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Assessing the effects of socially responsible strategic partnerships on building brand equity of integrated business structures in Ukraine

**JEL Classification:** M14

**Keywords:** CSR; brand value; loyalty; efficiency; IBS

**Abstract**

**Research background:** At present, it is critical to raise awareness on how global trends of doing business within the framework of sustainable development affect the success of each business unit, integration associations, and apparently contribute to a nation’s prosperity. Thus, a study aimed at measuring the effects of socially responsible strategic partnerships on building brand equity of integrated business structures (IBS) will provide deeper insights into assessing the effectiveness and relevance of disseminating CSR practices.

**Purpose of the article:** The paper attempts to evaluate the degree of effect of socially responsible strategic partnerships on building strong brand equity of integrated business structures.

**Methods:** The participants in the assessment have been selected from the Forbes TOP 200 largest companies in Ukraine (the ranking was based not only on sales, such metrics as companies’ financial performance, total assets and their current assessed value were also
considered). The input data on the CSR indices were obtained from the Center for CSR Development Ukraine. The index of loyalty to a certain brand was calculated as an integral ratio of satisfaction and importance to customers (based on online survey results). To analyze the impact of the endogenous variable of CSR on IBS branding effectiveness (customer loyalty index and brand equity) and its cost effectiveness, correlation regression and factor analysis methods were applied.

**Findings & Value added:** This study demonstrates the feasibility and economic justification of the impact of socially responsible strategic partnerships on brand equity development for integrated business structures. The research has significant implications for brand management of integrated business structures by providing empirical evidence that will improve understanding of the need to implement the concept of socially responsible branding that right today resonates with the moral society.

**Introduction**

In an era of accelerated change and globalization of the world economy, more and more companies and organizations are striving to make their operations sustainable. Apparently, the idea that long-term profitability should be combined with social justice and environmental protection is becoming increasingly prevalent. These expectations will only grow and boost further as the need for a transition towards sustainable economic development will be fully recognized by all stakeholders.

It is expected that the moral management model (see Carroll, 2000, pp. 33–42) will be the key to companies’ ultimate success and profitability promoting the increasing role of ethical behavior and philanthropy within the commercial domain. An era of responsible marketing development and strategic corporate management mainstreaming (see Lee et al., 2008, pp. 848–855) engenders benefits from corporate social responsibility (CSR) revealing positive effects on building a strong brand. A new generation of consumers tend to be more sensitive and careful in their preferences leaning towards embedding ethical and environmental policies into the overall corporate strategy as well as to the company brand (Balmer, 1995, pp. 24–46; Urde et al, 2013, pp. 13–20). Accordingly, environmentally friendly and socially responsible brands have become an integral part of the sustainable marketing concept (see Hui-Ju & Horng, 2016, pp. 20–35) and sustainable development of any country in the world, Ukraine in particular.

According to GRI statistics, an independent international organization that has pioneered corporate sustainability reporting since 1997, 74% of the world's largest companies publish sustainability reports using the GRI standards (www.globalreporting.org). The GRI Sustainability Reporting Standards are the first and most widely adopted global reporting standards in the area of social responsibility. They represent the global best practice
by reporting on a range of economic, environmental and social issues. 522 organizations from 67 countries are the members of the global GRI community. In 2017, 30525 training and workshops on GRI report-writing standards were held. Year by year, the number of reports is rapidly increasing, and the number of countries where these standards have been implemented is constantly growing. In this regard, Ukraine is no exception. The level of transparency among Ukrainian companies is gradually increasing. This is evidenced by the average level of information disclosure by Ukrainian companies on their websites. The number of companies that had posted their online non-financial reports rebounded (Fig.1). Some of the reports were prepared according to new GRI Standards 4.0 or using some elements of GRI 4.0. Analysis of non-financial reporting and the results of completing the Global Compact form demonstrated that Ukrainian companies build their CSR strategies and practices according to the following four objectives for sustainable development: decent work and economic growth; innovation and infrastructure; fight against climate change and preservation of terrestrial ecosystems. A review of non-financial reporting of Ukrainian companies in the framework of social responsibility revealed the lack of adequate key performance indicators. Most non-financial reports contain only quantitative performance metrics in certain selected areas of CSR which significantly reduces the effectiveness and transparency of such reporting. Apart from that, we should mention that Ukraine is lagging behind against global-scale practices when it comes to dissemination of CSR implementation reporting.

