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## **CRM in Cyprus: Building the corporate reputation by building bridges with stakeholder groups**

### **Summary**

The paper discusses the value of Cause Related Marketing as a marketing tool used in building corporate reputation by addressing the needs of stakeholder groups whilst addressing social issues and business objectives. More and more corporations are realizing the benefits that can be derived from CRM and are therefore adopting it as a marketing tool for achieving their marketing objectives through demonstrating a commitment to improving the quality of life in the communities in which they operate. The discussion presents the findings from a survey among 740 Cypriot Citizens who represent a wide spectrum of the Cypriot consumers and the personal interviews of the researchers with the marketing managers of the two most reputable companies in terms of Cause Related Marketing in Cyprus. According to the first phase of this research project (the survey), the majority of Cypriots expect the corporations to be involved in activities of Corporate Social Responsibility and are influenced to choose a product/service among other brands because of its company association to a cause. At the same time the majority of Cypriots recognized as Socially Responsible two Financial Institutions in Cyprus which are both involved in successful Cause Related Marketing strategies. Given the research findings of the survey, Cypriots also expect other profit organizations to be actively involved and associated to community and charitable causes. In the same survey Cypriots named specific social organizations and causes they expect profit organizations to form social alliances with. After the analysis of the findings of the first phase of the research, in-depth interviews with the marketing managers of the two Financial Institutions which Cypriots recognized as Socially Responsible followed, in order to examine the nature of their Cause Related Marketing strategies and their value in building up corporate reputation. The findings of the interviews revealed the difficulties of the profit organizations in selecting their social partners and in building up long-lasting relationships with them for the mutual interest of the profit

organization, the social partner and the society. At the same time the significant value of CRM in building up corporate reputation was underlined by the Marketing Managers of both Financial Institutions.

**Key words:** Cause Related Marketing (CRM), Corporate Social Responsibility (CSR), Corporate Branding, Stakeholder theory.

### **Introduction: What is CSR?**

Does a successful and profitable organization owe something more to the society even if it meets its legal obligations? Does it owe something over and above the legal framework in which it operates? Should businesses meet new social and environmental expectations? If the answer to these questions is yes then: Does Corporate Social Responsibility (CSR) “pay off”? Over the past decade, CSR has gradually been integrated into the business activities of enterprises around the world. Attitudes to CSR vary among enterprises and the importance of the issue often generates heated debates.

CSR is a concept whereby businesses integrate social and environmental concerns in their corporate operations and in their interaction with their stakeholders on a voluntary basis. In the CSR web-pages of the European Commission’s Directorate-General for Enterprise and Industry, CSR is defined as: “Voluntary business initiatives, in the form of corporate social responsibility (CSR) practices, can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness.” (<http://ec.europa.eu/enterprise/library>) It is about businesses deciding to go beyond legal requirements attempting to reconcile economic obligations, as well as social and environmental expectations. CSR has become increasingly important within Europe and around the globe and it is part of the efforts for globalization, competitiveness and sustainability. The European Commission has embraced the concept and has launched a number of initiatives for example: The Commission’s Green paper launched in July 2001 entitled “Promoting CSR and The European Multi-stakeholder forum that was launched in October 2002. In that year, the European Commission published its response on CSR: “CSR: a business contribution to sustainable development”. The communication highlighted

the importance of CSR for corporations since it is for their long-term interest and it contributes to sustainable development by integrating their economic, social and environmental impact in their operations (the so-called 'triple bottom line') (Euroabstracts 2004).

More recently the Commission has issued a new communication emphasizing the scope and voluntary nature of CSR and has also launched the European Alliance for CSR, an open grouping of enterprises involved in CSR initiatives. The European Alliance for CSR is a political umbrella that will help mobilize and give recognition to the wide array of activities and initiatives that businesses implement and provide parameters for corporate behaviour.

The Commission's latest communication on CSR has three main aims: "(1) It is designed to give greater political visibility to the concept, (2) To acknowledge what European enterprises already do, and (3) to encourage them to be even more proactive and imaginative." At the same time the communication aims at fostering the multi-stakeholder approach (<http://ec.europa.eu/enterprise/library>). According to Frankental (2001) CSR can only have real substance if it embraces all the corporate stakeholders. Enterprise Commissioner Erkki Liikanen in an interview given to Euroabstracts (2004, p. 8) said that: "...the companies that presented their business practices in the European Multi-stakeholder Forum on Corporate Social responsibility – about 40 of them, large and small- said very clearly that it was in their enlightened self-interest to invest in their stakeholders and to care about the environment."

