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Mapping the Interface Between Corporate Identity, Ethics and Corporate Social Responsibility

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This special issue of the *Journal of Business Ethics* represents the first collection of articles that scrutinizes the interface between business ethics, and corporate identity. Gray and Balmer (2001), who coin the phrase "Ethical Identity", have shown that investigating the related areas of corporate identity, business ethics and corporate social responsibility (CSR) has the potential to afford a new, and important, perspective on the area and that, in time, it may represent a distinct, if not important, strand on inquiry. The timing of this special issue is fortuitous since it comes at a time when corporate identity scholarship is undergoing something of

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a renaissance as evinced by the special issues of journals that in whole, or in part, have been devoted to the area (Balmer and Van Riel, 1997, Balmer 2001), along with more recent articles on the topic (Simones et al., 2005, Melewar and Karaosmanoglu 2006, Bronn et al., 2006). There is a growing interest in corporate identity by scholars of business ethics which may be seen as part of a broader trend in which scholars from other management disciplines are discovering the utility of the corporate identity concept – organisational behaviourists representing just one such example (see: Cardador and Pratt, 2006).

From the outset, we wish to make a fundamental point in terms of how we define corporate identity. Traditionally, corporate identity has been narrowly conceived in terms of graphic design in image creation (Napoles 1988; Balmer and Wilkinson, 1991). Contemporary corporate identity scholarship, however, defines corporate identity in terms of the mix of attributes that make any organizational entity distinct such as corporate values, mission, activities, markets covered and so on (Balmer and Greyser, 2002).

The issues of corporate identity, ethics and CSR are certainly receiving increasing attention not only in academic literature but also in the public media. In the 1990 s, for example, in the longest running court case in English legal history (attracting a great deal of media attention), the fast-food company McDonald's fought a libel action against two individual environmental campaigners. The eponymous high street brand won its case, but arguably secured little more than a pyrrhic victory, since it precipitated a PR disaster on a grand scale. The English High Court upheld the defendants claim that McDonald's paid low wages; was responsible for cruelty to some of the animals used in its food products and, in addition, exploited children as used

in advertising campaigns (*The Guardian*, 15.02.05; Crane and Matten, 2004, pp.32–35). The case exposed a misalignment between company rhetoric in terms of its espoused ethical stance and company reality (what we call corporate identity). Such misalignments have also characterised other high profile organizations: Enron, being one of the most prominent examples. Enron was one of the most admired companies in the United States and an exemplar of community service in Houston until it was eventually exposed for its highly unethical and illegal practices. Another recent illustration is Google, whose company slogan 'Do no evil' sits uneasily with what some see as its unethical arrangements, most notably an agreement with the government of the People's Republic of China to censor its online search engine, and also, more generally, its plans to disseminate copyright materials leading to accusations of kleptomania.

However, there also appear to be examples where ethics and social responsibility have neatly dovetailed with a company's corporate identity. Such a phenomenon resonates with Croft's (2005, p.7) notion of the 'authentic business', which characterises those organizations which have a profoundly held business purpose (usually environmental and/or social) that goes beyond profit and maintains integrity between communication and action. The organic food supplier The Better Food Company and the clothing outlet Howies represent two examples of the latter. Each trade in ethical products, but additionally make it part of their 'business' to challenge their customers to think differently about the world. The phenomenal growth of 'Fair Trade' is another good example of the bringing together of ethics and corporate practices. The value of fair trade products has in the UK increased seventeen-fold since the mid-1990s and are estimated to be worth a reported 70 million euros (Crane and Matten, 2004, p.334). Increased examples of corporate social responsibility and ethical behavior may, by default rather than by design, have a greater impact than is commonly realized; for instance, organizations in the supply chain and broader business community might follow suit. Clearly, an ethical posture combined with a loyal corporate brand community of customers can enhance corporate value. Witness, for instance, the recent acquisition of the Bodyshop (a long standing cosmetics retail company defined by its ethical products and

practices) by the cosmetics giant L'Oréal (often cited for alleged unethical practice). Of course, this case raises a number of critical, identity-related questions in terms of whether it was ethical for its founding director, Anita Roddick, to allow ownership to fall into the hands of L'Oreal and whether the Body Shop can maintain its ethical identity as a L'Oreal subsidiary. Moreover, is it ethical for a corporate giant such as L'Oreal to use the Body Shop brand in its relationships with customers?

