

How startups can develop CSR to build brand reputation

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Abstract

This qualitative research study paper examines the integration of Corporate Social Responsibility (CSR) in building brand reputation and competitive advantage of SME startups. It seeks to explore the drivers, importance, and best practice applications of CSR activities by startups. It further analyzes customers' impressions of startup sustainability and CSR practices and the firm's reputation. The study adopted an interpretive study design (thematic analysis), focused on a sample of CSR specialists, advertisers, and startup owners, and revealed a reflection of the theoretical dimension of CSR in the study results. Specifically, the social size of CSR implementation and the adoption of practices that focus on human resources, the environment, and society at large, were captured in the data. Basic CSR principles, such as the need for the development and implementation of environmental awareness programs, volunteering, and labor, were commonly agreed by the participants as relevant emerging themes of the study. The results pointed out the importance of company ethics in shaping a healthy employee work environment and highlighted the critical role of the firm's purpose. The emphasis on building relationships with society as a whole and specifically with the community in which the company operates seems to be the key to the profitable implementation of CSR regarding brand reputation. The reciprocal relationship created between the customer who feels that the company is not solely for profit but in its connection with the community is the basis for a profitable course. Voluntary actions organized by the firm to support the community act as a means of building brand reputation.

Keywords: CSR, startups, branding, reputation management, ethics

Introduction

Corporate social responsibility has been a subject of intense interest in both the academic and the business world. Corporate social responsibility refers to the automated business model that enables organizations to be socially accountable to the internal and external business environment, including the employees, customers, public, itself, and all its stakeholders. It prompts the business to be socially responsible by participating in corporate social responsibility and being conscious of the impacts of their activities on the economic, social, political, and society as a whole. The CSR field is based mainly on the idea that sustainable and socially and environmentally responsible firms have a competitive advantage and perform better than the others. The concept of CSR was first discussed by Bowen and Johnson (1953), stating that entrepreneurs should implement strategies, make decisions and follow practices that positively influence society and its surroundings. Since then, the concept of CSR has intensified, including different aspects and ideas that broaden its scope. Between 1960 and 1970, CSR revolved around social good and corporate social performance; in the 1980s advanced by promoting business ethic practices in companies; in the 1990s advanced further to promote global corporate citizenship; in recent years, it has intensified to promote sustainability and sustainable development.

Many businesses today adopt CSR to influence their society, employees, and customers positively. Though at a startup, many companies view CSR as expensive, it may be beneficial if it is built into the company's business strategy right from the beginning to prepare the best circumstances for gaining competitive advantage from socially and environmentally responsible actions (Grayson & Hodges, 2004). Integrating CSR at the startup level is highly important because it allows the business persons to structure the company's strategy in a way that aligns with its customers' social and economic needs (Grayson & Hodges, 2004). It also helps the business build on its image and establishes a brand reputation in the mind of its customers.

Literature Review

Scholars trace the onset and development of the startups to the global economic change that occurred in the mid-1990s. Through the impacts created by the advancement in the internet and technology, the modern business environment adopted a more flexible form of employment and new schemes of the financial organization. The science of management named the latest techniques of the economic organization the startup company (Laporte et al., 2017). A startup is a form of financial organization, company, a cooperative or temporary organization aiming to develop a recurring and scalable business model (Blank, 2012). This model seems to direct the business in a technological orientation, as the development of new technologies provides ground for alternative forms of entrepreneurship (Laporte et al., 2017). It is characterized as repetitive because its successful implementation ensures the company's viability but also scalable because it is subject to interventions and new structures as the company evolves and the active market changes. The essence of a startup business is mainly related to progress, innovation, scalability, and rapid growth. This type of business has grown more rapidly across the globe due to its low implementation cost, diversity in the forms and sizes, and the reduced risk of failure (Spiegel et al., 2016).

