

## THE ROLE OF STRATEGIC CORPORATE SOCIAL RESPONSIBILITY IN EFFECTIVE BRAND MANAGEMENT

*A Qualitative Research in Pakistan's Economy to Identify the Gaps and Opportunities Regarding Adoption of CSR*

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### **Abstract:**

In this paper we aim to explore the bond that link corporate social responsibility and business image i.e. how the integration of CSR strengthens the brand equity. Furthermore, we attempt to answer to what extent corporate social responsibility behavior is certain by the strategic business illustration for long term profit. This study proves ethical and pragmatic approach about CSR. A major purpose of the current research is to identify the gaps and opportunities in Banking Sector in Pakistan regarding the adoption of CSR as an alternative brand tool.

**Key words:** *CSR, Brand Management, Strategic CSR, Consumer loyalty*

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## 1. Introduction

In current century, businesses are subject to scrutiny than ever; objectives and their communal role are comprehensively converse and criticized to weigh up the corporate illustration. The business sustainability is allied with superlative approaches; the fierce competition is not letting the companies to play individually. Conglomerates are exposing bountiful financial resources to widen their brand image mainly among clients, workers, sponsors, government and the public [1]. Consumer is gradual with firms; the active in society for welfare activities [2].

Specialized prose with case study approach, focus on the magnitude of CSR intended for organizations to be a leader of consumer's heart to obtain benefit such as increase in brand equity, customer loyalty, stockholder's confidence and the foremost; organizational image for stable sustainability. In the first part of our study, we scrutinized what responsibilities corporation position to CSR via exemplifying community based water project of Coca-Cola Company.

Influenced by the consideration of global impact we subject to bend over Pakistan's economy; in second part of our study we used qualitative research approach to identify the limitations, opportunities and strategic reluctance in adoption of CSR as alternative brand tool. We selected a sample of five corporate identities (banks) and interviewed twenty strategic & marketing executives, used open ended questionnaire. We applied content analysis method to evaluate the data. We went through some empirical studies on this topic but we realized that it is a new topic and it entails explanatory review, so, qualitative research is more suitable.

### 1.1 Corporate Social Responsibility

According to Mohr, Webb and Harris (2001), "CSR refers the company's efforts and delicacy to reduce or avoid harmful effects and to take advantage of its long run positive and useful impact on society [3]." CSR verbalize the prudence of dedication on part of firms about their society and environment.

#### 1.1.1 Services of CSR:

- I. Delivers commitment from key people – directors, owners, senior managers.
- II. Ensure the value and vision of the business and its culture.
- III. CSR supports goals or targets related to the core business and development.

- IV. CSR communicates about the approaches, strategies, aims or activities in a transparent and meaningful way for example relationships with stakeholders improve through innovation and credibility.

## 1.2 Brand Management

The marketing function used to increase the perceived value of a product of brand image over some specified period of time. Valuable brand management facilitates the corporations in setting, desired price for their product and to put up loyal customers through brand awareness and positive association [4][5]. Numerous researches have highlighted that socially responsible activities of a firm boost the brand image. Levy (1959) put forward the Concept of brand image and highlighted that emotional characteristics of commodities bond the consumer with brand image [6]. Brand image considered the valued company asset on the basis of which consumers identify the goods or services of a particular firm. Brand image is the perception of product image in the mind of the consumer. Over time the concept of brand image has changed from product perception to consumer experience about goods and services of firm which is supported by firm's societal activities [5]. Brand image facilitates to amplify customer's contentment, service superiority, loyalty and repurchasing intention. Therefore, we made much of the market struggle to evaluate the effort of strategic CSR in building up perceptions about the brand in the memory of a consumer. Consumer loyalty highlighted the continuity of business with particular company overtime [6][7].

## 1.3 Strategic CSR

Strategic Corporate Social Responsibility settle on the activities, corporations have the resources to devote to being socially responsible. Corporations attempt to choose what will strengthen their competitive advantage [8]. By scheduling CSR as part of a company's on the whole business objective, organizations can ensure the profits and ethically behave to their stakeholders on account of community welfare environmental welfare.

