Corporate Sustainability/CSR Communications & Value Creation: A Marketing Approach

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Spring 2008

Thesis submitted for completion of a Master of Business Administration (MBA)

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Abstract

The purpose of this study is to explore the current practices in corporate sustainability/CSR communications and how this trend contributes to corporate value creation. More specifically, this study looks at this subject from the angle of how companies can use corporate sustainability/CSR communications in marketing activities to attain corporate marketing objectives.

To achieve the aim of this study, an examination of the current practices in corporate sustainability/CSR communications was performed through a pertinent empirical and theoretical literature review as well as a quantitative and qualitative empirical method using a survey questionnaire. The author attempted, in the same way, to illustrate how corporate sustainability/CSR communications can strengthen corporate reputation and directly enhance financial performance. For theory, two bodies of literature (corporate communications and corporate sustainability) were selected for review in terms of the degree of synergy and integration between them and their implications for this thesis.

The key findings from literature review and empirical study showed that the practices of corporate social responsibility communications occurs through CSR, Triple Bottom Line (PPP) or corporate sustainability reporting, stakeholder dialogue on sustainability issues and social and environmental communication programs. Also, the auditing and assurance of CSR reporting is carried out through different measures including internal (i.e. human resources management, CSR and/or PR department) and external (i.e. business partner, consulting or risk management firm) or both measures. It was also found that sustainability has been a part of corporate culture and strategy development for a number of organizations pursuing the sustainability path for decades. Moreover, public relations activity is ranked the most effective in communicating sustainability at corporate level and has the potential to reach a wide spectrum of stakeholder audiences. However, a level of skepticism was noticed among stakeholders towards corporate sustainability/CSR communications. Nonetheless, knowing how stakeholders perceive corporate image and what they expect in return for their support is fundamental in designing effective corporate and marketing communications strategies. Stakeholders’ relations management is the bottom line for success and sustainability of the business and lies at the core of CSR practice and its reporting. Further, the growth of corporate sustainability/CSR communications has reflected the keen interest from all stakeholders; hence, it has become a topic of major importance and also, as it was found, a key factor that experts and planners in the field should capitalize on and watch in competitive marketplaces.

Furthermore, having a pro-social and environmental agenda means having a sound corporate and marketing communications strategies that can build a company’s reputational standing and create sustainable competitive advantages. The trend towards injecting sustainability into corporate decisions making and strategy development has come about through what organizations have achieved in terms of value creation pertaining to reputation and financial performance enhancement.

The author’s review of the literature makes an advance on extant reviews of the literature by highlighting the importance of corporate sustainability/CSR communications in marketing with respect to corporate value maximization. Overall, this thesis endeavours to present contributions, avenues and departure of journeying for further empirical research and development.

Keywords: Corporate and Marketing Communications, Corporate Sustainability, CSR, Corporate Identity, Corporate Reputation, Financial Performance, Stakeholders, PR and Skepticism.
Acknowledgement

This thesis is the fruit of many experiences, challenges and relationships involving great many people to whom I am more indebted than I can possibly acknowledge. Some, however, deserve special thanks. I must begin by thanking those who have supported me through my journeys. I wish to thank all who have, directly and indirectly contributed to my research and writing up of this dissertation, making it such an enlightening, enjoyable and momentous intellectual experience.

I would like to specifically thank my supervisor, Dr. Anders Hederstiena, MBA Program Manager (BTH) for his readiness to give of his time and knowledge through his constructive advice and guidance throughout the process of this thesis that kept me on a sound research path while his good nature and humbleness made working with him such a pleasure. Also, I would like to acknowledge Dr. Klaus Solberg Søilen, MBA thesis professor (BTH) for his insightful comments and the lectures on how to approach and improve the quality of the research, which has been of great value and import to my thesis. I also express my gratitude to the practitioners in the field who participated in my survey. Their candid responses solidified my purpose for embarking upon this learning journey.

I owe special thanks to all MBA program team for the content and support delivered throughout the year of study and specially who, in different ways have supported my graduate studies and contributed, tangibly and intangibly, to my knowledge enrichment, which gave me inspiration to put it in writing. Special thanks go also to my colleagues from the MBA program for their cooperation and their constructive discussions. Also, I would like to extend my thankfulness to all my colleagues from MSLS program 2006-2007 for their encouragement, fruitful discussions on diverse topics, unwavering support and mainly for their dedication to achieving the vision of a sustainable society (corporate sustainability!).

Last but not least, I would like to extend my profound gratitude and appreciation to my devoted and affable sister Amina for her encouragement and immeasurable moral support throughout the tough times; she has been a loving and constantly restorative counterbalance to life. Without her patience and love, I would have never been able to make it through this intellectual endeavor.

Mohamed Bibri, Karlskrona
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Glossary and Acronyms

Glossary

**Biodiversity**: Is a term that generically refers to the variety of living organisms and life in all forms, levels and combinations. This term includes genetic diversity, species diversity, and ecosystem diversity.

**Biosphere**: The whole of the Earth’s surface, atmosphere, and sea that is inhabited by living things (Rooney 1999). Or, the Earth’s outer shell, within which life’s processes occurs - air, land, and water.

**Branding**: The term usually refers to the process of creating a brand, the visual, emotional, and cultural image associated with a company/offering. It is known primarily for the image of the company it projects.

**Communications Mix**: A variety of marketing communications tools, grouped into personal (i.e. personal selling and sales promotions) non-personal selling (i.e. advertizing, public relations) activities.

**Corporate Advertizing**: Is advertizing on behalf of an organization rather than its offerings (Fill, 1999). It involves “the combination of the best of advertizing and the best of public relations.” (Ibid, p. 406)

**Corporate Citizenship**: The extent to which companies are socially responsible in meeting legal, ethical and economic responsibilities placed on them by shareholders. It is about the company’s sense of responsibility towards the community and environment in which it operates.

**Corporate Governance**: Is a term that refers broadly to the rules by which companies are operated, regulated, and controlled in relation to internal and external stakeholders.

**Corporate level Marketing**: Corporate level marketing involves corporate level issues such as corporate identity, branding, communications and strategy (Balmer, 2001; Balmer & Greyser, 2003).

**Cynicism**: This term generally refers to the belief or attitude of jaded negativity towards the integrity or professed motives of others (i.e. individuals, organizations). It is characterized as an enduring and deep belief compared to skepticism that is more situational and not as long lasting (Mohr et al., 1998).

**Earth’s Crust**: The thin outermost layer of the Earth, approximately 1% of the Earth’s volume, that varies in thickness from 30-70 km below the continents to 6-8 km below the oceans (Rooney 1999).

**Holistic**: Involving all aspects of something (characteristics, traits, behaviors, patterns, relationships, cause-effect, dynamics, etc). For example, including somebody’s physical, mental and social conditions, not just physical symptoms, in the treatment of illness (Rooney, 1999).

**Media**: Usually used to refer to TV, radio, newspapers and magazines, Internet or email. The term media can also refer to any communications channel.
**Target Audience:** The people intended to be reached by a communication program or activity such as marketing or corporate communications.

**Triple Bottom Line (PPP):** This term refers to “a situation where companies harmonize their efforts in order to be economically viable, environmentally sound and socially responsible.” Elkington (1997, cited by van Marrewijk, 2003, p. 103)

**Skepticism:** Refers to the disbelief, doubting or questioning attitude towards any claims or truth of facts, inferences, persons, or institutions. It is characterized as more situational and thus not as long lasting as cynicism that is considered as an enduring and deep belief (Mohr et al., 1998).

**Stakeholder:** Anyone with an interest or stake in the decisions made by an organization, or anyone affected by those decisions.

**Strategy:** Refers to logical and generic guidelines to inform the process and implementation of a long term plan of action designed to achieve a particular goal.

**Strategizing:** To plan and devise a strategy or course of action.

**Sustainability:** A state where the four ‘sustainability principles’ (Robèrt et al., 1997) are not violated.

**Upstream Solutions:** This term refers generally to solutions focused on the source of the original problem, as opposed to the effects of it

**Vision:** Refers to the direction and destination set and planned by an organization. It usually reflects the optimistic view of the organization's future.
Acronyms

**BTH:** Blekinge Tekniska Högskola  
**CA:** Corporate Accountability  
**CC:** Corporate Communications  
**CI:** Corporate Identity  
**CPL:** Corporate Public Relations  
**CSRC:** Corporate Social Responsibility Communications  
**CSRR:** Corporate Social Responsibility Reporting  
**CSR:** Corporate Social Responsibility  
**CESER:** Corporate Environmental, Social and Ethical Reporting  
**CPR:** Corporate Public Relations  
**CSP:** Corporate Social Performance  
**CSU:** Corporate Sustainability  
**CSC:** Corporate Sustainability Communications  
**DJSGI:** Dow Jones Sustainability Group Index  
**DM:** Direct Marketing  
**EMS:** Environmental Management System  
**ESP:** Environmental and Social Performance  
**GRI:** Global Reporting Initiative  
**IPR:** Institute of Public Relations  
**IRR:** Internal Return Rate  
**MC:** Marketing Communications  
**MM:** Mission Marketing  
**NPV:** Net Present Value  
**PI:** Profitability Index  
**PPP:** People, Profit and Planet  
**PR:** Public Relations  
**PRET:** Public Relations Educational Trust  
**SAM:** Sustainable Asset Management  
**SD:** Sustainable Development
CHAPTER ONE
INTRODUCTION
1. Introduction

The aim of this introductory chapter is to provide an insight into the research area. Following the discussion of the background, the problem discussion is tackled, leading to the purpose, scope, research questions, and then the methodology adopted in this study. At the end of this chapter, the outline of the thesis is presented.

1.1. Motivation and Justification

There is a general consensus that the health of the economy depends on the health of the earth’s socio-ecological system. Empirical evidence (IPCC, 2007) reveals that the factors causing the biodiversity to be lost and earth’s atmosphere to warm are in continuous rise. An understanding of the interdependence and relationship between the environmental, economic and social systems will enable organizations to think strategically and act proactively in order to mitigate their negative impacts on the environment and society through devising new organizational models and alternative solutions for the fulfillment of human needs and the renewal of the biosphere. Dunphy et al., (2003) argue that many corporations need to change the way they do business; new circumstances require new responses. In response to the changing business environment, companies are being forced to take externalities into account in management behavior (Lo and Sheu, 2007). The emerging change requires finding new ways and forging new patterns of conducting business operations and increasing financial and social capital. It has been suggested that to maximize value, companies should not only focus on their financial capital, but should also consider ethical and social capital. In line with that, there are good theoretical reasons for believing that practicing good behavior is beneficial to the organization (Murphy & Laczniak, 2006). However, a company’s value creation requires a deeper understanding of ethical standards than the typical economic approach of short-run profit maximization (Brickley et al., 2002). Nevertheless, the economic value of sustainable corporate strategies is a lot more elusive and hard to pin down, since it only materializes in the long term (Salzmann et al., 2008). This materiality issue might be the reason why sustainability is a slow process. As an emerging economic paradigm shift, sustainability is gradually reshaping corporate culture and strategic choices. The environmental change can’t be ignored as it is a key factor when it comes to developing corporate strategies such as communications and marketing.
However, in order for its thrust to be forward-looking and its scope to be holistic, corporate communications strategy must be sophisticatedly conceived and well planned because it has a central role with respect to influencing a wide variety of stakeholders and is interlinked to various corporate activities including “marketing, organizational, and management communications” (van Riel, 1995). Further, corporate marketing communications has attracted increasing attention over the past years, and this is epitomized by several special issues on this topic in European Journal of Marketing (Wei He, 2008). A well-planned corporate communications program helps craft a company messages to all stakeholders on which its failure and success depend. Organizations must understand and act upon the demands and concerns of all stakeholders, including consumers, communities, clients, and local authorities, etc. Understanding who the stakeholders are, how they think, what motivates them and how they relate to each other is fundamental for an organization to ensure enduring and favorable partnership, thereby achieving its objectives. That being said, it appears that the inherent relationship between an organization and stakeholders could, if built on trust and commitment, create an environment where cooperation is stimulated to fuel changes designed to promote social and environmental sustainability. If organizations integrate human and ecological sustainability into their business planning, then community, marketplace and workplace concerns can be addressed alongside those of the planet (Dunphy et al., 2003).

As corporate communications plays a pivotal role in building and maintaining favorable relationships between the organization and the constituencies of society, the process of formulating communications strategies should involve a solid assessment of external environment such as societal and ecological forces in order to respond positively to rapid changes and accommodate to stakeholders demands and concerns pertaining to sustainability issues. Ballou et al., (2006) challenge that organizations are, due to increased pressure from internal and external stakeholders, measuring and reporting more on their social and environmental performance (SEP) as well as the usual financial reporting measures. Corporate social responsibility (CSR) is becoming a vital part of staying competitive, partly because it helps to satisfy stakeholders’ expectations (Gardiner et al., 2003). Therefore, the primary task of corporate communications is to seek solutions that will ideally achieve the goals of all stakeholders and deal with the challenges of the current complex dynamic business environment. The skill of the communications planner is to sense the environmental forces that may be inconspicuous now but which may overtime gather strength and impact the organization in the future (Fill, 1999). “The force with which ecological issues impact upon
consumers and organizations can only intensify’ (Ibid, p.165). Marketing planners and managers, according to Dunphy et al., (2003), are now making decisions influenced by sustainability factors.

Furthermore, corporate sustainability/CSR communications can be profitable in the long run. Recent instrumental empirical studies have proven that organizations maximize value creation when adopting sustainability/CSR practice. This value creation can be manifested in reputation and financial performance enhancement (Lo and Sheu, 2007 and Salzmann, 2005). Fombrun and Shanley, (1990) point out that empirical studies have suggested that the greater an organization’s contribution to social welfare, the better its reputation. Further, empirical research has found links between CSR, return on equity, business image and reputation, and performance (Zairi, 2000).

However, some other theoretical studies have found neutral (inclusive correlations) (Alkhafaji, 1989; Freedman and Jaggi, 1982), and negative (Aupperle et al., 1985; Posner and Schmidt, 1992) link between environmental and social performance (ESP) and financial performance (FP). Based on the dates when the later studies took place, probably corporate sustainability was just emerging at the time (not many organizations were yet on the path) as well as the public knowledge about sustainability had not burgeoned yet or become widespread enough so stakeholders could understand and act upon this knowledge to favorably perceive the image of sustainable companies.

Therefore, exploring the current practice of corporate sustainability/CSR communications and its contribution to the achievement of corporate marketing objectives is deemed to be a significant area that merits further focus as it has been a mainstream research theme in the field of corporate, marketing, and sustainability communications alike, thereby the motivation behind this dissertation.

1.2. Background of Corporate and Marketing Communications and Sustainability

1.2.1. Corporate and Marketing Communications

1.2.1.1. Corporate Communications

According to the definition of Zerfaß, (1996, p. 287) corporate communications are “all communicative actions of organizational members that contribute to the goal definition and implementation in for-profit companies”. Corporate communications serve as the liaison between an organization and its stakeholders within the network in which they synergically interact. Fill,
(1999) states that corporate communications concerns the needs of all stakeholders and used to satisfy an organization’s corporate goals.

Corporate communication is the process through which stakeholders perceive the organization’s image and reputation that are formed through the interpretation of the identity cues presented by that organization (Blamer and Gray, 2000). It is broadly referred to as a strategic management approach used by organizations to communicate to their target audiences through different communications tools such as public relations, advertising and so on. Corporate communication seeks to promote corporate reputation that is derived from the accumulated positive images held by stakeholders. This process involves the identity and the accompanying behavior of an organization on which people usually base their perception to form their image of an organization. According to Ind (1992), corporate communications is a part of the process that renders corporate identity into corporate image. The message that is to be delivered should attempt to inform all stakeholders of what the organization is what it does and how it does it in a credible and consistent way (Fill, 1999).

For an effective communication with external stakeholders, it is necessary to ensure that internal communications performance is effective enough to reflect what the organization wishes to project in the eyes of its stakeholders. Fill, (1999) contends that employees are considered to be the most important stakeholders in the sense that they are not only an audience but also a key component when it comes to external communication with stakeholder audiences. The point is to first adapt employees’ perceptions and then their attitudes and behavior (Ibid), so they can deliver the message with a higher level of congruence to external stakeholders (communities, consumers, financial groups, and government, etc). Internal consistency and congruency are vital to a successful external communication of corporate identity (Harris and de Chernatony, 2001). Internal communications is normally more needed in the situation where the organization deals with major changes such as adopting corporate sustainability model. However, a communication approach is required to address all issues of internal and external communications to better manage stakeholders’ relationships.

1.2.1.2. Marketing Communications

Generally, the concept of marketing communications can be defined in multiple ways and there are many interpretations of marketing communications. According to Delozier (1976), marketing
communications is defined as “the process of presenting an integrated set of stimuli to a market with the intent of evoking a desired set of responses with that market set and setting up channels to receive, interpret and act upon messages and identifying new communication opportunities”. A close examination of this definition depicts that the focus is on the concept of stimuli and feedback associated with the communication process and on that the message set should be integrated to successfully produce the needed response from the target stakeholder audience. Tony Yeshin, (1999) defines marketing communications as the process by which an organization develops and presents an inducement to a defined target audience with a purpose of eliciting a desired set of actions.

Fill (1999, p.1) defines marketing communications as “a management process through which an organization enters into a dialogue with its various audiences. To accomplish this, the organization develops, presents and evaluates a series of messages to identified stakeholder groups. The objective of the process is to reposition the organization and/or its offerings in the mind of each member of the target audiences. This seeks to encourage buyers and stakeholders to perceive and experience the organization and its offerings as solutions to some of their current and future dilemmas.” This definition of marketing communications is based on three main themes to be distinguished: dialogue, positioning and cognitive response (Ibid). (1) Dialogue: by marketing communications the organization intends to create a dialogue with different stakeholders in such a way that multi-way communications are stimulated. (2) Positioning: this theme implies that there is a link between the communications of the organization and how its offerings/brand can be perceived by stakeholders as compared to rivals’ offerings/brands. (3) Cognitive response: centers on the idea that the receivers are viewed as active problem solvers and they use marketing communications to help them in their organization-related activities. This involves the concept of the brand image and how it can influence the perception and attitudes of different stakeholders.

1.2.1.3. Merging Corporate and Marketing Communications

Corporate communications, according to van Riel (1995), consists of three types of communications: marketing communication, organizational communication, and management communications. As set out previously, the focus of this study is on the marketing communications as a sub-area of corporate communications and its relationship to CSR reporting/communications. Markwick and Fill (1997) define corporate communications as the process which translates
corporate identity into image and emphasizes the means that companies use to present themselves to their stakeholders. Corporate concepts like identity and image are also elements of corporate marketing communications. Corporate level marketing involves corporate level issues such as corporate identity, corporate communications, and corporate image and corporate reputation (Balmer, 2001; Balmer and Greyser, 2003). Further, within the literature there is a growing consensus that corporate identity provides the foundation for other corporate-level concepts such as corporate communications, corporate image and corporate reputation (Balmer and Greyser, 2003). Marketing communications is a broad and evolving area of strategic management. More recently, corporate and marketing communications have merged together and so corporate communications has become a part of marketing communications activities since it is often intended to complement other communication programs and activities. Balmer, (2005) argues that it is not always appreciated that corporate communications is fundamentally different from marketing communications activities. In the light of development; it can be of greater advantage to consider corporate communications as a part of an organization’s overall marketing activities (Fill, 1999). Using marketing communications to strengthen the image and build the reputation of the organization is an activity referred to as corporate communications as it deals more or less exclusively with the corporate entity (Ibid). The exact scope of corporate level marketing is still not clear, in spite of some progress achieved in this area; however it is been suggested that corporate level marketing involves the marketing of the company and organization as a whole, rather than any offering/brand by a company (Wei-He, 2008).

In summary, corporate communications is a part of marketing communications activities used to reach all stakeholders including consumers, employees, financial analysts, local authorities, trade unions, and media press (support network); and channel intermediaries (performance network). To enhance its image, the organization should understand stakeholders’ needs through creating continual dialogue that fosters and nurtures trust and commitment and helps relationships to grow and flourish. Fill, (1999) suggests that an organization need to understand, shape and act upon the awareness, perception and attitudes held by stakeholders though establishing dialogue for developing trust and commitment to build long term relationship. This is critical in order that stakeholders favorably act, perceive and position an organization. Understanding the concerns of stakeholders is critical in determining the path of the relationship. Thus, communications strategies are becoming a vital source to build and develop relationships with a wide range of stakeholders. That being said,
many stakeholders have recently expressed concerns about sustainability issues so companies have started to realize the importance and value of conducting business operations from sustainability perspective – corporate sustainability. This issue and related themes are taken up in the next section. However, for the purpose of this study, we interchangeably use the terms corporate marketing communications, and corporate communications at corporate level.

1.2.2. Sustainability

1.2.2.1. Why Sustainability?

Sustainability requires that organizations shift their paradigm of how they do business, interact with stakeholders and look at the world as a whole. It seeks to reshape the way organizations act and behave towards society. These organizations must think holistically, on a larger scale, and of future generations when doing business. A sustainable organization is one whose culture, strategies and actions are designed to lead to a “sustainable future state” (Funk, 2003).

In the most general terms, sustainability is a state in which society does not systematically undermine natural or social systems within the biosphere. It involves looking at the system as a whole in order to make sound and astute strategic choices for society's long-term benefit. Sustainable development, on the other hand, can be considered as an approach, vision and process to achieve sustainability. It is a pattern of using the ecosystem and its resources to achieve the sustained economic development and growth. This concept was coined and came into widespread acceptance after the release of Brundtland report in 1987 where sustainability it was defined as a development that “meets the needs of the present generation without compromising the ability of future generations to meet their own needs”. It is a development process that seeks to enhance and support higher living standards while protecting and preserving the natural environment needed by future generations. It endeavors to conciliate traditionally misperceived contradictory forces- economic development, social justice and environmental integrity.

However, the challenge of sustainability aims to instigate a new economic paradigm shift. Dunphy et al., (2003) argue that sustainability is widely held to be the desirable path forward for organizations to conduct their business operations and activities. This paradigm challenges organizations to rethink current business models and strategies. Indeed, sustainability has grown out of a need for
real change - out of concerns that economic growth-based development efforts were performing poorly in meeting human needs and improving human welfare (UNDP, 1990). Hence, sustainability is undeniably needed for creating higher living standards and forging a quality of sustained economy. Moreover, adopting sustainability will enable organizations to steer clear from escalating environmental and social threats and taking advantage from future opportunities.

Today, it can be seen at all levels and by all indicators that the crisis of current industry and economy model is acute, therefore waiting for consensus is deemed to be meaningless given the importance of the global issue’s timeliness and urgency that should rather be underscored due to the criticality of the threats facing humanity. As Dunphy et al., (2003) challenge, the crisis is currently too urgent to wait for consensus; there is a vital need to start out on the path towards sustainability by generating new organizational models that support social relationship and the natural world. Humanity faces an unprecedented challenge to reinstate, recover, flourish and sustain socio-ecological system. Empirical evidence (IPCC, 2007) reveals that there are undeniable challenges facing humanity, including growing population pressure, continuous decreasing of health of natural habitats, mounting socioeconomic disparities and inequalities, and increasing human-induced environmental degradation, etc. Calls for sustainability have grown from environmental concerns, such as depleting resources rapidly, degrading the environment, pushing environmental thresholds in unprecedented ways and compromising ambitious nature conservation efforts (Ibid).

