

Corporate Social Responsibility and Reputation

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1. Introduction

Economic uncertainties, the recent failures and breakdowns in accountability, the bursting of the high-tech bubble and other corporate misdemeanours have all undermined trust in companies, not only among investors but also among the general public and employees, creating

a general credibility crisis. Social expectations of companies have increased dramatically over

the past decade. (Raymer, 2003). When proper conduct is seen as an important matter, issues

such as governance, transparency, corporate citizenship and business ethics appear then into

academic and practitioners' scenario. There is a real and current demand to administrate these

variables. Companies are not just required to deliver accordingly and be efficient, but to perform

well in terms of governance and reputation as well.

This paper is a bibliographic review which includes such concepts, therefore does not aim to

cover every aspect related to these issues, but it rather intends to acquire a better understanding of

a new organizational phenomenon, using communication management as a primary viewpoint,

when dealing with strategy discussion over CSR and Corporate Reputation evaluation. The material obtained with this review has shown some interesting gaps and possibilities for further

research development and aims to fundament a posterior exploratory and empirical research.

Much of what is said about CSR and Reputation today causes confusion. The reasons for this

are that these concepts are still evolving and this implies constant change.

With every new corporate scandal, the question of business ethics is back to discussion. On the business sphere, it is not difficult to understand why it is important for corporations to penetrate on the issue of business ethics. Business ethics is the application of what is understood

to be good or right in the pursuit of business activity. Which measures could harm the interests or

values of specific stakeholders and which ones would be well received by them? How would this

impact on the future of the company? In sum, what strategic reply should be given for such diverse market situations? (Srouf, 2003). To face ethic dilemmas is not an easy task... It is

necessary to understand the “cultural amalgam” and face the dilemmas and contradictions. Among

other issues, the study of Reputation aims to understand how civil society, categorized as stakeholders and from a corporate perspective, perceives, behaves and reacts towards questions

related to socially irresponsible behaviour of companies.

One of the reasons why such concerns have raised is the considerable change of profile of stockholders today. According to Joe Berardino (2003), President of Andersen Consulting by the

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time of the famous Enron scandal in 2001: “ a series of tendencies have changed the way of doing business: first, is the democratisation of the stock market. In 1986 only 20% of American

families invested in the stock market, now this percentage has raised to more than 50%.

There

are more players and they are less sophisticated. Less than 50% of the stockholders receive counselling before investing, barely 20% read financial reports and less than 6% actually read

companies’ balance sheets. What are our reports (audits) for if nobody reads them?

Companies

should be more honest and give simplified information, that everyone can understand, so that it

can be really useful” (Berardino, 2003). Basically, what Berardino refers to is that good governance can enable companies to become good corporate citizens.

Looking at this context from the view of Public Relations offers an interesting perspective for

further analysis. It allows direct interaction between literatures that can be seen as complementary,

Public Relations and Reputation.

2. Public Relations

Accordingly, the social justification of Public Relations in a free society (Cutlip, 1994), is to

ethically and effectively plead the cause of a client or organization in the freewheeling forum of

public debate. Public Relations academic discussions nowadays seldom discuss its uses to promote and protect the reputation of an organization relevant to product or service publicity or

promotion (Heath, 2001). Instead, academic discussions tend to address public policy issues

relevant advancing harmony between organizations and publics, whereas practitioners spend the

bulk of their time dealing with other dynamics of the marketplace, says Heath (2001). The author

states that while most professionals base their practice on attracting buyers, protecting or promoting image, promoting donations or attracting tax funding to various governmental agencies,

scholars are more interested in conflict reduction as the rationale for public relations than in the ability of public relations to generate market share and income. Nevertheless, the author states that such view can be further interpreted by offering a cost reduction paradigm as the foundation for a revenue generation paradigm, suggesting that “people (markets, audiences, publics, stakeholders, stakeholders, and constituents) like to do ‘business’ with organizations (for-profit, non-profit and governmental) that meet (do not violate) their expectations and that also create and maintain harmonious, mutually beneficial relationships” (Heath, 2001, p.2). Accordingly, the heart of the new of the practice of public relations is the mutually beneficial relationships that an organization needs to enjoy a license to operate. Instead of engineering acceptance of a product or service, the new view of public relations assumes that markets are attracted to and kept by organizations that can create mutually beneficial relationships, evoking the fundamental role of the sense of *community*. The call for community as the dominant paradigm of public relations must acknowledge that community exists through the co-management of agreement and disagreement of

