

## Brand Positioning Through Corporate Social Responsibility

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### Abstract:

*This paper gives an overview about branding through Corporate Social Responsibility . The focus is on social development and addressing social issues as urgently as economic issues. Corporates can build sustainable brand image by emphasizing on social, economic and environmental problems of the society. Customers will perceive the organisation as socially concious organization . Companies like HUL, P&G, Sony, Heinz and Pepsi are taking various steps to build their brand image, keeping in mind social responsibility of company. It deals with a global changing business model and tries to answer the following question: Who and what are driving forces for the change? It analyses areas and values of CSR. The focus is on the actors and their benefits of corporate social responsibility, including effective reporting about measurable benefits of CSR. This paper suggests that companies should build their brand image through socially responsible efforts, because the long term benefits are higher than risks and costs of CSR.*

### Keywords:

*Brand Positioning, Corporate Social Responsibility, CSR*

## **Introduction – The rise of corporate responsibility and its importance**

Profound changes in the world over the past 20 years have created new risks for modern managers, and new means of building value. Business has moved to centre stage, bringing many benefits but also attracting the attention of vociferous critics. Companies' impact on the environment, and on society at large, can create risks which have an important impact on financial performance. It is in the interests of business most obviously because there is a lengthy list of major names who have faced contention over social, ethical or environmental issues: eg BP, Shell, Premier Oil, Ford, Nike, McDonald's, Balfour Beatty and GlaxoSmithkline. CSR is more important than in the past partly because business plays an increasingly prominent role in modern society, at every level from the local community to the international stage.

Corporate responsibility has advanced rapidly since the mid-1990s. Companies have responded to the guidelines by beginning to publish useful information for investors, but more is needed from smaller public companies and more focus is required on what is material to each company, rather than general issues. Early attempts to gauge the "business case" for corporate responsibility focused on revenue and cost benefits. A confluence of corporate governance and socially responsible investing (SRI) has stimulated activity in financial markets. As well as developing analytical skills, investment managers are also collaborating in specific areas, notably climate change. Research has shown that incorporating social responsibility can reduce portfolio volatility and of the importance of risk as well as returns, including risk to reputation. Social, cultural, demographic

and technological changes mean that social and environmental risks are now more significant than in the past and more volatile.

Growing awareness of the importance of corporate responsibility is a global trend, with significant developments in many markets, including Australia, South Africa and the US. The European Union has taken a close interest and created a Forum to advise on necessary action. It is increasingly recognized that the managerial decision-making process in business needs to take into account a wide range of criteria relating to the financial, environmental, and social implications of business operations. Corporations look to their management teams to implement policies and practices that contribute to long-term responsible success of their enterprises and that fairly balance the competing claims of key stakeholders: investors, employees, customers, business partners, communities, vendors, and the environment.

### **The Evolution of Corporate Social Responsibility:**

The concept of corporate social responsibility is not brand new; however it has evolved considerably in the last few decades since the phrase corporate social responsibility was coined in 1953 with the publication of 'Social Responsibility of Businessmen' by Howard R. Bowen.

The phrase has been in wide use since the 1960's and through the 70's and 80' discussion of the concept grew. Around the same time, big international companies also faced anti-corporate sentiments because of environmental and human rights issues. In fact, companies faced large scale boycotts of their goods and services to force change.

Though initially CSR was seen as the moral responsibility of corporate managers, it is now increasingly being accepted as being in the long term interest of corporations. Organisations as well as consumers are recognising that companies have a responsibility not only to their shareholders, but also to stakeholders including their employees, consumers, suppliers, communities, legislators and the environment. CSR now represents an organisations contribution to these stakeholders, the society at large and increasingly the global society in which they operate.

### CSR definitions:

Corporate social responsibility does not have a standard definition or a recognized set of specific criteria. Many companies use different terminology to define their practices, such as corporate sustainability, corporate responsibility, corporate accountability or corporate sustainable development. With the acknowledgment that business plays a fundamental role in job and wealth creation in society, CSR is the way in which a company achieves the integration of economic, environmental and social imperatives to achieve sustainable development, while addressing stakeholder expectations and sustaining shareholder value. This part of the paper defines CSR and differentiates it from philanthropy and volunteerism.

A large-scale corporate strategy that is integrated with core business objectives & core competencies to create positive social change and business value, and is embedded in day to day business operations. (McElhaney, 1998)

**Business for Social Responsibility (BSR):** Companies being able to be commercially successful in ways that demonstrate respect for ethical values, people, community, and the environment.