The whole premise of sustainability is to create a societal model where people can coexist, create productive lives and forge new patterns to satisfy their needs in a mutual way. Sustainability is an alternative worldview in search of social structures, economic activities, accounting procedures, production and consumption patterns, and technologies that empower and improve the lives of all present people and guarantee quality lives for future generations (Peskin, 1991; Nordhaus and Kokkelenberg, 1999; Princen, 2005). However, it is increasingly recognized that to truly meet present and future resource requirements, sustainability must address both social and environmental aspects of society (Robèrt et. al., 2006).

A revolutionized model is needed to tackle emerging global issues. Quick fixes to current complex problems seem to be useless so the real aim is to devise upstream and innovative solutions to tackle these global issues, such as climate change, social stress and poverty. Society constituencies (i.e.
organizations, governments, corporations, institutions, and NGOs, etc.) must all be mobilized to invariably contribute to supporting sustainability efforts. This can be achieved through discovering, espousing, devising and implementing sound and robust strategies, policies, systems and technologies with the vision to ultimately nourish and restore the quality of the environment and help people fulfill their needs. Fortunately, these initiatives have recently begun to take shape as many organizations have commenced to change the way they operate, embarking on the path towards sustainability. Dunphy et al., (2003) point out that the transformation of corporations is emerging, driven by the changing demands of modern society and also by the leadership of far sighted and responsible people who see the need for change. There is empirical evidence that many corporations are progressing in eliminating hazardous chemicals, managing waste as well as treating employees equitably and ethically, contributing to corporate philanthropy and community involvement and promoting social investments. They are responding by mitigating their environmental impacts through improved environmental management systems and efficiency programs (i.e. EMS, Cleaner Products, and Zero Emission, etc). However, to aid global progress towards sustainability in a more successful way, real change effort is needed from corporations to come forward to show their support and care about these issues, as they have significantly contributed to the current problems. As Dunphy et al., 2003 point out, the global crisis faced by humanity can only be resolved by the use of concerted corporate action. It can be seen that achieving sustainable society is an economic, environmental and social necessity. Overall, organizations need to rely on behaviors that have a future by establishing a vision of finding pathways towards all-embracing value for sustainable economy, if they are willing to forfeit their rights to unsustainably exist.

Toward this objective, corporate strategies such as marketing and communications need to encompass the needs of all key stakeholders that might influence or be influenced by the organization “primary or secondary activities” (Salzmann, cited by Salzmann et al., 2005). Communication is a key corporate strategy and it can be of value and import for the organization to integrate sustainability into corporate communications to respond promptly to stakeholders’ concerns and demands. This is paramount for organizations to fruitfully interact and build favorable relationships with various entities in society. The next section covers the discussion of the relationship between stakeholders and corporate sustainability/CSR communications and how these
concepts merge under the topic of this thesis - *Corporate Sustainability/CSR Communications and Value Creation: A Marketing Approach*.

1.2.2.2. Stakeholders, Corporate Sustainability and CSR

From the literature reviewed, the stakeholder theory and practice has different philosophical underpinnings, multiple definitions, and diverse implications for management, strategies, governance, and policymaking, etc. This concept has increasingly attracted attention and its popularity has recently so burgeoned among academicians, practitioners and policymakers such that it has come to be used in a variety of contexts. As a result, the concept has been criticized. (Weyer 1996, p.35) refers to it as “a slippery creature… used by different people to mean widely different things which happen to suit their arguments”. It is “a rather vague and cryptic concept that is open to a wide variety of rather divergent political interpretations” (referring to a vision of a stakeholder society, Hay 1996, p.47).

In this study, however we concentrate on organization-stakeholder relations rather than the broader use of the concept (abovementioned implications). This study is mainly aimed at the ways stakeholders influence and are influenced by organizations and their operations and activities, in particular with respect to corporate sustainability model and its related practices. Corporate sustainability and related concepts such as corporate social responsibility, corporate sustainability communications, sustainable development, corporate social performance, corporate citizenship, and so on are still ambiguous in academic debate or in corporate implementation (Votaw and Sethi, 1973; De George, 1990; Henderson, 2001). More often, these concepts are used in organizations to fit various management purposes (e.g. marketing, communication, finance, human resources management, etc.) (Lo and Sheu, 2007)

Freeman, (1984) was generally first credited with popularization the stakeholder concept; with his 1984 book *Strategic Management: a Stakeholder Approach*. He defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” (Ibid, p.46) The stakeholder approach denotes that business is not only accountable to its shareholders, but also to stakeholders that may affect or may be affected by the operations or objectives of a business (Freeman, 1984 and O’Rourke, 2003). Noticeably, this argument correlates with the
premise of corporate sustainability which is considered, by definition according to Dow Jones Sustainability Indexes as a business model that creates long-term shareholder value by embracing opportunities and managing risk from economic, environmental and social dimensions. It can be perceived as a strategic management approach that addresses the challenge of maintaining profitable business operations that face new shareholders’ concerns relating to sustainability issues. According to Wilson (2003), corporate sustainability is an evolving management paradigm that poses an alternative to the traditional models of growth and short time wealth maximization. It is a positive multi-faceted concept covering areas of environmental protection, social equity, community friendship and sustainable development (Lo and Sheu, 2007). However, there is sufficient interest in integrating social and economic aspects into corporate sustainability, in spite of its traditional bias associated with environmental policies (Ibid).

The concept of CSR was developed to counter the devastating consequences of imbalance of corporate power such as environmental degradation, unhealthy consumer products, inhumane working conditions (i.e. inequality) and so on (Logsdon and Wood 2002). According to Enderle and Tavis (1998), corporate social responsibility is the practice of a corporation’s social initiative and involvement over and beyond its legal obligations for the benefit of the society at large. Like stakeholder concept, CSR concept has been criticized by different academicians and practitioners. Nevertheless, CSR has spotlighted moral and ethical issues in business and has raised consciousness (Friedman and Miles, 2006). Many of the issues developed under the label of CSR or corporate social performance (CSP) have consequently influenced stakeholder theorizing (Ibid). Further, stakeholders are useful when it comes to ethical analysis because the idea provides a framework for weighing obligations and gauging the impact of decisions on all relevant groups, not just the organization (Murphy & Laczniak 2006).

Most broadly, corporate sustainability (CSU) and corporate social responsibility (CSR) are referred to as voluntary business activities undertaken by organizations in their interaction with a wide variety of stakeholders. This is sought to build positive and enduring relationships. Generally, significant attempts have recently been taken to clear the lines between CSU and CSR due to the views that argue the ambiguity inherent in the distinction between these two concepts. Wempe and Kaptein (2002) indicate that CSU is the ultimate goal, with CSR as an intermediate activity undertaken by companies in an attempt to balance the Triple Bottom Line (profit, people and planet). For
Johnson, (1971) social responsibility in reference to companies concerns the balancing of a multiplicity of stakeholder interests.

Corporate sustainability can be referred to as an umbrella under which various concepts and approaches are considered in the process to achieve the ultimate goal of corporate sustainability. These concepts include: corporate communications, CSR, corporate accountability, stakeholder approach, Triple Bottom Line (PPP) (Elkington, 1997), and corporate social performance, etc. In corporate sustainability, corporate communications is considered as the medium used by organizations to communicate and disclosure, through stakeholder dialogue, CSR reporting and environmental communications programs, their efforts, initiatives, strategies, practices and actions relating to sustainability. From a different angle, Marrewijk (2003) recommends a distinction between CSU and CSR. While CSR is communication-oriented relating to individuals and organizations (e.g. stakeholder dialogue, sustainability reporting, etc.), CSU is concerned with the agency principle (e.g. value creation, environmental management, human capital management, etc.). The stakeholder concept enables organizations to develop more effective strategies to interact with those who have a stake in the organization. However, effective communications are developed by building a positive realm of understanding of these stakeholder groups that impact upon the organization and with whom communication is necessary and important (Fill, 1999).

Generally, the concept of CSR involves economic, social and environmental aspects which a company has to consider when conducting its operations and activities in relation to its stakeholders. This is basically the premise of corporate sustainability. Linnanen and Panapanaan, (2002) depict the relationship between corporate sustainability and corporate responsibility as they pointed that there are three aspects of corporate responsibilities (economic, social and environment responsibility) that are contained in the realm of corporate sustainability that a business has to be concerned with.

1.3. Problem Discussion

At a general level, incorporating sustainability into corporate strategies has empirically proven to be critical in the bottom line success and valuable in sustaining the business. There is a strong interaction effect between corporate sustainability and company’s value in addition to evidence supporting that being sustainable causes a company to increase its value (Lo and Sheu, 2007). The
sustaining corporation is where the strategic leaders have strongly grasped the philosophy of working for sustainable society (Dunphy et al., 2003). This can be achieved through espousing corporate sustainability model which involves supporting business practices that increase social and environmental capital, as a new approach to improve the long-term profitability of organizations. Salzmann, (Salzmann et al., 2005) argues that corporate sustainability is a strategic and profit-driven corporate response to environmental and social issues caused through the organization’s operations and activities. However, due to the bias of corporate sustainability towards environmental policies, there is sufficient interest in integrating social and economic aspects into corporate sustainability notwithstanding (Lo and Sheu, 2007).

As previously mentioned, corporate sustainability aims to address the challenge of sustaining competitive advantage through facing new stakeholders’ demands and concerns relating to sustainability. Maintaining a good stakeholder relationship is critical because it enables the organization to achieve its objectives. According to Wilson (2003) the stronger your relationships are with external stakeholders, the easier it will be to meet your corporate business objectives. Indeed, many stakeholders have expressed concerns about sustainability issues, for example, consumers are now “looking at the behavior of the organization as to whether they are truly concerned about social and environmental issues” (Brønn and Vrioni, 2001).

As many organizations are increasingly capitalizing on their corporate sustainability/CSR communications to build a valued lasting relationship with stakeholders, this trend could nurture and endure this partnership through dialogue, which will contribute to the achievement of corporate marketing goals through reputation and financial performance enhancement. From a marketing perspective, Mullen, (1997) points out that formulating and implementing corporate marketing activities that are characterized by contributing a specific amount to social effort creates the most added values and most directly enhances financial performance. The point is to attract stakeholders wanting to make a difference through their involvement and contributions in social and environmental initiatives. Public Knowledge about sustainability is increasing and stakeholders start to understand and act upon this knowledge to position and perceive the image of organizations. Therefore, organizations attempting to re-orient themselves around stakeholders will have to come to terms with changing corporate culture and rethinking the way they measure and evaluate (financial methods such as NPV, IRR, and PI, etc.) their investments.
CSR reporting, stakeholder dialogue and environmental communications programs are some of corporate communications activities that endeavor to respond to some extent, to the needs expected to be fulfilled from the socially responsible organizations with respect to various stakeholders. Ballou et al., (2006) challenge that organizations are, due to increased pressure from internal and external stakeholders, more measuring and reporting on their environmental and social performance (ESP) as well as the usual financial reporting measures. CSR has broadly been included in quality models impacting on corporate image and reputation. There is a general consensus that CSR practice is critical to a long-term growth and the sustainability of the business. Companies embracing sustainable development are more likely to be rewarded by stakeholder investors, because of having a higher valuation in the business market (Lo and Sheu, 2007). In their studies, Lo and Sheu, (2007) and Salzmann et al., (2005) have empirically shown that corporate sustainability/CSR practice lead to financial performance improvement. Empirical research has found links between CSR, return on equity, business image/reputation and performance (Zairi, 2000). Thus the trend towards espousing sustainability has come about through what organizations have achieved in terms of financial performance and reputation enhancement as a result of conducting business that consider both shareholders’ value and stakeholders interests. Although these studies are invaluable in revealing the results regarding corporate sustainability as a value-increasing strategy for today’s companies, it is imperative to acknowledge that they possess some biases and shortcomings as they may only focus on multi-industry samples instead of sector-specific or a given geographical area; and also may not deal with comparative approaches (i.e. cross-sector, cross-country). As it applies to qualitative and quantitative studies, the evidence is not often hard enough; hence their applicability is limited (Salzmann et al., 2005). In line with that, some traditional views claim that environmental compliances and social welfare expenditures are costly and correlate negatively with returns (Reinhardt, 1999).

However, mediums used in corporate and marketing communications, such as public relations, “corporate advertizing” (Fill, 1999) have become increasingly essential to influence public opinion. Signitzer & Prexl, (2008) point out that marketing communications approach considers corporate sustainability communications as a dimension of public relations as a part of the corporate marketing activities. At present, societal views on public relations apparently are being rediscovered after had already focused on the societal role of public relations as a central theme in the early 1990’s.
(Ronneberger and Rühl, 1992). This provides an insight into realizing the significant contribution of public relations to achieving corporate and marketing communications objectives as well as societal goals of sustainability management.

Briefly, we have highlighted the importance and potential impact of corporate sustainability/CSR communications and corporate sustainability more generally. We have focused on the value of creation of corporate sustainability/CSR communications practice. It should be remembered that this trend is so much more and organizations that address their stakeholders’ social and environmental concerns will understand the inevitable change, thrive and sustain. If social responsibility of a corporation implemented, it will lead to the corporation being sustained (Collins and Porras, 1996).

1.4. Research Purpose, Questions and Scope

1.4.1. Research Purpose

Based on the reasoning above, this research thesis is at the junction of two broad areas: corporate communications and sustainability. The purpose of this study is to explore the current practices in corporate sustainability/CSR communications and how this trend contributes to corporate value creation. More specifically, this study looks at this subject from the angle of how companies can use corporate sustainability/CSR communications in marketing activities to attain corporate marketing objectives. This is to gain better understanding of how corporate sustainability/CSR can be integrated into marketing communications so as to increase corporate value.

To achieve the purpose of this study, an examination of the current practices in corporate sustainability/CSR communications are performed through a pertinent and extensive empirical and theoretical literature review as well as a quantitative and qualitative empirical method using a survey questionnaire. In the same way, the author attempts to illustrate how corporate sustainability/CSR communications activities can strengthen corporate reputation and directly improve corporate financial performance. For theory, two bodies of literature (corporate communications and corporate sustainability) are selected for review in terms of their implications for the thesis topic.

The author’s review of the literature makes an advance on extant reviews of the literature by highlighting the importance of corporate sustainability/CSR communications in marketing activities
as regards to corporate value maximization. Overall, this thesis endeavours to present contributions, avenues and departure of journeying for further research and development.

1.4.2. Research Questions

To achieve the objective of the thesis, the researcher intends to answer the following two main questions:

1. What are the current practices in corporate sustainability/CSR communications? - (RQ1)
2. How can corporate sustainability/CSR communications contribute to value creation? - (RQ2)

1.4.3. Scope

The scope of this research work is broad as it deals with two sweeping areas: sustainability and corporate communications. Due to time limitation, we have focused mainly on some of the aspects underpinning the subject area of this thesis and a complete picture of the topic will not be provided (e.g. stakeholder management, corporate communications from management, organizational and cultural perspectives, and social and environmental performance measures, etc). We have therefore limited our research to view the above stated research questions. Furthermore, this thesis will be based on stakeholder concept, and full attention will be given to the external stakeholders as they are most associated with the impact upon the corporate reputation and financial performance. This study is also limited to large scale businesses (i.e. organizations, corporations, multinational companies) and does not include small scale business.

However, reducing the scope has been determined as we have gained a better understanding of what can reasonably be achievable given the timeframe provided and of what is relevantly connected with the thesis topic. That said the dimension of sustainability contribution to the achievement of communications goals related to aiding society to move towards sustainable development could have been approached from normative perspective; but due to time limitation, we intended to rather focus on the contribution of corporate sustainability/CSR communications to the achievement of corporate marketing goals.
Based on an extensive literature review, sustainability communications at corporate level has been termed differently in journal articles, publications and books, etc. Such terms include: corporate sustainability communications, communicating sustainability/CSR at corporate level, CSR communication and other related terms including corporate environmental communications and social-ecological communications. For the purpose of this study, suitable use of these terms will be based on the context; hence, they may be used interchangeably.

1.5. Methodology

To conduct this study and achieve the objectives set out by this thesis, methodologies included a combination of a pertinent theoretical and empirical literature review and empirical data analysis. Overall, the process involves investigating current practices, reviewing literature, analyzing knowledge and experiences of marketing and corporate communications practitioners, formulating findings and drawing conclusions. The following are the research methods used in this thesis.

1.5.1. Literature Review

The literature review served as the primary source of data for the thesis. The numerous studies and theories contained in the literature provided credible and peer reviewed sources. Two bodies of literature (corporate communications and corporate sustainability) were selected for review and examination in terms of their implications for corporate sustainability/CSR communications and related corporate value creation - reputation and financial performance enhancement.

The literature review focused on Internet-based search databases, including ELIN (accessed from the BTH library website), European and International Journals and Business Reviews. In addition, the literature reviewed included books, dissertations and reports, etc. The data gathered from the literature review was used to answer the two research questions (RQ1 and RQ2), and therefore included in the results. The literature review was the preferred methodology for data regarding corporate, marketing, and sustainability communications. It was an efficient way to frame our argument, anchored by the concepts explored throughout the thesis.
1.5.2. Survey

1.5.2.1. Why survey?

The secondary information base for the thesis – was a direct survey sent out to companies in Sweden to ask their views on the current practices in corporate sustainability/CSR communications and its contribution to corporate value creation. This method allowed us to garner relevant data to validate the results found in the literature review as to the current practices in corporate sustainability/CSR communications and its contribution to corporate value creation.

The sample of the Swedish companies that were surveyed was randomly selected (multiple industries) specific to neither given region or geographical area, nor to an industry sector, business scale or cross-sector. The results from the survey are based on a final total of 16 respondents, despite the efforts carried out and follow-up to collect as many responses as possible. This represents 52% from the total of 31 initial companies invited to participate in the survey.

In the survey questionnaire, the researcher devised two set of questions in accordance with how the research questions (RQ1 and RQ2) were formulated. 20 questions were derived that were intended to cover the data the researcher sought to garner in relevance to the research area. The questions were structured so that respondents not familiar with sustainability in corporate communications could easily navigate. Furthermore, the researcher has attempted to use, in this survey questionnaire both open and closed questions to better reflect the degree of support for each suggestion by respondents. As far as the quantitative data is concerned, different scales were used in the closed form based questions. Moreover, the researcher attempted to keep the survey succinct and clear; and also provide space for respondents to give additional suggestions and comments on their organization’s involvement into sustainability initiatives and efforts with respect to CSR practice. Moreover, the creation of the survey questionnaire was an arduous process in an effort to ensure clear language as well as the qualitative and quantitative nature of collected data. The survey was mailed out to corporate and marketing communications practitioners and professionals from a variety of fields, such as public relations (PR), corporate marketing, press and media and investor relations (IR), etc. The purpose was to acquire data to complement the theoretical research and gain a practical understanding of the topic of the thesis aiming to ultimately answer the two research questions (RQ1 and RQ2). The results of the survey were then analyzed and discussed to draw the
findings and conclusions. Statistical analysis of the multiple choice questions included in the survey, survey questions and distribution of answers are listed in Appendix A.

The survey process was critical to the gathering of first-hand data on the relationships between corporate sustainability/CSR communications practice and related value creation - reputation and financial performance enhancement with respect to companies headquartered in Sweden (16 respondents). Although the survey was the focus of our second main research area, it is important to acknowledge the potential bias that surveys generally possess. The specificities of our survey bias can be found in the discussion section under weaknesses (see chapter 5). Here, we present some reflections on the survey method used in this study.

### 1.5.2.2. Reflection on the Value and Bias of Survey Method

For the purpose of gathering relevant quantitative and qualitative data on the current practices in corporate sustainability/CSR communications, survey process was invaluable. However quantitative data and statistical analysis of the relationships between corporate sustainability/CSR communications and value creation were insufficient to bring robustness to the process as we only asked generic questions in this regard. Generally, the qualitative data can be manipulated unintentionally through leading questions and biases that translate directly into the survey (see the discussion of weaknesses in chapter 5). Corporate communications practitioners surveyed could feel that any or all of the alternatives given to them do not accurately reflect their views or beliefs.

However, it would be valuable and pertinent if this empirical study has focused on single industry sector or geographical area rather than on a multi-industry sample. Also, it is convincingly of more value to use comparative approaches (cross-sector, cross-country), especially those that are yet untouched. The critical point in this study is the complexity of the research area - corporate sustainability/CSR communications and value creation - because it is multi-dimension nature as it draws from environmental, social and economic disciplines; and require special statistical methods that involve various variables (i.e. dependent, sustainability dummy, control variables), univariate tests (i.e. median, mean) and multivariate tests to prove or disprove hypothesizes. Generally, results of similar studies suggest that proving or disapproving hypothesized causal link between two complex variables like environmental and social performance (ESP) and financial performance (FP)
is multifaceted and difficult as it is contingent on situational, company-specific, relationships patterns and behaviors and environmental dynamics factors that are difficult to detect through merely analytical approaches. In general, studies of such areas will most likely lead to the inconclusiveness of the results.

The author had the intention to conduct some formal interviews to complement empirical data but due to time limitation and budget constraints, only the responses received via email were used in the analysis of results. In addition to the above methods, the author has attempted to engage in an ongoing dialogue with strategic sustainable development experts and professionals for relevant discussions to gain more knowledge.

1.6. Outline of the Thesis

This study is divided into six chapters as outlined below. So far, we have covered the first chapter and we subsequently focus our discussion on the following chapters. Figure 1.1 visualizes the outline of the study.

- Chapter 1: Introduction
- Chapter 2: Corporate Communications Literature Review
- Chapter 3: Corporate Sustainability Literature Review
- Chapter 4: CSR Communications and Value Creation
- Chapter 5: Results, Analysis and Discussion
- Chapter 6: Conclusions, Key Findings and Further Research

Figure 1.1 Outline of the Study

The second and third chapters provide an overview of the literature related to the two research questions of this study. Specifically, the second chapter explores the concept of corporate communications in relation to marketing communications, the management of the identity and corporate public relations
(CPR). In the chapter three, following a brief explanation of sustainability concept, the wider approach of corporate sustainability including corporate sustainability/CSR communications is introduced and discussed. Chapter four provides results analysis of literature review concerning corporate sustainability/CSR communications and its contribution to value creation with respect to reputation and financial performance enhancement. At the end of this chapter, the issue of stakeholders’ skepticism towards CSR communications is addressed after a brief discussion of the bias of studies on the link between corporate sustainability/CSR performance and financial performance. Furthermore, chapter five presents the survey results along with the analysis and discussion. Finally, chapter six contains the conclusion and key findings which are given in relation to the two research questions (RQ1 and RQ2) and is ended with suggestions for further research.
CHAPTER TWO

CORPORATE COMMUNICATIONS

LITERATURE REVIEW
2. Corporate Communications Literature Review

The previous chapter looked at the background and problem discussion of the area of this study, leading down to the key research questions (RQ1 and RQ2). It is now suitable to present the relevant literature review within the area of research - corporate communications as related to marketing communications. First, we review earlier studies and theories describing how organizations manage corporate communications, and thereafter we discuss the public relations as a management activity in corporate communications. However, before discussing this, we begin by briefly describing the strategic relationship between corporate and marketing communications. This attempt is twofold: (1) to frame corporate communications within marketing communications strategies, and (2) to clarify its different underpinnings at corporate strategy level.

2.1. Marketing and Corporate Communications: Strategic Relationship

As a strategic management concept, marketing communications involve three strategies available to organizations: pull, push and profile. These strategies set out how to promote an organization, initiative, product or service to different stakeholders across a whole range of different media such as TV, radio, newspapers and magazines, Internet, and email, etc. At general level, these marketing communications strategies are used to target different audiences depending on the objectives sought to be achieved, and so they are blatantly used to deliver different types of messages to target groups including consumers, channel intermediaries and other stakeholders.