Despite the increased popularity of startup businesses, many scholars agree that such companies need a survival strategy. The birth, development, and placement in time of each startup are primarily determined by components of its internal and immediate external environment. In addition, theoretical approaches to the science of management also significantly impact the growth and progress of startups. According to Salamzadeh & Kawamorita (2015), these approaches are concentrated in three main areas: organization in management and entrepreneurship. All three of these areas contribute to both the conceptualization of startups and the content of their operations. Scholars agree that the means through which a startup business positively influences its internal and immediate external environment significantly impact its success and survival. Good interaction with the internal and external environment plays a crucial role in building a positive reputation, which pushes the business a notch higher in attaining its competitive advantage and survival technique.

The concept of brand reputation attracted numerous scholars to explore it and its role in attaining the business's profitability. According to Iqbal et al. (2021), brand reputation refers perception of the company's products by the public, customers, competitors, and stakeholders. It comprises characteristics such as appreciation, prestige, flexibility, and dynamism and contributes to value creation for the business. It can

influence the public opinion and the intentions of the interested parties, thus forming positive impressions of a company despite the lack of complete information in every market. "Interested parties" are considered shareholders and stakeholders. A good reputation is a credible competitive advantage crucial for businesses for many reasons, such as the inability to be imitated by competitors. Brand reputation is built gradually over time but can be very quickly damaged. An organization's non-recognition of its value is one of the most severe mistakes. According to a study by the organizing committee of the 34th World Economic Forum in Davos (2004), brand reputation is considered a more critical measure of success than the stock market course, profitability, and return on investment (Erisher et al., 2014). On the scale of the means of evaluating success, only the quality of products and services surpassed brand reputation. 59% of the participants estimate that the brand reputation represents 40% of the company's capitalization. Also, a percentage that exceeds 77% believes that the value of brand reputation has become more critical in recent years (Martínez-Ferrero & García-Sánchez, 2018). Martínez-Ferrero & García-Sánchez (2018) further point out three classifications that make up the modern definition of reputation. These perspectives include reputation as a tool for conscious judgment, reputation as a tool for the company's valuation, and reputation as a company's asset. A good reputation promotes stakeholders' confidence, solvency, reliability, trust, and responsibility.

Reputation is, therefore, a key pillar in the success of any business, including the startups. Significant literature agrees that Cooperate Social Responsibility (CSR) is one of the main contributors to the improved brand and business reputation. CSR is a diverse concept that has been discussed by many scholars in various works and for multiple reasons. Due to its intensity and diversity, CSR lacks an internationally accepted definition. However, most scholars agree with Wang et al. (2016) that corporate social responsibility is the ability of a business to be responsible to society and its broader system of stakeholders beyond its shareholders. Furthermore, most scholars agree with Wang et al. (2016) on three common characteristics of CSR, that is: Voluntary Character, promoter of Sustainable Development, and CSR as a Strategic Choice.

Corporate social responsibility is a crucial tool a company uses to increase profit. Since the main aim of any business is to make a profit, most organizations have embraced the idea of incorporating social responsibility in their business system to increase their profit margin. However, corporate social responsibility goes beyond the profit philosophy and enhances business and brand reputation, which is primary to business survival and sustainability (Beyer & Rostirolla, 2018). Virtually all of these benefits reflect the benefits of implementing Corporate Social Responsibility within a startup business. That is, if a company implements CSR, it will not only be good for society and the environment, but it will also have many advantages. More specifically, Tumasjan et al. (2011) highlighted some benefits related to the implementation of CSR in a startup company - organization, including:

- Increases the production and productivity of the company
- Improves the corporate reputation and the "good image" of the companies from the society and in the different parts.
- Increases or even maximizes the company's profits.

- It rewards the business because it shows that it is sensitive to vital problems, such as climate change, poverty, inequality, and unemployment.
- It will give it a comparative advantage in the context of ethical diversification while giving a social and ecological aspect to globalization
- It will increase its profits as there is a relationship between CSR and the financial performance of companies.
- It can reduce its operating costs.
- Leads to the attraction and retention of qualified staff and personnel.
- Increases the dedication of consumers to a business.
- Creates new business opportunities through the added value of a product or service and guides the interests of consumers (ethical consumers) and investors (investors).
- Helps to minimize the damage in case of crisis (which may be due to a disaster or a moral violation of the company) due to the excellent reputation of the company and due to its environmental and environmental
- Can charge more expensive products for their products due to the voluntary adoption of CSR.