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multiple complementary and competing perspectives, says Heath (2001). Besides, communities are now crucial stakeholders, and many times shareholders, of several corporations. The dialogue between organizations and publics result into the relationships which public relations is to manage. According to Grunig (2001), the key to creating and maintaining beneficial and harmonious relationships is high-quality communication processes. To achieve harmony, the organization might constantly adapt to the ethical preferences of its publics (Grunig, 2001). Heath (2001) recognizes that public relations practitioners are expected to advance the interests of their organizations rather than easily abandon them in deference to the interests of its publics. In this sense, public relations is a professional practice that helps organizations and publics to understand each other’s interests (Grunig, 2001). Once these interests are understood, efforts can be made to blend them or at least to reduce the conflict by helping the publics and the organizations to be less antagonistic toward each other. Heath (2001) states, then, that win-win approach to conflict

resolution is preferred, and Grunig (2001) concludes with the notion that symmetry and asymmetry

(or advocacy and collaboration) work in tandem in excellent public relations.

Heath (2001), furthermore, draws on rhetoric theory, to explain and guide the actions and discourse tactics that key players use to strategically manoeuvre to be in harmony with one another.

According to this author, a rhetorical approach to public relations justifies the proposition that

organizations build effective relationships when they adhere to best values – those most admired

by the community of interest – as a first step toward being effective communicators. He states for

example, that once organizations meet ethical standards (defined through dialogue with other

members of their community) they can more effectively advocate their interests, which never are

separate from or indifferent to the interests of their markets, audiences and publics or stakeholders.

Therefore, Heath (2001) argues that the rhetorical rationale for public relations reasons that the

limit of one ethical perspective, the limits of the accuracy of one set of facts or commercial or

public policy is simply the presence of more compelling ones.

Corporate reputation relates directly to public relations, by sharing the same subject of study:

publics. It follows that they also share mechanisms, which support good reputation construction

and excellent public relations practices, in a way, that both depend on communication excellence.

Like Trevor Morris from the Good Relations Group in the UK says, “PR can present a company at

its best but cannot make it better than it is” (Davies et al, 2003). Furthermore, there is an increasing and evolving concern in the corporate environment about Social Responsibility (CSR)

and how does this impact on the various stakeholders’ perception of the firm’s value.

It calls for the management of the intangibles, one of them being Reputation. Such impact has begun to be questioned by corporations themselves only very recently, and few academic

studies with actual information can support decision-making in management spheres.

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3. Corporate Reputation

Reputation research focuses on how an organization is perceived by its stakeholders, how an

organization may manage these perceptions, and the effect these perceptions have on the organization and its performance (Carter, Deephouse, 1999). Davies et al (2003) argue that a

a

company can best keep in touch with its markets by managing the interface between itself and its main stakeholders. In their view, the secret to success is that the two most important stakeholder groups for a business, customer facing employees and customers to share the same emotional attachment to the business (Davies et al, 2003: 23).

Although largely used in the management spheres there is little consensus when defining what Reputation is (Capriotti, Losada, Villagra, Kruglianskas, 2004 et al). According to Fombrun and Shanley (1990), corporate audiences routinely rely on the reputations of firms in making investment decisions, career decisions and product choices, attending to market, accounting, institutional and strategy signals about firms. But not just corporate audiences (Sandberg, 2002), since each person is constantly choosing: should you take that tempting job offer from company X? Should you invest in company Y? Should you buy that appealing new product from company Z? Sandberg (2002) says these decisions are based on corporate reputation, because at the end of the day decisions will be made based on each person's most intimate impressions over a series of information collected from various sources.

Publics construct reputations from available information about firms' activities originating from the firms themselves, from the media or from other monitors (Fombrun and Shanley, 1990).

Spector (1961) points out that people tend to "humanize" companies, to attribute personality characteristics to them, to see them as much as they do humans, in terms of being, for example, "mature", "liberal" or "friendly". Basically, reputations signal publics about how a firm's products, jobs, strategies, and prospects compare to those of competing firms, state Fombrun and Shanley (1990).

With the sequence of corporate scandals and economic downturn, reputation management came to be recognised as another way of increasing corporate value. A good reputation offers clear benefits to a company, like, for example, the strength to sustain itself in periods of crisis (Dowling, 2001). Reputation also is vital to share price, but sometimes the link is only properly realised following a major scandal (Overell, 2003).

