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@ Boston University
School of Management

James Post

PROFESSOR OF STRATEGY AND POLICY

Trade, Terror, and Trust: Today's New Realities



*Professor James Post has long studied issues concerning Corporate America's relationship to society. His co-authored book, **Business and Society: Corporate Strategy, Public Policy, Ethics**, is now in its tenth edition.*

Professor Post discusses the evolving relationship between business and the American public.

You have written many books and articles about the new realities facing business and society. What confronts managers and organizations today?

Managers in business, government, and nonprofit organizations have faced unprecedented turbulence in the past few years. Four factors have turned the world upside down for managers. Chronologically, when the dot.com boom turned into the dot.com bust, we learned the painful lesson that the 'new economy' could not defy the rules of the real economy. The second shock occurred on September 11, 2001. The terrorist attacks shattered any illusions that the U.S.—or U.S. commerce and finance—was immune from violence and war.

Meanwhile, the globalization of trade has been under assault. Some nations are slow to liberalize their economies and reduce trade barriers, diminishing the prospect of an open and free trading system where worldwide markets would favor companies with the best products and most efficient operations. The social and environmental side effects of globalization have also stirred major opposition since the so-called 'Battle of Seattle' in 1999. The IMF and World Bank blueprint for progress has failed in many

countries. The bottom line is that globalization of trade is not the economic nirvana it once seemed to be.

The latest factor is trust. Against the background of anti-globalization, terrorism, and a dot.com crash, we face what may be the most perplexing and complicated challenge of all: How to restore faith in a system that allowed corporate executives to loot companies and defraud investors on a massive scale? Enron, Arthur Andersen, WorldCom, Qwest, Adelphia, Global Crossing, Tyco, ImClone, and others have given business a bad

The most perplexing and complicated challenge of all: corporate trust.

name, shattered confidence in corporate executives, and cast a large, dark cloud over the management profession.

Together, these factors form a critical context for today's executives and leaders. They must reassess economic models that depended upon overly optimistic global market assumptions. They must operate with much higher degrees of economic and political uncertainty. And they must operate in new ways that assure investors and other stakeholders that their organization is being managed with integrity.

Is there any reason for hope?

The tougher the environment, the better the chances for genuine policy reform, improvement in business practices, and the re-balancing of the relationships among stakeholders. There is widespread public and private support for government to assume a more active,

aggressive role. In response, the federal government is expanding again, driven by the war on terrorism and the vigorous prosecution of corporate crime and corruption. This activism is the direct product of crises that scare the American public, as they rightly should.

Recently, you have been working on issues of "corporate citizenship." What does that term mean?

Corporate citizenship refers to the non-market relationships an organization has with its stakeholders, including employees, customers, regulatory agencies, suppliers, and local communities. In general, corporate citizenship describes how an organization's leaders think about the corporation's roles, responsibilities, and social performance.

Ten years ago, 'citizenship' evoked the notion of discretionary activity such as charitable donations, community programs, or promotion of good government. Today, corporate citizenship links core values to business activity. It implies that all stakeholder relationships matter, and that the purpose of business is the creation of value for the firm and all its stakeholders over the long term.

A firm's citizenship strategy and its business strategy go hand-in-hand. Firms such as Johnson and Johnson, Ericsson, Canon, AOL-Time Warner, Timberland, and others anchor their entire business strategy in a set of values that expresses a vision of the corporation in society. That is the foundation of good corporate citizenship.

Corporate citizenship is a way to tie business strategy to community expectations through the creation of public value. For example, environmental

project spotlight

Marketing Perspectives on Corporate Identity and Social Responsibility

Customer intimacy, customer equity, and customer relationship management are today's marketing mantras. In their quest for sustained success in a marketplace characterized by product proliferation, communication clutter, and buyer disenchantment, more and more marketers are attempting to build deep, meaningful, long-term relationships with their customers, particularly the most valuable ones. Yet, the business press suggests that only a handful of companies (e.g., Harley-Davidson, The Body Shop, Patagonia, Southwest Airlines) have realized the ultimate promise of such relationship-building efforts: creation of a "champion" or advocate, who enthusiastically promotes the company and its products to others. For example, First Direct, the U.K. retail bank, is recommended by its customers every four seconds, gaining over one-third of all new business from referrals.

Making of a Champion.

