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ETHICS DRIVEN CSR TO ENHANCE CORPORATE IDENTITY, CORPORATE BRAND AND CORPORATE REPUTATION TO FULFILL SOCIAL CONTRACT

Kishore Kumar Krishnan Kutty[1*]

*Corresponding Author: Kishore Kumar Krishnan Kutty, ✉ Kishore7kk@gmail.com

Ethical intangible assets can contribute substantially to the sustained competitive advantage of an organisation in a scandal thronged business environment through the fulfilment of social contract. By unravelling the inefficacy of the present approaches of CSR to protect and enhance the value of ethical intangible assets, an ethics driven CSR approach is posited by this study. This theoretical advancement in CSR necessitates a fundamental shift in the conception and implementation of CSR that corporate ethical identity values are established first which are subsequently shared by CSR. Such a conception and implementation entail significant departure from institutionalised expectations and isomorphic pressures nevertheless positioning the ethical intangible assets of an organisation in optimal alignment with the nebulous social contract, thereby leveraging the value of such intangible assets.

Keywords: Ethics driven CSR, Business ethics, Ethical intangible assets, Ethical leadership

INTRODUCTION

The role played by intangible assets in enhancing competitiveness of organisations is increasingly acknowledged as evidenced by the growth of investments in such assets (Zeghal and Maaloul, 2011). Intangible assets, indeed is becoming more important than tangible assets (Zeghal, 2000) and the augmentation of investment in this asset is attributed to the transition of economies from industrial to knowledge based. In fact OECD (2007) reckons intangible assets as the most important source of value creation. Based on the analysis of the 600 most important European organisations in 24 countries and across 19 industries, Serfas (2015) maintains that as of 2012, the median share of intangible assets was found to be 13.4 % of the total assets of an organisation. However this share varies significantly between organisations. It is less than 1 % for real estate enterprises and more than 41 % for media corporations. Three main kinds of intangible assets are distinguished by Blair & Wallman (2000) namely (1) intangibles which can be bought and sold such as patents, copyrights and licences; (2) intangibles that are controlled by an organisation but may not be legally

[1] M.A Human Resource Management, Leeds Beckett University, Leeds, LS1 3HE, United Kingdom.

protected such as business secrets, proprietary management and systems; and (3) intangibles which include human, structural and relational assets, that are the components of relational capital. Thus corporate identity, corporate brand and corporate reputation come under the second category of intangibles mentioned.

The heightened interest in intangible assets such as corporate reputation emanates from the need for organisations to explicate and demonstrate their integrity in a scandal thronged business environment. Nonetheless, stakeholder scepticism is accentuated by the fact that if earlier, companies which did not claim to have integrity of operations faced scandals, the case of Enron and Tesco's horsemeat scandal as well as BP's Gulf of Mexico oil spill divulge that organisations which claim to be responsible corporate citizens can also fumble in the areas of economic, social and environmental responsibility (BBC, 2003; Walsh, 2010; and BBC, 2013). This apparent incongruence between the operations and communications of organisations lead to a situation wherein the social contract, which is the tacit contract representing societal expectations pertaining to the performance of an organisation, becomes progressively rigid and evidence seeking (Du *et al.*, 2010). Nevertheless, explicit marketing of ethical and social ambitions can attract critical stakeholder attention and risk being considered as "precisely opposite, manipulative and illegitimate" (Ashforth and Gibbs, 1990: 177). Thus the divergent need to communicate responsible behaviour puts organisations under tremendous pressure. Many reckon the evolution of CSR as a concept that enables organisations to respond and fulfil the nebulous social contract (Byerly, 2013) implicitly or explicitly depending on societal expectations (Matten and Moon, 2008). Even though the financial feasibility of CSR had been highly contested, the meta-analysis of Orlitzky, Schimidt and Rynes (2003) found positive effect of CSR on corporate financial performance thereby lay off doubts regarding the business case of CSR.

However scandal incited developments apprise the fallibility in the prominent manner in which CSR is conceived, devised and implemented in most cases. This calls forth researchers' attention to advance CSR theory and thereby the concept's ability to fulfil social contract in an optimal manner. Notwithstanding the multiple dimensions of CSR emerged over the years, primarily influenced by the need to perform according to institutional and societal expectations, testified by the presence of instrumental, relational and normative CSR, this study proposes an approach which eliminates the prospects of ethical misconducts and thereby protect intangible assets such as reputation. As the incongruence between operations and communications, is one of the main factors that dissipate the value of intangible assets like reputation, this study maintain that to mitigate and eventually nullify such incongruence, it is critical that organisational functions at all levels be guided by ethical values, and in this regard an ethics driven CSR can play a pivotal role.

The study arrived at this conclusion based on an analysis of the nature of prominent scandals. This study also claims that complete reliance on institutional theories can hinder the ability of an organisation to be proactive in CSR development and can even undermine the very essence of the concept both from the perspective of effectively fulfilling social contract and enhancing the value of intangible assets like corporate identity, corporate brand and corporate reputation. By delineating the contradictions between the operations and communications of organisations which faced scandals, this study contends that the normative theories on CSR require a fundamental change from an economic driven perspective to an ethics driven perspective. However such an effort can only be fruitful if the internal and external functions of an organisation are guided by identical ethical values. Towards this business ethics can act as a conduit and thereby the creation and maintenance of corporate ethical identity.

A review of the theoretical development of CSR reveals multiple stages in its evolution from social responsibilities of business men in the 1950s and 1960s to the strategic management in the 1990s and 2000s and subsequently a tighter alignment between CSR and Corporate Financial Performance (CFP). While CSR has gained some inward focus as attested by the attention paid to vivify the link between CSR and CFP, scant attention is paid to a number of institutional factors such as personal ethics of managers (Dong and Lee, 2008). Further even though previous conceptual reviews outline the role of business ethics in insulating organisations from scandals and thereby protecting intangible assets (Fombrun and Foss, 2004), limited attention was paid to the role ethics can have in the design of CSR that facilitates the enhancement of intangible asset and fulfilment of social contract . Thus this study addresses a major gap in the existing organisational literature by providing an ethics driven CSR perspective that transcends the normative, instrumental and relational CSR, enabling organisations in the optimal enhancement of ethical intangible assets and fulfilment of social contract.