Roberts and Dowling (2002: 1077) affirm that "firms with assets that are valuable and rare possess a competitive advantage and may expect to earn superior returns"; and good reputations

“are critical because of their potential for value creation, but also because their intangible character makes replication by competing firms considerably more difficult”. Furthermore, a good reputation is seen as a way of managing risk and believed to attract investors who think the chances of major scandals and potential consequent losses with such companies are minimised

(Capriotti, Losada, Kruglianskas, Villagra 2004).

According to Sandberg (2002), institutions with weak reputations are “easy targets for domestic terrorism, hostile takeovers and market invasions because no one knows for sure what they will do in volatile situations”, turning them into risky investments, risky employers and risky business partners.

Defining what Reputation is can be an exhaustive job. Definitions vary but can, for example,

be defined as Sender or Receiver’s constructs, according to Capriotti, Losada, Kruglianskas and

Villagra (2004). Villafañe’s (2000) position situates reputation as a Sender construct, as another

tool serving enterprises, along with knowledge management, corporate communication, sponsoring, press relations, internal communication, branding, corporate social responsibility and

governance; and also an asset which can be converted into benefits to the firm in terms of corporate leadership (Villafañe, 2000:89-91). Other authors define Reputation as the mental representation held by the firm’s stakeholders, a Receiver construct (Capriotti, Losada, Villagra,

Kruglianskas, 2004). For example, Fombrun (2003) sees corporate reputation as a perception

above all matters. It is an individual’s perception about information that matters when he is evaluating an institution’s reputation: “Emotional appeal is the primary driving force behind

corporate reputation” (Barnett, 2000, Alshop, 2002). Fombrun (2001: 293) suggests that “a corporate reputation is a collective representation of a company’s past actions and future prospects

that describes how key resource providers interpret a company’s initiatives and assess its ability to

deliver valued outcomes”. Gotsi and Wilson (2001) concluded, after analysing different definitions

that “corporate reputation is a stakeholder’s overall evaluation of a company over time.

This

evaluation is based on the stakeholder’s direct experiences with the company, any other form of

communication and symbolism that provides information about the firm’s actions and/or a comparison with the actions of other leading rivals.”. For Davies et al (2003) Reputation has a

number of elements and is taken to be a collective term referring to all stakeholders' views of corporate reputation, including identity (meaning the internal, that is, the employee's, view of the company) and image (meaning the view of the company held by external stakeholders, specially that held by the customers).

Through a holistic approach, reputation involves several variables and different literatures studying the subject have strongly contributed to the field. Much of what is studied regarding reputation is focused on the economic approach, with the general purpose of generating value for the organization. Furthermore, the marketing approach of reputation is closely related to brand management, as organizations search for value increase for its intangibles, one of them (and perhaps one of the most important) being the brand, more specifically of "corporate brand".

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One of the primary economic aspects of reputation management is to manage and increase brand equity. The concern with brand value and its management has increased greatly over the last decades. After a long time confined to be seen and treated as a question of purely image and its promotion, design and logo, the brand faced a renaissance in order to occupy an important place within the direction of organizations, from the board of directors of enterprises to investors, stock market analysts, investment banks, accountants, government organs, press and law bureaus. It also included the interest of the academic world and universities, with offerings of brand management courses.

Nunes and Haigh (2003) concluded that the most important factor, which led to the change mentioned above, was the understanding by investors that the brand is an asset of a company, and not just a question of image. It means that it is necessary to identify and measure how the brand creates (or does not) economic value for a company. The authors say that marketing and advertising still carry their role in brand construction, but from a perspective of results. They recommend that all people inside the company, and not exclusively marketing departments should manage the brand – although these have a key role. Good brand management goes through its impact in the strategy, structure, and culture of the institution, as the way to guarantee the promise to its stakeholders (Nunes and Haigh, 2003). Businesses are moving from the branding of products

towards corporate branding (Kowalzy, Pawlish, 2002). According to the authors, the brand, which was traditionally aimed only or largely at the customer, is increasingly taking over the corporation itself. In fact, consistent brand equity offers, similar advantages to good reputation, which can cause certain confusion of terms.

Lewis (2003) indicates some remarks that are currently being made about brands: "Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers and employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line..." (Khermouch, 2002, apud Lewis, 2003).