CSR is fundamentally about voluntary corporate behaviour and the corporations that engage in it are sending a signal to their stakeholders: employees, shareholders, investors, consumers, public authorities and NGOs. What is the signal? The signal is that: "We care! We care about social development, environmental protection and fundamental rights." In doing that corporations are attempting to reconcile the interests of various stakeholder groups and place CSR in the mainstream of business practice. In principle CSR can be used to strengthen corporate reputation and profitability by signaling to the various stakeholders with whom the organization interacts that it is committed to meeting its moral obligations and expectations beyond common regulatory requirements. In essence, it becomes part of the corporation's identity. However, from a marketing perspective it is difficult to reconcile the

interests of the various stakeholders since there might be conflicting interests. Nevertheless, the number of enterprises that have successfully managed to strike this balance is increasing.

Lord Sieff, the former chairman of Marks and Spencer plc, said that enterprises fully contribute to society if they are efficient, profitable, and socially responsible (Cannon 1992). Enterprises like Johnson and Johnson (2000) believe that a firm has a responsibility of being fair, honest, trustworthy and respectful in its dealings with all its constituencies. Volkswagen AG (2000) adopted the belief that corporations must adopt both shareholder value and worker value in order to achieve future growth.

The section that follows sheds light on the relationship between CSR and the stakeholder approach.

### CSR and the stakeholder approach

The World Business Council for Sustainable Development proposes a definition for CSR that is founded on the underlying ideas of the stakeholder model. Specifically, CSR is: “the ethical behavior of a company towards society...management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business. CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” At the heart of this definition is the notion of social responsibility towards stakeholders that guides business activity. CSR is: “the totality of a company’s impact on society at home and abroad through stakeholders such as employees, investors and business partners (Logan 1998). The stakeholder theory of the firm provides the foundation for analyzing those groups to whom the corporation is responsible. It appears that stakeholders have an increased need to more fully understand and to critique the social and ethical performance of corporations in which they have an interest (Fombrun 1996). CSR Europe (<http://www.csreurope.org>) that works closely with the European Commission and partner organizations in 18

countries commits its members to the following principles: “To conduct business responsibly by contributing to the economic health and sustainable development of the communities in which we operate...To be accountable to key stakeholders through dialogue and transparency regarding the economic, social and environmental impact of our business activities (Euroabstracts 2004, p. 28).

Stakeholder theory has been extensively discussed in the management studies literature (Freeman 1984 and 1999; Clarkson 1995; Donaldson and Preston 1995; Carroll 1996; Sternberg 1994; Jones 1994; Wheeler and Sillanpaa 1997; Jones and Wicks 1999; Mellahi and Wood 2003). The supporters of the ‘stakeholder model’ argue that corporate managers must balance the interests of all the different groups who have a ‘stake’ in the company. Stakeholder theory holds that organizations go beyond the traditional narrow focus on shareholders’ interests and short-term profitability, and take into consideration the impact of organizational activities on their stakeholders. This model is founded on the principle of the corporation accepting its social responsibilities towards its multi-stakeholders. Fombrum (1996) stipulates that there is a growing need, even desire, by stakeholders to comprehend and to criticize the social and ethical performance of corporations in which they are interested.

Freeman (1984) describes the corporation as a series of connections of stakeholders that the managers of the corporation attempt to manage. Freeman and Gilbert (1988) posit that the stakeholder theory or concept is interlinked to ethics and moral principles. Freeman (1984, p. 46) defines a stakeholder as: “any group or individual who can affect or is affected by the achievement of the organisation’s objectives.” Corporations are not only answerable to their shareholders but also to a wider array of stakeholders: - broadly defined as individuals, groups and categories affected, directly or indirectly, by the activities of the corporation, and who may in turn influence it (Mellahi and Wood 2003, p.21; Wheeler and Sillanpaa, 1997, p. x, 144).

