

## **SME managers' branding of CSR: an example of counterproductive argumentation**

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### **Abstract**

What can we learn from the way SME managers communicate and practice CSR? The paper aims to give an answer to this question with reference to a case study on SMEs' potential to adopt CSR for strategic purposes. An argumentation analysis of managers' communication on CSR in two SMEs demonstrates that they first and foremost identify CSR as 'human relations' and as 'proper treatment of employees'. The paper concludes that their counterproductive argumentation can be seen as a sign of their reluctance to promote their company on the good everyday behaviour and to conceive CSR as a strategic instrument which can be used as a differentiation parameter which can give them a competitive advantage.

### **Introduction**

The important role of managers with regards to ethical issues is widely recognised among researchers. This is not only due to the managers' key influence on the organisational culture, (e.g. Kakabadse, Rozuel & Lee-Davies 2005) but also to their influence on reputation and brand image (van Riel 2005). According to van Riel, however, not all managers are aware of their strategic communicative role or of the fact that they assume the role as communicators. They believe that departments such as Marketing, Branding and Public Relations are solely responsible for the communication. This problem might be even more visible in SMEs in the fact that research has shown that SMEs still struggle with the notion of how to act strategically in the first place (Murillo & Lozano 2006). There has been some research within managerial branding of CSR (e.g. Palazzo & Basu 2007). However, this research has not been related to SMEs, which is the topic of this paper.

The *questions* we raise in this paper are the following: How do SME managers respond to the corporate branding and CSR agenda? To what extent - if at all - do they use CSR to enhance their corporate brand? What can we learn from their responses to how they manage CSR? The paper aims to give an answer to the above questions in reference to a *case study* of Danish SME managers' discourse about their organisation's CSR initiatives, activities, programs, etc. The case study consists of interviews with three of the managers from Danish SMEs. The approach will be argumentative based on Toulmin 1958. Our *theoretical framework* consists of corporate branding theory (e.g. de Chernatony 2002; Harris and de Chernatony 2001; Hatch & Schultz 2001; Schultz & Kitchen, 2004.) and CSR theory (e.g. Carroll 1999; Garriga & Melé 2004; Kakabadse, Rozuel & Lee-Davies 2005; Nielsen & Thomsen 2007)

Our analysis reveals an argumentation structure which tends to hinder or obscure rather than serve a branding purpose. As the study shows, the SMEs recognise the relevance of strategic CSR communication but on argue at the same time that it is too much to promote your company on good day-to-day behaviour. The paper concludes highlighting the importance of linking management communication to corporate branding and reputation management.

### **Corporate Branding**

Corporate branding involves the entire organisation, its members, the planning processes from creating and implementing the corporate strategy to the marketing of products, from identifying the organisational culture and behaviour to managing communication planning practices (Shultz Antorini & Csaba. 2005: 47). The management's role in corporate branding is to generate, maintain and develop the strategic framework for the corporate brand. This is achieved by stimulation of interaction, i.e. promoting networks and social decision making, articulating the organisation's visionary and value foundation, and by serving as a source of inspiration in guiding the employees to work towards the vision (Antorini & Schultz, 2005: 227).

In their description of *the second wave of corporate branding*, Shultz et al. pinpoint that in order to move from traditional market positioning towards strategic branding and reputation management, it is necessary for organisations to expand the perception of strategic differentiation. This is done in order to include intangible corporate assets such as corporate resources which are valuable, rare, well-organised and hard to copy by others. (op cit .:43). Corporate scandals (e.g. the financial bankruptcy at Enron) has encouraged organisations to focus their attention to the question of how to strengthen their credibility and reputation (op cit. : 44). A growing number of annual reputation rankings (e.g. Fortune 500 annual rankings of American companies) form a common denominator for successful business and business practices. They have paved the way for the establishment of standards based on both hardcore financial elements and soft value elements including CSR. Charles Fombrun's Reputation Quotient model from 1999 is referred to as an integrative model that measures corporate reputations in terms of emotional appeal, products, services, financial performance, workplace environment, vision and leadership and CSR, the latter playing an increasing role for stakeholders' judgement of companies (Riel & Fombrun, 2007: 248).

