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## Understanding Issue Complexity When Building A Socially Responsible Brand

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## ABSTRACT

Manuscript Type- Conceptual Paper

**Purpose of the Manuscript-** To discuss the importance of understanding Corporate Social Responsibility (CSR) by analysing the issues that comprise CSR. Without this understanding it will not be possible for organisations to develop responsible brands.

**Approach –** The paper draws on the existing business and marketing literature to define four aspects of issue complexity. It also draws on a range of real and hypothetical examples affecting local and global organisations to explain the four components.

**Limitations –** The work is conceptual in nature and additional research needs to be undertaken to better understand how organisations define the CSR issues that they will integrate into activities and how the management of these issues can be undertaken to ensure system wide implementation.

**Practical Implications –** The work suggests that by understanding the four components of issues complexity organisations will be in a better position to integrate CSR related branding. Without understanding these issues, organisations may potentially unintentionally exaggerate claims or set themselves up to be criticised that they are unfairly exploiting consumers' interest in CSR issues.

**Value-** Previous research has documented the value of CSR, but to date there have been only limited attempts to systematically examine how managers could know whether they have considered the issue completely and realistically.

# **Understanding Issue Complexity in Building A Corporate Socially Responsible Brand**

## **Introduction**

To date there has been extensive discussion of the benefits to firms and brands of being socially responsible (Knox and Maklan, 2004), including: improved financial performance (Johnson 2003; Miles and Covin, 2000), building a connection with consumers (Porter and Kramer, 2002), improving product quality (Montillaud-Joyel and Otto, 2004) and even internal benefits such as increases in employee commitment and reduced employee turnover (Dawkins and Lewis 2003; Maio 2003), not to mention improving society overall (Sirgy, 2002). It is no surprise that “CSR is increasingly being recognised by firms as central to core business activities rather than a peripheral consideration associated with philanthropy” (Bhattacharya et al., 2004 p6).

Linking socially responsible behaviour with the brand can be essential in developing the brand’s values and personality (Kitchen, 2003), as well as creating value in terms of differentiation within the market (Johnson, 2003). The view that corporate social responsibility is an integral component of corporate activity and corporate identity was supported by 24% of the business people at the 2004 World Economic Forum in Davos Switzerland (Economist, 2004). While some might consider this percentage low, there is evidence of an increased appreciation of CSR by managers over time (Lewis, 1999).

The implementing of a socially responsible brand is not straightforward, and some expected benefits do not necessarily eventuate (Ginsberg and Bloom 2004, Kitchen 2003). Because of the complexity of CSR issues, firms promoting the message that their brands (corporate or product) are responsible will have to understand all aspects of the social issues they are seeking to integrate into their brands (Lewis, 2003). These social values also need to be clearly communicated in all internal and external activities (Kitchen, 2003), as well being

accurately reflected in organisational activities (Maio, 2003). Any perception of “puffery” (exaggeration of brand values) will quickly be picked up and used by activists or other stakeholders to publicise inconsistencies (Miles and Covin, 2000). Of course, given the diversity of social issues, it will be potentially difficult to position a corporate or product brand as being responsible across all fronts. This is more difficult when one considers that the state of knowledge of social issues and society’s views on them, inevitably change over time. Thus what is seen as a responsible action today may be considered harmful in the future (Polonsky and Rosenberger, 2001), and therefore organisational CSR practices and leveraging of these activities need to continually be revised (Sirgy, 2002).

CSR activities are a significant business concern: “in 20 developed countries surveyed, CSR-related factors collectively accounted for 49% of a company’s brand image” (Business and Sustainable Development, 2001). This result is not surprising as firms’ brand images –serving as a representation of the firm – are used as a lens in which stakeholders evaluate all performance, including social performance (Werther and Chandler, 2005). In this way managers explicitly create brand promises to stakeholders on product and corporate attributes, including CSR (Kitchen, 2003). However, if stakeholders perceive implicit higher level CSR promises made by brands - corporate or product - dissatisfaction will occur with any perceived under-delivery against those promises (Kitchen, 2003).

