Establishing business ethics to insulate against scandals

Kishore Kumar Krishnan Kutty

Abstract

Business ethics is gaining more business and academic interest as new scandals highlight the value incongruence between operations and communications of many organisation. This conceptual review could identify that business ethics should permeate the entire operations of an organisation to undertake specific communications associated with it. However, this is a complex and time-consuming process. Towards this the creation of corporate ethical identity, which comprises of ethical core and ethical management of external functions, is indispensable. The presence of ethical leadership, the establishment of a code of ethics, mission, strategy and supplier code of ethics can play a pivotal role here. The establishment of corporate ethical identity enables an organisation to confidently undertake specific communications associated with business ethics provided the amorphous and ever-evolving nature of business ethics and sustainability is acknowledged in such specific communications.

Key Words: Business ethics, scandals, corporate ethical identity, ethical leadership, code of ethics, corporate ethical brand

Introduction

The convergence of a multitude of factors is forcing organisations to explicate their ethical credentials with regard to the management of their entire operations. Business ethics have become a formidable force to be reckoned with, incorporated and communicated in the functioning of an organisation primarily due to the nature of scandals emanating from the unethical behaviour of companies such as Enron, Adelphia, Tyco International, Worldcom, Arthur Andersen, Lehman Brothers etc. Some ramifications of these scandals are the increased level of governmental regulations (Kaptein 2010), media scrutiny, and vociferous call from various stakeholder groups such as environmentalists effectually forcing many companies to evidence the manner in which they progress in the area of business ethics (Stevens et al., 2005; Bernardi and LaCross, 2005). However, for a discerning stakeholder, ethical violations or scandals from companies which claim that they have taken ample efforts and thereby attenuate the perceived uncertainty and lack of trust are shocking. One classic example is the case of BP which has invested significantly in the promotion of its corporate identity (Melewar & Wooldridge, 2001) and another example is the case of Tesco which has been publishing Corporate Social Responsibility Report named Tesco and Society Report for a while, faced the horse meat scandal in 2013 (BBC, 2013) and investigations on account irregularities in 2014 (BBC, 2014). The cases point to the need for ethics to permeate the entire operations of an organisation, both internal and external.

The aim of this study is to establish, with the support of previous study findings, an ideal way through which business ethics can be established so that it can be communicated confidently leading to the creation of competitive advantage (Arjoon, 2005). A number of studies have analysed the role of different factors which influence the creation of business ethics such as code of ethics (Fleege and Adrian, 2004; Trevino and Brown, 2004), corporate culture (Trevino and Brown, 2004), ethical climate (Soltani, 2014), and corporate ethical identity (Berrone et al. 2007; Kleyn et al. 2012). However, there is a dearth of studies which specifically explain the process by which ethics can be established in the internal and external operations of an organisation so that an organisation can confidently leverage its market position as a trustworthy company. Further previous research also paid more attention to the creation and management of intangible assets such as corporate identity (Abratt and Kleyn, 2012; Balmer and Dinnie, 1999; Balmer and Wilson, 1998; Balmer and Greyser, 2002; Balmer, 2001; Balmer, 2002; Balmer, 2010), corporate brand and corporate reputation (Fan, 2005; Keller, 1998; Abratt and Kleyn, 2012). The rationale behind the accumulating research in these areas is the concurrence that sustainable competitive advantage can be primarily created through intangible assets (Omar et al. 2009; Zigan, 2012) and consequently enhance the ability of an organisation to exploit opportunities and mitigate threats (Argenti and Druckenmiller, 2004). This study will reify how business ethics can be established in the functioning of an organisation leading to the enhancement of intangible assets such as corporate identity, corporate brand and corporate reputation.

