Reinforcing Intangible Assets through CSR in a Globalized World

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Abstract

One of the most important intangible assets for firm’s competitiveness is brand image, reflecting all that which leads to the firm. In the current competitive scenario, the brand must be able to meet stakeholder’s expectations not only regarding visible components of the marketing mix, but also the firm’s value system, including both economical and social values. Thus, corporate social responsibility is an important driver of brand image and reputation, because the brand image reflects also what the firm does for the society. On the basis of these premises, this paper provides conceptual insights on the relationships between globalisation, intangible assets and corporate social responsibility. In particular, this paper is aimed to discuss the best CSR approach for a global firm, in the light of the global inter-stakeholder communication, and the way in which CSR strategy can reinforce the intangible assets (trust, reputation, credibility) included in the brand image.

Keywords: CSR – Brand Image – Globalisation – Stakeholders Theory – Relational View

1. Introduction

In the current competitive contexts, companies are subjected to growing pressures about their behaviours; consumers’ evaluation of the brand no longer pertains only to the product/service’s characteristics that are created in the marketing mix, but also includes “all that has to do with the firm” according to stakeholders’ filters and criteria (van Gelder, 2002). Today, when consumers acquire a product or service, they are not indifferent to the history, value and actions that characterize that particular company. As Auger et al. (2008) contend, an “ethical consumerism” phenomenon exists that attributes to the growing importance of the social components of the product and business process. In particular, there is an increasing need for companies to legitimize themselves, from a social as well as economical point of view, as contributing cells of the environmental system to which they belong and, through their actions, help to define. The vision of the firm as a cell of a social system in not a new theme, but it certainly has been amplified by recent, notorious financial and social scandals that have made the world community more informed and aware of the diffuse presences of socially irresponsible aspects of business. Thus, CSR and brand image are two interrelated aspects, because brand image reflects all that which leads to the firm (Popoli, 2011; Van Gelder, 2002) and, therefore, the brand must be able to meet stakeholder’s expectations not only regarding visible components of the marketing mix (product/service, price, place, promotion), but also the “value system”, including both economical and social values, with which they identify (Hildebrand, Sen and Bhattacharya, 2011; Peloza and Shang, 2011; Russell and Russell, 2010). Therefore, CSR is an important driver for reinforcing brand image, which is one of the most important intangible asset that contributes to firm’s competitiveness and economic performances. From this point of view, the brand must be considered as a vector that allows CSR strategy to translate into competitive advantage; it assumes the role of “intersystemic connector” between the business system and the consumer system, because it allows the integration of CSR strategy (a firm’s values and behaviour) and the competitive strategy of the firm, unifying the cognitive and emotional associations that the brand arouses in consumers’ minds.

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(Bhattacharya and Sen, 2004; Du, Bhattacharya, and Sen, 2007; Luo and Bhattacharya, 2006; Murray and Vogel, 1997; Porter and Kramer, 2002). Based on these considerations, this paper deals with the relationship between CSR, brand image and globalisation, and its specific goal is to increase understanding of CSR approach for a global brand, in the light of the global inter-stakeholder communication. In particular, in the age of Internet and global communication, a global firm is judged on the basis of whatever it does anywhere in the world, and, in our opinion, this means that “what starts out local becomes quickly global”. As consequence, it is very important address the issue of standardisation/adaptation approach in the CSR strategy for a global firm. We formulate our research question as follows: How does global communication impact on the reinforcement of one of the most important intangible assets (brand image) through the CSR, and what are the implications on the standardisation/adaptation dichotomy?

2. Brand image as “Synthesis of a Firm’s Relational Competences”

Brand image is one of the most important immaterial resources on which a company can base research of elements that distinguish its product from the competition. It identifies a product, gives it personality, and influences consumer perceptions (Keegan, Moriarty and Duncan, 1995). The great significance of brand in the effort to achieve competitive advantage must be sought therefore in its components of perception (cognitive and emotional associations evoked in the mind of the consumer) and of trust (consumer expectations and how they are met by the firm) (Howard, 1977). Such importance is amplified by the fact that in today’s industrial contexts, the strategies of differentiation which firms can pursue are less and less centred on differentiation for technological or performance-based characteristics, and more and more based on the value provided by intangible resources (Kapferer, 1997), and particularly resources of knowledge and relationship. From this point of view, the brand has greater influence on the choices of the consumer; because it is an intangible asset which links directly to the need to seek, through purchase and consuming, elements of expression of one’s own personality and lifestyle (values, behaviors, identification). In particular, one objective of the branding strategy in the current “dematerialized” economy is the disassociation of brand from product. That is accomplished through the consumers’ process of abstraction (Fournier, 1998). The aim of this disassociation is to create new associations to the brand of a cognitive and emotive nature: affective associations of psychological and social well being, of consumer self-identification, which accompany the material components of the product. The brand, therefore, must be able to meet consumer expectations that have to do not only with the visible components of the marketing mix (product/service, price, place, promotion), but also with the value system, including both economical and social values, with which the consumer identifies.