By reviewing the literature arguments, we will investigate the following conceptual framework (Figure 2), whether it is valid for our study purpose.



Figure 2: Initial Conceptual Framework

Research aims and objectives

This study examines the issue of integrating CSR at the startup level of SMEs to build brand reputation and gain a competitive advantage. This study first explores what drives startups to adopt CSR activities, why CSR is important, and the best CSR practices for startup companies. Furthermore, it aims to determine the extent to which customers pay attention to the sustainability and CSR practices implemented by the business and their impacts on the firm's reputation.

Research Questions

This study aims at answering three main research questions:

- What motivates startups to adopt CSR?
- How do startups approach CSR, and what are their best practices?
- How do these startups apply CSR to achieve brand reputation?

Methods

The study uses a qualitative approach to understand the experiences and perceptions of CSR specialists, advertisers, and startup owners (exploring experiences, comments and expressions, perspectives, and my observations). The research also used a semi-structured interview with open-ended questions as a data collection tool.

The study population consisted of 3 social groups active in Greece and Cyprus, namely the social group of CSR experts, the social group of advertisers, and finally, the social group of owners of startup companies. Specifically, the sample consisted of 3 professionals from the field of CSR, three advertisers, and three owners of startup companies in Cyprus and Greece. The research did the sampling using the convenience snowball sampling technique based on the willingness and self-determination of my known professionals, who were experts in CSR, advertisers famous in their work field, and Nightling owners as also owners of other startup firms who were interested in my field of study. The sample of the individuals who participated in the study came from Cyprus and Greece. The study also indicated other individuals and professionals who could participate, and these, in turn, nominated other individuals.

The study selected and formulated the specific questions after thorough research in the respective literature and based on the emerging conceptual framework. The aim was to identify the parts of the subject that are not sufficiently covered by the literature and are significantly related to the issue of CSR implementation by startups to improve their corporate reputation. In particular, how the research formulated questions in each professional group that participated in the study concerns its capacity, position, role, and possible contribution to our study (Neuman, 2003). Thus, the research used common questions for each professional group (see Appendix I). The analyses grouped everyone's views through this process and drew a universal conclusion. The research developed questions based on each professional group's status and experiences. In contrast, other questions arose in the process, as is the case with in-depth interviews (Eisner, 1991). Then, after data collection through interviews, the research focused on the analysis of data and data collected in a qualitative manner

For the qualitative data analysis, the research first performed content analysis and then a thematic analysis of the interview data. Through content analysis, the study focused on how topics within transcripts of interviews are negotiated and how often they occur—the research-based search for issues on predefined questions. Finally, through thematic analysis, we attempted systematically to detect, organize and understand patterns of meaning ("issues") within the set of data collected to provide cognitive access to collective meanings and experiences. The coding followed for the thematic analysis of the study questions was based on the data of the participants' answers so that they are grouped in separate categories and then analyzed.

Finding and Results Analysis

Based on the three research questions, the research established the following finding after interviewing the three social groups CSR specialists, advertisers, and CSR owners.

Question 1: What Drives Startup Companies to Adopt CSR?

In answering this question, the group identified a few factors that they believed had significant effects on motivating startup companies to adopt CSR. The below table summarizes the opinions of each group regarding the question.

Categories of codes	CSR professional	Advertisers	Owners
Importance of CSR for firms	Strategic orientation	Strategic orientation	
	Contribution to society	Contribution to society	Contribution to society
	Publicity	Publicity	Publicity
	Sense of purpose		Sense of purpose
	Meet requirements set by law		
			Increase of revenue
	Customers' expectations of firms	Customers' expectations of firms	
Customer Loyalty	People above profits	People above profits	
	Positively impact on consumer behavior	Positively impact on consumer behavior	
Increase in Sales	Reduced operating costs	Reduced operating costs	Reduced operating costs
	Improvement of the corporate image		Improvement of the corporate image

From the table, it's clear that the desire to contribute to society, publicity, and reduced operation cost was the most important factors pointed out by all the three groups. Additionally, CRS professionals and advertisers also agree that desire for strategic orientation, attainment of firm's customers' expectation, valuation of people more than profit, and want to impact consumer's behavior positively are essential factors. In the same

way, CRS professionals and owners have shared the belief that a sense of purpose and improvement of the corporate image is critical driving factors toward adopting CSR.