Modern global business trends challenge radical changes in strategic benchmarks of integrated structures driven in the first place by large-scale implementation of sustainable development concept in shaping world business environment. This study aims to assess the effects of socially responsible strategic partnerships on building brand equity of integrated business structures, thus contributing to raising awareness on the effectiveness and relevance of disseminating CSR practices.

As the primary research methods to explore the effects of corporate social responsibility on integrated business structures branding effectiveness and on the customer brand loyalty, the paper suggests to apply correlation and regression along with factor analysis. The use of the above methods allows to measure the density and indicate the direction of the relationship, as well as to reveal the analytical outcome dependence, i.e. the relationship between the financial performance of integrated business structures and such particular impact factors as the level of corporate social responsibility, customer loyalty and brand value.
Literature review

Over the last decades CSR has become a common practice within the strategic agenda of a great number of corporations. Given the above, we would like to test a hypothesis as to the relationship between socially responsible strategic partnerships and financial performance of integrated business structures (IBS). Thus, the effectiveness of branding of IBS represents a proxy for linking CSR and IBS performance, which facilitates a feedback between corporate social responsibility and the customers’ response in the form of their loyalty. This relationship can be presented as follows: the level of corporate social responsibility has an impact on the efficiency, which in turn affects the overall financial performance of the integrated business structure at all.

In addition, we would like to emphasize the direct impact of consumer loyalty on brand value and its equity.

According to Aaker’s and Keller’s typologies (compare Aaker, 1991, pp. 56–67; Keller, 2003, pp. 112–117), brand equity entails two basic components: 1) customer loyalty and 2) brand value. Although previous studies have emphasized the importance of corporate responsibility for their operations, there is still considerable ambiguity about the definition of the above economic concept. Some authors provide a broader interpretation of CSR, presenting it as a business concept that has a positive impact on certain community groups and areas (Carroll & Buchholtz, 2000), or view CSR as a component of sustainable development concept which is implemented through a national business strategy subject to the needs of personnel, local communities and the environment (Utting & Jose Carlos, 2010, pp. 30–39). Due attention should also be drawn to the understanding of corporate social responsibility in a narrow context as the ability to do the most good for your company and society (Carroll, 1979, pp. 497–505).

However, the role of CSR in branding effectiveness with regard to IBS is not clearly defined. A number of consumer market research surveys have indicated that CSR and corporate reputation induce positive awareness about a corporate brand (Chi-Shiun et al., 2010, pp. 457–469; Kim et al., 2015, pp. 3683–3694; Grubor & Milovanov, 2017, pp. 78–88). The concept of corporate reputation and image reinforce additional spheres of influence in the activities of IBS, which help brand managers to implement strategic initiatives a corporation might face in the context of globalized competition. This approach describes the company reputation and image as critical strategic resources. Thus, Gray and Balmer (1998, pp. 695–702) in their model of corporate reputation and image management view corporate identity as a nexus of identity and reputation manifested through a range of
mechanisms and communication channels in the eyes of its multiple stakeholders. Following this model, corporate identity, corporate image, its reputation and the communication channels are considered the key components of management process.

This idea has been further developed by Casimiro and Coelho (2017, pp. 249–268) suggesting a shift of corporate reputation focus manifested through its impact on brand equity and assigning CSR the moderator role. The research findings confirm the hypothesis of the positive effect of corporate reputation on brand equity. The study also argues that the results obtained are more reliable among customers with higher perception of CSR. Hence, the emphasis is made on the critical need to adopt CSR practices.

To deepen and extend the scientific understanding of CSR, it also seems relevant to view it through the prism of economic, legal and ethical perspectives. A three-dimensional conceptual model of corporate performance (Schwartz & Carroll, 2003, pp. 503–530) contributes to gaining better CSR essence insights through building specific CSR profiles (portraits) given the dominant role of economic, legal and ethical considerations subject to a specific area of activities of each individual business unit in the structure of integrated business structure. We assume that in the context of IBS this approach can be applied to enhance the branding effectiveness. Thus, creating individual brand profiles makes possible their synthesis into the integrated profile of ISB.

Customer loyalty can be enhanced through appropriate investment in corporate social responsibility (see Wartick, 2002, pp. 371–392; Teti et al. 2015, pp. 1144–1160). Although socially responsible brand image is hardly a decisive competitive advantage to attract more socially responsible customers, there is a general consensus that CSR strategies aimed to address stakeholders’ interests and concerns is the key to success in the long-term competitive advantage and company profitability, thus unlocking its strategic potential to the utmost.

