

The Effect of Corporate Social Responsibility on Brand Image- A Conceptual framework

Bhavna Prajapati*, Shraddha Mishra**

School of Commerce Management and Research, ITM University, Raipur, CG, India*

bhavnap@itm university.org

Abstract: Corporate Social Responsibility refers to the actions of the companies towards their communities, social causes and the environment. Many firms engage in socially responsible behavior as a part of their normal business operations. These activities include positive action towards the environment, social causes and communities. This paper proposes a conceptual framework which explains how Corporate Social Responsibility contributes towards creation of better brand image amongst consumers. More firms today are beginning to realize the importance of Corporate Social Responsibility and its impact on societal well being apart from their overall processes. Corporate Social Responsibility is a multidimensional subject and for the purpose of this study the Corporate Social Responsibility aspects includes employees, ethics, economic and legal factors. These factors are explored to determine if there is any effect of CSR on brand image. This study has made an attempt to find out whether the consumers awareness towards the CSR activities undertaken by the organization contributes towards the brand image of the organization.

Keywords: Corporate Social Responsibility, Brand Image, Customer Awareness

I Introduction

Corporate Social Responsibility is a concept that has attracted worldwide attention and acquired a new resonance in global economy. The globalization has given way to tremendous opportunities and has also opened door for countries across the globe. In 1953 Bowen wrote the seminal book Social responsibilities of the Businessman. Since then there has been a shift in terminology from the social responsibility of business to corporate social responsibility. This field has grown significantly and today contains a great proliferation of theories, approaches and terminologies. Society and Business, Social issues management, Public policy and Business, Stakeholder management, Corporate accountability are just some of the

terms used to describe the phenomenon related to corporate responsibility in society.

Corporate Social Responsibility allows for corporations to take as a role in the society, to play the guardian and to show it cares. There are evidences which show that the consumers buy brands that reflect their own values. Thus it is very important that the organization should not overlook the impact of their social responsibility efforts.

Building a brand image through Corporate Social Responsibility not just refers to opening a checkbook rather it is about starting with a value oriented philosophy as the foundation blocks of a brand. Brand image is a reflection of quality, price, service and attributes of a product that helps to distinguish one product from another. All these are the factors that make a brand more appealing and influencing to consumers. Well as this is an era of digitalization and as a result of advance technology and information, the customers often explore other factors aiding their purchase decisions.

Many organizations in India too have started drawing CSR policies and practices. Corporate social responsibility (CSR) has found place on the board agenda since the Companies Act 2013 was enacted. Before CSR was made mandatory, companies did try and push back. Many argued that the government is abdicating its "social responsibilities" and inserting the provision regarding CSR spend reflected government failure. Others went on to argue that the government should drop the provision, and increase corporate tax by the equivalent two per cent—after all, the business of business is business and such pastimes do not fit into the business plan. Corporate India's social responsibility graph is headed up with 47 per cent jump in CSR spend since it became mandatory, with 300 BSE listed companies spending Rs 6,871 crore on this front in 2016-17, says a report.

According to India CSR Outlook Report 2017 by NGO Box, a corporate social responsibility (CSR) research platform in India, the 300 companies spent Rs 6,871 crore on CSR in 2016- 17 while in 2014-15, when it became mandatory in India, the actual figure was Rs 4,678 crore. On an yearly basis, the actual CSR spend of the entities rose 8.34 per cent in 2016-17, from Rs 6,342 crore in 2015-16.

	Carroll's classification	Lantos 's classification
1	Economic responsibility: being profitable, creating good and safe working conditions, providing quality products.	Ethical responsibility: obligatory meeting economic, legal and ethical commitments of a company.
2	Legal responsibility: Complying with laws and regulations.	Altruistic responsibility: Philanthropic responsibility focused on improving the well-being of society.
3	Ethical responsibility: Conducting business in moral, just, transparent manner.	Strategic responsibility: Philanthropic responsibility focused on company's positive publicity.
4	Philanthropic responsibility: voluntarily supporting social movements, investing in well-being of society in long term	