The literature divides stakeholders into primary and secondary. Primary stakeholder groups often have a formal, official, or contractual relationship with the corporation. Clarkson (1995, p. 106) defines a primary stakeholder group as:

“one without whose continuing participation the corporation cannot survive as a going concern...and includes shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due.”

Secondary groups are defined as:

“Those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival” (Clarkson 1995, p. 106).

Donaldson and Preston (1995) identify three different theoretical approaches to stakeholders: descriptive, instrumental, and normative. The descriptive approach focuses on whether stakeholder interests are taken into account or not; the instrumental approach, looks at the impact stakeholders might have, or not as the case may be, in terms of corporate effectiveness. The normative approach deals with the reasons why corporations ought to consider stakeholder interests even in the absence of any apparent benefit (Gibson 2000).

In general, the literature reveals several strategies that include the corporation being proactive, defensive, and reactive (Clarkson, 1988, 1991, 1995). Being proactive suggests doing a great deal to address a stakeholder's issue (Carroll 1979; Waddock and Cochran 1985), including ‘anticipating and actively addressing specific concerns or leading an industry effort to do so’ (Jawahar and McLaughlin 2001). Being proactive is to anticipate and fully accept one's responsibilities, being defensive is to admit responsibility but fight it, whilst being reactive means denying responsibility (Jawahar and McLaughlin 2001). The strategic approach to stakeholder management holds that corporations should only be proactive with stakeholders who hold power and have control over critical resources. The reactive strategy holds that the corporation must fight against addressing a stakeholder's issue, or ignore the stakeholder (Jawahar and McLaughlin 2001). Evan and Freedman (1988) claim the stakeholders must be treated as an end in themselves, and not as a mean to maximizing shareholder value. However, corporations can do good acts even if these are based on self-interest. After all, a key element in motivating corporations to engage in CSR is that it can enhance their corporate image and financial performance (Balabanis et al. 1998). Gibson (2000) said that there is no necessary disagreement

between self-interest and morality when it comes to CSR. After all, a person who gives to a charity may do that for at least three reasons: “the person genuinely wants to do good; giving money makes the person feel good; giving money makes the person look good in society”. ( Pringle and Thompson 1999, p. xx). The same could perhaps apply to corporations. In fact corporations are operating in an environment of intense competition where consumers are looking for more than simply product performance when they make their purchase choices. Consumers and other stakeholder groups are asking questions about the role of businesses in society and are looking for demonstrations of corporate citizenship.

An organization’s position in the marketplace depends on its acting in a socially responsible manner and also on how ethical its publics perceive it to be. The way in which organizations act, and the way they are perceived by their target publics and the general public is a fundamental factor in managing their reputation. Hence, a good reputation has to be earned. CSR has the potential to have a positive impact on all stakeholder groups whereas its absence can have a negative impact on an organization’s reputation. Adkins (2005) stipulates that CSR can enable a business to achieve loyalty among stakeholders; develop strong global partnerships and relationships with the government, opinion leaders, and other social institutions; achieve new market penetration easily; generate positive publicity, and goodwill.

That is why several organizations have adapted their marketing activities to reflect this greater concern and interest on CSR by for example practicing CRM. CRM has become one of the hottest forms of corporate giving. It lets companies “do well by doing good”. But how can CRM help address the various needs and interests of stakeholder groups?

### [Cause Related Marketing and the Stakeholder Model](#)

Pringle and Thompson (1999) stipulate that people are scrutinizing the role of corporations in society and are looking for demonstrations of good corporate citizenship which is built on an awareness and acceptance of the needs of all the stakeholder groups involved. More and more businesses recognize the need to improve their relationships with their local communities and to help them to assume responsibility for improving the quality of life among their local stakeholders. A good



example is their involvement in cause-related marketing (CRM), defined as a commercial activity in which businesses and charities form a partnership with each other to market an image, product, or service for mutual benefit (Business in the Community, 2004). Adkins (2005) posits that CRM is an integral part of a portfolio of ways that firms can use to demonstrate their responsiveness to the society's heightened expectations and demands for responsible corporate behaviour. CRM focuses on 'marrying' the corporate strategy of community involvement with social issues related to business. In doing that it enables businesses to actively contribute to the growth and sustainability of the societies in which they operate whilst enhancing the long-term benefits for their brands. The critical words according to Sue Adkins in the definition are: commercial, partnership, or relationship and mutual benefit. These words clarify that CRM is not philanthropy or altruism. Parties such as businesses, charities or causes engage in CRM in order to meet their objectives and receive a return on their investment. CRM provides a commercial advantage that justifies the willingness of all parties to come together from the outset.