Similar opinions have been expressed by Singh et al. (2012, pp. 541–549). Their analysis of the relationship between ethical brand at corporate level and loyalty revealed the overall positive effects which is yet more proof to the validity of assumptions about the nexus between CSR and customer loyalty to a particular brand.

A customer can become an active recipient of information about CSR and gain a rationale for assessing a company’s performance and its social responsibility, thus recognizing the synergistic effect from high corporate involvement within competitive area of non-profit activities which contrib-
utes to creating a more favourable perception of a company and its operations.

The findings of the recent G. Zasuwa’s study have confirmed the hypothesis about the positive effects of CSR on company performance (2017, pp. 8–16). On the other hand, negative track record of a company due to negative aspects in corporate social responsibility might change the consumers’ attitudes towards the brand (see Jung & Seock, 2016, pp. 6–15). This opinion is clearly demonstrated by the data published on the ‘Rank the Brand’ independent website (www.rankabrand.org) which provides comparisons and brand ratings based on consumers’ evaluations of sustainability and social responsibility in selected sectors of the economy.

From this perspective, to assess the degree of influence of socially responsible strategic partnerships on building brand equity of integrated business structures we therefore formulate (Fig. 2) the following research hypotheses:

**H1:** CSR has positive effect on brand loyalty.

**H2:** CSR has positive effect on brand value.

**H3:** CSR has positive effect on IBS financial performance.

**H4:** CSR has positive effect on IBS branding effectiveness.

It should be noted that subject to the confirmation of hypotheses H1, H2 and H3, the hypothesis H4 is supported axiomatically:

If the hypotheses H1, H2 and H3 are true, then H4 is also true (CSR positively affects the ISB branding effectiveness).

**Research methodology**

To conduct the research on the assessment of the effects of socially responsible strategic partnerships on brand equity of integrated business structures we have collected the following data:

- CSR index (the Corporate Information Transparency Index);
- brand values;
- brand loyalty indices;
- company assessed value (financial performance).
The research data was collected from 100 Ukrainian IBS in their dynamics within the period from 2014 to 2017. The rationale for considering the data in dynamics accounts for the need to enhance the results reliability which has significantly affected the identification of the above relationship.

The input information on CSR indices was obtained from the Center for Corporate Social Responsibility Development Ukraine (www.csr-ukraine.org). Sustainability reporting is used to disclose information (both positive and negative) on how businesses affect the environment, society and the economy. It assists organizations in setting their goals, measuring performance along with managing change and transformations to achieve sustainability of operations. The preparation of sustainability reports makes abstract issues tangible and specific, thus facilitating the change impact analysis and tracking in the framework of organization’s sustainable development strategy. Implementation of global-scale reporting elements and indicators ensures information accessibility and compatibility.

The participants in the assessment have been selected from the Forbes TOP 200 largest companies in Ukraine (the ranking was based not only on sales, such metrics as companies’ financial performance, total assets and their current assessed value were also considered). Companies with more than 50% of state ownership were not assessed. In total, the assessment covered the first 100 companies, representing 18 sectors of the economy. In addition, the companies’ websites were also evaluated by the following four criteria:

- reporting (40% of the total score) – availability of the report on company’s activities in social and environmental areas;
- content (35% of the total score) – the level of CSR disclosure by the key areas;
- navigation (10% of the total score) – easiness of access to any information on the corporate social and environmental responsibility;
- accessibility (15% of the total score) – potential website accessibility in terms of various aspects (multiple language choice, contact information availability, adaptation for people with disabilities).

A company’s position against other companies by the CSR Index is the sum of score points (expressed as percentage) obtained according to the above criteria.

Further, such indicators as brand values and the company’s current assessed value were obtained from the assessments by MPP Consulting and Forbes rating agencies (www.mppconsulting.com.ua; www.forbes.net.ua).

To estimate the index of customer loyalty towards a certain brand an online survey has been carried out using a similar to the ‘Rank a Brand’ website methodology (www.rankabrand.org). In total, the survey involved
1000 respondents that evaluated 100 brands. The loyalty to a certain brand was calculated as an integral ratio of customer satisfaction and importance (according to online survey results).