A veritable wave of corporate branding, re-branding and reputation management initiatives have thus flooded large companies in particular from the 90's till today. Yet SMEs still hesitate to follow. Many SMEs tend to leave their corporate branding potential unexplored with the risk of being bypassed by competitors in the global market place. In general, SMEs tend to occupy themselves with day-to-day business rather than and nourish their image and reputation thereby mobilizing their resources in order to conceive and plan what could be the foundation of their competitive advantage (Schultz, Antorini & Csaba, 2005).

### **Strategic CSR communication in SMEs**

The greatest challenge to corporations in respect of strategic CSR communication and branding is to make decisions about how to handle CSR from a strategic point of view. This challenge include the notion of which perspective to choose: management, marketing, public relations or stakeholder perspective and which CSR issues ((Nielsen & Thomsen, 2007) to integrate in the overall strategy and communication planning?

The context of SMEs is different from the context of big corporations. SMEs constitute a very heterogeneous group in terms of size, number of employees, turnover, line of business, etc. In the editorial to a special issue of the Journal of Business Ethics on SMEs & CSR, the editors gave an outline of existing research on SMEs and responsible business practice (Moore & Spence, 2006). In this, they highlight a number of SME contextual factors which we consider relevant in a strategic CSR communication perspective. We focus on three of them:

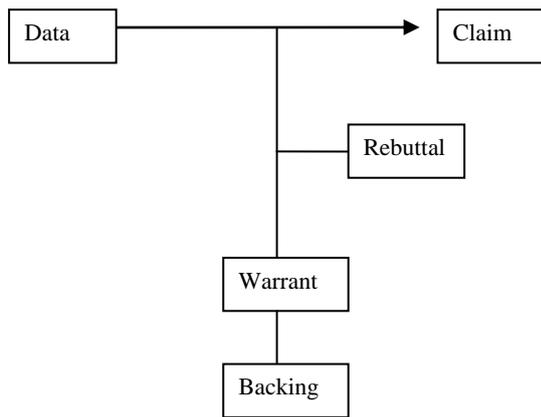
Firstly, a basic antagonism between capital and labour is considered to be inherent in the employment relationship in small firms. Another element is co-operation since employers need to secure workers' willingness to work while workers rely on the firms for their livelihoods. Moore and Spence (2006) argue that "It is perhaps the keen awareness of the employees' reliance on the employer for their livelihood that is different from the larger firm, where decision makers will not normally have personal contact with the individuals who are affected." (Moore & Spence, 2006: 221).

Secondly, Moore and Spence (op.cit.) highlight the focus on owner-managers of SMEs, arguing that individuals who own their business are both principal and agent and hence are at liberty to choose the company's financial dispositions as they see fit. According to Moore and Spence, this justifies an emphasis on the personal ethical attitudes of owner-managers, attitudes which are assumed to influence the business. Moore and Spence also establish a link between the personal ethical attitudes of owner-managers and the start-up phase of a small business and the owner-manager's relationships in terms of help, harm, trust and morality. In line with this, SMEs generally have good relations with local communities. Proximity is one of the factors that increase the likelihood of moral behaviour (op. cit.)

Thirdly, it is argued that there is no general orientation towards maximisation of profit in small organisations. Competitors are often treated as (moral) stakeholders rather than just adversaries in the marketplace. In other words, SMEs are different in nature, not just in size, from large firms and unlikely to adopt marketing tools or strategic approaches such as using "management speak". Most SMEs are product focused not having the time or necessarily the skills to think about functional and organisational issues like responsible business practice. This does not mean, however, that they act irresponsibly, only that their actions are not codified in the way more likely to be found in large companies. Moore and Spence state for example that normal environmental management systems are not found to be readily adopted by small firms, which tend to take a more ad hoc and reactive approach to environmental issues.

### **Exemplary analysis**

Our analysis method is based on Toulmin's sequential argumentation model, demonstrating the structure and coherence of arguments. His aim is to demonstrate how to build sound argumentation and provide good justification for a claim. His argumentation model is based on the following components: a claim (C) is supported by a datum (D), the interrelation between which is supported by a warrant (W) which can be further justified by a backing (B). The interrelation between claim and datum can be qualified by a rebuttal (R) which takes into account particular conditions of refutation, such as "the rule does not for some reason apply to this particular example"(Toulmin 1958). The model is presented in figure I below.