CSR is important to a broad range of organisational stakeholders, with an equally broad range of expectations of brand responsibilities (Dawkins and Lewis 2003; Maio 2003). For example, between 1995 and 1998 there was more than a 50% increase in the number of business leaders, from 25% to 39%, who believed industry was not doing enough to meet its social responsibilities (Lewis, 1999). Consumers also appear to be exhibiting a significant interest in firms’ CSR activities, with 38% of UK respondents reporting that it was “very important that a company show a high degree of responsibility...” (Dawkins 2004, p1). A

study by Business and Sustainable Development (2001) reported that in the US 42% of customers surveyed indicated they would be likely to switch brands because of CSR issues, although this figure was lower in Europe (25%), Latin America (23%) and Asia (8%). CSR has also been supported by employees, with 90% in one UK study reporting that their firm's social and environmental responsibility was important to them, with 58% saying it was very important to them (Dawkins, 2004).

It is therefore no wonder that some firms have sought to integrate CSR as a core value in brand positioning (Ginsberg and Bloom 2004, Middlemiss 2003, Werther and Chandler 2005). While promoting CSR linked brand and corporate identity is not new, the number of brands focusing on CSR values seems to be increasing, although implemented in different ways (Menon and Kahn 2003; Klein and Dawar 2004; Maio, 2003).

Leveraging corporate social responsibility requires a shift away from any purely altruistic motives for undertaking socially responsible activities, where no benefit accrues to the firm from its public-spirited action (Drumwright and Murphy, 2000). Leveraging CSR related activities have been considered a strategic action from which there needs to be a direct "return on investment" (Porter and Kramer, 2002). However, attempting to leverage good work may be counterproductive and result in stakeholder scepticism (Mayer et al., 1993). In this way firms and their brands may ultimately lose, or at least not gain the maximum positive social and reputational benefit that they could achieve (Klein and Dawar, 2004).

Leveraging of CSR branding requires thorough understanding of the increased issue complexity, especially when CSR is not embraced within the traditional branding concept. That is a brand is designed to embody and reflect the core values and attributes of the "product" (Kitchen 2003; Middlemiss 2003; Werther and Chandler, 2005). CSR branding therefore explicitly means that CSR *is* a core part of the brand and associated activities communicating brand characteristics. If it is a core business activity (Bhattacharya et al.,

2004) and not simply PR or marketing hype (Frankental, 2001), then it is words that are supported by and inextricably linked with action. There must be a long-term commitment to CSR activities, which must be supported at senior management level, taking into consideration the issues that are salient to the brands' stakeholders. There also must be sufficient resources to support actions and provide robust measures of performance (Dawkins and Lewis, 2003, Middlemiss 2003; Werther and Chandler, 2005). Further, CSR activities must be supported by other core brand and product attributes (Lewis, 2003) otherwise there is the risk that CSR becomes puffery, which is a consumer concern already in some areas of social responsibility (Mayer et al., 1993).

Developing and maintaining a "responsible" brand can clearly be difficult for organisations and there are layers of complexities, including understanding the CSR issue, the organisational activities as well as how one would operationalise CSR branding. We suggest that firms need to focus on understanding the domain of CSR issues before they decide to position themselves as 'responsible'. In this paper we discuss four aspects of issue complexity- issues to include, scope of CSR issues, standards to measure performance and the determination of when performance is in fact responsible. As will be discussed in the following sections of the paper, understanding these aspects of issue complexity will be essential to incorporating CSR in organisations brands.

