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Strategic corporate social responsibility as global brand insurance

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Abstract When the competitive strategies of multinationals rely on global brands, corporate social responsibility (CSR) offers insurance against management lapses. The practical need for CSR as brand insurance comes from changing social expectations, affluence, and globalization. Corporate actions that violate societal expectations damage, even destroy, brand image among networked stakeholders who are affluent enough to buy branded products and services. The premiums for CSR brand insurance are paid by leaders who create an organization-wide commitment to CSR as a means of redefining 'profit maximization.' By integrating a stakeholder perspective, management is best placed to optimize stockholder returns over the longer term.

1. All hail the brand!

Global brands are often central to competitive strategy because they serve as profit platforms that differentiate even commodity-like products and services. Brands work by ensuring customers of quality, consistency, and security. Such guarantees create repeat customers and provide producers with potentially higher margins. In turn, brand acceptance creates a virtuous cycle by facilitating greater investments in research, product development, advertising, and distribution that further strengthens the brand and increases sales. Ultimately, however, a brand's appeal rests upon its value proposition, which engages customers in a subjective calculus among costs and benefits of the brand compared with substitutes.

Brand managers lever these calculations by connecting brand attributes with the needs and aspirations that arise from customer lifestyles. For example, think about *NIKE's* 'Just do it!' slogan and how it seeks to connect with the active lifestyles of its customers around the world. As Licha (2003) notes, the challenge in communicating a brand's promise is to find common ground between the message the firm projects and the extent to which that message resonates with customers. As a result, strategic brand managers should not be surprised when the values advocated by the branding process become benchmarks against which the firm's actions

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are evaluated by customers, activist groups, and nongovernmental organizations (NGOs). Behaviors that tarnish the values and attributes of the brand can damage, even sever, the brand loyalty of customers.

Damage to brand loyalty is particularly devastating in affluent societies because switching costs and barriers are low. As a result, strategic brand managers must protect their often huge investments in brand development. Not only do they need to guard against competitors' innovations, they must also ensure their firm's actions do not damage the consensus image of their brands. Putting aside competitive innovations, our concern addresses how company leaders, strategists, and brand managers minimize the damage done by corporate actions (or inactions) that repudiate the values and attributes upon which the brand is built.

2. Brand management: Theory and frameworks

Society's acceptance of brands has increasingly become conditional. Due to shifting social expectations and lower consumer switching costs, the burden of responsibility lies with the brand to demonstrate customer-focused value added. This value is measured on different levels by individual stakeholder groups. As Tischler (2004, p. 47) suggests, some of the key components for crafting a successful brand strategy today include:

"the debate over global versus local messaging and control, the power of brands to create and reflect social and cultural values, the pressure for brands to be authentic, and the need for companies to recognize a brand's stakeholders (beyond its customers)."

These extra demands on brands can be thought of as a "brand tax," in the words of Allen and Root (2004, p. B2). Highlighting a study that showed ". . . at least two-thirds of 25,000 consumers in the U.S., Canada, and Western Europe form impressions based partly on a company's ethics, environmental impact, and social responsibility," they surmise that brand-based companies today ". . . need to be not only well known, but also well regarded."

Two theories offer frameworks for understanding corporate brands and their relationships with the societies to which they are marketed. First, institutional theory stresses the primary importance of the organization maintaining 'social legitimacy' within its operating environment. This 'legitimacy' is conferred by society upon organizations that meet the criteria of acceptable behavior. Bansal and Bogner (2002, p. 276) adopt a broad interpretation:

"Institutions are the 'structures and activities that provide stability and meaning to social behavior'. Coming in the form of laws imposed by government and in the social norms or individual values that have developed over time, they are particularly important when there is considerable uncertainty. . . . Unlike economic benefits that enhance firm performance, conforming to institutional pressures helps . . . by bestowing social legitimacy on the firm."

The imperative for 'social legitimacy' comes from the theoretical (and obvious) assumption that all organizations are embedded in a wider environment, and that environment affects both performance and expectations of the firm. This symbiotic interface determines the firm's success, even its very survival.

Second, stakeholder theory focuses the framework. Taken together, all stakeholders constitute the social environment within which the firm operates. Freeman (1984) identifies relevant stakeholders as those who impact or are impacted by the firm's purpose. Included are customers, employees, suppliers, stockholders, financiers, environmentalists, governments, and others who can help or harm the firm. To his list, we would add activist groups and NGOs. Thus, legitimacy depends on meeting the considerations held by internal and external constituent groups. Bansal and Bogner (2002) show that such groups are more likely to support the firm in good times and to give the firm the benefit of the doubt if something goes wrong. Freeman (1984) takes the relationship a step further, arguing for a fiduciary duty of management to stakeholders.

Attitudes regarding the roles of companies have undergone a dramatic shift during recent decades. Increasingly, legitimacy in affluent societies demands more than just profit maximization. Corporations are expected to be responsible to the societies within which they operate. Failure to be a 'good corporate citizen' can devastate executive careers, organizations, and deliverables for all stakeholders. These ever-changing social attitudes and rapidly evolving global contexts are reshaping the competitive landscape, forcing brand managers to elevate stakeholder CSR concerns to strategic considerations.

3. Strategic CSR

Stakeholders' reactions to CSR are most potent when brands are central to corporate strategy.