The developments in the area of Corporate Social Responsibility (CSR) should be viewed as the outcome of the heightened understanding on the part of organisations to create and maintain trust with the different stakeholders through the adoption of a strategic approach to triple bottom-line sustainability namely economic, social and environmental (Branco and Rodrigues, 2006; Norman and McDonald, 2004). One of the key elements of CSR model proposed by Carroll is ethics, which is the obligation of a company to do what is right and fair and avoid harm (Carroll, 1991). However ethical violations on the part of companies such as Tesco, BP etc. which have vigorously undertaken CSR initiates underscore that there is a need to obtain a holistic understanding of a way of inculcating ethics in the very fabric of an organisation so that the organisation is insulated from ethical misconduct. The disparate nature of findings calls for a unifying framework in order to facilitate a better understanding of an ideal way through which ethics can be created and capitalised for the appreciation of the value of intangible assets such as corporate brand and corporate reputation.

Business Ethics

Business ethics even though considered an essential component of business success (Arjoon, 2003) and an integral and vital aspect of the strategic management process (McManus and White, 2008) 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). Kish-Gephart et al. (2010, p. 2) define unethical behaviour of an organisation as "any organizational member action that violates widely accepted (societal) moral norms'. The term organisational member needs clarification here as a fundamental change in the recognition of who is an organisational member has transpired over the years. Earlier it is the employees working in the organisation who are considered an organisational members. However high profile scandals like Nike's sweat labour, BP's Gulf of Mexico oil spill and Tesco's horse meat scandal promulgate that an organisation cannot abstain from the irresponsible behaviour of its suppliers or third-party contractors (Harrison and Scorse, 2010; Carrington, 2010; Meikle and Lawrence, 2013) thereby emphasising the need for an organisation to consider even the suppliers and their workers as organisational members.

These scandals could effectually help in defining who should be considered as an organisational member. Nonetheless, one aspect of business ethics is made explicit by these scandals that a business cannot refrain from ensuring that sustainability is not compromised and this is particularly the case of environmental and social sustainability, even though the pressure to ensure economic sustainability could be higher in the agenda of some of the major stakeholders of an organisation such as shareholders and other investors. Thus what can be learnt from scandals and moral thinking is that if corporate ethics, which is the fundamental construct and core organisational values that guide an organisation through various ethical dilemma situations (Trevino et al. 1998; Valentine and Barnett, 2002), in order to withstand the increased scrutiny and expectations of the different stakeholders, must incessantly aim at clarifying what constitutes business ethics and what is ethical misconduct and what proactive measures should be designed and implemented so as to prevent ethical misconduct. The mounting pressure on an organisation to boost short-term profits is one of the underlying reasons which instigate its agents to engage in unethical behaviour (Gilley et al. 2010; Laffont and Martimort, 2002; Buchnan, 1996; Heath, 2009). Dobbson (2009) maintains that the current economic and organisational order is contributing to three main kinds of unethical behaviour namely individualism, unhealthy competition and the higher preference placed on market performance over societal values.

What can organisations do to eliminate unethical behaviour is a tough and perplexing question. Contradicting a newspaper article titled "Corporate ethics is simple: if something stinks, don't do it", Trevino and Brown (2004) contend that ethical decisions are not simple and that they are complex by definition. They add that ethical decision-making is a complex multi-stage process and organisational context accentuates this complexity and that creating an ethical code of conduct is only one of the steps in mitigating or eliminating unethical behaviour. The remaining sections of this study explain the possible ways through which ethical misconduct can be tackled leading to the culmination of a state which allows an organisation to undertake communication pertaining to business ethics and integrity in a confident manner.

Corporate Ethical Identity

Balmer (2001) maintains that corporate identity is one of the aspects or elements of the visual identity of an organisation. Corporate identity in simple terms refers to the core attributes of an organisation, its strategy and values. Powell et al. (2009) define corporate identity as "an organisation's unique characteristics which are rooted in the behaviour of members of the organisation". Communications associated with corporate identity can be seen as undertaken by organisations when they strive to bring about a change in the way the internal and external stakeholders perceive it or their actions make others perceive it in a certain way. Corporate identity change programs are predominantly undertaken by organisations to facilitate culture change, and strategy formulation, serve as a platform for corporate communications and enhance the visual identity of an organisation (Balmer, 2001). Thus organisational identity is not just a symbol or can be limited to organisational nomenclature (Balmer, 1995) rather it has a critical role in enhancing organisational visibility (van Riel and Balmer, 1997). Therefore corporate identity holds significance to the internal functioning of an organisation and the effective projection of those to the stakeholders. This is because corporate identity is about what the organisation is at present and what it seeks to be. It has two parts, first is evidenced by the strategic choices including the mission, vision, strategic intent and corporate culture. Second, corporate expression is evidenced by corporate brand (Abratt and Kleyn, 2012).