## 1.4 Interest Group's Loyalty

A report by Vancouver-based consultancy group, state that 72% of consumers are influenced by company reputation to decide about product; 80 percent of employees will accept less pay to work with a company with an excellent reputation; while another 89 percent say reputation is a

tiebreaker between equal products. Reviews of case studies, surveys and researches reveal that loyal consumer apart from discount associate their preferences with company on the basis of their societal contributions [9][10]. We aim to answer the business sustainability as a consequence of the application of corporate social responsibility strategies.

## 2. Chronological Perspective

### 2.1 Sustainable Business Required Sustainable Community

A survey study proved that 86 percent of consumers said that they would have a more positive opinion of a company that is doing something to make the world a better place, regardless of the cause or issue concerned [11]. The review of CSR exhibits that CSR perk up consumer's loyalty [12]. A study by Saunders (2006) reveals that the percentage of consumers who are more likely to recommend a brand that supports a good cause over the one that does not is 52%. Meanwhile, 55% consumers would prefer to buy from brands that support good causes even if there is recession. Companies that have made CSR a central part of their businesses are reaping the benefits in the form of company sustainability, reducing liabilities, and insurance costs, as well as improved brand image. Corporations are certain to link CSR to their reputation and brand identity [13]. The prospect for differentiation in terms of technology, price, and product and service quality has changed radically. For this reason, CSR is an important attribute that can enhance a company's image.

The Body Shop renowned as responsible business long before it grown to be fashionable. Over 20 years ago the company set up a fair trade program, well before the term 'Fair Trade' started to become popular on supermarket shelves. The focus remained on environmental protection, animal rights, community trade and human rights [14]. Similarly, Disney, The Walt Disney Company, recognized that the family entertainment would be of no value if the world and circumstances in which they live are disregarded [15]. Conscientious stir improve the company's credibility and authenticity. **As part of 2020 vision, performance goals regarding water, energy and solid waste recycling rate, which form the basis of environmental approach of coca cola, are illustrated below:**

						Turkey		Jordan		Azerbaijan		Kazakhstan	
2012	2020	2012	2020	2012	2020	2012	2020	2012	2020	2012	2020	2012	2020

Solid Waste Recycling Ratio (%)	95	98	89	95	94	98	90	96
Water Consumption Ratio (L/L)	1.40	1.20	1.85	1.50	1.78	1.40	1.65	1.25
Energy Consumption Ratio (MJ/L)	0.24	0.23	0.39	0.35	0.34	0.30	0.32	0.24

Source: 2012 and 2020 Environmental Goals, Coca-Cola İçecek, Corporate Social Responsibility Report

## 2.2 Mutual Enduring Values

### 2.2.1 Responsible Citizen

Several studies identified the socially responsible consumer in terms of demographic characteristics. (Carrigan& Attalla, 2001; Roberts, 1996)The incentives for businesses to become involved in responsible business practices are diverse. Some of these incentives include: Market and Product Expansion, Attracting and Retaining Employees, Enhanced Reputation and Protection of Brand Identity, Enhanced Government Relations, Increase in Local Expertise and Access to Local Networks, etc. When a company practices CSR activities in its domain it becomes responsible corporation in the eye of society [16]

Coca Cola company proves itself a responsible organization and its engagement involves a varied range of activities, from preservation measures aimed at effective water use and prevention of polluting activities, to the protection of marine life, plants and animals along with clean-up activities and recycling projects.Coca-Cola was spending millions of dollars to project a 'green' and 'environment-friendly' image of it, while failing to make any change in its operations [17].

### 2.2.2 Reputation Protection

Enhancing organizational reputation was once the prime motivator for CSR but now days CSR practices enhance business reputation and protect from extra expenses, CSR activities build customer loyalty as well as strengthen the brand equity. The Coca Cola company came in severe criticism from activists and environmental experts who charged it with depleting groundwater resources in the areas in which its bottling plants were located, and 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 boycotted companies in

the world [18]. Powerful social and political forces encourage organizations to act more responsibly. These include customized products, be accountable and environment friendly goals/objectives.

