

MEĐUOVISNOST EKOLOŠKE UTEMELJENOSTI MARKE, POZNATOSTI MARKE I POSLOVNOG REZULTATA PODUZEĆA

INTERRELATIONSHIP BETWEEN A BRAND'S ENVIRONMENTAL EMBEDDEDNESS, BRAND AWARENESS AND COMPANY PERFORMANCE

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Prethodno priopćenje
Preliminary communication

Mr. sc. Ivana First

Znanstveni novak asistent, Katedra za marketing
Sveučilište u Rijeci, Ekonomski fakultet Rijeka
I. Filipovića 4, 51000 Rijeka, Hrvatska
Tel.: ++ 385 51 355169; Fax: ++ 385 51 212268
E-mail: ifirst@efri.hr

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SAŽETAK

Svrha rada bila je definirati i izmjeriti ekološku utemeljenost marke, koja za razliku od varijabli korištenih u prijašnjim ekološkim istraživanjima, mjeri u kojoj mjeri je identitet marke utemeljen na ekološkim vrijednostima. Svrha je također bila odrediti korelaciju te varijable s poznatošću marke i poslovnim rezultatom poduzeća. Ovo istraživanje temeljeno je na tri preklapajuće teoretske osnove: upravljanju markom, društvenoj odgovornosti i organizacijskoj kulturi. Korišteni su sekundarni i primarni podaci prikupljeni metodom analize sadržaja i ispitivanja. Rezultati indiciraju korelaciju između ekološke utemeljenosti marke i poznatosti marke, ali ne i korelaciju tih varijabli s poslovnim rezultatom. Ovi rezultati podupiru ideju da bi poduzeća zaista trebala investirati u smjeru postizanja ekološke orijentiranosti, jer na taj način imaju veće šanse biti prepoznata. Rezultati također pokazuju da poduzeća koja posjeduju jake marke ne mogu dopustiti da ne budu ekološki svjesna jer bi to moglo oštetiti vrijednosti njihovih marki.

ABSTRACT

The purpose of the research was to define and measure a brand's environmental embeddedness that, unlike the constructs used in previous environmental research, measures to which extent brand identity is embedded in environmental values. The purpose was also to assess a correlation of this variable to brand awareness and company performance. This study is based on three overlapping theoretical backgrounds: brand management, corporate social responsibility and organizational culture. Secondary data as well as content analysis and survey-based primary data were used. The results indicate a correlation between the environmental embeddedness of brands and brand awareness, but no correlation of these two variables to company performance. Such results support the idea that companies should indeed invest in being environmentally friendly so as to increase their chances of being recognized, while also indicating that the companies that own strong brands cannot afford not to be environmentally conscious as that could hurt their corporate brand values.

1. INTRODUCTION

Consumer world is strongly influenced by brands. Brands that want to enhance bonding with their loyal customers or trigger new relationships need to recognize and address customers' evolving needs and values. Strong brand value is the outcome of a good resonance between brands and consumers' attitudes and value scales. Over the last several decades, the focus of brand-consumer resonance progressed so that in the 1950s, good brands resonated well with the rationale of consumers; in the 1970s branding was about establishing emotional relationships with consumers, whereas the 1990s emphasized consumers' spiritual and ethical concerns in order to establish a long-lasting meaningful brand relationship.¹

Since social and environmental concerns have earned a greater level of importance in consumers' product choice and supplier selection decisions,² companies have attempted to respond with the introduction of a variety of green products.³ Kotler⁴ predicted that an increasing number of corporations would switch their orientation from a "marketing concept" to a "societal marketing concept", which he defines as an organization's commitment not only to meet the needs of its target markets more effectively and efficiently than its competitors but also to maintain or improve the well-being of both its customers and society. On the other hand, various authors point out consumers' demand for environmentally and socially responsible products as well as the emergence of numerous environmental legislation and standards that shape the competitive landscape that in turn affects the cost of doing business.⁵ Thus, from a corporate perspective, there are concerns as to the extent to which consumers' environmental dispositions and attitudes actually play a role in their brand preference and consumption behaviour.⁶