Over the last decade or so the number of enterprises embracing and implementing cause related marketing (CRM) is increasing and CRM is gaining in popularity as a marketers' and fundraisers' toolkit. CRM is an expression of the social conscience of an organization (CSR) by aligning social problems and organizational goals. CRM is all about achieving synergies and forming alliances with stakeholder groups. Whether the focus is the provision of school equipment, donating books to schools, raising funds for cancer research, the relief of poverty, public health or overseas aid, the links between commercial brands and good causes continue to grow stronger. Why? Because businesses are recognizing that forming associations with charitable organizations or good causes can be mutually beneficial. It is a means for addressing current social problems and issues through the provision of funding and resources and achieving marketing objectives. Firms heavily rely on their communities for competitiveness. The idea that business is about either satisfying the shareholders or alternatively its stakeholders is invalid. The long-term wellbeing of both are intertwined and hence corporate policies and strategies need to address and reflect the needs and interests of all stakeholder groups. The businesses which will sustain their competitive success in the future are those which do not merely concentrate on

shareholders and financial measures of success and instead focus on all their stakeholder relationships (RSA Inquiry 1995).

Some argue that CRM is simply a cynical exploitation of public sympathy for profitability. Critical voices will always exist. Undoubtedly, firms need to approach the communication and promotion of their CSR related activities with caution. But the communication of CSR related activities such as CRM campaigns is needed. What would a shareholder think if a company she invested money in spent millions in fundraising for charities without explaining it? Likewise employees, customers and local communities want corporations to explain and justify their investment in CSR related activities. Stewart Lewis, Director, MORI (1998) states that communication of CSR related activities should be emphasized as the public generally has little knowledge of what individual companies do: “When we show people the range of activities companies already undertake they tend to be stunned and impressed. “

The recognition that corporate survival and growth is built on the communities in which businesses operate and draw their resources is fundamental. Contributing to the communities in which businesses operate can give them a competitive advantage. George Bull, Group Executive of Grand Metropolitan said: “Increasingly, business people are recognizing that their prosperity is directly linked to the prosperity of the whole community.” (in Adkins 1998).

What follows is a small sample of businesses that have appreciated the value of CRM and have subsequently launched their award-winning CRM campaigns (BITC 2001, 45-46; <http://www.bitc.org.uk>).

#### **Award-Winning CRM Case Studies**

Tesco - Computers for schools	Every spring, for a ten-week period, TESCO offer customers, one voucher for every £10 spent in-store or petrol. The vouchers are then redeemed for computers and other ICT equipment from a catalogued supplied by TESCO. Winner
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	of the 1998 BITC CRM Award for Excellence.
Walkers Snacks/News International – Free books for schools	Tokens are distributed free to consumers via Walkers crisps packets and in The Sun, The News of the World, The Times and The Sunday Times. Consumers collect them and donate them to schools which in their turn redeem them for books. Winner of the 2000 BITC CRM Award for Excellence.
The Avon Crusade against Breast Cancer	This is an ongoing campaign which has benefited the Breakthrough Breast Cancer and Macmillan Cancer Relief in the UK. It includes a range of activities such as the sales of products where a proportion of the price is donated to a charity, sponsorship of Fashion Targets Breast Cancer, sales of charity fundraising products and political lobbying via consumer petitions. Avon was the winner of the 2000 BITC CRM Award for Excellence.
Ford Motor Company – Drive towards a cure	The campaign is a collaborative initiative first formed in 1999 between the Ford Motor Company and Breakthrough Breast Cancer. Through the partnership, Ford's objective was to raise £ 1.25 million over 5 years. Winner of the 2004 BITC CRM Awards for Excellence.
Marks & Spencer – Look Behind the Label Campaign	The campaign focuses on telling its customers about the way products are sourced and made. Company of the Year 2006, at BITC's Awards for Excellence.