### 2.2.3 Restrictive Legislation

Mostly organizations adopt CSR in its domain because it prevent from more taxes and improve corporate image and reputation. In collateral, CSR activities increase operational efficiency, sales and customer loyalty, are helpful in gaining competitive advantage, providing benefits to shareholders, increasing financial performance etc.

Enhancing organizational reputation was the major motivator for CSR. It is comparatively easy to contribute money to a cause or place it in a corporate foundation without a mandate for how the funds are to be spent or what outcomes are expected. With growing recognition of looming human and environmental crises, there is a groundswell of public and private sector organizations striving to make measurable contributions to sustainability under unaddressed corporate laws [19].

## 3. Link between CSR and Brand Management

CSR driven efforts do not only relate to make a contribution by donating money but it speaks of incorporating societal and moral practices into business strategies that help the consumers in building an optimistic brand image. Research has shown that socially responsible activities of a firm enhance the brand image of the firm's goods as well as the general image of the firm towards its employees and society. Businesses should be aware that the inclusion of social responsibility objectives in the strategy of the organization must be triggered not only by the craving to build a positive image, by operational efficiency or the prospect of competitive advantage, but as a condition of building sustainable businesses.

A careful selection of corporate social responsibility strategies could ensure business sustainability by delivering benefits to 1) the organization, factor includes; improving corporate

image and its reputation, increasing operational efficiency, sales and customer loyalty, gaining competitive advantage, providing benefits to shareholders, and customers increasing financial performance, 2) to the employees, factor includes; increased motivation, improvements in team unity, reduced internal conflicts, elimination of unethical practices, more developed social solidarity), 3) to society, factor includes; promoting social inclusion, improving cooperation with non-governmental organizations, state institutions, customers, suppliers, competitors and benefits to the environment as well.

### 3.1 Company's Product and Social cause:

Studies found that 50 percent of consumers say they will pay more for products offered by socially responsible companies. In today's fierce marketplace, social cause marketing isn't just an altruistic endeavor, it's good business. Companies are using CSR as a social cause tool to enhance brand image.

#### 3.1.1 Cause Related Marketing

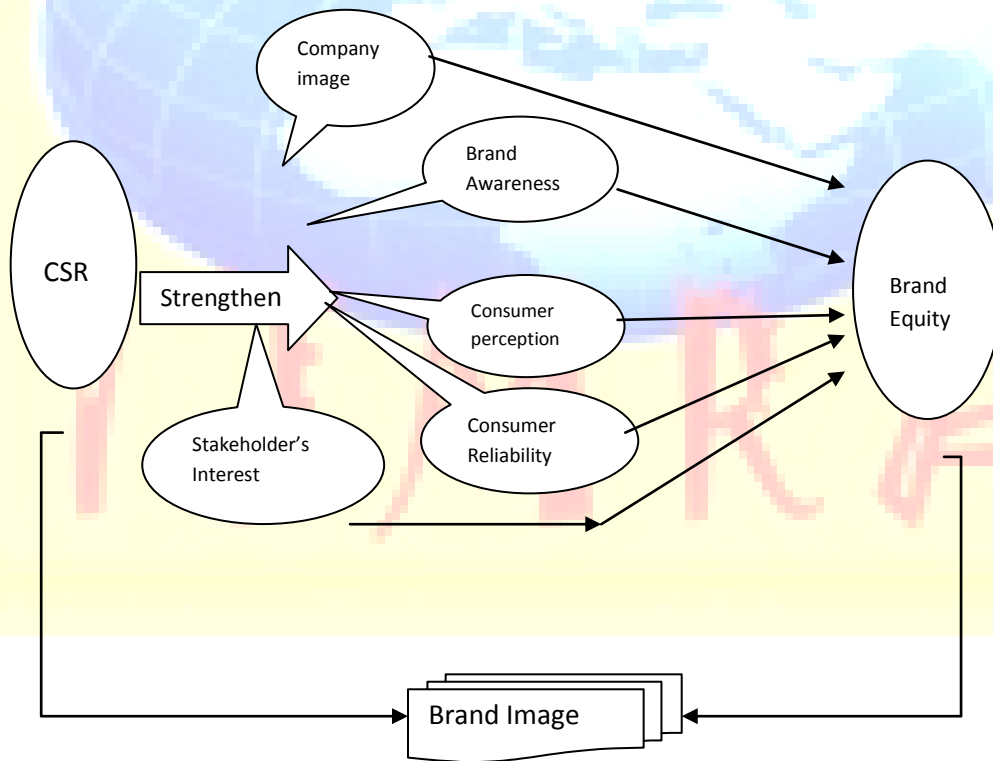
Corporate Social Responsibility refers to the practice of conducting business in a manner which links it to ethical values, compliance with legal requirements and most importantly, respect for people, communities and the environment. Cause Related Marketing (CRM) is about forging long-term and strategic partnerships between businesses and non-profit organizations to market an image, product, service or cause for mutual benefit. Research efforts as to how corporate social responsibility can help the organization market itself and its products to consumers started with conceptualization of corporate social responsibility, the marketing effect of corporate social responsibility on consumers has been investigated with a focus on issues such as impact of CSR on buying behavior and sustainable products, corporate citizenship, fair trade concerns, social-cause marketing, and cross-cultural comparisons of consumers' perceptions of CSR [20][21].