T his increa se in CSR fundin g in the last financ ial year, the report said, has given a lot of push to qualit y education initiati ves along with intensi fying Skill India Missi on and Swach h Bharat Missi

on. Education projects received 32 per cent of the CSR money while Swachh Bharat related programmes accounted for 7.3 per cent, the report said. Going by the state-wise distribution, Maharashtra received the maximum at 16.5 per cent, followed by Gujarat with 6.9 per cent. Odisha has seen a sharp jump on CSR funds beneficiary matrix, jumping to the 3rd slot in 2016-17, from 8th in 2015- 16, the report said. However, seven north-east states together received just 2 per cent. However, urban slum development and welfare for Army veterans got scant attention from businesses, with just Rs 34 crore spent in both these areas. Technology incubation for start-ups is gradually gaining traction with Rs

20 crore CSR expenditure. Healthcare projects received 17 per cent of CSR funds.

"Companies are spending CSR funds on enhancing teachers' capacities as well as learning outcomes for students rather than just on school infrastructure. Similarly, companies are looking at cluster-based development models to bring sustainable impact in specific regions," NGO Box CEO Bhomik Shah said.

It is this that paves the way for research in order to uncover if social responsibility is indeed a meaningful brand enhancing move and how customer awareness can further reinforce the relationship. Thus some of the guiding questions to put the conceptual model into perspective are:

- Does the commitment in CSR by the organizations help in building positive brand image?
- How does customer awareness affect the relationship between CSR and brand image?

Conceptual Framework

Based on the review of past and present literature most of common conceptualizations of CSR are those of Carroll, Lantos and Sen and Bhattacharya. Carroll has differentiated between four types of CSR which includes: Economic, Legal, Ethical and Discretionary. While Lantos collapsed these categories into three- Ethical, Altruistic and Strategic. Table 1: Comparison of Carroll's and Lantos's social responsibility classification

As seen in Table 1, Lantos (2002) defined ethical responsibility embodies Carroll's (1991) economic, legal and ethical responsibilities. Lantos (2002) replaces Carroll's (1991) term "philanthropic responsibility" with "altruistic responsibility" and adds strategic social responsibility to his classification. Lantos (2002) argues that if company implements strategic social responsibility, it achieves positive publicity, improves its CI, and receives other benefits. This is why Lantos (2002) states that companies implement CSR in order to benefit from it, not to help stakeholders.

Literature Review

Several studies have investigated patronage regarding consumer perceptions of socially conscious businesses and found that corporate associations influenced product evaluations and overall consumer attitudes about the organization. Hoeffler and Keller argued that corporate social marketing (i.e., marketing with at least one social objective) can be a major way to build brand equity and increase sales. Bhattacharya and Sen made a similar argument for how non-product aspects of the company, such as CSR, can lead to customer loyalty and positive purchase related outcomes. Ross, Stutts, and Patterson found that a firm's support of a cause had been a primary reason for them to purchase a product.

It is commonly believed that a socially responsible company that fulfills the needs of its stakeholders should rake in financial benefits. The general rationalization for this widespread belief is that when stakeholders observe a firm's socially responsible behavior, they will consider that firm a preferred party to have transactions with. This would then translate in terms of revenue when the new consumers are attracted to a firm, and when its loyal stream of consumers repeat purchase despite having to pay premium prices [5]. A survey carried out by Pizzolatto and Zeringue, showed that 77% of Americans' purchase decisions were affected by a firm's reputation for social responsibility. A different survey said that 82% of their respondents said that they would pay premium prices for environmental friendly products. But, another research found that these studies did not try to relate consumer perceptions to actual purchase behavior in the field.

Yin Fan in her paper explored the concept of ethical branding and its link to corporate reputation. She contents that a corporate brand is a vital part of corporate reputation management. An ethical brand enhances the firm's reputation; such a reputation reinforces the brand in turn. Corporate reputation is concern with how people feel about a company based on whatever information (or misinformation) they have on, company activities, workplace, past performance and future prospects . Martinez et al regarded brand strategy as a unique opportunity for corporations to trigger consumer perception. Analyzing the features of a brand, Yin Fan regarded corporate brand as the core component of corporate reputation. Reputation seems to the missing link between corporate financial and social performance. Companies engaging in CSR would be rewarded by their stakeholders as a result of improved corporate reputation and this in the long – run would lead to superior financial performance .