Good reputation is a vital element in business success and a corporation's most valuable asset. It takes decades to create and moments to destroy. CRM can be used to build, nurture, enhance and communicate an organization's reputation. The section that follows sheds light on the relationship between CRM and corporate branding.

### Cause Related Marketing and Branding

Kitchen and Lawrence (2003) suggests that corporations need to protect, nurture, and strengthen themselves by building strong interactive and synergistic relationships with all stakeholders who can impact corporate performance. Hence, corporate policy must be formed on the basis of all its stakeholders. From the stakeholder perspective social responsibility is a prerequisite, and a corporation must focus both on its social responsibilities as it does to profit maximization. Proponents of CSR argue that enterprises can gain many benefits such as enhanced reputation and stronger employee loyalty and retention if they engage in socially responsible activities (Moir 2001). An analysis of 58 studies over the past thirty years emphasize the fact that CSR should be seen as an investment and not as a cost since it can strengthen the intangible assets of a corporation such as corporate reputation as well as minimize risks businesses face (Euroabstract 2004).

Corporations operate in times that are characterized by heightened competition, high advertising clutter and marketing noise, rising consumer expectations, public scrutiny, and government intervention. It is no wonder that businesses are focusing on customer satisfaction and loyalty, as well as establishing and nourishing long-term relationships with their stakeholders. Building relationships with customers, employees, communities, and other stakeholders can become central to competitiveness. In this context it is known that stakeholder perceptions' and customers' buying habits can be influenced by business attitudes and actions in relation to social responsibility. It is therefore crucial that organizations use the marketing function in order to maximize and utilize these potential benefits in their effort to develop long-term relationships with stakeholders. CRM is a strategy that helps firms address business issues and social issues and provides a new approach to building and enhancing the corporate brand.

Pringle and Thompson (1999) in their definition of CRM describe it as a strategic positioning and marketing tool that links a business or brand to a relevant social cause or issue, for mutual benefit. Sir Dominic Cadbury, Chairman of Cadbury Schweppes plc claimed that CRM is an effective way of strengthening corporate image, differentiating products and increasing sales and loyalty (Pringle and Thompson 1999, p. 3). CRM is gaining ground as more and more companies are making it a key part of their mainstream business practice. This is demonstrated by the research studies and cases discussed in Sue Adkins' book (2005). Businesses that implement CRM are concerned with measuring and reporting their impact on society and are recognizing the concept's potential in helping them build corporate reputation, develop morale and loyalty within their workforce and invest in communities. CRM can help businesses maximize the impact of their marketing strategies and build the value of their brand whilst benefiting the communities in which they operate. The 2001 BITC report revealed that three-quarters of respondents believe that CRM is able to enhance corporate or brand reputation and almost two-thirds believe that it is a good way to demonstrate corporate and brand values.

Research findings provided by Business in the Community reveals that 58.2 million pounds was raised for charities in the UK through CRM programs during 2003.

'Business in the Community' (BITC), is a prominent, British institution within the European business community with around 700 member companies, including 70% of the FTSE 100 that was established in order to improve companies' relations with their local communities and to help them to assume responsibility for the improvement of the quality of life among their stakeholders. CRM is one of the institutions key areas of involvement. BITC Corporate Survey III (2001) shows that 96% of Marketing and Community Affairs Directors appreciate the beneficial role of CRM in addressing business and social issues whereas, 77% of Chief Executives, Marketing Directors and Community Affairs Directors believe that CRM can enhance corporate brand reputation. BITC 21<sup>st</sup> Century Giving (2002) indicates that 89% of consumers have purchased a product associated with a good cause and that a CRM product is bought every second in the UK. Consumers' purchase patterns demonstrate the significant positive impact that CRM programs can have on their purchase habits, which subsequently influences their corporate and brand reputation, differentiation, and the

sales of a product, service or brand (Profitable Partnerships 2000). The Cone / Roper (1999) study carried out in the US showed that eight out of ten Americans have a more positive image of firms that support a cause and 94 per cent of Influential Americans have a more favorable image of companies who are committed to a cause, up 6 per cent from 1993.

