Leveraging Corporate Social Performance and Corporate Reputation for Strategic Brand Positioning

Princowell, N. Achor¹, Robert U. Anforo²

¹Department of Marketing, University of Nigeria, Enugu Campus, Enugu, Nigeria
²Department of Marketing, Michael Okpara University of Agriculture, Umudike, Umuahia, Abia State, Nigeria

Abstract: Contemporary public relations practice emphasizes solid image and reputation building anchored on truth, performance and actions that are well communicated. This notion or premise is driven by the New Public Relations Practice Paradigm (NPRPP) which is holistic, eclectic, and interdisciplinary in approach. The NPRPP takes an inward-outward view of organizational behavior that describes the firm as a set of relations with different stakeholders. This has translated into a widening of both concepts: reputation to corporate reputation (CP), and corporate social responsibility to include the evaluation of the firm’s relations with its entire stakeholder. The theoretical enlargement of the two perspectives, of course, has implied a redesigning of empirical analysis. Similarly, due to the new direction in the study of public relations (NPRPP), CSP models have changed with the multiple redefinitions and reinterpretation of corporate responsibility in response to historical evolution, economic and political transformation, and even changes in the conceptual perspectives of the theory of the firm. Based on the foregoing, this paper examined how a firm can leverage values of corporate social performance (CSP) and corporate reputation (CR) for strategic brand positioning and management. The paper evolved a deepened theoretical framework on reputation management as a core public relations function. A proposal is made on how firm’s can utilize reputational assets and past behavior of the firm in positioning their brands in the minds of the stakeholders.

Keywords: corporate reputation, strategic brand positioning, corporate social performance, Stakeholders

1. Introduction

Modern Public Relations emphasizes solid image and reputation building based on truth, solid performance and actions that are well communicated. This notion or premise is driven by the New Public Relations, which is holistic, eclectic, and interdisciplinary in approach [1]. Prior to the New Public Relations directives, studies on reputation management were basically a ‘straight-jacket’ evaluation of organizational attitude, corporate performance and social identity profile subjectively determined by individual favorability and familiarity scales[2],[3].

This approach has been jettisoned with the emergence of the New Public Relations Practice Paradigm (NPRPP). The NPRPP takes an in-ward-outward view of organizational behavior that describes the firm as a set of relations with different stakeholders. Stakeholders are any group that can affect or be affected by the behavior of an organization [4],[5]. In traditional public relations circle or context, the stakeholders are designated publics and are very crucial in development and growth of every organization. They include employees, suppliers, customers (client), shareholders and society, etc. It is the activities of these stakeholders and their relationship with the firm that shape our current understanding of the concepts of corporate social performance (CSP) and Corporate Reputation (CR).

Research on CSP and CR has developed along parallel theoretical lines, with both concepts broadening theoretically to include all stakeholder relations [6]. Both concepts are linked by a legitimacy process that translates past actions (CSP) into expectations for the future (CK) [7]. Armed with this conceptual clue, we can introductily understand corporate social performance as the legitimate behavior of the firm with every stakeholder by the standards of the institutional context in each moment of time [8]. Arising from the above insights too, a reputation is an aggregate evaluation stakeholders make about how well an organization is meeting stakeholder expectation based on its past behavior [9]. Reputations are widely recognized as a valuable, intangible asset which can be leveraged by firms that are strategic in thinking.

Based on the foregoing, this paper examines how a firm can leverage on the values of corporate social performance (CSP) and Corporate Reputation (CR) for strategic brand positioning and management. Another objective of this paper is to evolve and deepen theoretical framework on reputation management as a core public relations function. To put the discussion on its proper perspective, a critical review of literature on both concepts is offered. A proposal is made on how best firms can utilize reputational assets and past behavior of the firm in positioning their brands in the minds of the stakeholders. This proposal too will demonstrate how each of the firm’s stakeholders becomes referent group in the bid to leverage CSP and CR for the firm’s brand marketing.