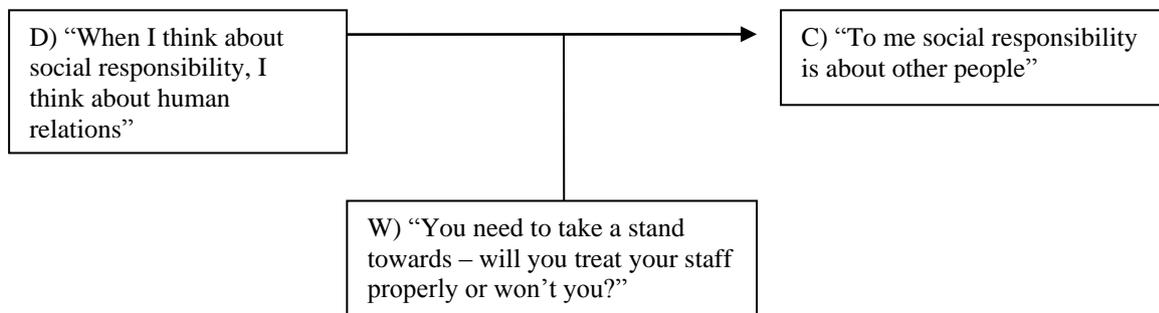


**Figure I: Toulmin's model of argumentation<sup>1</sup>**

In the following we will demonstrate that the argumentation discourse provided by the SME managers of our study seems to be counterproductive of the idea of using CSR in a strategic corporate branding and reputation perspective. An argumentation analysis of the middle-managers' statements about their companies' conception and practice of CSR reveals that, at the organisational identity level, they demonstrate CSR commitment towards employees, while at the corporate identity level, they are reluctant to use this commitment for branding purposes. i.e. in their cultural behaviour (Cornelissen 200), the middle managers ... based on the top management's formal presentation of the organisation (op cit.),

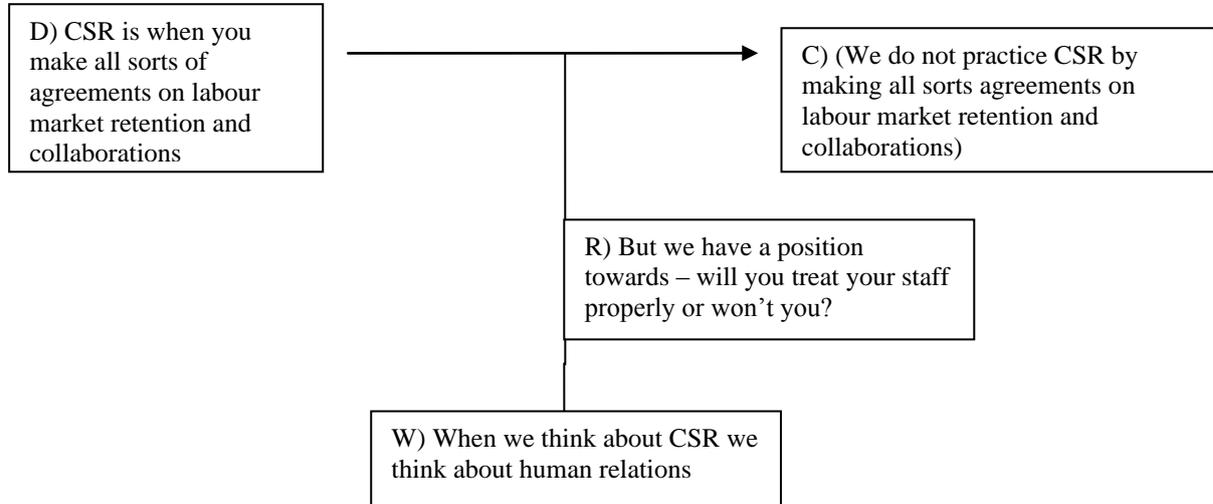
The sequence below is an example proving 'human relations' to be one of the CSR core identity drivers of the organisation:

*You can make all sorts of agreements on labour market retention and collaboration – collaborate with social authorities about hiring people for work test assessments and those sort of things. But fundamentally, you also need to take a stand towards – will you treat your staff properly or won't you.... I mean, when I think about social responsibility, then I think about human relations and not so much in terms of environment and not as broad as they were thinking at that CSR course, where it was environment and all sorts of other things... I also think social responsibility is a bit like when you talk about sustainability. It has also got to do with the inclusive labour market, that you have the resources to take people in who don't have an easy life. To me social responsibility is very much about other people, but also about you being there as a socially responsible work place (Company A).*



In this sequence, we experience how the manager first and foremost defines CSR as "employee relations". He is then in alignment with the above, stating that proximity and personal contact with staff is of particular importance in this type of organisation.

