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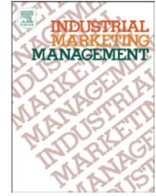

Sustainability and branding: An integrated perspective☆

V. Kumar *, Angeliki Christodoulopoulou [1]

Georgia State University, J. Mack Robinson College of Business, Center for Excellence in Brand & Customer Management, 35 Broad Street, Suite 400, Atlanta, GA 30303, USA

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ABSTRACT

Sustainability is increasingly drawing the attention of scholars, policy makers, and companies, as the latter are recognizing the necessity and opportunities of implementing sustainable practices in their operations. Marketing plays a substantial role in both applying such initiatives and promoting them, which can be greatly supported through brands. We suggest that firms can use their brands to promote the value of sustainability to their industrial customers, consumers, and other stakeholders. This may be achieved through branding activities that emphasize the firm's sustainability practices and their impact on stakeholders. Expressing sustainability actions as the measurable and relatable outcomes they yield and associating them with brands have the potential to further facilitate this integration of sustainability and branding. A framework and guidelines for sustainability practices that may be employed in this process of integrating operations and marketing are discussed.

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1. Introduction

More than 25 years ago, the Brundtland report emphasized the importance of sustainability for future prosperity, defining it as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987, p. 8). There is growing interest from firms in learning more about sustainability, which has driven the formation of a great number of organizations like the Sustainability Consortium that support such initiatives and provide useful information. MIT Sloan Management Review also has a dedicated section with news and advice on sustainability. In addition, the Global Reporting Initiative assists companies in reporting their activities towards sustainability and keeps records of these reports in its Sustainability Disclosure Database.

Despite the fact that many companies from diverse industries – like Nokia, Caterpillar, Johnson & Johnson, Walmart, and Starbucks – recognize and embrace the concept of sustainability in their business, there are plenty of social and environmental issues that still need to be addressed. The following statistics were reported in a recent Financial Express article: The richest 1% of adults worldwide control 4% of the world's assets, while the bottom 50% access only 2% of the assets (Malhotra, 2012). It is important for companies to recognize that their actions or inactions impact the future prospects and that sustainability is a passport to a secure future. Bridging the rich-poor gap is a business imperative, and corporations and individuals who are in a position to help should do their share. Contrary to social concerns, environmental issues have been addressed more extensively, but the results are still poor. For example, although products have increasingly become more environmentally friendly and recyclable, the actual recycling that occurs is minimal. As reported recently in the Washington Post, the plastic being recycled in the United States amounts to only 7% of total plastic used (Palmer, 2013).

Operating in competitive markets requires businesses to develop contemporary, modern and state-of-the-art capabilities using enormous amounts of energy, infrastructure and resources. However, overdisplay of infrastructure, excess use of natural resources, or consumption of energy by any business raises sustainability concerns in the minds of researchers and policy makers. While businesses rationalize their excessive use of resources based on survival reasons, careful attention is needed to balance consumption and avoid crossing the line to exploitation. "Organizations that are driven primarily by profit maximization will… eventually suffocate to death. Profit and purpose need to go hand in hand for an organization's survival and prosperity" (Govindarajan & Srinivas, 2012, p. 2). According to the authors, firms should have a purpose to contribute value to the society, and therefore, shift from shareholder capitalism to responsible capitalism. Embracing this responsibility to the society and the environment, in addition to the shareholders, is at the core of sustainability.

Differences in the needs of businesses and individuals require managers to focus on the core concepts of sustainability and researchers to consider the multidimensional nature of the field. Programs such as The World Bank's Millennium Development Goals enable managers to identify future business objectives while considering policy-related issues such as sustainability and influencing the quality of life of stakeholders. The anecdotes present the managerial perspective of market conditions and customer requirements, but their recommendations

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* Corresponding author. Tel.: +1 404 413 7590; fax: +1 832 201 8213.
E-mail addresses: vk@gsu.edu (V. Kumar), achristodoulopoulou1@gsu.edu (A. Christodoulopoulou).
[1] Tel.: +1 404 413 7591.

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lack academic rigor. This area of research is still gaining momentum and practitioners are looking at academics for strategic directions to manage sustainability while considering businesses on a global slant. As firms race towards sustainability, the concerted efforts of operations and marketing can provide substantial benefits and secure the external support of customers and other stakeholders. Therefore, we propose that such support and increased firm performance can be achieved by integrating the sustainability-geared actions of operations with a firm's branding efforts, focusing in the business-to-business (B2B) context.

2. Current research on sustainability

Sustainability has been extensively researched by academics from many business disciplines, including management, marketing, and operations. The multidisciplinary nature of scientifically established knowledge on sustainability has generated a number of different terms to describe some or all of its components, including sustainable development, triple bottom line, green business, environmental management, corporate social responsibility (CSR), and corporate citizenship. Responding to the need for sustainable practices, the International Organization for Standardization has developed the ISO 14000 family, a group of standards that provides guidance regarding environmental management (International Organization for Standardization, 2004). ISO 26000 was also introduced in 2010 with an aim of offering guidance to companies that want to implement social responsibility initiatives. It describes the main elements of social responsibility, which include: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development (International Organization for Standardization, 2010). These components can be summarized as pertaining to the society and the environment. The theory of triple bottom line includes an additional focus on the economy, in order to emphasize the financial benefits that result from sustainability. According to the triple bottom line, companies should conduct their business in a way that respects the environment and the society, while being profitable (Elkington, 1998; Savitz & Weber, 2006). In this paper, we refer to sustainability in accordance to the theory of triple bottom line, with social, environmental, and economic dimensions.