2. Understanding Corporate Social Performance (CSP): the new PR and Sociological Perspectives

The development of the Theory of the Firm [10],[11],[12] has broadened the description of the firm to include every stakeholder. This has translated into a widening of both concepts: reputation to corporate reputation, and corporate social responsibility to include the evaluation of the firms relations with all its stakeholders [13],[14]. The theoretical enlargement of the two perspectives of course, has implied a
redesigning of empirical analyses. Similarly, to the new direction in the study of public relations, CSP models have changed with the multiple redefinitions and re interpretations of corporate responsibility in response to historical evolution, economic and political transformation, and even changes in the conceptual perspectives of the Theory of the firm.

From the suppositions of classical economics and the firm’s orthodox mentality, Friedman [15] argues that the firm’s only social responsibility is to maximize its profits while respecting the basic rules of society that are reflected in law and in ethics. However, the emergence of large corporations at the beginning of the last century meant that the suppositions of classical economics however had to be rethought [6]. This new attitude now brought an economy composed of many small firms, governed by rule of thumb, transformed into an economy organized around large corporations with highly concentrated economic and social power. At this point, the increasing complexity of corporations pushed management out of the hands of the classical shareholders into those of professional managers. This markedly ushered in the separation of ownership and control, and the introduction of a new agent-the management endowed with great discretion. With such development, economists were forced to recognize managers’ interest and claims in the firm [16], [18].

Apart from these scenarios, there were other developments that helped to demonstrate the existence of other stakeholders with their own claims on the firm. These developments were backed by the transition, in the political sphere, from a free market economy to a mixed economy [17]. Under these circumstances, managers were taught to broaden their concept of the firm and recognize the claims of every stakeholder in the firm, in order to avoid social reactions and maintain a degree of freedom out of reach of legislative interference. The New Public Relations practice paradigm (NPRPP) recognizes these transitions in the theory of firms and stakeholders positions andaligns itself with attempts to enlarge the definition of corporate responsibility and its adaptation to the new social environment. The NPRPP is change and interdisciplinary driven, and more importantly adapts itself to modern realities. Till date, models are still emerging with the addition of discretionary social responsibilities to the economic, legal and ethical ones [18],[11],[19]. The main roots of these models point to economic responsibility as the main obligation of the firm but they recognize the political and social power assumed by modern corporations as a significant driver of the transformations in the economic environment.

According to Quevedo – Puente et al [6], the transformation in the economic environment extended to theoretical proposals. A new, more realistic paradigm has emerged, which describes the firm as a set of relations with different stakeholders: employees, suppliers, clients, shareholders and social [20],[11]. This broadening of the concepts of the firm has required us to rethink the objectives and responsibilities of organizations. A review of the literature shows that there has been a progressive introduction of the stakeholder approach into models proposed from the classical tradition, parallel to the development of this perspective within the Theory of the firm [21],[13]. Arising from this trend is that the interest in models of CSP has moved on, from analyzing the convenience for the shareholder of the firm’s philanthropic activities [18] to analyzing the firm’s behavior in a set of relations with clients, suppliers, shareholders, employees, managers, the community and the environment, all considered as stakeholders [13],[22],[23].

This explanation of corporate social performance (CSP) has extended the responsibilities of the firm’s management, which shifts from being a mere agent of shareholders [24] to being the guarantor of every stakeholder’s satisfaction [22], [23]. We should be reminded in this paper that, performance goes beyond the reward of shareholders.

Having shaded enough light into the theoretical perspective on CSP, we can now intentionally define CSP in line with the stakeholder approach. CSP can simply be defined as a comprehensive assessment of the firm’s performance with every stakeholder group. Corporate social performance has a descriptive nature; it describes from an objective point of view, the firm’s performance with respect to stakeholders [8]. CSP more or less accounts for the legitimate behavior of the firm with every stakeholder by the standards of the institutional context in each moment of time. Measurement of CSP is contingent on variables such as time, culture, industry and context [23], [26]. The bulk of discussion above is to help readers understanding the transitional view that underpin public relations thinking towards CSP and CR.