Until now, little attention has been given to an analysis of the extent to which environmental values are used as cornerstones for creating corporate brand identity. In view of a growing value of brands and their increased vulnerability to negative consumer perceptions, especially at a time when environmental concerns have

gained importance in consumer minds, it is interesting to know if there is any link between the environmental embeddedness of brands, brand awareness and company performance. This gap presents the framework in which this study resides. It is believed that creating, developing and sustaining brands whose identities are rooted deeply in sustainability and environmental concern evokes a brand - consumer relationship at a spiritual level, a level that in the contemporary hectic market conditions results in the highest level of consumer loyalty to a brand.⁷ Therefore the purpose of this study is firstly, to investigate the environmental embeddedness of brands and secondly, to assess a possible significant correlation between a brand's environmental embeddedness, brand awareness and company performance.

This study is anchored in three main theoretical fields: brand management, corporate social responsibility (CSR) and organizational culture. The three individual fields have a growing overlap but will be dealt with separately in the second chapter. The third chapter will provide an overview of the current status of the research in the given topic coming from both strategic management research and brand management research and will, consequently, offer hypotheses. The fourth chapter will bring results, while the paper ends with the discussion and implications in the fifth chapter.

2. THEORETICAL BACKGROUND

2.1. Brand management

In the contemporary world the creation and management of brands is one of the most important areas of strategic decision-making. Although it is well accepted that a brand is much more than a name and a logo, this recognition is so essential to the paper that it will be given some extra attention at this point. This paper refers to the 'brand' at a holistic and profound level, the complexity of which demands strategic planning⁸ and integration of the brand in the core of

the company.⁹ A number of conceptual models built to cope with this complexity, even though they differ among themselves, contain several common key elements of the branding puzzle. Those are personality, relationship, image, value proposition, brand essence, benefit for customer, etc. All together these elements create brand identity.¹⁰

Identity is what a brand wants to be perceived as, what it "transmits". On the other hand, what consumers receive is the brand image that will get distorted by the market noise and competition and will not be the same as identity.¹¹ It is clear that the perceived image is what matters in the end; nevertheless, to manage the perceived image, the inner self of the brand, i.e. its identity, is what should really be managed. Nested in the context of new age branding; if a company is to resonate at a spiritual level with consumers,¹² its identity has to be anchored in spiritual values and ethical responsibility.

2.2. Corporate social responsibility

The concept of 'sustainable development'¹³ stresses the necessity for development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains the concept of needs, in particular the essential needs of the world's poor and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet the needs. As the concept got frequently used in both theory and practice, it evolved into encompassing simultaneously adoption environmental organizational and societal dimensions.¹⁴ Closely linked to the idea of sustainable development is corporate social sustainability (CSR), which is the application of this concept at a company level, in addition to the global, national and local levels. Though initially the school of thought that propagated the idea of CSR was heavily criticised for preaching pure and unadulterated socialism and for undermining the basis of a free society,¹⁵ with time corporate commitment to the CSR concept

increased. Companies became more involved in CSR related activities not only in order to avoid negative media pressure, but also to use CSR activities as good resource-based opportunities.¹⁶

Although sustainable development and CSR encompass three dimensions, environmental issues are, however, the anchor point in the sustainability debate. For many increasingly sophisticated and knowledgeable consumers, the ecological environment is likely to be at or near the top of their list of social concerns.¹⁷ Even the triple bottom line concept¹⁸ keeps ecological concerns as a fundament of its orientation. Since the environmental sustainability continues to be the predominant face of CSR, improving corporate environmental performance, i.e. reducing the size of the "ecological footprint",¹⁹ has gained acceptance as a forward-looking measure of firm financial performance, both in the literature and in practice.

