# Building A Corporate Socially Responsible Brand: An Investigation Of Organizational Complexity

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## Abstract

Past research has suggested that developing CSR linked brands is a complex activity that needs to consider the social issues being addressed as well as multiple facets of organisational activities. This paper proposes that organisational activities need to be considered at four different levels – corporate brand, product/line brands, location/functional activities and supply chain issues. The four activities are discussed and implications for developing CSR-leveraged brands are explored.

## Introduction

Interest in CSR is on the rise. According to KPMG's (2005) international survey of corporate responsibility reporting, there are a growing number of the top 250 global firms that report on social responsibility at least as part of their annual reports (64%), and 52% of the top 250 produce separate reports on social responsibility. Many international organisations' web pages provide information on their integration of responsibility into the corporate brand. Having a report does not necessarily mean that an organisation is socially responsible, but it does suggest that there is interest and an attempt to integrate CSR into the overall organisational philosophy.

It is difficult to adapt a brand to suit changing consumer priorities without also adapting, or diluting, the brand's essence (Rekom et al., 2006). But since brand personality is a key component of brand equity and brand associations (Pappu et al., 2005) and has a positive influence on brand associations (Freling and Forbes, 2005), brands that seek to present a socially responsible personality should integrate CSR principles into organisational values and personalities (Kitchen, 2003). This should be done not simply because CSR is seen to differentiate the organisation, but that CSR has an inherent value to the organisation (Johnson, 2003). This requires the organisation to understand how activities might impact on all its stakeholders (Lewis, 2003).

The implementing of a socially responsible brand is not straightforward (Knox and Maklan, 2004) and some expected benefits do not necessarily eventuate (Ginsberg and Bloom, 2004; Kitchen, 2003). CSR issues are indeed complex (Polonsky and Jevons, 2005), however brands seeking to define themselves as responsible need to recognise that a range of organisational activities, both directly and indirectly controlled by the firm, will impact on the organisations ability to claim it is acting responsibly in a verifiable way.

Responsibility must be integrated into organisational action, which is then communicated to external and internal stakeholders (Kitchen, 2003; Maio, 2003). Responsibility is therefore not simply a promotional tool (Frankental, 2001), but is a core business activity (Bhattacharya et al., 2004). While there are multiple levels of responsibility in regards to social issues

(Polonsky and Jevons, 2005), organisations need to consider whether activities at multiple levels within the organisation – a) corporate, b) product, c) functional/locational or d) within supply chains - are consistent with the purported CSR positioning. In this paper we develop the concept of organisational complexity covering these four issues.

## Organisational Complexity

Firms and their brands operate in complex networks of business units (Kapelus, 2002). Can organisations effectively undertake CSR branding activities across their entire extended production system, which includes internal and external activities? This question is critical as consumers and other stakeholders have a set of expectations about organisations, which may go beyond any explicit 'promises' made in CSR position. For example, there have been situations where firms have been criticised because of the actions of their independent suppliers. We have identified four types of organisational complexity that need to be considered prior to deciding to position a brand as being socially responsible: 1) Overall Corporate Brand; 2) Multiple Products and Brands; 3) Functional Activities and 4) Supply Chain issues.

### Corporate Brand

Within the literature there has been a clear suggestion that corporate social responsibility is an overarching strategy that is integrated at the highest corporate level (Maio, 2003). In this way responsibility becomes one of the distinctive characteristics of the firm (Bhattacharya et al., 2004) and drives corporate actions and image. Firms that choose to adopt a broad corporate responsibility ethos should have a way to ensure these values are incorporated into all activities. This not only includes integrating CSR into mission statements, but requires that CSR measures are used to evaluate present and future activities. In this way CSR is part of the personality of the organisation and something that is reflected in its brands. It has been suggested that activities such as brand stewardship teams could be used to ensure such consistent behaviour exists (Bluementhal and Bergstorm, 2003).

For example, all major tobacco companies have statements regarding their social responsibility activities, yet categorising these organisations as unequivocally socially responsible would be seen as highly problematic by many business ethicists and stakeholders. As such, it would be unlikely that a tobacco firm would try to present itself overall as having a socially responsible ethos.