The extant literature proffers and attests numerous but fragmented ways through which enhancement of intangible assets can be achieved and social contract is fulfilled. This covers a broad spectrum of area of interest to this study as well such as value maximisation through objective function (Jensen, 2001), corporate reputation enhancement through CSR (Melo and Garrido-Morgado, 2012), the role of corporate identity values in effectively communicating CSR (Schmeltz, 2014), utilisation of ethical framework to market CSR (van de Ven, 2008), achievement of social contract through CSR (Sacooni, 2006) to mention a few. Furthermore, previous studies have also paid attention to factors that influence the creation and reinforcement of business ethics in an organisation such as code of ethics (Fleege and Adrian, 2004; and Trevino and Brown, 2004), corporate culture (Trevio and Brown, 2004), ethical climate (Soltani, 2014) and corporate ethical identity (Berrone *et al.*, 2007; and Kleyn *et al.*, 2012). Nonetheless, there is an apparent absence of a unifying framework which can provide a holistic understanding of the credible and sustained ways through which enhancement of the value of ethical intangible assets and social contract can be achieved (Melewar *et al.*, 2014).

The remainder of this study is organised into five sections. In the first section, the nature of recent scandals are analysed with the intent of unravelling the provenance of ethical misconducts that catapulted into scandals. The second section reviews the evolution of CSR from instrumental, normative, relational perspectives revealing the fallibility in the very conceptualisation and implementation of CSR, hindering the ability of the concept in protecting and enhancing intangible assets in the present business environment. In the third section, a framework for ethics driven CSR is introduced with a discussion on the evolution of business ethics and the critical role played by ethical leadership and other instruments such as code of ethics in the creation and sustenance of corporate ethical identity. The fourth section delineates the link between corporate ethical identity, corporate brand and corporate reputation. The concluding section of the study offers a discussion on the theoretical and practical implications and limitations of the study with avenues for future research.

THE NATURE OF SCANDALS- ITS EFFECTS ON SOCIAL CONTRACT AND INTANGIBLE ASSETS

Scandals, irrespective of their nature are deplorable. They leave indelible marks in the history as well as in the psyche of those who are afflicted by that. Nevertheless, scandals in most cases prompt stakeholders to have a critical analysis of the pitfalls in the management of an organisation that culminated in the scandalous events. They invariably raise the question of whether the agents, who are supposed to act fairly have misused their position in their duty to the principal, if agency theory is drawn to analyse the scandal (Heath, 2009).

The ethical misconducts from the agents of Enron consternated not only its immediate stakeholders but also the general public. It further disclosed that the legal systems lack moral will power to prevent agents from misusing their power (Arjoon, 2005). It also raises serious concerns pertaining to the incongruence between what an organisation profess and what it actually does. This incongruence emanates primarily from two diverse kinds of pressures which an organisation faces. Firstly, the incessant pressure to boost short term profits (Buchnan, 1996; Laffont and Martimort, 2002; Heath, 2009; and Gilley *et al.*, 2010). Secondly, market performance has gained more significance over societal values due to growing individualism and cutthroat competition (Dobson, 2009). Profit overstating by Tesco (Wearden, 2014) vividly signifies the challenges faced by agents to boost short term profits prompting them to engage in unethical behaviour.

To boost short term profits, an organisation may outsource its operations to service providers located in low cost production destinations. While there is nothing intrinsically illegitimate in this, it revealed an appalling trend. The focal organisations were not ready to consider their suppliers as an integral part of their organisational functioning. The sweat labour scandal of Nike however made it unambiguous that it is the responsibility of the focal organisation to ensure social sustainability of its supply chains (Nisen, 2013). The Gulf of Mexico oil spill of British Petroleum is another case which effectually established that the focal organisation cannot refrain from ensuring the environmental sustainability of its suppliers (Carrington, 2010). Further it is also intriguing to note that even organisations which are highly profitable like Apple introduced supplier code of conduct only when the inhumane labour practices of one of the major suppliers of the organisation was brought to public notice by the media (BBC, 2012; and Guglielmo, 2013). In short organisations may not be ready to undertake increased ownership of supply chains and supplier education in order to conduct business ethically.

Drawing on the institutional theory, it can be inferred that the outsourcing contracts invariably enabled organisations in the fulfilment of institutionalised expectations (DiMaggio and Powell, 1983). Besides this, there was nothing illegitimate in outsourcing operations. The presence of scandals of similar nature of Nike, Tesco and BP corroborates the presence of isomorphism. DiMaggio and Powell (1983) maintain that three mechanisms can lead to isomorphism. Coercive isomorphism is the outcome of the pressure an organisation faces from other organisations. Mimetic isomorphism takes place when an organisation emulates other organisations with regard to structure and processes at times of uncertainty. Normative isomorphism originates from increasing professionalism in modern societies. Further, as western ideology and rationality influences in shaping the values of the institutionally formed entities (Meyer and Rowan, 1977), the divergence of business ethics in the supplier base from the focal organisational expectations were not reckoned as unethical at least by the immediate stakeholders of an organisation such as the shareholders. It can also be observed that an organisation may continue to be influenced by mimetic and coercive inter industry isomorphism until powerful environmental changes hit them individually as evidenced by the cases of Nike and Apple.

It can thus also be discerned that even with the presence of normative CSR practices, organisations need not proactively pursue to identify and curtail immorality in their entire operations and thus insulate themselves from scandals. The failure of organisations to do so can be identified from the manner in which CSR is conceived and implemented. From the perspective of enhancing the value of intangible assets and fulfilling social contract in a progressive manner, such a conception and implementation can not only mean lesser effectiveness but can also engender counterproductive consequences due to the dissonance between CSR values communicated and core operational values (Du *et al.*, 2010).