In addition, according to consolidated developments in marketing management, firm-market relations are not limited to relationships with consumers, real or potential but also include all stakeholders with whom the firm comes into contact (Lambin, 2008). Tischler (2004, p. 47) argues that a successful brand strategy today includes “the need for companies to recognize a brand’s stakeholders (beyond its customers)”. This enlarged market vision is based on the stakeholders’ theory, and encompasses a general vision of a company as a system that interacts with other external systems. In this regard, the conceptual assumptions of systemic approach (Cafferata, 1995; Capra, 1996; Golinelli, 2000; Maturana and Varela, 1980; von Bertalanffy, 1968) and stakeholders’ theory (Carroll, 1989; Clarkson, 1995; Donaldson and Dunfee, 1994; Frederick, Davis and Post, 1988; Freeman, 1984; Freeman and Reed, 1993; Jawahar and McLaughlin, 2001; Mitroff, 1983) converge rendering the relationships that companies have with stakeholders, institutions and external systems potential resources for gaining competitive advantage; resources that companies must know how to take full advantage of in order to develop and survive. In particular, a company is situated at the center of a network of external relationships, expressing its ability to obtain both social and economic legitimacy through satisfying the expectations and pressures that are directed at it from the environmental systems (Earl and Swait, 2004; Golinelli, 2000). In exchange, the company receives various resources, one of which is trust. These trust resources translate concretely to stakeholders’ acceptance not only of proposed products, but also of the company’s behaviours and values (Itami, 1987). Therefore, brand image should be considered as a “synthesis” of a company’s relationship competences, not only in regards to real or potential consumers, but in regards to all the company’s stakeholders; the value of the brand is a function of the company’s ability to coordinate the goal of the maximizing profit with satisfying the expectations of all stakeholders. In other words, the legitimacy and credibility of a brand extends from the company’s capability to define the optimal combination of productive factors according to strictly economic logic, to the capability of relationships in the external context, and therefore, with all the stakeholders that express various expectations regarding the firm’s activity.
In conclusion, the vision of brand image as a synthesis of a firm’s relationship competences allows us to affirm that brand image is reinforced only if the firm knows how to gain trust, credibility and reputation from its internal and external interlocutors; as consequence, the growth of this intangible resource is an important driver to gain a competitive advantage, and from there, gain profit (Porter, 1985).

3. CSR as Driver of Brand Image

Corporate Social Responsibility (CSR) can assume numerous and diverse meanings and relate to all aspects of a firm’s activity that produce social and environmental effects (Dahlsrud, 2008; Whitehouse, 2006); employee work conditions and employment policies; the quality of the products and services and the characteristics of the production process; balance sheets and other information destined to third parties; relationships with political, social and administrative institutions in the firm’s community, location of the production activities, fiscal behaviour and employment of resources that investors give to the firm in the form of stocks and bonds; and the relationship of products, services and production technology to the external ecological environment. The varied expectations of stakeholders about a company’s social responsibility paint a complex picture of multidimensional social responsibility factors, which are linked to economic, environmental and social issues. According to the classification operated by Carrol (1989), the various dimensions can be grouped into four categories: philanthropy, legality, ethics, economics. It follows on from this that CSR expectations are not localized in precise points (for example, shareholders and investors, suppliers or customers, public administration or no-profit organisations, etc.) but are found within every type of stakeholder (Torres et al., 2012).