### **Issue Complexity**

Corporate social responsibility is a broad concept and means different things to different stakeholders, including the firm (Dawkins and Lewis, 2003; Frankental 2001). As such, the very nature of socially responsible actions expected by stakeholders may not necessarily be clearly understood by the firm (Guay et al., 2004) or the stakeholders themselves (Polonsky and Rosenberger, 2001). Even when organisational behaviour and

stakeholder expectations are consistent with the types of issues that might need to be considered, the definition of “responsible” perceived performance may vary across stakeholders (Zyglidopoulos, 2002). Further, even if performance criteria are widely agreed, the difficulty of making subjective judgements against those criteria may lead to different perceptions of outcomes, i.e. how responsible is responsible enough (Goodpaster, 2003).

### **Social issues**

In looking at issue complexity we will first focus on the range of social issues that might need to be integrated in activities in order to claim that a brand is behaving in a socially responsible fashion. Within social investing areas there are broadly defined lists of activities that need to be considered when classifying an organisation as socially responsible. For example, the KLD social investing group (KLD, 2004) examines firms’ performance on eight broad social issues to be considered in classifying a firm. These include: Community, Corporate Governance, Diversity, Employee Relations, Environment, Human Rights, Product, and Controversial Business Issues.

Some firms have sought to address the complexity of CSR issues by having clearly stated positions on a broad range of these issues, if not all of them. For example, Nestle has a series of Web pages and links devoted to the social responsibilities it has defined as being important to the organisation ([http://www.nestle.com/Our\\_Responsibility/](http://www.nestle.com/Our_Responsibility/)). These include: responsibility - Environment; UN Global Compact; Sustainability; Nestlé Donations, Nestlé in the Community; Water, issues related to specific products, including Infant Formula and Coffee Prices – as well as broader activities - Gene Technology; Quality; and Water.

The specific way in which Nestle seeks to demonstrate that it has addressed these issues might in part relate to the past problems it has experienced, i.e. they have learned from past mistakes of themselves and others. In this context there is some research suggesting that adopting CSR can possibly dilute corporate image problems (Klein and Dawar, 2004),



although these and other authors suggest that using CSR to try and overcome past problems needs to be undertaken carefully so that it is not seen to be a superficial public relations activity without underlying shifts in activities (Klein and Dawar 2004; Werther and Chandler, 2005). Nestle has clearly defined the scope of issues that inform its CSR policy and explains how these form a core part of its business principles. However, there are still some stakeholder groups (e.g. Baby Milk Action, <http://www.babymilkaction.org/>) that still promote boycotts of Nestle, criticising its poor performance on the very issues the firm has identified as core “CSR strengths”.

### **Heterogeneity**

The second area of issue complexity relates to the multitude of sub-areas within a CSR activity that also should be considered, including regional variations in issue importance (Bhate, 2003). For example, an a global energy company might be more concerned with an environmental issue such as acid rain in Europe, which has a significant negative environmental impact, whereas in Australia and New Zealand the firm would be less concerned with this issue as it does not within Australia and New Zealand yet. Operations in Australia might be more concerned with land salination and water conservation as these are more immediately pressing issues in their local context. Another example of variations in social issues would relate to firms that position its brand as being sensitive to human rights. The KLD social screen lists three major areas that need to be addressed in order for a firm to be considered responsible on the human rights dimension: Indigenous Peoples’ Relations, Labor Rights and Others (exceptional human rights initiatives) as well as listing areas of activity that should be excluded, such as sourcing from Burma and controversies related to employee relations (KLD, 2004). The breadth of this list can make it difficult for any firm to demonstrate appropriate CSR action on all the various fronts specified, to say nothing of issues that are perceived by stakeholders to be implicit to organizations, even though they are