CORPORATE SOCIAL RESPONSIBILITY

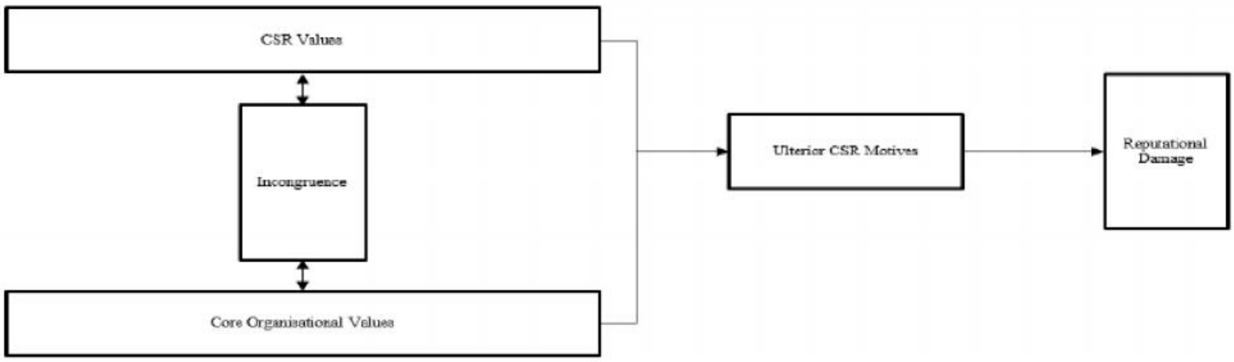
It can be noted that even though Corporate Social Responsibility (CSR) concept has been around for more than 60 years, it became an area of strategic significance in the late 1990s and 2000s (Dong and Lee, 2008; and Moura-Leite and Padgett, 2011). However defining CSR is a difficult task as it is essentially a value based concept (Siltaoja, 2006; and Werther and Chandler, 2006), internally complex and having open rules of application (Moon *et al.*, 2005). For the purposes of this paper, the definition given by the World Business Council for Sustainable Development is used. According to the World Business Council for Sustainable Development (1999:3), CSR is "the continuing commitment of business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well of the local community and society at large". Applying this definition with the factors that culminated to the scandals vividly signifies that ethicality as well as a holistic approach to CSR management has been absent in the case of majority of organisations.

Even though there has been significant evolutions in the CSR concept over the years (Dong and Lee, 2008), an organisation has the freedom to determine the structure and values of CSR. Nevertheless, the institutionalised expectations can substantially prompt organisations to jump in the CSR bandwagon resulting in many organisations adopting a cosmetic CSR as the evolution of the concept testifies (Nigel, 2003; and Dong and Lee, 2008). Thus the present normative theories are the outcome of the concept's evolution to accommodate the changing institutional expectations. For example, the triple bottom line of sustainability is one where the economic, social and environmental dimensions of corporate responsibilities take prominence (Norman and McDonald, 2004; and Branco and Rodrigues, 2006). Such an evolution has intrinsic flaws associated with it as rather than an organisation determining the direction of CSR, it is determined by business environmental changes particularly scandals and by coercive and mimetic isomorphism. For example, Tesco's horsemeat scandal signified that food retailers should pay more attention to suppliers' sourcing strategy which indeed should have been implemented as a proactive measure by focal retailers (BBC, 2013).

This study contends that notwithstanding the power of stakeholders, it is critical that organisations overcome the flaws in the conception and implementation of CSR if they are to enhance the value of intangible assets in a sustainable manner. As testified by the scandals and can be observed from the conception and implementation of CSR by organisations, the fundamental values or motives on which CSR is based in most cases are in substantial misalignment with core organisational values. As mapped by figure 1, incongruence between CSR values core organisational values can dissipate the value of intangible assets such as reputation (Gotsi and Wilson, 2001; and Du *et al.*, 2010).

This is made explicit by the basic orientation of the prominent CSR approaches. For example, the instrumental motives of CSR at the organisational level aim at the fulfilment of shareholder interests in the short term. Relational motives driven CSR at organisational level takes care of stakeholder interests, legitimation/collective identity in the long term (Aguilera *et al.*, 2007). Thus CSR based on instrumental or relational motives can result in organisations decidedly taking short term orientation, resorting to unhealthy competition and placing higher preference on market performance over societal values even though the CSR approach selected can have varying level of impact on such motives. These are the some of the very reasons which instigate

Figure 1: Reputational Damage Affected Due to CSR and Core Organisational Value Incongruence



organisational agents to engage in unethical behaviour (Dobbson, 2009).

Besides this the conceptualisation and implementation of CSR can still be a problem simply because CSR is outward focussed from an operational and communication perspective. What many organisations aim to achieve through CSR is to enhance corporate identity through CSR communication (Du *et al.*, 2010). The central challenge with such efforts however is exposed by scandals primary through the presence of socially and environmentally unsustainable supply chains, effectually damaging corporate reputation. As consumers engage in sophisticated attribution process with regard to the CSR motives of an organisation (Du *et al.*, 2010) and punish organisations that are identified as insincere (Becker-Olsen *et al.*, 2006), CSR undertaken in the present normative manner will reveal many more of the flaws in the coming years, irreparably damaging reputation of many organisations. This is because corporate reputation is “a stakeholder’s overall evaluation of a company over time. This evaluation is based on the stakeholder’s direct experiences with the company, any form of communication or symbolism that provides information about the firm’s actions and or comparison with the actions of other leading rivals”(Gotsi and Wilson, 2001: 29). Thus when stakeholders could identify that the core organisational values and CSR values have substantial dissonance, it has detrimental implications for corporate reputation.

As CSR has become indispensable for many organisations, it became imperative that the benefits of CSR is capitalised in an optimal manner (Dong and Lee, 2008). This convinced many organisations of the pertinence of granting a strategic orientation to CSR (Porter and Krammer, 2006). Baron (2001) is the first to coin the phrase ‘strategic CSR”. The extant literature reveals that a strategically driven CSR can generate positive stakeholder attitude and support behaviours such as purchase, attracting quality talents and investments, positive effects on corporate image and reputation, employee motivation, retention etc. (Sen *et al.*, 2006; Weber, 2008; and Du *et al.*, 2010). Nonetheless, scant attention is paid to the evolution of strategic CSR from the perspective of its efficacy in protecting and enhancing intangible assets in relation to the evolution of social contract and business ethics.

CSR is resource intensive, especially if it is strategic opposed to tactical (Porter and Krammer, 2006; and Bansal *et al.*, 2015). Tactical CSR is the corporate social activities intended at enhancing stakeholder relations in the short term. In short it can be stated that tactical CSR is undertaken by organisations whose values are not well developed or mostly devoid of ethicality pertaining to major decisions. Strategic CSR on the other hand is the organisational activities that are resource intense and require long time periods for its implementation (Connelly *et al.*, 2010; and Bansal *et al.*, 2015). Further tactical CSR is easily imitable and reversible, thereby underscoring the superfluity associated with its implementation and development of competitive advantage (Smith *et al.*, 1991).

Nevertheless, elevating CSR to a strategic level need not necessarily facilitate the enhancement of the value of intangible assets. This is primarily due to the organisational reliance on instrumental, normative or relational approach in the design and implementation of strategic CSR, thereby striving to achieve the desires of the primary stakeholders like shareholders at the expense of the effective fulfilment of social contract. In addition to this, in the strategising stage of CSR, even though corporate values and CSR values are integrated, they can still be separately identified (Schmeltz, 2014) thus sending asymmetric information to stakeholders. The scandals also attest that mere strategic orientation of CSR initiatives is not enough from the perspective of enhancing and preserving intangible assets like corporate identity, corporate brand and corporate reputation in an optimal manner.