Melo, T. and Galan, J. in their study "Effects of CSR on brand value", involving 54 US based corporations carried out assessments and appraisals by relying on secondary sources to answer the crucial question of whether CSR pays off or not – in terms of enhancing brand value (economic earnings, driving consumer demand and brand strength). The results provide strong evidence supporting all three hypotheses. CSR impacts positively on brand value, but the impact is of a lesser magnitude than those of market size and market-based performance. It also brings to light a critical evaluation about the use of CSR as an integrative variable which according to Sholten and Zhou are of a very different nature and perform under its own logic. The regression confirms the contention that CSR as a long-term investment as the models with a two-year lag on brand value were significantly more robust with one year lag.

As advocated by Bhattacharya and Sen and Schuler and Cording , the lack of customers' awareness about CSR initiatives is a major limiting factor in their ability to respond to these initiatives. Potential customers must be fully aware of CSR characteristics for CSR differentiation to be successful and it is also predicted that there is a positive correlation between advertising intensity and the provision of CSR . In their research paper entitled "the impact of CSR on firm value: the role of customer awareness", Servaes and Tamayo contends that most theoretical models assume a direct link between CSR and firm value and proposed a model with an indirect link. There is a lack of understanding about the channels through which CSR affects firm value. In particular Barnett's insight that the impact of CSR on firm value depends on the ability of CSR to influence stakeholders of the firm was the main point of reference in their paper. Servaes and Tamayo focused on only one key stakeholder, consumers and suggested that a necessary condition for CSR to modify consumer behavior and, hence affect firm value, is consumer awareness of firm's CSR activities. They argued that consumers are less likely to respond to CSR activities, even if they are aware of them, if the CSR activities are not aligned with the firm's reputation as a responsible citizen as substantiated by the views of Du, Bhattacharya, and Sen and Schuler and Cording . Using models with fixed effects to address model misspecification problems, they examined whether and under what conditions CSR can add value to the firm. Consumers constitute a natural starting point to uncover such a relation as their purchasing behavior clearly affects a company's financial performance and ultimately, firm value. Given this, the main goal is to examine under which circumstances CSR involvement may be beneficial by focusing on the customer channel in order to examine the effect of a potential moderating variable, advertising intensity, on the CSR-firm value link. Through advertising a firm reduces the information gap between itself and its customers, which in turn makes it more likely that customers will find out about the firms CSR involvement, and reward the firm for its CSR efforts.

Theoretical Framework

In this study, a deductive approach has been applied which is closely related to the positivistic and quantitative research approaches. Since this study has a deductive approach, a research question was developed to explore the effect of CSR's different dimensions on brand image. Furthermore, a theoretical model, based on former theories and concepts was developed, which is typical for a deductive approach. The different components of the theoretical model was operationalized to make collection of data possible. Regarding CSR and brand image, which are the two main

concepts in this study, there is a large number of studies made. However, there is limited knowledge of how the different CSR dimensions affect brand image.

The theoretical framework includes two main concepts: CSR and brand image. In the following framework the main association of brand image is corporate social responsibility via an indirect link which is customer awareness. The framework draws from Carroll's Corporate Social Responsibility Pyramid model of CSR as the independent variable, customer awareness as the moderating variable and brand image as the dependent variable.

As supported by relevant literatures discussed earlier the hypotheses based on the above framework can be formulated as follows:-

H1 :There is a positive relationship between economic responsibility and brand image.

H2 :There is a positive relationship between legal responsibility and brand image.

H3 :There is a positive relationship between ethical responsibility and brand image.

H4 :There is a positive relationship between philanthropical responsibility and brand image.

H5 : Economic responsibility will have a positive relationship with brand image via customer awareness (indirect effect)

H6: Legal responsibility will have a positive relationship with brand image via customer awareness (indirect effect)

H7: Ethical responsibility will have a positive relationship with brand image via customer awareness (indirect effect)

H8 :Philanthropical responsibility will have a positive relationship with brand image via customer awareness (indirect effect)

Discussion

The preceding description, summed up on Table II, leads to the conclusion that the hypothesis considered in the introduction about the four basic focus employed by CSR theories and related approaches is adequate. Consequently, most of the current theories related to CSR could be broadly classified as instrumental, political, integrative and ethical theories.

