Emerging Markets: Corporate Sustainability or Maximize Stakeholder Value?

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Abstract
The purpose of this paper is to explore the strategic role of Corporate Sustainability (CS) and the stakeholder’s value in the emerging markets (EM). This study investigates how a strong stakeholder reputation is widely acknowledged to be the most valuable asset of a firm (Peloza, et al, 2012) and why sustainability has become an important component of corporate reputation. This research was conducted using quality content analysis procedure of the surveys, interviews, and case studies. This study examined three main questions: (1) how CS satisfies the needs of both the direct and (Faupel and Schwach, 2010) indirect stakeholders, (2) how achieving consistency in corporate identity and reputation (Vallaster et al, 2012) strengthens Corporate Social Responsibility (CSR) and (3) what are the strategic managerial and profit implications of these findings for the corporations and researchers. This paper concludes that holistic integration of CS maximizes stakeholder value (MSV) in the EM.

Keywords: Corporate Social Responsibility, Corporate Identity, Corporate Marketing, Corporate Sustainability, Corporate Responsibility, Corporate Social Value, Emerging Market.

1.0 Introduction
In academia, CSR has been examined especially in the fields of management and business ethics (Carroll, 199; Garriga & Mele, 2004; Lockett, Moon, & Visser, 2006; Egri & Ralston, 2008; Makinen & Lourula, 2012). CSR in EM has recently received attention from both academics and practitioners (Baskin, 2006). As Pomer and Johnson (2009) highlighted there is a widespread and growing distrust of large corporations (Verschoor, 2008), and that the firms are increasingly turning to corporate image advertising campaigns based on CSR initiatives (Becker-Olsen et al, 2006) to meet consumer demands for information on business’s concern for and impacts on society (Dawkins, 2004). CSR is about companies going beyond legal obligations and their own interests to address and manage the impact (Fig. 1) their activities have on society and the environment (Vallaster et al, 2012).

Many stakeholders, from customers to investors to employees to purchasing managers, report that sustainability is an important factor in their decision-making processes. Additionally, proponents of sustainability point out that it can enhance firm financial performance (Fig. 2) in a number of ways (Peloza, et al, 2012). However, a company’s contribution to sustainability is still hard to measure (Faupel and Schwach, 2010) because CSR practices in emerging economies continue to be haphazard and limited to a minority of organizations (Frynas, 2006). Furthermore, corporate legitimacy enables corporations to maintain their operating license/status as publicly sanctioned institutions (McDaniel and Malone, 2012). Moreover, a visible commitment to CSR helps emerging market firms attract multinational partners, access international sources of capital, and reach socially-conscious consumers with their products and services (IFC, 2007).

As Multinational Corporations (MNC’s) have become more numerous, more powerful, and more variously engaged (Dunning & Lundan, 2008; Roach, 2005; UNCTAD, 2010), and as their global operating context has changed (Kobrin, 2005; Ruggie, 1982, 2008a), so too have the normative demands commonly made of them. Within the business ethics and business and society literatures for example, the belief that ‘globalization’ has increased the power of MNCs, and concomitantly decreased the power of states, has informed a body of work that normatively prescribes, and positively describes and explains, the socio-political duties and activities of MNCs. (Whelan, 2012).
As Lange and Washburn (2012) highlighted there is a widespread external perceptions that if a firm has acted in a socially irresponsible manner, it could have negative consequences, since an organization’s success—indeed its survival—depends, in part, on satisfying normative expectations from its environment (Pfeffer & Salancik, 1978; Scott, 2008). When organizational action seems controversial to observers and constituents, the firm risks losing current and potential members, as well as outside endorsement and support, and it risks providing “ammunition for adversaries” (Elsbach & Sutton, 1992: 712). An organization that is seen as a bad actor in society can have a hard time attracting customers, investors, and employees (Fombrun, 1996). Indeed, ample evidence from empirical research shows that counter-normative behavior can lead to such consequences for the firm as lawsuits, financial losses through settlements and sales declines, increases in the cost of capital, market share deterioration, network partner loss, or other costs associated with a negative reputation (e.g., Baucus & Baucus, 1997; Davidson, Worrell, & Cheng, 1994; Haunschild, Sullivan, & Page, 2006; Karpoff, Lee, & Martin, 2008; Strachan, Smith, & Beedles, 1983).

Hildebrand, Sen and Bhattacharya (2011) reported that in recent years, few notions have so totally captured the global corporate consciousness as the twin ideas of CSR (CSR) and sustainability. While both ideas have followed somewhat parallel evolutionary paths, they have converged to convey a unified sense that a company’s long term success, and sometimes even existence (Vaaland et al., 2008), is inextricably tied to its stewardship of not just its own well-being but also that of the natural and social environment in which it operates. This has led more and more forward-thinking companies to take a strategic approach to CSR, devoting unprecedented efforts and resources to creating and maximizing what Porter and Kramer (2011) in their Harvard Business Review article have called “shared value” (i.e. value for the company and for society). Some notable efforts aside (e.g. Sen and Bhattacharya, 2001; Balmer et al., 2007; Fukukawa et al., 2007; Simmons, 2009; Maignan and Ferrell, 2004), conceptual questions persist about the relationships between a company, its stakeholders and its CSR, and, in particular, how these three entities come together to create that often elusive shared value (Balmer et al., 2007). At the heart of the strategic approach to CSR is the central and ascendant role of the stakeholder (Fukukawa et al., 2007; Galbreath, 2008; Vaaland et al., 2008; Polonsky and Jevons, 2009).

