



From the Desk of the President



Michael A. Gibbons
President, GSC

How Branding Affects Your CSR Message

A recent study has unveiled just how difficult it can be for some companies to convince consumers that they have embraced Corporate Social Responsibility (CSR) practices depending on pre-existing brand perceptions. CSR is important for all companies to embrace – but if bolstering the brand is the goal, some companies will find it harder than others.

Most American companies would say they embrace CSR not only because it's the right thing to do, but also because it strengthens their brands. Strong brands are important, and valuable. In 2007 the U.S. Financial Accounting Standards Board (FASB) issued standards for reporting how much brands and other intangible assets are worth. A CSR branding survey from 2010 showed that 70% of consumers were willing to pay a premium for a product priced at \$100 if it came from a socially responsible company, while 28% were willing to pay at least \$10.

86% of consumers said that they would have a more positive opinion of a company that is doing something to make the world a better place, regardless of the cause or issue concerned. A recent McKinsey global survey showed 76% of executives said CSR efforts add to long-term shareholder value.

Not surprisingly, companies have begun incorporating CSR messaging into their advertising, when applicable, with the anticipation that consumers will reward these companies in kind. However, a recent study indicates that it is not that black and white. Depending on a company's initial brand perception, the CSR message may not have as much impact as desired or expected.

Consumers seem to be a bit skeptical of CSR actions from for-profit entities. Across four experiments, researchers from the University of Minnesota, University of South Carolina, and the University of Georgia tested the concepts brands evoke against messages of social responsibility, and measured their effects on participants' brand evaluations. CSR messages from brands associated with excitement and openness (Apple, Google, etc.) or tradition and conservation (Aunt Jemima) are swiftly understood and accepted. Alternatively, when brands that suggest luxury, power, or status (Rolex, Cartier, etc.) attempt the same, their efforts aren't as well-received.

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From the Desk of the President

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"When people see an ad with two opposing motivations as when a brand known for self-enhancement promotes a CSR message, something doesn't feel right," ... Consumers sense disfluency or a motivational conflict between the brand's self-aggrandizing ethos and its selfless CSR message that results in distrust and less favorable appraisals. "This experience occurs rather spontaneously without any conscious deliberation on the merits of the CSR argument."

CSR's impact seems to be strongest with customers who are already familiar with a company and who already understand a brand's personality, perhaps having incorporated the brand into their lives and even identity, or those who value the brand's place in and contribution to society overall.

What does a firm synonymous with power, self-enhancement, and/or luxury that may truly want to be altruistic, or at least benefit from CSR, do about it? "It's a tall order for the Louis Vuittons of the world to abandon their basic positioning for CSR," Bhattacharya says, noting, "those who adopt a CSR-based positioning usually do it from the get go."

These firms must tailor their messages. For example, in their messages, they may use phrases, such as "although what you are about to read might seem contradictory," to prompt consumers to reflect on their subjective experience of skepticism.

An alternative to this problem is simply consistency. Take Angelina Jolie for example; a decade ago she was not taken seriously when she began helping people in need, presumably because her actions conflicted with her sexy, reckless image. Since then, she has persisted with philanthropy; however, her brand was revamped over time and perhaps even improved.

The bottom line is: consumers who are paying attention are savvy about parsing the messages they receive. The key to a successful CSR branding campaign is to display authentic commitment.

Sources:

<http://www.theatlantic.com/business/archive/2011/08/the-perils-of-corporate-social-responsibility/243333/>

<http://holding.com/articles/CCIEE.html>

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Sourcing Leadership

With Great Social Responsibility Comes Great Business!

Belatrix Software Factory (BSF) is a leading ITO vendor, providing services both nearshore and off-shore through its various centers located in Argentina and China. Clients include companies from around the world in countries such as USA, Canada, Spain and Germany, to name a few. Belatrix is proud of its role in Social Responsibility that is geared towards empowering its people. As a participant of the GSC 3S Awards, Belatrix gave us a glimpse of how their multiple training programs have helped employees make better decisions personally and professionally.

Following is an interview with BSF CEO Luis Robbio who answered my questions very candidly.

1. Belatrix Software Factory – is this company your first entrepreneurial vision? How did it all begin?

This entrepreneurial achievement was the result of many years of being in contact with the market, and having a vision or perhaps a dream, and a lot of flexibility in terms of the means to achieve the final goal. I wanted to have a truly international company, fully oriented to services, and then the reality was showing me the best way to reach those goals.

So it requires dreaming with your mind and walking with your feet....

We were making a product that was a combination of hardware and software development and we realized that it was easier to export the software part of the project and very difficult to compete with the hardware side of that business and that was the beginning. We launched the company with two engineers and now we are ready to reach two hundred before the end of the year.

2. Having worked in various countries and among different cultures, what has been your takeaway and has it played a role in shaping your vision for Belatrix?

First of all, you have to respect all the cultures because there are always reasons for things other people do, based on their history. You have to be curious about their roots to understand the reasons of what they do.