In business parlance, push, pull and profile marketing communication strategies are three different ways of promoting a business model. Generally, customers-targeted marketing communications are pull type communications and push communications are directed at channel intermediaries while profile communications are targeted to all stakeholders as it seeks to strengthen corporate image and reputation. The latter communications marketing strategy is, indeed used to reach all stakeholders and focuses on corporate level of communications not on the offerings of the organizations. Corporate marketing involves the marketing of the company as a whole, rather than any specific offering or brands offered by a company (Wei-He, 2008). The activities and goals of profile strategy are referred to as corporate communications as they deal more or less exclusively with the corporate entity (Fill, 1999). Balmer, (2005) argues that it is not always appreciated that corporate
communications is necessarily different from marketing communications activities. This emanates from the fact that both communications seek the same objectives as mentioned previously. However, we address only the profile communications strategy since it is related to the topic of this study which is corporate communications. See Appendix B for an explanation of the two other marketing communications strategies-pull and push.

2.2. Corporate Communications and Profile Marketing Strategy

Unlike pull and push strategies that are targeted at consumers and channel intermediaries, profile marketing communications strategy is more concerned with delivering messages to all stakeholders, including employees, financial analysts, local authorities, trade unions, media press (support network), consumers and channel intermediaries. Its main objective is to strengthen the image and build the reputation of the organization, which means that the organization’s offerings are not normally the focus of this type of communications. It has been suggested that corporate marketing involves the marketing of the company as a whole, rather than any offering or brand by a company (Wei-He, 2008). The profile communications strategy concerns the needs of all stakeholders and used to satisfy an organization’s corporate marketing goals (Fill, 1999). Therefore to enhance its image and reputation, an organization should understand stakeholders’ needs through creating continual dialogue that fosters trust and commitment and enable relationship to grow and flourish.

Understanding what stakeholders think, what concerns and motivates them, and how they symbiotically interact with each other is vital to ensure positive and lasting relationship. Fill (1999), argues that an organization need to understand, shape and act upon the awareness, perception and attitudes held by stakeholders though establishing dialogue for developing trust and commitment to build long term relationship, which is necessary in order that stakeholders favorably perceive and positively act towards an organization.

Rowe et al., (1994) point out that because of the interdependence of stakeholders and the focus organization, each stakeholder supports any strategy that furthers its objectives. Moreover, organizations constitute a wide network where communications processes occur in multidirectional way. In this context, they should regulate their actions and adapt themselves to the behaviors of others entities in the network. Fill (1999) argues that corporate communications provides a mechanism by which it can learn about the contexts in which it exists and can be shaped and
influenced by the other stakeholders. However, corporate communications, the management of identity and public relations management activity are the issue we take up in the next section.

2.3. Corporate Communications: The Management of Corporate Identity

2.3.1. Overview

Corporate communications, according to van Riel (1995), consists of three types of communications: marketing communication, organizational communication, and management communications. As set out previously, the focus of this study is on the sub-area of marketing communications. Based on the literature review, managing the area of corporate communications usually encompasses four concepts: corporate identity, image, reputation and personality. Generically, there is a linkage between these concepts regarding the central role they play in corporate strategy development. This is manifested in how they relate to each other as to the organization’s sense of purpose to build relationships with stakeholders. These relationships are based on how stakeholders form and perceive corporate image, through which elements and how the whole process evolves to lead to the perception of corporate reputation. ‘There is a growing consensus that corporate identity (CI) provides the foundation for other corporate-level concepts such as corporate branding, corporate communications, corporate image and corporate reputation.’ (Balmer and Greyser, 2003, p. 39) Further, it has been argued that corporate identity provides the foundation for the nascent area of corporate marketing (Balmer, 2001a; Balmer and Greyser, 2003).

However, the management of the corporate identity is critical to the consistency of the image held of the organization by all stakeholders, which should accurately represent the personality of the organization (Dowling, 1993). According to Olins (1990a), management of the corporate identity process involves the communication of three ideas to target audiences: (1) what the organization is (2) what it does and (3) how it does it. Corporate identity is manifested in four ways that can be interpreted as the offerings of the organization, where it is made or distributed, how the organization communicates with stakeholders and finally, how the organization behaves (Olins, 1990b). Next section explores the subject of corporate identity management.

2.3.2. The Management of Corporate Identity

2.3.2.1. New Strategic Corporate Identity Approach
Organizations are giving greater import to corporate identity because it is a vital element of corporate communications in its three dimensions: marketing, organizational and management. The new approach of corporate identity must focus rather on strategic dimension than other aspects given the emerging changes within the current dynamic business environment. There has been a shift in conceptualization of corporate identity that has manifested itself from external (customers) focus to internal (employees) focus to holistic focus (source of identity) (Wei-He and Balmer, 2006). The new approach aims to encourage organizations to give increased attention to the interface between corporate strategy and corporate identity so it can yield positive outcome with respect to corporate brand image and achieving marketing goals. It has been suggested that research on the interface between corporate identity and strategy should be a significant point of departure for empirical development of corporate marketing communications (Balmer and Greyser, 2003). Well-managed identity will enable the organization to set the stage for improving image and building strong reputation. It is apparent that the dimensions of corporate image held by the stakeholders are quite diverse. According to Fill (1999), the main reasons are: (1) relational dimension that refers to the communication between stakeholders of the organization itself, which involves exchanging perceptions and attitudes among them; (2) management dimension which involves corporate goals, decision-making, knowledge, and understanding; and finally (3) product dimension which is linked to corporate identity in a way that if the identity is positive it will generate advantages in terms of the organizations’ offering and its distinctiveness, and also, if favorably perceived by stakeholders, will enable the organization to develop a sustainable competitive advantage.

2.3.2.2. Objectives of Corporate Identity Management

Management of corporate identity aims to provide the necessary information to stakeholders to avoid confusion related to the values and purposes of the organization as well as to how it seeks to attain its goals. Fill, (1999) contends that the principal reason for managing the corporate identity is to make clear to all stakeholders what the organization’s culture is based on from values and beliefs and how it is striving to achieve its objectives. Further to this point and from different angle, the important objective of managing the corporate identity is to acquire a favorable image and reputation (Balmer, 1998; Balmer and van Riel, 1997; Balmer and Wilson, 1998). These objectives are derived from various benefits, such as customer retention and loyalty, strategic alliances, market
position, financial performance and so on. These derived results from having a strong and favorable corporate image strengthens the view of a company’s marketing standing, results in consumer satisfaction and loyalty, which gives added value to offerings, generates higher financial margins, offers competitive advantage and ensures employees retention (Balmer, 1995). This is further supported by Christensen and Askegaard, (2001) who claim that a strong identity has a number of potential benefits for an organization by adding value and benefits to offerings, enhancing consumer loyalty, stimulating investments, attracting talented personnel, and improving employee motivation.

Due to the environmental changes and emerging market conditions, new approaches and concepts are being scrutinized and implemented to strategize soundly at corporate level. Balmer, (2002) and Balmer and Gray, (2000) claim that companies are in better position, if they consider in their corporate identity management external environment influences that can drastically change the conditions under which the company operates.

2.3.2.3. Lack of Corporate Identity Management: Disadvantages

The management of corporate identity can have a great value and long term benefits for the organization. Conversely, if it fails to achieve its objectives vis-à-vis the image and reputation, it can lead to undesired and unknown outcomes. Identity management implies that stakeholders are prioritized in a way that their expectations, demands and concerns are understood, valued and acted upon. Transmitting confusing and misleading identity cues may easily distort stakeholders’ perceptions due to the complexity inherent in the dynamic network in which the organization operates. Consequently, this can greatly impact upon the performance of the organization and eventually lead to definite unexpected results. Thus a negative image could impact unfavorably upon what might be a positive corporate identity, and thereby leading up to stakeholders’ dissatisfaction. An inappropriate identity can only mislead and get in the way of the company to achieve its objectives (Rowden, 2000). As established earlier, ignoring external environment and emerging changes when conceiving strategies may negatively affect the organization relationship with stakeholders and sooner or later causes the company to be disadvantaged. Organizations need to take into account changes in the environment so to acquire over time a favorable corporate reputation, which reflects a strategically advantageous corporate identity (Balmer, 1998). Marwick and Fill, (1997) claim that all companies have a corporate identity, but while some try to actively
manage it others care less and, as a result, this confuses their audiences, leads them to under-perform in their markets and inadvertently contribute to the formation of negative reputation. According to Kiriakidou and Millward (2000) and Marwick and Fill (1997), a lack of a clear or inconsistent corporate identity could mean that the view and expectations of different employee groups are fragmented which will lead to confusion amongst other stakeholders.

2.3.3. Corporate-Level Concepts: Personality, Identity, Image and Reputation

Organizations project their personalities through their identity, and the audience’s perception of the identity is the image they have of the organization (Fill, 1999). The perception of the identity cues and means whether visual or non visual stem from how stakeholders interpret the cues presented by the organization that are, in turn, part of corporate personality and culture. In an attempt to unravel the confusion surrounding the relationship between the abovementioned corporate-level concepts, we, based on the literature review conducted, identify four elements to be distinguished: personality, identity image, and reputation. These elements are vital to the development of corporate image (Abratt and Shee, 1989). The following is the discussion of these corporate-level concepts.

2.3.3.1. Corporate Personality

As Bernstein (1984) states, just as individuals have personalities, so do organizations. Corporate personality stem from the corporate philosophy - the mission and values espoused by the management- that is manifested in corporate culture. Fill, (1999) points out that corporate personalities are derived partly from the culture of the organization which are the core values and believes that, in turn are part of the corporate philosophy. To shape and enrich the corporate personality, the organization is required, like individuals, to constructively communicate and continuously inform stakeholders through creating a dialogical climate inductive to mutual sharing of knowledge. This helps leverage the organization’s intellectual asset through co-learning and collaboration. However, corporate personality involves two facets the culture and overall strategic purpose (Markwick and Fill, 1997). The corporate culture is a composite of complex set of beliefs, values, norms, attitudes, experiences, assumptions held and shared by key members in an organization. These elements drive in important ways the behavior of members in the organizational context and shape the patterns of interaction between each other and external stakeholders. The
strategic purpose stems from the vision of the organization and evolves from an extensive review of all of the organization’s stakeholders. It reflects the future aspirations of the organization, and guides the choices and decisions it makes for the future, and impacts every aspect of the organizational actions. Overall, corporate personality ensures an alignment between current and future initiatives and that values and beliefs support the strategic direction of the organization.

In general, corporate personality comes into play in the process of communicating the corporate vision. When formulating the vision, employees and management should understand and grasp what the organization values and purposes are and the strategy by which it seeks to achieve them (Fill, 1999). The values are beliefs and ideas about what kinds of goals organizational members should pursue and ideas about the appropriate strategic actions and behaviors they should adopt to achieve these goals. According to Topalian (1984), the spirit and vigor with which all organizational members embody and articulate the vision is a means by which the identity is shaped. Fill, (1999) argues that corporate personality is embodied in the way the organization conduct its operations, the logic of its activities, the behavior it displays in the markets in which it operates and the norms that are expected of the stakeholders. Overall, corporate personality is the amalgam of the characteristics which identify an organization and enable stakeholders to recognize it. It is what an organization actually is (Ibid).

### 2.3.3.2. Corporate Identity

The corporate identity concept has been around for decades as it dates back to the early 1960s (Balmer and Greyser, 2003). It has been approached from different perspectives (communication, marketing, strategy, and management, etc). Corporate identity is referred to by Fill, (1999, p.563) as “the formation of the cues by which stakeholders can recognize and identify”. Corporate identity is how the organization presents itself to stakeholders in the environment in which it operates. ‘Every organization has an identity. It articulates the corporate ethos, aims and values and presents a sense of individuality that can help to differentiate the organization with it competitive environment.’ Balmer (2001, p. 291)

From communication standpoint, corporate identity is the total of visual and non visual cues and means applied by a company to present its self to its stakeholders (Balmer and Wilson, 1998).
According to Birkigt and stadler (1986), communication is one of the broad types of identity cues used to inform stakeholders about the organization and its offering through the use of visual and verbal messages. Corporate identity can be considered as the interface between the company and its surrounding pertaining to stakeholder network and society at large. It serves as a stimulus to other entities perception when interacting with the organization which can be recognized and differentiated. In addition to its purpose of conveying the values of the organization, communications can also inform of the direction the organization is heading and the notable traits that the organization wishes to project for audiences through its identity cues (Fill, 1999).

From marketing perspective, Wei-He, (2008) points out that corporate identity has been suggested as a critical construct of corporate marketing because of its pivotal role in the formation process of corporate image and reputation. Further, it has a pivotal position in the network of various constructs of corporate marketing such as corporate image/reputation, corporate communications, and corporate brand (Ibid). The concept of identity provides the platform by which many corporate-level concepts can be understood such as corporate branding, corporate communications, corporate image and corporate reputation (Wei-He and Balmer, 2006). Therefore understanding and perceiving the image of an organization by the target stakeholders reflects management performance of corporate identity. In line with that, Bernstein, (1984) argues that if the image of the organization is correct and accurately reflects performance; then management must take the credit for their performance. Moreover, when the image is correctly perceived by stakeholders, it can be very advantageous as it can create opportunities for gaining favorable corporate reputation and developing sustainable competitive advantage. This is basically the aim of corporate marketing communications. The key purpose of corporate marketing lies in the creation of positive corporate image, strong corporate brand, and competitive advantage in the market place (Balmer, 2001; Balmer and Gray, 2003; Melewar et al., 2005; Simoes et al., 2005). Corporate identity is considered as the personality of an organization and manifested by way of branding that is designed to usually facilitate the attainment of corporate marketing goals. Over the last decade, corporate brand has received an increase attention as organizations have used it to differentiate themselves from others and their offerings from those of competitors. The corporate brand is a means of presenting these characteristics to various target stakeholders, such as financial analysts, employees, channel network, trade unions, consumers and competitors (Fill 1999). The corporate identity can be considered as a means of inducing an organization’s stakeholders to perceive the corporate entity in a differentiated,
clear and positive way. The biggest derived benefit of strong corporate identity is the company being seen visibly different from others (Rowden, 2000). Overall, corporate identity is how the organization presents itself to its stakeholders (Fill, 1999). Many other aspects of corporate identity are not of the scope of this study (i.e. visual identity, identity-culture, identity mix, etc).

2.3.3.3. Corporate Image

Corporate image refers generally to how an organization is perceived by stakeholders, which stems from their interpretation of what the organization stands for. According to Fill (1999), corporate image refers to the perception that different stakeholders have of an organization and results from their interpretation of the cues presented by an organization. Or, it can be described as a profile of impressions, outlooks, views, and expectations of an organization, built up in the minds of all stakeholders involved in the network where it operates. Dowling, (2001) states that that the corporate image is a set of beliefs and feelings about an organization. Although there is an increased attention given to brand identity and image, this hasn’t resulted in more precision when it comes to theory (Askegaard and Christensen, 2001).

Normally, the image held of an organization reflects a composite of values, beliefs, attitudes and assumptions that the stakeholders have of the organization. As Fill, (1999) points out that the image held of an organization is the result of a combination of different elements, but is importantly a distillation of the values, beliefs and attitudes that different stakeholders have of the focus organization. Thus, an organization could have multiple images (Balmer, 1998; Fill, 1999), depending on how each stakeholder perceives and interprets the identity cues it presents.

However, the image doesn’t exist in the organization but in the stakeholders who perceive the organization (Bersnstein 1984). This implies that it is not the organization itself that influences the image held by stakeholders, but rather the way it manages the identity. The images that stakeholders form of an organization are not merely an impression of the corporate identity; but also influenced by the actions of competitors, industry or sector development and other environmental factors (Markwick and Fill, 1997), such as market conditions and business environment dynamics. In plain sight, there are many elements that contribute to forming an organization image. These elements may include: social and environmental organizations, news media, financial institutions, and NGOs,
etc. The synergic interaction of organization with different constituencies of society can greatly, with adequate and intelligent use of the appropriate communication medium, impact upon the way stakeholders perceive and interpret the information concerning the organization, its philosophy, norms, strategic behavior, corporate social responsibility, and its pro-environmental positioning, etc. It is worth noting, though that the identity cues should be consistent and reflect the value and beliefs of the organization when seeking to develop a sustainable image. This is further supported by Fill, (1999) who states that achieving a sustainable image requires that identity cues upon which the image is fashioned reflect the values and beliefs of the organization. On the whole, corporate image is what the organization is as perceived by stakeholders.

2.3.3.4. Corporate Reputation

Corporate reputation is the resulted judgment made of the company by stakeholders over time based on its behaviors, performance, and its collective experiences (Balmer, 2003). According to Fill (1999, p. 268), corporate reputation “refers to an individual’s reflection of the historical and accumulated impacts of previous identity cues, fashioned in some cases by near or actual transactional experiences.” A close examination of the above definition depicts that corporate reputation is a deeper set of accumulated perceived images based on the identity cues by which multiple stakeholders can distinguish the organization. By and large, corporate reputation involves a collective depiction of an organization past actions and results as to the value delivered to different stakeholders. Therefore, it can be understood that there is a complexity inherent in the reputation concept because of its multi-dimension nature as it combines historical impacts, accumulated images, attitudes knowledge, situational dynamics and perception and interpretation patterns used by stakeholders in the process of the image formation. Unlike image that can be influenced quite quickly, reputation is more embedded and takes longer to change it (Fill, 1999). The difference between a reputation and image is that image is derived from the latest beliefs while reputation is based on the perception of a company that is built up over a long period of time (Balmer, 1998). Corporate reputation can generate value over the long term as it enables the organization to build a valued and enduring partnership with different stakeholders. It can create strategic opportunities for organizations to develop sustainable competitive advantages. However, Formbrun, (1996) contends
that credibility, trustworthiness, reliability and responsibility are key attributes that are to be developed in order to build a favorable and positive reputation.

In sum, each of the corporate-level concepts outlined above has been the subject of scrutiny by corporate and marketing communications scholars, e.g. corporate communications (van Riel, 1995; Cheney and Christensen, 1999), corporate personality (Fill, 1999; Markwick and Fill, 1997; Bernstein (1984), corporate image (Gray and Smeltzer, 1985; Abratt, 1989; Grunig, 1993), corporate reputation (Fombrun, 1996; Fombrun and van Riel, 1997; Davies, 2003) and corporate identity (van Riel and Balmer, 1997; Balmer and Wilson, 1998; Stuart, 1999; Balmer, 2001).

So far, the corporate-level concepts involved in corporate communications have been presented and reviewed; we now briefly discuss public relations (PR) as a management activity and communications medium that is broadly used in corporate communications to enhance the image of an organization. Corporate image is primarily created by marketing and corporate communications experts who usually use a combination of methods and tools including public relations, corporate advertising, direct marketing, and other tools of communications to shape and influence the image held of the organization by stakeholders.

2.3.4. Public Relations (PR)

2.3.4.1. What is PR?

Effective corporate communications involves not only the message to be delivered, but also the medium that delivers it to stakeholders. Here comes the issue of PR which is generally used to communicate the organization messages to both internal and external stakeholders. For decades, public relations theorists have been concerned with developing elaborated means of stakeholder analysis (Signitzer and Prexl, 2008). PR is a management activity that seeks to influence and shape the attitudes and perceptions held by an organization’s stakeholders (Fill, 1999). Its main objective is to develop mutual interests and positive relationships with stakeholders based on goodwill and understanding. PR is considered as a medium to improve mutual understanding between an organization and its stakeholders (Pearson, 1987). This is depicted in the definition provided by the Institute of Public Relation IPR, which is “PR practice that is the planned and sustained effort to establish and maintain goodwill and mutual understanding”. A broader definition of PR by Public
Relations Educational Trust (PRET), (1991) is: “the art and social science of analyzing trends, predicting their consequences, counseling organizations’ leadership and implementing planned programs of actions which will serve both the organization and the public interest”. A PR program consists of planned events and activities that seek to satisfy communications objectives (Fill, 1999). Usually, the purpose of PR is to inform stakeholders about what the organization is what it does and how it does. This occurs through the provision of cues by which stakeholders can identify, recognize and differentiate an organization. Fill, (1999) states that PR activity seeks to provide visibility for an organization and allows it to be identified, positioned and understood by all of its stakeholders.

However, the emerging environmental changes and market conditions are reshaping the way organizations should communicate with their stakeholders. As a result, new approaches to marketing and corporate communications have been developed and led to an integration of communication methods, techniques, and forms. Generally, PR plan involves a range of communication activities; they include: publicity, management events (i.e. corporate, community), press references, interviews, events, sponsorship, corporate advertising, and investor relations, etc. However, PR program has been a vital key element in corporate and marketing communications activities. However, the concept of corporate public relations (CPR) has emerged as an area that focuses more on the aspect of success and failure as determined by the organization’s relationship with its stakeholders. More and more organizations are increasing their use of PR and more integrated approaches are emerging to enhance corporate marketing performance – corporate image and reputation enhancement. The subject of corporate public relations (CPR) is addressed in the next section.

2.3.4.2. Corporate Public Relations (CPR)

CPR is an approach that focuses on communications aiming to enhance corporate performance through maintaining a positive and favorable image and reputation. Cutlip et al., (1985) define corporate public relations (CPR) as a management function that seeks to identify, establish and maintain mutually beneficial relationships between an organization and various stakeholders on whom its success and failure depend. It has a pivotal role in shaping and changing stakeholders’ perceptions and attitudes towards the organizations due to its effectiveness in reaching a wide variety of stakeholders. Further, CPR can influence overall formation of the cues by which stakeholders identify and differentiate the organization from others. (Fill, 1999) states that CPR is
mainly responsible for the identity cues presented by the organization to various stakeholders during the communication process. The task of the CPR plan should provide programs that develop and enhance the identity cues acted upon by stakeholders to favorably perceive and interpret the image of the organization.

As established earlier, corporate identity is about how the organization presents itself to its stakeholders. The identity cues signal the visibility and profile of the organization and shape the perception of the organization image by each stakeholder (Ibid). Further, corporate identity is a critical construct of corporate marketing communications because of its pivotal role in the formation process of corporate image/reputation (Wei-He, 2008). The aim of CPR activities is to provide visibility for the corporate body and support for reputation improvement.

That said CPR decisions are aimed to shape and change the elements involved in communication activities including awareness, attitudes, actions and convictions. But evaluation should first measure levels of awareness of the organization, and then attention should move to focusing upon the levels of goodwill and attitudes held towards the organization as a result of all the planned and unplanned cues used by the organization (Ibid).

Unquestionably, CPR is very effective with respect to the ability of reaching a large audience. Also, the credibility given by target audiences to CPR has so substantially grown in recent years. This is due to the environmental change and new emerging market conditions that led organizations to create sophisticated approaches to enhance corporate reputation and performance.

