

CORPORATE SOCIAL RESPONSIBILITY AND BRANDING CO-EXISTENCE PRACTICES IN BANK SIMPANAN NASIONAL AND AGROBANK IN MALAYSIA

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ABSTRACT

The growth of the relationship between companies and society has been one of deliberate transformation from philanthropic co-existences to one where mutual interest of the entire stakeholder is becoming essentially significant (Bhattacharyya & Rahman, 2003). Thus, it can be illustrated that corporate social responsibility (CSR) is in fact vital to organizations. Another essential part that relates to CSR is branding. A good brand can make customers trust and stay loyal to the products or services that they use. Today, many organizations are very concerned with the best brands to be presented to the public, in particular customers of the organization. Branding and CSR operate in synchrony. This is appropriate when market research shows responsible business practices to be key drivers of brand preference. Core strength of this is that companies with the right business model can tell a single compelling story across all touch points. It works best for those companies in which responsibility is (already) a core company value and informs all aspects of the business. This would mean a consistent performance across environmental, community, employee welfare, financial performance and corporate governance commitments. As such, this paper tries to show the importance of CSR and branding in general through certain examples of local organizations such as Bank Simpanan Nasional and AgroBank.

Keywords: corporate social responsibility, branding

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INTRODUCTION

Increasingly, companies are putting a public face on their corporate social responsibility (CSR) activity, but it is driving customer trial, purchase and loyalty and ultimately brand equity. Too frequently these activities are unconnected or, worst of all, go in opposite directions, which for certain types of companies become catastrophic. The current CSR debate is clear evidence of missed opportunities to leverage CSR in brand-building activities. More money than ever is being invested in CSR and companies are making wide reaching organizational changes to support it. Most now have CSR departments reporting to the chief executive, publishing CSR reports and developing CSR strategies and plans. This suggests that CSR and branding are interconnected, interdependent and cannot be separated if both concepts are being discussed. The method used to discuss both CSR and branding concept in this paper is through reviewing past researches, analyzing existing case studies, and exploring current trends by organizations in implementing both concepts. As such, this paper tries to show the importance of CSR and branding in general through certain examples of local organizations such as Bank Simpanan Nasional and Agro Bank.

Corporate Social Responsibility

CSR has gained a great amount of publicity within the last decade due to the positive correlation between brand reputation and profits. The changing attitude towards CSR is encouraging a greater number of companies to change their policies to add CSR as part of their strategy.

For all the talk about corporate social responsibility within business circles and in the media, there is scant understanding of what CSR really is, and what it is not. Net impact, whose mission is to make a positive impact on society by growing and strengthening a community of new leaders who use business to improve the world, defines CSR simply as using the power of business to create a better world. McElhaney (2009) defined CSR in terms of corporate strategy and advocated that firms use CSR as part of their portfolio of business strategies. McElhaney (2009) also developed and used the following definition of strategic corporate social responsibility:

A business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day to day business culture and operations (McElhaney, 2009).

One common problem in defining CSR within a company is that the concept of corporate social responsibility itself goes by many different names. What is called “corporate social responsibility” in one organization might be given the label “spiritual capitalism” in another. There are a variety of other terms for CSR in organizations, including corporate

responsibility, sustainable development, global citizenship, corporate citizenship, value-driven business, natural capitalism, etc. Despite a vast growing body of literature on CSR and the many definitions of it in past researches (Wood, 1991; Swanson, 1995; Carroll, 1999; Maignan & Ralston, 2002; Gariga & Melè, 2004, Dalshrud, 2006; Matten & Moon, 2008; Jamali, 2008; Lee, 2008) much debate remains as to the exact nature of this complex concept. It has also created uncertainty as to what the concept really involves (Lee, Mak & Pang, 2012). This uncertainty did not arise from its lack of a universally agreed definition but what CSR entails (Dalshrud, 2006). In an analysis of CSR definitions from 1980 to 2003, Dalshrud (2006) found the contradictory definitions were similar to descriptions of a phenomenon. Five recurring elements were identified, namely the most frequently mentioned environmental and social elements, followed by voluntary, stakeholder and economic factors. He stated that CSR had to be contextualized and the most favourable level of CSR is decided by its stakeholders.