**The European Commission:** The voluntary integration of environmental and social considerations into core business operations over and above legal obligations, that is based on dialogue with stakeholders. (EU Multi-Stakeholder Forum on CSR)

**World Business Council for Sustainable Development:** Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The Brundtland Report has defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). In this sense, CSR can be viewed as the business contribution to sustainable development.

*“We must remake our businesses to be far more active corporate citizens — creators not only of shareowner value, but also of social value, in ways that are systemic and sustainable.” — Carleton S. Fiorina Hewlett-Packard*

CSR strategy must fit to core business objectives (sell more ice cream) and core competencies (make great ice cream). CSR is integrated with core business objectives and competencies. It is embedded in day-to-day operations to create positive social change and business value.

There are different areas of CSR: monitoring business changes and marketplace, behave environmentally friendly, deal with supplier relations, maintain community involvement, ensure human, employee and stakeholder rights,

create transparency and communication, measurements.

### **Objective of the Study:**

The objective of this paper is to examine the impact of corporate social responsibility (CSR) initiatives on brand management.

### **Research Methodology:**

The present work is based on the secondary information collected from the vivid resources concerning to the corporate social responsibility and brand Management. Secondary information is collected from management libraries, journals and magazines.

### **The Case against Corporate Social Responsibility**

Corporate social responsibility, as all with all other ideas, has its detractors. Mostly, CSR is often criticized because it is believed that the first and foremost responsibility of an organization is its financial responsibility to its shareholders. Supporters of this opinion believe that an organization should do all it can (within the law) to maximize profit, and that CSR conflicts with this goal. Since CSR investments have uncertain outcomes, there is also the opinion that organizations that undertake CSR activities are placed at a disadvantage since addressing social issues comes at a cost to the company.

There are concerns that organizations are not equipped to deal with social issues, and in fact, corporate involvement in complex societal issues may make the situation worse. CSR is also criticized as being simply a marketing tool for organizations to gain publicity and that corporations

undertake CSR activities out of selfish interests.

Also, corporations are being viewed with a degree of mistrust and suspicion which has caused more discussion within the CSR movement. For example, the collapse of ENRON in 2001 has raised many questions about the real validity of the many CSR activities that it had undertaken.

### **The Case for Corporate Social Responsibility:**

Corporations have been criticized for damaging the environment and depleting natural resources. Corporate social responsibility is seen as one of the tools to ensure that companies voluntarily change products and processes that will cause less damage to the environment. Corporations are now operating in an increasingly global setting. The social issues across continents are extremely complex. Living standards, wages, working conditions and labour standards are vastly different in different countries. This means that organizations have to deal with many ethical issues. As a part of CSR many organizations are now attempting to integrate common standards world wide as far as possible.

Even though the concept of CSR is still evolving rapidly and continues to face some criticism, the best case for corporate social responsibility is, it is obviously preferred to corporate social irresponsibility. With consumers and the general public becoming increasingly sensitive to social and environmental issues, corporations will have to take a serious look at their role within the society as expectations of them increase. Large corporations have access to huge human and financial capital placing them in a position to effect positive change. In the long run, this will perhaps increase their goodwill within society and reduce the need for strict government regulations.

A leading non-profit organization, Business for Social Responsibility, involved in CSR services, through their research and experience has concluded that companies have earned benefits from engaging in CSR activities. These include stronger brand positioning, corporate image, market share and sales. It also increased their ability to attract and retain employees and appeal to investors and financial analysts. Many other organizations are conducting research into the positive impact of CSR activities which may fuel the CSR movement further.

### **CSR Initiatives of Indian Companies:**

Even much before the issue became a global concern, India was aware of corporate social responsibility (CSR), due to the efforts of organizations such as the Tata Group. (Around 66 per cent of Tata Sons, the holding group of the Tata Group, is today owned by a trust).

Corporate companies like ITC have made farmer development a vital part of its business strategy, and made major efforts to improve the livelihood standards of rural communities. Unilever is using micro enterprises to strategically augment the penetration of consumer products in rural markets. IT companies like TCS and Wipro have developed software to help teachers and children in schools across India to further the cause of education. The adult literacy software has been a significant factor in reducing illiteracy in remote communities. Banks and insurance companies are targeting migrant laborers and street vendors to help them through micro-credits and related schemes.