For example, in a research study conducted by the University of Illinois at Urbana-Champaign (2009), consumers would agree to paying more for locally grown apples as compared to genetically modified (GMO) apples. But then, when GMO apples were described not as GMO but apples having "reduced environmental impact" consumers began to prefer them to the former. The latter study demonstrates that different CSR issues may affect consumers differently.

### 3.1.2 Brand Image & Cognition

Corporate strategies should be drawn to meet stakeholder requirements. Formulating and implementing strategies should be a more proactive, rather than reactive process, an emblem of corporate conscience and management. The concept of sustainable development is steadily extending its applicability from society to organizations, being called corporate sustainability. There are also some skeptics who question if and how this concept is applied at organizational level (Gray, 2010). Since sustainable development issues concern us all, citizens, businesses and governments need to cooperate to establish sustainable consumption as a common goal of society (Malovics et al., 2008).

#### MODEL





## 4. Discussion

### 4.1 Corporate Social Responsibility & Banking Sector in Pakistan

#### 4.1.1 CSR at NBP

National Bank of Pakistan is the leading financial institutions in the country. The deep insight with organizations mission and vision demonstrate that along with excellent financial figures, NBP has taken initiatives to clearly depict its dedication towards its Corporate Social Responsibility mission. The strategic policies focus on initiatives that are sustainable and have a significant impact on society and a strong connection with the business and core competencies.

The Bank select areas of great concern and focus towards the promotion of education, health, woman and child welfare, special persons, culture, sports and relief for affectees of natural disasters. In year 2012, NBP was awarded with “CSR Business Excellence Award 2012” by National Forum for environment and Health recognized. Also, NBP has been recently awarded with the “Gold Medal on CSR” by President of Pakistan on the basis of overall contributions and donations for charitable, social, educational and public welfare efforts.

#### 4.1.2 CSR at Citibank Pakistan

CITI Bank of Pakistan is considered impressive in its CSR's approach. CITI Bank is among leading financial services companies, has some 200 million customer accounts and does business in more than 100 countries. The major brand, associated with CITI Bank includes Citibank, CitiFinancial, Primerica, CITI Smith Barney and Banamex. The CITI Foundation' and its unswerving commitment is widely fostering and encouraging employee volunteerism.

**Attributes of CITI FOUNDATION:** The focus of the foundation is primarily on the wellbeing of communities particularly to create prosperous around the world. The Citigroup Foundation advances grants in following areas: financial education, educating the next generation, and building communities and entrepreneurs.