Also, "Big corporations have to behave differently if they want to build a reputation that enhances their brand, and makes them attractive not just to customers but to the best workers" (Gartner, 2000 apud Lewis, 2003).

The lack of credibility, on the other hand, can lead consumers to question validity of claims by the company as such and as a consequence consumers are less likely to buy its products (Schnoor, 2003 et al). Schnoor (2003) establishes a relationship between credibility and trust, concluding that "corporate credibility relates to the reputation that a firm has achieved in the marketplace", referring to the extent to which consumers believe that a company is able to deliver products and services that satisfy customer needs and wants. The use of corporate branding, hence, is one strategy for building reputation. Cramer, Neijens and Smit (2003), define it as the process of creating and maintaining a favourable reputation of the company and its constituent's

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elements, by sending signals to stakeholders using the corporate brand. And add that, to create this favourable reputation, the messages about the brand identity should be consistent and the delivery uniform across all stakeholders groups. Davies et al (2003) say that Reputation management is the idea that identity influences image, that the views of employees of their organization will influence the views of the customers, pointing to the notion of harmonization. Also, according to Schmitt (2000), reputation management, when done well, can bring considerable benefit to a company.

Done poorly, it destroys shareholder value. The author mentions that modern corporations

consider brands as intangible assets. Thus, reputation management must be viewed as a way to protect the long-term value of the brand. In many cases, the intangible value of brands exceeds the value of a corporation's tangible assets.

To look inwards has been corporations' homework lately, but that is not just enough anymore... Not only corporations have been asked to be ethic, transparent, consistent, but they also are expected to behave the same way with the communities they are surrounded by. One of the key elements which raises from these concerns is the role of enterprises into society, and furthermore its social responsibilities.

4. Corporate Social Responsibility (CSR)

As it is at an evolutionary stage, there are many different points of view when it comes to defining this concept. According to Kitchin (2003), one of the main causes of the growing cynicism around CSR is a "blatant and sometimes deliberate obfuscation of what CSR really is,

and what it is trying to achieve... the term CSR is defined by each group from its own perspective

in order to meet its own aims" (Kitchin, 2003, p. 313). This author, for example, says that for

public relations, CSR is often characterised as reputation protection; for accountants, it is about

supply-chain auditing; for NGOs, it is about preservation of resources or humanitarianism; for

governments, it is about sharing the burden of sustainability (Kitchin, 2003).

Kitchin (2003) pointed to the need to define the terms Corporate, Social and Responsibility in

order to reach a common sense in the field. The term *Corporate* can be defined as related to a

profit-making entity. The term *Social*, according to Kitchin (2003), in this context of CSR, presents several possibilities. Perhaps the best attempt at summary is to say that 'social', when

used in CSR terms, seems to have to do with 'communities of need' or occasionally even 'individuals in need'. What makes them 'society', states Kitchin (2003), is that they are being

considered not through the filter of their primary brand relationship, but instead as human beings, defined by their need.

The term *responsibility*, has its meaning related to commonly held morality, with the natural

duty which emerges through reciprocity of relationships (Kitchin, 2003). The author also states

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that this responsibility is partly self-imposed through enlightened self-interest and partly externally

enforced through regulation and moral pressure. It is also intensely sentiment driven. At last, Kitchin (2003) reminds that “even within a uniform national culture, perceptions of responsibility can vary wildly from one day to the next” and concludes that “each organization’s responsibility depends explicitly on the promises the brand has filtered to each stakeholder, and implicitly on the trust that the brand’s reputation has accumulated with those stakeholders. In CSR terms, the organization’s responsibilities come from honouring that trust and keeping those promises” (Kitchin, 2003, p.315).

CSR can be simply described as a contribution to sustainable development, that is, meeting the needs of today without compromising the possibility to satisfy the needs of future generations.