3. Corporate Reputation and its Formation: Toward an Expanded View

The reduction in analyses of industrial organization, from both academic and managerial perspectives, enabled a new theoretical framework to appear that has allowed researchers to study the inside of the firm: the stakeholder approach [20],[12]. This perspective describes the firm as a contractual nexus among its different stakeholders. This new concept of the firm has enabled the development of the concept of corporate reputation, a new and more integrative definition of reputation that takes into account the relation of the firm with every stakeholder.

The literature taking the stakeholder approach has provided several definitions of corporate reputation (CR). Wartick [9] defined CR as “the aggregation of a single stakeholder’s perceptions of how well organizational responses are meeting the demands and expectations of many organizational stakeholders”. It can simply be explained as an aggregate evaluation stakeholders make about how well an organization is meeting stakeholders expectation based on its past behavior. Following similar arguments, Fombrun [27] proposed that CR is the 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. Waddock [28] proposed that reputation is the organization perceived capacity to meet their stakeholders’ expectations.

From these definitions, two key points can be noted. First, this construct has a perceptual nature. Some individual, group or large human collective gathers and processes information about a firm’s past actions and draws conclusions about its future prospects. Second, CR is a net...
or aggregate perception by every stakeholder, not just one or two.

One may ask, how are reputations formed? The answer to that poser anchor on information content. A reputation develops through the information stakeholders receive about the organization [29]. Stakeholders receive information through interactions with an organization, mediated reports about an organization (including the news media and advertising) and second hand information from other people (e.g. Word-of-mouth and Weblogs). Most of the information stakeholders collect about organizations is derived from the news media. That is why media coverage is an important feature of reputation management [30], [31].

Corporate reputation is not only an information signal but also a guarantor of contracts [17], since the firm that does not satisfy the expectation of its stakeholder will lose the capital accumulated in this asset. Reputations are widely recognized as valuable, intangible assets which firms can leverage on. Resource holders will be attracted to well-reputed firm not only because they know what it is likely to do purely on the past performance, but also because they know that the expectations generated by CR are self-fulfilling, since the firm that does not satisfy expectation generated by its reputation will lose it. Similarly, the well-reputed firm (or country) occupies or privileged position in the markets or international community, allowing it to attract better resources on more favorable terms [32],[33],[2]. This reputation drives observers (stakeholders’) expectations about how that firm will behave thereafter. A reputation thus functions as a tool that enables observers to more accurately predict the behaviors of a firm – whether the firm is likely to treat its customers with respect, create high returns for its shareholders, be supportive of its community, care for its employees, and so forth [34]. In many situations, potential customers and other key stakeholders may have little else to rely on and so may base decisions about how they interact with a firm primarily on that firm’s reputation [33].

4. Leveraging CSP and CR Assets/Values for Strategic Brand Positioning

This particular section of the paper tries to distill the corporate social performance and reputational assets and/or values from the theoretical explanations offered in the preceding sections. Though the reputational assets are perceptual, they can be very strategic in brand positioning and management if properly harassed by firms. We shall return to that later as we progress, but now it is important that we build up on the existing framework on which corporate social performance and corporate reputation stand. The common denominator in the discussions on both concepts is the stakeholder relations with firms. Hence, it is legitimacy that links the outcomes of CSP to that of CR. Legitimacy is a perception that organizations conform to taken-for-granted standards [7]. In essence CSP describes the legitimacy of the firm’s behavior towards its stakeholders by the standards of its institutional context at a particular moment in time. A firm is understood to behave legitimately when its actions are congruent with society’s expectations [36]. Those expectations are determined by institutional context: norms, values, beliefs and social definitions. Furthermore, social identities constitute an organization’s reference group and provide stakeholders with the standards by which assessments of the organization are made. Organizations are seen as having legitimacy when they comply with the minimum standards of a particular social identity prototype. Organizations have good reputation when they are viewed favorably relative to the ideal standard for a particular social identity [7].