### 2.3.4.3. Public Relations (PR) and Corporate Sustainability (CSU)

Early attempts at corporate environmental, social, and ethical reporting (CESER), in the 1980s, were predominantly an exercise in public relations (PR) to show how environmentally concerned organizations were (Friedman and Miles, 2006). The global sustainability issues, emerging changes and current dynamic business environments have led organizations to rethink the way they strategize their communications plans. They are including sustainability issues as a concern of all stakeholders in the strategy development and formulation and relationship management. This trend is more stressed when it comes to corporate and marketing communications strategies and public relations
PR) management activity as a dimension of it. Nevertheless, public relations research has not yet paid much attention to the expanding practical field of sustainability communications with its instruments and programs such as sustainability reports, stakeholder dialogues, information campaigns, and labeling, etc (Signitzer and Prexl, 2008). From internal communications point of view, communicating sustainability to internal stakeholders is critical and can be influential as regards to corporate image enhancement because they are the interface between what the organization is what does and how stakeholders perceive it in the communications process occurring in the environment in which they both exist. Many public relations specialists and experts have expertise communicating with internal stakeholders, which is one of the key elements of sustainability management (Ibid). At corporate level, corporate sustainability communications has the prospective to create a platform for public debate on sustainability issues and that its practice is influenced by societal and corporate culture (Ibid).
CHAPTER THREE

CORPORATE SUSTAINABILITY

LITERATURE REVIEW
3. Corporate Sustainability Literature Review

The intent of this chapter is to provide the literature in the field of corporate sustainability. This section contains three aspects of pertinent literature: (1) the discussion of sustainability as a scientific concept, (2) corporate sustainability and related concepts, and finally (3) the linkage between corporate sustainability and corporate communications. Corporate communications is considered one of the various elements under the umbrella of corporate sustainability (Signitzer and Prexl, 2008). It is to note that corporate communications is a part of corporate marketing communications activities as well. The discussion of the relationship between corporate sustainability/CSR communications and marketing communications is provided in the next chapter.

Specifically, we review earlier studies and theories about corporate sustainability and explore how organizations are accepting this trend as a new paradigm of conducting and managing business. Thereafter, we examine the main concepts associated with corporate sustainability, including sustainable development, corporate social responsibility, stakeholder and corporate accountability. It is therefore not intended to comprehensively cover all related concepts in this chapter. However, before discussing all the aforementioned concepts, we begin by defining the concept of sustainability and how it has evolved to become a catchword in many arenas.

3.1. What is sustainability?

Sustainability is a broad and philosophical concept that can be over-whelming. On the other hand, it can be confusing due to the complexity inherent in comprehending its characteristics as a dynamic process and the specifications of the socio-ecological system to which it is applied. It involves a holistic nature and multiple dimensions, such as ecosphere, biosphere, biodiversity, and society, etc. However, the root meaning of sustainability concept tends to be nearly intuitive to quite many people and there are multiple ways to define it. In the most general terms, sustainability refers to characteristics of a process that can be maintained indefinitely. According to Robèrt et al. (1997), sustainability is a state where the four ‘sustainability principles’ are not violated. This definition depicts, based on sustainability principles, that it is a state in which society does not systematically undermine natural or social systems within the biosphere. More specifically, sustainability involves looking at the system from a holistic perspective involving all aspects (characteristics, traits,
behaviors, patterns, relationships, and cause-effects, etc) in order to make sound, all-inclusive and astute strategic choices for societal long-term benefit.

However, sustainability concept has been around for a long time, but it did become popularized until a decade later after the release of Brundtland report *Our Common Future* by the WCED in 1987. Since then, a veritable flood of publications has defined, redefined and scrutinized the idea and applied it to most human endeavors (Molnar, 2001). The concept has theoretical foundations from which it has grown that are only now beginning to solidify into a defined science (Lee, 2000), although the misinterpretations and misunderstanding of the concept emanating from the ambiguity associated with the complex concepts and holistic nature it inherently embodies.

There have been many scientific attempts seeking to solidify sustainability into a defined science, which is to articulate it with methodological and scientific rigor so to be intelligible, clear and useful for analyzing and managing overall human activities. A significant contribution in this line was a development of a set of four guiding sustainability principles. These principles were determined through a peer-reviewed process of a scientific consensus to provide a more clear understanding of sustainability (Holmberg & Robèrt, 2000). The premise is that in a sustainable global society, nature is not subject to systematically increasing…:

1. …concentrations of substances extracted from the earth’s crust (i.e. fossil fuels, metals, etc);
2. …concentration produced by society (i.e. persistent substances (DDT, PCB’s…), plastics, etc);
3. …degradation of natural systems by physical means (over-harvesting, landfill, waste, etc).

And in that society,

4. …people are not subject to conditions that systematically undermine their ability to meet their own needs (i.e. overpopulation, unlivable wages, environmental and social inequity).

These principles of sustainability are aimed to be incorporated into decision-making and strategizing processes as an attempt to promote sustainable practices that help restore and preserve environmental quality and meet human needs. This objective can be achieved through establishing and maintaining the environmental and social conditions over the long haul. Toward this end, it is required to design human systems that maintain the potential evolutionary of the ecosphere and don’t compromise its ability from supporting all life forms, levels and combinations. And for this to occur, according to Walker & Salt (2006) and Princen (2005), humans should design systems that stress adaptability, efficiency, harmony, regeneration, resiliency, and sufficiency, and mimic natural
patterns, processes, designs, and rhythms—bio mimicry. Also at general level, to enhance and maintain social conditions, it is necessary to support fairness and equitable distribution of resources and power; provide equal opportunities and healthy working conditions; produce social environment where human needs can be met; and promote prosperity of individuals and communities through receiving an adequate and fair return on their investments. Nothing less than this is worthy of our humanity, resourcefulness and ingenuity. However, reaching this idealized societal model requires concerted corporate action. Corporate sustainability is considered to be a model and action that seeks to address societal needs. This is the subject of next section.

3.2. Corporate Sustainability

3.2.1. Overview

Corporate sustainability has emerged as a new management paradigm that considers not only economical needs of the organization, but also environmental and social needs. However, toward more efforts of rethinking current models and seeking alternative solutions while recognizing that panaceas are unlikely to come into sight no matter how paradigms can improvably change or be revolutionized, corporate sustainability is emerging as a new model and alternative solutions that discourages narrowly-focused-interest-based business approach that unfairly impacts other stakeholders somehow somewhere at sometime. It seeks to support business practices that increase social, environmental, and financial capital. It can be considered as a business philosophy that advocates the long-term profitability without harming other stakeholders affected by an organization’s operations. Generally, corporate sustainability includes different concepts, including, sustainable development, corporate social responsibility, corporate accountability and Triple Bottom Line, corporate citizenship, stakeholder, corporate social performance and corporate governance.

3.2.2. Corporate Sustainability: an Emerging Management Paradigm

More recently, the concept of corporate sustainability has gained a significant ground in economic, corporate, and academic arenas. Signitzer and Prexl, (2008) point out that the concept of corporate sustainability has received increased attention and been used by the corporate sector, organizations, consultancies and so on, to seek justification for sustainability strategies within organizations. Corporate sustainability is “a relative concept that describes the planned and strategic management
processes of working towards a balance of economic, social, and environmental goals and values” (Ibid). This is further supported by Lo and Sheu, 2007 who state that corporate sustainability is a positive multi-faceted concept covering areas of environmental protection, social equity, and sustainable development. However, corporate sustainability and related concepts as corporate social responsibility, corporate accountability, sustainable development, business ethics and their sister concepts are still ambiguous in academic debate or in corporate implementation (Votaw and Sethi, 1973; De George, 1990; Henderson, 2001).

At general level, corporate sustainability encompasses strategies, models, actions and practices that aim to meet not only the economical needs (i.e. shareholders’ value) but also seek to protect, support and enhance the human and natural resources needed for future generations. At organizational level, it is an evolving management model that poses an alternative to the traditional models of growth and short time wealth maximization (Wilson, 2003). It aims to achieve growth while minimizing harm to stakeholders. Thus this model enables organizations to sustain profitability while thinking strategically and acting proactively to mitigate their negative impacts on the environment and society. While corporate sustainability recognizes the importance of growth and profitability, it also requires the organization to pursue societal goals, specifically those relating to sustainable development - environmental protection, social justice and economic development (Ibid). In line with that, Dunphy et al., (2003) challenge that the sustainable organization can pursue the traditional core business objective of maximizing profit, but should go beyond the financial performance by actively promoting socio-ecological sustainability values and practices. Considering other qualitative aspects of doing business, understanding the key factors in external environment and using holistic approaches of evaluating performance can be of great import and benefit as it will enable the organization to be equipped with innovative tools to continuously generate and increase organizational and societal value. Aside from creating profit, sustainable organizations capture other qualitative, non-financial criterion as references for their performance, such as reputation, human capital management, stakeholder relations, environmental protection and corporate social responsibility (CSR); contrary to traditional business belief which aims to make a profit without taking into consideration the social and environmental considerations (Lo and Sheu, 2007)

Organizations can be significantly influential in achieving different societal objectives. They can instigate and support the change towards sustainability because they are the fundamental
components and gears of modern economic, environmental and social life. Further to this point, Dunphy et al., (2003) state that organizations are instruments of social purpose, formed within society to accomplish social objectives. Consequently, organizations are required to create new patterns, processes and strategies to tackle the complex socio-ecological issues. WCED, (1987) argues that corporations are the engines for economic development; they are required to be more proactive in balancing the drive with social equity and environmental protection as they have been the cause of some of the unsustainable conditions. Therefore, they should be part of the solution to how to promote a sustainable development for reaching sustainability.

From the literature reviewed, the concept of corporate sustainability includes different concepts, including, sustainable development, corporate social responsibility, corporate accountability and Triple Bottom Line (PPP), corporate citizenship, stakeholders, corporate social performance, and corporate governance, etc. In our discussion here, we focus on the main concepts as related to the topic of the thesis. These concepts are: sustainable development, CSR, corporate accountability and finally stakeholder. The contributions of these four concepts to corporate sustainability, according to Wilson (2003), are illustrated in Figure 3.1 (see Appendix C)

### 3.2.2.1. Sustainable Development

Generally, sustainable development is a vision and model of development for achieving the sustained economic growth. It is a development process that seeks to meet human needs, improve living standards and preserve the natural environment. Wilson, (2003) refers to sustainable development as a broad concept that balances the need for economic growth with environmental protection and social equity. So, its premise rests on the interdependence and equal importance of the natural environment, the economy and society. It is described in *Our Common Future*, a book published by the World Commission for Environment and Development (WCED), as “a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.” Sustainable development can be viewed as a process of working toward a state of economy that equitably embraces the realization of qualitative potentialities (development) and quantitative value (growth).
As previously mentioned, organizations are the fundamental components and gears of modern economic, environmental and social life. They are an integral part of society; they can influence the change needed and contribute to the pursuit of sustainable economy and society at large. Sustainable human institutions (i.e. corporations, organizations, governments, and NGOs, etc) should provide security and opportunity for social and spiritual growth (David, 1996). To this end, they are required to espouse new philosophy to tackle the global socio-ecological issues. WCED, (1987) argues that organizations are the engines for economic development; they should be more proactive in balancing the drive with social equity and environmental protection as they have been the cause of some of the unsustainable conditions.

According to Wilson (2003), sustainable development contributes to corporate sustainability in a way that it helps set out the areas of focus for organizations such as environmental, social and economic performance; and it provides a common societal goal for corporations, governments and civil society to work toward: ecological, social and economic sustainability.

3.2.2.2. Corporate Social Responsibility (CSR)

As a concept, CSR has been around for a long time as its history can be traced back to ancient Greece according to an article published by Nicholas Eberstadt in 1973. However, it has been pointed out that “the roots of modern CSR date back to the 1930s.” (Friedman and Miles, 2006) The modern era of CSR began with the publication of the first definitive book Social Responsibilities of the Businessman by Howard Bowen in 1953 (Carroll, 1979, 1999). CSR form of corporate philanthropy has been practiced as early as the late 1800s at least in the USA (Sethi, 1977). In the early 1970s, many companies published so-called social reports to demonstrate socially responsible behavior (Signitzer and Prexl, 2008). From the literature reviewed, CSR definitions were developed and expanded primarily during the 1960s and proliferated during the 1970s while in the 1980s, more empirical research began to emerge, and alternative themes were established.

Like other established concepts associated with sustainability, CSR is a broad concept as it combines economics, communications, societal studies, environment, and business management, etc. In general terms, this concept refers to practices in which organizations address societal needs by taking responsibility for the impact of their actions towards all stakeholders as well as the environment in
which they operate. It commonly involves organizations voluntarily adopting management practices to improve their social and environmental standards so to mitigate their negative impacts on the environment and society. For Johnson (1971) social responsibility in reference to companies concerns the balancing of a multiplicity of stakeholder interests.

Angelidis and Ibrahim, (1993) define CSR as corporate social actions and practices that aim to satisfy social needs. Another definition provided by MMI Report, (1997) states that CSR is all expectations that people have from a company’s ability and willingness to follow the rules and regulations to perform just and responsibly towards all stakeholders. Carroll (1979, p. 500) has majorly contributed to the field of CSR. For him the “social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. This order is according to his model in term of the role in the evolution of importance; early focus was on economics, then legal and then ethical, while most recently emphasis has been on discretionary responsibilities.

A close examination of these definitions and arguments depicts that corporations have responsibilities that go beyond their legal obligations. They have an ethical obligation towards society beyond shareholders’ value and interests. According to Freeman’s stakeholder theory, corporations have responsibilities to their shareholders and other interest groups (Freeman, 1984).

Thus CSR aims at aligning organization’s goals and societal constituency’s expectations and values - economic, environmental and social. Lerner and Fryxell, (1988) suggest that CSR describes the extent to which organizational outcomes are consistent with societal values and expectations. CSR seeks to increase and promote the prosperity of an organization while improving higher living standards in society.

It has been a debate among academicians and practitioners on the extent to which organizations must consider their level of CSR. Specifically, the issue is rather on the extent to which corporate managers and leaders should consider the needs of society as well as the language required for them to understand how to develop and define precisely what is expected of them than whether corporate managers have an obligation to do so. As Wilson, (2003) argues, in CSR debate, “what is usually in question is not whether corporate managers have an obligation to consider the needs of society, but
the extent to which they should consider these needs”. Bearing in mind the premise of CSR which is to treat the stakeholders in a manner deemed ethically acceptable in society, it is inadequate for corporations to show solely responsibility for increasing shareholders’ value; they should keep an eye on a plethora of social and environmental issues and concerns, showing accountability to their stakeholders as well. This can be achieved if corporations devote more attention to non-financial performance dimension. Further, if social responsibilities of a corporation implemented, it will lead to the corporation being sustained (Collins and Porras, 1996).

CSR contributes to corporate sustainability by providing ethical arguments as to why corporations should support and work toward sustainable development: If society in general believes that sustainable development is a worthwhile goal, corporations have an ethical obligation to help society move in that direction (Wilson, 2003). In addition to this, CSR provide an economic thrust for organizations to embrace the whole corporate sustainability trend as a strategic management model. This is manifested in the advantage the organization can reap from the goodwill and favorable corporate reputation.

3.2.2.3. Stakeholder Concept

Stakeholder is a complex and multifarious concept as it involves different philosophical underpinnings and diverse implications for management, strategies, policymaking, and so on (Friedman and Miles, 2006). There is a variety of practices and theories informed by stakeholder concept. Its attractiveness and popularity has led to the concept being criticized in many occasions by both academicians and practitioners within different areas, including corporate marketing (Dunacan and Moriarty, 1997), corporate governance (Alkhafaji, 1989), financial reporting (Stittle, 2003), corporate sustainability and business ethics (Weiss 1998, 2003), etc. Donaldson and Preston, (1995, p.73) states that stakeholder concept is “mudding of theoretical bases and objectives”. The term stakeholder is becoming “content free” meaning “almost anything the author desires” (Stoney and Winstanley 2001, p.650).

However, stakeholder is a relatively modern concept and its popularity and use hasn’t but recently burgeoned in business practice and academic community. Freeman (1984) was generally first credited with its popularization; with his 1984 book Strategic Management: a Stakeholder Approach. A
stakeholder is defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” (Ibid, p.46) Or, as established by Stanford Research Institute in an internal memo produced in 1963, stakeholders are “these groups without support the organization would cease to exist.” (Ibid, p.31) This line of thought has been further developed by Carroll and Buchholtz, (2005).

From communications standpoint, stakeholder concept enables organizations to develop more effective strategies to interact and communicate with those who have a stake in the organization. It is important that companies leaders need to understand which groups of stakeholders are important to the company, what type of relationship they have with them, and how these relationships affect their perceptions beliefs and feelings about the company (Balmer and Gray 2000). However, effective communications are developed by building a positive realm of understanding of these stakeholder groups that impact upon the organization and with whom communication is necessary and important (Fill, 1999). Communicating effectively with the appropriate stakeholders helps grow and flourish the relationship with them, which enables the organization to achieve its objectives. Wilson, (2003) states that the stronger your relationships are with external stakeholders, the easier it will be to meet your corporate business objectives; the worse your relationships, the harder it will be. Thus stakeholder engagement can be used to identify key areas of concern for different stakeholder groups, which can be considered as the focus for strengthening stakeholder relations (Friedman & Miles, 2006). Like pretty much all kinds of relationships, to develop and build a strong lasting relationship with stakeholders, trust, commitment and cooperation are key elements to consider.

The essential purpose of shareholder analysis is to identify who the stakeholders are, what their aims and motivations are, and how they can influence, have a power over, or be affected by the focus organization. Increasingly, organizations have begun to understand and act upon stakeholders’ demands and concerns. They are realizing the importance of addressing and considering those concerns in the strategies they conceive in an attempt to maintain the challenge of responding to stakeholders’ expectations and needs. Further to this point, elevated stakeholder expectations for transparency are driving corporations to adhere to reporting of non-financial performance as a means to disclose corporate commitments and performance (Friedman & Miles, 2006). According to Ballou et al. (2006), stakeholders have been pressing companies to publicly communicate their reports on their corporate sustainability practices through either annual financial reports or
voluntary corporate performance reports. Much more is demanded from the corporation by a wider range of stakeholders, including many who come together under the wide umbrella of sustainability (Dunphy et al. 2003).

According to Friedman & Miles (2006), the stakeholder concept involves redefining all organizations in the sense of how they should be conceptualized and what they should be. This implies that stakeholder analysis is an important factor in the development of corporate strategies. It is crucial to consider the whole system of relationships between organizations as the relationship of any two is contingent upon the relationships of all the actors (Andersson, 1992). The stakeholder approach points out that business is not only accountable to its shareholders, but should also consider stakeholder interests, which may affect or may be affected by the business operations (Freeman, 1984; O’Rourke, 2003).

Strategizing with the stakeholder concept in mind is an enormous challenge for organizations because different stakeholders can have different concerns, priorities, demands and goals. For example, customers seek service/product quality and benefits; employees want opportunity advancement, job satisfaction, security and equality; local community want social investment; and regulatory bodies want compliance with ongoing laws and regulations; etc. Apart from their expectations, stakeholders can have a power over the organization. Freeman, (1984) highlights three elements in this regard: (1) formal power to control the actions of the organization, (2) economic power to influence the organization, and finally (3) political power generated by the stakeholders’ ability to influence an organization through legislation. Freeman constructed a matrix in Table 3.1 (see Appendix D), which represents the dominant influence of each stakeholder.

Stakeholders are also useful when it comes to ethical analysis because the idea provides a framework for weighing obligations and gauging the impact of decisions on all relevant groups, not just the organization (Murphy & Lacznia 2006). From this perspective, stakeholder concept can contribute to business ethics, in particular corporate sustainability by providing an approach to setting strategies and objectives aiming to address the needs of society as regards to creating higher living standards, protecting the environment, promoting social justice and supporting economic stability with the vision to achieve sustainable development. Wilson, (2003) points out that stakeholder concept contributes to corporate sustainability as an additional argument to why organizations should work
toward sustainable development. This new way of understanding economic development concerns all constituencies of society. The negative impacts of current models of industry generated complex global problems, such as climate change, social inequality and stress, resources depletion and environmental health and other problems caused by economic growth. Considering the scale of the problem in such case, the concept of stakeholder can be advantageously used in a way that everyone can be seen to have a stake in the problem. Tackling these global issues, new models, strategies and policies are as needed as to be disclosed to all stakeholders for encouraging transparency, responsibility and accountability. Friedman & Miles, (2006) contends that a corporation can demonstrate its approach to corporate social responsibility to its key stakeholders by disclosing management strategies, actions, and policies relating to environment, social and ethical issues.

Overall, understanding what the key stakeholders are, and knowing their positions and roles, represents an important key factor in the development of communication plans (Fill, 1999). Setting the objective to address stakeholders’ concerns and respond to their demands and needs attempting ideally to achieve their objectives, will ultimately strengthen the organization position and image and help develop opportunities for sustainable competitive advantage.

3.2.2.4. Corporate Accountability

Another broad and philosophical concept related to corporate sustainability is corporate accountability. Broadly, corporate accountability can be referred to as the moral and ethical obligation for organizations to be held accountable to all stakeholders that can be affected by their activities and operations. Wilson, (2003) defines corporate accountability as “the legal or ethical responsibility to provide an account or reckoning of the actions for which one is held responsible”. Stakeholders should be able to control the organization’s operations in the sense that they make sure it doesn’t cause harm to living organisms in the biosphere. Within a legal context there is an increasing awareness that the pursuit of short sighted profit maximization as the only purpose of a company’s activity might harm other stakeholders in society and create more harm than good to society generally (Brønn and Vrioni, 2001). However, this concept is fundamentally different to CSR in the sense that the latter can be perceived as to be voluntary activity while corporate accountability is more of a justification of actions. This is supported by Wislon, (2003) who argues that corporate
accountability differs from CSR in that CSR refers to the corporation’s duty to act in a certain way, whereas corporate accountability refers to one’s duty to justify or report on its actions.

Corporate accountability seeks to bind organizations to improve their environmental and social standards through different relationships (explicit and implicit contracts) established between them as business partners (i.e. suppliers, buyers and clients). To this end, corporate accountability should held organizations accountable and answerable for their actions, operations and activities to stakeholders, instead of urging them to voluntarily give an account of their activities and impacts through voluntary CSR reporting. Strong measures should be developed and strictly applied in an attempt to hold corporations accountable and liable for their actions towards all stakeholders.

To support sustainable development and its objectives, the time has come to mainstream common standards on social and environmental performance. There is a general consensus that corporate accountability should be adopted as a regulation to hold organizations accountable for their actions and impacts with respect to social and environmental wrongdoing, slackness and malpractice. Otherwise, freewill won’t solely bring concrete and desired outcomes. According to an interview with Karl-Henrik Robert in Yes Magazine (1998), he believes that free will of organizations will not be sufficient to make sustainable practices widespread - legislation is a crucial if we want to make the transition in time.

It is apparent that corporate accountability contributes to corporate sustainability in that it induces corporations to consider non-financial aspects of corporate performance by forging new patterns and devising qualitative measures to achieve growth under the umbrella of sustainable development. Wislon, (2003) contends that corporate accountability helps define the nature of the relationship between corporations and the constituencies of society, and sets out the arguments as to why companies should report on their environmental, social and economic performance, not just financial performance. However, companies should not only be accountable for economic capital, but also for natural and social capital to be successful in the long run (Dylick & Hockerts 2002).

Empirical evidence reveals that many organizations are recognizing the value of displaying transparency and accountability beyond financial performance. This practice has evolved as a reflection of the challenges created from increased stakeholders’ demands and expectations for
organizations to take responsibility for their negative impacts on the environment and society. This trend will be reinforced if shareholders and other stakeholders’ support and reward organizations that conduct their operations with sustainability in mind (Wilson, 2003).

Overall, corporate sustainability is a new strategic management model that advocates the profitability and prosperity of the organization while considering simultaneously social and environmental performance. Its premise rests on strategizing with sustainability in mind that is to seek out the increase of both financial performance and social capital. This can be a great opportunity for organizations to thrive within the emerging economic paradigm—sustainable development.

The above discussed concepts are considered to be important and pertinent as they are related to corporate communications that constitutes one of corporate sustainability concepts. As set out previously, corporate communications is also a part of marketing communications that, in turn is a one of corporate strategies. Next section explores the relationship between corporate sustainability and communications.