A scandal-incited investigation which resulted in the conviction of agents of an organisation is an unequivocal case of ethical misconduct in addition to the illegality involved in that scandal. The consequences can be exacerbated even if only allegations persist if an organisation has undertaken very specific corporate identity improvements measures such as CSR communication, and a scandal highlighted the incongruence between internal operations, external operations and communication. One such case is BP which invested $7m to enhance its corporate identity (Melewar & Wooldridge, 2001). It is argued that marketing of ethical and social ambitions can attract critical stakeholder attention as it entails the risk of being considered precisely the opposite (Ashforth and Gibbs, 1990, p. 177). Thus an explicit communication of ethical and social ambitions followed by a scandal or ethical misconduct can reinforce customer scepticism which can have negative ramifications for corporate brand and corporate reputation (Cornelissen, 2011; Williams, 2008; Abratt and Kleyn, 2012). As the identity of an organisation comprises a bundle of values which are part of the federation of subcultures that prevail within and outside an organisation (Balmer and Wilson, 1998), scandals can have a detrimental effect on corporate identity.

However, an organisation cannot refrain from expressing its corporate identity in a highly competitive business environment as it is one of the means through which an organisation promulgates its distinctiveness (Balmer and Gray, 2003). This is where the role of ethical identity becomes evident as it gives the freedom for the organisation to express itself clearly specifying its ethical credentials. Corporate ethical identity is defined by Berrone et al. (2007, p. 36) as "the set of behaviours, communications, and stances that are representative of an organization's ethical attitudes and beliefs". Kleyn et al. (2012) mention the need to develop an ethical core of an organisation and focus on functions in order to create a strong ethical identity. Development of trusted relationships, development and enforcement of ethical policy and embedment of organisational citizenship results in the development of ethical core. Procurement contracting, provision of information and procurement administration enables obtaining focus on the external functions (Kleyn et al. 2012).

Towards the development of an ethical core and also to achieve the permeation of ethicality in all the internal and external functions, ethical leadership and the development of a code of ethics are critical. What became all the more evident from the scandals is that many companies have two faces, one they position to the public as a socially, environmentally and economically viable company and the second face is known only to people who are closely associated with the company such as employees, accountants, top leaders, leading suppliers etc. It is the negligence of these closely associated people that the public realises that the agents have misused their power, if agency theory is used to explain such behaviour (Heath, 2009). The crux of this understanding is that as long as a company or more specifically its top agents surmise that it is not possible to be economically viable without compromising on business ethics, they may indulge in such unethical behaviour.

Ethical Leadership

Trevino and Brown (2004) maintain that ethical decision-making is a multi-stage process. Further individual perception of the moral intensity of an ethical issue is one of the major influences on ethical decision-making (Hayibor and Wasieleski, 2009). Even though ethical decision-making is a multi-stage process, an organisational leader like the Chief Executive Officer (CEO) is mostly in charge of framing critical decisions and such decisions entail, for example, whether to engage with a supplier whose environmental sustainability standards are not par acceptable standards, but economically more rewarding, has ethicality attached to it. Trevino et al. (2003) based on their exploratory study maintain that ethical leaders are considered by organisational members as honest and trustworthy, fair and principled in decision-making, who care about people and the broader society and who behave ethically in their professional and personal lives. They add that an ethical leader also takes proactive efforts to influence the ethical and unethical behaviours of followers and therefore is also labelled as a moral manager. By committing to an ethical course of action and through the deliberate communication of such decisions, the leadership of an organisation can send strong messages to the internal and external stakeholders of an organisation that ethics and economic and environmental sustainability need not be contradictory. Interestingly there are companies like Marks and Spencer (M&S) which proved that ethical, environmental and socially sustainable ways of managing business can not only help in garnering employee support but can also contribute substantially to improved operational performance as well (Wills, 2011; Nichols, 2014).

