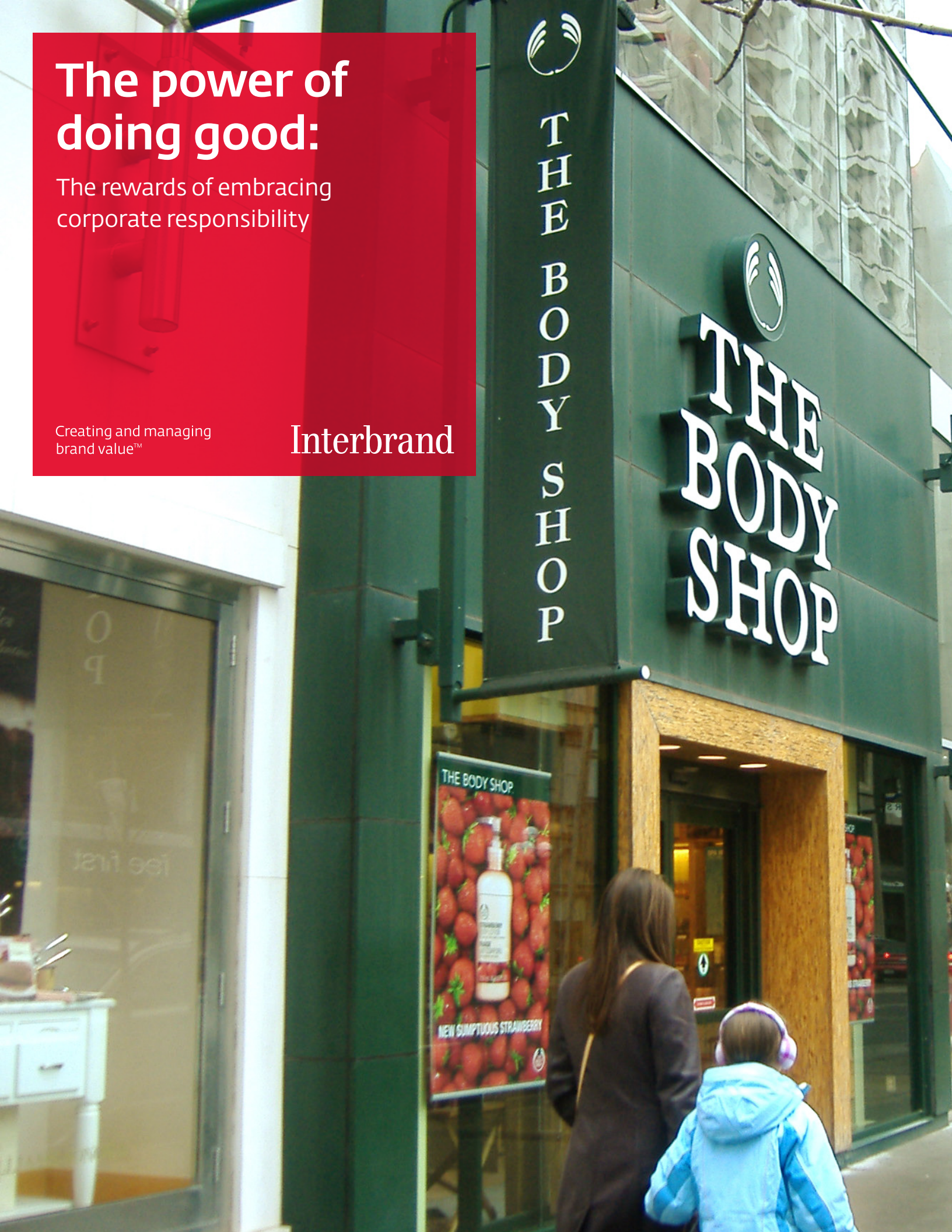


The power of doing good:

The rewards of embracing corporate responsibility

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The power of doing good: The rewards of embracing corporate social responsibility

by Linda Lundgren

Introduction

While the politics of corporate life might sometimes suggest otherwise, it does pay to do good. It is an age-old social norm that has supported the survival of humans and the evolution of our societies. Ever been invited for dinner at someone's house, and felt the obligation to return the favor? Perhaps you've helped a colleague, who then offered to help you in return. We expect that people will return benefits for benefits and by the same token, if hurt or harmed, they will show indifference or even retaliate.

This idea of reciprocity, helping others with the expectation of receiving some form of benefit in the future, has also translated to corporations, businesses, and brands. Being a good corporate citizen has become the mainstream. Corporate social responsibility (CSR) commands the attention of brands everywhere, all keen to win customers' confidence and trust that they are socially responsible and caring.

But corporate citizenship has shown itself to be an elusive goal. Few brands have truly embraced CSR, matching its delivery with its promises. And in 2008, our trust in the

biggest financial services brands in the world was shaken, as the culture of greed was shown to be alive and well, sparking a global financial meltdown.