The main thread in the CSR theme is the firm’s need of legitimacy in the market, the state and society, in both economic and social terms^5. Stakeholders have extended their expectations of a company from simple business results to include the way in which the firms will reach these results. The old view of Friedman (1962; 1970) and the more recent view of Stemberg (1994) of the concept of corporate social responsibility, according to which the only responsibility of the firm is to make a profit appear today totally inadequate in the light of new firm-State-market-civil society relations in the post-industrial age. As a protagonist in the progress of the civil and economic society, the firm must incorporate into its managerial principles the logic of social value creation, balancing this with the logic of economic value creation; economic value chain and social value chain meet in the new mission of the firm which, as stated by Freeman (1984), is seen in the balancing of the interests of all the stakeholders. Commenting on Friedman’s thoughts, Porter and Kramer (2002, p. 59) maintain that to consider the social and economic objective as dichotomy is an increasingly obsolete perspective in a world of open, knowledge-based competition. Furthermore, CSR has become one of the main drivers in competitive advantage; according to Porter and Kramer (2006; p. 80), “CSR can be much more than a cost, a constraint or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage”. They also affirm that “the success of the company and the success of the community become mutually reinforcing. Typically, the more closely tied a social issue is to the company’s business, the greater the opportunity to leverage the firm’s resources and capabilities, and benefit society” (p. 89).

Furthermore, CSR expectations are not only found within every type of stakeholder, but are also “growing” (Balmer and Greysner, 2006; Dawkins and Lewis, 2003; Whitehouse, 2006), in the sense that they are increasingly linked to the request that firms should assume a “pro-active” approach towards environmental and social issues, and not limit themselves to a defensive approach or merely abide by existing rules and regulations. On the basis of these considerations, brands and corporate social responsibility are two sides of the same coin of entrepreneurial success (Deigendesch, 2009). On one hand, strategically integrated CSR has a strong impact on brand image. On the other hand, brand is a result of all that the firm does, in terms of product offering as well as operating practices and behaviour assumed in the competitive environment, especially for value generated for the company and for society. According to Dimofte, Johansson and Ronkainen (2008), environmental and social responsibility is one of five factors that describe the dimensionality of global brand construct (the others are: availability and visibility; symbol of achievement; safer choices and timesavers; standardized versus adapted-to local customs). Similarly, Holt, Quelch and Taylor (2004) contend that quality signals, global myth and social responsibility are the three principles dimensions of global brands (together they account for roughly 64% of the variation in brand preferences worldwide) that form the basis of the relationship between the perceived globality of a brand and its perceptions of quality by consumers.
4. The Impact of the Global Communication on the Global CSR Strategy

In the global communication era, transfer process of the firm’s social behavior on brand image is both amplified and conditioned by the very rapid flow of communications existing in the inter-stakeholder global context. Today the whole world communicates through many means: newspaper and magazine articles, television and radio broadcasts, internet content, books, films, music, art, and also advertising and marketing communications (Godes et al., 2005; McAlister, Sonnier and Shively, 2012). In addition, the incredible development of the internet has greatly accelerated the development of global communications. The speed at which news travels today in the global context means that what a firm does in one geographical context is heard about all over the world in a very short lapse of time, amplifying the role played by the media in the construction of brand image and of corporate reputation (Mark-Herbert and von Shantz, 2007; van Gelder, 2002). Therefore, in the age of internet and global communications, what a firm does in one country becomes a factor of evaluation worldwide, and goes beyond the boundaries of the local context (Russell and Russell, 2010). As Dimoffe, Johansson and Ronkainen (2008: p. 115) affirm, “a brand’s globality could imply worldwide success and, thus, the seal of approval of a wide marketplace audience”. A global firm is judged on the basis of whatever it does anywhere in the world; the social responsibility a firm demonstrates in one country becomes a factor of evaluation for the stakeholders worldwide, and not only for those operating in the specific country in which the firm has adopted that particular social behavior. For instance, the negative evaluation which Nike received a few years ago when the company used child labour in production processes in Cambodia is an evaluation which spread all over the world, and affected consumer and stakeholder judgment on a world level. Indeed, the disapproval of this behaviour was far greater in other parts of the world than in Cambodia itself. Similarly, Coca Cola was confronted with protests by customers in the UK and the USA because of what was considered their poor environmental record in India and allegations of human rights violations in Columbia (Hills and Welford, 2005).