A large body of literature revolves around the environmental aspect of sustainability, as it relates to corporate environmental policies, i.e., actions of businesses to mitigate their negative influence on the environment, and the motivations behind them. For example, according to González-Benito and González-Benito (2005), a transformation towards environmental sustainability can be done by implementing practices in three areas of an organization: planning and organizational practices in the management area, operational practices in the operations area, and communicational practices in the marketing area. They show that the areas of environmental transformation have different determinants: ethical, competitive (operational or commercial), and relational motivations. Alternatively, Bansal and Roth (2000) identified three reasons why firms implement environmental initiatives as a response to ecological concerns, namely competitiveness, legitimation, and ecological responsibility.

Researchers have also studied the impact of environmental sustainability on firm performance. Research by Russo and Fouts (1997) revealed that firms that exhibit high environmental performance enjoy higher profitability, as expressed through their higher return on assets, and this effect is stronger for those operating in fast-growing industries. Furthermore, Bansal and Clelland (2004) found that firms that have high environmental legitimacy – that is, firms that meet stakeholders' expectations for corporate environmental performance – show less unsystematic risk, compared to firms with low environmental legitimacy. In addition, the latter firms can actually lower this risk component by publicly expressing their environmental commitment, as supported by their findings about firms that operate in industries with high environmental impact (like chemical and paper industries). Porter and Van der Linde (1995) explain how environmental practices can be very beneficial for firms, as they enhance resource productivity and foster innovation, and thus, lead to improved competitiveness. Furthermore, stakeholders have been shown to play an important role in shaping sustainability actions of firms. The characteristics and environmental attitudes of communities where firms operate have an impact on environmental performance (Kassinis & Vafeas, 2006), while pressures by external stakeholders can even affect environmental policy decisions about global standardization in multinational companies (Christmann, 2004). In addition, different environmental commitment levels – termed as proactive, accommodative, defensive, and reactive – are associated with different relative importance of stakeholder groups (Henriques & Sadorsky, 1999).

Further, extant research has focused on corporate social responsibility (CSR), which closely relates to sustainability, but to a greater extent to the social component than to the environmental component. Carroll (1979) described CSR as the economic, legal, ethical, and discretionary duty of companies towards society. He also introduced a corporate social performance model that incorporates defining CSR, identifying the related issues, and specifying a response. Another relevant theory, corporate citizenship, views the social involvement of companies in a more holistic way, conceptualized as "the role of the corporation in administering citizenship rights for individuals" (Matten & Crane, 2005, p. 173). CSR practices are becoming commonplace, even for small and medium enterprises (Hsu & Cheng, 2012), as they are associated with positive outcomes. For example, CSR has an impact on multiple stakeholder relationships, as research has shown that CSR initiatives are related with positive company associations and increased willingness to purchase from, work for, and invest in the firm (Sen, Bhattacharya, & Korschun, 2006). CSR is also related to better financial results; for example, it was found to be positively related to market capitalization value (Pätäri et al., 2012). In addition, corporate social performance (CSP), which is the performance of a company in CSR initiatives relative to the competition, has a negative effect on firm-idiosyncratic risk (Luo & Bhattacharya, 2009). Furthermore, a recent study found that the quality of CSR reporting is negatively related to the cost of equity capital (Reverte, 2012), especially for companies operating in industries that face environmental issues. These results indicate that both superior CSP and comprehensive disclosure of CSR activities can further boost firm value, by reducing the risk associated with the firm as assessed by the investor community.

2.1. Sustainability and operations

Extant work on sustainability in operations is aimed at including environmental practices as a part of the overall operations strategy, to better address issues like pollution control, waste minimization, reusing, and recycling (Angell & Klassen, 1999). Research has shown that reporting of environmental management practices (recycling, waste reduction, remanufacturing, environmental design, and surveillance of the markets) has a positive impact on firm performance, mainly through improving product and process innovation indicators (Montabon, Sroufe, & Narasimhan, 2007). Further, Jacobs, Singhal, and Subramanian (2010) find evidence that environmental performance is associated with firm value. Specifically, they find that the stock market exhibits varied reactions following specific announcements of Corporate Environmental Initiatives, which are self-reported, and Environmental Awards and Certifications, which are granted by third parties. While, increases in firm value result from environmental philanthropy announcements and ISO 14001 certifications, there are decreases in firm value when firms publicize their actions pertaining to voluntary emission reductions. Sarkis, Gonzalez-Torre, and Adenso-Diaz (2010) found that there is a relationship between stakeholder pressures and environmental practices, and it is mediated by employee environmental training, as seen in the context of environmentally oriented reverse logistics practices in the automotive industry.

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