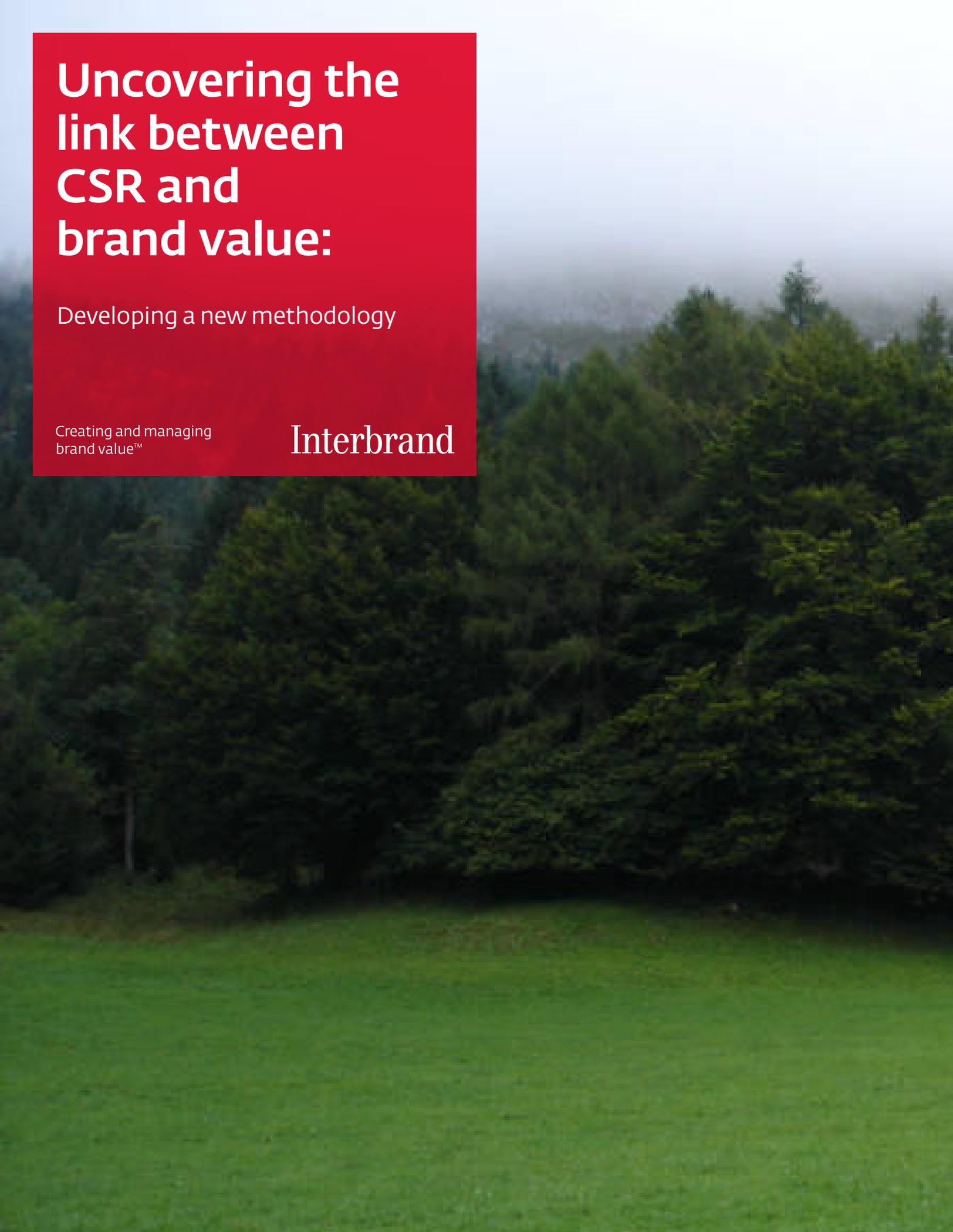


Uncovering the link between CSR and brand value:

Developing a new methodology

Creating and managing
brand value™

Interbrand



Uncovering the link between CSR and brand value: developing a new methodology

by Greg Silverman

CSR: what does it mean?

Corporate social responsibility (CSR) is playing an increasingly important role in discussions of branding and corporate strategy. Interbrand has been working on developing a methodology to show a link between corporate social responsibility (CSR) and brand value.

However, one of the fundamental problems we have in showing this link is the ambiguous nature of CSR. It seems that each brand, company, and organization has its own definition. The numerous conflicting CSR definitions make it difficult to categorize, rank, and measure brands' performances. It is almost impossible to tell if the CSR performance is translating into any real value for the company.

The CRO ratings

An organization called the CRO (Corporate Responsibility Officers) offers a potential solution to this issue. This affiliation of officers from many North American companies has devised an index and rating system in an effort to standardize CSR performance across companies.

CRO has defined a set of sub-indexes (or

pillars) for corporate responsibility that include environment, climate change, human rights, philanthropy, employee relations, financial, and governance. Underneath each of these indexes, they have identified a set of inputs that can be translated as scores. Through a system of weights, a score is developed for each index. Similar to the Interbrand brand valuation process, these index scores are then weighted together into an overall performance score. The system somewhat mirrors the Interbrand brand valuation methodology.

While there are some limitations to the CRO system (it is North American based and therefore North American biased, a relatively new system with some inconsistencies to be worked out, and made up of some officers of companies that have the potential to be rated), it is a robust and effective tool for Interbrand to utilize.

The analysis

We used simple correlations to identify a mathematical link between the results of the published CRO list and Interbrand brand valuation measures. This included identifying brands that appear on both the CRO list and

the Best Global Brands list, lining up index scores from both lists, running correlations between the indexes of both lists, and assessing the strength of the correlations to determine the relationship between CSR efforts and brand valuation measures.

As the CRO list is published in February, the 2009 list has been matched to the 2008 IB BGB list. For each of the three years of data, there are between 20 and 26 brands represented on both published lists. There is some discussion on findings from individual year results, but the most important insights have been derived from analyses combining data from all three years. This allows both a larger sample size of cases and allows the correlation analysis to latently consider the year-over-year changes to the scores of brands that make both lists in multiple years.

The results

There are some exciting findings coming out of the correlation analyses. The table below represents the broad overview of the three-year combined results.

CORRELATIONS TO CRO AGGREGATE SCORE

Brand Value	Brand Strength	Role of Brand
.13	.17	-.09

The above results indicate a link between CSR efforts and brand valuation measures. The first result suggests that for the companies in the analysis, 13 cents out of every dollar of brand value is linked to CSR efforts. As this analysis is one of simple correlations, this should not be interpreted as causal. There is the possibility that larger companies with more revenue and higher EVA can afford to partake in CSR efforts. That inverse relationship should be considered as well. However, regardless of the direction, there is a direct link between the two measures. In the next few months, we will be working more on this topic, locating even more exciting findings and hypotheses. ■



Greg Silverman

Greg Silverman is Global Practice Leader of Analytics, based in Dayton, leading a worldwide team in the measurement of brand investment. Before joining Interbrand, Greg's appreciation of consumer and strategy issues led to a career as a strategy consultant. The experience proved invaluable to his current work, allowing him to understand the intricacies of managing and measuring a brand's performance.