This is because despite the fact that CSR can be used as an umbrella concept in driving the economic, social and environment initiatives of an organisation, CSR cannot inculcate values internally in an organisation. On the contrary the internal values must drive CSR initiatives and it should permeate the entire operations of an organisation. However scandals invariably point to the unethical conduct either at the focal organisation or with the suppliers of the focal organisation revealing the absence of moral values. Inferences that can be made here is that the focal organisation follows business ethics in its core operations but fails to inculcate ethical values in the supplier operations or the focal organisational processes are not ethically driven (Kleyn *et al.*, 2012). The irreconcilable nature of instrumental CSR with ethical values becomes evident in these cases as it ties ethical/moral business behaviour with profitability thus limiting the focal organisation from making ethical investments in the supplier base. Nonetheless, normative CSR as well fails here as even though it is philosophically sound, its practical feasibility is limited (Spitzeck, 2013). Thus even though the evolution of CSR has clearly evinced that business ethics is important (Carroll, 1991; and Dong and Lee, 2008), it was not given the due significance in CSR conception and implementation.

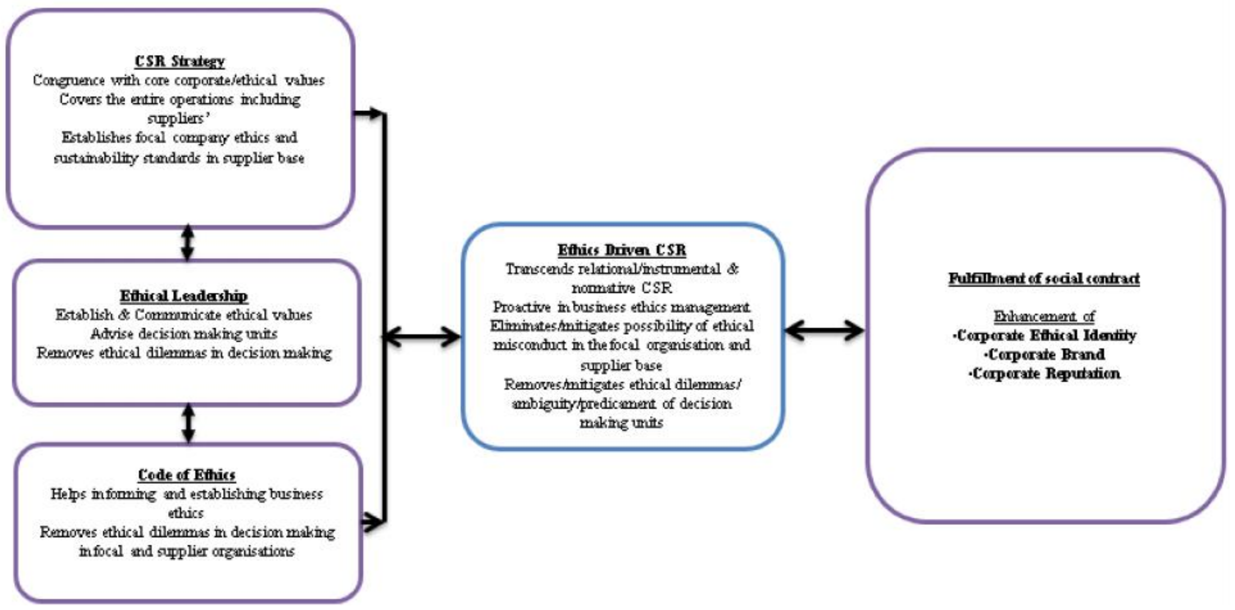
CSR VALUES AND CORPORATE VALUES-WHY THEY SHOULD BE IDENTICAL

Despite that CSR is fundamentally a value based concept (Siltaoja, 2006; and Werther and Chandler, 2006), these values are outward projected enabling organisations in enhancing their corporate identity which is also considered as a value based concept (Balmer *et al.*, 2007; and Schmeltz, 2014). Contrary to the popular conception and implementation of CSR which is aimed at enhancing corporate identity essentially in lines of promoting an identity which is based on economic, social and environmental sustainability, it is inevitable that organisations must first establish an ethical identity and the values of which are subsequently shared with and reinforced through CSR. In other words, this study contends that the core identity of an organisation should be ethical to start with. However such a conceptualisation and consequent implementation of CSR is impossible if instrumental or relational CSR is given preference due to institutional expectations. Figure 2 presents a conceptual framework of ethics driven CSR.

Corporate Ethical Identity

Balmer (2001) maintains that corporate identity is one of the aspects or elements of visual identity of an organisation. van Riel and Balmer (1997: 341) define corporate identity as "an organisation's unique characteristics which are rooted in the behaviour of members of the organisation". Corporate identity in simple terms refers to the core attributes of an organisation, its strategy and values. Based on their case study

Figure 2: Conceptual Framework of an Ethics Driven CSR



regarding the development of corporate ethical identity, (defined as "the set of behaviours, communications, and stances that are representative of an organization's ethical attitudes and beliefs'' (Berrone *et al.*, 2007:36), Kleyn *et al.* (2012) maintain that in the development of ethical core, an organisation must pay attention to the development of trusted relationships, development and enforcement of ethical policy and embed organisational citizenship behaviour. It is critical that the relationships are guided by ethical values. As Kleyn *et al.* (2012) contend, trusted relationship with the suppliers and employees, who are some of the main internal and external stakeholders, is of vital significance as if their decisions are not ethically guided it can result in ethical misconducts and consequently scandals, thereby damaging the value of intangible assets.

Fundamentally the dissonance between the corporate values and CSR values can irreparably dissipate reputation if such disparities are identified by certain stakeholders like consumers (Becker-Olsen *et al.*, 2006; and Du *et al.*, 2010). Thus value inculcation in the corporate identity is inevitable so that those values can be later incorporated in the conceptualisation, implementation and communication of CSR. Towards this, business ethics can serve as a conduit in enabling the various stakeholders to take appropriate decisions thereby reinforcing the values in the core organisational functioning.