There are a range of organisations globally that from their inception have integrated aspects of corporate social responsibility into all activities. Classic examples include The Body Shop, Ben and Jerries Ice cream and Blackmores. In all cases these firms' founders integrated social responsibility into the culture of the organisation from the start. This may have the benefit that social responsibility would be accepted culture and practice within the organisation. Firms that adopt corporate social responsibility as part of a change in corporate philosophy will have to modify many employees' thinking to be consistent with a new set of corporate values, which will take time and effort to achieve.

### Multiple Products and Brands

To be effective corporate CSR leveraging needs to be implemented across all brands and products (Klein and Dawer, 2004). This may be exceptionally difficult for some organisations. Let us refer to another tobacco example. When Phillip Morris purchased Kraft it changed the corporate brand to "Altria", which as a newly created word had no existing 'position' in the marketplace. The benefit to Phillip Morris was that the new corporate brand name did not have the negative associations of the tobacco industry. However, no matter what Altria were to claim or do, it would potentially be impossible to have a division that produces CSR focused tobacco products (at least in many stakeholders' minds). As such developing a corporate level CSR positioning would be difficult. Some would also argue that Kraft could also not develop a CSR ethos, as its parent company's activities are inconsistent with this philosophy. Take another example, could a firm that has a biotech division exploring the development of genetically modified food claim that the organisation overall had a CSR philosophy? Given that there is extensive debate over the safety of GM products, one division's actions could potentially 'tarnish' the overall corporate position, as well as that of other business units. However, if the GM foods were being developed as an altruistic attempt to solve problems of human starvation and not primarily for corporate profit, some stakeholders could possibly see the situation differently. CSR is a complex arena.

The issue of multiple products and brands can become extremely complicated. How can any firm promote that a brand is 'responsible' when the same firm produces competing brands that are less responsible. This criticism has been addressed to some automobile manufacturers who promote 'fuel-efficient' vehicles of various descriptions, while at the same time producing fuel guzzling 4-wheel drive vehicles targeted at urban users. On one level this could potentially be seen as hypocritical. Should a firm be able to leverage its "good works" in regards to one product/brand, while producing a harmful product alongside? Should organisations be able to get recognition for making an attempt to improve its CSR performance? The answer may be yes, but it would mean that any positioning or claims are narrowly defined, not to exaggerate the overall corporate activity (Frankental, 2001).

**Site and Functional Activities**

In considering social responsibility within the organisation there will need to be a clear recognition that each location of operation and functional activity might directly and indirectly have a different impact on CSR related issues. For example, environmental issues might be considered the domain of production facilities as well as broader corporate strategies. While unfair labour practices overseen by human resources departments may occur because of the inappropriate behaviour on the part of one or two managers in one unit.

Multiple operating facilities could also provide CSR problems. For example, if there is an environmental accident at one location, it will impact on the whole organisation. Location based issues may be even more complicated when facilities are based in different countries with different standards of 'responsible' practice (Zyglidopoulos, 2002). A good example of an organisation that purports to impose the highest standards of corporate social responsibility is Shell, which after some highly unfortunate incidents in some of its locations now publishes an annual plain-language report that reports both its successes and failures worldwide. The acknowledgement of failures and a willingness to address them is a key component of continuous improvement (Shell, 2006), as well as a demonstration that they are willing to be criticised and address issues of concern.

Given the diversity of CSR issues, it is unreasonable to assume that any one organisational unit or functional area will be able to independently consider all CSR issues. Within the organisation there will need to be system wide management plans, centrally coordinated, to ensure that the ‘core’ responsibility issues associated with functional areas are integrated into broader management and operation plans. There will of course also need to be more generalised management training relating to issues that potentially impact on all functional areas. Any suggestion that intolerance exists within any one area of an organisation will potentially negatively impact on the corporate brand.

### Supply Chain issues

The difficulty of controlling system wide brand issues is well recognised (Beamon and Ware, 1998). Coordinating activities with a production system is not limited to coordinating brands owned by the one firm. Take the example of Ford’s negative publicity with the Explorer in the US, as the result of defects in a tyre supplier’s products (Govindaraj et al., 2004). Could Ford be expected to control its all of supplier’s actions?