A firm whose performance on a particular issue leads or lags the evolution of societal expectations will lose its organizational legitimacy [37]. When a firm stays in-step, it will experience a constant acceptance by its stakeholders and by society in general. The questions now are: What makes a stakeholder see a firm as a good or bad social performer? What are the attributes of a good social performance, and what are the values of corporate reputation? How can these values be leveraged for strategic social positioning of a firm?

Certain factors must be taken into consideration in determining the social performance of a firm depending on the corporate objectives. In as much as there is no universally acceptable threshold or benchmark that can be used as indices for meaning corporate performance, the Fortune magazine eight qualitative attributes can form a starting point, which can also be used as corporate reputation assessment index factors. The Fortune magazine eight qualitative corporate social performance index factors/attributes anchor on quality of products or services, value as long-term investment, innovativeness, soundness of financial position, ability to attract, develop and keep talented people, responsibility to the community and responsibility to environment, and wise use of corporate assets [38],[39].

The stakeholder groups assess the firm performance on these eight qualitative standards of the institutional context in each moment of time. Such assessment will reveal the firm’s corporate performance. We can further reflect on the eight qualitative CSP measurement index factors by asking and answering further questions based on institutional context. For example is the firm adapting to this different institutional context over time? Does the firm meet up with minimum standards in its employer-employee relations? Does the firm abide by the safety rules as stipulated by law? Does the firm meet up with minimum standard on pollution and greenhouse gas emission, etc? Does the firm engage in community relations programmes or charitable ventures and donations? Do the shareholders receive appropriate returns on their investment? If a firm answers these posers legitimately, it then presupposes that stakeholders will portray it in good light. If various stakeholder groups are pleasing or satisfied with the firm’s provision of these expectations, the firm may be adjudged to have performed well. The firm’s audiences – economic agents-will observe that it consistently meets social expectations in its relations with the stakeholders, and will translate past firm performance into expectations about future performance. That is, when a firm is a good social performer, adapting to different institutional context overtime.

In contrast, a firm that lags behind the evolution of the institutional context is not a good social performer, and this will reduce its corporate reputation [33], [7]. Good social performance is an asset which needs to be publicized. The
extent of the publicity and other forms of mediated information will help in positioning the firm as a competitive corporate brand, and its product as great brand. In publicizing the attitude of the firm toward meeting the stakeholders’ expectations an integrated publicity and public enlightenment (IPPE) strategies or the multimedia publicity and public enlightenment strategy have to be adopted. This is because research has shown that media of reputation formation and management are also better in publicity campaign aimed at promoting brand and brand loyalty [1]. Brand positioning and management is communication or promotion-oriented and that is why it is advocated here that a firm’s good performance and favorable corporate reputation must be publicized through mass media, public speaking, traditional, event publicity, interpersonal publicity forms. This strategy must be blended with the principles and philosophies of information education and communication (IEC) strategy. The IEC strategy emphasizes that public enlightenment campaigners through their various IEC materials must go beyond information or awareness creation to educate the target audience. The IEC materials must provide deeper knowledge of whatever is being publicized, promoted or marketed.

The IEC publicity platforms which can be used in celebrating a firm’s corporate social performance and corporate reputation may include image/prestige advertising, advocacy advertising, news releases, features, advertorials, sponsorship, event marketing, customer forums and other in house mediated platforms (e.g. Annual Report, House Journal, etc). For example, a firm can run image/prestige ad which tells stories of her corporate performance in the areas of production of high quality products that are environmentally friendly or manufactured under international manufacturing best practices; pollution reduction, strong financial base, dividend policy and customer care programmes etc. The publicity stunt and goodwill generated by these publicity forms will definitely reflect on the firm’s brand or services.

The annual report of a firm is a veritable source of obtaining information on the activities of a firm. It is a compendium of organization’s information on various aspects of corporate performance. Its content reveals how well or otherwise a firm has fared in meeting the stakeholder’s interest or expectations. Special sections or pages should be devoted to promoting the firm’s brand (i.e. products and corporate name as brand). A feature on how a firm is adapting to international safety rules in packaging of its products or services is bait that attracts patronage of firm’s brand. A feature (article) too on the firm’s Environmental Impact Assessment of its activities is a quick brand building/positioning strategy. It reminds the immediate community neighbors that the firm cares for their well-being and solicits their patronage for firm’s brand and overall support for the corporate activities of the firm.