Brands are part of society

So does this mean that CSR is flawed and unattainable? Should brands give up on its pursuit all together?

CSR is by no means a new concept. The term for corporate self-regulation and promotion of the public interest, beyond financial demands of shareholders, has been around since the 1970s. With globalization, growing social awareness, and media coverage on climate change, the public demand for businesses to take responsibility for the impact of their actions on the environment, customers, employees, communities, and other stakeholders, gained momentum during the later part of the 1990s and early 2000.

This fueled a debate about the role of business and the feasibility of ethical capitalism. The skeptics put forward the Milton Friedman argument that "the business of business is business" and that

the profit-maximizing nature of business is irreconcilable with being a good corporate citizen. Can we really expect businesses to take into account long-term objectives and have a multiple stakeholder approach, alongside short-term profit demands?

Rupert Murdoch, chairman and CEO of News Corporation, certainly thinks so. He has announced his commitment to make the 47,000, employee-strong media conglomerate carbon neutral by 2010, saying that "acting on this issue [climate change] is simply good business." For someone who was self-admittedly "wary of the global warming debate" in the beginning, this media entrepreneur has recognized the business efficiencies and competitive advantages of being a good corporate citizen and sustainable business. In May 2007, in a speech broadcast live to all its employees around the world, Rupert Murdoch talked about how this push would enable the company to reduce costs by reducing its use of energy, recruit and retain talent, and also give the company "the chance to deepen our relationships with our viewers, readers, and web users."

This business logic is only compounded and strengthened when one looks at it from a brand perspective. This is because they go hand in hand. Your business's most valuable asset is your brand. It is the extension of your business strategy that drives demand and creates value. The value that a brand is able to generate depends on how successful it is in interacting with its customers, stakeholders, and the world around it. Brands are, after all, social constructs. They are a part of society, not separate from it, so the only way they can stay relevant and have a compelling story and reason for being is to reflect the world – as and when it changes. Successful brands are therefore those that are managed as long-term economic assets within a social context. They recognize that by not doing so, only focusing on the short-term bottom-line, they risk becoming a thing of the past.

We've reached the tipping point

Abundance has been a growing feature of our lives over the last couple of decades with households in developed countries owning multiple TVs, mobile phones, and lots of other "stuff." Experienced consumers have been upgrading, customizing, looking for premium, and getting "bling-bling." But these social trends recently reached their tipping point, as the world witnessed the effects of Wall Street's greed on the global economy and the lives of everyday people. The pendulum is now swinging back towards an increased social desire for generosity and compassion, driving a global shift in mindset and behavior. This is not to say that the desire to have the best and the latest will be completely supplanted. It is, after all, intertwined with modern life. But no longer

will consumption alone fill people's needs for status and gratification. They are looking for more evidence of social responsibility, giving, and sharing.

This change, if anywhere, is visible on the TV screens in our living rooms. Secret millionaires are giving away money to underprivileged members of communities to help them improve their lives, and home makeover shows are literally rebuilding the homes of everyday heroes. Celebrities are also doing their part. For example, the celebrity chef Jamie Oliver has led an everyday culinary empowerment movement, in the UK on the challenge of improving the canteen food offered in the public schools around England. As part of his "Ministry of Food" campaign and TV series, he broadened his resolve to improve what people eat, teaching new food and cooking habits to a handful of people and urging them to "pass it on" to other people; a real life example of putting the norm of reciprocity into practice.

What does all of this mean for brands? From now on, people will increasingly measure a brand against its level of corporate citizenship. It will no longer be a nice-to-have, it will be a must-have. Just like President Barack Obama reflected the sentiments of the American public with his promise of change and unwavering confidence in the "yes, we can" rallying cry brands need to lead the way, step it up, and show that they care.

It pays to do good

There are plenty of upsides to wholeheartedly embracing CSR, reinforcing the business case for helping and caring. As Rupert Murdoch eluded to, acting as a good

corporate citizen is not only prudent risk management to stay relevant and protect your brand's reputation, it can also help you to recruit and retain talent, create brand value through differentiation, and untap new market opportunities.

Google is an example of a brand that reinforces its leadership by lending a helping hand. In its collaborative and innovative spirit, Google launched Project 10100 in 2008 as "a call for ideas to change the world by helping as many people as possible," committing US\$ 10 million to implement five winning proposals. So far the project has generated an overwhelming response from the public with over 100,000 submissions. As of March 17 2009, the public will be invited to vote on the short-listed 100 proposals to arrive at 20 semi-finalists, from which five winners will be chosen by an advisory board.

When it comes to CSR as a form of brand differentiation, one of the most salient examples is of course Body Shop. Its strong social conscience and stand against animal testing, coupled with the consistent quality of its products, pioneered a new category in personal care. An increasing number of fast moving consumer brands have since worked on their CSR credentials, contributing in their own ways to a better world, from developing "green" and socially responsible products and solutions to making the origins and supply chains of these products more transparent.