Leadership is one of the most potent forces of organisational change (Schein, 2010) and towards the transformation of an organisation to an ethical organisation, an ethical leader should ensure that the mission values of the organisation are reflective of its ethical commitment. Thus through the commitment of leaders to taking business decisions that are rooted in ethics and through the explicit mentioning of ethics in the mission statements as well as in oral and written communications, the leaders can demonstrate the critical role of ethics in business functioning, what it means to be ethical and how ethical principles can be the underlying principle of employee decision making at all levels (Kleyn et al. 2012). Ethics is basically ensuring that the legitimate interests and moral expectations of the stakeholders are not compromised implying the outward nature of ethical decision-making. However as Trevino and Brown (2004) maintain, ethical decision-making is a complex process and the leaders of an organisation should be accessible to the employees and other stakeholders to clarify ethical dilemmas and predicaments in decision-making.

Code of Ethics

In embedding ethical values in the culture of an organisation or in other words, enabling ethical decision-making to be part of the taken-for-granted assumptions of the employees of an organisation (Schein, 2010), the creation of a code of ethics is highly recommended (Trevino and Brown, 2004; Robertson & Crittenden, 2003; Sims & Brinkmann, 2003; Gilley et al. 2010). A code of ethics which clearly specifies the legal and ethical aspects of conduct, which is agreed upon, effectively communicated and allowed to be permeated in the broad functioning of the organisation, becomes an integral component of its culture (Pendse, 2012; Trevino and Brown, 2004) thereby removes ambiguity in decision making to a considerable extent. For example, if a company decides that it will only do business with suppliers who are accredited to a certain sustainability standard such as the Roundtable on Sustainable Palm Oil (RSPO), the predicament in decision-making is significantly reduced. The code of ethics in order to be truly value-additive and also to withstand the test of charms of economic rewards offered by ethical misconduct should transcend the mere compliance focus to one where moral values are held with the highest respect and dignity.

The more an organisation has an influence on society and the larger the organisation is, the greater the challenges associated with the development and implementation of a viable code of ethics (Robertson & Crittenden, 2003). This challenge emanates from the need for an organisation to ensure that business ethics is followed by all the stakeholders, particularly internal stakeholders like suppliers, with the same passion. Tesco's horsemeat scandal and BP's Gulf of Mexico oil spill are some examples which delineate that achievement of this objective is challenging and time-consuming. Further, global supply chains entail a great deal of complexity (Eltantaway et al. 2009) and can render control mechanisms inefficacious effectually breeding higher incentives for ethical misconduct on the part of suppliers. Companies such as Sainsbury's only do business with suppliers who are ready to commit themselves to the Code of Ethical Trade which is based on internationally agreed conventions on workers' rights and Ethical Trading Initiative (ETI) Base Code (Sainsbury's Supermarkets Ltd, 2013) thereby significantly mitigating chances of ethical misconduct from suppliers. Overall to improve the efficacy of the code of ethics, it should be propped by ethical education and other processes (Schlegelmilch and Houston; 1990; Bendixen and Abratt, 2007).

Supplier Management

Supplier management is an area of growing significance as far as the development of ethical corporate identity is concerned due to the dominant role they can play in the ethnicization of functions of an organisation (Eltantaway et al. 2009). Tesco's horsemeat scandal and BP's Gulf of Mexico oil spills are two classic examples of this. When a buyer-supplier relationship is based on trust which is bolstered by ethical values, corporate ethical identity can be confidently communicated consequently greatly assisting in the formation of organisational reputation (Bendixen and Abratt, 2007). The mutually reinforcing nature of ethical core and functions, which are two important aspects of corporate ethical identity (Kleyn et al. 2012) can be underscored with the help of the horse meat scandal and the recent allegations from some of the suppliers of Tesco over bullying, resulting in an investigation by the grocery code adjudicator (Williams, 2015). Trust is a major aspect determining the quality of the relationship between buyer and supplier. Schurr and Ozanne (1985, p.940) define trust as "the belief that a party's word or promise is reliable and that a party will fulfil his/ her obligations in an exchange relationship. It is vivid that trust is broken in the relationship between Tesco and Silvercrest Foods as a result of the horsemeat scandal evidenced by Tesco dropping its contract with the supplier (Meikle and Felicity, 2013).

