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Brand Equity and Organization Performance: The Harmonizing Role of Corporate Social Responsibility

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Abstract

Based on resource-based view (RBV) and instrumental stakeholder philosophy, the study adds to philosophical literature by constructing a case for spending in CSR as a substance of enlightened self-interest. It is believed that banks invested in CSR enjoy better performance and this is primarily due to a positive relationship between brand equity and CSR. Data were collected from 612 bank clients via a standardized questionnaire and analyzed using PLS-SEM. The results have shown that there is a positive interaction between brand equity and CSR that improves subjective corporate success beyond the immediate influence of brand equity.

Keywords: Resource Based View, Instrumental Stakeholder Theory, CSR, Brand Equity, Organization Performance

1. Introduction

According to the Resource Based View (RBV) principle, Brand equity is one of the main competitive assets of the company (Vomberg et al. 2015). Organization uses significant capital and energies to create successful corporate brands, and this outlay is based on evidence that corporate brands with strong market value can help them gain a competitive edge by providing a positive effect on success (Stahl et al. 2012; Wang and Sengupta 2016). Several studies were conducted in acknowledging the strategic importance of brand equity and found a positive relationship between it and firm performance (Yeung and Ramasamy 2008; Kirk et al. 2013; Wang et al. 2015). The narrow methodology taken by previous research to investigate the direct effect of Brand Value and Company efficiency. Most of these previous studies have taken the firm's resource-based view (RBV) as their theoretical guidance, while ignoring the other aspects of the firm approach and other potential eventuality considerations.

The firm's RBV view acknowledges and offers an adequate theoretical framework for deliberating on the impact of strategic assets such as brand equity on firm results, but cannot completely describe this connection between them since the RBV hypothesis does not demonstrate which firm capital and policy are used to generate competitive advantage. (Richard 2000; Aragón-Corea and Sharma 2003). In other words, it may not consider the necessary variables such as Corporate Social Responsibility as an organizational strategy for creating and maintaining a positive reputation among its different stakeholders, and it can moderate the relationship between strategic assets and success (Richard 2000; Aragón-Correa and Sharma 2003). In order to explain how the connection between brand equity and organizational performance is moderated by other aspects of corporate strategy, more analysis is required. Future research needs to address the Following research question

1. The impact of brand equity on organization performance whether its strongest or weakest?
2. Under what kind of situation the organization benefit particularly from brand equity?

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By following an eventuality approach, the study aims to create a relationship between brand equity and subjective organizational performance with respect to banks in India. It also explores how the bank uses its strategy to improve its reputation among its different stakeholders by Corporate Social Responsibility (CSR) initiatives and how it moderates the interaction between corporate brand equity and subjective organizational performance. This paper provides a contribution to the current body of literature as well as to management experience. Drawing on resource-based view (RBV) and instrumental stakeholder theory, the study contributed to philosophic literature by arguing the case for engaging in CSR as a matter of enlightened self-interest. Also it facilitates the development of the theory by creating an eventuality model that considers CSR to be a moderating variable in the relationship between brand identity and subjective organizational performance. It is believed that banks invested in CSR enjoy better results, primarily due to a favorable relationship between brand value and CSR activities. The data was gathered through a standardized questionnaire of 58 questions evaluating the CSR, Brand Equity and Subjective Organization performance from 612 customers belonging to public and private sector banks. Data were evaluated using partial least square structural equation modelling. The results of this study indicate that there is a beneficial interaction between brand equity and CSR that improves subjective organizational performance beyond the direct influence of brand equity.

2. Theoretical background and literature Review

2.1 Brand Equity and Organizational Performance

According to RBV theory organizations used their pack of resources to attain competitive advantage in the market (Barney 1991). The strategic resources are having high value and non-substitutable and it is the core competence of the organization. Brand equity is considered one of the important strategic assets the organization possesses and also it meets out the VRIN are (valuable, rare, inimitable and non-substitutable) criteria (Vomberg et al. 2015; Wang et al. 2015; Wang and Sengupta 2016, Barney 1991). The positive and negative effect of brand equity is determined by the net balance of brand assets and liabilities. With the common hope and belief by the organization that brand equity will be positive and therefore make a material contribution to their performance (Vomberg et al. 2015; Keller 2016). Overall the brand equity is considered as an important strategic asset and one of the most important determinants of organization performance (Wang and Sengupta 2016). Based on the RBV theory and the above-mentioned empirical studies, this study hypothesizes the following

H1: *There is a positive impact of brand equity on the Organization Performance*

2.2 Moderating CSR Between the brand equity and Organization performance – Instrumental theory approach.

The companies are involved in the two forms of engagement, implied and formal, with diverse stakeholders, and are based on instrumental theory, Instrumental stakeholder theory holds that, as an implied relationship that is not based on any legal basis, the company may have a propensity to violate its responsibilities to its stakeholders with an implicit relationship (Jones 1995; Ruf et al. 2001; Jamali 2008). But the organization with high brand equity is more concentrated on their implicit relationship because during the downtrends this will add value and benefits to the organization (Melo and Galan 2011; Ruf et al. 2001; Wang et al. 2015). A high-brand equity company can also engage in its CSR initiatives out of legitimate self-interest, as the interaction between brand equity and CSR initiatives can generate incremental value and synergistic effect on the organization, beyond the direct influence of brand equity (Moir 2001; Jamali 2008; Agu inis and Glavas 2012). This suggests that consumers are more likely to change the commodities of companies with high brand value than businesses with low brand equity, even as all categories of organisations can be active in CSR efforts (Bhattacharya and Sen 2010; Melo and Galan 2011; Torres et al. 2012; Servaes and Tamayo 2013). Investors can also respond favourably to brands engaged in CSR initiatives such as environmental preservation and corporate governance (Lyon and Shim-shack 2015). In crux, a company with higher brand value will increase more financial benefits as a result of constructive synergistic relations between brand equity and CSR initiatives. Centered on the evidential research described above, this research hypothesizes the following.