3.3. Relationship between Corporate Sustainability and Communications

As established earlier, corporate communications is a part of marketing activity that is, in turn, a part of overall corporate strategies. Also, corporate communications is one of the areas that come under the umbrella of corporate sustainability. Therefore, corporate communications is transitively related to the elements of which corporate sustainability is comprised.

However, corporate sustainability can be considered as a management model that is followed by an organization whose vision and ultimate goal is to support sustainable development for achieving sustained economic growth in society. Signitzer & Prexl, (2008) suggest a terminology in which the premise of sustainable development sets out the performance areas, visions, environmental and social goals that organizations should focus on and seek to achieve. As illustrated in Figure 3.1, under this terminological roof of sustainable development, the concept of corporate sustainability is positioned along with related concepts. Corporate Sustainability occurs through the lens of sustainable development. Other related concepts interact synergically with each other under the umbrella of corporate sustainability. In accordance with Wilson (2003) and Loew et al. (2004),
Signitzer & Prexl, (2008) suggest the use of corporate sustainability as an umbrella term for various other concepts associated with the role of an organization in society. As mentioned previously, these concepts include: corporate social responsibility (CSR); corporate social accountability; stakeholder approach; corporate social performance; corporate citizenship; corporate governance; Triple Bottom Line (Woods, 1991) and last but not least, corporate communications (Signitzer & Prexl, 2008) which is the focus of this study.

![Diagram of Corporate Sustainability and related terms](image)

**Figure 4.1** Corporate Sustainability and other related terms.  
Source: Signitzer & Prexl, 2008

This figure illustrates how sustainability merges with corporate activities to form a comprehensive model where sustainable development become a part of the organization vision in strategizing and conducting its business operations from sustainability perspective. And corporate communications is one of the elements or concepts included in corporate sustainability model.
CHAPTER FOUR

CORPORATE SOCIAL RESPONSIBILITY

COMMUNICATIONS AND VALUE CREATION
4. Corporate Social Responsibility Communications/Reporting

In this chapter, we endeavor to provide the results from the literature review with a detailed analysis and discussion of the current practices in corporate social responsibility communications/reporting and related corporate value creation. First attention will be given to how corporate marketing is linked to corporate communications, to CSR and to stakeholders. Following the discussion of the current practices in CSRC/R, both empirical and theoretical evidence is presented demonstrating the link between corporate sustainability (CSU)/ environmental and social performance (ESP) on one hand and financial performance (FP) on the other hand. In addition, we explore how CSRC/R can enhance corporate image and reputation. Our explanation for better understanding of the relationship between corporate marketing communications and sustainability will also help to answer the two research questions (RQ1 and RQ2) mentioned in section 1.4.2 of chapter one. We have attempted to strengthen, in analytical and critical manner, the arguments and views provided in this chapter. In line with that, we address some biases associated with the studies carried out on the relationship between CSU/ESP and FP, and we explore the issue of skepticism towards CSRC practice. In the next section, we discuss the role of communications in corporate sustainability.

4.1. Key Role of Communications in Corporate Sustainability

Corporate communications is an important component of corporate sustainability and vital source in corporate strategies. It is much more than just a corporate activity; it plays a major role in communicating the sustainability practices and activities undertaken by the organization such as CSR, corporate accountability and corporate citizenship, etc. It can be seen as an outgrowth of the corporate social responsibility reporting. It is a means of disclosing an organization’s strategies, actions and initiatives pertaining to sustainability efforts. This type of communications may have a great impact upon the stakeholders’ perception of the image of an organization. More discussion on image and reputation enhancement will be provided in later section of this chapter.

Corporate communications has become markedly instrumental in the organization’s operations and activities. By and large, it aims to communicate “what the organization is what it does and how it does it” (Fill, 1999). This is very crucial in maintaining a positive relationship with key stakeholders on which, in one way or the other, the organization’s survival depend. Further to this point and at
corporate level, communicating strategies, whether internally or externally, are far more important than developing or implementing them because poor communication could greatly impact upon the short and company’s long term value generation. Higgins, (1996) makes a relevant point when he argues that corporate strategies, regardless of how elegantly conceived, how comprehensive their scope, how holistically planned or how forward-looking their thrust, don’t provide competitive advantage until they are well communicated, understood and acted upon by a variety of key corporate stakeholders. He articulated the issue that organizations don’t often perform well when it comes to strategy communication, either internally or externally.

Communications at corporate level seeks to disclose and report to all stakeholders the organization’s adherence and compliance with CSR policy. Friedman & Miles, (2006) argue that a corporation can demonstrate its approach to corporate social responsibility to its key stakeholders by disclosing management strategies and policies relating to environment, social and ethical issues. CSR Reporting should be performed properly using assurance guidelines in order to maximize value creation and achieve valued outcomes with stakeholders. Given the topic of this study, we intended to focus particularly on the role of corporate communications in relation to CSR. In his recommendation on a distinction between CSU and CSR, Marrewijk, (2003) states that CSR is “communication”-oriented relating to individuals and organizations (stakeholder dialogue, sustainability reporting, and environmental communications programs, etc). In the next section, we explore the relationship between marketing and corporate communications, CSRR and stakeholder concept. This endeavors to add more clarification to the synergy between the concepts explored so far.

4.2. Marketing and Corporate Communications, CSRC and Stakeholders

Our review has brought to light the synergy that exists in relation to corporate and marketing communications, sustainability and stakeholders. Based on this insight, we have been able to discern the elements that characterize the relationship between corporate communications and marketing, CSRR and stakeholders. Such insight has, we conclude, wide utility with regard to the nascent area of corporate sustainability communications as a marketing approach.

The practice of advocating corporate social responsibility (CSR) in corporate communications has been approached from various perspectives and referred to by different terms by many authors and
practitioners. With respect to this study, the perspective involves integrating sustainability into the formulation of corporate communications plans within marketing activities. This perspective focuses on communicating sustainability/CSR at corporate marketing level to stakeholder audiences with the goal to improve image, build reputation and directly enhance financial performance of an organization. This marketing communications trend aims to enable an organization to ultimately keep the license of its operations. Based on the literature reviewed and in accordance with Fill (1999) and Signitzer and Prexl (2008), we suggest a framework that uses marketing communication as the roof under which corporate communications activities come about. Through these activities, CSR can be communicated to all stakeholders within the network in which the organization operates. Figure 4.1 illustrates this relationship between marketing and corporate communications, CSRR and stakeholders. The list of stakeholders used in this model is not intended to be comprehensive.

![Marketing and Corporate Communications, CSRR and Stakeholders](image-url)

Figure 4.2 Marketing and Corporate Communications, CSRR and Stakeholders
Basically, corporate social responsibility communications (CSRC) in marketing activities is a practice and trend that entails organizations communicating, through their public relations activities, corporate advertising and so on, their corporate social responsibility practices and social accountability actions. Next, we explore the practices of CRSC in relation to stakeholders.

4.3. Corporate Social Responsibility Communications/Reporting Practice

Communicating sustainability at corporate level occurs through corporate social and environmental reporting; stakeholders’ dialogue on sustainability issues and environmental and social communications programs. This is usually a part of the agenda of public relations activities. Triple Bottom Line (Elkington, 1997) reporting, also known as corporate sustainability reporting (CSR) entails reporting nonfinancial and financial information to a broader set of stakeholders than just shareholders (Ballou et al., 2006). This practice has apparently become a rapidly growing field of action for corporate and marketing communications and public relations practitioners. Empirical evidence demonstrates that more and more organizations are publishing CSR reports and starting to talk about the interdependences between financial, social and environmental dimensions and stakeholders (Signitzer & Prexl, 2008). This is justified by the derived benefits resulting from adopting this practice. Many companies recognize the potential comparative advantages of publicly disclosing their goals related to nonfinancial measures and reporting on how well they achieve these goals (Ballou et al., 2006). The percentage of the organizations issuing CSR reports has been increasing, suggesting organizations issuing CSR reports recognize an increasing market value for in accordance reports (Ibid). Socially responsible companies are striving to embed ethics into their business operations including how they ethically treat and impact internal and external stakeholders (i.e. employees, clients, and consumers, etc). It is apparent that these companies are under pressure by financial institutions in terms of their sustainable management assessment. In fact, Dow Jones Sustainability Index and investment policy disclosure requirements have put financial pressures on companies to make nonfinancial disclosures (Ballou et al., 2006). Further, sustainability companies for DJSGI are identified based on the Corporate Sustainability Assessment (see Table 4.1 in Appendix E) of Sustainable Asset Management (SAM) Research (Lo and Sheu, 2007).

Organizations are working towards corporate sustainability to develop opportunities for sustainable competitive advantage in new emerging economic paradigm - sustainable development. They have
come to realize that considering stakeholder demands and expectations is as required condition for sustainability as the need to achieve overall corporate strategic goals (Ballou et al., 2006). In corporate sector, there is a growing interest in moving from traditional growth models and short-sighted approach of maximizing wealth to long term approach. As pointed out by von Rosen (2003), an increasing number of businesses have detected a business case in working towards corporate sustainability and CSR. Empirical evidence reveals that many organizations have integrated the issue of sustainability into their mission statements; others have concrete goals concerning sustainability and provide an organizational structure for its implementation (von Rosen, 2003). According to (Savitz, 2002), a Pricewaterhouse Coopers’ survey was conducted among 140 companies headquartered in the United States, and revealed that 75% of the companies said that they had business practices related to sustainability, and a sizeable majority (89%) of the companies surveyed foresee that corporate sustainability will become even more relevant in the future. These companies are accepting this trend due to the huge advantages they reap, resulting from enhanced reputation, improved financial performance, competitive advantage, shareholders’ value increase, employees’ motivation and productivity and customer loyalty. This is basically what corporate and marketing communications aim to achieve as goals from CSRC.

4.4. Corporate Social Responsibility (CSR) Practice

Most commonly CSR encompasses different activities that are professed to be undertaken by organizations following the path of sustainability in their operations. Some of these activities are briefly described below as adapted from Brønn and Vrioni, (2001):

Corporate philanthropy: This activity is about performance beyond an organization legal obligation which can have a significant impact on the communities within the network in which an organization operates (Lerner & Fryxell, 1988; Mullen, 1997). Donating to charities in the form of a percentage of pre-tax earnings provides a concrete measure of the social effort of corporate leaders (Brønn and Vrioni, 2001).

Social disclosure: this activity usually involves the organization’s performance in providing information on initiatives and efforts undertaken with respect to socio-ecological sustainability. To the extent that corporations provide data on their societal activities, they are responding to societal needs and expectations regarding social disclosure to stakeholders (Lerner & Fryxell, 1988)
Company’s Environmental record: Pro-social positioning of many organizations is identified with their environmental record such as compliance to environment policies related to air and water (Mullen, 1997). This can be justified by how industrial companies comply with regulations as to eliminating persistent chemicals, offsetting greenhouse gases emissions, and protecting biodiversity, etc.

Workforce diversity: including women and minorities in leadership positions is perceived as aspects of an organization’s humanistic contribution to equality in the culturally diverse workplace (Mullen, 1997), in addition to rewards, recognition, employee benefits and advancement, learning and development and internal and external communications

Community involvement: Organizations involved highly in their communities appear to make more charitable contributions, encourage employee volunteer activities and have greater local economic impact (tax revenues, jobs, educational programs and investments) (Brønn and Vrioni, 2001).

However, corporate social responsibility involves compliance with laws and regulations set by the government as a part of the state duties. This is best exemplified in Scandinavian countries that are so-called welfare states. As Brønn and Vrioni, (2001) state that “a fairly regulated society, in Scandinavia it is only natural that the state interferes in more or less all aspects of life – particularly in economic life.”

Corporate social responsibility communications (CSRC) must stem from credible practices and transparent actions that show responsibility and accountability to stakeholders. Examples of some approaches to corporate accountability are presented in table 4.2 (see Appendix F). However, there are regulations in this regard that intend to ensure transparency and credibility of CSRR. According to Ballou et al. (2006), the most dominant reporting regulations are those of the Global Reporting Initiative (GRI) launched in 1997 with the goal of "enhancing the quality, rigor, and utility of sustainability reporting," This initiative began to develop criteria and measures that could eventually serve as the starting point for generally accepted reporting standards (Ibid).

Generally, CSR encompasses many dimensions and principles on which organizations should focus on to demonstrate the congruence between the practice and its communication/reporting to stakeholders. That said shareholder value seems to be the focal point when adopting CSR as a policy for an organization. This is reflected in the premise of corporate sustainability whose purpose is to increase both financial and social capital. More to the point, CSR involves conducting business
operations in compliance with all applicable laws and regulations as well as ethical standards including integrity, honesty, forthrightness, holism and fairness, etc. This should be embedded in the internal and external strategies, actions and practices because it is vital for organizations to preserve a positive relationship with internal stakeholders. Further to this point, CSR policy includes that the organization should provide equal opportunities (i.e. advancement, recruitment, promotions, professional development, and rewards, etc), create an environment where human needs can be met, promote culturally diverse workplace (equality, structural integration, recognition and motivation, etc), and promote a safe physical and healthy working conditions. It is the organization’s duty to create an environment that is fairly and collegially supportive to its internal stakeholders.

Moreover, the organization should be aware of the laws and regulations that protect and promote proper competition so to ensure legal and responsible conduct between its internal (i.e. employees, managers) and external stakeholders (i.e. competitors, clients). Additionally, the organization should not encourage or advocates questionable or unethical business practices, such as discrimination, disparity, recruitment inequality or backhanders and any other illegal, improper act or behavior that might inadvertently affect others. Overall, the organization should continuously analyze its operations from a CSR perspective and adopt guidelines that seek to promote collaboration and communication with other stakeholders through multi-faceted partnerships with the vision to motivate them to work towards achieving CSR objectives and espousing similar practices.

The practice of CSR can benefit organizations in multiple ways. Operating with a perspective that is broader than the short-sighted approach of maximizing profits can create qualitative measures and innovative solutions that will create value and sustain the business. Communicating CRS at corporate level is deemed to be far more advantageous to corporate value creation. However, CSR reporting needs to based on measures that ensure its integrity, credibility and its transparency. Otherwise, lack or failing to do so, it might reduce the quality and informational usefulness of CSR reporting. CSR reporting auditing and assurance is the subject of in the next section.

4.5. Auditing and Assurance of Corporate Sustainability/CSR Reporting

In order for organizations to provide a clear and credible way to make useful CSR reporting decision for stakeholders who are like minded, there are some measures that should be taken into
consideration. These measures present an opportunity for organizations to transparently and clearly communicate how they are performing concerning sustainability practices, efforts, initiatives and contributions. Ballou et al., (2006) point out that to create transparent, accurate and reliable reports reflecting a fair picture of overall performance, many companies are now reporting results across the Triple Bottom Line of economic, environmental and social performance. Generally, the information to be disclosed in CSR reporting varies depending on the activity, sector, and the corporate objectives, etc. It usually involves risk management, environmental objectives, social initiatives (i.e. philanthropy and social investment plans), and operational objectives, etc.

However, CSR reporting can be auditable in companies seeking to provide more assurance, credibility and integrity of their reporting to their stakeholders. There are usually different methods and procedures that can be used by so-called sustainability companies to perform this assurance. Form literature reviewed, these procedures are internal (i.e. human resources management), external (i.e. business partner, consulting or risk management firm) or both. In so doing, companies use different codes and tools to perform the assurance of their CSR reporting. However, it is recommended by the Global Reporting Initiative (GRI) to use external assurance for sustainability reports. Reports should be conducted by competent external groups or individuals in an attempt to follow systematic, documented and evidence-based processes (Ibid). The assurance should be based upon nonfinancial and quantitative social and environmental performance measures (Ibid), such as social guidelines, fundamental human rights, health and safety, working environment, ethical treatment, global warming, energy efficiency, and greenhouse gases release/emissions, etc.

According to Ballou et al. (2006), the key quality for external assurance of reports using the GRI Reporting Framework is that the assurance:
• Is conducted by groups or individuals external to the organization are demonstrably competent in both the subject matter and assurance practices;
• Is implemented in a manner that is systematic, documented, evidence based, and characterized by defined procedures;
• Assesses whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in a report as well as the overall selection of content;
• Utilizes groups or individuals to conduct the assurance who are not unduly limited by their relationship with the organization or its stakeholders to reach and publish an independent and impartial conclusion on the report;
• Assesses the extent to which the report preparer has applied the GRI Reporting Framework (including the Reporting Principles) in the course of reaching its conclusions; and
• Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer.

Overall, the number of organizations reporting under GRI guidelines has exponentially grown since 2000; nearly 1000 international companies from more than 60 countries had registered with the GRI and were issuing corporate sustainability reports using some or all of its standards (Ibid).

The auditing and assurance measures of CSR reporting seem to be very crucial in order to bring credibility, transparency and usefulness to the reporting. This aims to send out messages to stakeholders on how seriously the company is concerned about sustainability issues and committed to contribute to the pursuit of its efforts. As a result, stronger and more favorable image and reputation are added to corporate assets. This is discussed next as a result of how CSRC/R can contribute to corporate value creation.

4.6. Corporate Social Responsibility Communications and Value Creation

4.6.1. Overview

In today’s business environment, organizations that sustain are those which manage their key relationships well and focus on their reputations (Brønn and Vrioni, 2001). There is a general consensus that reporting on environmental, social and ethical responsibility directly affects corporate image/reputation, financial performance and subsequently shareholders’ value. As early as the 1960s, advocates of corporate social responsibility (CSR) pragmatically argue that pursuing such a route would limit regulation, as well as improving reputation and employee retention (Davis, 1960; Whetten et al., 2002; Wren, 1979). It can be understood that the practice of CSRC/R, if adopted and communicated properly, will bring value to the organization. Thus, the trend towards espousing CSRC/R and related business actions has come about through what organizations have achieved in terms of value creation as regards to the reputation and financial performance improvement. There
are many instrumental studies conducted in this regard; however they may, as all qualitative and quantitative studies, possess some biases and weaknesses as to the reliability and robustness of the findings. Although it did empirically prove, in many studies, to be a positive link to the hypothesized causal link between corporate sustainability communications/social and environmental performance and financial performance, there is still some uncertainty and incomprehensiveness surrounding these studies in this commonly judged complex area. These arguments and other issues are discussed later in this chapter.

4.6.2. Corporate Social Responsibility Communications and Reputation

It was pointed out in the analysis of Brickley et al, (2002) that the claims that a company becomes unprofitable by adopting high ethical standards while its competitors adopt lower ones is incorrect since, they conclude, potential customers discount their demand prices where there is uncertainty about the quality of the offering. This can imply that companies adopting corporate sustainability and business ethics are more likely to be profitable, if not in the short run, in the long run. This is implicitly inferred in what Lo and Sheu, (2007) says: a company that acquires a reputation for unethical behavior will lose current as well as potential future stakeholders and the profits they would have generated. Further, Chami et al., (2002) argue that the corporation should care about ethics, because the company’s ethical reputation is the valuable intangible asset which will affect the financial market share.

Empirical evidence in Fombrun and Shanley, (1990) study suggests that the greater an organization’s contribution to social welfare, the better its reputation. Reputation can be a strategic driver of corporate success because it links many key elements that are crucial to the success of the organization. These elements include: image, employee motivation, customer loyalty, financial performance, and stakeholders’ relationship, etc.

Therefore, CSRC/R has proven to be very beneficial and strategically valuable to corporations. If properly implemented and intelligently used, it will enable the organization to develop opportunities for competitive advantage. As Fombrun and Shanley (1990) state, organizations with strong reputation have a competitive advantage within their industries, while those with weak reputation are disadvantaged. From a marketing perspective, the most obvious link of CSRC in marketing to
overall corporate performance is through reputation dimension (Brønn and Vrioni, 2001). This occurs through the accumulated positive image impacts residing in the perception of the stakeholders as they favorably perceive the organization for what it achieves and creates as benefits and value, which is demonstrated through their needs and expectations being met. Strong and favorable reputation reflects that the organization takes the credit for delivering valued outcomes to its stakeholders. This is further supported by Freeman, (1984) and Fombrun, (1996) who argue that reputations reflect organizations' success in fulfilling the expectations and demands of multiple stakeholders.

However, improved reputation can be very influential in building the brand of an organization. Reputation, closely related to brand awareness, aids in brand differentiation and ultimately helps a company gain (through a good reputation) competitive advantage (Kay, 1993). If this differentiation is driven from stakeholders' knowledge and awareness of social and environmental initiatives and contributions undertaken by the organization, then the brand impact will be greater and longer upon their perception of the corporate image. ‘Differentiating your brand through the image of care and compassion to society is a strategy that can be highly rewarded.’ (Brønn and Vrioni, 2001) Social causes, if manifested in corporate communications, can be a dramatic way to build a good brand as it creates the most added values (Mullen, 1997). Further, building strong brand requires communication efforts to maintain the image held by stakeholders. It is necessary to ensure the consistency and credibility of the image reflecting the personality of the organization. This can be achieved through embracing social and environmental considerations in the vision of the organization-values and purposes- so they become part of the corporate culture.

Further, CSRC in corporate marketing activities has become at the core of corporate strategy development for many organizations as they realize the interdependence between their reputations and support of social causes. For example, corporate philanthropy is likely to enhance the image of companies that have high public visibility (Brønn and Vrioni, 2001). Reputation is becoming increasingly a critical element for the organization's long run profitability. Embracing social and environmental considerations when developing corporate communications plans seems to be a key factor that marketing experts and planners should watch and capitalize on in order to build and enhance the organization reputation. Having a pro-social agenda means having a powerful marketing communications strategy that can build and shape an organization’s reputational standing, make a
differentiation in the market environment and give an organization a competitive cutting edge status (Ibid). Further, in their research on reputation/brand building and corporate strategy, Fombrun and Shanley, (1990) contend that positive reputation may enable companies to enhance their access to capital markets and attract better investors.

In addition to these advantages, the practice of CSRC will enable the organization to foster and nourish its overall relationships with stakeholders through improving their trust and commitment to shape the way they act upon the information they have to position the organization; i.e. well reputed for pro-social and/or environmental positioning. Elaborating further in the field of stakeholder relationships, Duncan, (1995) refers to CSR communications in marketing from a conceptually different perspective. What he calls “mission marketing” (MM) seeks beyond financial performance and considers socially redeeming system into an organization’s plan and operations. MM is very critical for brand contact that is manifested in a company’s vision, culture and philosophy and which can drive corporate communications strategy (Duncan & Moriarty, 1997).

Reputation enhancement depends blatantly on the way stakeholders perceive and interpret the organization’ identity cues to form their image about the organization. Since CSRC has a significant role in building this reputation, managing stakeholder relationship remains the key driver in the whole communication processes. Hence, organizational management should consider the needs, concerns and the expectations of all stakeholders. Brønn and Vrioni, (2001) argue that “the management of stakeholder relationships lies at the core of CSR and entails establishment of a sound/functioning two-way communication with stakeholder groups, i.e. understanding the type of support needed from each group, as well as learning their expectations of business and what they are willing to pay for having their expectations met.”

Empirical evidence has shown that there are many reasons why organizations engage in CSRC practices in corporate marketing activities. It has empirically proven that there is positive relationship between CSRC, company reputation index and return on equity (Karake, 1998), and business performance more generally (Zairi, 2000; Zairi and Peters, 2002). According to Savitz, (2002), Pricewaterhouse Coopers’ survey conducted in a 2002 among 140 companies headquartered in the United States said that among the main reasons for engaging in related actions were enhanced reputation (90%), competitive advantage (75%), cost saving (73%), industry trends (62%),
CEO/board commitment (58%), customer demand (57%), demands from socially responsible investors (42%), shareholder demand (20%), and access to capital (12%) (Signitzer and Prexl, 2008). Also, these results show that CSRC in corporate marketing activities are driven by the demands and concerns of multiple stakeholders such as leaders/board, shareholders, investors and consumers, etc. However, Fombrun (1998) recommends that the measures used to evaluate corporate reputations should consider multiple stakeholders, whose assessments aggregate into collective judgments as well as the different financial and social aspects according to which stakeholders judge organizations. Next, we discuss the link between CSRC and financial performance.