Abundant research shows that the definition of CSR depends on the regulatory, cultural and economic contexts and those meanings vary greatly from one actor to another. Because these contexts are changing, we could assume that what is considered to be CSR will probably continue evolving. CSR is the conjunct of economic, legal, ethic and discretionary responsibilities directed

to primary and secondary stakeholders (Carroll, 1999), as it can be visualised in the picture (4.1)

bellow:

Philanthropic Responsibilities

Ethical Responsibilities

Legal Responsibilities

Economic Responsibilities

FIGURE 4.1: The Pyramid of Corporate Social Responsibility: Towards the management of Organizational

Stakeholders, Adapted from: Carroll, A and Buchholz, A. (1999, p. 37)

Arantes et al (2003) argue that the complexity and contents of CSR causes it to be interpreted

and applied as an ethical commitment of business, related to its actions and relations with multiple

agents, such as shareholders, employees, consumers, suppliers, environment, govern, market and

community. Hence, the issue of Social Responsibility surpasses the legal attitude of the company,

the philanthropic practice or the support to the community. It means “attitude change”, under a

perspective of management, focused in adding value to all.

Still, to position an institution regarding its social responsibility goes through analysing its role in society, the roots of capitalism and globalisation effects on its local activities. It is, therefore, a sociological exercise of understanding ethics and sharing its values within strategic

management. Seeing this way, it actually surpasses individual spheres of specific literatures and

offers a deeper understanding of where corporations stand today.

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5. CSR and Reputation

The link between CSR and Reputation can be observed through several perspectives, either from academic or practitioner's points of view. As Reputation can be considered a multifunctional

and converging area for different literatures, one could focus on the relationship between CSR and

Reputation from different perspectives, what would create an exhaustive study. Far from covering

every perspective, this paper explores some approaches of corporate communication to establish a common ground.

Corporate reputation, manages several variables, some tangible, some intangible. It is what Villafañe (2004) calls the "soft" variables and the "hard" variables. Soft variables include labour

practices/employees, ethics and CSR. Hard variables include economic-financial/investors affairs

and client-marketing issues. Still, the most universally understood measure of a corporation's

perceived ability to meet stakeholder expectations is stock price, says Sandberg (2003). A stock

price reveals everything that the market expects the company to do going forward based on all

available information, including how the company interacts with all its constituents

(Sandberg et

al, 2002). It refers to "hard" variables as stated by Villafañe before. Indeed, this author questions

some indexes which evaluate reputation, because they are based on more hard variables than soft

(Villafañe, 2004).

Nevertheless, despite the discrepancies and disagreements as to how to measure and evaluate reputation, the number of authors emphasizing the increasing importance and impact of

CSR for reputation is huge. Villafañe (2004), for instance, even points to the danger of referring to

reputation while meaning corporate social responsibility, or identifying, for example, a reputation

index with sustainability criteria or the recommendation from some international organisms, such

as UN or the European Union.

Lewis (2003), for instance, reminds that social and environmental responsibilities are not the be-all and end-all of reputation. Rather, says the author, they are two of around six majors

facets of reputation, whose weight in determining overall favorability will vary by audience and by

sector. The model used by MORI¹ in Britain as a base for its researches shows the six variables

that Lewis (2003) refers to:

¹ Founded in 1969, MORI is a British market and public opinion research agency. www.mori.com

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FIGURE 5.1: The make-up of reputation, adapted from Lewis, 2003 pp.362

Similarly, the Reputation Quotient, developed by Charles Fombrun from New York University's Stern Business School and research firm Harris Interactive Inc., uses 6 variables to

measure and evaluate corporate reputation (Figure 5.2). One of these intangible variables of reputation is CSR (Sever, 2003). Several dimensions, in a total of 20, compose the variables.

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Figure 5.2: The 6 Dimensions and 20 Attributes of the Reputation Quotient, Sever 2003

Although both models are used to evaluate reputation, there is a significant methodological difference between them (where they are published, area of coverage, etc.). Nonetheless, says

Lewis (2003), social and environmental responsibilities are special factors. Also, according to Ron

Alshop (2003), CSR “is not an option anymore. CSR is part of business costs”.

CSR has, therefore, become an important concern and increasing factor in stakeholder expectations. Lewis (2003) states that in every stakeholder audience, from consumers to media,

legislators and investors, CSR and environmental responsibilities form an increasingly powerful

driver of overall reputation and disposition, representing protection against some of the threats of

the movement against global business. The author argues that corporations, which have traditionally relied on their brands for public profile, tend to have an unbalanced reputation, strong

on product and financial criteria but weak on citizenship, as shown by MORI other researches

conducted in 2002. According to these surveys, the proportion of consumers who says social

responsibility of the company whose services and products are on offer is very important almost

doubled in the period 1998-2002 (Figure 5.3), says Lewis, (2003).