Specifically, companies are increasingly interpreting CSR in terms of the interests of a specific but large and diverse set of stakeholder groups (e.g. consumers, employees, investors, communities, government, environment, etc.) and their efforts are shaped by the strong belief that its endeavors in the CSR domain can elicit company-favoring responses from these stakeholder groups (Sen and Bhattacharya, 2001; Balmer et al., 2007). For instance, a McKinsey survey (2007) of the companies that have signed on to the UN Global compact reveals that of the many different stakeholder groups, the participant CEO’s expect a firm’s customers, employees and governments to have the greatest influence on the way in which companies manage societal expectations during the next five years. Yet, the pulse of the marketplace (see, e.g. Boston College Centre for Corporate Citizenship, 2009) reveals that many companies are still struggling to understand and buy into the demand to be socially responsible, let alone reconciling it with the realities of today’s global, hyper-competitive marketplace. As Balmer (2009) highlighted it is vital to understand and respond to stakeholders with a heart of corporate marketing to emphasize the aspects of social responsibility.

Research conducted by Brandlogic and CRD Analytics in mid-2011 uncovers two key findings. First, the perceptions of stakeholders can be highly divergent from the reality of a firm’s investments. For example, some firms that are objectively rated by third parties as leaders—not only within their field, but among all firms globally—are viewed by stakeholders as sustainability laggards. Conversely, firms that rating agencies consider as lagging in their sustainability investment and reporting, as compared to other firms, are perceived by stakeholders as similar or even above other firms in sustainability activities. The second key finding from the data is that stakeholders, for the most part, are unable to distinguish meaningful differences on sustainability between the vast majority of firms. Most firms are viewed as somewhat moderate in their sustainability activity with very few standouts either positive or negative (Peloza et al., 2012). Many global corporate brands embrace CSR (CSR). Axel Springer, one of Germany’s largest media companies, promises that “integrity guides our daily work,” and BMW stopped racing because, among other reasons, the CEO believed CSR-related environmental efforts and Formula 1 did not fit well together. Stakeholders have varying expectations regarding CSR activities, and when claims of CSR as a guiding value system turnout to be window dressing, customers and consumer groups put violators on trial in the court of popular opinion.
In general, corporations and practitioners remain in a state of confusion when it comes to deciding how to tackle CSR in a way that benefits both the company and society at large (Vallaster et al., 2012). Hence, the main focus of this study--- is the issue of CS in building a more congruent, coherent corporate social image, and identity and consequently a more enduring and maximum profitable relationships with its stakeholders (Hildebrand et al., 2011) particularly in the EM.

2.0 Study Methodology

This research methodology is based on the following three-fold quality content analysis procedure that reflects the purpose of the study:

1. Previous research works of Hildebrand, Senand Bhattacharya (2012); Pomerang and Johnson (2009); Peloza et al (2012); Vallaster, Lindgren and Maon (2012); McDaniel and Malone (2012); Baskin (2006); Whelan (2012); Makinen and Kourula (2012); and Lange and Washburn (2012).
2. Case Study of the Philip Morris USA 2012 and,

In mid-2011, Deloitte Consulting LLP conducted a survey of 628 executives to understand where they perceived the greatest revenue opportunities in EM, which growth strategies have proved most effective and the challenges companies face. The survey respondents included 389 executives from companies that currently generate revenues from one of 10 key emerging market countries or regions. The companies surveyed found the greatest success in EM came not from simply establishing a sales office and selling their existing products and services. Instead, these companies came to understand the special requirements of customers in each emerging market and then designed offerings to meet their needs at market appropriate prices.

The Credit Suisse Global ‘Emerging Consumer’ Survey 2012 (Fig. 3) engaged the leading global market research firm AC Nielsen to conduct primary research on its behalf, and interviewed 14,000 consumers in the eight EM – Brazil, China, Egypt, India, Indonesia, Russia, Saudi Arabia and Turkey. This survey highlights the influence of major income and demographic differences and cultural and social drivers across the EM. The report also highlighted – dampened expectations for wages and rising food prices; increased priority on education and the increased penetration of technology; and the growing significance of local brands and the impact of the most powerful global brands suggesting the vital role of CSR.

Ernst & Young’s Middle East Attractiveness Survey 2012 ‘Shifting Perspectives’ was conducted in 12 EM in the scope of its report: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates; Levant region: Jordan, Lebanon and Palestine and Other Middle East: Iraq, North Africa: Egypt, Libya - highlights the latest foreign direct investment (FDI) trends in the Middle East and explored the views of decision-makers on the investment climate in the region. There is confidence in the Middle East’s attractiveness as an investment destination and the business leaders are optimistic about FDI in the region suggesting the crucial role of CSR.