Question 2: CSR Approach by Startup Companies

After giving the research question to the group of CSR professionals, advertisers and CSR owners identified ways companies approach CSR and practice. The table below summarizes the findings and similarities between the groups.

Categories of codes	CSR professional	Advertisers	Owners
CSR approach and practices	Environmental efforts	Environmental efforts	Environmental efforts
	Donate or Discount Products to Drive Social Change	Donate or Discount Products to Drive Social Change	
		Ethical labor practices	Ethical labor practices
	Volunteering	Volunteering	Volunteering
	Sustainable Supply Chain		
	Incubate local talent		Incubate local talent
	Diversity, equity and inclusion	Diversity, equity and inclusion	Diversity, equity and inclusion

Common agree to find among the three groups.

The three groups shared the following feeling about the CRS approach and practice:

1. The startups use the CRS is to reduce the adverse effects of the environment on the performance of the business
2. The startup approaches the CSR by volunteering through strategies such as giving back to the society
3. Startup companies come to CRS through diversity equity and inclusion.

CSR professionals and advertisers have a standard stand that startups approach CSR through donating and discounting products to promote social change.

On the other hand, aversions and owners agree that startup businesses can approach CSR by acting ethically and practicing ethical labor. Similarly, CRS professionals and owners share a mutual feeling that the startup business can approach CSR by incubating local talents. CRS professional also believes that startup businesses can achieve CRS through a sustainable supply chain.

Question 3: How to Implement CSR Strategies

The table below summaries the finding of the research obtained after interviewing the three groups about the impact of CSR on the brand reputation

Categories of codes	PS	Advertisers	SP

CRS leading to brand reputation	Socially responsible behavior	Socially responsible behavior	Socially responsible behavior
	Philanthropy		Philanthropy
	Environmental conservation	Environmental conservation	Environmental conservation
	Labor	Labor	
	Volunteerism		

The three groups agreed majorly on the two main points that CSR leads to socially responsible behavior and environmental conservation that increases the organization's reputation. The research professional and advertisers believed that implementing CSR in business operations leads to improving labor. Advertisers and owners commonly believe that CSR affects philanthropy to a greater extent.

Discussion

In response to the first research question, it is clear that the incentives that push companies to adopt CSR are mainly part of their overall strategy. The main concern of companies is to gain good publicity and strengthen the company's image in the broader community and market, which is emphasized by the important role attributed to customer behavior towards good or bad practices applied in this area by the company.

It is now commonplace that the customer wants to feel that the company is working not only to produce goods or offer services but to have the vision to make the world a better place. In this light, the motivation for companies is the existence of a specific goal that will not only strengthen the company's image but will positively affect the staff and increase its chances of finding an investor (Carroll & Brown, 2018). Finally, contrary to the logic that prevailed in the past, as shown by the study results, there is a belief that the adoption of CSR can contribute satisfactorily to increasing the company's revenue.

Results from the second research question indicate that the startup companies' approach to CSR revolves mainly around respect for the environment in creating a healthy work environment that supports diversity and provides equal opportunities for employees. At the same time utilizing tools that are reflected in the company's relationship with the community through the support of local actions, the donation of products and services to the community, and volunteering.

The finding from the third research question establishes that there is a reasonably large match with the data obtained from the responses in RQ2. Specifically, the implementation of CSR to achieve brand reputation seems to be based on the pillars of supply to the broader society either through voluntary collection and charity or through the provision of a responsible, human-centered, and socially acceptable work environment.

From the thematic analysis discussion and literature review we present below at Figure 3 the updated Conceptual Framework.