Business Ethics

Business ethics is considered as an integral component of business success (Arjoon, 2005) and critical aspect of strategic management process (McManus, 2011) cannot be regarded as a new concept. Business ethics is probably as old as business itself (Fleege and Adrian, 2004) and unethical behaviour has been with humans since their existence (Trevino and Brown, 2004). A definition of unethical behaviour is given by Kish-Gephart *et al.*, 2010:2) as "any organizational member action that violates widely accepted (societal) moral norms'. However ethical decision making is not simple and is considered as a complex multi stage process wherein organisational context accentuates the complexity (Trevino and Brown, 2004). Ethical decision making demands that all the organisational decisions are impregnated with business ethics. The motive of an organisation is the main determinant of ethics and if an organisational action is undertaken merely for the promotion of self-interest, then it cannot be considered as virtuous (Aristotle, 1934). Nevertheless, studies point that public do not expect organisations to engage in ethical investments which are divorced from their core strategy. Strahilevitz (2003) based on a study on 76 undergraduate students at a public university found that cause- related marketing undertaken by organisations which are perceived as ethically neutral benefitted more when compared with organisations perceived as unethical or ethical. These findings further imply that organisations can abstain from undertaking ethical initiatives unrelated to core strategy.

However it can be observed from the CSR reports of many organisations that many of their ethical investments are divorced from the core strategy thus signifying the presence of revealed or symbolic ethics. For example, Enron won numerous awards for its CSR (BBC, 2003) but failed in its duty to its major stakeholders. Such distractive investments reinforce the argument that ethical and social investments are investments without pay off (Friedman, 1970; and Jensen, 2001). The scandals indeed reveal that suppliers' operations require substantial ethical investments to empower them to share the same values of the focal organisation. For example, supplier education on sustainable farming and supply chain management. Thus core strategy based ethical investments create the impression of an ethically neutral organisation which is devoid of ulterior motives, there by reinforcing corporate ethical identity (Strahilevitz, 2003; and Du *et al.*, 2010).

Berrone *et al.* (2007) conducted an empirical study on socially responsible investments confirm that even though revealed ethics has informational worth and shareholder value, it cannot enhance shareholder satisfaction like applied ethics. Applied ethics are the ethical investments that are in line with the strategic objectives of an organisation. They add that revealed ethics which is divorced from core strategy is not enough to enhance economic performance. Notwithstanding such arguments, the scandals recapitulate that when an organisation embraces revealed or symbolic ethics, it is highly likely that the ethical values which permeates the overall operations of an organisation contradict CSR values it promulgates thereby making consumers sceptical of the motives of an organisation.

From the perspective of incorporating business ethics in the overall operations of an organisation, the organisation should be deeply aware of the need to transcend legal requirements in most cases. However there still remains lack of consensus as to the selection of business ethics framework that can guide an organisation in its day to day business operations (van De Ven, 2008). The major normative frameworks of business ethics include consequentialist framework which maintains that an action or decision should reckon the benefits and harm of that to a society, deontological framework where the emphasis is placed on justice, rights and rules and virtue ethics where emphasis is placed on the integrity of the moral actors (Trevino and Nelson, 2003). However as business ethics is intrinsically complex, ambiguity can be felt by the decision making units. Further, two frameworks can be conflicting when applied in the same business situation (Trevino and Brown, 2004). Towards this, Positive Organisational Scholarship (POS) suggests positive deviance befitting diverse cultural and organisational contexts. Sprieitzer and Sonenshein (2004:828) define positive deviance as "intentional behaviours that depart from the norms of the referent group in honourable ways". For example, in the selection of suppliers who share similar ethical values, an organisation may have to compromise on short term profits and thus possible shareholder dissent. Such a selection can help in enhancing intangible assets such as reputation and consequently higher share value thereby the shareholders benefitting more in the long run (Fombrun, 1996; and Fan, 2005).

Verbose *et al.* (2007) based on their review of extant literature on business ethics, positive organisational scholarship and management maintain that an ethical organisation is characterised by ethical practices envisioned and promoted by authentic leaders, where formal and informal structures, processes and systems aligned with ethical principles create a positive organisational context and ethical awareness sustains and reinforces ethical culture. Thus ethical values should be created and disseminated and in this regard ethical leadership can play a pivotal role (Trevino and Brown, 2004; and Schein, 2010). Drawing on institutional theory, it can be discerned that even though internal systems, processes and organisational culture have relevance from the perspective of enhancing intangible assets, ethical leadership and code of ethics have decisive influence on establishing business ethics in the internal and external functioning of an organisation (Trevino and Brown, 2004; and Kleyn *et al.*, 2012) and as such in protecting the value of intangible assets and fulfilment of social contract.

Ethical Leadership

Brown *et al.* (2005) state that recent scandals raise the critical role leadership plays in the shaping and establishment of ethical conduct. They define ethical leadership as "the demonstration of normatively appropriate conduct to followers through two way communication, reinforcement and decision making" (Trevino *et al.*, 2005: p. 120). As most employees look outside themselves to significant others for ethical guidance (Kohlberg, 1969) and further to eliminate predicament associated with the ethical decision making units of an organisation, ethical leaders should be present and accessible (Trevino and Brown, 2004). Since top managers are concurred as the primary institutional enabler due to their ability to effectively manipulate the organisational environment (Choi and Chang, 2009), their decisions and actions are highly likely to be emulated by the employees in organisational settings (Conger and Kanungo, 1987) thus entailing significant repercussions with regard to ethicality in operations associated with each of their decisions.

Leaders can establish values (Zhu *et al.*, 2004; and Schein, 2010) and they can also destroy it through collective action of the board rendering instruments that facilitate ethical decision making like code of ethics impotent as corroborated by the case of Enron (Schmitt, 2002). Nevertheless, leadership can be considered as the pivotal point in the creation and establishment of values (Schein, 2010). Wal-Mart carries a lot of the original values which Sam Walton maintained and infused into Wal-Mart's culture such as maintenance of integrity at all circumstances (Bergdahl, 2004). Another leader who changed the course of an organisation to pursue higher goals on sustainability is Stuart Rose who introduced Plan A in Marks and Spencer in 2007. The Plan not only gave a more sustainable path of development to M&S but also resurrected its performance (Butler, 2013).