Customer forum, event marketing are potent tools that can translate the corporate performance and the corporate reputational assets further to the society, consumers and other key stakeholders. Customer forum is used as a platform to encourage repeat purchase, and brand positioning. Events too have the benefits of enhancing brand and corporate image [2], [40].

Finally, it must be acknowledge that corporate reputational assets are perceptual or intangible. Therefore, it is how well or otherwise the various stakeholders perceive the firm’s corporate performance index factors and how well the stakeholders expectations are met that determines how valuable the assets are and the quantum of good they can attract for the firm’s brand (product) and corporate brand. Firm that is adjudged a good social performer occupies a permanent place in the mind of stakeholders. Such a firm and its corporate brand is a referral brand and in times of reputational threats like product recall attracts sympathy or support from the various stakeholders particularly, members of the society.

5. Stakeholders’ Role in Brand Positioning/marketing: Toward A Conceptual Model

The expanded theoretical approach to understanding a firm has been the focal point of this paper as demonstrated in various sections. This expanded conceptualization of the theory of firm recognizes the stakeholder approach-the existence and the claims of the stakeholders on a firm and the firm’s interaction or behaviors with each of the stakeholder groups. The stakeholders can be described as any group that can affect or be affected by the behavior of an organization [4],[5]. For convenience and sense of direction, the following key stakeholders are discussed: employees, customers, shareholders, potential employees, the society and/or community. Each of the stakeholders has a role to play in the marketing and brand positioning of the firm. This is the focus of this section and from the discussion that follow an attempt is made to conceptualize a model of brand positioning based on the firm’s behavior to the stakeholders and the stakeholders’ corporate reputational assessment of the firm.

5.1 The Employee

These are men and women who are hired on the basis of their skills, talents, knowledge and experience to help utilize other resources of the firm for the overall achievement of the corporate goals. These men and women combine their skills and knowledge with material resources and machine to produce products or render services as the case maybe [20]. The way top management/owners of the organization relate to them has a reputational effect on the firm. If they are fairly treated well, and reward them for their services, definitely, they will be happy to continue to diligently work in that organization. Potential employees will be eager to seek employment in such firms that have reputation for caring for their workers. As the number one ambassador and image marker of an organization, the quality of relationship they enjoy in the firm to an extent determines how they talk about the firm or represent it outsider. Employees are asset to the firm and must be encouraged to add additional value to the organization. It is this added value that outsiders would like to identify with either by patronizing the firm as a brand or its product as a brand. Brands that have reputation are already a bait to repeat purchasing. Top quality employees is a competitive advantage to a firm and itself a brand that attracts and sustains brand patronage.
5.2 Customers

They are the reason why a firm is in business and should be included in the corporate reward system of a firm. They may present diverse needs and wants, but above all what they need or buy is solution to their problems. This solution is the right products that must not only supply the generic functions of a product or service but also provide the augmented and symbolic values of a quality product. The quality of product or services rendered to them coupled with how they are treated by the firms employees to every a large extent determines their level of repeat purchase or a brand patronage. Product with acceptable quality has a reputational effect which helps to position both the firm as a corporate brand and the product (brand) in the minds of customers. When the products or services customers buy solve their problems, there is high conviction that they will recommend the products/services to their relatives, friends and family members and even continue to patronize the firm or its products.

Referrals are product satisfaction, brand quality, equity and trust. Both referrals and repeat purchase are outcome of brand positioning. Referrals are outcome of sustained brand positioning which is activated by product quality, promotional strategy, etc. All these translate to brand image and when a firm lacks any, the result is gradual loyalty withdrawal and brand switching [41]. In essence, the customers’ role in brand positioning anchor on their brand image perception, levels of repeat purchase and number of referrals.

