

Corporate Citizenship & Social Responsibility: Strategic concepts to Companies In View of the Globalization

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Abstract

This present study proposes to discuss the importance of corporate citizenship and social responsibility as a strategy to position companies, products, and brands as well as a competitive differential in view of a market dynamics increasingly globalized and, therefore, more competitive, more volatile, and more a *commodity* in terms of products and services.

Executive Summary

This work aims to discuss the importance of corporate citizenship and social responsibility as a means of strategic positioning for the company, and the consequent positive image transfer to its products and brand name. This positioning provides a competitive differential for the company within a market dynamics that is more and more globalized.

Introduction

We will start this study using Lester Thurow's proposal (1996) trying to identify the political, economic, and social forces that led to globalization to understand the competitive and volatile environment where companies are currently in, where both products and services have become commodities, and customers/clients have access to products and/or services at any place, at any moment. Within this context, we present a case study of companies that differentiate themselves in the media re-launching their products by promoting an event anchored in citizenship and social accountability, and we evaluate the positive exposure of such companies in the

media, and the strengthening of their institutional images resulting from their community commitment. By introducing this case study, we believe to be able to collaborate in presenting feasible, concrete, and strategic alternatives to the solidarity/supporting corporate move both at Brazil's and worldwide level.

The globalization phenomenon according to Lester Thurow

We believe, according to Bedin (1997), that globalization is the most significant phenomenon originator of changes made on current society.

World setting as a new global system is the most significant political, economic, and social event of the two last decades. [...] Thus, after the mankind has turned viable many and extraordinary individual civilizations, it starts now to outline in building an adventure of planetary dimensions. Hence, the perception – today already highly evident – that the world has been turned into the only place for all human beings and that the main problems and some of their more relevant interests have acquired a character of issues worldwide interdependent and global. [...] we may state that the 21st century will be controlled by problems related to the appearance, consolidation, and hegemony of global political, economic, and social organization. In addition, we may state that globalization phenomenon is much more the result of a long, slow, and almost imperceptible modern society evolution than from the immediate and implacable outcome of an isolated fact no matter how relevant it may be. (BEDIN, 1997, p.134)

According to Bedin (1997), the best work we know on displacement of political, economic, and social articulation of national States within worldwide scope has been formulated by Lester Thurow, in his book, *El futuro del Capitalismo* (THUROW, 1996) (The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World. NY: Wm. Morrow & Co., March 1996).

According to Thurow, five main forces that have driven the world to globalization were:

End of communism (the capitalist world is lacking of competitors);
Emergence of an era composed by artificial intelligence industries (thanks to information technology advances and open space to the new digital economy era), resulting in de-territorialization of

production and annulment of any competitive advantage; Growth, displacement, and aging of world population modifying the capitalist system; Emergence of a global economy allowing any good to be manufactured at any place and sold at all places; Setting the world as a multi-pole political space without an hegemonic power. (THUROW, 1996, Passim.)

For example, Thurow analyzes that due to the communism end, new technologies, and global economy emergence, the bi-polar world ends and consequently a space opens for new international players to make an entrance in a complex system of interdependent, international, and multi-facet relations.

Among the new players, big transnational companies are highlighted – the ones that have no territories in products and services' planning, production, sale, and distribution, and which compete pursuing raw-materials, labor, and consumer, producer, and distributor markets in a global scale; international non-governmental organizations, once plugged, disseminate images, information, social and democratic concepts all over the planet; an active community – as a whole – interconnected in a network, plus the international bodies that shrink sovereignty and autonomy of national States.

Inserted in such set, and, as Ianni (1996) states – mentioned by Bedin (1997,p.138) –, the globalized world has turned itself [...] in one territory for everybody, [...] borders were demolished, and now they are irrelevant or harmless, [...] where means of communication, information, transport, and distribution as well as means of production and consumption are universally agile.

Yet, we realize the new needs of this globalized world, where social problems are becoming complex and interdependent – getting hold of a space once restricted by governments –, are giving the opportunity to companies and communities to act straightforwardly on social issues and problems. In this sense, the public power is not the goods and services provider anymore, but it has an increased economic and social role (Social and Welfare State went bankrupt) starting to be the society

facilitator and regulator. On the other side, companies and society win an escalating power within the international and national scenery, and they begin to contribute to a transformation on the existent social exclusion set.