Table II: Corporate Social Responsibilities and related approaches

Types of theory	Approaches	Short description	Some key references
Instrumental	Maximization of shareholder	Long-term value maximization	Friedman (1970),

Economic theories (focus on achieving economic objectives through social activities)	Strategies for competitive advantage	Social investments in a competitive context Strategies based on the natural resource view if the firm and the dynamic capabilities of the firm Strategies for the bottom of the economic pyramid	Jensen (2000) Porter and Kramer (2002) Hart (1995), Litz (1996) Prahalad and Hammond (2002), Hart and Christensen (2002), Prahalad (2003)
	Cause-related marketing	Altruistic activities socially recognized used as an instrument of marketing	Varadarajan and Menon (1988), Murray and Montanari (1986)
Political theories (focus on)	Corporate constitutionalism	Social responsibilities of businesses arise from the amount of	Davis (1960, 1967)

g on a responsible use of business power in the political arena)		social power that they have		deman ds)			and Mahon (1994)
	Integrative Social Contract Theory	Assumes that a social contract between business and society exists	Donaldson and Dunfee (1994, 1999)		Public responsibility	Law and the existing public policy process are taken as a reference for social performance	Preston and Post (1975, 1981)
	Corporate (or business) citizenship	The firm is understood as being like a citizen with certain involvement in the community	Wood and Loebson (2002), Andriof and McIntosh (2001) Matten and Crane (in press)		Stakeholder management	Balances the interests of the stakeholders of the firm	Mitchell et al. (1997), Agle and Mitchell (1999), Rowley (1997)
Integrative theories (focusing on the integration of social	Issues management	Corporate processes of response to those social and political issues which may impact significantly upon it	Sethi (1975), Ackerman (1973), Jones (1980), Vogel, (1986), Wartick	Ethical theories (focusing on the right thing to achieve a good society	Corporate social performance	Searches for social legitimacy and processes to give appropriate responses to social issues	Carroll (1979), Wartick and Cochran (1985), Wood (1991b) Swanson (1995)
					Stakeholder normative theory	Considers fiduciary duties towards stakeholders of the firm. Its application requires reference to some moral theory (Kantian, Utilitarianism	Freeman (1984, 1994), Evan and Freeman (1988), Donaldson and Preston (1995),

		theories of justice, etc.)	Freeman and Phillips (2002), Phillips et al. (2003)
	Universal rights	Frameworks based on human rights, labor rights and respect for the environment	The Global Sullivan Principles (1999), UN Global Compact (1999)
	Sustainable development	Aimed at achieving human development considering present and future generations	World Commission on Environment and Development (Brundtland Report) (1987), Gladwin and Kennelly (1995)
	The common good	Oriented towards the common good of society	Alford and Naughton (2002), Mele (2002) Kaku (1997)

Conclusion

This paper tries to put forth the idea that CSR can indeed be used as a tool to create a positive brand image by Indian organizations. This area is certainly worthy of research as many Indian organizations are beginning to practice CSR on the premise that socially responsible corporate activity is an important source of competitive advantage to the degree that it enhances their overall reputation and credibility. It is hoped that this study will be of value both to those concerned about society and those concerned about showing the highest responsibility towards the people from whom they make profits. The author proposes the need to conduct an empirical study in order to validate the research framework proposed above. A research involving Indian organizations that are fast jumping the CSR bandwagon and real consumers could prove beneficial in uncovering truths about CSR and its effectiveness in enhancing brand image. In addition, if there is indeed a positive and strong relationship between corporate social responsibility and brand image, this will serve to convince businesses that social responsibility is an important construct in decision making. Clearly research in this field is needed, more so these days as societies and industries are merged through globalization and people are becoming highly literate and aware about their rights. Since CSR is slowly gaining momentum in India and given a different context, a strong business case must be made. There is a need to prove conclusively if indeed CSR practices are correlated to brand image so as to convince organizations about the potential benefits of CSR not just for the society but also for the organization in the long run.

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