2.3. Organizational culture

It is believed that for a company to be committed to a certain idea, it would have to incorporate such views into the core of its corporate culture and its corporate brand. Corporate culture is determined by values, behaviour and attitudes shared among employees at all company levels.²⁰ It is extremely important for the employees to be aware of what the desired organizational behaviour is and that can only be achieved by a strong and consistent internal branding which comprises understanding and sharing of organizational values by its employees, who in turn need to translate those values into appropriate actions or behaviours so as to transmit the chosen brand attributes to consumers.²¹ As Schein²² commented, when the employees are aware of the shared underlying assumptions that lie in the core of their organizational culture, they can transmit clear, inspiring and trustworthy, easily observed artefacts portraying those same values to the internal and external audience. In other words, if a company chooses such a core value that is easy for its employees to adhere to, the probability that corporate culture and accompanying communication will be lived by

its employees is considerably increased, because the extent to which people identify with an organization is dependent on the attractiveness of the organizational identity.²³ A new branding model is therefore the one that emphasizes value through employees, customers and stakeholders.²⁴

As widely accepted, environmental orientation is one of the values that people growingly appreciate and abide by and is hence considered a very appropriate value to be emphasized in both internal and external branding. Such a value resonates with employees and further on with consumers, and facilitate the establishment of brand relationship and brand commitment. This in turn raises brand value.

3. PREVIOUS RESEARCH AND HYPOTHESES DEVELOPMENT

3.1. Contributions from brand management field

In the marketing domain, the topic of green branding is relatively new, and far less researched than green marketing. Green marketing has been studied mainly in terms of environmentally responsible consumer purchase behaviour. For example, Cleveland et al.²⁵ studied the influence of various attitudes and personality characteristics on environmentally-friendly behaviours, from a locus of control perspective, while Follow and Jobber²⁶ analyzed and confirmed a hierarchical relationship from values to product specific attitudes, purchase intention and finally purchase behaviour. Focus on the company perspective was given by Prakash,²⁷ who writes on 'green marketing', drawing from public policy and marketing literature to build the case for managers on what needs to be greened – whether products, systems or processes. McDaniel and Rylander²⁸ wrote about 'green marketing' taking shape as one of the key business strategies of the future. They stress that increasing environmental consciousness makes it incumbent

on consumer marketers not just to respond to it, but to incorporate environmental concerns into strategic marketing planning of the organization.

Hartmann et al.²⁹ are among the first to write on 'green branding', providing an analysis of the dimensionality of green brand positioning and classifying green brand positioning strategies as functional or emotional. They define a 'green brand identity' as a specific set of brand attributes and benefits related to the lower environmental impact of the brand and its perception as being environmentally sound. According to them, positioning a brand as a "green brand" entails active communication and a differentiation of the brand from its competitors through its environmentally sound attributes.³⁰ Another study by Rios et al.³¹ confirms the presence of a positive effect of environmental associations with the brand on brand attitude, although smaller than the effect of other functional attributes.

As a continuation of the above research, this study moves a step further and aims at establishing a connection between a brand's environmental embeddedness (i.e. possession of a green brand identity) and overall brand awareness, as an indicator of brand strength. It is believed that brands whose identities are more embedded in environmental values will be more appealing and have higher awareness among consumers. At the same time, it is believed that future cash flows of companies with highly recognized brands are very dependent precisely on the reputation of their brands so they need to cherish them and ascribe to them all the positive attributes they can, including a positive relation to environmental issues. From this reasoning it becomes clear that the relationship between brand awareness and environmental embeddedness is most probably characterized as interdependent. Therefore, this study does not aim at determining a cause effect relationship but rather the existence of a correlation between a brand's environmental embeddedness and brand awareness, or succinctly:

H1: Brand's environmental embeddedness is positively correlated to brand awareness.