Globalization and its implications on markets, products, and customers/clients

Bedin clarifies that during the 21st century, “the new” knocks at our door under a variety of names:

The globalized world, or the globalization of the world, (referring to economical aspects), “planetarization” of the world (political aspects), “worldlization” of culture (cultural aspects) – and more, the modernity-world, economy-world, world without borders, global village, computerized society, world’s ocidentalization, artificial intelligence society, end of history, civilizations’ shocks. (BEDIN, 1997, 0.124).

We grasp that these metaphors about “the new” have in their core a more competitive and volatile corporate environment. Not only companies started to face international competition in large scale (barriers reduction) as constant moves of mergers and acquisitions have occurred at worldwide level causing high concentrations of transnational companies (de-territorialization of market), and also fast, frequent, and continuous changes and technological advances (leveling of IT), and market de-regulation (sovereignty shrink of national States). Within this context, products and services turned into commodities and customer/client has access to products and/or services at any place, at any time. Taking into consideration such reality, challenges companies are facing are to be able to cope with and to anticipate the new settings resulting from globalization and to produce *some kind of differential* that shall guarantee to them a long-term sustainable competitive advantage.

It happens that, due to globalization, the factors that typify long-term sustainable competitive advantage are even more subtle: when products are considered as being similar – people note just a little difference between one and another.

To Kotler, differentiation is obtained and maintained when a company works founded on its civil/civic character.

[...] when products are considered as being similar – people note just a little difference between a Coke and a Pepsi, between a Hyatt Hotel and a Westin Hotel, between a refrigerator manufactured by General Electric and one by Whirlpool. It is becoming increasingly difficult to be different because any interesting differential tends to attract copies of it. If an increased number of buyers insist on purchasing a safer car, an increased number of automotive manufacturers will start to sell safer cars seeking to compete directly with Volvo. Therefore, how could a company conquer a more sustainable differentiation according to public opinion? I would argue that an honestly sustainable basis for a differentiation is the corporate civil character. [...] the image of a company usually remains for a long time. Those images, in general, reveal a strong emotional load able to create links with consumers or, on the opposing end, to move them away. And as it may happen as long as products are becoming more similar, the civic/civil image of a company may become one of the strongest reasons why clients choose the company and its products and services. (KOTLER, 1997, p. 175).

Gaining a competitive advantage through corporate citizenship and social responsibility

If we recognize that the economical forces mentioned by Thurow (1996) have driven the world to an interdependent and globalized political, economic, and social system, turning concepts of sovereignty and autonomy of countries into relative ones and extending companies performance, what are the new roles companies assume in the new worldwide economic order? Is it legitimate that a company acts rooted in citizenship and social responsibility?

With globalization companies gain new space and time notions:

Globalization [...] has reshaped notions of space and time. In a matter of seconds news walk around the world, money comes in and out of a country by wire transfers; new products are manufactured in many countries at the same time and none of them in isolation. Global phenomena influence both facts and places and vice-versa. (VIEIRA, 1998, p. 13).

Also, companies gain new power notions: [...] increasingly stressed command of transnational corporations that – deprived of sovereignty, unacquainted with frontiers and nationalities – have in fact an upper power in relation to many national States [...]. (OLIVEIRA, 1997, p. 55).

We may quote Vieira (1998) as an example:

The ten biggest world corporations – Mitsubishi, Mitsui, Itochu, Sumimoto, General Motors, Marubeni, Ford, Exxon, Nissho e Shell – have 1.4 trillion dollars billing equivalent of Brazil, Mexico, Argentina, Chile, Colombia, Peru, Uruguay, and Venezuela's GDP, all together. Half of those groups' facilities and more than a half of their employees are at units outside of their country of origin, and 61% of their billing is gained from overseas operations. (VIEIRA, 1998, p.99).

We verify that one of the globalization impacts is corporate performance scope extension and, consequently, the opportunity to companies for changing their corporate attitude.

Garcia (1999), also points out the fact that toughness of the corporate competition in a globalized word has led companies to pursue a strategic differential through corporate social accountability.

Should we concentrate ourselves in the collective being named as company, social accountability means, for example, to treat its employees with dignity, to manufacture products fit to what is expected, to render high quality services, to make true advertising, to promote a clean work environment, not to dirty streets or to make traffic difficult, to contribute to community causes, not to exploit child or slave labor or anyone who is unable to defend himself/herself. The company that does not complies with such behavior acts in a socially irresponsible way. (GARCIA, 1999, p. 2).