not explicitly stated by the firm. For example, will a firm promoting the message that they pay a working wage in all countries in which it operates be perceived by all stakeholders to be behaving in a CSR fashion? Such claims could be difficult for a wide variety of stakeholders to support, especially when there are vast differences in what constitutes a living wage across the world. Will consumers or activists in developed countries perceive “living wages” paid in developing countries as fair? In addition, what if there are other labour practices that some stakeholders perceive as being more important than a living wage, such as occupational health and safety? How can a global firm effectively manage all stakeholder perceptions in global markets? Zyglidopoulos (2002) has suggested that managing global CSR expectations is very difficult, and adoption of the strictest global expectations is required to avoid negative reaction. A well-known example of this difficulty is the case of Nike and its manufacturing practices in South-East Asia. Some (eg Klein, 2000) criticized Nike for exporting jobs from the United States to locations such as Vietnam where labour costs were much lower. Further controversy ensued when low standards of occupational health and safety were revealed in the Asian factories. However a personal inspection by one of the authors of this paper showed that while conditions were far from ideal, the lack of a social security system in Vietnam together with high unemployment meant that workers were at least able to feed their otherwise starving families. The question of the highly unsatisfactory work practices in those factories has been dealt with in depth elsewhere (see, for example, Vietnam Labor Watch 2005). Further, businesses such as British American Tobacco Australia choose to “promote” their level of environmental responsibility citing the fact that they operate fuel efficient transportation systems, support a reduction in butt littering, etc., and thus mitigate the more controversial aspect of minimization of harm caused by tobacco consumption in their corporate social responsibility report (British American Tobacco Australia, 2005).

## **Measurement**

This leads us to a third area of issue complexity, that of how CSR activities are to be measured (Goodpaster 2003; Knox and Maklay, 2004). For example, how is it possible to definitively measure genuine equality of opportunity? Measures of CSR performance should consider both the criteria used and the processes by which those criteria are measured. In cases where CSR is measured using subjective evaluations there may be potential for disagreement in regards to CSR performance. One possible way to standardize subjective evaluation could be to have external bodies providing consistency in measures of CSR performance (Maio, 2003). Disagreements about the standards used to measure CSR would result in these measures not being generalisable (Goodpaster, 2003). The temptation to create objective quantifiable measures can fail due to the necessarily artificial way in which such measures of CSR would have to be constructed. For example, setting equal opportunity targets or quotas for minority groups may not actually bring about equal opportunities within a workplace. The heterogeneous perceptions of various activities across geographical or social areas referred to in the previous section further add to the difficulty of setting robust, unequivocal, and measurable CSR standards. For example, the governments of some countries dispute the appropriateness of hard targets proposed in the Kyoto Protocol for reducing greenhouse gases, such as CO<sub>2</sub>, even though they recognize that these gases are environmentally harmful (United Nations, 1991). Those opposed to the targets suggest that the targets are inequitable and the economic damage that potentially arises out of the conditions of the protocol are too great (Bush, 2001).

### **Interpretation**

Even if all stakeholders agree on the criteria that should be used to objectively measure performance, they may disagree about the level of achievement required for positive or negative performance. How do we determine when a given level of social performance is positive? This may depend on who is being asked. For example, during the apartheid era in

South Africa, some consumers and investors criticised firms for operating in that country even though the firms had adopted the widely agreed Sullivan Principles of responsible behaviour (Mangaliso, 1997). In the view of these stakeholders, any corporate activity in South Africa was seen negatively and as supporting an oppressive regime. Yet, on the other hand, there were consumers and investors who considered that firms operating under the Sullivan principles were contributing to social enhancement and improved standards of living of the oppressed in that country. Who was right from a CSR perspective? Certainly both groups believed that they were ethically correct and in this case some stakeholders would criticise the firm for behaving irresponsibly, even though others would praise the firm for exemplary action. In another example, the CSR viewpoint in the case of wind generation of electricity varies depending on the point of view taken. Those in favour of wind farms point to the increased electricity generation and the potential reduction in greenhouse gasses. However others opposed to wind farms suggest that there is environmental damage associated with localised changes in wind patterns, visual ‘pollution’ or the fact that wild birds that might be killed by the rotors (NWCC, 2004). Thus the same set of outcomes is viewed differently.