At the next phase of the study the impact of endogenous variable of CSR on IBS branding effectiveness (customer loyalty index and the brand value) has been tracked along with assessing the cost-effectiveness of IBS by using correlation and regression analysis to support the hypotheses H1, H2, H3 and H4 and to identify the degree of impact by each of the hypotheses. The use of correlation and regression analysis allows to quantify the density and direction of the relationship, and to determine the analytical dependence relationship between the result and specific factors (Lipsey, & Wilson, 2001; Hair et al., 1998). This correlation between factors density and the overall result provides the opportunity to identify the most important factors affecting the endogenous variable. With the aim to identify critical nexus according to the above hypotheses, a correlation and regression analysis has been carried out on the estimation of the degree of effect of socially responsible strategic partnerships on building brand equity of IBS (Fig.3). According to the proposed method, the incorporation of such factors as brand loyalty, brand value and financial performance in the models for assessing the effects of socially responsible strategic partnerships on building IBS brand equity is carried out by using Student’s t-test. The hypotheses H1, H2 and H3 are confirmed under the condition when a calculated t-test value exceeds its reference value.

Further, to test the parameters under study for multicollinearity, factor analysis with the principal component method has been applied. The feasibility of this forecasting method against the classical regression analysis can be explained by the fact that the latter enables the maximum possible range of multiple correlated factors (multicollinearity) to be included into the model. The forecast with these variables will lack accuracy. Thus, there is a need to replace the input interrelated variables by a set of uncorrelated parameters. This problem is solved by means of principal component analysis which represents the features based on initially measured characteristics.

Results

Thus, the results of the analysis on the degree of effect of socially responsible strategic partnerships on building brand equity of integrated business structures revealed loyalty index and financial performance of IBS as the most dependent variables. At a significance level of $\alpha = 0.05$ and the num-
ber of degrees of freedom 7, $t_{\text{tab}} = 2.36$. The actual value of $t$-criterion equals to 5.47 for the customer loyalty factor and to 6.09 for the factor of cost-effectiveness of IBS, respectively, which exceeds the tabular values. Therefore, the condition of these factors inclusion into the group of the most influential is met. The $p$-value for each factor is less than 1% which indicates their informativeness. The $p$-value for the brand value factor allows for considering it uninformative and the one to be excluded from the analysis for better quality of simulation results (Table 1).

Based on the residuals distribution analysis and correlation matrix results, we conclude that the factors under consideration exhibit the signs of multicollinearity. This conclusion provided a good starting impetus for conducting a factor analysis to test the assumption that the loyalty index, financial performance of IBS and the brand value are the indicators that describe the same phenomenon — the CSR. Revealing the hidden variable factors responsible for the presence of linear statistical correlations that are observed between the variables laid the basis for factor analysis.

Within this method, one factor consolidates other factors with strong correlation between variables. In the result of variance redistribution between the components a simple and clear factor structure emerges. After the merge, the correlation between components within each of the factors will be higher than their correlation with other factors elements. This procedure also enables to select latent variables which is especially important under analysis of social perceptions and values. Given the estimates obtained from factor analysis (Table 2), it should be noted that the indicators of loyalty index, IBS financial performance and brand value are similar and have a high correlation coefficient, thus making it possible to assume that there is some latent variable able to be a proxy for explaining the similarity of estimates. This latent variable (factor) in our case is the index of CSR. This factor affects a number of other variables and facilitates the possibility to mark it as the most general, the variable of a higher order. To identify the most significant factors, a method of principal components has been applied. The essence of this method is to replace the components that are correlated by uncorrelated factors. Thus, the factor analysis by principal component method has identified a possibility of combining the indices of customer loyalty, financial performance of IBS and of brand value into one factor affected by the latent variable, i.e. the CSR index.
Discussion

The key objective of the study was to provide a scientific rationale and empirically test the degree of effect of socially responsible strategic partnerships on building brand equity of integrated business structures. The study yields both scientific results and practical application as well as implications and suggestions for further research.

Previous studies in the framework of corporate social responsibility were not focused on the relationship and proactive role of CSR in the effectiveness of branding activity of integrated business structures.

Lack of proper investigation on the degree of influence of socially responsible strategic partnerships on building brand equity of integrated business structures, in our opinion, significantly reduces the understanding of the need and the demand for morality in business in modern realia.

In this study, we have analyzed the role of CSR for branding effectiveness and IBS financial performance. Empirical results evidence that CSR has positive effect on brand loyalty (H1) as well as on IBS financial performance (H3). The most intriguing result is the lack of evidence for the hypothesis H2 stating that CSR has positive effect on brand value. However, given the mathematically proven result of correlation between all indicators we conclude that all these variables have a certain degree of relationship. Consequently, it becomes apparent that hypotheses H2 and H4 can also be confirmed (Fig.4). The lack of identification of CSR effects on brand value by means of correlation and regression analysis can be well explained by the following: the customer loyalty index affects brand value with a certain lag, i.e. a delay over time. Consequently, the impact of CSR index on brand value will become apparent over a certain period of time, which triggers the need for further investigation with regard to change in the above indicators dynamics.

