Corporate Social Responsibility in the B-2-B Market

Susan Saurage-Altenloh,
Saurage Research, Inc.
ssaurage@saurageresearch.com
Perry Haan
Tiffin University
haanpc@tiffin.edu 419.618.2867

Introduction

Organizations that invest in corporate social responsibility (CSR) to improve the quality of a community or population expect a return on their investment in the form of improved brand reputation and greater consideration in the competitive environment. Homburg, Stierl, and Bornemann (2013) determined that targeted CSR activities could enhance trust and identification by organizational customers, thus fostering customer loyalty. The authors confirmed that CSR influenced client trust through loyalty and that integrating instrumental stakeholder theory with social exchange theory undergirded this link between CSR and trust. Maignan and Ferrell (2004) exhorted marketers to focus beyond consumers to other stakeholder groups and to bundle CSR activities. Evidence of agency theory was shown to exist in the buyer-supplier relationship (Eisenhardt, 1989) and was influenced by corporate reputation, CSR activities, brand equity, brand performance, B-2-B buyer consideration, and reduced transaction and customer acquisition costs.

This paper considers the influence of investing valuable and extensive resources in corporate-level, socially responsible behavior on brand equity as perceived by active and prospective business-to-business client buyers in the U.S. While it has been shown that CSR influences brand trust and brand equity, do business-to-business (B-2-B) customers increase their consideration of suppliers that invest in corporate-level, socially responsible behaviors?

CSR as Business Practice

Since the middle of the 20th century, the concept of social responsibility has progressively crept into the operational structure and brand management of organizations. The responsibility of businesses both to society and to the corporate bottom line was formalized as a management obligation in the early 1950s with key tenets of corporate philanthropy, distribution of corporate resources, and managerial responsibilities to serve as public trustee (Carroll & Shabana, 2010). Beginning in the 1970s, CSR expanded to include company performance and business ethics (Carroll & Shabana, 2010). Four decades later, Vaaland and Grønhaug (2008) reframed the definition of CSR as the process of "managing stakeholder concern for…acts related to environmental, ethical, and social phenomena in a way that creates corporate benefit" (p. 931). Kitchin (2003) described CSR with greater pathos as the duties and actions related to communities of need, delivered outside core business parameters. Creel (2012) recognized that the normal operations of business included CSR activities that responded to environmental and social issues, even as they generated positive reputation and financial benefits. Based on the interrelationship of performance, ethics, social need, and brand reputation, it was inevitable that CSR eventually would link to marketing, brand management, employee performance, and reputation.

As businesses have integrated CSR into their organizational and brand structures, implementation of socially-responsible activities has exerted increasing influence and generated greater value across numerous dimensions of brand management. Aguinis and Glavas (2012) described CSR as holding value for shareholders and the corporate bottom line in that it positioned a firm to avoid government regulation, even as it influenced an organization's long-term viability. In a more personal manner, Vaaland and Grønhaug (2008) stated that CSR linked companies to society in terms of ethical behavior by the business, impact of operations on the environment, and influence of operations activities on human and social rights. Despite the proliferation of CSR globally, evaluative literature has been highly fragmented in terms of individual and organizational analysis levels as well as poorly integrated into organizations, primarily because of the numerous, conflicting disciplines and audiences involved (Aguinis & Glavas, 2012). Considering these influences, the need to integrate social responsibility throughout the organization serves as leverage for leaders to require the process be managed and its benefits quantified as a sustainable value that benefits the corporate brand.

CSR Role in Branding Strategy

Corporate social responsibility has become an integral part of maintaining corporate brands in the eyes of the target audience. Engaging in CSR involves raising the profile of a business, its beliefs, its people, and its brand in the eyes of customers, shareholders, community, and society according to Vallaster, Lindgreen, and Maon (2012). In its role of supporting the management of the corporate brand, marketing is part of this process in that it creates, communicates, and delivers customer value that benefits the corporation (Vaaland & Grønhaug, 2008). Confirming the marketing link, Vallaster et al. (2012) recognized that corporate marketing focuses on customer, stakeholder, societal, and ethical philosophies through a firm's philosophical orientation. Considering the constituent groups engaged by a firm's social benefit activities, CSR has become a critical element in the marketing and branding model.