Social

Responsibility

Supports Good Causes
Environmental Responsibility
Community Responsibility

Emotional

Appeal

Feel Good About
Admire and Respect
Trust

Vision &

Leadership

Market Opportunities
Excellent Leadership
Clear Vision for the Future

Financial

Performance

Workplace

Environment

Products &

Services

Rewards Employees Fairly
Good Place to Work
Good Employees
High Quality
Innovative
Value for Money
Stands Behind

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When forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility?

1998
2000
2002
28%
41%
44%

Very Important

Figure 5.3: Purchasing and Social Responsibility, at Lewis (2003) - Source: MORI, Base: c, 1,000 GB adults 16+. July-August

This connects with MORI findings about consumers' behaviour and decisions, indicating a perception that business lacks interests in exactly those issues of increasing interest and priority to

the public (Figure 5.4) (Lewis, 2003).

'Large companies have a moral responsibility to society'

Disagree
8%
Agree
80%
Neither
12%

'Large companies do not really care about long term environmental and social impact of their actions'

Disagree
18%
Agree
61%
Neither
21%

FIGURE 5.4: Large companies' responsibilities, Source: MORI – Britain, July 2002, (Lewis 2003)

Lewis (2003) also reinforces the demand of publics to know about corporate citizenship, and that they want to translate that knowledge into their behaviour. The author emphasizes that “if

business is to engage the public in the twenty-first century, its communications must give social

responsibility a bigger and more central role” (Lewis, 2003). He follows “as consumers move to

the top of Maslow's Hierarchy of Needs and their actions are increasingly driven by selfrealization, it is natural that ethics and values will play a more prominent role in their consumer choices. Brands, if they are to retain their relevance, must shift their ground accordingly". It aligns with previous views exposed in Chapter 2 about corporate branding seen as a holistic approach (Schultz, and de Chernatony, 2002). Lewis agrees that it means "breaking down some of the traditional demarcation between brand (owned by marketing) and reputation (owned by public affairs)" (Lewis, 2003).

² Abraham Maslow, in his book *Motivation and Personality* (New York, Harper & Row, 1954) describes a hierarchy of needs that begins with physiological and safety needs and then moves on to the need for love and belonging, self-esteem and status, and finally, inner satisfaction.

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Adding to this perspective, Nigel Middlemiss, author of the research "Giving Back" conducted in Europe by the Echo Research Group³ in the UK, explains that "there is no doubt that major corporations, who have seen angry, often violent, protests of the anti-globalisation movement, know that it isn't enough to be good, you have to tell the story of how good you are"

(The Economist, Business Europe, 2002). For this study, opinion was sought on corporate responsibility – both social and environmental. This survey reveals, says Middlemiss (2003, p.354), several signs showing the growing importance of CSR. It mentions several aspects, but the

two first are directly related to reputation:

1. *Corporate Reputation* ("Consumer activism is on the increase, and consumers are increasingly voting for social responsibility with their credit cards")
2. *Managing reputational risk* ("While CSR is seen to have a role in building corporate reputation, it is perhaps even more valuable in maintaining reputation, or at least telescoping the recovery period, in the event of something going wrong")
3. *Employee relations* (recruitment of high calibre employees, motivation and productivity)
4. *Supply chain* (organisations imposing standards on their partners and suppliers)
5. *Improving market understanding* (engaging more with stakeholders can enhance creative market intelligence, thus giving companies a competitive advantage)
6. *Sustainability* (growing awareness that it is only by taking action today that business can guarantee that it will have a market and a business with which to operate in the future)
7. *Maintaining a stable social environment* (business needs a stable social, more prosperous, environment in order to prosper, and therefore it is in the interest of business to help to generate and maintain such stability)
8. *A license to operate*
9. *Benefits to the bottom line* (a widespread belief that CSR can have a direct financial benefit to companies was found).

Finally, the same research pointed to the interest shown in ethical investment vehicles.

Interest in the media in ethical investments climbed steadily between the beginning of 2000 and

the start of 2002, with a year-on-year growth of 92% (Middlemiss, 2003).

Further evidence of this flow is the survey conducted in the USA by Hill & Knolton, an American communications and public relations company, with 2,594 individuals, which found that

nearly three quarters of Americans now consider social responsibility issues when making their

investment decisions, 12% of them would acquire socially responsible stock even if it led to a

lower return on investment. The survey shows how CSR is becoming a key factor in the majority

of Americans' investments decisions, although few companies are performing well in this area

(Investor Relations Business, 2001).

