

Chapter 4

The Influence of CSR on B2B Relationships: Leveraging Ethical Behaviors to Create Value

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ABSTRACT

The chapter addresses how ethical actions deliver value through sustainable competitive advantage. Corporate social responsibility (CSR) has a proven role in developing audience trust that increases brand equity among target audiences, thus ensuring that the brand sustains its competitive advantage through improved profitability, increased social trust, and favorable reputation in the market. Not only do businesses have a social responsibility to the markets from which they earn revenues, but buyers expect ethical businesses to have an established CSR program in place. Socially fluent, publicly held firms that share their ESG (environmental impact, social impact, and governance) ratings with stakeholders enjoy the reputational benefits of increased trust and confidence regarding corporate ethical behavior. Businesses that engage in CSR activities within the process of corporate brand management experience stronger reputation that drives loyalty and sales, resulting in a competitive, sustainable market advantage.

DOI: 10.4018/978-1-7998-2377-3.ch004

INTRODUCTION

Organizations integrate ethical behavior and social responsibility in their internal operations and external communications programs to strengthen their market position and financial success in a credible manner. Establishing and communicating ethical behaviors and initiatives effectively advances relationships with other organizations as well as the communities in which they conduct business. This chapter addresses the way value and CSR relate to ethical behavior; the role of ethics as it impacts trust, loyalty, brand equity, and reputation; and the efficacy of CSR in creating sustainable advantage that drives brand equity and brand value in the B2B environment.

BACKGROUND

For decades, organizations have integrated corporate social responsibility (CSR) as a business strategy to engage multiple stakeholders in a favorable manner. Corporate social responsibility has a proven role in developing audience trust that increases brand equity among target audiences, thus ensuring that the brand sustains its competitive advantage through improved profitability and reputation in the market. Research also has confirmed the value of CSR as influencing financial performance, also termed brand performance. Not only does business have a social responsibility to the community from which it secures revenues, but buyers expect ethical businesses to have an established CSR program in place. Businesses that engage in CSR activities within the process of corporate brand management experience stronger reputation that drives loyalty and sales, resulting in a competitive, sustainable market advantage.

CORPORATE ETHICAL BEHAVIOR

Ethical behavior as an organizational endeavor may be defined and exacted in multiple ways. In their exploration of ethics in international business situations, Amine, Chakor, and Alaoui (2012) indicated that integrating ethical dimensions into overall organizational values represented a company's commitment to an ethical approach. At the same time, Amine et al. determined that a firm's leadership established the relevant ethical values that ultimately were institutionalized by way of incorporation into the decision structure. Jose and Thibodeaux (1999) declared that the formal, explicit incorporation of ethics into organizational culture, leadership, and communication revealed a deep commitment to ethical behavior. Pelozo and Shang (2011) recognized ethical behavior as taking the form of socially responsible business practices, philanthropy, and product-related aspects such

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