Consumers might expect such coordination in regards to CSR related issues, as firms have implemented systems-wide control of quality issues (Waddock and Bodwell, 2004). There have been some attempts by some brands to take control of suppliers CSR activities, or at least to encourage partners to behave more responsibly. For example, Nike was at one point criticised for not ensuring foreign-based independent contractors behaved appropriately in regards to conditions and treatment of labour, and integrated minimum working conditions into these contracts to raise standards (Cushman, 1998). In regards to environmental issues, international standards such as ISO 14001 explicitly require that any accredited firm also require their suppliers to comply with appropriate environmental standards. In this way purchasing firms become “responsible” for ensuring their customers comply. Although these standards have also been criticised as being restrictive and harmful to developing countries as well (Esty, 2001), i.e. possibly less responsible on another front.

Asking organisations to manage suppliers’ CSR related actions might seem reasonable. However, should a supplier’s behaviour in fact impact on its customers’ brand and should this still occur when the customer undertakes all possible diligence? The answer within CSR leveraged branding would seem to be yes and in fact, acceptable standards of all types within supply systems seem to be of increasing importance (Beamon and Ware, 1998).

## Conclusions

Developing CSR is something that requires intensive corporate commitment (Lewis, 2003) and needs to be embraced by senior management, while at the same time translated to strategic and operational activities (Bluenenthal and Bergstrom, 2003). Stakeholders expect CSR activities (Dawkins, 2004) and any irresponsibility then results in reputational damage. As such firms need to keep the implied ‘promises’ stakeholders perceive they have made (Kitchen, 2003) and as such need to understand all dimensions of issues on which CSR clams are based.

In regards to organisational complexity, this means that when seeking to position brands as socially responsible, there should be organisational consideration of the level within the firms that CSR actually occurs. If there is a desire to have a CSR positioned corporate brand it will require extensive coordination and monitoring of activities. Organisations will need to ensure that *all* business units/brand, locations, functional activities and suppliers perform appropriately. This may be a too big a task for some firms and even if organisations can undertake these actions, unforseen problems may arise that affect the overall corporate brand.

Developing individual brands that are positioned as socially responsible might therefore be seen as an easier option. However, even at this level stakeholders may identify inconsistency in activities across organisations. While making such linkages may or may not be reasonable, it is important that the organisation realises that these criticisms may be raised, which should shape how individual CSR brand decisions are operationalised.

The last two types of organisation complexity related to managing system or networks, those internal to the organisation (functional areas and multiple locations) and those external to the organisation (supply systems). While in both cases detailed CSR criteria could be established and managed, the global nature of activities might mean that different standards of CSR performance are applied, thus making standardised CSR difficult. It has been suggested that in the long term the maximum acceptable standard will become the minimum applied globally (Werther and Chandler, 2005; Zyglidopoulos, 2002). For internal activities this will be less problematic, as there is direct organisational control on activities. Global activities will however, still have to be modified so that CSR is integrated into all branding actions. For external networks (i.e. supply chains), setting global CSR standards may be more complicated, especially when it come to monitoring and ensuring supplier practice is consistent with relevant standards. As was suggested earlier, this might also be seen to be a restrictive trade practice, as it places higher costs on supplier organisations, which they may not be able to easily recoup and or may disadvantage some organisations that have limited resources and expertise (Esty, 2001).

The overall implication of corporate complexity in regards to CSR is that organisations will need to carefully consider their activities and how these might affect any CSR positioning of brands. Thus while CSR appears to be a requirement for organisations, the extent to which CSR will be able to be leveraged within in the firm is less clear. Of course, doing the right thing may have its own rewards, some of which might be brand-related or financial. The critical point is that firms will need to consider all their actions and ensure that CSR is a core value of activities, not simply an illusory and fragile point of differentiation.

In regards to future research more work can be undertaken to explore how organisations consider the degree to which CSR is integrated into the brand. This can occur at various levels of the organisation and there is limited understanding as to how this critical decision-making takes place. Additional research can also be undertaken to explore how firms communicate CRS leverage branding. From the discussions in this paper it would appear that it is critical that information is clearly communicated such that it relates to narrow sets of activities and issues. This would suggest that there would be a direct link between CSR strategy and effective integrated marketing communications. This link needs further exploration as well.

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