Ernst & Young’s Beyond Asia Survey 2012 ‘New Patterns of Trade’ was conducted in collaboration with Oxford Economics the nine rapid-growth markets in East and Southeast Asia including - Mainland

China, Hong Kong (Special Administrative Region [SAR] of China), Indonesia, Malaysia, Singapore, South Korea, Taiwan, Thailand and Vietnam. The survey highlights how Asia has become the world’s workshop over the last decade and that over the next 10 years, Asia will also become the world’s fastest-growing consumer market. Rising incomes will propel millions of Asians into the middle class, affecting not only intra-regional trades of Rapid Growth Markets (RGMs) but also a sustainable global trade as well for MNC’s.

Philip Morris USA 2012 case study highlights the executive deliberations from the identified 150 Philip Morris documents, spanning 2000 to 2002 as the company’s leadership sought to restore legitimacy through a formal CSR commitment. Struggling to reconcile responsibility principles with Philip Morris’s history and its products’ deadliness, these executives questioned the purpose and value of Philip Morris itself as they search for Corporate Social Value (CSV) from a marketing perspective.
Based on the qualitative research, this paper highlights a strategy and recommendation for future research for corporations particularly in the EM—to address CSR and Sustainability including the level of involvement, and the integration of stakeholder’s value. From a marketing perspective, this study concludes with the next steps for corporations to keep in mind when aiming to balance stakeholder tensions (Vallaster, Lindreen, Maon, 2012) while achieving long term sustainability.

3.0 Case Study

3.1 Philip Morris USA

McDaniel and Malone (2012) examined Philip Morris USA’s exploration of CSR practices and principles and its outcome by analyzing archival internal tobacco industry documents, generated in 2000 to 2002, related to discussions of CSR among a Corporate Responsibility Taskforce and senior management at Philip Morris. In exploring CSR, Philip Morris executives (Table 1) sought to identify the company’s social value—its positive contribution to society. Struggling to find an answer, they considered dramatically changing the way the company marketed its products, apologizing for past actions, and committing the company to providing benefits for future generations. These ideas were eventually abandoned. Despite an initial call to distinguish between social and economic value, Philip Morris ultimately equated social value with providing shareholder returns.

The Corporate Responsibility Task Force discussed possible social responsibility elements for Philip Morris, such as improved environmental performance and stakeholder dialogue. One of the arguably more radical suggestions concerned “revolutionizing the way Philip Morris market and communicate. Meetings with outside experts confirmed that changing marketing practices was vital to Philip Morris’s social responsibility efforts. In January 2001, the task force discussed what a marketing revolution might entail: “Consider changing the premise of our advertising to an ‘opt in’ approach.” This would involve changing the “presumption from ‘advertise/market visibility to all, and some will choose to smoke’ to ‘advertise/market visibility only to those who have made the informed, adult, choice to smoke.’ And build a business model based on the new presumption. Under this model, no Philip Morris—branded tobacco marketing would appear in magazines with any youth readership, and point-of-sale displays in stores patronized by youths would be curbed. Task force members also asked, “What’s the extra mile on warning and disclosure? On or in packs? On ads? as needed to know how to communicate risk so that consumers get it.” Notes from subsequent Corporate Responsibility Task Force meetings lack further elaboration on these ideas; however, an early Statement of Principles draft pledged to “work constructively with public officials and others to assure that cigarette marketing is appropriate, given its health risks, and that marketing is minimally visible to minors”. Initially, changes preserved the emphasis on minimally visible marketing: “We will market our products to adult smokers in a responsible way. We will seek to develop methods of marketing and promotion that limit their visibility.” But after feedback from senior management, this language was changed to “market our products to adult smokers responsibly.”

In addition, Philip Morris’s legal review of the task force’s meeting notes implied that suggestions regarding enhanced consumer risk communication were unwelcome: a handwritten note stated, “Our view is that current warnings are adequate & risks well known. Thus, not clear what this [suggestion] adds/means or that it’s needed.” The task force next sought input on marketing and other responsibility principles from employees; meeting notes contain an employee’s observation that the phrase “responsible marketing” was undefined and a recommendation to define it as marketing that did not encourage youths or nonsmokers to smoke and did not discourage smokers from quitting. The language initially approved by senior management for internal use was a pledge to “responsibly market our brands to adult smokers while neither advocating smoking nor discouraging quitting.” However, after further consideration by senior management and legal and other departments, this statement was changed once again to the more opaque “responsibly market our brands to adults who choose to smoke.”