4.6.3. **CSRC and Financial Performance (FP)**

It was mentioned in the previous section that there is a link of reputation to CSRC. This link extends to encompass financial performance that usually results from customer loyalty and relationships and employee motivation and productivity as well as other stakeholders’ relationships such as investors and shareholders. Social causes, if integrated in corporate communications, can be a dramatic way to build a good brand as it directly enhances financial performance (Mullen, 1997). So it appears that CSRC is a value creation and increasing strategy for businesses. Obviously, a variety of research studies have been conducted in this area and most of them have shown the positive relationship between CRSC and environmental and social performance. Next we shed light on some of these studies as well as their biases as to the credibility and reliability to the related findings.

4.6.3.1. **Empirical Evidence of the positive Link of CSRC to FP**

So far in this chapter, the focus on the value creation of CSRC in corporate and marketing communications activities has been on the reputation and related advantages. However, there are other advantages and benefits that the organization can gain from CSRC practice which is another obvious link to corporate performance; it is financial results improvement. This is usually determined by how favorable and positive the reputation of the organization held by stakeholders is. CSRC practice provides an economic value that should not be overlooked should companies decide to adopt and support sustainable practices. Form the literature reviewed, such practice might attract key stakeholders and investors, improve customer loyalty and leverage corporate intellectual assets.
through recruiting and preserving talents employees. A positive relation was found between a company’s value creation and corporate sustainability; and in this study the sustainable premium is statistically significant (Lo and Sheu, 2007).

Probably the most significant study in this area has been carried out by Lo and Sheu, (2007) who empirically analyzed and proved the positive relationship between corporate sustainability and company’s value increasing - financial performance. They have found that sustainable companies are rewarded with higher valuations in the market place for large publicly-traded US companies. In this study (see Table 4.3 in Appendix G), the researchers tested the main hypothesis by using, among other variables, sustainable dummy designed to test hypotheses (sustainable dummy equals 1 if a firm is sustainable and 0 otherwise) and multivariate setting by controlling company size, access to financial market, leverage, ROA, sales growth, investment growth, industrial diversification, credit quality and industrial effects as well as the possibility whether corporate sustainability interacts with other control variables (see the list of some control variables used in this study in Appendix I) on the company value.

Doing business with organizations known with pro-social and pro-environmental positioning seems to be a thrust for a number of stakeholders. This adds direct value to corporate brand/offerings. For example, surveys conducted on consumer stakeholder have shown that most consumers, if price and quality are equal, are more likely to switch to companies/brands that communicate their corporate support to social causes in their marketing activities (RSW, 1993, 1996). In line with that, a survey (see Table 4.4) has revealed that most consumers favor socially responsible companies and products (Duncan and Moriarty 1997; O’Sullivan 1997; RSW, 1996). Many empirical studies have uncovered the positive relationship between corporate social responsibility and its financial value, primarily on a firm’s environmental performance (Konar and Cohen, 1997, 2001; Khanna and Damon, 1999; Blank and Carty, 2005). It is apparent that consumers are increasingly becoming aware of sustainability issues as they started acting upon the knowledge they have regarding social and environmental performance records of companies. It is therefore to be noted that this practice (CSRC) must be taken into account when developing and formulating corporate marketing communications.
Table 4.4 Studies of Consumer Attitudes to Corporate Support of Causes

<table>
<thead>
<tr>
<th>Consumer Attitudes</th>
<th>USA (%)</th>
<th>UK (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness of companies supporting causes</td>
<td>79</td>
<td>68</td>
</tr>
<tr>
<td>Likely to switch to brands that claim to help a cause</td>
<td>76</td>
<td>86</td>
</tr>
<tr>
<td>Likely to pay more for a brand that supports a cause</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>More likely to buy a product that supports a cause</td>
<td>78</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: Duncan and Moriarty (1997); O’Sullivan (1997); RSW (1993, 1996)

As it was pointed out earlier, many stakeholders are driving companies to adopt sustainable business practices (i.e. CSRC). Sustainability issues are becoming of serious concern for all stakeholders, so changing favorably their attitudes, perceptions and behaviors towards the organization require a new set of developed actions from organizations in order to achieve the ultimate corporate goals. However, changing attitudes of consumers have driven organizations to forge and find new ways to make marketing activities relevant to society, dialogue-seeking, responsive and involving (Ptacek and Salazar, 1997).

Further to this point and at a general level, corporate sustainability has a positive impact on shareholder value as demonstrated by indices such as the Dow Jones Sustainability Group Index (Signitzer and Prexl, 2008). Between March 1995 and March 2000, Dow Jones Sustainability Group Index (DJSGI) documented that the stock market performance of its companies increased by 164.46% while organizations of the “normal” Dow Jones Global Index have risen by only 138.76% during that period (Cerin & Dobers, 2001). This proves the evidence that corporate sustainability is both a social and financial capital increasing strategy for companies.

Moreover, involvement in non-profit initiatives can generate positive media coverage, build a reputation of compassion and caring for a company, enhance its integrity; consumers’ preferences; improve employees’ motivation and productivity (Duncan and Moriarty, 1997). Employees are obviously linked to financial performance when considering CSRC practice. Corporate sustainability practice may induce and encourage them to participate and get involved in corporate sustainable actions. This could be of great benefit and help as it will facilitate and enable the organization to embrace the change relating to sustainability orientation. Internal communication of sustainability
may become a catalyst for environmental learning and change processes within the company (Sarkis et al., 2000) and, as a consequence, a catalyst for innovation and competitive advantage (Signitzer and Prexl, 2008). Additionally, employees play a major role in communication with external stakeholders; hence, CSRC planning should include them as an important driver for bringing about transformational change. Fill, (1999, p. 560) contends that “most programs requiring change should attempt to adapt employees perceptions first and then their attitudes and behaviors.” From a different angle, growing companies are perceived as more pro-social compared to others, as they can offer employees more opportunities for advancement (Fombrun, 1998).

However, many rating attempts have been undertaken to evaluate organization’s motives and tendency to grow in conducting business operations from CSR perspective. These attempts have showed that these organizations recognize the significance of their financial health (Bronn and Vrioni, 2001). Stanwick and Stanwick (1998) provide empirical evidence to support the view that profitability of a company allows and supports managers to implement activities and programs that increase the level of CSR practice. This means that a corporation’s level of social responsibility is somehow influenced by its financial performance. Therefore, some companies are not as better positioned as others to invest heavily in CSRC to embark upon such path.

4.6.3.2. Theoretical and Empirical Studies on the Link of ESP to FP

In this section, we aim to present and discuss instrumental studies aiming to prove a causal link between corporate social environmental performance on one hand, and financial performance on the other hand. It is to be remembered that corporate communications is one of the established concepts under the umbrella concept of corporate sustainability. It is through corporate communications that all corporate strategies and practices relating to sustainability can be communicated and disclosed to a wide variety of stakeholders.

However, it is not intended here to comprehensively present the existing empirical research studies, but to shed light on the main ones related to the topic of the thesis. It is important to note that they are theoretical studies that are based on frameworks aiming to elucidate the nature of the relationship between financial performances (FP) and environmental and social performance (ESP) (Salzmann et al., 2005). Most of these theoretical frameworks refer to the relationship between
social and financial performance as they are based on the concept of corporate social responsibility (Carroll, 1999) and corporate social performance (Wood, 1991). Theoretical frameworks that have been developed are valid for both dimensions of corporate social and environmental performance, although environmental issues are different from social ones (Salzmann et al., 2005). These frameworks differ in terms of the causal link and the direction of the relationship (positive, neutral, and negative links) as illustrated in Table 4.5 (see Appendix H). However, the different frameworks are described in Tables 4.6-4.8 (see Appendix H) (Preston and O'Bannon, 1997).

Following this line of thought, these empirical studies are aimed to empirically test the relationships hypothesized in the theoretical studies. These empirical studies, according to Salzmann et al. (2005), follow two broad streams of methodology: qualitative case studies (i.e. stories about successful pollution prevention, projects and cost savings in mature, commodity and extremely price-sensitive sectors such as chemicals; issues such as risk avoidance and corporate sustainability as a part of business excellence), and quantitative analyses (i.e. portfolio analyses comparing the performance of constructed model portfolios with a benchmark Index; event studies assessing the impact of good or bad environmental or social incidents on companies’ share prices; multivariate analyses examining associations between different measures of FP and ESP. Lankoski, (2000) a prolific author in corporate sustainability, conducted probably the most significant study in this area, and empirically analyzed the influence of industries, plants and time on environmental profit (Ibid).

Overall, many instrumental studies have shown that there is a positive link between social and environmental performance (ESP) and financial performance (FP), but the results vary and depend on different parameters and factors, such as company size, sector, and industry effect, etc. Though, not all studies support this view as the results are largely inconclusive as pointed out, in particular by (Cochran and Wood, 1984; Frooman, 1997; Griffin and Mahon, 1997, cited by Salzmann et al., 2005). We explore more biases of such studies in the next section.

4.6.3.3. Reflection on the Bias of Studies on CSU/ESP and FP

Generally, as there are strengths to studies, there are weaknesses. In this section, we intended to shed light on some bias issues associated with qualitative and quantitative methods used in studies designed to prove the hypothesized causal link between CSU/ESP and financial performance (FP).
It is useful to note that this link extends also to include corporate reputation. However, the bias issues generally are concerned with matters pertaining to invisible dynamic patterns; complexity and materiality of the topic; convoluted behaviors in business environment and imitations to the reduction of downside operational risk and to measures to quantify and evaluate non-financial performance from ethical perspective. Salzmann et al., (2008) point out that those empirical studies have focused mainly on large, pan-sector samples, which may have masked sector-specific differences such as unique internal competencies, external environmental pressures, degree of public visibility, and stakeholder configurations, etc. The wide majority of studies appears to be focused on multi-industry samples, leaving a vast research area of single industry sectors and geographical areas as well as comparative approaches largely untouched (Ibid, 2008). However, Banerjee et al., (2003) have done a study in which they have taken an explicit cross-industry approach, but the study has accounted for both industry and country effects.

The evidence presented in broad streams of methodology, namely qualitative and quantitative studies are often not hard enough, since it is based on qualitative data; and, second, they are often only valid for a specific sector or company, hence their applicability is limited (Salzmann et al., 2008). Therefore to conduct such studies, there are so many variables (i.e. independent and control) and moderating factors that are worth consideration so as to bring robustness and dependability to the results. Adding to this, multivariate analyses and tests are instrumental in the examination of the associations between different measures of CSU/ESP and FP. These test methods can be invaluable to better test causal hypothesizes to achieve a high level of reliability in the results.

Based on many studies within the literature reviewed, variables include: industry effect - economic sector (i.e. chemical and pharmaceutical industries, energy, information technology, materials, services, telecommunication, and utilities, etc), industrial diversification, scale, and size, etc. Moreover, there is a general consensus that qualitative data used in research studies exhibit variance and are contingent upon different factors, such as the time period under consideration (sometimes limited to only a few days or months), market structure, conditions and uncertainty; re-assessment of portfolios; and external environment dynamic patterns, etc. Further to this point and from an empirical perspective, although panel data are used to control for any unobservable company heterogeneity to test the hypothesis, there is still the potential of failing to control some indiscernible, imperceptible or barely/hardly unnoticeable variables or factors. An attempt to
overcome such problems, Hill and Snell, (1989) used panel data to cross sectional analysis while using static data to test dynamic relationships between corporate sustainability communications and value increasing.

Salzmann et al. (2008), point out that adding to the complexity of the research area, which results from the variety of environmental and social issues that affect different industries in different countries at different times, the inconclusiveness of the results can be attributed to the following shortcomings in the methodologies: (1) the use of a wide variety of sometimes poor ESP measures; since its introduction in 1982, the Fortune Corporate Reputation Index has been increasingly used as a data source leading to more consistency with respect to ESP measures; however multidimensional measurement naturally leads to limited sample sizes; (2) lack of effort to empirically test definitions and concepts; and (3) lack of significance testing and control for interaction with other variables - particularly in the early studies.

The use of a variety of financial performance measures may be biased by the suitability as to various management purposes or sometimes the researchers’ expediency and pragmatism. Rather, the process should be focused on using the appropriate financial performance measures for generating robust and reliable findings. Otherwise, using inadequate sampling techniques due to limited data availability or fractional-based measures may lead eventually to results being biased and incomplete. However, a few studies (Simpson and Kohers, 2002) took more differentiated perspectives by focusing on one particular industry or comparing different industries. Overall, results of instrumental studies suggest that the ESP and FP relationship is complex and contingent on situational and specific factors that are difficult to detect through analytical approaches; hence the issue of the causal link between ESP and FP remains unresolved (Salzmann et al., 2008).

In line with the above, some general existing critics and views argue that CSRC practice is nothing more than superficial window-dressing. Further, there is some skepticism surrounding CSRC among some stakeholders such as consumers, employees and communities who usually doubt the substance and motives of communications campaigns. The next section addresses the issue of skepticism associated with CSRC practice.
4.7. Skepticism towards CSRC Practice

All organizations develop a series of relationships with a wide variety of other stakeholders such as organizations, groups, and individuals, etc. These relationships should usually be based on mutual and shared interests between all involved entities. Though, the expectations of the established relationship aren't always mutually aligned and reciprocally met due to a number of factors and issues. Skepticism can be an issue that might affect the course of the relationship when expressed by one or all involved parties.

In this study, however we focus on the issue of skepticism and cynicism by stakeholders towards an organization’s CSRC practice. The level of the disbelief expressed by stakeholders in regards to doubting organizations communications varies based on whether it stems from skepticism or cynicism belief. As Kanter and Mirvis, (1989, p. 301) point out, “skeptics doubt the substance of communications; cynics not only doubt what is said but the motives for saying it”. Undeniably, there is still substantial skepticism and uncertainty surrounding the corporate sustainability model in general (Morsing, 2003; Walley and Whitehead, 1994, cited by Salzmann et al., 2005). However, demonstrating socially responsible behavior that is a part of corporate sustainability first took place in the early 1970s when many organizations published so-called social reports. But most of the reports lacked honesty and transparency, doing “greenhousewash” (Greer & Kenny, 1996) and presented the good side of the story, which affected negatively their credibility (Signitzer & Prexl, 2008). This creates some lack of enthusiasm and distrust among stakeholders towards the motives of CSR communication/reporting in general.

It was mentioned earlier that developing corporate strategies should encompass all stakeholders’ needs in order to build and grow positive and enduring relationships with the goal to achieve corporate objectives. To properly manage stakeholder relationships, the company not only needs to adopt CSR as an integral part of a company’s mission but must also effectively communicate it to the stakeholders (Brønn and Vrioni, 2001). This is needed to avoid the lack of knowledge stakeholders may have, and thereby translating it into skeptical and contemptuous attitudes towards the messages communicated by the organization. According to Mohr et al. (1998), it is very difficult, if not impossible, to influence opinion of cynics due their enduring beliefs; however since skepticism is more situational, it is most likely that it can be decreased as knowledge increases about what the
organization seeks to educate or inform a group of stakeholders, for example, sustainability issues. So, there is empirical evidence drawn from a research conducted by Boulstridge and Carrington (2000) which proposes that sometimes stakeholders are not aware of an organization’s social or environmental initiatives and efforts. It is more likely that some stakeholders are not properly informed or the communication process is simply not effective enough to achieve the desired reachable spectrum of stakeholders or transmit the message clearly too so as to change their perceptions as regards to the organization image. In their research, Boulstridge and Carrington, (2000) found that awareness of company activities and initiatives by some stakeholders in the area of social responsibility was very low, although the increase of the media coverage of corporate activities and its rise in this area. This raises the issue that PR activity doesn’t sometimes deliver effectively what the organization intends to convey to stakeholders as messages through CSRC.

There are many issues underlining the paradoxes an organization encounters when considering the practice of communicating CSR at corporate level. These issues are generally related to two positioning that an organization can have: pro-social and pro-environmental records. Usually pro-environmental concerns the organizations sustainability efforts and initiatives in compliance with environmental policies, such as water and air sanitization, greenhouse gases emission offsetting, renewable energy use, and chemicals elimination, etc. Pro-social record involves the organization’s efforts in promoting cultural diversity and equality in workplace, corporate philanthropy, community contributions, and social investment, etc.

It is apparent that skepticism towards an organization’s CSRC emanates from different stakeholders (consumers, partners, communities, and trade unions, etc) depending on the level of social contribution (i.e. social investment, corporate philanthropy) in question and how these stakeholders perceive the motives for which communication programs are actually planned. Several studies indicate that CSRC is “a good way to solve social problems” (Ptacek & Salazar, 1997), and as mentioned previously stakeholders have a more positive image of an organization that supports social causes. Nevertheless, the skepticism towards such schemes and initiatives that unite the interests of charity and business remains very high (Brønn and Vrioni, 2001). With regard to the paradox surrounding organization’s contribution to corporate philanthropy, it was pointed out by O’Sullivan, (1997) that “if companies don’t say enough about their charity links consumers believe that companies are hiding something and if they say too much they believe that charities are being
exploited by the big corporations. It makes the promotion of such schemes one of the most delicate jobs in marketing. Go too far one way and consumers believe you are using the charity, go the other way and they will not even know of your involvement”.

Skepticism can be encountered not only in communications designed for cause or profit purposes, but also in various actions undertaken by individuals and organizations as social entities within any network. Skepticism is a very common attitude particularly in the business world merely because the type of the relationship that exists between an organization and its stakeholders is based, among other things on interests and profit maximization (larger-than-life!). As Ford et al., (1990) argue consumers are skeptical of all kinds of claims, even those that are easily verified. So these consumers wouldn’t always favorably perceive the organization image/brand based on the content of transmitted messages relating to sustainability. Webb and Mohr, (1998) conducted a research and suggested that consumers with a high level of skepticism will be less likely to respond positively to social cause-based marketing communications than consumers with a low level of skepticism towards it. These negative attitudes towards the organization’s CSRC stems from the cynicism associated with potential hidden motives, as perceived by stakeholders, of undertaking such huge sustainability investments and expenditures. This is further supported by Webb and Mohr’s (1998) study which indicates that the negative attitudes towards marketing cause-based communications expressed by half of respondents were credited mostly to cynicism towards a company’s motives perceived as being “self-serving”. There are more studies that have shown some questionable initiatives of donating to charity, which is sought by organizations to recover and restore their images after scandals or unethical business practices exposed by the media. As Werbel & Wortman, (2000) concluded from a recent research, total corporate philanthropy increases in small but significant ways following negative media exposure. Stakeholders could most likely interpret this as an attempt on the part of these organizations to buy their way out of a negative situation (Brønn and Vrioni, 2001). Overall, skepticism and cynicism are more often to be triggered or fueled when the organization doesn’t maintain a certain level of congruency between words and actions.
CHAPTER FIVE
RESULTS, ANALYSIS AND DISCUSSION
5. Results, Analysis and Discussion

5.1. Results and Analysis

5.1.1. Overview

The results section illustrates our findings that attempt to empirically answer the two research questions (RQ1 and RQ2) outlined in section 1.4.2 of chapter one. In order to find out about the current practices in corporate sustainability/CSR communications and related value creation among organizations in Sweden, a survey methodology was used to achieve the aims and objectives of this study. The questionnaire was targeted mainly at practitioners and professionals in the field of corporate and marketing communications, such as PR, investor relations, and press and media, etc.

5.1.2. Survey Results

In this section the questionnaire results from the survey are presented. The results of (1) the current practices in corporate sustainability/CSR communications and (2) related corporate value creation as well as the distribution of answers are listed in Appendix A. The results from the survey are based on a final total of 16 respondents (companies headquartered in Sweden).

5.1.3. Results Analysis

The questionnaire was designed and framed based on the research questions. From the results, it was useful to identify various aspects of the current practices in corporate sustainability/CSR communications as related to corporate marketing communications activities. Also, in terms of corporate value creation, the emphasis was on two main dimensions: (1) reputation enhancement and (2) financial performance improvement as well as the relationship between them regarding value creation. It is to note that conclusions, inferences and assumptions in this analysis are based on the small simple size (16 respondents) considered in this study and not from a general perspective.

5.1.3.1. Current Practices in CSRC

The researcher believes that social responsibility practice is very important and common in Scandinavian countries. This applies to Sweden where social responsibility joins the list of state
duties. The practice of corporate social responsibility communications (CSRC) through reporting, stakeholder dialogue and environmental communication programs can be considered as a typical practice undertaken by most companies in Sweden. Overall, most Swedish companies support social welfare and environmental protection as they adhere to corporate environmental, social and ethical responsibility (CESER) policy.

A far as the results of the survey are concerned, 100% of the respondents agreed to the statement that sustainability is a part of corporate culture, assuming that the understanding of the definition of sustainability concept by respondents was not surrounded by any confusion or perplexity, this manifestation could reflect the corporate identity of Swedish companies, which stems from the corporate philosophy that is based on the mission and values embraced by these companies. This is further mirrored through public relations activities that seek to communicate sustainability to stakeholders. According to the survey, 80% of Swedish companies include sustainability in their public relations agenda and slightly over 85% believe that public relations is the most effective medium to communicate sustainability to stakeholders at corporate level. This explains that sustainability is an issue that is strongly emphasized as a part of corporate communications activities.

However, from marketing communications perspective, the results have clearly shown that Swedish companies address sustainability issues to all stakeholders rather than to a given one or group of stakeholders. Therefore, sustainability is more addressed at profile marketing strategy level, than at pull or push strategies (see brief explanations of these two strategies in Appendix B). 80% of respondents said that their companies communicate sustainability issues at profile marketing strategy level; however, there is sometimes a level of inclination towards targeting channel intermediaries (20%) and consumers (10%) when it comes to corporate social responsibility (i.e. CSR reporting, environmental programs, and sustainable products, etc) in marketing communications activities. This trend can be explained by the fact that some companies may be motivated by the thrust for gaining goodwill and support from these target audiences (B2B, B2C, and channel intermediaries) for their sustainable products (i.e. eco-products). As long as these stakeholders differently express their needs and concerns about sustainability, the focus organization is required to consider them in the stakeholder analysis when conceiving communications strategies. Effective communications strategies enable the organization to achieve its objectives. The survey results have revealed that 93% of Swedish companies seek to understand and act upon stakeholders’ demands and concerns.
regarding sustainability issues. There is also a clear indication that most of these companies support sustainability initiatives and efforts. For example 81% of Swedish companies are positioned as pro-social and pro-environmental companies as well as known with their highly contribution to community involvement and corporate philanthropy. Here, it could be that altruistic intentions justify charitable giving and expenditures related to philanthropic activities. This can be manifestly justified if we consider the claim about sustainability being a part of the corporate culture as pointed out earlier.

Furthermore, the results have confirmed that 93% of Swedish companies are dedicated to corporate social and environmental responsibility practice as well as its reporting. It can be understood that this dedication to CSR could be something larger than just a business practice. As a matter of fact, 77% don’t even communicate information on societal initiatives they may undertake. This may imply that a considerable number of Swedish companies (only 23% that communicate information on societal initiatives) consider contributing to the pursuit of sustainability in society as an economic, social and environmental necessity and also a way of addressing societal needs.

