

IMPROVING THE PROMOTION OF CSR INITIATIVES: A FRAMEWORK FOR UNDERSTANDING STAKEHOLDER RELATIONSHIPS FROM A DYNAMIC LEARNING PERSPECTIVE

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ABSTRACT

In this paper, we provide a dynamic framework for understanding how stakeholder perceptions influence firm decisions about corporate social responsibility programs. Within the discussion of the framework, we address firm and NGO decision making and outline the process through which NGOs leverage powerful stakeholders, such as shareholders, in their efforts to encourage social responsibility. Based on our framework, we recommend that firms take the following three steps to increase the success of CSR initiatives: (1) develop meaningful and relevant measures of CSR initiatives for each stakeholder, (2) craft stakeholder-targeted promotion plans that explain in objective terms how the initiative addresses stakeholder specific concerns, and (3) explain to core stakeholders, such as shareholders, how the firm is satisfying or addressing the concerns of other stakeholders.

INTRODUCTION

In recent years, we have witnessed efforts by corporations to profile themselves as socially responsible in response to the simultaneous development of the anti-globalization movement, shareholder activism, and corporate governance reform. The name change of British Petroleum to Beyond Petroleum is just one example of how firms are trying to communicate their commitment to society. Despite the growing enthusiasm for corporate social responsibility (CSR) by marketing practitioners and academics, there is little evidence to show that these programs have a significant positive effect on firm value. Mathur and Mathur, for example, find that announcements related to green promotions produce significantly negative stock price reactions [6]. Similarly, Vogel suggests the financial performance of many firms with relatively positive CSR reputations has been poorer than that of their less responsible competitors [7]. In addition, Vogel posits that CSR is not without its risks in stating, “The more a corporation trumpets its social or environmental commitment, the more vulnerable it is to challenges by activists when its behavior fails to meet their expectations” [7, p. 26]

We suggest that the shortcomings of marketing in terms of successfully promoting CSR initiatives are due primarily to marketing's failure to recognize the relationships between the stakeholders, that are the recipients of the CSR initiative message, as a dynamic learning system. That is, in spite of the existence of research documenting the effects of direct and indirect communications [3] [4] within the stakeholder system, marketing scholars remain largely focused on corporate responsibility toward customers and channel members, while largely ignoring the role of marketing in managing direct and indirect communications with other stakeholders such as employees, non-governmental organizations (NGOs), and shareholders.

Although marketing has developed expertise in such areas as cause-related marketing and environmental marketing, these studies are typified by their emphasis on direct seller-to-consumer communications. Because of this emphasis, questions such as "How are firm's efforts to communicate CSR initiatives to consumers interpreted by other regulators and shareholders?" and "Do asymmetries exist between stakeholders in terms of their perceptions of firms' CSR initiatives?" have gone unaddressed by the marketing literature. Ignoring the possible indirect effects of CSR communications on the stakeholder system has also discouraged investigation into how those lessons firms learn from past failures or successes of CSR initiatives influence decisions about future CSR initiatives. A framework must be developed within the context of the marketing discipline in order to better understand these interactions between firms and stakeholders.

Following the tradition of dynamic strategy frameworks [1] [2] [5], we see the interaction of stakeholder responses to CSR initiatives as part of a dynamic learning system. In contrast to previous approaches in the marketing literature, our framework incorporates indirect as well as direct communication paths that exist between the firm, customers, investors, and NGOs. We also frame asymmetry, in terms of the expectations and perceptions of investors, consumers, firms, and NGOs, as a central component. The combination of dynamic systems and asymmetries allow short-term perceptual gaps to produce long-term measurable effects. We highlight the mechanisms behind such changes and focus on the CSR decisions-financial performance relationship within this dynamic context.

This article presents a conceptual framework that broadens our understanding of the dynamics of how CSR initiative promotions affect stakeholder perceptions and eventually, future decisions about CSR initiatives. The goal is to demonstrate how marketing knowledge of managing exchanges can be applied to relationships beyond the firm-to-customer or firm-to-supplier interaction.

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