In order to explore the impact of CRM on businesses and brands, BITC carried out a major study in partnership with Research International, LightSpeed and Dunnhumby entitled 'Brand Benefits'. The first part of the study was carried out in 2003 and it involved 6,000 consumers (4,000 in the UK and 2,000 in the US). The study revealed that CRM campaigns are effective and that they influence brand affinity and in turn brand equity, as well as consumer perception, loyalty and purchase behaviour (BITC 2004). CRM effectiveness is highlighted by the high levels of consumer awareness of CRM campaigns. When prompted with a list of recent CRM programs, 98% of UK and US consumers were aware of at least one – up from 88% in 2000. In carrying out the second part of the Brand Benefits study, BITC found out that people in general are enthusiastic about CRM and they see it as a great way of supporting charities and good causes. CRM can also encourage consumers to switch between products when price, product and quality are equal (BITC 2004). The Key findings of Brand Benefits (2003) are the following:

CRM changes behaviour	<ul style="list-style-type: none"> <li>• 48% of consumers showed an actual change in behaviour, saying that they switched brands, increased usage or tried or enquired about new products.</li> <li>• 7 out of 10 consumers, who had participated in a CRM program, reported a positive impact on their buying behavior or perceptions.</li> </ul>
CRM Impact on Brand Affinity	<ul style="list-style-type: none"> <li>• Awareness of CRM means consumers consistently rate higher on brand affinity,</li> </ul>

	statements of trust, innovation, endorsement and bonding.
Consumers call for action	<ul style="list-style-type: none"> <li>Despite considerable growth in awareness and participation of CRM over two thirds (68%) of consumers want more companies to be involved in the activity.</li> </ul>

In summary, CRM's key benefits are the following: enhance corporate/brand reputation, demonstrate corporate or brand values, raise brand awareness, develop customer loyalty, differentiate products and services, increase sales volume build relationships with stakeholders, provide differentiation, and make CSR and corporate community investment visible (BITC 2001; Adkins 2005). A good reputation can also be perceived as a competitive advantage within an industry (Fombrum and Shanley 1990).

In an effort to identify the value of Cause Related Marketing in corporate reputation and branding in the Cyprus the researchers proceeded with a two-phase research methodology

The section that follows describes the research methodology approach adopted in carrying out the specific research study in Cyprus, followed by a discussion on the key findings that emerged from the study.

### **Research Methodology:**

The research was consisted of two phases. The first phase of the research included a survey among 740 Cypriot Citizens and the second phase included two in-depth interviews with the marketing managers of the two Financial Institutions which the majority of Cypriots named as Socially Responsible in the survey of phase one.

#### **Phase 1:**

**Survey with 740 Cypriot Citizens:** A survey research was the method used in order to gather descriptive information concerning Cypriots' knowledge on companies' involvement in CRM activities, and preferences in terms of causes Cypriots would like the corporations to be associated with. A short questionnaire was prepared with a

combination of closed-end and open-end questions. The closed-end questions provide the responders with all possible answers which allow him/her to choose among them (Kotler et al. 2005). On the other hand the open-end questions allow responders to use their own words and they are common in qualitative research. The sampling method was a stratified Random Sampling approach according to which the population was divided in three mutually exclusive age groups (20-35, 36-50, 51 and above). From each group random samples were drawn in the ratio 5:3:2. The decision for this sampling method was based on the main objective of the survey which was to identify a cause that Cypriots and especially young to middle age people would like to see corporations to be associated with. The contact methods used were the personal contacts and the telephone.

The analysis of the data collected, was implemented with the use of SPSS and Excel packages.

**The research objectives of the survey were the following:**

- a) To examine how strong Cypriots feel about the need of profit organizations to be involved in activities of Corporate Social Responsibility and Cause Related Marketing.
- b) To examine consumers' behavior in terms of Brand Preference to the products of companies associated to activities of Corporate Social Responsibility.
- c) To identify the corporations Cypriots believe that they successfully apply CSR and CRM strategies in Cyprus.
- d) To identify the social organizations/causes which Cypriots would like corporations to form social partnerships with.

**Phase 2:**

**In-depth interviews with the marketing managers of Bank of Cyprus and Popular Bank:** This qualitative research approach had as a goal to help the researcher getting an insight of the benefits Cause Related Marketing has on the companies that have adopted it.

