University of St.Gallen
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Stakeholder trust in the context of sustainability branding

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From insight to impact.

Motivation and theoretical background

Environmental and societal challenges
(caused by business operation)

→ corporate marketing and branding activities accelerated the negative impact of business
(Csikszentmihalyi, 2000; McDonagh & Prothero, 2014; Pereira Heath & Chatzidakis, 2012)

Stakeholder Trust

Stakeholder Theory

Trust
(affective, cognitive, behavioral)

Business sustainability
→ reflected in corporate branding and communication

→ first implementations of sustainability into brand and communication strategies → generate more profit through strengthening brand reputation and accessing new consumer segments
(McWilliams & Siegel, 2000)

→ new insight into the arising tension of sustainability branding
→ contributing to existing research on stakeholder trust
→ better understanding of trust-based stakeholder relations, which are requirements of many sustainability business models

Research questions

How corporates can successfully embed sustainability into their brand and communication strategies, and in a broader sense, into their stakeholder relations, without eroding stakeholder trust?

Sustainability branding: challenges with building and maintaining stakeholder trust

Propositional style, theoretical paper

RQ: How the three different dimensions of trust are influenced by sustainability and how corporate branding versus corporate sustainability activities differ in their trust building?

Dimensions of trust

PSYCHOLOGICAL TRADITION

BEHAVIORAL TRADITION

affective dimension

- rooted in feelings, connected to social skills, such as care and concern (Dowell et al., 2015; Mayer et al., 1995)
- important factor in building brand trust (Iglesias et al., 2011; Jung & Soo, 2012)
- stakeholders' perceptions of companies' moral character (e.g., Baier, 1994; Becker, 1996; Hosmer, 1995; Luhman, 1979; Wicks et al., 1999)

cognitive dimension

- rooted in rational choice, through calculated judgments, grounded in experience and repeated interaction (Chua et al., 2008; Hardin, 2001; McAllister, 1995; McEvily, 2011; Rousseau et al., 1998; Williams, 2001)
- constituting evidence of trustworthiness, familiarity, integrity, competency and goodwill based on rational assessment and knowledge (Dowel et al., 2015; Lewis & Weigert, 1985; Luhmann, 1979, Mayer et al., 1995; Sako, 1992)

behavioral dimension

- based on action eg. company's activities will be assessed by trustors (Lewis & Weigert, 1985)
- expectations regarding future behavior (Zucker, 1986)
- trust must be manifest in behavior (McEvily et al., 2003; Weber et al., 2008)
- the trustee is willing to be vulnerable to the actions of the other party (Mayer et al., 1995)
- cooperative behavior: the manifestation of behavioral trust (Axelrod, 1984; Flores & Solomon, 1998)

Trust is a multi-dimensional construct that arises in one single social experience through cognitive, affective, and behavioral dimensions (Lewis & Weigert; 1985; Van Der Merwe and Puth; 2014).

Stakeholder relations and trust

Stakeholders "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman, 1984 p. 25)

- **mutual** nature of the relationship → trust requires both a trustee and a trustor (e.g. Van der Merwe & Puth, 2014)
- not limited only to **individuals** but also extends to **groups** → collective trust relations that are characterized by targeting the organization as whole (Kramer, 2010)
- the focus is on the **relationship** itself, which is the **unit of analysis** in stakeholder theory in general

Stakeholder trust - the willingness of stakeholders (e.g. customers, employees, etc.) to be vulnerable to the actions of an organization based on expectation that the latter will act in good faith (Mayer et al. 1995; Pirson & Malhotra, 2011; Zaheer et al. 1998)

Shift in academic work: **from stakeholder management to stakeholder engagements**
"trust-based collaborations between individuals and/or social institutions with different objectives that can only be achieved together" (Andriof & Waddock, 2002, p.42).