3.2. Contributions from strategic management field

In the strategic management domain, several authors have studied environmental strategies for firms and their strategic and competitive implications. They stressed that environmental orientation is positively related to competitiveness, innovation and resources efficiencies.³² Hart,³³ for example, extended a well-accepted resource-based view of the firm to a broader and more inclusive 'natural-resource-based' view of the firm. His somewhat unconventional, but thought provoking view of the competitive advantage is based upon the firm's relationship to the natural environment composed of: pollution prevention, product stewardship and sustainable development.

There have also been numerous studies on the strategic relationship between environmental and financial performance. Hart and Ahuja,³⁴ for example, proved that emissions reduction and pollution prevention can lead to a better reputation for the company and improvements in investors' trust in the company. Guenster, Derwall, Bauer, and Koedijk³⁵ demonstrated that environmental winners were able to increase end prices over time and that environmental laggards display a significant operating underperformance. Russo and Fouts³⁶ in a study of 243 firms over a two-year period found that it 'pays to be green' because environmental performance and economic performance are positively linked. A study by Konar and Cohen³⁷ reported that the market value of firms in the S&P 500 related to objective measures of their environmental performance. Finally, the very existence of sustainable investment funds and ranking indices such as the Dow Jones Sustainability Index (DJSI) proves a growing importance of a company's environmental performance for financial markets. These lists are based on the metrics used to rate companies on sustainability, given their industry specific profile, and include the environmental performance of the company as one of their main parameters.

To sum up, previous research has examined the influence of environmentally conscious corporate behaviour on companies' competitive and financial

results. So far, it has not measured to which extent a stronger environmental embeddedness of corporate brands leads to better financial results. Nevertheless, the research presented up till now and logical sequence allow for the construction of the following hypothesis:

H2: Brand's environmental embeddedness is positively correlated to company performance.

4. METHODOLOGY

4.1. Study design

Field research was conducted in the period between December 2006 and March 2007 as a case study analysis in several stages. Firstly, an online survey on a convenient sample was conducted. The recipients were asked to name 15 most recognized Croatian corporate brands and 41 responses were collected. These resulted in a consolidated list consisting of 130 different corporate brands. The ten most frequently mentioned ones were taken as the case study units. The top brand was mentioned by 76% and the tenth top brand by 37% of the respondents. These 10 corporate brands were strongly consistent with those recognized in a similar survey by Medianet,³⁸ conducted on 400 respondents, and therefore a relatively small number of 41 respondents proved substantial.

In the second stage, using the list of 500 biggest Croatian companies,³⁹ each of the 10 corporate brands was paired with the corporate brand of the biggest company within the same industry. In doing so, in all the cases except for soft beverages and long-life meat industry the original company was bigger in terms of income. It was not easy to find an appropriate pairing company for each of the 10 original units. It proved especially difficult in the dairy industry, in which the two biggest companies were already mentioned among the top 10 most famous corporate brands. Therefore, it was decided to use only 9 pairs of corporate brands (one of them being the two dairy companies). A different kind of trade-

off was unavoidable in the soft beverages and energy industries. That is, the list of the 500 biggest Croatian companies contained some originally foreign corporate brands. Since there was no adequate Croatian pair for the companies from the soft beverages and energy industries among those 500 companies, two foreign brands were added to the sample.

In the third stage each of the 18 brands were analyzed for their environmental embeddedness. The evaluation was conducted by two independent evaluators using the web page content analysis method. Evaluators visited the official web sites of the companies and evaluated 9 elements of brand identity in the manner that will be precisely described in the following subchapter. All the major inconsistencies between the two evaluators were discussed and fine-tuned. To deal with the remaining minor inconsistencies, the mean value of the two evaluations was calculated and used as an input in the quantitative analysis. Quantitative analysis was performed with the help of the SPSS 13.00 statistical programme.