The researcher used semi-structured interviews where the interviewees were guided to provide their opinions, feelings and precautions on matters that are of her research interest. The difficulty of this method was the analysis and evaluation of data collected. This problem was minimized with a carefully designed coding system that was prepared before the interviews took place so that the researchers could easier



collect, decode, analyze and evaluate the data. The sampling method used for these personal interviews was the Judgment Sampling which allowed the researchers to use their judgment to select the population members who are good prospects for accurate information (Kotler et al, 356). The population members were the Marketing Managers of the Popular Bank and the Bank of Cyprus. These two companies were the first and the second name mentioned by Cypriots as the most well-known companies with Corporate Social Responsibility in Cyprus. The contact method was personal. There was a pre-determined list of issues which were analyzed during these interviews. The duration of each interview was between 45 to 60 minutes.

**The research issues discussed during the interviews were based on the following predetermined questions:**

1. How difficult it is for the profit organization to select a social partner?
2. How difficult it is to maintain a social partnership and what are the conditions for its success?
3. How important from the Marketing point of view is for a Company to be able to prove its social responsibility?
4. Do companies need to promote their social partnerships to their stakeholders?
4. How effective Cause Related Marketing is in enhancing the corporate reputation.
5. How do employees feel and react on the fact that their company is involved in those successful CRM activities? Do they cooperate, support and participate willingly on those activities?
6. What are the future plans of these organizations in relation to these CRM activities?

**Research Findings:**

**Phase 1:**

The survey research on the 740 Cypriot Citizens has illustrated five main points that organizations cannot ignore.

1. Consumers expect corporations to be socially responsible. Unrelated to the age of the responders of the questionnaire, the majority of the responders (84%) agreed to the statement that corporations need to prove their Social Responsibility.

2. Consumers' behavior in terms of Brand preference is directly related to companies' involvement in Activities of Social Responsibility. More specifically when the Cypriots were asked for their brand preference between two similar products (A & B) in terms of quality and price but with the company of product B to be associated to a cause the majority of Cypriots (86%) stated that they would choose to buy brand B.
3. Consumers recognize as "Socially Responsible Companies" mostly those companies which have formed an ally and fight for a cause which has high impact in our society. Responders were asked to name up to four profit organizations in Cyprus which, according to the responders opinion, have proved their social responsibility. The name of the Popular Bank appeared in 63% of the questionnaires and the name of Bank of Cyprus in 62%. The third name mentioned by the responders was the name of the Cyprus Telecommunication Authority with a rate of only 18%. The reason that responders named the two banks is that both of them are involved in successful, long term Cause Related Marketing Strategies. Popular Bank has formed a partnership with "Radiomarathon"- a charitable organization in aid of children with special needs since 1992. Bank of Cyprus on the other hand has formed a partnership with the Anti-Cancer Society since 1992 and covered all construction cost of the biggest Oncology center in Cyprus and since then they cover a big percentage of the running expenses of the hospital. On the other hand the survey indicated that corporations which apply corporate philanthropy rather than Cause Related Marketing, donating money to too many and different causes rather than a single cause through a CRM strategy, do not get the reputation of a corporate giver. The proof is the low rate of responders (18%) who named the "Cyprus Telecommunication Authority- CYTA" as a Socially Responsible organization despite the fact that this organization has donated by far more money to social organization than any other company in Cyprus.
4. When responders were asked to name social organizations/ causes they would like the profit corporations to form partnerships with three main causes were named. The majority of the responders above the age of 35 expect the corporations to form "Social Partnerships" with Anti-cancer societies (61%), with organizations for the protections of child's rights (50%) and with Anti-drug societies (44%). The responders who were younger than 35 years old said that they would like the profit organizations to form social partnerships with organizations for the protection of child's rights (36%), with anti-cancer societies (33%) and with anti-drug societies (31%). Other causes/ social organizations like anti-leukemia, against violence in family, protection of the

environment were also named by responders as good causes for profit organizations to form partnerships with.