Regardless of the label used, McElhaney (2009) dissuaded leaders from wasting a lot of time splitting hairs over a name for their own CSR efforts. McElhaney (2009) strongly suggested that they call it something, give it a name and use it consistently, and define it for themselves as a company. Many companies stop there and that are not enough. The more critical step is that they should develop and execute a business strategy around their CSR, communicate it, and brand it. Communication strategy including the channels and medium used to communicate CSR efforts as well as branding strategies are noticeably important in order for the business to grow. It shows that whatever efforts being executed or being implemented by the organization are being made public;- therefore, the efforts are not wasted. This is in line with past literatures which concluded that if an organization executes its CSR efforts and are recognized by the stakeholders, the brand name of that particular organization will be well-known (Iqbal, Ahmad, Shiraz & Bashir, 2012; Moyeen & West, 2013; Pillai, 2012; Abratt & Kleyn, 2011; Bahtiar, 2006; Maignan & Ferrell, 2004; Cornelissen, 2011; Arvidsson, 2010; Nielsen & Thomsen, 2012).

Branding

Brand plays an important role in business. That is why a lot of brands exist and continue to be used by businesses though the structures of the organizations have changed through time. For instance, 7-Eleven started to operate 7 am to 11 pm in the beginning of its operations. But now, using the same brand name, they operate 24 hours a day. This shows that branding strategy has become more and more essential in a competitive business world. A good branding strategy is what it takes to create an attractive product or services.

According to Simoes and Dibb (2004), branding is not just a name to a product or services; it's more than that. Every business is using branding to distinguish its product or services from the competitors (Baker, 2006). Brand is a promise, idea and hope that will be retained

in every customer's thought before or after they have used the product or services the organization had offered (Source, What is a brand?). A good brand can make customers trust and stay loyal to the products or services that they use. Today, many organizations are very concerned with the best brands to be presented to the public, in particular customers of the organization.

According to the American Marketing Association (AMA) 2009, brand consists of a name, term, symbol or design or a combination of all with the aim to differentiate the product or service from one organization to another. The brand has become important today because a good brand will establish a good reputation for the organization. Georson (2009) defined brand as to create awareness, reputation and visibility in the market. The strength of a product or quality of product is the brand itself. During the past decade, there has been a spate of acquisitions by European consumer goods companies to increase their product portfolio and accelerate their geographic expansion strategies. In many instances, large premiums were paid for the companies they acquired (Knox, 2004). For instance, Nestle' paid £2.6 billion for Rowntree though the company's balance sheet value was only £0.4 billion. While this premium reflects the potential value of Rowntree's distribution, its customer relationships and branding know-how, without doubt the largest share of the premium was for its confectionery brands which the company's management had carefully nurtured for decades (Kotler, Armstrong, Saunders & Wong, 1996; Shamoan, 1999). Another example is Coca-Cola. Coca-Cola calculates that only about 4 per cent of its value can be attributed to its plants, machinery and locations. The real value of the soft drinks giant lies in its intangible assets, and first amongst these is its brand.

In relation to this, brand is said to be born of the three aspects of an organization which are; what is offered by the organization, what is done by the organization and the organization itself. The brand reflects the reliability and consistency of the products and is able to build a positive perception of the goods or services produced (Davis, 2006). Brand presents the perceptions and feelings of consumers about the product's appearance, and style of all the features of the products and services that benefit the consumer. In fact, the brand is part of the consumer's mind. In essence, brand values provide a promise of sameness and predictability (Keller, 2003). Additionally, branding strategy is seen to be very crucial in today's competitive business world. To make certain products and services recognized and trusted by the public, the organization needs to use a compelling branding strategy; example, re-positioning, re-branding, re-naming, and re-structuring of the products, services, organizational structure, etc. Thus, it is clear that the brand is very important in the market to influence customers to continue to buy and be loyal to the products or services offered by an organization.