4.2. Variable operationalization

A Brand's Environmental Embeddedness refers to the extent to which a brand's identity is embedded in environmental values. The construction of this variable was based on the most cited theoretical models of the brand identity construct and its elements. The following brand elements were included in the construct: brand essence, identity, value proposition, culture, personality, self-image, positioning, mission, vision, strategy, management system, policies, philosophy, principles and trends. Each brand was assessed in terms of the extent to which these elements are environmentally embedded on a 0-3 scale (0 - no mention of environmental concerns, 1 - environment is just remotely mentioned, 2 - environment is mentioned together with some other elements and all are given similar weight, 3 - environment is the most central concern). Because each company in its brand and corporation definition has only some of

the above mentioned elements, an average measure of the evaluated elements had to be used. It must be stressed that, to measure this variable, companies were not evaluated on their corporate citizenship statement. That was decided because, recently, a number of large corporations have been enriching their corporate communication with corporate citizenship statements but those are often mere "must haves" rather than a real sign of inclusion of the environmental perspective into the core of a corporate brand.

Brand Awareness refers to the strength of a brand's presence in consumers' minds.⁴⁰ Therefore, this variable was measured as the frequency of brand mention in the answer by surveyed respondents to the question about the 15 most recognized Croatian corporate brands.

Company Performance can be expressed in numerous ways, each being the most appropriate for a different purpose. For the purpose of this study it was decided to use the return on equity (ROE) as it takes into account the approximate size of the company and the precise size of the self-owned company portion. ROE values for the September 2005-September 2006 period were obtained from the financial statements of listed companies compiled by the editorial board of *Javna dionička društva* magazine.⁴¹

5. RESULTS

To measure the reliability of the multi-item scale measuring environmental embeddedness, Cronbach's alpha was calculated for all 9 items. It equalled 0.80, which is above the cut-off point of 0.70⁴². To further strengthen the reliability of the construct, a deletion of each of the items was tested and the results either improved slightly or deteriorated. It was only in the case of deletion of the mission item that Cronbach's alpha increased steeper to 0.87. However, since mission is so crucial from a theoretical perspective to the definition of corporate brand identity, it was decided to leave all 9 items in the scale.

Hypotheses were tested by using Pearson's correlation analysis. The results are depicted in Table 1. Quite a strong and significant correlation between a brand's environmental embeddedness and brand awareness of 0.503 ($p = 0.047$) was achieved. This led to the acceptance of the first hypothesis. The second hypothesis was however not confirmed. The correlation coefficient between a brand's environmental embeddedness and company performance was significant only at $p = 0.126$, which in itself could even be an acceptable level. However, what does

not allow for the acceptance of the hypothesis is that the correlation was negative (-0.517), indicating that the companies that embed their brands in more environmental values report a lower ROE and this is not in line with the reasoning or hypothesized relationship. Finally, the correlation between company performance and brand awareness did not prove significant either (0.317, $p = 0.372$), which indicated that there is no mediating effect of brand awareness in the relationship between a brand's environmental embeddedness and company performance.

Table 1: Descriptive Statistics and Correlation Coefficients of the Variables

Variable	Descriptive statistics					Pearson Correlations	
	N	Mean	St. d.	Min.	Max.	Brand's Environmental Embeddedness	Brand Awareness
Brand's Environmental Embeddedness	18	0.41	0.34	0	1.07		
Brand Awareness	16	14.5	10.7	0	31	.503 (.047) ^a	
Company Performance	11	0.084	0.12	-.17	.27	-.517 (.126) ^b	.317 (.372) ^b