## Phase 2:

The research findings of phase one provided the researchers the opportunity to identify the most successful corporations in Cyprus in terms of their reputation as socially responsible organizations. These two organizations were the Popular Bank and Bank of Cyprus with a long history in successful Cause Related Marketing strategy. The next step of the research process was to interview the Marketing Managers of those successful corporations:

The interviews provided the researchers with important knowledge related to the factors which contribute to the success of a Social Partnership. At the same time the Marketing value of CRM was revealed by the Marketing Managers in these interviews.

1. There are important issues in selecting a social partner and the corporation must apply a careful selection process. There is a need for a careful screening process in order to reject the offers from social organizations with low impact in the Society.
2. It needs a lot of mutual effort and dedication to form a successful partnership. Results have to be long-term rather than short-term oriented.
3. The expectations from each of the two partners have to be clearly defined in advance so as to avoid conflicts later on.
4. There is a need for formal agreements between the profit organization and the social partner. In this agreement both partners need to state clearly their expectations, timeframes and promises. All possible problems need to be identified in advance and a cause of action has to be agreed in case the problems arise.
5. The Profit organizations have to clarify and if possible to set certain conditions to the social partners related to possible co-operations with competitive firms on behalf of the social partner which may affect the profit organization in a negative way.
6. A liaison person of mutual acceptance has to be assigned by the partners who will be accountable for delivering the results
7. A strong communication channel between the partners and the media has to be built in order to inform the public about the results of the partnership. Consumers need to

be informed in order to be able to evaluate and appreciate the effort. Once consumers realize the benefits of the partnership they can easier turn into customers.

8. Both Marketing Managers underlined the need for corporations to be socially responsible if they want to maintain a competitive advantage since consumers and other stakeholders expect to corporations to play an active role in the communities in which they operate.

9. The marketing managers of the two banks underlined emphatically the Marketing value of a well designed and carefully implemented Cause Related Marketing strategy.

10. In the case of both organizations the participation of their employees in the CRM activities was very high and the enthusiasm of their employees is proved through the increasing number of employees who volunteer to help year after year.

11. Both banks' managers said that not only intend to continue their social partnerships but are now designing more innovative activities to enrich their CRM strategies.

### **Conclusion:**

CSR is a concept whereby businesses integrate social and environmental concerns in their corporate operations and in their interaction with their stakeholders on a voluntary basis. According to Frankental (2001) CSR can only have real substance if it embraces all the corporate stakeholders. Fombrum (1996) stipulates that there is a growing need, even desire, by stakeholders to comprehend and to criticize the social and ethical performance of corporations in which they are interested. Clarkson (1995) states that "stakeholders can be divided into primary and secondary groups. Primary stakeholder groups often have a formal, official, or contractual relationship with the corporation while secondary groups are defined as: Those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (1995, p. 106). A responsible company has to work for the best interest of its primary stakeholders but at the same time to play an active role in Society and prove its corporate citizenship to its secondary stakeholders if it wants to have a competitive advantage. Since consumers and other stakeholder groups are asking questions about the role of businesses in society and are looking for demonstrations of corporate citizenship

(Pringle and Thompson 1999) companies have to prove their concern for the social problems in the communities they operate. More and more businesses nowadays recognize the need to improve their relationships with their local communities and the quality of life among their local stakeholders. A good example of corporate citizenship is the involvement of a company in Cause-Related Marketing (CRM) which is defined as a commercial activity in which businesses and charities form a partnership with each other to market an image, product, or service for mutual benefit (Business in the Community, 2004).

A survey in Cyprus on Corporate Social Responsibility revealed that Cypriots expect the businesses to play an important role in the social problems of the Cyprus Society and the majority of them named only two Financial Institutions in Cyprus as Socially Responsible. Both Financial Institutions had applied successful Cause Related Marketing Strategies the last fourteen years proving their concern for the social problems of the Cyprus Society. In the same survey Cypriot citizens indicated different social causes they expect the profit organizations to form partnerships with for the improvement of the society's well-being. The research findings of the survey helped the researchers to identify the most successful companies in Cyprus in terms of Cause Related Marketing and interviewed their Marketing managers in order to get an in-depth understanding of the value of CRM in enhancing their corporate reputation. The in-depth interviews revealed the significance of a carefully planned, implemented and controlled CRM strategy which can create a competitive advantage to the corporation which adopts it since it builds the corporate reputation by building bridges with stakeholder groups.

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