Moreover, it was indicated from the results that both environmental and social issues are addressed in corporate communications activities. The results have shown that 67% of respondents agreed that their organizations address both issues at corporate communications level. 33% concentrate only on environmental issues and 13% on social issues. The variance in the results emanates from various factors, such as company’s sector, scale, size, risk, industry effect, and so on. Due to the industry sector, some companies deal more with environmental issues (hazardous chemicals, manufacturing processes, and energy use, etc) which may justify their inclination to show their compliance with CSR policy by focusing more on environmental issues in their communication of CRS reports to stakeholders. On the other hand, other companies focus rather on social than environmental issues because they operate in a sector (banks, consultancies, and telecommunications, etc) where the environment issues seem not to be a dominant concern in their business operations; hence more attention is given to social issues in order to show corporate social responsibility and accountability to stakeholders. Social causes supported may include: corporate philanthropy, community involvements, social investments, cultural diversity in workplace, and equality, etc. However, all these initiatives, whether intended for environmental protection or supporting and enhancing social living standards, are considered as important in corporate sustainability communications/corporate
communications (CSC/CC) as it has been indicated by respondents of whom 86% agreed on the significance of corporate sustainability/CSR communications to their organizations.

Furthermore, sustainability communications at corporate level is directed overall at different stakeholders within the environment in which the organization operates. The stakeholders that were mentioned in the responses to be mostly targeted are: consumers, communities, trade unions, local authorities, general press, and consultants, and financial analysts, etc. It appears that stakeholders are demanding more and more from organizations and starting to look at their behavior whether they are truly concerned about sustainability issues or seek only to gain goodwill.

As previously indicated, although most companies in Sweden embrace sustainability in their core values and purposes, 25% of respondents said that their organizations are yet not regarded as sustainable; however 75 % have said that their organizations are considered as sustainable by stakeholders. It is more likely that those companies that are not regarded as sustainable are either startup companies, so they are not yet well positioned in the market; or not well-reputed for their initiatives and contributions due probably to the fact that they don’t integrate sustainability into corporate communications because they haven’t fully embraced corporate sustainability model yet or simply not tending to disclose related information to stakeholders for some reason. Adding to this, it might be that the stakeholders (i.e. consumers, financial analysts, trade unions, and employees, etc) are not aware enough of these companies; hence, the knowledge that might be increased by CSR reporting is not effectively communicated to them. Consequently, this communication problem can be an issue for some organizations to influence the attitudinal change and consumer choices as to their offerings and brands.

Sustainability messages transmitted through corporate communications are usually acted upon by stakeholders to form their image of an organization based on the interpretation of the identity cues this organization present in order to be recognized and differentiated. In line with that and from internal communications perspective, it has been shown that 83 % of corporate and marketing communications practitioners surveyed were not doubtful about the motives of their organizations towards corporate sustainability/CSR communications. Employees appear, on the whole, to be not skeptical to their companies’ support of social and environmental sustainability. 17% of respondents who have, however, showed negative jaded attitudes towards the statement about their skepticism
might not be strongly supportive, neither be strongly negative. This could imply that they believe that their organizations’ claims could be a bit exaggerated or exploited. However, the issue of skepticism doesn’t usually affect Swedish companies’ efforts in the pursuit of sustainability path. The results have indicated that 90% of respondents said that the issue of stakeholders’ skepticism towards corporate social responsibility communications doesn’t affect their organization’s pursuit of adopting business sustainable practices (i.e. stakeholder dialogue, CSRR, and green products, etc).

Finally, as far as the auditing and assurance of CSR reporting is concerned, companies in Sweden usually use different procedures including internal (i.e. human resources management, CSR department, and public relations, etc.) and external (i.e. business partner, consulting firms, and risk management company, etc). The process involves different codes and tools to perform the assurance of CSR reporting.

5.1.3.2. Value Creation of CSRC

The second section of the survey sought to provide data aimed to answer the second research question of this study. The questions were designed in a way to assess respondents’ views about the hypothesized causal link between corporate sustainability/CSR communications and value creation - reputation building and financial performance.

There seems to be a relationship between corporate social responsibility communications (CSRC) and corporate value creation. This has empirically been revealed by the results of this study. The practice of CSRC among Swedish companies has proven to contribute to the achievement of corporate marketing goals as to both reputation and financial performance enhancement. 81% of respondents strongly agreed that integrating sustainability/CSR into corporate communications enhances reputation and directly improves financial performance. However, 12% of respondents were neutral and only 6% were in disagreement. The latter percentages can be explained by the fact that they are some factors by which the outcomes regarding reputation and financial performance enhancement may be affected; these factors may include: size, scale, sector, industry effect, and leverage, etc. If a company’s operations and raw materials are reckoned unsustainable such as hazardous chemicals and petroleum, it might take longer (or forever) and require huge investment until the company becomes sustainable in its operations (i.e. production). While a company that
provides services such as banks, Telecom and consultancies may not be as demanding and longer to gain a better position in the market through corporate social responsibility communications (CSRC). Also, the scale and financial health are key factors to consider. Some companies can’t afford to invest heavily in CSR practice, so gaining reputation can be a slow process and determined by their financial performance before they embark on adopting CSR practice including its reporting to stakeholders. Whilst, a good financial health allows better reputation building and ultimately improves financial performance due to the adequate resources that can be provided to interact effectively with stakeholders that eventually end up forming a positive corporate reputation.

When respondents were asked on their views about which of the stakeholders their organization can exert a strong influence, in case of communicating CSR at corporate level, slightly over 87% said: consumer choices, employees’ motivation and productivity, image/ reputation enhancements, and financial performance improvement. This response depicts the obvious relationship between reputation, consumer choices, employees’ motivation and financial performance. Insight

It appears that there are many benefits and advantages that an organization can reap from communicating sustainability in corporate marketing activities. This leads us to think that this practice could be a key factor that corporate and marketing experts and practitioners should capitalize on as it enables the organization to develop opportunities for sustainable competitive advantage. As a matter of fact, 93% of the respondents agreed to the statement that corporate social responsibility communications practice is a factor to capitalize on in corporate communications as well as to watch in competitive marketplaces.

It can be seen, for many Swedish companies, that there is a certain level of congruence and consistency between the practice of corporate social responsibility and its communication/reporting to stakeholders. This is further explained by the fact that sustainability is inherently part of Swedish companies’ corporate culture. Further, over 87% of respondents said that the primary thrust of their organizations for communicating sustainability at corporate level is their concerns about sustainability issues. While only 12 % of the respondents believed that the driver of CSRC is for both being concerned about sustainability issues and gaining goodwill.
5.2. Discussion

5.2.1. Overview

In this discussion section, the author examines the relationship of the results to the research questions (RQ1 and RQ2); reflect on the validity of the results and discuss the key findings and their significance as well as the strengths and weaknesses of this study.

This study is limited by the small sample size (based on 16 companies surveyed in Sweden), which could be extended in future research to include a stratification of top Swedish companies - large and multiple sample size. This would bring more robustness and reliability to the analysis and results as to the current practices in corporate sustainability/CSR communications and related corporate value creation. The results are subject to research bias and may exhibit variation regarding the causal relationship between CSU/ESP and FP. In point of fact, empirical studies should focus on specific-sector industry or single geographical areas to better explore the research area. Comparative approaches such as cross-country and cross-sector could be also of great value in such studies. However, the discussion here is framed based on the two research questions (RQ1 and RQ2) outlined in section 1.4.2 of chapter one.

5.2.2. Current Practices in CSRC

This study is significant in that it is intended to investigate the long-established claims about sustainable practices in Scandinavia in particular CSRC. Sweden is one of the Scandinavian countries where sustainability is considered as a part of the culture and “social responsibility joins the list of state duties.” (Brønn and Vrioni, 2001) This was further observed by Broberg, (1996) who claims that in Scandinavia, the perception of the ‘net-effect’ of companies is that they significantly contribute to society’s long term benefit and mitigate harm to society. The finding from this study shows that Sweden can be considered as a welfare state and probably one of the pioneering countries with respect to sustainability practice, endeavors, initiatives, and ethical behavior, etc. It can be perceptible based on the results drawn from the sample size based empirical study that Sweden supports social causes and environmental protection and adhere to environmental, social and ethical responsibility reporting (CESR) practice. As a matter of fact, most of Swedish companies are positioned as pro-social and pro-environmental as well as known with their highly contribution
to community involvement and corporate philanthropic activities. More than this, most of Swedish companies don’t even communicate information on societal initiatives they may undertake. This could imply that corporate sustainability is espoused as a philosophy to meet both economical and societal needs.

The practice of corporate social responsibility communications occurs through CSR reporting, stakeholder dialogue on sustainability issues, and environmental communication programs, etc. These activities are an integral part of the public relations agenda for most companies in Sweden. To communicate sustainability at corporate level, most Swedish companies use public relations as an effective medium compared to other marketing communications tools such as direct marketing and advertising. Corporate public relations (CPR) has the potential to reach a wide spectrum of audiences and also its credibility seems to be high for it can successfully influence and shape stakeholders’ perception and attitudes.

Knowing how the public (i.e. consumers, clients, employees, etc) perceive companies and what they expect in return for their support is fundamental in designing corporate communications objectives and strategies in order to strengthen the relationships with stakeholders. Sustainability is strongly of focus in corporate communications as a means for organizations to manifest their understanding of stakeholders’ concerns and demands. In marketing communications activities, companies address sustainability issues more significantly at profile strategy level than at pull or push strategy levels. Stakeholders are demanding more and more from organizations and starting to look at their behavior whether they are truly concerned about sustainability issues or seek only to gain goodwill.

Poor internal communication can be an issue for some organizations to influence attitudinal and behavioral change of stakeholders as to their offerings/brands. Employees in Swedish companies appear, however, on the whole, not to be skeptical to their companies’ support of environmental and social sustainability. These sustainability messages transmitted by employees through corporate external communications are deemed important because they are acted upon by stakeholders when perceiving and interpreting the identity cues presented by these organizations in order to be recognized and differentiated. Usually, external communications requires more efforts, investment and resources to make it effective, influential and far-reaching. When it comes to issues of change
like adopting corporate sustainability model, internal communications can be determinant regarding how to show the congruence between the organization’s words and deeds to external stakeholders.

The issue of stakeholders’ skepticism doesn’t usually affect Swedish companies’ efforts and endeavors in adopting sustainable practices nor pre-empt them from pursuing long-term commitment to social causes and environmental protection for enhancing living standards. However, research suggests that knowledge has a negative effect on a person’s skepticism level (Szyckman et al., 1997). Increasing knowledge with more effective corporate communications programs and adequate technology may eventually decrease skepticism and eventually enable organizations to overcome related problems. This would indicate to organizations that one of the first things they can do is to raise the awareness of corporate social responsibility practice and its benefits among stakeholders (i.e. consumers, clients, and communities, etc). In so doing, organizations, according to Szyckman et al. (1997), decrease the level of skepticism and thus achieve even higher favorable behavioral responses.

Identifying the stakeholders, understanding how they think, what motivate them and how they relate to each other is a key element for developing a comprehensive profile marketing communications strategy (corporate communications). A solid analysis of stakeholders enables organizations to achieve their objectives and corporate goals. Stakeholders’ support for a business is based on their relationship and interaction with the brand image of a company and the way they perceive it. However, companies should seek to understand and act upon stakeholders’ demands and concerns regarding sustainability issues.

The focus on sustainability issues at corporate level communication can be either on social and environmental issues or one of them. This mostly depends on many factors, including corporate sector, business scale, size, financial health and performance, industry effect, corporate philosophy, and so on. However, these initiatives, whether they are intended for environmental protection or supporting and enhancing social living standards, are considered as an important dimension in corporate communications.

The auditing and assurance of CSR reporting is performed by Swedish companies through different procedures including internal (i.e. human resources management, CSR department, and public
relations), external (i.e. business partner, consulting or risk management firm) or both. The process involves different codes and tools to perform the assurance of CSR reporting.

5.2.3. Value Creation of CSRC

In an attempt to answer the second research question (RQ2) and how incorporating sustainability into corporate communications can contribute to corporate value creation through achieving corporate marketing objectives, the focus was on showing how CSRC practice can help organizations to strengthen and improve their image/reputation and then directly enhances their financial performance.

The questions in section two of the survey were designed in a way to assess respondents’ views about the hypothesized causal link between CSU/environmental social performance (ESP) on one hand and financial performance (FP) as well as the reputation building on the other hand. However, there was a positive correlation between the findings from the literature review and those of the empirical study.

The practice of communicating sustainability at corporate level has proven to be contributory to the achievement of corporate marketing objectives as related to both reputation and financial performance enhancement. A critical issue was raised with respect to the hypothesized causal link between CSU/ESP and FP that is determined by how positively and favorably the reputation can be perceived by stakeholders. This issue is that this relationship may depend on many factors, including the sector where the organization operates (chemical industry versus service-based business), market position, financial health, communications strategy effectiveness, size, and risk, etc. Based on the literature review, reputation affects directly financial performance of the organization depending on whether it is well or poorly reputed among its stakeholders. Empirical evidence has shown a positive relationship between CSR practice, company reputation index and return on equity (Karake, 1998), and business performance generally (Zairi, 2000; Zairi and Peters, 2002).

However, by communicating sustainability at corporate level, an organization can exert a strong influence on consumer choices, employees’ motivation and productivity, image/reputation enhancement, and financial performance improvement. It was found that there is also a relationship
between reputation enhancement, consumer choices, employees’ motivation and financial performance.

Corporate sustainability/CSR communications is a key factor that corporate and marketing experts and practitioners should capitalize on as it enables the organization to develop opportunities for sustainable competitive advantage. However, the thrust of Swedish organizations (sample size of 16 respondents) for communicating sustainability at corporate level is overall driven rather by concerns about sustainability issues than gaining goodwill. The purpose of the auditing and assurance measures used for CSR reporting is to provide a clear, transparent and credible way to inform stakeholders on how the organization is performing concerning sustainability practices, which might influence stakeholders’ perception of corporate reputation.

5.2.4. Limitations

CSRC and Societal Value

We originally set out thinking we would be able to cover, in addition to corporate marketing goals of corporate sustainability/CSR communication, societal value dimension. We intended to do so with the goal to complete the picture of the threefold contribution of corporate sustainability communications trend - corporate, marketing and societal. This was meant to illustrate the importance of societal communication goals as deemed to be placed on continuum with marketing and corporate goals. However, we attempt here to briefly discuss this topic to help provide an insight into how corporate communications can contribute to societal value maximization. This could be an area of exploration for further research.

The contribution of corporate sustainability communications to maximizing societal value is a dimension that aims at aiding society to move towards sustainable development through fostering public communications about sustainability. Weiss, (2005) points out that credible two-way sustainability communications by companies has the potential of fostering public communication about the idea of sustainable development. CSRC can be of a great value to society as to raising awareness of sustainability issues, which will encourage stakeholders to adopt greener actions and practices. From a marketing perspective, corporate communications has the potential to deliver the sustainability message to target audiences through a wide variety of mediums and broad spectrum of
communications forms and techniques. Marketing communications mix including advertising, direct marketing, public relations, and so on can be very effective in sending out the sustainability message to target audiences. In line with that, organizations could also show some sustainable behaviors through engaging in actions and practices that contribute to promoting sustainability, such as stakeholder dialogues on sustainability topics, eco-labeling, sustainability reporting, sustainable products, energy efficiency use, waste management and other forms of sustainable practices.

Furthermore, as corporate marketing communications involves many stakeholder groups, there is a potential that communicating sustainability at corporate level marketing may lead to attitudinal and behavioral change, which could result in more sustainable behavior of various stakeholders as their knowledge and awareness of sustainability would increase so they can contribute meaningfully to the pursuit of sustainability. This can be manifested, for example, in shifting the consumption culture of customers to greener lifestyles, practices, actions and decisions like purchasing more sustainable products and protecting the environment. Moreover, CSRC can have a great impact upon the employees’ attitudes and behaviors, which, in turn, would allow internal communication to convey the message with a high level of congruency to external stakeholders.

5.2.5. Strengths and Weaknesses

In this study, the author garnered and analyzed the empirical results from the survey. The sample of the Swedish companies surveyed was randomly selected specific to neither given region or geographical area, nor to an industry sector, business scale or cross-sector. Further, from the survey results, it was noticed that some questions were skipped or sometimes partially answered. This raises the issue that overall analysis of results could be incomplete. Thus the interpretation of the data collected might have changed, were all responses fully provided. The strengths and weakness of this study are presented below with consideration to how they have affected the outcome and results.

Strengths

- The sample of Swedish companies was chosen due to Sweden legacy of sustainability. This is aimed to validate the claims that corporate sustainability/CSR communications is a value
creation strategy for companies so to induce other companies across the globe to adopt corporate sustainability management model.

- Selecting another country where sustainability might be just emerging or not yet there would have required a large sample and other criteria related to economical, environmental, societal, political and cultural aspects, which would definitely have resulted in a survey with less information and even more inclusive results.

Weaknesses

- This selected sample could be not statistically relevant enough to the robustness of the findings, although the results reveal that 100%, according to the sample size used in the survey, of Swedish companies embrace sustainability in their corporate culture.
- Due to time constraints we were unable to receive more responses from invited participants to the survey.
- Selecting the right questions to ask is always difficult. Indeed, the researcher encountered some issues regarding some lengthy, ambiguously stated and confusing questions, which limited responses in some cases.
- Identifying the right individuals to complete the survey - we suggested corporate and marketing communications practitioners and professionals but this may have introduced a bias into the study as other groups were not represented.
- The researcher could have an incomplete picture of the overall business sustainable practice as only the corporate communications practitioners were surveyed.
- Length of time practitioners in the job might affect the results due to limited information and experience in the field of corporate and marketing communications.
- Diffuse field of research and time constraints - Time constraints did not allow for subsequent formal interviews to clarify findings.
- The nature of corporate sustainability/CSR communications is extremely complex since it is contingent on a number of factors that vary between industries, sectors, countries, cultures and different points in time.
CHAPTER SIX

CONCLUSIONS, KEY FINDINGS AND FURTHER RESEARCH
6. Conclusions, Key Findings and Further Research

6.1. Conclusions

In this study, we have theoretically and empirically reviewed and scrutinized the subject of corporate sustainability/CSR communications and how this practice merges with marketing communications activities to create and increase corporate value. To find out about the current practices in corporate sustainability/CSR communications, we used different methods and processes to collect the relevant data aiming to unravel the confusion surrounding this research area on one hand and to draw a more consistent picture of the current situation as to corporate sustainability/CSR communications practice on the other hand. In an effort to foster understanding and show how corporate sustainability/CSR communications contributes to corporate value creation, we examined and investigated different theoretical and empirical studies that have been carried out by different researchers. In addition to this, we have attempted to elaborate on some biases associated with these studies, aiming to elucidate the subtleties underpinning this area in general. Different constructs, concepts, relationships, causal links, implications and synergies were identified, which broadens the current study and highlights the richness pertaining to this research area. The emerging synergy between corporate sustainability/CSR communications and marketing studies might consolidate corporate sustainability communications in relation to marketing into a flourishing area of study in management and corporate strategy.

Corporate communications is strongly linked to marketing communications in that both activities seek the same objectives, which is to strengthen corporate image and enhance financial performance. This states under oath that the distinction between them cannot be, nor is it intended to be, a clear-cut one. Thus, corporate sustainability/CSR communications can be approached from both communications perspectives: corporate and marketing, although the scope is yet unclear, particularly when it comes to defining and setting a strategy when sustainability is not the focus in the course of action being planned to accomplish corporate goals. The findings from literature review suggest that more theoretical and empirical studies are essential to advancing corporate sustainability/CSR communications whose progress in turn is critical to the field of corporate marketing communications designed to reach all stakeholders (profile strategy).
Although this study has shown that many companies integrate corporate sustainability/CSR communications into marketing communications activities, the degree to which they attempt to do so and the concrete motives other than achieving corporate marketing goals, were not investigated. It is also not clear from the research that the scope of corporate and marketing communications is clear cut and precisely discerned, not to mention integrating sustainability dimension into these two synergic corporate fields and activities.

Based on the empirical literature review, although qualitative and quantitative methodologies have improved significantly over the last two decades, there is still unclear research approaches used in the area of corporate sustainability/CSR communications and related corporate value creation strategy. Devising sound approaches is an ongoing process and such multi-dimension-based areas need more accurate and holistic measurement in order to increase internal validity of statistical analyses and bring more reliability and robustness to findings. Overall, this research area and related topics are inherently complex, which may make it difficult to achieve more conclusive and scientifically scrutinized results in the future.

6.2. Key Findings

In answering the research questions and based on the literature review and empirical study, we have come up with a number of findings regarding the current practices in corporate sustainability/CSR communications and related corporate value creation. However, we present the key ones according to their importance. The following are the key finding framed within the two research questions (RQ1 and RQ2).

(Q1) Current Practices in Corporate Sustainability/CSR Communications

- Sustainability is a part of corporate culture and strategy development for a number of organizations that have been pursuing the sustainability path for decades.
- The practice of corporate social responsibility communications occurs through CSR reporting, stakeholder dialogue on sustainability issues, Triple Bottom Line (PPP) or corporate sustainability reporting and social and environmental communication programs.
• Public relations activity is ranked as the most effective in communicating sustainability at corporate level and has the potential to reach a wide spectrum of audiences.

• Many companies are recognizing the potential competitive advantages of publicly disclosing their goals related to nonfinancial measures and reporting on how well they achieve them.

• Knowing how stakeholders perceive companies and what they expect in return for their support is fundamental in designing effective corporate and marketing communications strategies and achieving corporate objectives.

• Poor internal or external communications can be an obstacle for some organizations to influence behavioral and attitudinal change of stakeholders towards their offerings/brands.

• There is a level of skepticism among stakeholders towards companies claiming support of environmental and social sustainability in their corporate and marketing communications.

• Stakeholders’ relations management is the bottom line for success and sustainability of the business. Management of stakeholder relationships lies at the core of CSR practice.

• The growth of corporate social responsibility communication/reporting has reflected the keen interest from all stakeholders.

• The auditing and assurance of CSR reporting is carried out through different procedures and measures including internal (i.e. human resources management, CSR department, public relations) and external (i.e. business partner, consulting or risk management firm).

(Q2) Value Creation of Corporate Sustainability/CSR Communications Practice

• Companies are rewarded in the market and increase value for considering environmental and social dimensions in their corporate communications strategy development.

• CSRC practice can help the organization to strengthen image, improve reputation and then directly enhances financial performance. There was a positive correlation between findings from the literature review and those of the empirical study.

• Corporate sustainability/CSR communications is a key factor that corporate and marketing experts and planners should capitalize on and watch in competitive marketplaces.

• Having a pro-social and environmental agenda means having a sound corporate and marketing communications strategies that can build a company’s reputational standing and create sustainable competitive advantages.
• Conducting studies to prove or disprove hypothesized causal link between CSU/ESP and PF is usually determined by what type of control variables and moderating factors (i.e. size, risk, time effect) are taken into account and how univariate and multivariate tests are applied.

6.3. Suggestions for Further Research

Although other researchers have acknowledged the importance of embedding sustainability into corporate culture, it can be of undeniable value that specific knowledge about the topic of corporate sustainability/CSR communications and related corporate value creation can contribute further to the empirical and theoretical development in this area. This research can make a positive contribution to providing a theoretical underpinning to corporate sustainability communications in relation to marketing. Our understanding is that this study can contribute as a significant point for the departure of further development with regard to creating a new concept entailing corporate sustainability communications in relation to marketing communications in order to ease the language for managers to define precisely what stakeholders expect from them and effectively respond to their concerns, demands and priorities at the core of corporate marketing communications. This can be a potential topic for future investigation.