From the perspective of enhancing the value of intangible assets, institutional environment can act as a bottleneck primarily due to short term economic orientation. Ethical leadership thus should first transcend the pressure imposed by institutional expectations to undertake instrumental or relational CSR to ethical CSR. Secondly, ethical leadership should convince the indispensability to extend the boundaries of ethical CSR to all the stakeholders including the suppliers. Supply chains offer significant ethical dilemmas (Eltanway *et al.*, 2009) and as such ethical leaders even when promulgating ethical CSR must ensure that supplier operations are covered as well. Since the institutional developments only evolved to a stage where suppliers were not considered as organisational members and that only profits from them really mattered, many ethical leaders were not ready to inculcate ethical values in the supplier base. Reckoning the developments in social contract, ethical leaders must strive to establish business ethics which transcends the deontological concerns to one which embraces positive ethical deviance. This to a considerable extent equips the business units including that of suppliers self reliant in ethical decision making. Being in alignment with ethical values of the focal organisation, the suppliers would share the same level of commitment and concern. In short, even when CSR is not strategic, stakeholders can identify that the intrinsic and extrinsic values of CSR are similar thereby forming consistent impressions regarding organisational reputation (Gotsi and Wilson, 2001).

Code of Ethics

As organisational decision making takes place at multiple levels, it is critical that ethics be embedded in the taken for granted assumptions that prevail in the culture of an organisation (Schein, 2010). Further, as ethical decision making is inherently complex (Trevino and Brown, 2004), to keep the decision making units aware of the ethical values of an organisation, it can device a code of ethics (Robertson and Crittenden, 2003; Sims and Brinkmann, 2003; Trevino and Brown, 2004; and Gilley *et al.*, 2010). A code of ethics can be defined as a truncated document which presents the crux of legal and ethical aspects of conduct required to be followed by all employees of an organisation under all circumstances. This when reached consensus should be effectively communicated and allowed to be permeated in the broad functioning of an organisation including that of suppliers, can become an integral component of its culture (Trevino and Brown, 2004; and Pendse, 2012) thereby enabling the decision making units becoming comfortable in ethical decision making.

However it can be noted that most companies have code of ethics and to transcend the limitation of being just a code, the code of ethics should extend beyond the compliance focus. In other words it should become part of the decision making process and taken for granted assumptions of the culture of an organisation (Schein, 2010). The code of ethics should reflect the ever evolving nature deontological ethics, as many efforts or activities which are considered discretionary have become ethical and efforts which are considered as ethical can become legal in the future (Werther and Chandler, 2006).

Stevens *et al.* (2005) conducted a survey on 302 financial executives found that financial executives are more likely to integrate the code of ethics of their organisation into the strategic decision process if they perceive pressure from the market stakeholders such as shareholders, suppliers, customers, etc., if they believe such an adoption facilitate the creation of a core ethical culture and buttress positive external image and that the code is incorporated into the daily operations of an organisation through code training programs. Thus if external pressure is not perceived or when there is lack of conviction that code of ethics will be properly implemented so as to derive value of such implementation, it is unlikely that the ethical values are integrated in the strategic decision process. There exists dynamic relationship between ethical leadership, code of ethics and other processes in the reinforcement of ethical values in the ethical identity of an organisation (Verbose *et al.*, 2007). This implies that a combined commitment from different constituents is indispensable in the establishment of ethical values in corporate ethical identity. For example, Enron scandal corroborates that code of ethics even though present can be hijacked by the board and can effectually render it impotent to pursue unethical objectives (Schmitt, 2002).

Ambiguity with decision making may still be present even when code of ethics is well defined and executed due to the influence of context and culture induced complexity and this is why it is argued that ethical leadership should be accessible to the decision making units of an organisation (Trevino and Brown, 2004). Further, it can be inferred that not all values can be documented and disseminated through code of ethics as there are certain values which are part of the taken for granted assumptions of an organisation, more powerful than the values presented through the code of ethics, if Schein's (2010) culture frame work is applied. Some of them could be even contradictory to the values prescribed in the code of ethics. Among other factors, the dynamic relationship between positive deviance of code of ethics, ethical leadership and organisational culture can play a pivotal role in counteracting those values (Verbose *et al.*, 2007).

Code of Ethics-Its Impact on External Operations and the Consequent Effect on Corporate Identity

Kleyn *et al.* (2012) maintain that in the development of corporate ethical identity, in addition to the development of ethical core of an organisation, particular attention should be paid to external functions. The rationale is that the manner in which external functions is undertaken by an organisation enables the different stakeholders of it in attributing impressions leading to the creation of corporate identity and subsequently corporate reputation (Abratt and Kleyn, 2012). Thus if an organisation undertakes CSR without paying the requisite attention to external functions such as procurement contracting, it may result in the recruitment of unethical suppliers. This clearly signifies incongruence between the CSR communicated values and procurement functions, consequently prompting the stakeholder to attribute external and ulterior motives associated with CSR. Such incongruence refrain the stakeholders from making positive inferences about corporate identity as well (Fein and Hilton, 1994). Kleyn *et al.* (2012) argue that in addition to procurement contracting, provision of information and procurement administration are also critical significance in creating the right kind of corporate ethical identity.

This requires organisations to go beyond the institutionalised expectations particularly the short term economic rationale and coercive and mimetic isomorphism. Suppliers should be educated on the code of ethics of the focal organization and supported on other aspects such as the responsibility to enhance sustainability credentials on an ongoing basis. Nevertheless, history is replete with the organisational activities which disdain ethical investment that can help better in the creation of sustainable corporate identity to invest in superfluous corporate identity communications.

The 2010 Gulf of Mexico oil spill of BP reveals an appalling ethical misconduct from the company. BP has a history of spills and safety lapses before the Gulf of Mexico spills (Mouawad, 2010), but it did not seem to consider such lapses as ethical misconduct or serious sustainability concerns. Moreover, BP had been undertaking campaigns with a tagline “beyond petroleum” delineating its commitment to alternative fuels (The Guardian, 2008) and had been spending millions of dollars on enhancing its corporate identity (Melewar and Wooldridge, 2001) following the green bandwagon among other efforts. However it failed to ensure that its supplier facilities or systems are intact even after repeated history of spills and there are also accusations from some suppliers that BP had played down their warnings (Carrington, 2010), implying that supplier concerns were not paid the attention it merited. BP’s CSR efforts were clearly facile as the CSR values and core values of the organisation as evidenced through the internal and external operations were highly incongruent.

Absence of code of ethics or value systems and effective control and monitoring systems that prevent or eliminate ethical misconduct in the supplier base can cause irreparable damage to the focal organisation as testified by the scandals. The focal organisation should continually strive to establish and reinforce its ethical values in its entire operations including that of suppliers. In this regard, supplier education may be needed and also the provision of other resources enabling them to inculcate code of ethics in their functioning. This is where the significance of strategic CSR becomes apparent. With a strategic orientation to CSR, an organisation is in a better position to pay attention to the sustainability issues of suppliers and take action in a progressive manner thereby mitigating possibility for scandals. This is how CSR can transcend the merely strategic perspective and tackle consumer scepticism regarding the profit motives of CSR (van de Ven, 2008).

