

CSR: Some clarity

There is growing acceptance around the world that corporate social responsibility (CSR) is a good thing and especially so in an environment in which stakeholders may have strong social concerns. Governments, consumer groups, and the ultimate recipients of CSR have been enthusiastic in encouraging more and more corporate social responsibility.

In their recent article in the *Journal of Marketing*, Xueming Luo and C.B. Bhattacharya tackled perhaps the ultimate question about CSR; Does it have any beneficial impact upon an organisation's market value? The results are surprising because the evidence would suggest that CSR is not all upside. While CSR activities have an impact on a company's market value, that effect is moderated by existing levels of customer satisfaction. Unless your customers are already satisfied, CSR will have no detectable lift on market value. In fact, if customer satisfaction levels are particularly low, no amount of CSR will contribute to your goodwill. This is a startling result in itself but the article also suggests that CSR investment can have both positive and negative outcomes. While CSR can amplify positive attributes such as product quality, in certain circumstances it can also significantly decrease customer satisfaction and depress market value. CSR can seriously damage your health.

CSR has been around for some time and the business world has been able to sit on the fence – simultaneously reaping the goodwill benefits from the altruistic presentation of their activity, at the same time as viewing it as a justified investment with PR payback. Maybe it's time to take a clear position on the reasons for 'doing good', and board rooms must take an unambiguous stance on the reasons for their involvement in CSR.

If CSR is motivated by an uncompromised desire to support communities and stakeholder groups in the long term, then such investment must be undertaken without any sense of a payback, such as a beneficial effect on market value. On the other hand if the motivation for CSR is linked to improving market value, then some real questions must be answered about the company's capabilities and performance since these will impact directly on the likelihood of a contribution to market value. CSR is not a dangerous or high risk activity but equally it's not necessarily a good investment either.

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