Australasian Marketing Journal 17 (2009) 92–98

Contents lists available at ScienceDirect

Australasian Marketing Journal

journal homepage: www.elsevier.com/locate/amj

Being fair and being seen to be fair: Corporate reputation and CSR partnerships

Nicola Mutch *, Robert Aitken

Department of Marketing, School of Business, University of Otago, P.O. Box 56, Dunedin, New Zealand

ABSTRACT

Over the past two decades, corporate social responsibility (CSR) has been a growth area in managerial practice and academic consideration, as companies pursue the strategy to advance their corporate reputation goals. A popular CSR activity for many companies has been to enter into social alliance partnerships with nonprofit organisations [Berger, I., Cunningham, P., Drumwright, M., 2004. Social alliances: company/nonprofit collaboration. California Management Review 47 (1), 58–90]. This has been met by a sceptical yet pragmatic public, willing to support the partnerships so long as corporates are seen to be fair and just in their dealings with the nonprofit partner. Currently, however, there is little ability for stakeholders to know whether the partnerships are fair. This paper considers conflicting conceptions of how justice may be understood in corporate-nonprofit partnerships. It offers a model for how stakeholders may judge justice in CSR partnerships and relate this to corporate reputation.

1. Introduction

Ever since 1982, when American Express attached a donation to restore the Statue of Liberty to every transaction made with its card and called it a marketing campaign, corporate-nonprofit partnerships have been a growth area both in practice and academic consideration (Varadarajan and Menon, 1988; Austin, 2000; Andreasen and Kotler, 2003; Wymer and Samu, 2003; Berger et al., 2004). Such highly visible, high-value partnerships include cause-related marketing initiatives – such as the American Express-Statue of Liberty example – as well as sponsoring and visible joint venture programmes (Wymer and Samu, 2003). In Australasia they include New Zealand's long-running alliance between Mainland Cheese and the Yellow Eyed Penguin Trust, or the Australian Rugby Union and the Prostate Foundation of Australia. Corporate-nonprofit partnerships are now a well established component of many corporate organisations' marketing strategies and integral to their broader corporate social responsibility programmes.

However, despite the prevalence of corporate-nonprofit partnerships, it is surprising that so little attention has been given to the ways in which the practice actually works to enhance corporate reputation outcomes. Past scholars looking at brand alliances and sponsorship as a corporate reputation issue have suggested that brand image transfer occurs when organisations enter into partnerships (Rodrigue and Biswas, 2004; Smith, 2004). This is essentially the argument Dacin et al. appeal to when they claim strategic alliances are formed to enhance organisational legitimacy (Dacin et al., 2007). They, like others, highlight the importance of partner selection and brand fit (Lafferty et al., 2004; James, 2005). This paper, by contrast, centres on the issue of credibility – not of the partners, but of the principles underpinning the partnership itself in contributing to corporate reputation outcomes. This is critically important in the context of corporate-nonprofit partnerships, which are in many ways defined by the opportunity they create for corporations to be seen to be doing good and benefiting society.

The paper begins by employing legitimacy theory and stakeholder theory to examine how corporate reputation is sought through CSR activities, which can include corporate-nonprofit partnerships.[1] It then considers stakeholder perspectives of corporate motivations to engage in CSR and examines literature exploring consumer attitudes towards corporate-nonprofit partnerships. The perception of justice is identified as critical to the credibility of corporate-nonprofit partnerships, and thus the corporate reputation outcomes. However the paper recognises divergent views on what constitutes justice. In relation to overarching ethical theories informing CSR debate, the paper considers two broad conceptions of how justice may be understood in corporate-nonprofit partnerships. It offers a model for how stakeholders may judge justice in CSR partnerships, and calls for further research, the results of which will be important for understanding corporate-nonprofit partnerships as a means for fulfilling social responsibility and corporate reputation outcomes.

* Corresponding author. Tel.: +64 3479 8967.
E-mail addresses: nicola.mutch@otago.ac.nz (N. Mutch), raitken@business.otago.ac.nz (R. Aitken).

[1] There is some debate as to whether cause-related marketing should rightfully be seen as CSR activities due to the highly calculated nature of the expected return, which some scholars see as simply a business activity, not an act of "responsibility". This view relates to the strategic motivations, or business case, for CSR, which is accommodated by CSR literature. See for example Moir (2001). "What Do We Mean by Corporate Social Responsibility." *Corporate Governance* 1(2): 16–22.

1441-3582/$ - see front matter
doi:10.1016/j.ausmj.2009.05.002

2. Corporate reputation and CSR

Definitions and shared understandings of CSR are famously lacking in the literature (Garriga and Melé, 2004; Blowfield and Frynas, 2005; Pederson, 2006); a situation that risks becoming self-perpetuating, as noted by the guest editors of the *Journal of Business Strategies*' special issue on the subject (2006, 23, 1). Approaches to characterising CSR range from the prescriptive, describing what corporate social initiatives ought to be achieving, to the descriptive, listing potential activities that might be classed as CSR (Moir, 2001; Blowfield, 2005; Graafland and van de Ven, 2006). Rather than proposing a solution here, this paper acknowledges that the confusion within the institution is both a cause and a symptom of the problem of stakeholders judging fair and appropriate behaviour under the auspices of CSR. More importantly, it considers the implications of this confusion for corporate reputation.