According to Lewis (2003), current concern with the brand shows that it is rather seen as a persona, encompassing corporate qualities, values and promises. It is an entirely logical response

³ www.echoresearch.com Echo Research (2000-02) – integrated research into corporate social responsibility in global markets

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to the changing sentiment and expectations of the external – and internal – world. The author says

“we simply feel different than we did a generation ago”. This change can be pinned down more

tangibly with the aid of long term trends in public attitudes. A survey conducted by MORI in

England shows that in the late 1970s, the British public by two-to-one agreed that the profits of

large companies benefited their customers. Now, the public by two-to-one disagrees. It shows

that such particular basis of trust between business and consumers no longer exists. Still, Lewis

(2003) argues that while it would be highly desirable to reverse the trend, there is perhaps greater

scope for business to build new basis of trust: that of corporate responsibility.

Confirming such perspective, another survey, conducted by Jack Yan (2003) in New Zealand, focused on 20-somethings -- which he labelled as Generation Y—saying that “Today's

20-somethings are tomorrow's major consumers”. According to Yan, this group has had computers and televised media all its lives. These ‘organization kids’ are more media-savvy than

most, more suspicious and quite cynical, says Yan (2003). He argues that, as a generalization,

today's 20-something are not keen to be ‘establishment’, but emphasize a tribal sense of

community. They are not impressed with corporate fluff, corporations that talk down to them, or profiting at the expense of the environment. He points to the fact that CSR is essential for organizations as 20-somethings – a relatively affluent group – come of age (Yan, 2003). The author explains that this generation Y have instilled “a set of values that means volunteering for UNICEF is as normal as their aspiring to work for the institutions that built and rebuilt 1980s and 1990s corporate America – and by association, the corporate behaviour of the western world” (Yan, 2003). He points to the fact that Generation Y has to initiate change in far more subtle and lasting ways than previous Generation X, using institutions like the management consultancies or investment companies to effect it. Yan cites the gay movement, that by having been fairly successful, Generation Y understands, perhaps subconsciously, how change is often effected in invisible ways: the gay movement had representatives in the power structures and institutions, whereas the women’s movement did not, and therefore took longer to achieve success. Generation Y would have to take the quicker path, using everything from technology to subtlety” (Yan, 2003). His survey indicates a great need for authenticity. The example of Enron posting policies on anti-corruption, while being less than scrupulous about its practices, is fatal, says the author. He follows by warning that “In the Generation Y sphere, dramatisation, too must be backed with authenticity. It is no longer sufficient to say something is important without the action”.

6. Final Notes: CSR and Communications

So the question is then, how to communicate CSR in order to properly enhance the reputation of corporations. Action to communicate CSR has been largely criticised by several authors and practitioners, and it seems to be an evolving exercise for communications

15 professionals and scholars. Apparently, there is a general consensus of how communication should be handled when dealing with social responsibility matters in the corporate environment.

The enthusiasm for credible PR and reputation management around CSR came through loud and strong in study conducted by the Echo Research Group, stated Middlemiss (2003). It is

particularly linked to two fundamental CSR values:

- a. Transparency and openness
- b. Dialogue with stakeholders

Middlemiss (2003), pointed to the importance to tailor communications to meet the needs of specific stakeholder groups. Based on the findings of that research, he developed a set of

practical recommendations for a successful communication programme, what to do and what to

avoid doing when communicating CSR (Table 6.1):

Do Avoid

Be credible, transparent, honest Spin, greenwashing

Keep it simple, lucid, stick with the facts Cheap publicity, boasting, trying to be flash, treating it only as a PR exercise

Be realistic, humble, confess problems Over-promising and under-delivering

Design your communications according to your stakeholders

Not consulting people, having no sense of dialogue

Communicate what has taken place and succeeded Communicating each and every little thing you are trying to do

Involve communications people from start Keeping communications separate from the rest of CSR

TABLE 6.1: The dos and the don'ts of communicating CSR, Source: Middlemiss, (2003)

Middlemiss (2003, p.361) concludes that "Companies already have financial indicators, accounting and reporting; in the same way they now need sustainability indicators, accounting and

reporting, to regularise, measure and, not least, engender trust in the reputational value of sustainability.