#### 4.1.3 CSR at United Bank Limited

UBL being a conscientious and respected corporate citizen impart value through CSR activities. Bank adopt a prudent, transparent and cautious CSR agenda, the bank embrace its responsibility as a Corporate Citizen and encourage activities toward the betterment of the environment, consumers, employees, communities and all its stakeholders through following sectors: 1.

Education, 2. Healthcare, 3. Vocational and Skills Training, 4. Community, 5. Development, 6. Information Technology, 7. Sports

#### 4.1.4 CSR & Faysal Bank Limited

Faysal Bank Limited (FBL) was incorporated in Pakistan on October 3, 1994. Faysal Bank is engaged in Corporate, Commercial, Retail and Islamic Banking activities. FBL's footprint now spreads over more than 260 branches in over 70 cities. Cancer Foundation in Pakistan is largely sported by Faysal Bank. On realizing the strategic impact of CSR, in year 2013, Faysal Bank operationalized the concept of donations.

#### 4.1.5 CSR at Muslim Commercial Bank Limited

MCB is a commercial bank in Pakistan. MCB was nationalized along with all other private sector banks.

##### Basic corporate social responsibility ratings- Year 2010-2013

	Overall	Community	Employees	Environment	Governance
MCB BANK LIMITED	53	51	49	54	57
All company average	52	51	53	54	51

## 5. Limitations in Adoption of CSR

As we already pen to paper that the subject is fresh and the research arena is not unfasten. Corporate conscious is limited and ignored. We bring into being that the concept of CSR, however, is still primitive. Corporations are confused on distinction between philanthropy and CSR. Considerable issues are observed that was applied to encouraging or barricading CSR practices in Pakistan. The major barriers are categorized as structural, environmental and developmental. Corporate Social Responsibility (CSR) is mainly factorized under one of four categories: environmental, social, economic and corporate governance. CSR standards, codes and practices may be individual company quality requirements, driven by consumer expectations, shareholder reputational concerns, importer codes and standards driven by ethical principles.

Numerous barriers to the implementation of CSR into Pakistan exist. Some of these include: political instability; Lack of public awareness of CSR; Lack of mechanisms to monitor or audit practices and inadequate laws to ensure ethical practices.

Corporate social responsibility is obligatory to be standardized to engage with into the corporations. CSR practices needed to be tailored to Pakistan's local context. Most prominently, consumers are unaware; they need to be widened to marginalize the concept of CSR in Pakistan's economy. Senior managements are largely unaware of the concept of corporate social responsibility, mix it with philanthropy; formal workshop, active participation and broadened vision are required to align CSR with company's objective in the best interest of stakeholders.

## 7. Conclusion

We, during our research greatly influenced that thinking socially and ensuring the well-being of stakeholders holds the key to a successful and profitable business. The present study provoked by the corporations that succeeded by integrating the business strategy with welfare of community through ethical and technical support. The purpose of the study was to contextualize CSR in Pakistan. The community concern resulted in an unprecedented increase in production and profitability. The welfare initiatives such as providing funds, building schools and roads, establishing eye camps in rural communities and provision of artificial limbs for disable people.

We therefore realized that the concept of CSR is at preliminary stage in Pakistan. The large number of companies is striving to understand and become aware of this impression. Many of organizations have contributions to charity, community development, and donation in the form of cash for humanitarian or religious reason. However, the concept of CSR is not prioritized by many of companies, operational in Pakistan. Mostly, the concept of CSR is be related to Charity.

“The majority of domestic companies possess a different perception about CSR, 40% of companies have the perception that CSR is paying taxes, along with 30% having the perception that CSR is social welfare development, 15% have impression that CSR is employee welfare development, 10% assume CSR is related to working in areas where companies have deep interests, only 5% recognize that CSR is implementing social development activities”.

(Internet 1, CSR, Pakistan).

SDPI Executive Director Dr. Abid Suleri, also present that philanthropy, benevolence and corporate social responsibility must not be treated as the same, and must be regarded more consciously.

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