The role of CSR in the marketing and branding model cannot be overstated. According to Vallaster, Lindgreen, and Maon (2012), the corporate brand is the visual, behavioral expression of a firm's business model and engages internal and external audiences in aligning processes and systems with the brand. Additionally, Kitchin (2003) found that a brand's social responsibility is linked to the social promise it makes and the trust it establishes with its stakeholders. As a corporate brand determines *who* the product is and therefore is unavoidably linked to the organization's core identity (Vallaster et al, 2012), it behooves each brand to elevate its identity through appropriate CSR activities. Therefore, brand strategy crafts the identity of an organization and includes its social commitments, its trustworthiness, and its audience communications.

Influencing Brand Equity through Audience Trust

Consumer audiences show loyalty to brands that have captured their attention by proving their trust through repeated purchases. Public trust traditionally has been earned through carefully managing the corporate brand in a number of venues. Lai, Chiu, Yang, and Pai (2010) recognized that buyer decisions are influenced by incorporeal attributes such as image, reputation, and trust. Further, Lai et al. (2010) confirmed that buyer perceptions of CSR correlate with their view of an organization's reputation. In logical sequence, the element of trust is established when a firm's competence and integrity are recognized and expected by the customer (Homburg, Stierl, & Bornemann, 2013). Challenging this established brand-trust logic, it was found that companies exhibiting socially responsible behaviors often fall under heavier audience scrutiny, attract social improvement activists, and experience increased suspicion by the very consumers they seek to attract (Vallaster, Lindgreen, & Maon, 2012). Fortunately, audiences spend more with ethical firms, even going so far as to punish unethical sellers by paying less for their products (Vaaland & Grønhaug, 2008). This evidence suggests that protecting the brand and its association with audience trust preserves the company's reputation as well as its revenue stream and shareholder value, thus improving competitive advantage.

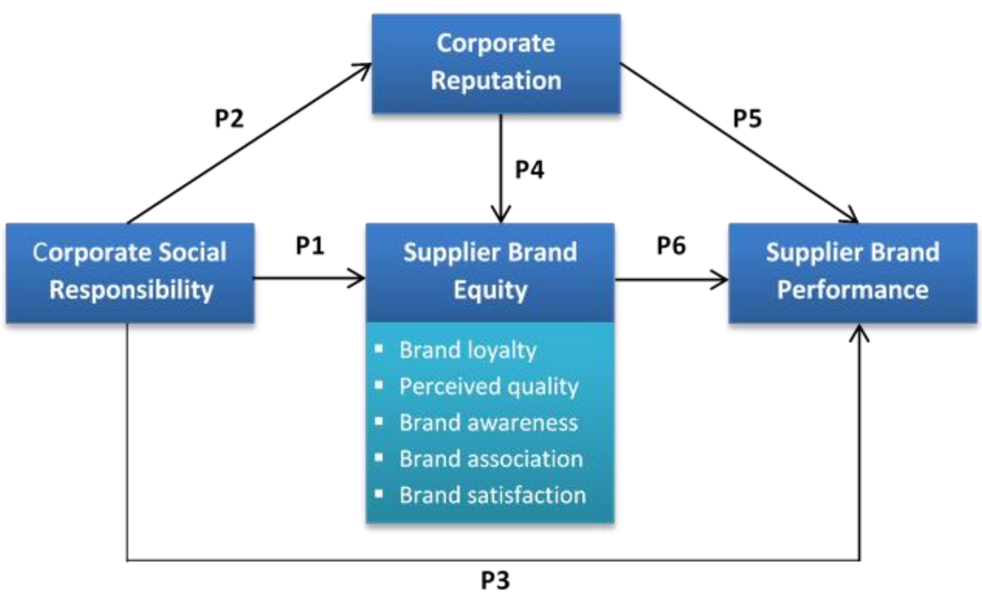
Proposed Concept of Supplier-Buyer Relationship

Over the past six decades, the number of companies adopting socially responsible practices to influence their image, encourage their employees, and connect with their customers has significantly increased (Creel, 2012). In an effort to engage target audiences, organizations regularly communicate about their CSR commitment to earn recognition for their good behavior (Eberle, Berens, & Li, 2013). As a result, companies that invest in CSR programs increase their corporate brand equity, thus securing a sustainable competitive advantage in the market (Creel, 2012; Eberle et al., 2013; Lai, Chiu, Yang, & Pai, 2010). It is evident that corporate citizenship, through its influence on brand equity and reputation, is an integral element in sustaining a competitive advantage through brand performance. Additionally, it appears that increased brand performance advances the supplier-buyer relationship, thus reducing customer acquisition and retention costs.