What distinguishes those companies that have struck relationship gold from the rest? What is the nature of the relationships they have with their customers? When and why are such relationships likely to occur? In a recent paper, **Consumer-Company Identification: A Framework for Understanding Consumers' Relationships With Companies, Associate Marketing Professor C. B. Bhattacharya** (with Professor Sankar Sen of Baruch College) professes the notion of consumer-company identification as the primary psychological substrate for the kind of deep, committed, and meaningful relationships that marketers are increasingly seeking to build with their customers. In their work, to be published in the April 2003 issue of *Journal of Marketing*, they draw on theories of social identity and organizational identification to provide a framework that articulates both the conditions under which consumers are likely to

identify, or feel a "sense of belongingness" with a company, as well as the basis and consequences of such identification.

Bhattacharya and Sen conceptualize consumers' identification with a company as an active, selective, and volitional act, motivated by the satisfaction of one or more self-definitional (i.e., who am I?) needs. A match between the company's identity (often referred to as corporate reputation) and that of the consumer is a necessary condition for such identification. By bringing a consumer-centric perspective to the customer relationship management rhetoric, the authors establish that strong, committed consumer-company relationships cannot be unilaterally imposed by companies. Relationships also need to be sought out by consumers in their quest for self-definitional need fulfillment.

Doing Well by Doing Good.

One of the ways in which a company develops an attractive identity, and therefore appeals to consumers, is by implementing social responsibility initiatives. In fact, a number of marketplace polls attest to the positive effects of corporate social responsibility (CSR) on consumer behavior. More companies than ever before are backing CSR initiatives such as corporate philanthropy and cause-related marketing with real financial muscle. But despite this increasing emphasis on CSR, businesses do not know when, how, and for whom specific CSR initiatives work. In the May 2001 issue of the *Journal of Marketing Research*, **Professor Bhattacharya** (again with Sen) examines how and why the issue defining a company's CSR actions (i.e. the CSR domain) interacts with both consumers' personal position on that issue and their general beliefs about the tradeoffs companies make in supporting CSR initiatives to affect their evaluations of the company

and its products. Entitled **Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility**, the authors use real CSR and product information about a company. Through two experimental studies, they find remarkable heterogeneity in consumers' reactions to CSR. They discover both company-specific (i.e., the CSR domain, product quality) and consumer-specific (i.e., CSR support, CSR-related beliefs) factors affect consumers' responses to CSR initiatives.

The study finds that consumers who identify with the company and who support the CSR domain are more likely to be positively affected by CSR initiatives. Thus, if a company's choice of CSR domains is dictated at all by market considerations, managers should research a variety of CSR initiatives and select those that enjoy the most widespread support among its consumers.

Second, consumers' company evaluations are more sensitive to negative CSR information

than to positive CSR information. Thus, managers need to be cognizant about the hazards of being perceived as socially irresponsible. Third, a company's CSR actions in certain domains (e.g., labor relations, employee working conditions, etc. that are perceived to be related to the company's ability to make better products) also have a direct, positive effect on the attractiveness of its products. Finally, if a substantial proportion of a company's potential customers believe that CSR initiatives are typically realized at the expense of quality, then CSR efforts may actually hurt. Thus, companies may benefit from informing customers that its CSR actions do not detract from its ability to produce quality products.

The next steps in this research include an empirical test of the organizational identification concept in the consumer domain, and an understanding of how cross-sector partnerships (such as those between companies and nonprofits) benefit the nonprofit.

research brief

Gaining Acceptance for Social Initiatives in Business

How does an engineer convince her plant management to invest in an environmental improvement project? How does an employee of a multinational corporation implement a community-based literacy program in a developing nation? The unique nature of such social initiatives—which could include environmental protection, diversity, or community development projects—pose particular challenges for those who wish to get them on the organizational agenda. Proponents of such initiatives must make their project count in the broader organization. They must take a goal that, in the eyes of some, is peripheral and show that it is in the organization's interest. But organizational initiatives become successful only when they begin to address something that

is a core organizational concern. It must fit the culture: the collective influence of language, rewards, structure, and protocols that give meaning within the organization.

To gain acceptance of social initiatives, managers must engage the organization's culture in guiding both what gets attended to and how it gets acted upon. They must frame problems and develop solutions that are consistent with the core culture. In so doing, they move beyond the historic frames of regulatory compliance and social responsibility, both of which fail to engage the strategic elements of an organization's employees and capabilities.