^a N = 16

^b N = 10

Source: Author's research

6. CONCLUSION

6.1. Overall discussion

Today, it is no longer enough for corporations not to threaten ecological and social sustainability, but they should also contribute to improving them. Among the 100 wealthiest economies in the world already back in 1995, there were 51 large multinational corporations.⁴³ They have a huge contribution to and responsibility for shaping our common future. Hence, their role is also to contribute to achieving ecological sustainability. This study is slightly pioneering in its approach as it does

not investigate companies' efforts in environmental activities, but rather the embeddedness of their brand identity in environmental values as an indicator of company performance. The two environmental constructs (being environmentally active and having a brand embedded in environmental values) are interrelated and at first glance one may conclude that what the company is really doing, i.e. its environmental activities are more relevant than what the company is saying. But it is important to acknowledge that the construct of a brand's environmental embeddedness does not measure what the company is talking about in its Corporate Citizenship statement. It measures to which extent its

brand identity centres on environmental values. It is assumed and strongly believed that being strongly committed to environmental orientation in one's actions is a precondition to being able to comprehend environmental importance and therefore incorporate such a view into the core of corporate culture and brand identity. For this reason it is believed that this study is a step forward in environmentally oriented research as it conceptualizes enhanced corporate devotion to environmentalism.

The results proved that such devotion is correlated to a higher awareness of corporate brands among consumers. The reason why that devotion did not prove correlated to company performance could be a rather indirect relationship between the two constructs. That is, company performance depends on many factors, a number of which are also more directly related; therefore, a possible positive effect of environmental embeddedness could not be reflected in company performance. It must be mentioned that although substantial theoretical reasoning led to the hypothesis, proving this correlation due to its non-directedness was a rather ambitious goal in the first place.

6.2. Managerial implications

Practitioners are advised to pay attention to their consumers' environmental concerns as it has been confirmed that more environmentally oriented companies are at the same time better recognized by consumers. Practitioners should be warned especially that although it is important to act in an environmentally sustainable manner, the real acknowledgement of the environmental orientation occurs when a company recognizes that its corporate brand identity should reflect its commitment to environmentalism. Only then can its employees live and transmit such values further on to consumers.

The results also provide some indications for independent organizations. Many activist movements are directed into protests against large multinational corporations for globalizing the world and destroying

traditional values, local cultures and human relations. It is hardly negotiable that such corporations are indeed the world's opinion makers⁴⁴; however, instead of fighting against that fact, these results contribute to the argument that the strength of such large multinational corporations should be used as a basis for spreading positive values to the world's consumers. That is, if strong corporate brands base their identities in environmental values, consumers will adopt such views. Therefore, non-governmental organizations should demand, governments financially stimulate and governmental organizations help corporations to become more environmentally oriented as that will be a trigger for spreading the environmentally oriented values and behaviours globally.

6.3. Limitations and future research

There are some methodological limitations of this study. Firstly, environmental embeddedness of the brands was evaluated only on the basis of the level to which brand identity is portrayed on companies' websites. Although identity items such as mission, vision and values are expected to be uniquely defined by each company in all its communications, items such as philosophy, policies, culture and similar are less likely to be defined with such precision on the web pages as they are contained in companies' internal documents. Secondly, content analysis of the websites was conducted by two evaluators and although their observations were rather congruent, a certain amount of subjectivity is expected to have been integrated in the results. Thirdly, ROE as a measure of company performance is influenced by the level of industry capital intensity. That could have influenced results in the correlation analysis because companies came from different industries, some of which are more capital intensive than others. Finally, the two foreign brands had to be taken out of the sample when the first hypothesis was tested as their low score on brand awareness is largely due to the nature of the measurement instrument in which consumers were asked to name the most recognized Croatian brands, not brands in Croatia. Similarly, it was not possible to

find data on ROE for some companies so they had to be excluded when the second hypothesis was tested. The described missing data reduced the small initial sample further.

This research was of the exploratory nature. It served the purpose of theoretically indicating and initially testing the hypothesis of connection between the environmental embeddedness of brands, brand awareness and company performance. Future research should aim at attaining more precise results

in terms of the strength of correlation and possibly its direction. This could be done by adjusting the study design and by increasing the number of respondents as well as surveyed companies. It is also recommended to experiment with other, preferably more directly influenced indicators of company performance instead of ROE. Finally, it would be necessary to build arguments for the reliability and validity of the constructs, primarily a brand's environmental embeddedness.

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