Comprehending "*Ethicalization*"

In mapping the broad territory covered in this issue on ethical identity we have found that four distinct strands of inquiry emerge: (1) foundations, triggers and motives (2) management; (3) action and communication and (4) image and stakeholder perception. Collectively, these are by no means intended as discrete and static categories, but rather as interrelated aspects reveal a *process* of different stages, developments and trajectories. For the sake of expediency, as to encapsulate matters of CSR, ethics and corporate identity, we call this process "*Ethicalization*", which is described as follows:

Foundations, Triggers and Motives

The first aspect of ethicalization concerns the motivations and/or triggers that imbue an organization with an ethical ethos and which lead to a corporation's social responsiveness. Consensus emerges from our contributors suggesting that the integration and emergence of ethical identity is always initiated by one of the following three forces: (a) the altruistic beliefs of a leader; (b) strategic alternatives as gaining competitive advantage in the face of global competition; and (c) external forces such as changes in legislation/societal norms.

Management

The second aspect of ethicalization focuses upon the management of ethical identity. Once corporations have decided to pursue greater social responsiveness then they must implement this change which involves establishing goals, policies and procedures;

delegating tasks and responsibilities; and installing monitoring and review methods. The implementation system that evolves can range from very formal and rigid to informal and loose.

Action and Communication

A third aspect of ethicalization focuses on the relationship between communication and demonstrated action related to CSR, corporate identity and ethics. In other words, are the company's actions in alignment with its approved identity or are its public relations merely corporate rhetoric. Key to the conceptualisation of corporate identity is the notion that identity (what we really are) and communication (what we say we are) should be congruent. So, for example, where communication is de-coupled from identity the company is presenting a false image; where communication is closely coupled with corporate identity then a truly authentic identity can be said to exist.

Image and Stakeholder Perception

The fourth aspect of ethicalization takes into account the relevance of customer and stakeholder perception (another key component of identity management). Perceptions are important because they can guide behavior and thus are of as much critical interest to ethical organizations as for any other organizations. The creation of a corporation's image, its maintenance and the acquisition of a negative image are all significant concerns. At stake is the notion that different stakeholder groups may have different concerns and images (for instance an institutional investor's concern for a return on investment may be at variance with a consumer's concern better environmental practices). What, then, do we consider to be a positive corporate image and reputation? How does this relate to the achievement of healthy business performances as the result of ethical corporate practice? And, indeed, how should we come to value these things?

The Articles

As a useful starting point, Balmer et al. provide an opening commentary on the nature and management of ethical corporate identity. Taking as their starting point Balmer's AC^2ID test model of corporate identity in Balmer and Greyser (2002) – a pragmatic tool of identity management – the article explores the specificities of an ethical form of corporate identity. Key insights are drawn from conceptualisations of CSR and social orientated theories of business. Ethical identity, it is argued, potentially takes us beyond the personification of the corporation as an agent. Instead, ethical identity can be seen to be formed relationally, between parties, within a community of business and social exchange. Thus, extending the AC^2ID test model, the authors suggest management of ethical identity requires a more socially, dialogically embedded kind of corporate practice and greater levels of critical reflexivity. Whilst the questions raised in this opening discussion paper undoubtedly require ongoing consideration and intersection, the featured articles of this special issue examine in more detail the motivations, management, communications and reputations involved in ethical identity.

One significant issue in CSR engagement relates to issues of globalisation and global competition. It is worth pointing out, if only to overcome potentially Eurocentric views of CSR, that corporations in non-western countries can often be found to take-up CSR initiatives in their own particular ways (See: Fukukawa and Moon, 2004; Birch and Moon, 2004). The first two contributions here show distinctive cultural aspects of CSR adaptation and practice, first a case-study concerned with motivations for CSR, followed by a study concerned with communication of CSR.

Atakan and Eker, in their in-depth, descriptive study of a Turkish university examine the benefits of CSR initiatives and the importance of stakeholders in terms of the institution's identity. A philanthropic ethos is identified as one of the key elements of the university's identity strategy stemming, they argue, from altruistic motives. This philanthropic identity, in turn, affords the university a degree of differentiation from its competitors and, as such accords critical leverage in terms of competitive advantage (cf. Melwar and Akel, 2005).

The paper by Haniffa and Hudaib, taking the Islamic banking sector as their point of departure, explores the interface between an ethical and Islamic identity and how this is communicated. Given that demands for greater transparency and equality within CSR practice have ostensibly led to increased sec-

ularisation and rationalisation of corporate business practice, an important contribution of this paper is its exploration of the significance of religious implications for corporate image and reputation. In their longtitudinal study, the authors identify cases where satisfactory levels of CSR practice have not been attained and cite the difficulties that structural change can bring especially with regard to communicated identity (what we say we are) and ideal identity (what we need to be).

