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GOOD REPUTATION: A REPUTATION FOR DOING GOOD

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When a global food powerhouse saw hungry students who had to attend school without food in their stomachs, it decided to step in and help in ways that it knew best.

The “Kraft Hope Kitchen”, started by Kraft Foods China and the China Youth Development Foundation in October 2009, helped build some 110 kitchens across China to provide hot meals for 60,000 rural school children. The project not only improved the nutrition and diet of rural Chinese school children, but also the nutritional knowledge and food safety practices of rural teachers and kitchen staff.

While altruism might have motivated the food company to provide for the children, the project also helped boost Kraft’s corporate reputation. It has garnered a host of awards for its corporate social responsibility (CSR) efforts, such as the PublicAffairsAsia Gold Standard Award for CSR in 2011.

The Kraft story is one of many community projects that are happening all over the world as companies –driven partly by the benefits that it can also bring to the bottom-line –give greater weight to their reputation.

[Mark Chong](#), an associate professor of corporate communications at SMU's [Lee Kong Chian School of Business](#), said at a [Social Sciences Capstone Seminar](#): “Kraft is doing well for itself financially by doing good for society and its stakeholders.” He noted an American study which revealed that MBA students were likelier to apply for work at companies with a good CSR track record.

When Kraft started its operation in China, it wanted to be a “resident” company, not just a global enterprise with a set-up in China. So when a study revealed that 70 per cent of the students in China’s rural schools were hungry during class and half of these schools –with inadequate facilities in their kitchens to cook meals for the students –were unable to provide drinking water, Kraft decided to step into the picture.

The kitchens it built served up hot nutritious meals prepared by trained cooks in hygienic conditions. For many of the school children, this meal in school might be the most nutritious meal of the day.

CSR embodies the idea of “using the power of business to create a better world,” Chong said. It can be thought of as a business strategy that is integrated with core business objectives; one

that creates business value, positive social change, and is part of the company's operations. Furthermore, studies have shown that when CSR is aligned with business objectives, it can bring "competitive differentiation, permission to enter new markets, and favourable positioning in talent wars."

There is strong evidence that CSR helps business performance, especially in the areas of reputation, human resource management and branding. It even provides operational cost savings.

Some academics have also explained CSR's rising prominence as a response to growing emphases on stakeholder interests, such as consumer and labour pressures, as well as Gen-Y's higher levels of social consciousness. The shift of resources and power away from the state towards firms could also explain the acceleration of the CSR movement in recent times.

Non-governmental organisations have become increasingly sophisticated in targeting corporate malfeasance and technology has given people rapid access to transparent information. High profile cases involving child labourers in sweatshops, the melamine milk powder scandal, and BP's Deepwater Horizon oil spill in the Gulf of Mexico have also helped to raise public awareness on these issues, as well as and the reputational and business costs of such irresponsible practices.

The extent to which organisations engage in CSR may be viewed as points within a broad spectrum, from the philanthropic to the integrative.

The philanthropic stage is marked by low levels of engagement, where the mission's importance is peripheral, has a narrow scope of activity, and is of modest strategic value to the firm. Actions here will include one-off donations or grants.

The integrative phase, in contrast, places CSR as a major strategic goal in itself, complete with high managerial complexity and a broad scope of activities. Taken to its full extent, such forms of CSR can transform industries and have global impact.

Research has shown that a good corporate reputation increases the corporate worth of a company and provides sustained competitive advantage. An oft-cited textbook case is Johnson and Johnson's 1982 Tylenol scandal. When poisonous cyanide was found in the Tylenol capsules, "Johnson and Johnson did something unprecedented at that time. It recalled every bottle of Tylenol on the shelf," said Chong. Sales were immediately hit, but within three months, Johnson and Johnson's actions –by putting consumer protection as its utmost priority –helped it regain 90 per cent of its market share.

Compare that to BP's clumsy handling of the Deepwater Horizon oil spill. Not only did their share price take a big hit, they annihilated much of their goodwill very quickly.

Indeed, studies have shown that a socially responsible reputation can protect firms from severe stock price declines during times of crises. For instance, shareholders would tend to attribute the crisis to bad luck rather than poor management of the firm, giving its executives the benefit of the doubt. It should be noted, however, that "doing good" while "doing harm" might be more damaging for a company's reputation than doing nothing at all.

CSR can also pay dividends in employee's commitment to the firm. In a case study of global logistics firm DHL Asia Pacific's CSR efforts during the 2004 Asian Tsunami, DHL not only lent its expertise in alleviating the crisis, it also allowed employees three weeks of paid leave to help the victims. The workers returned to work more motivated and more committed to the company.

But having a CSR strategy does not automatically excuse a company from its primary responsibility towards customers: providing good products and services. Consumer behaviour

studies have found, for instance, that consumers' intention to purchase can decline, regardless of the company's CSR activities, if the product or service in question do not meet their expectations.

Chong suggested that the mark of a good CSR strategy is close alignment with the firm's core business objectives, its core values and identity, its core competencies, and also its stakeholders' needs. CSR needs to evolve beyond just good public relations and reputational management. It should move towards the value creation and innovation function, he concluded.