Professors Andrew Hoffman and Jennifer Howard-Greville define six "cultural frames" that are used by organizational change agents to align social initiatives with the corporate culture. They include: operational

stewardship has become a central feature of mining, exploration, forest products, and other natural resource industries. Financial service firms are cultivating stewardship practices through community lending and local business development. And companies in all industries vigorously support education through partnerships with primary, secondary, collegiate, and graduate schools.

How are researchers at SMG addressing these issues?

We have a number of SMG faculty and student research projects covering the length and breadth of these subjects. Members of our law and accounting faculty, for example, are tracking new corporate governance and accountability reform proposals. We have faculty and students in public management who are studying the so-called 'social investment' behavior of institutional investors, such as churches, universities, foundations, and families. In marketing, Professor C.B. Bhattacharya is studying how corporate reputation affects consumer loyalty and purchasing behavior. In the organizational behavior department, Professors Andy Hoffman and Jennifer Howard-Grenville are analyzing how companies manage the internal response for addressing environmental management programs. In the operations management and information systems departments, new techniques for improved compliance with legal and regulatory standards are taking

shape. In short, every functional area of management is involved—in some way—with legal and corporate responsibility issues.

What has changed in corporate citizenship after September 11th?

The terrorist attacks stimulated an immediate and extraordinary generosity by organizations. Emergency services were provided to an enormous number of survivors, families, and rescue workers. Within 90 days, however, the nature of the needs changed and long-term program needs came into focus.

The flow of private philanthropic resources to New York, Pennsylvania, and Virginia, while impressive, was but a small fraction of what government, business, and communities will ultimately contribute to address long term needs. But that is consistent with the historic role of American philanthropy—to lead, to light the way, to create possibilities. This is the public value that comes from our deeply rooted philanthropic traditions.

Corporate participation, involvement, and leadership—corporate citizenship—is essential for this social dynamic to operate. Wealth and value are not synonymous. But the use of wealth for truly public purposes—for work that builds a commonwealth—is wealth wisely used.

That is the citizenship challenge we face.

efficiency, risk management, capital acquisition, market demand, strategic direction, and human resource management. Each is a core motivator for action in the company. Several may be operating simultaneously in a given organization, and some frames will be much more salient within certain groups than within others. For example, a consumer product oriented company such as Proctor & Gamble will most effectively respond to social issues when they are framed as consumer demand. A manufacturing and production oriented company like General Motors will best frame social issues as operational efficiency. A research and development oriented company like 3M will likely frame social issues as an unexplored strategic opportunity. The social issue moves from the outside to the inside of the organization.

For the individual manager, cultural framing allows the opportunity to bring issues with which he or she may feel personally connected inside the organization for consideration and action. For the organization, an integrated response of key organizational functions will create the most efficient and effective pro-active action. But, it should be noted, while framing a social initiative in the dominant cultural categories is important for motivating action, it does not necessarily yield the optimal solution. A successful

initiative will be successful only as a solution to the problem as it is framed. If operational improvements, rather than social benefit, is the explicit goal, this is the metric by which success will be measured.

Finally, the concept of cultural framing has implications for the ongoing debate about the financial merits of social initiatives in business. The organization's core culture, the problem as it is framed, and the solution that is enacted all contribute to whether a project will be successful or not. Rather than asking if social initiatives pay, cultural and contextual factors involved in specific initiatives drive us to ask how they can be made to pay for particular organizations and their members. This new question gives both practitioners and researchers a new baseline with which to understand the successful implementation of social initiatives in business.

*The preceding was taken from the research study, *The Importance of Cultural Framing to the Successful Implementation of Social Initiatives in Business*, written by Assistant Professors Andrew Hoffman and Jennifer Howard-Grenville of the organizational behavior department. Their work is currently under review at the Academy of Management Executive.*

Conference

Marketing and Social Responsibility Conference

September 18-19, 2003

Boston University School of Management is taking a lead in the academic analysis of corporate social responsibility. Led by Professor C.B. Bhattacharya, the marketing department will co-host an international research conference at SMG on **Integrating Corporate Social Responsibility and Marketing Strategy**. To be held September 18-19, 2003, this event will bring together

a group of leading academics and practitioners in the field of social responsibility for intense debate and discussion, the selected proceedings of which will be published in the *California Management Review*.

Academic partners for the event are the London Business School and the University of California, Berkeley and event sponsors include The Aspen Institute and the Marketing Science Institute. Continually updated information regarding the conference is available on the School's website: <http://management.bu.edu>.



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research highlights

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