In June 2008, a survey was carried out by TNS India (a research organization) and the Times Foundation with the aim of providing an understanding of the role of corporations in CSR. The findings revealed that over 90 per cent of all major Indian

organizations surveyed were involved in CSR initiatives. In fact, the private sector was more involved in CSR activities than the public and government sectors. The leading areas that corporations were involved in were livelihood promotion, education, health, environment, and women's empowerment. Most of CSR ventures were done as internal projects while a small proportion were as direct financial support to voluntary organizations or communities.

In a survey carried out by the Asian Governance Association, which ranks the top 10 Asian countries on corporate governance parameters, India has consistently ranked among the top three along with Singapore and Hong Kong, for the last eight years.

In another study undertaken by automotive research company, TNS Automotive, India has been ranked second in global corporate social responsibility. State-owned Bharat Petroleum and Maruti Udyog were ranked as the best companies in India. Bharat Petroleum and Maruti Udyog came on top with 134 points each, followed by Tata Motors (133) and Hero Honda (131). The study was based on a public goodwill index and India received 119 points in the index against a global average of 100. Thailand was at the top slot with 124 points.

Several foundations run by corporate houses plan to devise a common strategy to ensure transparency in their social and community development operations, such as tracking spending in and progress of such projects in their annual reports.

The effort is significant because it brings together a wide range of Indian companies to share ideas on innovating sustainable programmes. Among them are Multi Commodity Exchange of India Ltd, Anil Dhirubhai Ambani Group and media company Bennett, Coleman and Co. Ltd,



Audit firm KPMG will partner with them to offer guidance on evaluating corporate social responsibility or CSR programmes—a trend companies are slowly embracing as India's expanding economy contrasts sharply with growing local protests over land for future industrial projects.

The network alliance stems from the first sustainability summit that was organized in January by the Associated Chambers of Commerce and Industry of India.

CSR could prove to be a valuable asset in an age of mergers and acquisitions, especially as it helps companies spread their brand name. The new network will also serve as a common ground to lobby with the government for tax exemptions and safeguard other interests in the future.

Indian companies have made little progress in reporting development projects. And only 48 companies have so far given their commitment to support the United Nations Global Compact, a charter for improving the global business environment through standards, such as labour rights and fighting corruption.

Addressing business leaders in May last year, Prime Minister Manmohan Singh said "Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy, which factors the needs of the community and the regions in which a corporate entity functions."

Some say companies have an inherent "mental block" in reporting development programmes. A recent KPMG study among 27 Indian companies showed that a mere 8% mentioned their social expenditures in their annual reports, and only 25% filed CSR reports at all. But a quarter of them are also signatories of the Global Reporting Initiative, a 10-year-old

movement started by an NGO called Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme. This encourages companies to make voluntary disclosures and lays down framework on improving reporting principles.

"Most companies tend to give to charities than make long-term development commitments. When a company voluntarily opens up for self-evaluation, it creates value for shareholders when competing with other companies," said Parul Soni, associate director of KPMG's Aid and Development Services.

An estimated 100 corporate foundations and 25 foreign firms are involved in CSR activities in India, but statistics on input and output are elusive.

According to Times' Pandey, the Indian corporate sector spent Rs30,000 crore on social expenditure during the last financial year, up from Rs17,500 crore the previous year. Quoting from a government report, he said, companies drew a total exemptions of Rs5,500 crore under income-tax laws last year. These figures, an analyst said, sound improbable as Indian companies still do not distinguish between philanthropy and internal practices to benefit stakeholders such as employees and community.

Companies, too, continue to rely on different models to earmark its social expenditure, making it difficult to measure the overall impact.

For instance, the Steel Authority of India Ltd (SAIL), the country's largest steel company, spent Rs100 crore on CSR last year; this was 2% of its profit after tax, exclusive of dividend tax, according to SAIL spokesperson N.K. Singhal. Yet others, such as Tata Steel Ltd, which runs a 850-bed hospital and rural projects in 800 villages around Jamshedpur, spends an

average of Rs150 crore as part of its annual revenue expenditure.

What eventually makes up for CSR of a company ultimately depends on leadership; as part of company decision, about 66% of Tata Sons, the holding group of the Tata group, is today owned by a trust.

Pharmaceuticals company Jubilant Organisms Ltd, already runs an anti-tuberculosis programme with the government of Uttar Pradesh. Apart from schools and hospitals that are run by trusts and societies, the government, too, is exploring to widen the scope of public-private partnerships to build and maintain schools and hospitals in return for a fixed annuity payment.