Second, it is fascinating that soon, everybody discovers the amazing amount of common ground that is shared between yours and other countries' cultures. But again, you begin respecting them to achieve this second level.

To summarize, for me, respect is the bridge that can connect cultures quite easily.

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[Juee Vinayak](#)
Chair, GSC 3S Awards

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3. What makes Belatrix Software Factory stand out amongst its many competitors? Please let us know the secret to the fabulous growth rate that the company has been enjoying.

Yesterday a new client came to launch their project at Belatrix after several months of negotiations. The contract was already executed and therefore that part was behind us and as of now we are diligently working, hands on, with them. But their process to select the right partner was rigorous and of utmost importance. To learn about their selection process I asked their manager a key question. My question was very simple: "Why did you choose us from the crowds?"

He said:

"We visited every potential partner, after reading a lot through the RFI provided by them, just to "smell" the environment of the company. We found a serious working environment here, while people were running very relaxed and we could see at Belatrix a quite simple managing structure where people had access to everyone, including the CEO. So you could see a very collaborative platform there, already built. It was also easy to realize that integrity was a key aspect of the general policy of the company, between them and also to the customers.

We fell in love with their internal training program. That was awesome and gave us a strong message about the culture of the company and how they were serious about empowering the people... not just buzz words. When we talked about Agile, wow ...we had more to learn from them than for us teaching them...they love the methodology and they know that along with a great time zone for the US they have a killer tool. And the last key issue we detected is that Belatrix loves quality, in fact they have contracts just to do quality and they are extremely good at that."

I guess this summarizes, not from us but from a client perspective, why we are growing so steadily.

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Belatrix Software Factory team

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4. Your submission to the 3S Awards highlighted the numerous trainings facilitated at Belatrix to empower your people to make better decisions in their professional and personal lives. How did this start?

This empowerment goal has two sides. We believe we are in business to make money and also to make the life of the people influenced by your business better, and in this view we are including employees, clients, suppliers and anyone "touched" by the influence of our business.

Secondly, very soon you realize that the whole business is affected every day by moments of truth and those moments can be handled by the CEO of the company or the youngest engineer of the team. As you know, a chain is as strong as the weakest link. So we have to build strong links to have a solid chain. That is the explanation of the ambitious program of training we have for every person working at Belatrix.



Luis Robbio
CEO, Belatrix Software Factory

5. Do you think 3S measures and a successful business walk hand in hand? Please share your success stories.

I had the privilege of attending a lecture of Dr. Wanda Lopuch last year in China. She was very clear about the message: "Business and Sustainable and Socially responsible Sourcing are not contradictory goals; they come along in modern companies and you get the payback of the efforts."

I consider my company successful and it shows that Dr. Lopuch is not wrong in saying that what you invest in people comes back in good business. So, I do not have just one but many successful stories of companies who had recognized our efforts to enhance the skills and capabilities of our people, allowing them to have the power to handle the relationship with our clients.

Just to show a simple example let me mention about one important client we have. K12 is the number one choice in K-12 online education programs in America. Paul Gartner, Vice President, Software Quality Assurance and Configuration Management at K12 gave us the opportunity to work with them about two years ago and since then we have kept growing with this company.

6. What would be your advice to budding entrepreneurs?

It is a simple comment: Have a vision, the vision is the compass, and along the trip you will have flows that will change your path. Be flexible, some of them could be contradictory, but if you keep the big vision always in your mind, you will have the opportunity of changing the path while respecting the compass at the end.

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Sourcing Innovation

Carbon Footprint Labels



Christine Bullen

Board Member & Past Chair, GSC

A recent article in *The Economist* (June 4, 2011) reviewed the state of carbon footprint labels. These labels can be used on any product to show the environmental impact that the product has had from its creation through to its disposal. Environmental labels or stickers on products were introduced in the 1970s in the US and Canada, and appeared on major appliances indicating their energy use. Many consumers are familiar with the Energy Star label which has grown in its application beyond appliances to electronics and homes and buildings.

This process of determining emissions and providing labels to make the emissions visible is one topic in the Global Sourcing Council's 3S Certification course. Cooperation between client companies and their providers is a key to making this effort successful and reducing the damage to our environment.

Early examples of carbon-footprint labels are the French Ecolabel, whose initial development was in the late 1980s, and EPEAT (Electronic Product Environmental Assessment Tool), which is focused on electronic equipment environmental impact. The popularity of these labels has been growing as consumers express an interest in knowing more about what resources have been used to create the products that they purchase. However, the number of consumers that look for carbon-footprint labels when they are shopping is still a small minority.

The Economist credits Great Britain as using the first labels indicating carbon dioxide emissions associated with manufacturing and shipping products in 2007. The idea behind these labels was that shoppers would look for the products with the smallest carbon footprint, analogous to the impact that existing labeling such as "dolphin-friendly tuna," "organic milk," "free-range chicken," "Fairtrade coffee," etc. has had on consumer purchases.

