correlation between advertising intensity and the provision of CSR [22]. In their research paper entitled "*the impact of CSR on firm value: the role of customer awareness*", Servaes and Tamayo [33] contends that most theoretical models assume a direct link between CSR and firm value and proposed a model with an indirect link. There is a lack of understanding about the channels through which CSR affects firm value. In particular Barnett's [5] insight that the impact of CSR on firm value depends on the ability of CSR to influence stakeholders of the firm was the main point of reference in their paper. Servaes and Tamayo [33]

focused on only one key stakeholder, consumers and suggested that a necessary condition for CSR to modify consumer behavior and, hence affect firm value, is consumer awareness of firm's CSR activities. They argued that consumers are less likely to respond to CSR activities, even if they are aware of them, if the CSR activities are not aligned with the firm's reputation as a responsible citizen as substantiated by the views of Du, Bhattacharya, and Sen and Schuler and Cording [32]. Using models with fixed effects to address model misspecification problems, they examined whether and under what conditions CSR can add value to the firm. Consumers constitute a natural starting point to uncover such a relation as their purchasing behavior clearly affects a company's financial performance and ultimately, firm value. Given this, the main goal is to examine under which circumstances CSR involvement may be beneficial by focusing on the customer channel in order to examine the effect of a potential moderating variable, advertising intensity, on the CSR-firm value link. Through advertising a firm reduces the information gap between itself and its customers, which in turn makes it more likely that customers will find out about the firms CSR involvement, and reward the firm for its CSR efforts.

1. Theoretical Framework

In the following framework the main association of brand image is corporate social responsibility via an indirect link which is customer awareness. The framework draws from Carroll's Corporate Social Responsibility Pyramid model of CSR as the independent variable, customer awareness as the moderating variable and brand image as the dependent variable.

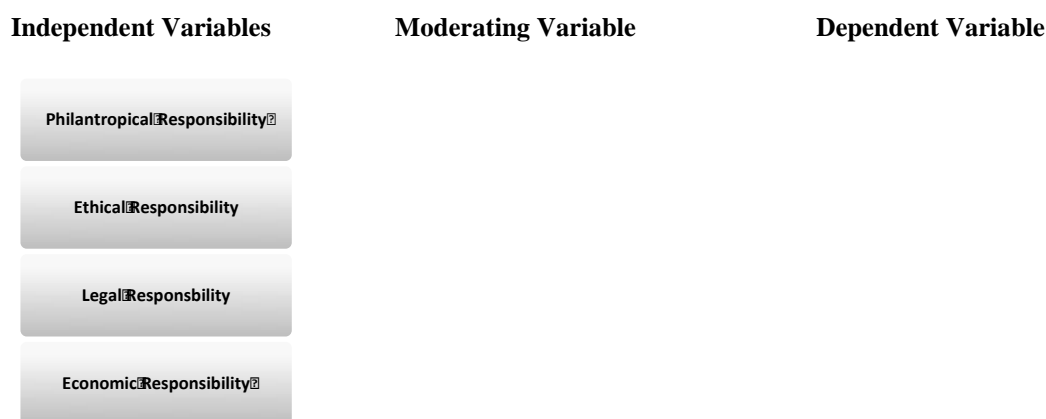


Fig. 1: Conceptual model of the moderating effect of customer awareness in the relationship between corporate social responsibility and brand image.

As supported by relevant literatures discussed earlier the hypotheses based on the above framework can be postulated as follows:-

- H1 There is a positive relationship between economic responsibility and brand image.
- H2 There is a positive relationship between legal responsibility and brand image.
- H3 There is a positive relationship between ethical responsibility and brand image.
- H4 There is a positive relationship between philanthropical responsibility and brand image.
- H5 Economic responsibility will have a positive relationship with brand image via customer awareness (indirect effect)
- H6 Legal responsibility will have a positive relationship with brand image via customer awareness (indirect effect)
- H7 Ethical responsibility will have a positive relationship with brand image via customer awareness (indirect effect)
- H8 Philantropical responsibility will have a positive relationship with brand image via customer awareness (indirect effect)

Conclusion:

This paper tries to put forth the idea that CSR can indeed be used as a tool to create a positive brand image by Malaysian organizations. This area is certainly worthy of research as many Malaysian organizations are beginning to practice CSR on the premise that socially responsible corporate activity is an important source of competitive advantage to the degree that it enhances their overall reputation and credibility. It is hoped that this study will be of value both to those concerned about society and those concerned about showing the highest responsibility towards the people from whom they make profits. The author proposes the need to conduct an

empirical study in order to validate the research framework proposed above. A research involving Malaysian organizations that are fast jumping the CSR bandwagon and real consumers could prove beneficial in uncovering truths about CSR and its effectiveness in enhancing brand image. In addition, if there is indeed a positive and strong relationship between corporate social responsibility and brand image, this will serve to convince businesses that social responsibility is an important construct in decision making.

Clearly research in this field is needed, more so these days as societies and industries are merged through globalization and people are becoming highly literate and aware about their rights. Since CSR is slowly gaining momentum in Malaysia and given a different context, a strong business case must be made. There is a need to prove conclusively if indeed CSR practices are correlated to brand image so as to convince organizations about the potential benefits of CSR not just for the society but also for the organization in the long run.

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