However, it is all too old, logical, and basic, therefore, it is argued what in fact has changed causing such relevance of social responsibility issue.

Garcia (1999) explains:

In fact, what has been changed is that there is plenty of products and services availability at world level, all of them made with similar technology and materials, and comparable prices. The difference between to have or not clients' preference has become more subtle, particularly because clients are also part of the company's same community and they interchange information on such company and they make their decision anchored on social responsibility, there is, giving prestige to products and services of socially accountable companies following their own criteria. (GARCIA, 1999, p. 2).

Thus, here is what has changed. The community awareness and citizenship:

The community wishes to buy products and services from companies that do not pollute, do not make misleading advertising, do contribute to a better quality of life. Today, social responsibility may make the difference between to sell or not to sell, to survive or not to survive. Social accountability is, consequently, the strategic concept and who does not perceive this fact will be left apart from the social living, there is, will be out of the market. (GARCIA, 1999, p. 2).

This corporate attitude transformation may occur in many ways and we do agree with Melo Neto and Fróes (1999, Passim) when they state that a company fully exercises its social corporate responsibility by having an efficient management of social accountability related to both its internal and external audiences and participating in the community actively.

According to Melo Neto and Fróes (1999, p.98), corporate citizenship is a new concept resulting from an internalized social move made by a number of companies aiming to give a new corporate image to those companies which turn themselves into traditional investors in social projects so they will be able to obtain their competitive differentials.

A company-citizen is committed with citizenship promotion and community development – its competitive differentials. Through citizenship exercise the company differentiates itself from its competitors because it reinforces its institutional image (mainly through spontaneous media support as well the synergy with consumer who identifies himself/herself with the company from the angle of exercising his/her own citizenship), also promoting its products fidelization. The reason: it assumes a new corporate posture (institutional image gains) – it invests in financial and technological resources, in labor for community projects of public interest; it attracts to it consumers' confidence, respect, and admiration – synergy with the audience. Furthermore, we may say that corporate social responsibility becomes strategic to the country, as it points out to an intense social participation

alternative of any and all economy sectors, while being an alternative to lesser social exclusion effects on how we live.

Case Study: Credicard S/A.: Credicard BRP & Credicard Coselli MasterCard Credit Cards

Credicard BRP and Credicard Coselli MasterCard credit cards are the result of an exploring joint partnership between both corporate companies: on one side Credicard S/A., the biggest Brazilian credit card management company, and on the other side, the Grupo Adriano Coselli S/A., the biggest wholesale company located in the State of São Paulo' inland. Aforementioned cards were re-launched in December 1999, through an event involving both companies and the *Projeto Aprendiz* (Apprentice Project), developed by the journalist Gilberto Dimenstein. Companies have invested R\$ 100.000,00 (One hundred thousand Reais) in the project.

The *Projeto Aprendiz* is a non-profit association that aims to promote education on citizenship. It has a website at www.aprendiz.org.br presenting matters related to education, citizenship, and employment. The *Projeto Aprendiz*, Credicard, and Grupo Coselli entered into a partnership, which objective was to re-launch credit cards of both corporate groups creating a project to support social responsibility and citizenship.

Credit cards re-launching target – carrying out an event anchored on social responsibility and citizenship – was of reinforcing the commitment to community development and growth providing a space and an opportunity to Ribeirão Preto community – region of Grupo operation and audience-target for card sale –, to think on its accountability for building a better world and to be ready to act pro-actively on the development of a society characterized by ethical performance and commitment to human-synergy development with the public.

By companies' decision, a percentage of cards' billing will be allocated to projects of social responsibility – to guarantee projects continuance. To allocate part of cards' billing to social responsibility projects has also a purpose to leverage product growth in the market – from the assumption that should a consumer opt between two similar products of different brands, being one of them associated to social responsibility and citizenship concepts – he /she would prefer the one bearing social responsibility and citizenship and would be loyal to it - fidelization.

Rocha and Veloso (1999) present the concept of fidelization:

What does “fidelize” clients mean? To a company to fidelize is to transform an eventual buyer into a frequent buyer who keeps coming back and even releases the company, thus creating a long-term relationship established on basis solid enough to resist to time and market pressures. (ROCHA & VELOSO, 1999, p.48).