Conception and Implementation of CSR Based on Corporate Ethical Values

As developments in CSR and corporate values do not take place in a parallel manner, a transformative change in the approach to CSR may needed to be undertaken once an organisation establishes corporate ethical identity. This indeed places it in an optimal position to conceive CSR in lines with the corporate ethical values by incorporating those values in CSR. However such a conception can be seriously crippled if instrumental, relational or normative CSR approaches which have isomorphic influence in CSR conceptualisation and implementation are adopted. As testified by the

Plan A of Marks and Spencer, an ethical leader by garnering the required consensus should be able to adopt and implement an ethics driven CSR strategy which shares identical values with core corporate values. From this vantage position an organisation can undertake communication that enhances the value of the intangible assets.

Leveraging Corporate Ethical Identity

With the core ethical values of an organisation being shared in its entire operations, an organisation is in a position to leverage ethical identity through explicit communication associated with corporate branding. Abratt and Kleyn (2008) maintain that corporate identity forms the basis of corporate brand and corporate reputation.

Corporate Brand

Stakeholders can never interact with ethical identity in its entirety and through the articulation of a set of values that covers the entire organisation, corporate branding acts a visual, verbal and behavioural expression of the unique business model of an organisation (van Riel and Balmer, 1997; and Knox and Bickerton, 2003). When corporate brand values are derived from corporate ethical identity, it can me mentioned that corporate ethical brand is born. It is through interacting with certain aspects of corporate identity that stakeholders build perceptions of corporate brand (Abbratt and Kleyn, 2012). One of the basic qualities of a strategic resource, imperfect imitability (Barney, 1991), is a natural corollary of undertaking a genuine corporate branding as the processes associated with the creation of such a corporate brand are complex and system specific.

In simple terms, it can be stated that corporate branding helps in the reinforcement of values that are implicitly perceived by consumers through additional value specific communication. For example, Apple Inc. might be able to relate better to consumers through the deployment of an advertisement which depicts innovative customer experience as the past performance of the company has already created such a perception. In other words, corporate branding helps in the reinforcement of certain aspects of corporate identity such as ideal identity which better drives value creation through reinforcement of corporate brand and reputation (Abratt and Kleyn, 2012).

Ethical brand positioning can help not only with differentiating a company from its competition, but can also help in eliminating consumer scepticism and cynicism with branding communication in particular (Fan, 2005) and CSR communication in general. However a value based branding can raise consumer expectations regarding ethical standards in the core business activities of an organisation (Kay, 2006). Even though this can help in the creation of consumer-corporation value fit, it runs the risk of severe backlash if there is visible violation of this by the organisation (Bhattacharya and Sen, 2003). These concerns to a considerable extent can be overcome when an ethics driven strategy is undertaken as there is minimal or no disparity between what is communicated through the various communications mechanisms such as CSR and brand communication and actual internal and external operations of an organisation.

Corporate Reputation

Corporate reputation is defined by Barnett *et al.* (2006) as the collective judgements of an organisation by its stakeholders which are based on the economic, social and environmental performance of it overtime. Previous literature clearly indicates that reputation is an invaluable intangible asset with a hard to duplicate aspect to it and therefore considered to have the potential to contribute towards an organisation's efforts in the direction of sustainable competitive advantage (Fombrun and Shanley, 1990; Fombrun and Riel, 1997; Drejer, 2000; and Fan, 2005). It is also observed that corporate reputation can have a positive impact on the market share of an organisation and eventually its stock market value (Roberts and Dowling, 2002; and Fan, 2005). It also enables access to cheap capital (Beatty and Ritter, 1986). Reputation is also observed to improve employee morale, productivity, attracting talented human capital as well as the retention of employees (Garbett, 1988; and Turban and Cable, 2003).

As reputation is basically the result of past performance of an organisation, it is considered as a solution for asymmetric information pertaining to it. This is because when faced with a lack of information regarding products of an organisation or the initiatives it undertakes, stakeholders rely on reputation to judge the quality of products or the real intentions behind the initiatives (Schnietz and Epstein, 2005). Armed with an ethics driven CSR strategy, an organisation can ensure that asymmetric information regarding ethical intangible assets like corporate identity, corporate brand and reputation is kept at the minimum possible level consequently enhancing their value.

Further as social contract is ever evolving, the mechanisms to fulfil it such as CSR, if fail to match up with the evolving expectations, even though helps in the maintenance of the value of intangible assets, can be less effective in enhancing their value. As ethics driven CSR requires that the instrumental, relational and normative CSR approaches are transcended and thereby achieve congruence between CSR values and corporate values, positions intangible assets and the values they represent in an optimal alignment with the evolving social contract values. This ideal position leverages the value of intangible assets significantly better the competition whose CSR is driven by mere institutional and economic expectations.

DISCUSSION AND IMPLICATIONS

Enhancing the value of intangible assets poses a real challenge to organisations in a business environment where explicit communication aimed at explicating the integrity of operations can be viewed with cynicism. Buckled down with the imperativeness of fulfilling nebulous social contract, the normative, relational and instrumental CSR approaches historically heavily relied on by organisations in this regard, are proving to be increasingly inefficacious. This study posits that an ethics driven CSR can not only enable an organisation in the fulfilment of social contract but can also contribute towards the enhancement of ethical intangible assets like corporate reputation in line with the evolving nature of social contract and business ethics. The analysis revealed a number of theoretical and practical implications for the management of business ethics from the perspective of redundant nature of normative (present) CSR approaches and the indispensability to transcend institutional pressures to implement an ethics driven CSR leading to the sustained enhancement of ethical intangible assets and fulfilment of social contract.

Implications for Theory

Theoretical developments associated with CSR conception and implementation require watershed changes as they are found as incapable of advising organisations in conceiving and implementing CSR in a manner enabling the achievement of an amorphous social contract. This study extended the theoretical understanding by delineating the counterproductive outcomes of following the prominent approaches to CSR namely instrumental, relational or normative. The primary line of argument this study makes is that succumbing to institutional and isomorphic pressures can prompt organisations to undertake a short term and individualistic orientation to CSR implementation. This tactical or strategic approach to CSR even though to an extent helps in the fulfilment of social contract, cannot insulate an organisation from ethical misconducts and as such protect and enhance the value of intangible assets.