In July 2001, the task force recommended to senior management social responsibility priority initiatives: (1) deal with, in their words, “environmental tobacco smoke,” (2) reduce cigarette litter, and (3) enhance supply chain management but nothing on secondhand tobacco smoke. With the Corporate Responsibility Task Force’s work complete, Philip Morris created an 11-member Corporate Responsibility Team to help implement these recommendations. Organizational legitimacy has both practical and symbolic value to companies. From a practical standpoint, a total loss of legitimacy could result in revocation of a corporation’s charter or other state actions.
Symbolically, loss of legitimacy causes corporationsto suffer a loss of standing among other companies contributes to ambiguity and anxiety among employees about theirwork and its role in society, and triggers the kinds of self-examination and reflection that Philip Morris tackled in trying unsuccessfully toreconcile its core business with CSR principles. Public demands for greater CSR suggest that organizational legitimacy depends in part on sustaining a perceptionthat the company contributes social value. The absence of the term “social value” in Philip Morris’s public Mission and Goals statement suggests that the company has never managed to define its satisfactorily. The report also recommended creating incentives for tobacco companies to reducedemand for tobacco products. Others have suggested achieving a de facto prohibition on smoked tobacco through a combination of hightobacco taxes. In addition, other recommendations included: cigarette advertising bans, comprehensiverestrictions on smoking in public places, and policies that encourage smokers to switch to non-smoked forms of tobacco or (preferably) medicinal nicotine, perhaps even gradually phasing smoked tobacco products out of the market.

Social value, as the Corporate Responsibility Task Force learned, has become exceedingly difficult for tobacco companies to claim. The ‘Big Why’ question should be revisited in light of this failure, but asked publicly and in a new form: Why should society continue to sanction (sustainability) companies that create no social value and create so much harm for so many, in the process of creating profits for so few stakeholders? (McDaniel and Malone, 2012).

4.0 Discussion and Analysis

As highlighted by Hildebrand, Sen and Bhattacharya (2011) much research, both academic and otherwise, has contributed, over the last few decades, to the growing consensus that a company’s stakeholders react to its CSR actions in a myriad of positive, though contingent, ways (Sen and Bhattacharya, 2001; Worcester, 2009). For instance, consumers are likely to buy more or pay a higher price for products from a socially responsible company (Trudel and Cotte, 2009). Similarly, recent research in the USA suggests that CSR actions can give a company an inimitable upper hand in the war for talent (see also Bhattacharya et al., 2008, 2009). However, until recently, much less was known about precisely when and how a company’s CSR actions produced such favourable reactions from its stakeholders. Importantly, stakeholders’ identification with a company is actually more likely to be based on the ethical identity shaped by its CSR because provide consumers with insight into its “value system”, “soul”, or “character” (Balmer et al., 2007; Balmer and Greyser, 2006; Brown and Dacin, 1997; Sen and Bhattacharya, 2001). In other words, a company’s character as revealed by its CSR actions is not only fundamental and relatively enduring but also often more distinctive by virtue of its idiosyncratic bases (e.g. sponsorship of social cause, environmentalism) than other aspects of a company’s schema held by both internal and external stakeholders. Therefore, a company’s CSR activities are likely to constitute the core, defining or the central, distinctive and evolving (Balmer, 2001) characteristics of its corporate identity, triggering identification. Interestingly, these notions (see Bhattacharya and Sen, 2003 for the full model, particularly for the consequences of identification in the consumer domain) have received significant empirical support in recent years (Curra’s-Pérez, 2009; Lichtenstein et al., 2004; Podnar and Golob, 2007; Peloza and Papania, 2008; Morsing and Schultz, 2006; Marin et al., 2009; Curra’s-Pérez et al., 2009).

As reported by Makinen and Kourula (2012) CSR is considered as an umbrella term for the academic debate (and business practice) that addresses the existence and management of business firms' social responsibilities (Scherer & Palazzo, 2007; Matten & Moon, 2008). Within the field of CSR, the study also examined and historically contextualized (Makinen and Kourula, 2012) on the political role of companies according to which business firms are seen as political actors (cf. Scherer & Palazzo, 2011) in that they increasingly self-regulate and take over traditional responsibilities of the state as providers of citizenship rights and public goods (Fig. 4).

Vallester et al (2012) findings suggested a somewhat controversial claim about CSR: CSR leadership makes sense only for some companies, not all. That is, the appropriateness of CSR, from a strategic standpoint, depends on the nature of the industry, the nature of the product offering, and the corporate culture, politics, ethos and globalization. In particular, Political CSR (Whelan, 2012) should be conceived as one potential form of globalization, and not as a consequence of ‘globalization’. However, within the framework of business and brand strategy, CSR requires strategic alternatives that the company can assess according to their impact, risks, and benefits, then measure with regard to their progress and impact.
Companies that address CSR strategically thus can leverage CSR to benefit both the company and society, whether as: CSR entrepreneurs, CSR performers, vocal CSR converts, or quietly conscientious—their categories were defined according to the objectives, level of integration, and key initiator and drivers of the CSR brand-building activities. In addition, the level of corporate involvement in CSR—depends on the degree to which companies respond reactively to demands for CSR or engage proactively in CSR initiatives. Moreover, Lange and Washburn (2012) study focused on attributions of irresponsible rather than responsible behavior, of how perceptions that the firm has acted in a socially harmful way may be particularly relevant to the firm’s ability to draw support and resources from its environment (Fig. 5). Pomerang and Johnson (2009) highlighted the identity-based corporate image advertising appeals. Corporate image advertising is an important tool used by corporate marketers to convey desired corporate identity characteristics, “what we say we are” (Balmer and Greyser, 2006). Corporate claims of “we say we are a socially responsible firm” are particularly prone to consumer scepticism, potentially hindering the construction of the desired corporate image in the minds of critical stakeholders, such as consumers.