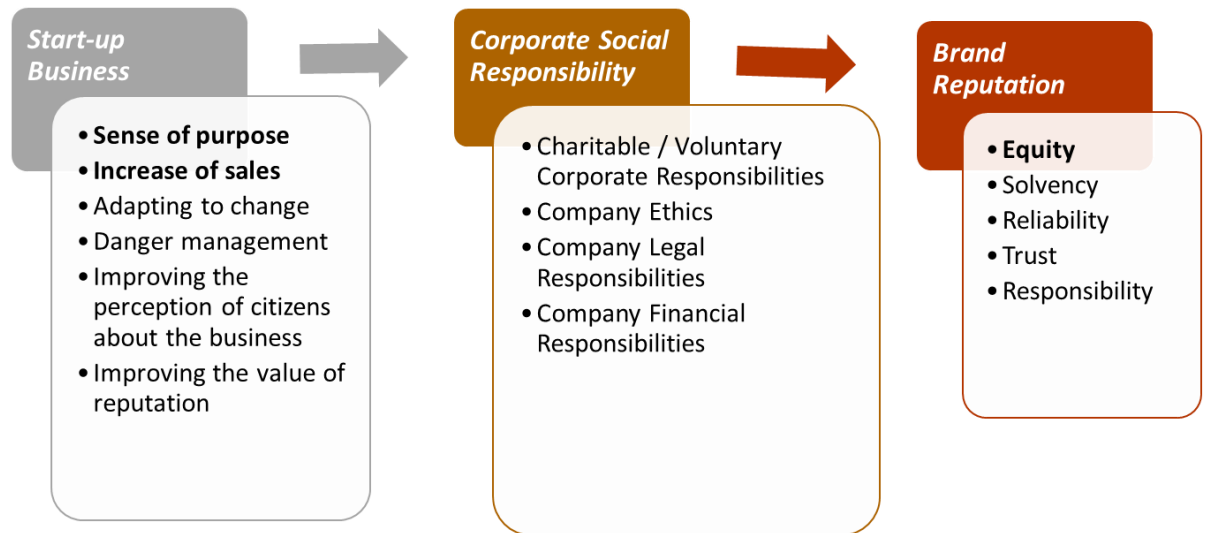


Figure 3: Updated Conceptual Framework

Conclusion

These findings follow the theoretical aspect of CSR strategies and their character. As the literature observes, socially responsible entities accept responsibility for the ecological consequences of their actions, work to minimize pollution and dangerous substance emissions, and try to improve the efficiency with which natural resources are used, reducing their ecological footprints. The research results and the literature review agree on three main benefits of corporate social responsibility for business:

- **Increased employee satisfaction:** Giving employees opportunities to volunteer, especially during working hours, creates a sense of community in the organization or company while improving the connection with the local community where the activity occurs.
- **Improved public image:** Corporate social responsibility, contributes significantly to building the corporate image and reputation. The public is attracted but also positively evaluates practices that "respond" to today and tomorrow's social challenges and sensitivities. Establishing a positive image for the company in the broader society and not only in the market where the activity takes place will further strengthen the influence and dominance of the company.
- **Increased Creation:** Corporate social responsibility initiatives encourage employees to try new things, and through a sense of social supply, they gain greater motivation to perform.

The emphasis on building relationships with society as a whole and specifically with the community in which the company operates is the key to the profitable implementation of CSR regarding brand reputation. The reciprocal relationship created between the customer who feels that the company is not solely for profit but in its connection with the community is the basis for a profitable course. Actions, such as the voluntary action that a company organizes to support the community, are undoubtedly the means for brand reputation building. In particular, consumers seem willing to buy products even at a higher price, provided that the company links its activity with social responsibility. Therefore, the

company's image and marketing can be more effective if it aims to strengthen its brand reputation. Equally important is the formation of an appropriate working environment, in which the employees will feel free, proud of their work, and protected from discrimination. A startup that wants to attract capable employees should consider creating an overall supply culture in the community while enabling the employees to achieve their mission. Overall, the role of CSR must be a pillar in anyone's business strategy. Startups can benefit by trying to make the world a little bit better and more pleasant by giving back to the community.

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