Consistent with the argument that normative CSR although has philosophically and deontological soundness but practical feasibility (Spitzeck, 2013) in an evolving business ethics environment, this study promotes a new way of incorporating business ethics in CSR conception and implementation. The study attests that even though the accumulated theoretical contributions evince the prominent role of business ethics in decision making, it failed to proceed in convincing the inevitability of incorporating business ethics in the entire business operations of an organisation. Business ethics at best is limited to the immediate operations of organisations due to institutional pressures, and scandals exposed the dissonance between what an organisation does and communicates through instruments like CSR. The theoretical developments in short could not inform an ideal way through which the institutional expectations are met without compromising on the enhancement of the value of intangible assets and fulfilment of social contract.

Contrary to the popular method of conceiving CSR values which are not identical with corporate values, the imperativeness for the establishment of ethical values in the core identity of an organisation and incorporate those in the conception and implementation of CSR is promulgated by this study. Relying on the seminal work of Du *et al.* (2010), this study claims that incongruence between corporate values and CSR values can inflict irreparable damages to intangible assets like reputation and as such the present CSR approaches may fail in the optimal enhancement of ethical intangible assets even when CSR is strategically oriented. This study in particular analysed the role of ethical leadership, code of ethics and positive ethical deviance in the establishment of corporate ethical identity. It also examined the need to incorporate the focal organisation ethical values in the entire external operations which covers the suppliers as suggested by the framework of Kleyn *et al.* (2012). This study extends their framework explaining the development of corporate ethical identity in the conception and implementation of CSR which then can facilitate stakeholders in making positive attributions to CSR motives.

By drawing on the institutional theory and by highlighting the drawbacks of prominent approaches to CSR in fulfilling social contract in an evolving business environment, an ethics driven CSR is proposed by this study. An ethics driven CSR can be defined as a CSR which shares identical values with the core ethical identity thereby enabling stakeholders in forming inferences which are synonyms with CSR communication objectives.

Implications for Practice

The evolution of business environment poses significant challenges to the efficacy of normative CSR practices shaped by institutional expectations. Further, the evolution of business ethics is not given due significance in the present CSR practices and business functioning, leaving critical aperture in protection and enhancement of the value of intangible assets and fulfilment of social contract. Based on the analysis of the present CSR practices along with the developments in business environment and recent scandals, this study could highlight areas that have significant managerial implications from the perspective of enhancement of intangible assets.

Since an ethics driven CSR requires a fundamental change from the present ways of CSR conception and implementation, the study contends that ethical leadership is of substantial significance. An ethical leader should first conceive the ethical values that should represent the ethical identity and implement those in the core organisational as well as external operations with the aid of code of ethics. He/she then should be able to convince stakeholders of the economic rationale behind the need to transcend the present relational, instrumental or normative approaches to CSR by delineating their ineffectiveness from the perspective of protecting the value of intangible assets and fulfilment of social contract in an evolving business ethics environment. Further, inadddition to granting strategic significance to CSR, the ethical leader should ensure that CSR values are identical with core corporate values leading to the reinforcement of corporate ethical identity and reputation by the stakeholders.

Focus on ethical investments that correspond to the core organisational strategy is one of the major outcomes of an ethics driven CSR. Previous studies even though maintained that ethical investments unrelated to core strategy can be less effective (Strahilevitz, 2003), the need to invest in the development of suppliers is highlighted by this study as a means to protect intangible assets.

FUTURE RESEARCH

Through positing an ethics driven CSR, this study has offered an alternative view of CSR. However there could be a number of challenges which organisations face in the conception and implementation of the approach prescribed by this study. Future empirical studies should address the challenges which an organisation faces in the implementation of ethical values of an organisation in the supplier bases. More specifically, the influence of economic, institutional and isomorphic factors in supplier selection and supplier sustainability management should be unravelled to contribute towards theory development and management practice. Besides this an area of future research interest can be to identify the influence of corporate values on the design and establishment of CSR strategy or ethics driven CSR strategy and the relative significance of actors and instruments such as ethical leaders, employees, code of ethics, etc.

This study has highlighted the role of ethical leadership in the conception and implementation of an ethics driven CSR. However in an institutionalised context, they might be facing significant challenges particularly concerning the potential of new approaches like the one this study suggested in boosting economic performance. An avenue for future research can be to identify the relative significance of various institutional factors which prevent or hinder the implementation of an ethics driven CSR.

Finally this study mentioned the need to establish business ethics first in the core operations of an organisation and then proceed towards the conception and implementation of an ethics driven CSR. However practically such a plan can be extremely challenging, although not impossible, due to the presence of an already rolled out CSR. Future studies can probe the challenges an organisation faces in integrating an ethics driven CSR to the existing CSR.

CONCLUSION

Drawing on the limitations of the present CSR approaches in the fulfilment of social contract, the author posits an ethics driven CSR approach that not only facilitates the achievement of social contract but also in the enhancement of ethical intangible assets such as corporate ethical identity, corporate brand and corporate reputation. Based on the analysis of scandals, this study maintains that prominence given to boosting short term profits due to institutional pressure can engender the appreciation of intangible assets and even worse can prompt agents and organisational members to engage in unethical behaviour.

Theoretically extending the present CSR approaches, a fundamental change in the conception and implementation of CSR is promulgated by this study. The study contends that the incongruence of CSR values and corporate values being one of the reasons behind the stakeholders attributing ulterior motives to CSR should first establish corporate ethical identity. The corporate ethical values thus established should be incorporated in the conception and implementation of CSR resulting in minimal or no disparity between what an organisation communicates and performs. Further as ethics driven CSR demand an organisation to transcend the narrow economic rationale to undertake CSR to wider societal concerns, not by making social and ethical investments divorced from the strategy, but through ethical investments that facilitates the achievement of CSR strategy such as education of suppliers on sustainability and inculcation of ethical values on entire operations, protects and enhances the value of intangible assets and fulfils social contract.

As ethics driven CSR require fundamental changes in the way CSR is conceived and implemented, it entails massive practical challenges. Only an ethical leader can surmount the challenges posed by institutional and isomorphic factors to proceed to the various stages associated with the implementation of an ethics driven CSR. Nevertheless, in a scandal thronged business environment, an ethics driven CSR is the ideal way through which both enhancement of intangible assets and fulfilment of social contract can be achieved.

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Hyderabad, INDIA. Ph: +91-09441351700, 09059645577
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