As the Corporate Responsibility Task Force of the Philip Morris USA study (2012) highlighted with a presentation detailing the roots of responsibility, a Corporate Responsibility Task Force member reflected, “Once we start connecting all the pieces it becomes clear that we have been doing a lot of really good things for a long time.” Other task force members emphasized the company’s consistent responsible intentions, pointing out that Philip Morris “has always wanted to be responsible” (emphasis added), but “along the way we had a disconnect with society’s expectations of us.” A task force member also suggested engaging in a dialogue (with unnamed others) about the period when Philip Morris was disconnected from these expectations. However, when the task force summarized its work to employees, it did not mention this disconnect, focusing instead on history of responsible behavior. One employee noted a contradiction: “How will we change public perceptions of our business practices if we conclude that we are already a responsible company?”

Deloitte Consulting ‘Fortresses and Footholds’ Survey 2011 highlighted that a key ingredient in success is to establish company-owned production, service, distribution, R&D and other operations in EM to become closer to customers and part of the local business community.

The Credit Suisse Global ‘Emerging Consumer’ Survey 2012 highlighted the optimism on the financial outlook as strongest in Brazil, India and China. In Brazil, 58% of respondents to the survey said they expected an improvement in their personal finances over the next six months. The Russian consumer is the most pessimistic of the BRIC countries. At the other end of the scale, the greatest degree of pessimism in financial prospects was recorded in Egypt and Turkey. Despite the radical change in the political situation, Egyptian consumers remain the most downbeat among the countries included in our survey, with 25% predicting a worse financial position over the next six months compared to 24% expecting some improvement. The picture in Turkey was not much better: 12% of respondents expected their financial position to worsen versus 16% who expected it to improve. When we compare the aggregate results in our latest survey with last year’s survey, there is no doubt that consumers, on average, are less optimistic. In Brazil, the balance of consumers expecting better rather than worse financial prospects over the next six months has fallen from 59% in 2010 to 53% in 2011. In China, the same statistic has slipped from 39% to 31%, and in India it has fallen from 40% to 36%. The mood has improved in only two of the markets. In Indonesia, a net 31% now expect personal finances to improve over the next six months compared with 28% last year. While the Egyptian consumer is much more upbeat compared with last year, this is clearly off a very low base and still poor in absolute terms (Figure 6).

Ernst & Young’s 2012 ‘Attractiveness’ Survey highlighted that the Middle East ranked behind large continents, such as Europe and North America, in terms of the number of FDI projects attracted. However, the region is slowly emerging as an investment destination in comparison with other developing economies, such as China and Latin America. In fact, the Middle East attracted more FDI projects than India in 2011, Figure 7.

Ernst & Young’s 2012 ‘Beyond Asia’ Survey also highlighted that the rising demand for products and services tailored to Asian consumers will have a diverse impact on intra-regional trade and market sectors. Every rapid-growth market has its own unique characteristics that create market sector specialization. Goods trade will predominantly be in machinery and transport equipment. Information and communication technology (ICT) equipment will account for most of the growth, although South Korea’s shipbuilding industry will also expand rapidly.
Exports of lower value-added products, including clothes and shoes, will also continue to increase. Service exporters will seek to satisfy fastgrowing demand within Asia-Pacific. Regional companies will need to align and integrate a strong talent management approach with their business performance.

Peloza et al (2012) study noted that not all firms seek to become leaders in sustainability. As many executives have recognized the value from a leadership role that they aggressively pursue. Peloza et al (2012) research also uncovered a number of traits that are largely common to firms:

A. Sustainability is an integral part of business strategy instead of a peripheral compliance issue. Nestlé has focused its corporate strategy around "creating shared value," which combines adherence to key operating principles and achievement of targeted societal improvements in the communities from which they source products around the globe. Success in these efforts is viewed as crucial to Nestlé’s future success and therefore integral to both its business strategy and corporate reputation.

B. Responsibility is taken for the impact of internal operations, as well as those of associated entities such as supply chain partners. Alliances have been formed to foster progress on targeted sustainability issues. ABB takes responsibility in three main areas: raising environmental performance and lowering impacts; improving management of health, safety, social, environmental, and security risks in its operations and projects; and improving sustainability performance in its supply chain and acquired companies.

C. The standards for reporting have been implemented and the materiality of the issues they highlight is understood, for both the company and all stakeholders. Leaders excel at meeting these standards fully and transparently, even those that may not seem relevant. BMW stands out as an exemplar for the quality, as well as thoroughness, of its sustainability reporting. Its top ranking for seven years running in the Dow Jones Sustainability Index is testimony to its leadership.

D. Sustainability has been integrated into the brand and client value propositions. IBM decided earlier than many to integrate sustainability into its brand and customer value propositions. It has effectively used its Smarter Planet theme to communicate how the company helps its clients enhance their performance in ways that foster sustainability.