It is acknowledged that the study presented in this thesis is preliminary. There is still a considerable amount of work to be done as the topic is sweeping, complex and quite dialectical in some of its aspects. Therefore, further research in related areas could be valuable and praiseworthy for multidisciplinary oriented research studies. Based on prior discussion and conclusions, we suggest that future specific research should investigate:

• Gauging and weighing the role of corporate sustainability/CSR communications in motivating stakeholders from cultures perspective towards sustainable practices.
• Corporate sustainability/CSR communications from a cultural and technological perspective.
• Integrating stakeholders and reputation management, public relations and corporate sustainability communications as a business framework.
• Looking at patterns of perception from different stakeholders as to sustainability messages communicated at corporate level and the correlation of this information with behavioral patterns of how stakeholders move to greener practices (i.e. consumers’ lifestyles).

• Future research could strive to build further linkages and logical sequences between corporate sustainability/CSR communications and other conceptual models and theoretical approaches to corporate strategies such as marketing, human resources management, and financial management, etc.

• Initiating an area in management that looks exclusively at the strategizing process of corporate sustainability communications and secure this field of action at management level.

• Exploring corporate marketing communications and interaction dynamics between corporate-level constructs (i.e. identity, image, branding, personality, and culture) in relation to corporate sustainability communications to create new interfaces for further journeying.

• Advocating empirical and theoretical studies in corporate sustainability that considers cross-parameters (i.e. technology, regime and business environment dynamics, etc) approaches for discovering new patterns of how to promote sustainability in an effective and better way.

Conclusively, the field of corporate sustainability and marketing communications is deemed to be an exciting area for exploration and intellectual voyaging. Corporate sustainability (corporate communications, CSR, corporate citizenship, and Triple Bottom Line, etc) is growing tremendously as companies across the globe are increasingly embracing this strategic paradigm as to how they view and must play their roles to create value for shareholders, learn to think more long term, promote sustainable development in today’s society and ultimately make the world a better place.
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Appendices

Appendix A: Survey Questionnaire, Answers Distribution and Quantitative Results

Section I

Current Practices in Corporate Sustainability/CSR Communications

1. Sustainability is a part of my organization’s corporate culture

   ![Pie chart showing 100% Yes and 0% No responses]

   Total Respondents 16
   (skipped this question) 0

2. Sustainability is included in the agenda of public relations management activity

   ![Pie chart showing 80% Yes and 20% No responses]

   Total Respondents 15
   (skipped this question) 1

3. As an internal change driver, I am skeptical towards corporate sustainability communications

   ![Pie chart showing 83% Yes and 17% No responses]

   Total Respondents 12
   (skipped this question) 4
4. In marketing communications strategies, sustainability/CSR is more addressed in:
   2 Pull (consumer targeted strategy)
   1 Push (directed at channel intermediaries such as dealers, distributors, and retailers)
   8 Profile (targeted to all stakeholders)

![Graph showing the distribution of sustainability strategies]

**Total Respondents 10**
(skipped this question) 6

5. My organization seeks to understand and act upon stakeholders’ demands and concerns regarding sustainability issues

![Graph showing the response to understanding and acting on sustainability demands]

**Total Respondents 14**
(skipped this question) 2

6. The issue of stakeholders’ skepticism towards corporate social responsibility communications somehow affect my organization’s pursuit of adopting business sustainable practices (i.e. CSR reporting, sustainable products, stakeholder dialogue on sustainability topics)
7. My organization fits in the following:
   - 2 Pro-social positioning (i.e. cultural diversity, equality, healthy working conditions, etc)
   - 2 Pro-environmental positioning (i.e. Zero Emission, EMS, and Cleaner Products, etc)
   - 1 Community involvement and corporate philanthropy
   - 1 All the above

8. My organization is dedicated to corporate environmental and social responsibility (CESR) practice and reporting

   - 93% Yes
   - 7% No
9. My organization communicates information on societal initiatives it undertakes

Total Respondents 13
(skipped this question) 3

10. The sustainability issues that are addressed in corporate communications activities are:

- 5 Social issues
- 2 Environmental issues
- 10 Both issues

Total Respondents 15
(skipped this question) 1

11. I rank the significance of sustainability dimension in corporate communications to my organization as

- 8 Very important
- 4 Important
- 1 Neutral
- 1 Less important
- 0 Unimportant

Total Respondents 14
(skipped this question) 2
12. When it comes to communicating sustainability at corporate level, my organization mostly targets

Total Respondents 15
(skipped this question) 1

13. My organization is regarded as a sustainable organization by stakeholders

Total Respondents 16
(skipped this question) 0

14. The communication medium I have found most effective in communicating sustainability to all stakeholders at corporate level is:

- 12 Public Relations (PR)
- 2 Direct Marketing (DM)
- 3 Both PR and DM

Total Respondents 15
(skipped this question) 1

15. Please list some specific actions your organization is currently taking towards communicating sustainability to stakeholders:

Total Respondents 8
(skipped this question) 9
Section II

Value creation of Corporate Sustainability/CSR Communications

16. Integrating sustainability/CSR in corporate communications enhances reputation and directly improves financial performance

0 Disagree strongly
1 Disagree
2 Neutral
5 Agree
8 Agree strongly

Total Respondents 16
(skipped this question) 0

17. In case of supporting social causes and complying with environmental policies, I feel that my organization strongly exert influence on:

2 Consumer choices
1 Employees’ motivation and productivity
2 Image/ reputation enhancement
2 Financial performance improvement
13 All the above

Total Respondents 15
(skipped this question) 1

18. Communicating sustainability at corporate level is a key factor to capitalize on and watch in competition

0 Disagree strongly
0 Disagree
1 Neutral
5 Agree
9 Agree strongly

Total Respondents 15
(skipped this question) 1
19. The thrust of my organization for communicating sustainability at corporate level is:

1. Gain goodwill
14. Concern about sustainability issues
2. Both

![Pie chart showing responses]

- Gain goodwill: 6%
- Concerns about sustainability issues: 87%

Total Respondents: 16
(skipped this question) 0

20. The measures used for the assurance of CSR reporting practice are:

Total Respondents: 9
(skipped this question) 7
Appendix B: Pull and Push Marketing Communications Strategies

Pull Communication Strategy

Most commonly, pull communication strategy is an approach that is directed to deliver messages to members of the target audiences-end consumers (B2C) or business to business buyers (B2B). It involves developing promotional strategies meant to entice the prospect to buy organization’s offerings. According to Fill (1999), a pull strategy aims to stimulate demand by encouraging consumers to pull products through the channel network, which means that these consumers go to retail outlets to enquire about particular product or service. Consumers pull the product towards themselves through the distribution channel forcing the wholesaler or retailer to make it available, hence the pull strategy name. Generally, this strategy involves a combination of activities in the communication mix, such as direct marketing, personal selling, sales promotions and advertizing, etc. Since the messages are to be directed at target customers, the intent is to frame their intention in a way to invariably increase levels of awareness, reinforce attitudes and ultimately incite motivation within the target group (Fill, 1999). Thus successful pull marketing communication will always pull customers towards certain actions related to an organization’s offering as they become satisfied and attracted enough to act upon the information they have about the organization.

Push Communication Strategy

In general terms, push marketing communications strategy involves delivering messages to channel intermediaries such as wholesalers, retailers, and value-added resellers in order to entice them in promoting the organization’s brand/product. Best, (2005) stated that push marketing communications are designed to stimulate intermediaries to engage in customer promotion efforts. Normally, push strategy aims to push the content or product down through the channel network towards the target audience. The purpose of the communication push strategy is to encourage channel intermediaries to take and hold stock, to allocate scarce resources, and to support and promote the product in the channel network (Fill 1999). These channel intermediaries are organizations whose job is to facilitate the distribution of products or services or add value to the organization’s offerings, thereby creating benefits and value for customers. Best (2005) stated that the objective of the push strategy is to motivate channel intermediaries to carry a brand or service to make it available for customers. Good push marketing communications are considered as important for helping to build long term relationships with channel intermediaries (Fill, 1999). Overall, organizations usually tend to use both push and pull strategies to create demand from and greatest impact on channel intermediaries and consumers.
Appendix C: Figure 3.1 Evolution of Corporate Sustainability (Wilson, 2003)
Appendix D: Table 3.1 Participant Stakeholders: The grid location denotes the primary but not necessarily sole orientation of the stakeholder (Freeman, 1984)

<table>
<thead>
<tr>
<th></th>
<th>Formal or voting</th>
<th>Economic</th>
<th>Political</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td>Stakeholders</td>
<td>Employers/Owners</td>
<td>Dissident shareholders</td>
</tr>
<tr>
<td></td>
<td>Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minority interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Preferred debt holders</td>
<td>Suppliers</td>
<td>European Union</td>
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<td></td>
<td></td>
<td></td>
<td>Local governments</td>
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<td></td>
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<td></td>
<td>Foreign governments</td>
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<td></td>
<td></td>
<td></td>
<td>Consumer lobbies</td>
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<td></td>
<td></td>
<td></td>
<td>Unions</td>
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<tr>
<td><strong>Influence</strong></td>
<td>Outside directors</td>
<td>Regulatory agencies</td>
<td>Trade associations</td>
</tr>
<tr>
<td></td>
<td>Licensing bodies</td>
<td></td>
<td>Environmental groups</td>
</tr>
</tbody>
</table>
Appendix E: Table 4.1 DJSGI Corporate Sustainability Assessment Criteria (Lo and Sheu, 2007)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Codes of Conduct/Compliance/Corruption &amp; Bribery</td>
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<tr>
<td>(33% weight)</td>
<td>Corporate governance</td>
</tr>
<tr>
<td></td>
<td>Customer relationship management</td>
</tr>
<tr>
<td></td>
<td>Financial robustness</td>
</tr>
<tr>
<td></td>
<td>Investor relations</td>
</tr>
<tr>
<td></td>
<td>Risk &amp; crisis management</td>
</tr>
<tr>
<td></td>
<td>Scorecards/measurement systems</td>
</tr>
<tr>
<td></td>
<td>Strategic planning</td>
</tr>
<tr>
<td></td>
<td>Industry specific criteria</td>
</tr>
<tr>
<td>Environment</td>
<td>Environmental policy/management</td>
</tr>
<tr>
<td>(33% weight)</td>
<td>Environmental performance</td>
</tr>
<tr>
<td></td>
<td>Environmental reporting</td>
</tr>
<tr>
<td></td>
<td>Industry specific criteria</td>
</tr>
<tr>
<td>Social</td>
<td>Corporate citizenship/philanthropy</td>
</tr>
<tr>
<td>(33% weight)</td>
<td>Stakeholders engagement</td>
</tr>
<tr>
<td></td>
<td>Labour practice indicators</td>
</tr>
<tr>
<td></td>
<td>Human capital development</td>
</tr>
<tr>
<td></td>
<td>Knowledge management/organisational learning</td>
</tr>
<tr>
<td></td>
<td>Social reporting</td>
</tr>
<tr>
<td></td>
<td>Talent attraction &amp; retention</td>
</tr>
<tr>
<td></td>
<td>Standards for Suppliers</td>
</tr>
<tr>
<td></td>
<td>Industry specific criteria</td>
</tr>
</tbody>
</table>

Information in this table is from Dow Jones Sustainability Indexes website (http://www.sustainability-indexes.com)
## Appendix F: Table 4.2 Examples of Approaches to Accountability (Brønn and Vrioni, 2001, adapted from Zadek et al., 1998)

<table>
<thead>
<tr>
<th>Stated Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital valuation</td>
<td>Understanding, measuring and reporting upon and managing various forms of capital</td>
</tr>
<tr>
<td>Corporate community involvement</td>
<td>Describing, illustrating and measuring community involvement activities and policies</td>
</tr>
<tr>
<td>Ethical accounting</td>
<td>Disclosing processes based upon shared values with stakeholders developed through dialogue, proactive</td>
</tr>
<tr>
<td>Ethical auditing</td>
<td>Verifying processes for understanding, measuring, reporting on and improving the organization’s social, environmental and animal testing performance</td>
</tr>
<tr>
<td>Social auditing</td>
<td>Externally verifying processes to understand, measure, report on and improve an organization’s social performance</td>
</tr>
<tr>
<td>Social balance</td>
<td>Regularly reconstructing and aggregating financial data across stakeholder groups specifying financial social costs associated with ‘social activities’</td>
</tr>
<tr>
<td>Statement of principles and values</td>
<td>Developing, evolving and describing an organization’s principles in meeting its triple bottom-line responsibilities</td>
</tr>
<tr>
<td>‘Sustainability reporting’</td>
<td>Processes that identify ways forward and reports upon progress against sustainability principles</td>
</tr>
</tbody>
</table>
Appendix: G Table 4.3. Sustainable Effect on Firm Value (Contemporaneous) (Lo & Sheu, 2007)

<table>
<thead>
<tr>
<th></th>
<th>Pooled (1)</th>
<th>Fixed effects (2)</th>
<th>Pooled (3)</th>
<th>Fixed effects (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.0543</td>
<td>-0.0725</td>
<td>0.0476</td>
<td>-0.0629</td>
</tr>
<tr>
<td></td>
<td>(0.36)</td>
<td>(0.26)</td>
<td>(0.32)</td>
<td>(0.26)</td>
</tr>
<tr>
<td>Sustainability dummy</td>
<td>0.2485</td>
<td>0.2712</td>
<td>0.1889</td>
<td>0.1082</td>
</tr>
<tr>
<td></td>
<td>(4.40)**</td>
<td>(2.81)**</td>
<td>(3.65)**</td>
<td>(1.05)</td>
</tr>
<tr>
<td>Size</td>
<td>-0.1053</td>
<td>-0.0755</td>
<td>-0.1068</td>
<td>-0.0771</td>
</tr>
<tr>
<td></td>
<td>(-6.48)**</td>
<td>(-2.58)**</td>
<td>(-6.55)**</td>
<td>(-2.69)**</td>
</tr>
<tr>
<td>Dividend dummy</td>
<td>-0.0976</td>
<td>-0.1301</td>
<td>-0.0874</td>
<td>-0.1005</td>
</tr>
<tr>
<td></td>
<td>(-1.83)*</td>
<td>(-1.54)</td>
<td>(-1.67)*</td>
<td>(-1.21)</td>
</tr>
<tr>
<td>Debt to equity ratio</td>
<td>-0.0064</td>
<td>-0.0404</td>
<td>-0.0054</td>
<td>-0.0364</td>
</tr>
<tr>
<td></td>
<td>(-0.54)</td>
<td>(-1.52)</td>
<td>(-0.46)</td>
<td>(-1.40)</td>
</tr>
<tr>
<td>ROA</td>
<td>3.0664</td>
<td>4.4753</td>
<td>3.0327</td>
<td>4.7225</td>
</tr>
<tr>
<td></td>
<td>(6.91)**</td>
<td>(10.25)**</td>
<td>(6.91)**</td>
<td>(10.92)**</td>
</tr>
<tr>
<td>Sales growth</td>
<td>0.1578</td>
<td>0.3793</td>
<td>0.1294</td>
<td>0.2680</td>
</tr>
<tr>
<td></td>
<td>(3.62)**</td>
<td>(3.24)**</td>
<td>(3.43)**</td>
<td>(2.27)**</td>
</tr>
<tr>
<td>Investment growth</td>
<td>0.8235</td>
<td>0.8695</td>
<td>0.8510</td>
<td>0.9229</td>
</tr>
<tr>
<td></td>
<td>(5.11)**</td>
<td>(2.81)**</td>
<td>(5.21)**</td>
<td>(3.07)**</td>
</tr>
<tr>
<td>Diversification dummy</td>
<td>-0.1194</td>
<td>-0.1347</td>
<td>-0.1185</td>
<td>-0.1198</td>
</tr>
<tr>
<td></td>
<td>(-2.79)**</td>
<td>(-1.92)*</td>
<td>(-2.81)**</td>
<td>(-1.74)*</td>
</tr>
<tr>
<td>Credit rating</td>
<td>0.2101</td>
<td>0.1769</td>
<td>0.2121</td>
<td>0.1659</td>
</tr>
<tr>
<td></td>
<td>(8.65)**</td>
<td>(4.67)**</td>
<td>(8.93)**</td>
<td>(4.46)**</td>
</tr>
<tr>
<td>Sustainability dummy*Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic sectors</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Adjust R²</td>
<td>0.4852</td>
<td>0.4657</td>
<td>0.4987</td>
<td>0.4581</td>
</tr>
<tr>
<td>Number of observations</td>
<td>1.273</td>
<td>1.273</td>
<td>1.273</td>
<td>1.273</td>
</tr>
<tr>
<td>Number of firms</td>
<td>349</td>
<td>349</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This table presents the results for pooled and fixed-effects regressions of corporate sustainability on firm value. The dependent variable is the natural logarithm of Tobin's q. Size is the logarithm of total assets. Dividend dummy equals 1 if the firm paid a dividend in the current year. Debt to equity ratio is taken as total liabilities over total equity. Return on assets (ROA) is defined as the ratio of net income (loss) to total assets. One-year sales change (percentage) is used to measure a firm's sales growth. Investment growth is measured by the ratio of capital expenditure to sales. Diversification dummy equals 1 if the firm operates in more than one segment. Credit rating is established by a seven-scaled variable to specify the general credit rating of the firm. For pooled regressions ((1) and (2)), the reported t-scores in parentheses are based on robust standard error. Hausman test favours fixed effects over random effects but is suppressed. ***, ** and * denote significance at the 1%, 5% and 10% levels, respectively. "YES" denotes that the economic sectors' effects are estimated but not reported.
Appendix H: Theoretical Studies on the Relationship between ESP and FP (Preston and O'Bannon, 1997)

Table 4.5 Typologies for ESP-FP Relationship (O'Bannon, 1997, p. 422)

<table>
<thead>
<tr>
<th>Causal sequence</th>
<th>Positive Link</th>
<th>Neutral Link</th>
<th>Negative Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESP leads to FP</td>
<td>Social impact hypothesis</td>
<td>Supply and demand theory of the firm</td>
<td>Trade-off hypothesis</td>
</tr>
<tr>
<td>FP leads to ESP</td>
<td>Available funds hypothesis or slack resources theory</td>
<td></td>
<td>Managerial opportunism hypothesis</td>
</tr>
<tr>
<td>ESP and FP are synergistic</td>
<td>Positive Synergy</td>
<td></td>
<td>Negative synergy</td>
</tr>
</tbody>
</table>

Table 4.6 Frameworks Suggesting a Negative Link between FP and ESP

<table>
<thead>
<tr>
<th>Framework</th>
<th>Description</th>
<th>Empirical evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade-off hypothesis (Friedman, 1962): Higher FP leads to lower ESP</td>
<td>Reflects Friedman's neoclassical argument that firms have only one social responsibility, which is to increase profits. By increasing ESP, they unnecessarily incur costs and reduce their profitability.</td>
<td>Vance (1975)</td>
</tr>
<tr>
<td>Managerial opportunism hypothesis (Preston and O'Bannon, 1997): Higher FP leads to lower ESP</td>
<td>Managers will reduce expenditure on ESP when FP is strong to maximize personal compensation (which is tied to short-term FSP).</td>
<td>Posner and Schmidt (1992) and Alkhafafi (1989)</td>
</tr>
<tr>
<td>Negative synergy (Preston and O'Bannon, 1997)</td>
<td>Simultaneous relationship combining trade-off and managerial opportunism hypothesis.</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.7 Frameworks Suggesting a Neutral Link between FP and ESP

<table>
<thead>
<tr>
<th>Framework</th>
<th>Description</th>
<th>Empirical evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply and demand theory of the firm (McWilliams and Siegel, 2001): No link between SP and FSP</td>
<td>Companies supply a demanded and unique level of ESP to maximize their profits.</td>
<td>Some studies found no or inconclusive correlations (Anderson and Frankle, 1980; Aupperle et al., 1985; Freedman and Jaggi, 1992)</td>
</tr>
</tbody>
</table>

Table 4.8 Frameworks Suggesting a Positive Link between FP and ESP

<table>
<thead>
<tr>
<th>Framework</th>
<th>Description</th>
<th>Empirical evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social impact hypothesis (Cornell and Shapiro, 1987): Higher ESP leads to higher FSP</td>
<td>Meeting the needs of various non-owner stakeholders increases FSP. Failure to meet less explicit needs of stakeholders generates market fears (i.e. affects company reputation), thus increasing a company’s risk premium and affecting FSP. Actual ESP costs are minimal compared to the potential benefits.</td>
<td>Pava and Krausz (1996) and Preston and O'Bannon (1997)</td>
</tr>
<tr>
<td>Available funds hypothesis or slack resources theory (Waddock and Graves, 1997a): Higher FSP leads to higher ESP</td>
<td>Superior FSP enables companies to devote more resources to ESP.</td>
<td>McDonald et al. (1990), Kraft and Hage (1990), partially Moore (2001)</td>
</tr>
<tr>
<td>Positive synergy: &quot;Virtuous circle&quot; (Waddock and Graves, 1997a)</td>
<td>Simultaneous relationship combining slack resources and good management. Good management does most things well, including both ESP and FSP. Good management and good ESP are synonymous when ESP is defined in terms of the stakeholder relationships considered important to the firm’s performance and not in terms of discretionary activities, e.g. philanthropy.</td>
<td>Empirically supported by Preston and O'Bannon (1997), Pava and Krausz (1996) and Stanwick and Stanwick (1998)</td>
</tr>
</tbody>
</table>
Appendix I: The list of Control Variables-Adapted from Lo and Sheu, (2007)

**Size:** Most previous literature has found company size to be negatively related to company value (Mørck et al., 1988; McConnell and Servaes, 1990; Smith and Watts, 1992). In this study, logarithm of total assets was used as the proxy for the company size.

**Leverage:** Much of the theoretical and empirical literature has shown that a company’s capital structure has an impact on its value (Allayannis & Weston, 2001; Palia, 2001). To control the capital structure effect, debt to equity ratio was used by dividing total liabilities with total equity.

**Sales growth:** This is generally found to be positively correlated with a firm’s value (Schmalensee, 1989; Hirsch, 1991). One-year sales change is used to measure a company’s sales growth.

**Investment growth:** Company value also depends on future investment opportunities (Myers, 1977; Smith & Watts, 1992). R&D expenditure is one of the variables that have also been used mostly as a proxy for investment opportunity (Mørck et al., 1988; McConnell & Servaes, 1990). Following Yermack (1996) & Servaes (1996), the ratio of capital expenditure to sales was used as proxy for investment growth.

**Industrial diversification:** There is ambiguous evidence as to whether industrial diversification leads to higher company. While several studies in the theoretical literature suggest that industrial diversification increases value (Williamson, 1970; Lewellen, 1971), there is still substantial empirical evidence showing that industrial diversification is negatively related to company value (Lang and Stulz, 1994; Berger and Ofek, 1995; Servaes, 1996). Controlling the effect of industrial diversification, Allayannis and Weston (2001) was followed by using a dummy variable which equals one if the company operates in more than one segment.

**Credit quality:** Credit quality, reflected in the credit rating of a company’s debt, is likely to be associated with the company’s value (Allayannis and Weston, 2001). Controlling credit quality was done by establishing a seven scaled variable to specify the general credit rating of the company: 7 for AAA companys, 6 for AA+ to AA−, 5 for A+ to A−, 4 for BBB+ to BBB−, 3 for BB+ to BB−, 2 for B+ to B−, 1 for CCC+ and below.

**Industry effect:** Companies are classified by the ten economic sectors in DJSGI. To control for industry effects, economic sectors dummies: consumer non-cyclical, consumer cyclical, energy, healthcare, industries, information technology, materials, telecommunication and utilities were used excluding financials.