To obtain the differential reported by Porter: "the creation of a singular position of great value (...)" it is important to understand the positioning concept.

Ries and Trout (1990) present the concept of positioning:

Positioning starts with a product, an advertising piece, a service, a company, an institution, and even a person. Positioning is what you do at consumer's mind level, there is, you position the product at consumer's perspective – competitive differential – in such a way that he/she, when exposed to the product or the message, will have a reference in his/her mind. Yet, for many authors, there is in the current society an excess of messages and communications aiming to call consumer's attention, and the more bombed by such messages the consumer is, the more selective he/she becomes, filtering things that will be recorded in his/her mind. As a result, they believe that to be successful in this society overload by communications, the company shall make sure of having created a position in client's mind. (RIES & TROUT, 1990, Passim).

Due to credit card segment's dynamics, related to market, products, and customers/consumers, it is fundamental to understand and obtain a positioning, whether related to product, or to corporate institutional image.

A brief diagnosis of Brazilian card segment shows from market's standpoint, the following features: a strong competition and its toughness; emphasis on account segmentation and fidelization strategies; virtual services expansion broadening card usage, but at the same time turning the product more and more into a commodity. From the point of view of customers/clients, we have to consider that as a result of competition toughness, associated to commodity as a product feature, loyalty to the brand is declining.

METHODOLOGY OF RESEARCH: IMAGE GAINS ASSESSMENT

The methodology of research adopted to evaluate companies' image gains was carried out through measurement of spontaneous exposure in the media generated by the event.

Spontaneous media is considered as the exposure obtained by a company in a spontaneous way, there is, the non-paid media. Calculations of spontaneous media have been based on advertising space purchasing costs paid by companies, should products re-launching was to be made through a traditional advertising campaign. Currently, such calculation is used by the Press Department of Credicard S/A to evaluate spontaneous media, although it is recognized that spontaneous media is of "greater credibility" and "value". As guidelines, paid advertising space cost was used, once it is a cost frequently paid by companies and because of its ease of understanding.

In the spontaneous media, we have two types: electronic and press media. The electronic media encompasses radio and TV broadcasting; exposure time is calculate in seconds and the latter's value is estimated according to paid advertising insertion (values calculated in accordance with that time pricing). Paid electronic media insertion varies according to scope, whether regional or domestic, time, audience, and program. As for press media, newspapers and magazines, exposure

generated by spontaneous media is rated per column centimeter. Press media, to calculate value (insertion cost), has been classified following guidelines used by the Press Advisory for Credicard S/A. At Credicard, press media is separated into opinion formers' press vehicles and others. To estimate space cost of main country opinion formers' press vehicles and to other newspapers and magazines two (02) newspapers and two (02) magazines of greater significance for each country's capital were used.

Accomplished results in TV – of re-launching Credicard BRP MasterCard and Credicard Coselli MasterCard cards – totalized R\$ 653,752.00 (Six hundred and fifty-three thousand and seven hundred and fifty-two Reais). Those results are referred to 11 (eleven) reports broadcast in regional TV-news and 1 (one) national TV-news (*Jornal Nacional*), totalizing 26 (twenty-six) minutes and 43 (forty-three) seconds between the period of 12/07/1999 and 12/11/1999. Average cost of regional advertising insertions is of R\$ 80.00/per second (Eighty Reais per second). For a total of 1,459 (One thousand and four hundred and fifty-nine) seconds of reports broadcast in regional TV-news an amount of R\$ 116,720.00 (One hundred and sixteen thousand and seven hundred and twenty Reais) is reached. As for the program *Jornal Nacional*, national advertising insertion of 30 (thirty) seconds costs R\$ 126,854.00 (One hundred and twenty-six thousand and eight hundred and fifty-four Reais). Strictly speaking, one second costs R\$ 4,228.00 (Four thousand and two hundred and twenty-eight Reais). Report broadcast in *Jornal Nacional* had a total of 127 seconds (2 minutes and seven seconds) representing a total amount of R\$ 536,956.00 (Five hundred and thirty-six thousand and nine hundred and fifty-six Reais). Spontaneous exposure only related to regional and domestic TV-news had an estimated value – according to advertising insertion pricing of that time – of R\$ 653,720.00 (Six hundred and fifty-three thousand and seven hundred and twenty Reais). Results concerning to radio broadcast totalized 435 (Four hundred and thirty-

five) seconds or R\$ 8,700.00 (Eight thousand and seven hundred Reais), related to two insertions in regional radio whose average cost is of R\$ 20.00 (Twenty Reais/second).