E. Operational initiatives and related communications are focused on carefully selected themes tied to the core of the business. Varied, yet complementary, communicationsto key stakeholder groups are used to get the word out. Thematically and operationally, Cisco Systems concentrates on demonstrating leadership on two issues, closely linked to its business and brand. Socially, Cisco is focused on education—helping people around the world develop and use IT skills. The environmental theme is "EnergyWise"—helping customers reduce greenhouse emissions and create smart buildings.

F. It’s about more than reporting. The study findings indicate that top companies have embraced sustainability reporting and practices. They understand that this is not merely a reporting exercise, though full and transparent disclosures are essential. Rather, they have successfully integrated sustainability themes into their corporate stories, mission, vision and values, and, in many cases, directly into their brand and customer value propositions. For instance, Siemens established a board position for sustainability and consequently developed a sustainability vision with ambitious targets to become a leading clean-tech company, with a key goal to achieve 40 billion Euros in revenue with their environmental portfolio. Moreover, top companies comprehended that sustainability encompasses social and governance factors as well as the environment.

In sum, the identity perspective on CSR (Hildebrand, Sen and Bhattacharya, 2011) suggests that it can elicit favorable reactions from a company’s stakeholders by causing them to identify with it. More specifically, based on some recent work, we suggest that this is particularly likely when both the company and the stakeholder have collectivistic identity orientations as opposed to individualistic or even relational ones (Brickson, 2007). Organizational identity orientation, grounded in individual identity theory (Brewer and Gardner, 1996), refers to the "assumed nature of association" between an organization and its stakeholders, as perceived by its internal stakeholders or members. Importantly, Brickson (2007) suggests that this orientation not only influences the nature of a company’s CSR engagement but also its stakeholders’ perceptions of why it is engaging in CSR. While companies of all orientations can create CSR value, albeit of different kinds (see Brickson (2007) for a detailed treatment), a company with acollectivistic identity orientation is most likely to elicit CSR-based identification from both its collectivistic internal and external stakeholders based on not only their greater innate propensity to identify, rather than maintain atomistic, instrumental connections with social others, but also their greater likelihood of trusting the motives of the company as altruistic and collective welfare enhancing.
In that sense, companies with collectivistic identity orientations are, at the limit, perceived to have ethical identities or reputations (Balmer et al., 2007), making stakeholders most likely, based on the previous discussion, to identify with them. As well, the perceived identity and reputation of such companies are likely to be seen as most authentic (Leigh et al., 2006; Gilmore and Pine, 2007; Thompson et al., 2006) by their internal and external stakeholders respectively, increasing, again, the likelihood of long term sustainability. More important is a clear understanding of the implications of sustainability (Peloza et al., 2012) performance. Companies with high perception but low actual performance have considerable value at risk, should public attitudes change. Conversely, companies with high actual performance but trailing perception have the potential to secure unrealized return on investment for maximizing stakeholder value by leveraging operational excellence through improved communications for CS.

5.0 Conclusions

As reported by Ernst & Young’s 2012 ‘Beyond Asia’ Survey, the economies of East and Southeast Asia are projected to capture a larger share of global trade over the next ten years as their expansion outpaces that of developed nations. While fragmentation of production processes across countries will continue to drive regional export volume, the rise of the middle class in Asia means that a greater share of these goods will be produced within the region to satisfy demand within Asia. The US is expected to remain the world’s largest consumer market in 2020, making it an important destination for export expansion by Asia-Pacific firms. Despite the global economic shift toward the East, markets outside the region still represent attractive opportunities for Asia-Pacific exporters due to their size. The forecasts also highlight the growing importance of new markets in Africa and the Middle East. The expansion of exports from most Asia-Pacific economies to these regions is expected to be greater in value than the increase in trade to the Eurozone. The machinery and transport equipment sector will mainly fuel this growth in exports from most Asia-Pacific RGMs. ICT equipment will be the most important component of this growth, as the regional economies move up the value chain into high-technology goods. Vietnam and Indonesia are the only two economies where low-end manufacturing mainly drives growth, reflecting their late adoption of export-oriented industrialization strategies. Over the next decade, exports of services will increase strongly, in part driven by increased demand for services in home markets as the population grows wealthier. The survey also projects the cross-border markets for business and financial services to be vibrant over the next decade, with strong financial centers such as Hong Kong strengthening and consolidating their positions.

As also reported by Ernst & Young’s 2012 ‘Attractiveness’ Survey, Middle East and North Africa (MENA) region has the potential to develop into one of the most important growth regions in the world with enormous possibilities and investment opportunities — as the people and businesses have a real hunger for success and growth. But that’s not to say there aren’t challenges. There are hurdles to doing business in the Middle East, such as disparities in societies, for example, that can make things difficult. This is because social inequalities can often make it harder for entrepreneurs to grow and develop their businesses. An important step forward would be to reform the labor market. Liberalization of labor systems in MENA would open up a world of possibilities — particularly for younger people. But, despite these political challenges, the potential of the region is bright. As the world looks for growth, MENA will be increasingly important both now and in future.