Figure 1 below suggests the relationships among the variables of reputation, CSR, brand equity, brand performance, and buyer consideration.

Figure 1.

The Effects of Supplier CSR on Brand Performance



Gaps in Current Research

Organizations that invest in CSR expect a return on their investment in the form of greater consideration by buyers. The research problem explores whether B-2-B customers increase their consideration of suppliers that invest in corporate-level, socially responsible behaviors. Within the literature, numerous studies have recognized that CSR correlates positively with customer relationships, improves supplier reputation with corporate buyers, and influences trust through loyalty. However, the summary of the literature reveals an absence of consumer research that translates to business-to-business (B-2-B) environments. Further, there is little evidence of CSR's influence on corporate buyer perceptions of brand performance and no literature yet known on U.S. buyer responses on this issue (Aguinis & Glavas, 2012).

The first issue is transference of findings regarding CSR influence on consumer actions to the B-2-B environment. The influence of CSR on brand equity has been explored extensively with consumers to understand how CSR strategy drives trust, brand loyalty, and purchasing habits. This consumer research is not transferable to a B-2-B customer-supplier scenario. Studies have shown that CSR enhances supplier reputation with corporate buyers (Leppelt, Foerstl, & Hartmann, 2013) and influences client trust through loyalty (Homburg, Stierl, & Bornemann, 2013), yet there is limited research on the process of how suppliers' CSR activities influence brand reputation to attract greater spending by commercial purchasers. Hillenbrand and Money (2007) linked CSR and corporate reputation through their overlapping activities within an organization. Lacey and Kennett-Hensel (2010) clarified that a National Basketball Association (NBA) team's CSR profile positively correlated to consumer trust and commitment. Vallaster, Lindgreen, and Maon (2012) explored ways to strategically leverage CSR and corporate branding, discovering triggers that drove awareness, suggesting internal validity.

Kitchin (2003) revealed that a brand’s social responsibility activities were linked to stakeholders through established levels of trust. These findings explained consumer response yet are not generalizable to the B-2-B platform.

Maignan and Ferrell (2004) encouraged marketer involvement to “contribute to the successful management of CSR by expanding their focus beyond consumers to include other stakeholders and by bundling together various social responsibility initiatives” (p. 3). While it has been shown that CSR influences brand trust and brand equity, understanding the impact of CSR and brand equity on B-2-B customer loyalty across industries in the U.S. market would allow organizations to monetize their social investment with B-2-B markets.

The second issue is that existing B-2-B research studies have yet to be generalizable beyond narrow geographies or industry segments. For example, Homburg, Stierl, and Bornemann (2013) showed that CSR influences client trust through loyalty, but were unable to generalize findings across target constituencies. Leppelt, Foerstl, and Hartmann (2013) cited CSR as enhancing supplier reputation with buyers but could not generalize their analysis of top-tier suppliers to other decision-makers. A study of Taiwanese industrial buyers by Lai, Chiu, Yang, and Pai (2010) illustrated that CSR positively affects corporate reputation and brand equity, resulting in improved brand performance with B-2-B buyers. This study’s findings were relevant only for small industrial enterprises located in Taiwan and cannot be generalized to a larger universe.

Proposal Summary

It is proposed that CSR investment by suppliers influences corporate buyers’ choice of suppliers. The proposed focus extends beyond existing insights into CSR’s influence with consumers to address CSR’s influence with corporate buyers. Finally, the concept proposal explores the heart of American commerce to understand how to leverage CSR in a meaningful way that can be translated into more effective spending by the marketing divisions of supplier organizations.