Global science products and services firm Dupont, which is a strong supporter of socially beneficial initiatives, has funded various programmes in India, which focus on improving village infrastructure, improving school and education standards for the under-privileged children.

### **Other initiatives of Bharti Airtel:**

Bharti Airtel employees have undertaken various initiatives to reach out to the local community. Some of such initiatives are listed below

Airtel Ashiana for underprivileged children at the Mohali office of Airtel

BIL North tied up with an NGO to distribute daily surplus food to needy children.

Airtel Experience Centre by Access MP... for the benefit of the benefit of visually impaired people as well as people from deprived section of society.

Mobile Services Jammu & Kashmir donated free medicines, stationery, clothes

and other utility items at the 'Missionaries of Charity Home for Destitutes'

Mobile Services MP & CG supported the 'WalkaThon' to create awareness about diabetes on 'World Diabetes Day', organized by the Indian medical Association

Airtel Maharashtra & Goa team visited the Thalassemia Ward of Sassoor Hospital to interact with children as well as the families affected

A tree plantation drive was carried out by Access-NCR, Access-North and Access-UP West Circles, where in free tree saplings were planted.

Airtel Madhya Pradesh & Chhatisgarh planted trees on its fourth 'Circle Inception Day'

In Tamil Nadu, Airtel has adopted a corporation park in Chennai city.

Mobile Services Rajasthan supported the 'Red Ribbon Caravan' initiative of the Rajasthan State AIDS Control Society, to spread awareness about HIV/ AIDS. During the month-long campaign a caravan of five vans covered 32 districts of Rajasthan, to spread the awareness of HIV/ AIDS.

Airtel Delhi organized a Blood Donation Camp in association with Indian Red Cross Society

#### **(b) Bharti Foundation**

Although CSR is executed at all levels in the organization, the Promoters of Bharti Enterprises established Bharti Foundation in 2000 with a vision,

"To help underprivileged children and youth of our country realize their potential."

Bharti Foundation's mission is to create and support programs that bring about sustainable changes through education, use of technology and information and best practice sharing.

Bharti Foundation has established itself the goals of improving accessibility and quality of education at the school level for underprivileged children, and to provide education and training opportunities to youth.

Coca-Cola India being one of the largest beverage companies in India, realized that CSR had to be an integral part of its corporate agenda. According to the company, it was aware of the environmental, social, and economic impact caused by a business of its scale and therefore it had decided to implement a wide range of initiatives to improve the quality of life of its customers, the workforce, and society at large.

However, the company came in for severe criticism from activists and environmental experts who charged it with depleting groundwater resources in the areas in which its bottling plants were located, thereby affecting the livelihood of poor farmers, dumping toxic and hazardous waste materials near its bottling facilities, and discharging waste water into the agricultural lands of farmers. Moreover, its allegedly unethical business practices in developing countries led to its becoming one of the most boycotted companies in the world.

Notwithstanding the criticisms, the company continued to champion various initiatives such as rainwater harvesting, restoring groundwater resources, going in for sustainable packaging and recycling, and serving the communities where it operated. Coca-Cola planned to become water neutral in India by 2009 as part of its global strategy of achieving water neutrality. However, criticism against the

company refused to die down. Critics felt that Coca-Cola was spending millions of dollars to project a 'green' and 'environment-friendly' image of itself, while failing to make any change in its operations. They said this was an attempt at greenwashing as Coca-Cola's business practices in India had tarnished its brand image not only in India but also globally. The case discusses the likely challenges for Coca-Cola India as it prepares to implement its new CSR strategy in the country.

### Conclusion:

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. Many of the leading corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands. It stems from the desire to do good and get self satisfaction in return as well as societal obligation of business.

The Indian corporate sector spent US\$ 6.31 billion on social expenditure during 2007-08, up from US\$ 3.68 billion spent during the previous fiscal. The Steel Authority of India Ltd (SAIL), the country's largest steel company, spent US\$ 21.05 million on CSR last year; Tata Steel Ltd, (which runs a 850-bed hospital and rural projects in 800 villages around Jamshedpur), spends about US\$ 31.58 million as part of its annual revenue expenditure. Now there are plans to also introduce CSR in the small and medium enterprises (SME) sector to increase its reach in remote areas.



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