Conclusions

At present, ensuring sustainable development is the key focus of transformations to be held by companies, markets and society, the role of which will only increase in future. Thus, the information on sustainability which is relevant or significant in the context of company value change should make the core of integrated reports.

This study demonstrates the feasibility and provides economic rationale for the impact of socially responsible strategic partnerships on building brand equity of integrated business structures on the example of Ukrainian
companies. The current study has significant implications for brand management of integrated business structures by providing empirical evidence that can provide deeper insights to understanding the need to implement the concept of socially responsible branding that will benefit companies, economy and society as a whole.

However, it should be noted that the presented results have certain spatial limitations since this study refers only to Ukrainian integrated business structures. Thus, the implementation of the results obtained in other countries needs additional clarification and further research.

The research findings trigger the need for further development of theoretical provisions of the sustainable marketing concept and reveal the benefits of practical recommendations as to brand management based on socially responsible strategic partnerships. Building environmentally friendly and socially responsible brands should become the imperative for strategic planning in the context of moral society.

References


Rank a Brand is an independent and reliable brand-comparison website. Retrieved from https://rankabrand.org/.


www.forbes.net.ua

Annex

**Table 1.** The results of analysis of CSR effects on customer loyalty index, IBS financial performance and brand value (MS Statistica 12, listing)

<table>
<thead>
<tr>
<th>Variable</th>
<th>b*</th>
<th>Std.Er of b</th>
<th>b</th>
<th>Std.Err. of b</th>
<th>t(7)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-57.236</td>
<td>336.5359</td>
<td>-0.170</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalty index</td>
<td>0.431</td>
<td>0.0789</td>
<td>27.695</td>
<td>5.0643</td>
<td>5.469</td>
<td>0.000</td>
</tr>
<tr>
<td>Assessed value (IBS financial performance)</td>
<td>0.480</td>
<td>0.0789</td>
<td>0.2033</td>
<td>0.0334</td>
<td>6.090</td>
<td>0.005</td>
</tr>
<tr>
<td>Brand value</td>
<td>-0.033</td>
<td>0.0744</td>
<td>-8.224</td>
<td>18.3467</td>
<td>-0.448</td>
<td>0.865</td>
</tr>
</tbody>
</table>

**Regression Summary for Dependent Variable: Индекс КСВ**

(Spreadsheet1) R= .84673995 R?= .65762056 Adjusted R?= .64103133 F(3,10)=33,613 p<,00000 Std.Error of estimate: 1853,5

**Table 2.** Factor analysis results by principal components method (MS Statistica 12, listing)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor Loadings (Unrotated)(Spreadsh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Extraction: Principal components</td>
</tr>
<tr>
<td></td>
<td>Marked loadings are &gt;,700000</td>
</tr>
<tr>
<td>CSR index</td>
<td>-0.793755</td>
</tr>
<tr>
<td>Loyalty index</td>
<td>-0.878438</td>
</tr>
<tr>
<td>Assessed value (IBS financial performance)</td>
<td>-0.700404</td>
</tr>
<tr>
<td>Brand value</td>
<td>0.447385</td>
</tr>
<tr>
<td>Expl.Var</td>
<td>1.905327</td>
</tr>
<tr>
<td>Prp.totl.</td>
<td>0.476332</td>
</tr>
</tbody>
</table>
Figure 1. Dynamics of the number of non-financial G4-based reports from 100 largest Ukrainian companies for the period 2012–2017


Figure 2. The system of research hypotheses on the assessment of the effects of socially responsible strategic partnerships on building brand equity of integrated business structures
Figure 3. The method for estimating the degree of effect of socially responsible strategic partnerships on building brand equity of integrated business structures

Note: \( j \) – the number of investigated IBS (\( j=100 \)); \( t_t \) – target value of \( t \)-criterion; \( t_{tab} \) – tabular value of \( t \)-criterion; \( i \) – the number of factors (\( i=3 \)).

Figure 4. The results of supporting/refuting the hypotheses in the framework of the research on assessing the degree of effect of socially responsible strategic partnerships on building brand equity of IBS

Note: the hypothesis is supported; the hypothesis is refuted.