CSR and supplier brand equity

As cited by Smith and Higgins (2000), organizations leverage consumer concern for social issues to gain competitive advantage. Drumwright (1996) confirmed that advertising budgets are spent only to direct people to decide in favor of the advertiser, thus creating loyalty. Lai, Chiu, Yang, and Pai (2010) recognized the relationship between CSR and brand equity among Taiwanese industrial firms. According to Varadarajan, and Cunningham (1995) strategic alliances, even with social causes, create sustained competitive advantage and contribute to increased sales. Therefore, it might be proposed that aligning with social causes (CSR) increases a company's brand equity.

P_1: B-2-B buyer perceptions of CSR activities by suppliers are positively related to the suppliers' brand equity.

CSR and corporate reputation

Companies use elements like CSR to enhance their reputation and image. Porter and Kramer (2006) revealed that organizations utilize CSR to temper public criticism at difficult times, thereby protecting the firm's reputation. McWilliams, Siegel, and Wright (2006) suggested that CSR was a form of maintaining or building reputation. The following proposal is in order:

P2: B-2-B buyer perceptions of CSR activities by suppliers are positively related to the supplier's corporate reputation.

CSR and brand performance

Research shows that CSR improves the relationship enjoyed with stakeholders even as it advances financial reputation (Margolis & Walsh, 2003). This paper proposes that CSR activities encourage purchases, thus improving brand performance.

P3: B-2-B buyer perceptions of CSR activities by suppliers are positively related to the supplier's brand performance.

Corporate reputation and supplier brand equity

Positive corporate reputation benefits from CSR in that it allows companies to charge premium pricing to customers who identify with social issues (Hsu, 2012). A strong corporate reputation also mitigates risk of losing customer support during difficult times while managing its financial performance while managing brand equity by adding value to the brand (Hsu). Therefore, the following is proposed:

P4: Corporate reputation is positively related to brand equity.

Corporate reputation and brand performance

Company reputation is a key factor in reducing operating costs, improving the quality of employees, and exacting customer loyalty based on customer desire to transact with high-reputation organizations (Roberts & Dowling, 2002). Corporate reputation was found to extend value through financial performance while fulfilling stakeholder expectations (de la Fuente Sabate & de Quevedo Puente, 2003). This suggests the following proposed relationship:

P5: Corporate reputation is positively related to brand performance.

Supplier brand equity and brand performance

Strong brand equity encourages higher revenues gained from customers to create better brand performance (Lai, Chiu, Yang, and Pai, 2010; Chirani, Taleghani, & Moghadam, 2012). It might be suggested that:

P6: Brand equity is positively related to brand performance.

A review of available literature and research suggests that much remains to be learned about CSR's impact on business relationships in the U.S. Crafting an appropriate strategy to discover the influence of CSR on business prospects and customers contributes learning that benefits both buyers and sellers.

Summary

Corporate social responsibility has a proven role in developing audience trust that increases brand equity among target audiences, thus ensuring that the brand sustains its competitive advantage through improved profitability and reputation in the market. Not only does business have a social responsibility to the community from which it secures revenues, but buyers expect ethical businesses to have an established CSR program in place. Although socially-responsible, company-driven activities may attract additional critical scrutiny, they more often favorably influence consumers through social promises and activities to express loyalty through purchasing behavior, thus rewarding companies in terms of increased revenue. In this way, corporate citizenship has become an integral part of the corporate branding model, which is reflected in marketing, internal performance, and reputation. Businesses that engage in CSR activities within the process of corporate brand management experience stronger reputation that drives loyalty and sales, resulting in a competitive, sustainable market advantage.

Recommendations

Based on the interrelationships among the elements of CSR, supplier brand equity, supplier corporate reputation, and supplier brand performance, marketers are well-advised to consider measuring their CSR investment and its influence on brand equity. B-2-B buyers prefer to spend at companies with intact reputations for contributing to social causes and the greater good of selected communities. Marketers must communicate corporate reputation and brand equity to buyers through CSR and cause-related activities to secure buyer loyalty. In this manner, the CSR investment is leveraged for increased sales to and loyalty from buyers.

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