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Great Brands Never Have to “Give Back”

by Denise Lee Yohn | 9:00 AM February 6, 2014

A recent headline, “JCPenney Releases 2013 Sustainability Report,” reads like the punch line to a bad joke. Apparently the struggling department store company, which is closing 33 underperforming stores and incurred a net loss of nearly $500 million in its last reported quarter, felt it was important to promote a report detailing its sustainability activities. What JCPenney probably intended as a reassuring message about the company came off more like an effort to distract people from the realities of its fundamental business problems.

This is only one of countless examples of the problem with most corporate social responsibility (CSR) efforts these days. A few years ago the West Coast hamburger chain Carl’s Jr. launched a “Pink Star Campaign” to raise funds for the National Breast Cancer Foundation. What sounded on the surface like a noble effort to show the company’s concern for women, however, failed to square with the chain’s long-standing advertising strategy of appealing to young men by portraying scantily-clad females suggestively eating its products.

Companies seem to be using CSR efforts to counteract or distract attention from the negative toll they exert on society through poor treatment of their workers, poor stewardship of the earth’s resources, poor management of investors’ dollars, or, even simply, poor customer service. It’s as if giving back could make up for taking something away in the first place.

Consumers aren’t falling for the trick. The Reputation Institute reports that the 100 companies which comprise its RepTrak^{TM} index spend millions of dollars per year on CSR activities, but only 6% of consumers consider those companies to be acting as strong and good corporate citizens — and 60% of consumers say they’re not sure if the companies are to be trusted.

Even well-run, well-intentioned companies get it wrong. They choose to support external programs and to donate to charitable organizations instead of considering how they themselves could become a force for positive social change.

But a different development is emerging in the area traditionally known as CSR. One that is exemplified by efforts like GE’s Ecomagination (http://www.ge.com/about-us/ecomagination%5F) project, which involves developing alternative-fuel engines and other products that address today’s environmental crisis and drive economic growth. Or Starbucks’ community stores (http://www.starbucks.com/responsibility/community/community-stores) which serve as hubs of community service and training programs for their neighborhoods. And Coca-Cola’s 5by20 (http://www.coca-colacompany.com/stories/5by20/) initiative which empowers female entrepreneurs in developing countries to operate neighborhood stores that sell its products and create an upward spiral of economic development.

These and other great brands are making positive social change without engaging in typical CSR activities. To make a significant, sustainable positive impact on society, they are re-examining their business models, re-designing their supply chains, re-inventing products, and re-thinking what they sell and how they sell it. They are looking for ways to create value for everyone who's involved with their business – customers, employees, suppliers, communities, and shareholders. They're redefining CSR as CSV: creating shared value (http://hbr.org/2011/01/the-big-idea-creating-shared-value) .

For great brands, CSV doesn't simply draw upon the company's innovation capabilities. CSV uses the power of the company's brand to inspire change and produce an overall beneficial impact on society. Great brands seek to create shared value by establishing brand relevance in a diverse and increasingly resonant set of areas – from industry to community to target customer, brand positioning, and ultimately values. The outcome is increased brand salience and resonance on multiple levels with multiple stakeholder groups.

Doing well by doing good is not a new idea. What is new is the brand integrity with which it is now being pursued by leading brands. Great brands such as IKEA explore the societal and cultural relevance of their brands to identify ways to create shared value.

From its humble beginnings in post–World War II Sweden, IKEA, the home furnishings retailer, has been on a brand mission to improve people's lives. Widespread accessibility through low prices is a key element of fulfilling this mission. So instead of using design to justify higher prices as most companies do, IKEA operates in exactly the opposite way. IKEA designers start their design process with a functional need and a target price and then use innovative, low-cost manufacturing processes to create the products. IKEA's design philosophy extends to distribution, where it designs products so they can be transported and stored in flat packs which lower prices even further. And its self-serve stores save labor costs. By innovating throughout many aspects of its operations, IKEA fulfills its brand vision of providing products can be purchased and enjoyed by as many people as possible.

Like other great brands, IKEA doesn't think about adopting socially beneficial practices as *obligations*, activities that every respectable business is expected to do. It seeks out *opportunities*, strategies it wants to implement because they are good for everyone involved in the business. And it uses a different decision filter about how to make a positive impact, from taking on *responsibilities*, discrete initiatives that are to be completed, to achieving *relevance*, ways to nurture and sustain valuable connections with all its stakeholders.

Great brands are ushering in a new age by aligning their social efforts with their brand strategies and business operations. That way, they don't need to take with one hand and give back with the other.