More recently, service and business brands are also starting to realize CSR's merits in building differentiation. An example is Westpac, one of Australia's leading banks,

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which has used its robust CSR performance and commitment to differentiate itself, based on the notion that “every generation should live better than the last.” The Australian bank has successfully topped global corporate social responsibility ratings, and is part of a global pact of banks, pledging to only finance projects that do not destroy the environment or local communities.

An outstanding example of the mutual benefits of embracing sustainability is GE’s ecomagination, which was launched in May 2005. A key factor in its success was that the initiative was both benefit- and business-driven, integrating environmental and social objectives against business targets. It committed itself to addressing environmental challenges and responding to customers’ demand for more energy-efficient and less emissive products, but “to make money doing it,” in the words of GE’s Chairman and CEO, Jeffrey Immelt. As a truly integrated brand program encompassing all touch points, it has garnered solid top-level and partner commitment. The results speak loud and clear. GE’s bold step in introducing ecomagination has generated significant financial rewards, with double-digit revenue growth between 2005 and 2007. The program has been a leading contributor to the 25 percent rise in GE brand value between 2008 and its launch in 2005, positioning the brand as a global leader in a carbon-constrained world.

Some might consider these results the exception rather than the norm, but this link between financial rewards and socially responsible behavior is substantiated by recent academic research. The research published in MIT *Sloan Management Review* proves that consumers will pay a premium for ethically produced goods. Interestingly, it also shows what is characterized as “asymmetry effects,” with consumers punishing brands to a greater degree for unethical behavior than they reward them for ethical behavior. So while ethical behavior generates a price premium, but involves increased production costs in the short-term, unethical behavior is a double-whammy: the brand is punished in the short-term and is also more likely to face increased costs in the

long-term from, for example, lawsuits and boycotts.

The way forward

So what do brands need to do to truly be responsible and avoid making CSR a cosmetic exercise?

1. The key is to understand your brand’s role in a social and environmental context. Given that the only change that is constant is change, dedicating time and efforts to gaining a strategic understanding of social and environmental trends is the least your brand can afford to do. This needs to be done at the highest levels of the organization as part of the ongoing planning process, linking the brand with the business. Otherwise, you risk an at-arms-length approach that will lack any serious impact or reward.
2. Be authentic and aspirational, yet specific. Once you understand how your brand fits in the bigger scheme of society, you will need to articulate your commitment to focus and galvanize the organization and direct all subsequent CSR initiatives. The key here is to give your organization something to aspire toward, while also making the goals tangible and transparent. This is so that employees, customers, and the community can see the journey ahead and understand where your brand wants to go. Don’t fall into the trap of overgeneralizing or overpromising – your social responsibility promise needs to be grounded in reality first, to give it the wings it needs to fly.
3. Take the lead. People are looking for brands to take the initiative, so be brave and don’t wait around to be shown the way. Empower your customers to deal with today’s global challenges by developing new, innovative products, services, solutions, and educating them about the benefits. But perhaps most importantly, use your listening skills. Actively communicating with your stakeholders, finding out their views and their needs, is a powerful way of creating a movement.

4. Make it resonate in everything that you do. Sometimes the challenge of putting something into practice hinders the best of intentions. This is where leadership and plain old persistence is needed to connect your brand and CSR promise with everything that you do. This will mean continuously reviewing your supply chain and partnerships to make sure they are up to standard. Your employees are the face of your brand, so make sure that you engage and inspire them. Take them on the journey, showing them what role they will play in transforming the brand and the impact that can be achieved together. To embed CSR practice into the business, all employees will need to be supported by robust governing structures and decision-making processes. Confining CSR to any one single division will never create the all-encompassing momentum and drive that your brand will need to become a good corporate citizen.
5. For today, tomorrow, and the future. The transformation into a sustainable business will not happen overnight. It’s therefore important to take a long-term view, while demanding and measuring progress along the way. After all, CSR is about achieving positive results and impacts for all involved: customers, communities, partners, and the brand itself. Celebrate your successes and achievements, but remember to keep a firm eye on the path ahead. Change is a natural part of our world, and going back to point number one, that means that your brand needs to be ever-evolving as well.

Unlock the power

This is not a fad. There has been a global shift in mindset, as society’s bar for acceptable corporate behavior has permanently changed. Authentic social responsibility will be rewarded, and unethical behavior will be punished, as customers and communities vote with their pockets and voices. The way in which your brand embraces corporate social responsibility will impact its future performance. The opportunity is here to unlock the power of doing good – take it and pass it on. ■

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Linda is strategy consultant at Interbrand Sydney. Her role is to develop brand strategy solutions tailored to the needs of the client, responding to the brand issues at hand. She believes that great strategy is grounded in logic and powered by insights, bringing about clarity and direction to help brands find their way and unlock their value. Since joining Interbrand in 2007, Linda has worked with a range of clients including Telestra, RailCorp, BlueScope, and Institute of Chartered Accountants.