Our emphasis is on the fact that global communication means “what starts out local becomes global”, and hold firms and their strategies and behaviors up to worldwide evaluation. Moreover, corporate social responsibility is by definition an aspect of company strategy which has a worldwide dimension, in so far as it concerns values which are felt by stakeholders all over the world, albeit to varying degrees in different countries. Nonetheless, as Becker-Olsen et al. (2011) has highlighted, not only are these differences of little significance but they will eventually disappear as CSR expectations and the CSR programs of firms continue to spread worldwide. One of the main characteristics of globalisation is that a large part of popular culture has become global culture (Holt, Quelch, and Taylor, 2004). For these reasons, we contend that the expectations of global stakeholders are formed through a process which has a two-fold nature, additive and compensative. Additive, because the expectations of stakeholders that the global firm must take into account are the sum of the expectations in the different local contexts where the firm is present; compensative, because all these expectations, and the powers of incidence and conditioning of stakeholders, compensate each other reciprocally, and must be considered on a level of equal importance. For example, a specific local context might attribute high importance, in the realm of the various meanings of “social responsibility”, to the need to safeguard workers’ rights; on the other hand, another local context might attribute high priority to the need to safeguard environmental protection with a lower priority for issues of workers’ rights, because it is felt that the legal system in place is appropriate in the matter.

Faced with this priority in a specific local context, the firm defines its local CSR strategy so as to respond to the demands expressed by the external environment through its spokespeople (the stakeholders). From a theoretical viewpoint, this is fully in line with the concept of a “partially open system” which Maturana and Varela (1980) use in reference to the firm, meaning the opportunity for a firm to evaluate in a discretionary way its positioning in the context of the economic and social system, and to give the firm itself the identity which is considered fitting for the specific ends. With specific reference to the CSR, this means that the firm can decide discretionally to which of the stakeholders’ CSR expectations should be given greater importance and how far they should be answered. Differently, in a global context the diversity of local stakeholders’ expectations regarding the contents of social responsibility (working conditions, the environment, transparency and truthfulness of information, and so on), tend to cancel each other, and consequently the response of the firm cannot be based on the selection and prioritising which is used locally. Rather, it must be linked to their addition and compensation in an order which is systemic and no longer sectorial. Leaving aside the various legal systems which regulate aspects of social responsibility in different countries, the firm will have to provide a total response to the global market regarding its social behavior, and will therefore need to formulate a CSR strategy which includes all its possible meanings.
A concrete example of this vision of stakeholders on a global, rather than, local level is provided by the Sony Group, which has eliminated some chemical substances from its products all over the world even though those specific substances are banned only in Europe (Sony CSR Report 2006). In our opinion, this demonstrates the full awareness of Sony that the firm is judged anywhere in the world in the light of a behavior adopted in every single country in which it operates, thereby rejecting a “selective” approach in the formulation of CSR strategy. In fact, Sony could also have limited itself to eliminating from its products the substances which are banned only in Europe, and could have continued to use them for products destined for markets outside Europe; however, by doing so, the firm would have run the risk of criticism from European stakeholders, despite the fact that Sony fully abides by the legal requirements of the countries in which it operates. What becomes necessary therefore in a global context is an overall strategic plan which the firm must be able to define in a multidimensional and multi-stakeholder logic. To achieve this it is important to define an integrated CSR strategy which takes into consideration the whole of the demands for CSR expressed by all the categories of stakeholders, placing them all on the same level of importance. It is, indeed, necessary to consider the relations which the various categories of stakeholder maintain with each other and the consequent reciprocal conditioning in positive and negative evaluation of the behavior of the firm; nowadays such relations are amplified by the rapidity and diffusivity of global communication in the internet era, which yields greater and greater influence on the CSR marketing communication that every firm directs to its own consumers and stakeholders regarding its social behavior. Our thesis in favor of an integrated CSR strategy is also supported by a number of theoretical indications from international marketing literature which has added to knowledge of the trade-off of standardization versus adaptation regarding global brand (Prime and Usunier, 2003). Prior research has highlighted both the advantages and the arguments in favor of an approach to differentiation (Dobers and Hämne, 2009; Hofstede, 1980; Schuling and Kapferer, 2004; van Gelder, 2004), and the advantages and the arguments in favor of an approach to standardization (Aaker and Joachimsthaler, 1999; Cleveland and Laroche, 2007; de Chernatony, Halliburton, and Bernath, 1995; Kapferer, 2005; Levitt, 1983; Melewar and Walker, 2003; Quelch, 1999; Schuling and Kapferer, 2004).