A survey carried out in 2010 in Great Britain, indicated that only 20% of shoppers recognized the carbon footprint label, while 82% recognized Fairtrade and 54% recognized organic labeling.

The process of adding a carbon footprint label to a product can be costly because it involves tracing its ingredients back through its supply chain, its manufacturing processes, and its shipping trail. "According to 3M, an American industrial giant that makes over 55,000 different products, this can cost \$30,000 for a single product." [The Economist, June 4, 2011, page 14] This process is complicated by the fact that different standards exist in different countries for labeling making it difficult to compare labels.

PepsiCo sells a brand of cheese and onion potato chips in the UK, that has a carbon footprint label. Their label includes emissions associated with growing potatoes, making them into chips, the packaging process, the delivery process and the disposal of the packaging after use. This is a good example of the "womb to tomb" approach that advocates want to see in carbon footprint labels. Some also want the labels extended to include emission of other greenhouse gases, such as nitrous oxide, methane, etc.

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An interesting anecdote related to PepsiCo's efforts to create the carbon footprint label for the chips was the discovery of an opportunity to save energy. PepsiCo was buying potatoes by gross weight which caused the farmers to humidify the potatoes to increase their water content and therefore their weight. PepsiCo had to fry the sliced potatoes longer to remove the excess water. PepsiCo switched to buying the potatoes by dry weight, and resulted in 1) the farmers avoiding the cost of humidifying the potatoes and 2) PepsiCo reducing the frying time by 10%. The end result was a savings in money and energy and reduced carbon footprint of the final bag of chips.

Another aspect of carbon footprinting is the "use phase" -- emissions associated with how the consumer uses a product. For example, the use phase emission of shampoo depends on how long the user stays in the shower, how hot the water is and what sort of hot water heater is being used. Levi Strauss found that 57% of the carbon footprint of its 501 jeans was related to their washing: cold versus hot water, dryer versus hanging to dry (hanging reduces emissions in the use phase by 90%!). Therefore some manufacturers want to include this "use phase" emission information on the label to try to affect the consumer's behavior.

Many countries are launching carbon footprint labeling including Japan, South Korea, Thailand, the US, Canada, Switzerland and Sweden. However France, one of the earliest users of these labels, is ahead of most. One company, E.Leclerc, is pioneering some novel ideas in a set of test stores. They are posting labels on their shelves showing the carbon emissions next to the price tag and they are printing the total footprint for a consumer's order on the receipt. In addition, they show how an individual's footprint compares to a consumer average.

The process of understanding carbon footprints reveals the value of all stakeholders working together to improve their emissions. For example, a large chicken producer discovered that their role in the production process accounted for only 22% of the footprint for each chicken; 50% came from the production of the feed for the chickens. "Walmart estimates that 90% of its emissions emanate from its supply chain for over 120,000 companies." [The Economist, June 4, 2001, Page 18] The Consumer Goods Forum supports companies working together to reduce carbon emissions and has a group that includes Tesco, Proctor & Gamble, PepsiCo and Coca Cola working to streamline the process of labeling for carbon emissions.

Ultimately, the process of carbon footprinting will help to make the emissions visible and support the cooperation of companies in both the developed and developing world to reduce emissions and invest in clean technologies, leading to reducing the damage to our finite resources.



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Stay Tuned for Upcoming GSC Webinars



Future Webinar Schedule

The GSC Program Chair, [Pumela Salela](#) is busy setting up an exciting schedule of webinars for the rest of 2011. Here is a list of what we have planned. Specific dates and details will be posted when arrangements have been finalized:

- Seven Seas Technology, Kenya
- Kate Vitasek, Vested Sourcing
- Bill Hefley, Horses for Causes
- 3S and Social Media
- Gaurav Gupta, The Sustainability in 3S
- Ron Babin, Next Wave of 3S
- Jonathan De Luzuria, Impacting for Skills
- John Willmot, 3S Domain experience

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About the GSC...

The Global Sourcing Council is focused on assisting organizations from all sectors, buyers and sellers, achieve their economic goals without sacrificing sustainability. The GSC fosters the exchange of information and a dialogue through:

- Best Practices – the GSC defines and delivers best practices celebrating the intellectual and social capital of the world in a respectful and sustainable manner
- Collaboration –the GSC delivers a wide range of events, activities and webinars to enable its members to network, meet, and share ideas, for growth and to further drive the goals of the GSC
- Education – through the delivery of events, information, and certification, the GSC aims to inform and educate its members on all aspects of sustainable outsourcing processes, issues and trends
- Thought Leadership – the GSC offers an open, unbiased discussion platform for new ideas, controversial issues and general information on socially responsible sourcing in a professional and respectful manner.

We are looking forward to hearing from you. Please contact [Wanda Lopuch](#) if you would like to participate in the work of committees or contribute your time, talent or resources in other ways.