CSR and Branding

The Integrated Approach

In this approach, the brand and CSR operate in synchrony. This is appropriate when market research shows responsible business practices to be a key driver of brand preference. The core strength of this approach is that companies with the right business model can tell a single compelling story across all touch points. It works best for those companies in which responsibility is (already) a core company value and informs all aspects of the business. This would mean a consistent performance across environmental, community, employee welfare, financial performance and corporate governance commitments.

This is the premise behind the pioneering American natural food retailer, Whole Foods, which recently acquired the UK's Fresh & Wild. Whole Foods' brand promise is all about sustainability, as evidenced in its slogan 'Whole foods. Whole people. Whole planet.' Business, brand and CSR strategy are directly and visibly linked. Whole Foods' CSR strategy sets the standards for its products the way they are sold, and the way it treats its employees. Thus, the retailer gets the fish from sustainable sources, the meat and vegetables are organic, and artificial products with too many e-numbers (artificial colouring code) are banned from its shelves. Moreover, Whole Foods' employees, known as 'team members', are encouraged to participate in charitable activities in company time. It also prides itself on constantly setting new standards for using alternative energy to power its stores. The results of this integrated strategy are evident in Whole Foods' success, with double-digit growth rates over the past couple of years. If companies adopt this integrated approach and put CSR on the marketing director's agenda, stakeholder expectations will be met and CSR activities will help achieve their desired result, namely to build successful brands and businesses.

Instead of bolstering the brand and bottom line, CSR efforts have come under fire both from investors, who cry misuse of shareholders' money, and from consumers and interest groups, who criticize companies for promising more than they deliver. Shell, the Coca-Cola Company, and British American Tobacco are just some of the latest organizations to have experienced a backlash for their CSR efforts (Aluchna, 2010).

Companies are losing out because there is often little or no integration between CSR and the marketing departments and their respective strategies. The companies are 'losing out' because CSR is not being integrated into marketing strategies. Some communication or public relations and corporate communication scholars would think that the integration of CSR with PR is an aspect that creates long term reputational value for companies (Bartlett, 2011).

Recently, The Carbon Trust survey revealed that half of the 1,000 UK respondents are more concerned now than they were five years ago about the impact of companies on the environment. It is clear that while leading brands are adopting new CSR models that boost their bottom lines (61% of people are more likely to buy from companies with good reputations), communicating that message effectively to influence and educate consumers takes an innovative marketing approach.

The Carbon Trust survey also shows that consumers are more aware of brand strategy and that 56% of people are more loyal to brands that can show evidence of environmental actions. Given the need to win consumer loyalty, it is imperative for marketers to play a greater role in driving that change (Carbontrust, 2013).

It is clear that CSR plays a vital role in enhancing an organization's reputation and brand names. By promoting CSR efforts, it will definitely enhance the brand name as well as aid in acquiring greater profits for the business. Sustainability and growth of any organization are dependent on the synchronization of the brand and CSR efforts.

CSR and Branding Practice in Bank Simpanan Nasional (BSN) and AgroBank

Bank Simpanan Nasional (BSN)

Most organizations, whether private organizations or NGOs (non-governmental organizations) including banking institutions such as Bank Simpanan Nasional (BSN) are assisting the government by playing an active role in CSR as it will provide a significant impact to the community. BSN is considered one of the active players in implementing and conducting CSR activities for the well-being of Malaysian society (Bank Simpanan Nasional Annual Report, 2010).

BSN is not only mandated to provide financial access to the community, but also to observe corporate social responsibility as one of the key elements for the development of the community in Malaysia. Since its inception in 1974, BSN has supported the Ministry of Finance in expanding the corporate social responsibility aspect. In the early stages of its establishment, as there were no CSR activities, BSN contributed 30% of the bank revenue in investment funds to the government, for development of the national economy.