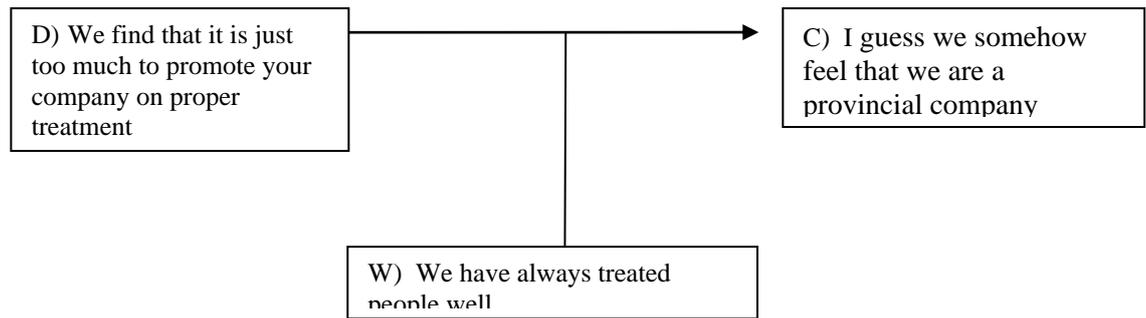
In the following sequence we see a strong element of counter argumentation in the middle managers' use of a rebuttal expressed by words such as 'but', 'nevertheless', 'although' etc., which produces a turn-around of the argument articulated in the first place. In order to clarify this type of counter argumentation, we have slightly paraphrased the propositions of the sequence:



The *claim* of the example is not explicitly expressed. It is generated by the rebuttal. The example illustrates how the middle using counter argumentation exposes the organisation's own attitude towards CSR as an employee concern, while keeping a door open to other potential assumptions and conceptions of CSR in the form of formal labour market agreements. He thus acknowledges the broadness in the conception of CSR, but keeps to his own interpretation and practice of CSR. The example thus cements the informality and freedom of practice of managers in an SME context.

The following sequence is an example illustrating the organisation's lack of handling CSR as a strategic means of corporate branding to external stakeholders such as e.g. job applicants:

*We have discussed it, but we haven't really agreed that it is something we want to do. I guess we somehow feel that we are a provincial company, and he who lives quietly, lives well. You could easily go out and promote yourself on this, but I and several other people in management have faith in or find that it is just too much to promote your company on proper treatment, as we have always treated people well. But if it turns out that our competitors will start making a big thing out of it, then we may also do it. I don't think we would be the first to beat the drums for it. We would rather spread the good news through people like you and TV programmes and stuff like that" (Company B)*



From the argumentation sequences above, it appears that the middle managers of our case-study do not allow their organisations to explore their obvious authentic and spontaneous CSR commitment as a differentiation parameter. Neither do they expand it into a strategic corporate resource which could serve as a driver in a corporate branding process. Their argumentation strategy demonstrates that they, to a certain extent, are familiar with the everyday values of CSR, but they have yet to reach the stage where they intent to incorporate these values into a dynamic corporate branding process.

## Conclusion

We have demonstrated that the way SME managers respond to the CSR agenda is not linked to corporate branding. Their CSR commitment when it comes to human relations is extensive. They are concerned with the manner of how they treat their employees and the local community. However, they are reluctant to use this commitment in a corporate branding perspective.

Our argumentation analysis clearly shows how they undermine their branding potential. They are reluctant to promote their company on good day-to-day behaviour and to conceive CSR as a strategic instrument which can be used as a differentiation parameter likely to lead to competitive advantages.

In a corporate branding perspective, we detect a paradox in the fact that the SMEs in our case study seem to have a strong organisational identity. However, they do not benefit from this asset in order to improve their corporate image and reputation by integrating corporate branding into their communication.

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<sup>i</sup> *Claim*: the position or claim being argued for; the conclusion of the argument, *Data*: reasons or supporting evidence that bolster the claim, *Warrant*: the principle, provision or chain of reasoning that connects the grounds/reason to the claim, *Backing*: support, justification, reasons to back up the warrant, *Rebuttal*: exceptions to the claim; description and rebuttal of counter-examples and counter-arguments, *Qualification*: specification of limits to claim, warrant and backing. The degree of conditionality asserted. Mostly it is only the claim and the data which are explicit in arguments.

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