More importantly, Social value—as the Corporate Responsibility Task Force (McDaniel and Malone, 2012) of the Philip Morris USA study learned—has become exceedingly difficult for tobacco companies to claim. The ‘Big Why’ question should be revisited in light of this failure, but asked publicly and in a new form: Why should society continue to sanction companies that create no social value and create so much harm for so many, in the process of creating profits for so few? The conclusions are not intended to “level the playing field,”. Instead, they provide a framework by which executives who do choose to make sustainability a key pillar of their corporate strategy can be more competitive and can more closely align sustainability (Peloza et al., 2012) investments with maximum returns for all stakeholders.

5.1 Key Results

This study highlights the influence of major income and demographic differences (The Credit Suisse Global ‘Emerging Consumer’ Survey 2012) and cultural and social drivers across the EM with three major findings:
First, the study suggests two influences behind the more cautious tone—dampened expectations for wages and rising food prices. The consumerism countries exposed to either or both of these have typically revealed the most cautious responses. Saudi Arabia is the exception that has proved the rule. However, our research suggests that the expected peak in food price inflation can deliver a positive offset for the emerging consumer and help the global outlook.

Second, the study sheds light on the structural trends at work among consumers in the EM. A move away from the essential items of spending towards more useful and discretionary items is showing a structural change in consumer. Two areas have stood out that are symptomatic of this trend - an increased priority on education and the increased penetration of technology, supported by strong growth in mobile phones, smartphones and computers as well as increased affordability and high-speed internet access.

Third, the study reprises a theme ‘the power of brand investing’. There is a growing significance of local brands and the impact of the most powerful global brands.

At a time when consumers are keen to learn of firms’ societal practices and achievements (Dawkins, 2004), the provision of more diagnostic corporate image advertising appeals offers to meet these information demands and reduce skepticism toward such communication efforts. Wood (1991) has suggested that stakeholders seek information not only on firms’ CSR policies and practices but also on the specific impacts of those policies and practices. Consumers indicate they want such diagnostic information, and will direct their spending accordingly, inviting managers to respond to their information needs and differentiate their brands on this basis. Dawkins (2004) reports a large proportion of consumers’ purchase decisions could be affected by information on CSR performances, and anecdotal evidence of the success of firms such as The Body Shop attest that consumers are willing to get behind corporations that do good. The challenge is to convincingly communicate (Pomerang and Johnson, 2009) this pro-social face of the corporation. As scepticism influences brand evaluations that will persist through time, the inhibition of scepticism is an important goal for CSR advertising claims for a long term CS.

5.2 Implications

The study highlighted the uncertainties inherent (EY’s Beyond Asia Survey 2012) in any forecast, there are two alternative scenarios for the evolution of trade in EM particularly Asia:

1. A faster-than-baseline growth in Asia’s middle class would generate a virtual circle of growth in the region, feeding higher levels of intra-regional trade.
2. One country’s more rapid move up the value chain, beyond the baseline (China, for example), would lead to a decline in intraregional trade levels, as more components of the supply chain for high-technology products would be within China.

The rapid growth of the consumer market in emerging market represents a significant opportunity for multinationals that are able to interpret these trends and the possible alternatives and adapt their business strategies to cater for Asian tastes and preferences that distinct corporate postures toward social

Responsiveness (Vallaster, 2012)—which are intrinsically linked to the level of involvement of the company. Multiple CSR-related corporate branding and communication possibilities sometimes can characterize a similar level of CSR involvement by the company. The choice thus depends on the company’s context, objectives, CSR integration level, and initiators and drivers for MSV.

6.0 Recommendations & Next Steps

EM design offerings to meet their needs (Deloitte Consulting ‘Fortresses and Footholds’ Survey 2011) at market appropriate prices. A key ingredient in success is to establish company-owned production, service, distribution, R&D and other operations in EM to become closer to customers and part of the local business community. The survey suggested that the greatest opportunities and strategies are in the following areas:

- Opportunities remain in the BRIC (minus Russia): Among 10 leading EM, executives surveyed were most likely to expect revenue increases of 25 percent or more over the next three years in Brazil, India and China.
- Bigger is better. According to respondents whose companies had revenues of $5 billion or greater—those larger companies were more likely to have exceeded their sales revenue goals in EM over the last three years, while small companies (less than $500 million in revenue) were the least likely to have done so.
Go local. Companies that had company-owned operations in at least five of six major EM were much more likely to have exceeded their revenue goals. In addition, some successful strategies were using local sales/service centers, employing company-owned sales and distribution and employing a company-owned supply chain. Local operations may provide advantages such as greater knowledge of customer needs and buying habits, greater brand awareness in the market and more experience in navigating government approvals and procedures.

Know your customer. Designing products specifically for customers in the local market and offering a different value proposition were considered as among the most successful strategies. When it came to challenges identified by survey participants, one of the top challenges in five of the six EM studied was to provide products/services that meet customer needs at prices they can afford.

For many Corporations, the opportunity in EM is significant, but the challenges can be daunting. Driving growth in EM has fundamental implications for a company’s business strategy, operating model and risk management capabilities – now as well as in the future. While Corporations should not embark lightly upon their emerging market journey, the lessons learned from this study can help organizations build more sustainable platforms for growth. That is the challenge facing corporations today: a CSR strategy that requires thought, effort, and dedication but which, done right, can not only reap bountiful societal and environmental returns but also earn the enduring devotion, respect and loyalty (Hildebrand, Sen and Bhattacharya, 2011) for MSV in the EM.