H2: CSR Moderate the relationship between Brand equity on the Organization Performance

3. Methodology

The research design used in this study is Descriptive Research. The population of the study is confined to customers of both public sector and private sector banks in India. Customers for the sample study were chosen by the tenure of the transaction with their banks. Since the study involved the understanding of the banks CSR practices, customers who were above the age of 20 and transacting for more than one-year period with the stated bank were chosen. The customer can avail any types of bank services like account namely savings, current and other loans and deposits. It is assumed that a one-year time frame for transacting with the bank shall enable a customer to understand the CSR activities that a bank is involved. The approximate customer base from each of the banks across the four districts was collected by the researcher in a one on one discussion with the bank managers. The number of customers in the chosen banks was different. Therefore, the sample of customers from each of the banks was also taken based on the customer base. The sampling technique followed is proportionate stratified sampling for choosing customers. The sample size of this study determined by the G Power analysis as 612. The primary source of data for this study was through a direct personal interview with the structured survey instrument. The CSR, subjective organization performance and Brand equity are measured by five-point Likert scale developed by Maignan and Ferrell (2004), Deshpande et al. (1993) Jaworski and Kohli (1993) and Samiee and Roth (1992) and David Aaker brand equity model

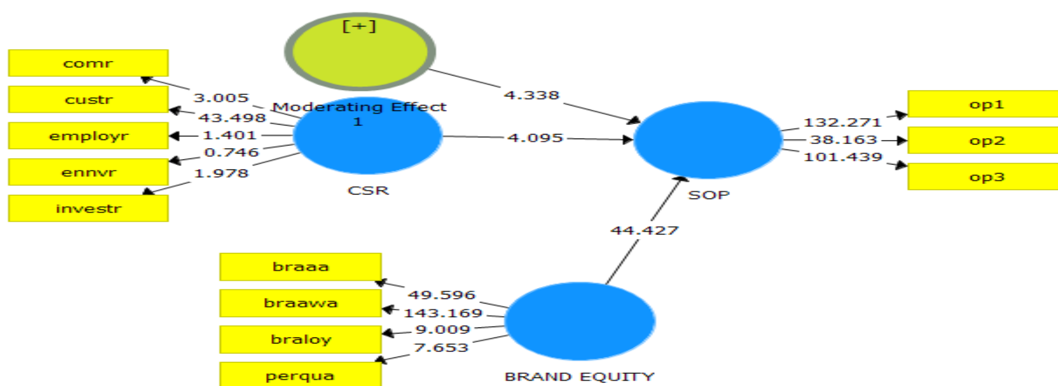
4. Data Analysis & Results

Reliability and validity checks are carried out on all the variables in the study. The reliability of the variables refers to the precision of which the constructs consistently calculate the same phenomenon within the permitted variance. The reliability of each construct is tested by Cronbach's alpha (Cronbach, 1951). It tests the interrelationship of a series of alpha scores greater than 0.7, which is widely agreed as adequate precision for the construct (Nunnally, 1978). Composite reliability for the internal consistency of the constructs was checked and beyond 0.7. Descriptive analysis, reliability and validity analysis conducted by the SPSS. The hypothesis was checked using the Smart PLS and tabulated below.

Table 1.0 Hypothesis Result

Hypothesis	Path	T value	P-value	Result
H1	Brand Equity → SOP	44.227	0.000*	**Accepted**
H2	CSR → SOP	4.095	0.000*	**Accepted**
	Moderation Effect	4.333	0.000*	**Accepted**

**P value less than0.05 Source: Primary Data*



1.0 T Value and P-Value

5. Discussion & Implications

The results of the study supported the first hypothesis and the second hypothesis. The analysis validates that brand equity positively impact on subjective organization performance. It also showed that CSR practices have a positive effect on the relationship between corporate brand identity and subjective operational efficiency. The observation that CSR moderates the relationship between brand equity and subjective organizational performance is especially exciting considering the conflicting results of previous research on the relationship between CSR and organizational performance. According to the Aguinis and Glavas (2012) report, the effect of CSR on organizational performance is not always optimistic. That is, it depends on the form of company, some companies will benefit, some will not. Thus the effects of this research justify to some degree the mixed outcomes of earlier studies. The findings of this study indicate realistic consequences for banks and demonstrate that banks can boost their brand equity and value by participating in wisely selected CSR programmes targeted at different stakeholders such as consumers, staff, the society and investors. In other words, banks should incorporate their CSR initiatives into their plan to manage their long-term partnerships with different stakeholders and thereby improve their competitive edge and eventually their efficiency. More precisely, banks should deliberately select and match CSR activities with the desires of different categories of target beneficiaries in order to achieve optimal performance.

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