Challenges of Corporate Sustainability Branding (CBS)

- **trust is complex** → multifaceted character of trust
  (e.g., Lewicki et al., 2006; Lewis & Weigert, 1985; Van der Merwe & Puth, 2014)

- **sustainability is complex** (eg. social/environmental local/global) (Polonsky & Jevons, 2006)

- **multiple stakeholder audiences** of corporate brands
  → divergent needs (eg. local/global)
  → corporate brand image formed by a wide variety of stakeholders, including employees, investors, suppliers, local communities
  (Aaker, 1996; Aaker & Joachimsthaler, 2000; Balmer, 1995; Brexendorf & Kernstock, 2007; Harris & de Chernatony, 2001; Esch et al., 2014; Hatch & Schultz, 2001; Ind, 1997; Jones 2005; Olins, 2000; Schmitt & Simonsen, 1997; Vallaster et al., 2012)

Affective trust in Corporate Sustainability Branding (CBS)

The heart: feelings, social skills, moral, responsibility, fairness, often based on values

VALUES

- branding often builds on affect-based trust (Johnson & Grayson, 2005; Iglesias et al., 2011; Jung & Soo, 2012)
- stakeholders' perceptions of companies' moral character (e.g., Baier, 1994; Hosmer, 1995; Luhman, 1979; Wicks et al., 1999)
  → practical example: support for Black Lives Matter and LGBTQ-related issues

P1a: CSB that reflects a firm's moral character strengthens affective stakeholder trust.

- shared values contribute to trust (Deshpande & Webster, 1989; Dowling, 1993; Dwyer et al., 1987; Morgan & Hunt, 1994)
- influence of sustainability on values
  → problem of 'hollow values' (Urde, 2009)
  → divergent value system of different stakeholders (Gyrd-Jones et al., 2013)

P1b: CSB that does not embed congruent value systems of stakeholders erodes affective stakeholder trust.

Cognitive trust in Corporate Sustainability Branding (CBS)

The head: rational choices, experience, knowledge, integrity, ability, and benevolence

EXPECTATIONS

- capability and expertise of the trustee to complete a task (Mayer et al., 1995)
- firm has the relevant skills to complete a task (Braeshear, et al., 2003) → certificates
- accurate information, explanations of decisions, and openness (Whitener et al., 1998)
  → practical example: lack of ability e.g. Nespresso
  → practical example: lack of engagement due to under- and overcommunication

P2a: CSB that meets a wide range of stakeholders' expectations strengthens cognitive stakeholder trust.

- interconnectedness of stakeholders (Crane, 2020)
- stakeholders as multiple trustors (Van Der Merwe & Puth, 2014)
- stakeholders' joint interests (Freeman, 2010)
  → practical example: connectedness on social media

P2b: CSB that addresses the joint interests of connected stakeholders strengthens cognitive stakeholder trust.

Behavioral trust in Corporate Sustainability Branding (CBS)

The action: behavior, practice, cooperation, interdependency

MUTUALITY

- actions can be turned into trust when the experience is beneficial, or at a minimum not harmful, to the other part (Gambetta, 1988)
- company's actions will be assessed by trustors (Lewis & Weigert, 1985)
- behavioral dimension is crucial when it comes to sustainability branding → lack of action (decoupling) (Lyon & Maxwell, 2011; Lyon & Montgomery, 2013)

P3a: Backing up CSB with substantive sustainability action strengthens behavioral stakeholder trust.

- definition of stakeholders ←→ definition of stakeholder trust
- interdependence as a necessary condition of trust (Rousseau et al., 1998)
- trusting in a business = being willing to cooperate (Meeker, 1984; Hosmer, 1995)
- attitude-behavior gap (Gleim & Lawson, 2014)
  → practical example: sustainable business solutions = high level of cooperation needed e.g. circularity

P3b: CSB that builds mutual (behav.) trust strengthens stakeholders willingness to engage in substantive sustainability action.

Discussion

Contribution

- sustainability is a growing, influential factor when it comes to stakeholder trust → changing nature of stakeholder trust
- corporate sustainability branding illustrate how tensions can arise in building trust with stakeholders
- corporate brands operate on a global level → arising challenges in trust building (branding, comminiaction)
- stakeholders, taking the role of trustors (and not only trustees) → firms depend on stakeholder's cooperation

Limitations and questions

- synthesizing divergent literature streams (trust, stakeholder theory, corporate sustainability, corporate branding)
- focus on the three dimensions of trust
- level of the analysis → since the core of our analysis are stakeholder relations, referring to individuals and groups, we do not limit ourselves to one level of analysis

Thank you.

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