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- JukkaMakinen and Arno Kourula
- Donald Lange and Nathan Washburn.

References


**Table 1: Evolution of Philip Morris Corporate Responsibility**

<table>
<thead>
<tr>
<th>Date</th>
<th>Social Value Principles</th>
<th>Pleasure and Harm Reduction Principles</th>
<th>Marketing Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2, 2001</td>
<td>We believe that corporate responsibility is based on a recognition that a company's activities impact people and societies in a host of ways that go beyond economic and financial performance. Corporations are citizens in their societies—impacting the environment, social relationships, communities, policies, health, and human development. We believe that for a corporation to be responsible, it must examine all of these impacts, engage in active discussions with stakeholders as to what responsibility means, and constantly review and adapt their activities to ensure that they create social value as well as economic value.</td>
<td>None</td>
<td>Assert that cigarette marketing is appropriate, given its health risks, and that marketing is minimally visible to minors.</td>
</tr>
<tr>
<td>April 11, 2001</td>
<td>Philip Morris USA's commitment to the principles of corporate responsibility is based on our recognition and understanding that a company's activities and conduct impact the lives of individuals and societies. In our efforts to be a responsible corporate citizen, we will balance the interests of all stakeholders to ensure that we can contribute both financial and social value in the conduct of our business. . . . We are fully committed to acting in accordance with our principles and believe that we can deliver both economic and social value to all of our stakeholders as well as to society in general.</td>
<td>We will manufacture and market the highest quality tobacco products that meet the preferences and provide smoking pleasure to our adult consumers. Because tobacco products pose a major public health problem, we will focus our efforts on harm reduction as it applies to our products and to our policies, programs and positions. We will continually explore new methods and technologies to reduce the harm associated with our products.</td>
<td>We will market our products to adult smokers in a responsible way. We will seek to develop methods of marketing and promotion that limit their viability.</td>
</tr>
<tr>
<td>April 22, 2001</td>
<td>(revised by task force member Ellen) We encourage economic and social value to our shareholder to justify its confidence in us as a responsible and productive member of the company.</td>
<td>Manufacture and market the highest quality tobacco products that meet our adult consumers' preferences and provide them with smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our products.</td>
<td>Market our products to adult smokers responsibly.</td>
</tr>
<tr>
<td>May 21, 2001</td>
<td>(after senior team feedback) We encourage economic and social value to our shareholder to justify its confidence in us as a responsible and productive member of the company.</td>
<td>Manufacture and market the highest quality tobacco products that meet our adult consumers' preferences and provide them with smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our products.</td>
<td>Market our products to adult smokers responsibly by ensuring we do not appeal to nonsmokers and that we encourage those who want to quit to do so.</td>
</tr>
<tr>
<td>May 25, 2001</td>
<td>(after further senior team review) We encourage economic and social value to society and justify confidence in us as a responsible and productive member of the company to our shareholder, Philip Morris Management Corporation.</td>
<td>Respect and support our adult consumers by meeting their preferences, providing them with smoking pleasure and continuously exploring and implementing new methods and technologies to reduce the harm associated with our products.</td>
<td>Market our brands to adult smokers responsibly while not advocating smoking or discouraging quitting.</td>
</tr>
<tr>
<td>June 6, 2001</td>
<td>(after further senior team review) We encourage economic and social value to society while generating an acceptable return to our shareholder, Philip Morris Companies Inc.</td>
<td>Respect our adult consumers by meeting their preferences, providing them with smoking pleasure and continuously developing new methods and technologies with the potential to reduce harm associated with our products.</td>
<td>Responsible market our brands to adult smokers while neither advocating smoking nor discouraging quitting.</td>
</tr>
<tr>
<td>November 11, 2001</td>
<td>We encourage economic and social value to society while generating an acceptable return to our shareholder, Philip Morris Companies Inc.</td>
<td>Respect our adult consumers by meeting or exceeding their preferences, providing them with smoking pleasure and continuously developing new methods and technologies with the potential to reduce harm associated with our products.</td>
<td>Responsible market our brands to adults who choose to smoke.</td>
</tr>
</tbody>
</table>

Figure 1: Strategic CSR Brand Framework


Figure 2: Shannon-Weaver Model of Communications

Figure 3: Emerging Vs. Developed Market Industrial Production

Emerging versus developed market industrial production (% YoY)
Source: Credit Suisse research

Source: Emerging Consumer Survey 2012 (Credit Suisse Research Institute).

Figure 4: Literatures Contributing to Political CSR

Figure 5: Model of Corporate Social Irresponsibility Attributions

Source: Understanding Attributions of Corporate Social Irresponsibility (Lange and Washburn, 2012).
Figure 6: State of your personal finances

Do you think the state of your own personal finances over the next six months will be better, worse or about the same? 2011 versus 2010 results


Figure 7: Global FDI in Middle East 2011

Source: Ernst & Young’s 2012 ‘Attractiveness’ Survey, Middle East and North Africa.