Another consideration comes from the survey conducted from the Instituto Ethos de Empresas e Responsabilidade Social and Indicador Pesquisa de Mercado, in Brazil. The research

focused on consumer perceptions (Ethos, 2002) and showed that 31% of Brazilian consumers are

willing to punish a company socially irresponsible. In general terms, it demonstrated how Brazilians face CSR and how the concern with the matter is growing consistently.

Furthermore, a

relevant data is the analysis of the issue "advertising", which considers the attitude of a company,

which could induce consumers to never purchase or use its products. According to this research,

the most cited attitude is *deceptive advertising*, with 43%. It has been the highest rejection factor

to a company along the last 3 years of the research. It calls for extreme caution when developing

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advertising as it can cause enormous damage to a company's image and reputation. The research

also found that 75% of consumers is very interested in learning about a company's managing to be

socially responsible, although only 23% is aware that many companies elaborate annual reports

about their social and environmental performance (Ethos, 2002). Specific reports to inform their

publics of their concerns and activities regarding good governance behaviour, environmental

assets, social responsibilities and sustainability are the direct result of this demand. It is perhaps the main tool to communicate such actions. Initially, these reports were part of the annual financial reports published by the companies, but today they are physically independent publications, addressed to shareholders and stakeholders in general. According to San Martin (2003), there are two drivers motivating the elaboration and publication of social or sustainability reports: ethical drivers and business drivers. The first is based on the conviction that the firm is responsible for its impact on society and that its stakeholders have the right to know. The second is based on the conviction that firms which are more open will earn stakeholders trust, good reputation, have more allies and less problems; a way to be seen as safer investment once it is managing all its risks. The author presented the relationship between sustainability and communication, to explain their impact on reputation. From these relations a chart could be developed below :

Table 6.2: The relation between sustainability and communication for corporate reputation – Adapted from

San Martin (2003)

This author also argues that social reports are not some kind of “fashion”, but a new reality in search for standards, with specific purposes of comparison, inter-companies and intergeographies

(San Martin, 2003). It is a consensus among enterprises, with voluntary acceptance. Still, there are several and diverse forms of measuring social reports and of divulging it. The

author cites the Global Reporting Initiative Guidelines (GRI)⁴ as having the highest adherence

between companies issuing these reports. He sees social reports as an opportunity for those

⁴ More about GRI can be found at www.globalreporting.com

Good reputation Big risk for PR High

Investment not
“seized”

It’s in the dark Poor

High Low **Sustainability**

Communication

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organizations, which aim excellence also in this field, proportioning differentiation, investment

flow, and ease of business relations.

Beyond the issue of social reports, internally or externally, lies the primary concern of whether advertising or not organizational good deeds. Azevedo (2003), for example, pointed to

the current challenge of enterprises and advertising/communication agencies to discover together

the best way to communicate with their stakeholders within this new context proposed by the social responsibility movement. She argues that it is important to aim towards the elimination of the prejudice, which connects the use of advertising with a “self-promotion” character of organizations, using advertising to divulgate their actions. This author suggests two possibilities of advertising for socially responsible companies.

In the first way, more direct and objective (because it deals with an action or social project developed by the company), advertising needs to be extremely transparent and to limit itself to give information or to invite the addressed public to participate, or either be educative. The action must justify the investment of developing an advertising campaign, so that the public doesn't get the feeling that divulgation is more important than the action itself. In the second advertising approach – through institutional or product communication – the company incorporates in its advertising messages the concepts, indicators and expressions used in social responsibility. In this way there is no extra expenditure with advertising budget. What is different here is the approach and content of messages, diminishing the possibilities that its publics could misinterpret the company. If both forms of advertising action can transmit to their targets an identity of the organization which these publics consider positive and match their expectations as “responsible” publics, says the author, then both approaches can reach efficacy for their objectives (Azevedo, 2003).

In conclusion, this review points to the need to develop further investigation on how CSR is perceived by several stakeholders, as a way to guide and support managerial decision making when dealing with CSR strategic design and implementation. Most research in the field of reputation focuses on the following stakeholders: clients, employees, shareholders. Although media has been considered of crucial importance, there are very few studies which regard them as an stakeholder group of relevance. It calls for the need to pursue deeper investigation on this stakeholders group. Furthermore, the literature has shown that current research has not fully approached the connection between CSR Strategies and Communication Strategies within corporations, and suggests further investigation correlating them through the use of Reputation Management academic perspective.

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