Nevertheless, alongside these studies which consider the choice of standardization versus adaptation as a dichotomy there are many studies which see the two alternatives as two extremes on a continuum (de Chernatony, Halliburton, and Bernath, 1995; Hsieh and Lindridge, 2005; Schuling and Kapferer, 2004), and propose a mixed approach in which some elements of marketing are standardized and others are differentiated from one country to another. In particular, it has been observed that the best approach is that of distinguishing the strategic aspects from the operative aspects, while turning to differentiation for those aspects which concern marketing executions (marketing mix), and to standardization for those aspects which concern the brand’s core essence and principles guiding the global brand image (de Chernatony, Halliburton, and Bernath, 1995; Keegan, 2002; Melewar and Walker, 2003; Quelch, 1999; Roth, 1995). There is no doubt that corporate social responsibility is to be considered as one of the important elements of a brand’s core essence and image, and hence a global CSR strategy which is recognizable and approved all over the world is a necessary condition in order to achieve success and continuity in diverse markets and cultures. For a global firm, adopting a number of different local CSR strategies can lead to a strategy which is on the whole fragmented and incoherent, and which tends to limit itself to obedience to minimum CSR standards required by each single local context (Muller, 2006); vice versa, the adoption of a global, integrated CSR strategy which is relevant in all countries in which the firm is present can lead to a phenomenon of “upward harmonization” of CSR standards. Moreover, not only can an integrated CSR strategy avoid multinational firms being exposed to divergent pressures between countries (Muller, 2006), but also represents a prerequisite for achieving a strong brand image on a global level, in which global consumers can identify themselves on their search for a global identity (Özsomer and Altaras, 2008). As Werther and Chandler (2005: p. 324) affirm, “strategic corporate responsibility is a global brand insurance”; in our opinion, that is true if all the global stakeholders of the firm can fully share in the firm’s behavior worldwide.
5. Conclusions and Future Research

This paper has aimed to provide a conceptual reflection on how a global firm can reinforce a specific intangible asset (brand image) through CSR in a globalised world; it has considered the fact that evaluation of the social behavior of a global firm is applied to everything the firm does in the different countries in which it operates and is not limited to the considerations of local CSR demand; it has indicated as a consequence of this that the a global firm’s approach to CSR strategy must be multidimensional and multi-stakeholder, and must place all the possible dimensions of the CSR on the same level of importance. The thesis we proposed is that a global firm’s approach to CSR strategy must be multidimensional and multi-stakeholder, and must place all the possible dimensions of the CSR on the same level of importance. However, the response to the research question of this paper is that the relationship between CSR strategy and brand image does not present the same dynamics in the global context as it does in the local context; in particular, while operating in a local context offers the opportunity to “select and prioritize” the CSR expectations as an effect of the selection and prioritization of stakeholders which the action of a firm must handle, operating in a global context imposes a more complex consideration of CSR expectations, given the interdependencies which are performed created amongst stakeholders who, while scattered across diverse contexts, are increasingly in direct communication with each other. If once a greater “communicative isolation” and the separation between different countries justified the adoption of a decentralized local CSR strategy, this is no longer true in a world of global communications which puts on display in a global shop-window everything a firm does in the conducting of its business.

Additionally, cultural differences which exist between different countries and which are an argument in favor of adaptation do not, in our opinion, affect the values of CSR, in so far as the latter are held worldwide with the same meaning; what changes from country to country is the intensity with which these values are held (although such differences are gradually fading), and this justifies the selective approach of a local CSR strategy. Nonetheless, in the global context the different weights which are represented by the various dimensions of CSR tend to cancel each other out given that the judgment of a global firm by stakeholders concerns everything the firm does anywhere in the world. As a consequence, we argue that a global firm should adopt a multidimensional and multi-stakeholder approach for CSR strategy, defining an integrated CSR strategy that does not change in the various countries where the firm operates. Our reflections have been developed in a purely conceptual level, and we therefore suggest that two primary needs for future research can be identified, both of which require empirical analysis: first, further analysis of the phenomenon of isomorphism in the formulation of the demand for CSR in different countries and, consequently, isomorphism of CSR programs of a global firm in the different countries in which it operates; second, measuring to what extent the evaluation of social behavior of a firm in a given country is influenced by the evaluation of the behavior adopted by the same firm in other countries whose values and culture, and therefore local CSR expectations, are different.

References