This aspect of complexity therefore relates to what level of performance is seen to be responsible. This is an important issue to be considered in defining the CSR positioning of the brand. The implication for CSR leveraging is that no matter how responsible a firm is, there may be those that criticise it for not performing even better, based on expectations that may or may not be realistic. To claim a brand (corporate or product) is responsible must mean that system-wide issues have been tackled and managed (Polonsky and Rosenberger, 2001). Responsible branding can thus result in organisations thoroughly reviewing their overall social impact, not simply focusing on narrowly defined issues.

### **Conclusions and managerial recommendations**

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, internal and external, expect different types/levels of CSR activities (Dawkins, 2004). Failure to deliver on stakeholder expectations, whether unintentional implied or not, will result in reputational damage. As such managers need to keep all the stated and implied 'promises' made (Kitchen, 2003). To meet expectations organisations must understand the complexity of the social issues that the CSR claims are addressing. Understanding CSR issue complexity is essential and something that firms should be integrating into operational activities, as well as communication activities (Werther and Chandler, 2005).

However, the degree to which CSR is leveraged must be carefully considered. Over-exuberant promotional activities extolling the firm's socially responsible behaviour may be seen to be exploitative. For example, in the 1990's when Mobil first developed plastic bags that were biodegradable, the firm thought that it was on a marketing winner. However, extensive negative publicity was generated when it was identified that while technically true, the bags were biodegradable, the conditions in landfills were such that the bags would in fact not biodegrade. Mobil was soon forced to remove the product following litigation alleging deceptive advertising (Spears and Larson, 1995).

CSR-linked brand positioning needs to carefully consider the implications of changes to products and certainly is not a short-term tactical activity. CSR positioning will usually require a significant strategic shift in the way the organisation thinks about itself and its activities, including communications with internal and external stakeholders. That is, there needs to be something truly meaningfully to communicate, i.e. actions speak louder than words.

While presently CSR is presently a "voluntary action," increasingly it is becoming

expected by a wider range of stakeholders. It may be the case that firms choose to undertake responsible actions without seeking to leverage these actions. Any leveraging of CSR should ensure that the firm has genuinely integrated CSR into its corporate culture and actions. To do this the firm needs to understand its behaviour in the context of issue complexity and be able to substantiate its actions as well as leveraging them. This allows proactive external leveraging with the confidence that actions support the brand positioning.

From a managerial perspective, linking directly back to the four sections of issue complexity, organisations should ensure that they can answer the questions summarised in Table 1.

**(Insert Table 1 here)**

In answering these questions, managers will be able to understand the explicit and implicit promises they are making to their stakeholders. This will help to ensure that the potential positive and negative impacts of CSR linked branding are considered. However, the implementation of CSR activities requires that there is something substantial and worthy of being communicated in the first place. There also must be shared managerial vision and commitment to implementation throughout the organisation.

In regards to future research, while there has been some work on examining the impact of CSR behaviour on stakeholder, there is in fact limited discussion as to how firms define the scope of issue complexity. The issue of understanding stakeholders' expectations is indeed important and thus the definition of the scope of CSR is a critical issue that warrants future investigation. A second related issue is how does the firm operationalise CSR brand positioning. The research to date has undertaken limited exploration of the activities used to communicate CSR. In general these have been experiments where variables are controlled.

While important, these works have not necessarily covered the gambit of potential actions undertaken and there has been minimal if any discussion as to how different 'communication' approaches interact. For example, does have detailed web-based material positively influence broader directed communication strategies? There is also limited discussion as to how different communication strategies might impact on different stakeholders. Given that stakeholders have different views and in some cases motivations, one strategy for leveraging CSR may have different effects on different stakeholder. As such research needs to move to broader strategy implantation issues.

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Table 1: Four components of Issue Complexity

Issue	Questions to Ask-
Social Issues	What social issues are to be addressed?
Heterogeneity	What range of sub-issues within the domain are to be considered?
Measurement	Are there recognised standards that can be applied to demonstrate performance?
Interpretation	Will all stakeholder define a given level of performance as 'responsible