5.3 Shareholders

The old theory of firm recognizes the shareholders as the sole beneficiary of the economic rewards of a firm [28]. The shareholders expectation is that the firm does well in the pursuit of its economic objectives of creating wealth and making profit for them. They are the owners of a firm who have invested money, time and other resources. They include individual, investors, group and institutional investors. They have a strategic role to play in positioning their firm’s brands (product or services). During annual general meetings a resolution can be passed encouraging the firm’s products/services to their relatives, friends and family members and even continue to patronize the firm or its products.

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5.4 Society/Community

The society as a stakeholder is affected by the behavior of a firm in many ways and the society expect a lot from the firm. Members of the society or the community are the other community social structure not mentioned earlier. It is the host community or society that feels the impact of environmental issues associated with the firm’s production activities. The society expects the firm to be environmentally friendly, through adopting environment best practices and mitigation measures. The members of the society/community assess the organization or firm based on the eight corporate performance index factors earlier identified in the preceding sections. The society’s perception of these performance index factors has serious reputational effect on the firm and its product. If the society’s sees the firm as having performed well in those areas, the firm’s corporate image is boosted. And when members of the society speak well of the firm’s actions or performance factors, it then means that the firm is positioned in the mind of various concerned strata of the society or community. Such is a reputational asset which can be sustained through the promotion of environmental friendly products and sustained ethical-oriented mitigation measures of environmental uses and problems. Members of society can also make product or corporate referrals of a firm; this is because if they are satisfied with firm’s brand, there is a tendency that they can recommend it to others. From all that has been discussed so far, we can now present a conceptual model of brand positioning based on stakeholders expectations and reputation assessment of the corporate performance index factors.

![Figure 1: A Conceptual Model of Brand Positioning based on Stakeholders’ expectation and Reputational assessment of firm’s CP Factors.](image-url)
satisfied with the performance index factors of the firm and other claims, the firm’s reputation increases which invariably affect the firm as a corporate brand or its product (brand).

The hyphenated arrows originating from the key stakeholders (see Fig. 1) indicates the referrals or recommendations each of the stakeholder groups made. The firm’s brand is being recommended to each of the stakeholders’ friends, associates, colleagues, family members and relatives. The firm itself or its brand is seen as a referral brand that has solution to consumer’s problems. The concept of brand has been expanded here to include a distinguishing name, corporate name or personality and/or symbol intended to identify goods or services of either one firm or a group of firms and to differentiate those goods or services from those of competitors [43].

Through referrals, stakeholders position firm’s brand or even the firm to the minds of people or other strata of the larger society. Hence a good assessment of the firm’s performance index factor itself is a reputational asset which positively positions the firm and its products. Reputational asset can attract customers, generate investment interest, improve financial performance, attract top-employee talent, increase the return on assets, create a competitive advantage and garner positive comments from financial analysts [8],[34],[44],[45].

6. Conclusion

This paper has tried to x-ray corporate social performance and corporate reputation based on the expanded theory of the firm which anchors on stakeholder approach. There is an ample consensus about the content of CSP as a comprehensive assessment of the firm’s performance with every stakeholder group. Performance goes beyond the reward of shareholders and includes the distribution of value to all stakeholders. From this line of thought, the paper critically examined the role of the stakeholder in positioning a firm and/or brand in the minds of the members of the larger society who may in turn be a stakeholder of a firm.

The bottom-line is that through product referrals the stakeholders position the firm’s brand. This is because satisfaction is an outcome of product quality and other performance index factors, which invariably leads to repeat purchase and referrals or recommendations. All this has effect on the corporate image of the firm, which is itself an enhancer of brand marketing.

References


Author Profile

Princewell Achor N. is a doctoral student in Department of Marketing, University of Nigeria, Enugu Campus. He lectures widely in public relations, political marketing, marketing communications, political public relations and environmental communications for academic instructions and training organizations in Nigeria He is the lead author of the book: Political Marketing: Marketing, Communications and Politics.

Robert Anuforo is the Current Head, Department of Marketing, University of Agriculture, Umudike Umuahia. He is an expert in brand management and marketing communications.