The management, action and communication of ethical identity are the focus of the article by Cornelius et al. In their article, the authors examine both 'reactive' and 'proactive' policies relating to ethical identities drawing on data collected within business schools. For instance, they note that external pressures (from prospective employers) have a deleterious effect on the importance accorded the teaching of ethics/CSR. They conclude that the adoption of CSR policies can have discernable impact in nurturing a reputation among key stakeholders and argue that CSR should be viewed as an important component of corporate identity management.

Turning to matters of management in CSR, Verbos et al. look at the organizational attributes which characterize an ethical *organizational* identity (organizational identity has an internal and employee focus, rather than institutional focus as with the case with corporate identity). Their paper provides a distinct contribution to the broad area of inquiry covered by the special issue and concludes that positive ethical organizations require what they describe as authentic leadership, formal and informal organizational structures, processes and systems (including reward systems for employees).

Whereas Verbos et al. consider internal matters, Bendixen and Abratt focus on external matters and on suppliers in particular. Traditionally, the literature has focused on the corporate identity/image interface from a customer perspective whereas this paper by focussing on suppliers represents a distinctive departure. Their study corroborates the widely held view that ethical corporate behavior can have a material impact upon corporate reputation. A key insight from their work is the need for corporations to demand high ethical standards of their supplier relationships. What this article brings to our attention is the importance when managing ethical identity, not only to put one's own house in order,

but to extend one's ethical aspirations to the interface with suppliers and other external clients.

The article by Berrone et al. concludes that there is a correlation between strong ethical identity, stakeholder satisfaction and financial performance. The authors make the significant observation that a corporation's share price can be positively effected by what is communicated about a corporation's ethical identity even if such activities do not, in material/institutional terms result in improved economic performance. Effectively, then, this paper asks us to reconsider the relationship between ethical value and economic value.

The final article provides a constructive counterpoint to this special issue in that it affords a radically different perspective from many of the other articles. Taking a philosophic perspective, Ashman and Winstanley challenge the notion of the corporation as possessing its own identity. They suggest the abstract nature of this construct is the reason why corporations commonly suffer from the criticism that CSR activities are conducted only to make firms look good, taking attention, for example, away from bad behavior. The authors argue that whilst the 'practical utility' of socially responsible corporate practice is no doubt possible, the very notion of corporate *beingness* is questionable, with the potential result that the nexus of identity and social activities is critically undermined.

Conclusion

Collectively, the articles included in this special issue provide a good deal of 'food for thought'. Synthesising the insights from across the collected articles we detect a process of ethical identity formation and management emerging, which we call "*Ethicalization*". What is clear are a range of motives for pursuing CSR activities, some of which are external to a firm (e.g., global competition, standardisation, legal obligation), while others are internal (e.g., initiatives from management and/or employees, founder's philosophy, corporate mission). These motives can be taken as drivers for change in business practice and frequently are triggered by events in the world or changing social, cultural, political and economic trends. Furthermore, there are various hindrances to change, for example, financial and technological barriers, as well as inadequate knowledge and resources. CSR activities also

might be said to manifest in different modes or methods. Sustained activities may be described as strategic and in some cases fundamental to corporate identity. Legal compliance may generate strategic engagement, but can equally lead to tactical or even opportunistic responses. Corporate identity can clearly be seen to intersect at all levels of this varying typology and, in terms of theoretical development, there is real merit in examining ethics and CSR through the lenses of the constructs of corporate identity (Balmer and Greyser, 2002). More broadly, ethics – as a doctrinal or philosophical discourse – can be found to bridge (and test) the concepts of corporate identity and CSR. Ethical identity, then, might be thought to underpin CSR, which is to say that by examining ethical identity (i.e., ethics and ideals of corporation) we are given impetus to probe and understand how a corporation seeks to behave with responsibility (and to what extent they can be found to be successful or not).

In bringing our guest editorial to a close we wish to express our thanks to the authors (both successful and not) who have submitted articles for consideration, along with the international team of reviewers who scrutinized the many papers submitted. We are also grateful to the editor in chief of *Journal of Business Ethics*, Alex C. Michalos, for all his support and encouragement. We would also like to thank Carole Zajac for her administrative support during the preparation of this issue. As with any such undertaking, this has been very much a collaborative endeavour and draws on our respective interests in terms of Business Ethics and CSR (Kyoko Fukukawa), Corporate Identity (John M.T. Balmer), and CSR and Corporate Identity at the strategic level (Edmund R. Gray). We believe that there is a good deal here worthy of scrutiny and reflection. In terms of the broad area of inquiry with regard to Ethical Identity, this issue can only hope to have provided an introduction to what is surely an important emergent area. The contributions should offer stimulus in their own right, as well as help inaugurate a wealth of future research. Read on and enjoy!

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