Results realized by the press media have totalized 748 CM/COL (Seven hundred and forty-eight centimeters per column) or R\$ 91,685.00 (Ninety-one thousand and six hundred and eighty-five Reais) related to 9 (nine) reports in regional and domestic newspapers and magazines. Insertions made in opinion formers' newspapers have an average cost of R\$ 250.00 CM/COL (Two hundred and fifty Reais for each centimeter per column) and other newspapers' average cost is of R\$ 100,00 CM/COL (One hundred Reais for each centimeter per column). Magazines have an average cost of R\$ 150,00 CM/COL (One hundred and fifty Reais for each centimeter per column).

Total result of the event' spontaneous media was of R\$ 754,061.00 (Seven hundred and fifty-four thousand and sixty-one Reais).

Conclusion

Mission of both the company, and the society should be to find and develop a constructive relationship with community. It is understood that globalization has changed the meaning of audience through the created collective awareness and the new established worldwide order, in accordance with Vieira (1998, p. 13) "reshaped notions of space and time."

Scientific and technological advances are modifying people's communication habits – "in a matter of seconds, news walk around the world, money comes in and out of a country by wire transfers, new products are manufactured in many countries at the same time and none of them in isolation. Global phenomena influence both facts and places and vice-versa" (VIEIRA, 1998, p. 13) – putting all of us in the same interaction networks.

Within this context, a government, company, and society requirement is born: a full transparency in social, economic, and political relation chain as a whole, once the universal access to communication means allow a global democratic voice that has no parallel in history. This economic, political, and cultural globalization has already altered internal and external relationship between companies and in this sense corporate social accountability ought to be much more than a philanthropic gesture. Through its marketing actions socially responsible a company operates by a vision of maximizing results, there is, instead of spending in traditional advertising campaigns to launch a product or service, it makes an association with a relevant cause to society. However, this kind of action is just the very first step to corporate social accountability, in a broad sense, it is based on the principle that a company should integrate values in every corporate activity leading the whole enterprise and searching for ways to positively impact through its activities the society in which it is inserted and is part of it. Therefore, corporate social responsibility involves a combination of elements of company's internal and external relations and should belong to the mission, values, strategy, company's operational plans covering from products' research and development to manufacturing, marketing, distribution and corporate advertising.

In such aspect, corporate social responsibility and citizenship change traditional business paradigms because they integrate values to corporate management. They bring a shared prosperity concept that incorporates – within business dynamics – a powerful and positive tool to social intervention and change. Generally, companies know that if they create a perception about being concerned with their consumers and community, probably their brands will be valued, their sales will grow, as well as loyalty of their customers/clients. Nonetheless, they are not supposed to use this type of marketing in an opportunist way for gaining a differential in the market, increasing sales, and “fidelizing” clients.

Understanding the strategy as a pursue of a differential – a singular position at the market – and positioning as occupying a place at client’s mind, the question we make is: “What should we make to be ahead?” The proposal we are introducing through this case study (Credicard, BRP, Coselli, and *Projeto Aprendiz/Design Social*) is as follows:

Give a good impression to the client who has never bought from you – working with corporate social accountability and citizenship, company shall have the opportunity of causing a good impression to both the market and the prospect, even before client’s purchase. (KANITZ, 1999).

Corporate social accountability and citizenship may be considered as strategic concepts to companies as they see themselves in face of a market dynamics more and more globalized and, therefore, more competitive, more volatile, more a commodity in terms of products and services. In the near future, as states Stephan Kanitz (1999), "it is not the product that shall have content, it is the company that shall have it". It is like to say: "look, in relation to any product I will manufacture, you may stay confident, this company is serious. We are serious concerning to everything we do." (KANITZ, 1999). Therefore, this is the image a company shall sell: firstly, it shall be known, to cause a first good impression. Such first good impression should precede the product purchase made by the prospects who even before the purchase go to the market with an opinion already formed about the company - positioning.

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