However, currently BSN continuously allocates RM 1 million each year for its CSR activities. In 2008, BSN was appointed by Prokhas Sdn. Bhd. (a wholly owned subsidiary of the Ministry of Finance) to coordinate the "Project Amal Jariah" (a joint programme with Bank Islam Malaysia Berhad). This project aimed to improve the living conditions of extremely poor families by repairing their houses as well as provide some other basic needs. The fund/budget allocated for the project was RM 50 million and the program succeeded in repairing more than 3200 houses throughout the whole country with an expenditure of RM

17.5 million until December 2008. In addition, there are other programmes such as “Program Sekolah Angkat” (adoption of schools programme), “Program BSN Prihatin” (community relations programme), and “BSN Tutor Online” (online tutorial for primary and secondary school children).

Besides externally enhancing its CSR activities, BSN has also conducted several programmes such as seminars, workshops and courses to improve the skills and knowledge of its employees. There were about 272 external and internal courses conducted in the year 2008 alone aimed at realizing the “Modal Insan Berilmu” (Knowledgeable Human Capital) of BSN employees, and other development programmes to increase the employees’ understanding level of knowledge including knowledge about CSR. Additionally, the programmes in 2010 were “Social Venture Challenge” with RM 100, 000 as the prize for the finalists (aiming at nurturing the entrepreneurial skills of university and polytechnic students) and “Creative Industry Fund (CIF)” with a RM 192 million fund allocation (aiming at helping the creative industry practitioners to expand their businesses and inventions). At a glance, the impact of CSR is becoming widely known and widely accepted in communities throughout the world. Therefore, the growing demands on business to respond to social concerns as a vital element of the modern business scene are highly desirable. Thus, the CSR activities that have been conducted by BSN, show that CSR can help create a positive self-image and brand-image among consumers (Drumwright, 1994; Brown & Dacin, 1997; Handelman & Arnold, 1999; Dincer & Dincer, 2010).

Agro Bank

Agro Bank, formerly known as Bank Pertanian, has transformed into a corporate entity. In 2009, Bank Pertanian conducted a massive rebranding. Agro Bank has expanded its banking services to meet the banking needs of the community, especially the farmers. It has been rebranded from every angle of its entity;- logo, name, colour, tagline, building structure, services offered, etc. to differentiate between the then Bank Pertanian and the present Agro Bank. Large sums were allocated for the rebranding to be successful. This also included the social work carried out by Agro Bank. Starting in 2011 after the rebranding, Agro Bank has carried out a series of CSR activities in stages. Among the activities were helping out the flood victims in Kemaman and “pemberian zakat” (zakat distribution) to poor families. In addition, Agro Bank also runs the “Program Menyemai Kasih” which covers the whole country. This program is targeted at school children among selected schools. The contribution from Agro Bank is in the form of school stationery, “ladybug piggy bank” and “Buku akaun simpanan Agromudai” (savings account). The latest CSR activity in 2015 is “Agro Bank Young Talent Programme”, which focuses on developing graduates with high potential into becoming future leaders. Through this CSR initiative, Agro Bank received publicity through media coverage; and thus was able to further enhance the brand ‘Agro Bank’ in the eyes of the community. This is because; society is very sensitive to the brand of

products or services offered by organizations. Obviously, CSR has a strong relationship to improve the organization's brand.

CONCLUSION

This paper clearly shows that branding and CSR are interrelated and combining these two concepts is a great way to have a prosperous business. The consistency of CSR efforts and branding is the key to successful business strategy. Once CSR is understood, instilled and communicated to develop profound engagement between all stakeholder groups, appropriate fitting causes and opportunities to constantly and consistently communicate a simple strategic message will add value to the organization. This simply means integrating CSR with the core branding strategy externally to consumers, potential employees, suppliers, retailers, governments, communities and peers and internally to existing employees.

In the future, the focus will not be on whether or not to engage in CSR but on how to implement it in a smarter and more strategic mode, and also on how to integrate it into day-to-day business strategies. It will also be concerned with the significance of managing the CSR activities appropriately, especially in promoting the brand and image of organizations

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