The following definition of corporate reputation provided by Gotsi and Wilson (2001) clearly points to the potential relevance of CSR activities. They conclude that:

> Corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the firm's actions and/or a comparison with the actions of other leading rivals. (Gotsi and Wilson, 2001)

The relationship between corporate social responsibility and corporate reputation is one that is both taken for granted, and treated with a degree of delicacy. Numerous studies point strongly to the conclusion that CSR activities are inevitably related to corporate reputation ambitions (Marx, 1999; Docherty and Hibbert, 2003; Brammer et al., 2006). The language of "reputation" and "image" is infused into articles and discussions on philanthropy and corporate-nonprofit partnerships (Heap, 2000; Porter and Kramer, 2002). An example of its orthodoxy is demonstrated by a core public relations text that introduces students to a simple three-part model that categorically links being a good corporate citizen to good reputation to share price (Tench and Yeomans, 2006).

However, the role of communications in achieving corporate reputation is challenging, and corporates tend to be rather circumspect about this goal. There appears an implicit acknowledgement that to promote one's reputational advantages through a seeming act of charity and goodwill is somewhat duplicitous. Often reputational outcomes are couched in terms of wider goals, such as supporting the communities in which they operate and demonstrating responsibility to would-be regulators. For example, communications phrases range from, "*Ensuring our company remains viable, providing benefits that will outweigh and outlast our impact on the communities in which we operate, through the consideration of social, environmental, ethical and economic aspects in everything we do*" (OceanaGold, 2008), to, "Helping kiwi kids enjoy sport, stay active and have fun is something McDonald's is really into" (McDonalds, 2008). The impact on corporate reputation of transparently selective corporate communications was studied by Forehand and Grier who found that scepticism towards a firm was not simply a matter of consumers realising corporations have self-interested motives, but rather that they had been deceptive about their motives (Forehand and Grier, 2003).

The above acknowledgement of the self-serving, sector-serving and society-serving ambitions of CSR programmes highlights their multiple roles in relation to corporate reputation. CSR has a role in securing the reputation of the individual companies that engage with them. Furthermore, it has a role in securing the reputation of the corporate sector in general. There is an extent to which these goals conflict with one another. Using CSR as a reputation-enhancing tool would imply improving an individual organisation's reputation relative to other companies', as per Gotsi and Wilson's definition above. However, if CSR is pursued to promote the reputation of the corporate sector in general, it is desirable for all businesses to pursue such activities. This distinction between macro-level and micro-level corporate reputation introduces a concept that appears repeatedly when addressing the issue of how stakeholders evaluate the legitimacy of corporate-nonprofit partnerships as CSR activities. The concern is whether justice in corporate-nonprofit partnerships is regarded in terms of the specific "micro" context of an individual business and its individual nonprofit partner, or the broader context of reflecting the institutional power that society has afforded the corporate sector in a market-based economy. This issue will be explored more deeply in the following sections.

3. Corporate reputation and legitimacy

Legitimacy has been discussed as an organisational concern for more than 50 years, (Parsons, 1960; Maurer, 1971; Pfeffer and Salancik, 1978). An early definition states that, "legitimation is the process whereby an organisation justifies to a peer or subordinate system its right to exist" (Suchman, 1995, p. 573). Galaskiewicz's survey of interorganisational relations (1985), identified that organisations will seek to associate with one another to enhance their standing in the eyes of stakeholders, referring to this phenomenon as legitimation. He lists the targets of these efforts as including "licensing boards, funding agents, intellectuals and public opinion" (p. 296). This external focus is critically important to this discussion as it establishes the principle that the success of an organisation's efforts are not judged by the organisation itself, but by the decision-makers, opinion leaders and others in the community in which it operates. There is, therefore, an inherent connection between legitimacy theory and corporate reputation as defined by Gotsi and Wilson (2001). If organisations are seeking legitimacy, this is a status granted by others, not themselves.

Galaskiewicz's subsequent call for an overarching theory to explain the practice of legitimation was developed further with Oliver (1996) describing it as the conformation with social norms, values and expectations (Palazzo and Scherer, 2006), and Suchman (1995) identifying two main streams: strategic and institutional legitimacy. Strategic legitimacy, as espoused by Pfeffer and Salancik (1978), considers the concept of legitimacy as a business resource, to be manufactured and upheld through managerial decisions. It is "purposive, calculated and frequently oppositional" (Suchman, 1995, p. 576). Institutional legitimacy, meanwhile, is described in more detached terms as a cultural process, in which "organizations, managers, performance measures and audience demands [can be considered] both products and producers of larger institutionalised cultural frameworks" (Suchman, 1995, p. 577). According to this view, no great distinction is seen between organisational managers and the cultural context in which they operate – they simply offer two perspectives from the same collective consciousness.

Suchman goes on to identify three types of organisational legitimacy. In keeping with the role of the external party as the entity charged with judging legitimacy, the perspectives are considered from the standpoint of the evaluator. Pragmatic legitimacy focuses on the immediate response of those most directly impacted by an organisation. Moral legitimacy, by contrast, focuses less on the immediate rewards to the evaluator, and more on a broader sense of whether any given activity is "the right thing to do". Suchman notes that moral claims can be undercut by even the appearance of cynicism, which within the current discussion, could relate to