However, the recent allegations of bullying by the suppliers of Tesco (Williams, 2015) point to the nature of the relationship that exists between the company and its suppliers. It is argued that trust can be influenced by the stakes involved, the power involved and exercised and the perception of risk involved (Bell et al. 2003). The attractiveness of the size of orders means that Tesco can exercise significant buyer power (Porter, 2008) resulting in very low economic reward for the suppliers and in the absence of effective monitoring mechanisms, the suppliers could be tempted to improve their profitability through some unethical means. This implies that there was a clear absence of a win-win situation, resulting in the creation of an adversarial relationship between the parties (Mudambi and Helper, 1998), as well as the effective implementation of a code of ethics and trusted relationship between Tesco and Silvercrest Foods if horsemeat scandal is taken into consideration. It should however be noted that Tesco has been a member of ETI since 1998.

The influence of leadership and codes of ethics and supplier management in the creation and reinforcement of ethics in the functioning of an organisation is made explicit by the discussion so far. It is argued that in the process of development of corporate ethical identity, due diligence should be paid to the actual identity of the firm and communication regarding where the firm would like to be in the future (Kleyn et al. 2012). In this process, circumspection should be paid not to exaggerate facts, rather communication should emphasise what is already done even though there is scope for the dissemination of details regarding future projects. This is evident from the communication strategy of successful companies like M&S evidenced by Plan A from 2007 to 2015. Achieving sustainability of internal and external functions can be time-consuming and require heavy initial investment (Walker et al. 2008) and as such communication through various tools such as CSR reports should be realistic and truthful. Kleyn et al. (2012) maintain that ethical identity communication, brand positioning as well as corporate reputation should not conflict with actual identity. In other words, brand management should be undertaken in a manner that narrows down the gap between corporate identity and corporate reputation (de Chernatony, 1999).

Leveraging Corporate Ethical Identity

Corporate brands and corporate reputation are two of the most valuable assets (Omar et al. 2009) that can be further benefited from the ethicalisation of corporate identity. With the presence of corporate ethical identity, an organisation is optimally placed to communicate it, even though it is amorphous and ever-evolving. Attention however should be paid to ensure that such communications are realistic and based on facts. One of the vehicles through which such communications can be undertaken is through corporate branding and corporate reputation management.

Corporate Brand

The nexus of a corporate brand and corporate identity is made explicit by Harris and de Chernatony (2001) that a holistic approach to brand management is required as far as corporate branding is concerned wherein the entire organisation behaves in accordance with the desired brand identity. A corporate brand is made up of two aspects namely corporate expression and stakeholder images of corporate identity (Abratt and Kleyn, 2012). These two aspects should be congruent with each other and in order for that to happen and also to undertake corporate expression in a successful manner, the creation of a corporate identity which is ethics based, can be immensely helpful. Stakeholders of an organisation can never interact with the ethical identity of an organisation in its entirety and through the articulation of a set of values that cover the entire organisation, corporate branding acts as the visual, verbal and behavioural expression of the unique business model of an organisation (Knox and Bickerton, 2003; Abbratt and Kleyn, 2012) and effectively aid in the process of differentiation. Imperfect imitability, which is one of the basic qualities of a strategic resource (Barney, 1991), is one of the corollaries of undertaking genuine corporate branding efforts, as the processes associated with the creation of such a corporate brand are complex and system specific.

With the creation and establishment of ethical identity through ethical leadership, codes of ethics and supplier management, an organisation can place itself in an ideal position to undertake communication regarding business ethics as contradictions can be rare between what it communicates and how it communicates. Through such communication, an organisation facilitates the decision-making of consumers who are looking to rationalise their decisions. The most preferred position that an organisation can take while undertaking corporate branding is to ensure that the consumption values that the brand represents are preferred over competing brand values and also when the life values projected by an organisation are considered as self-identity affirming by consumers (Palazzo and Basu, 2007). Through deliberate communication pertaining to ethical branding, a company can realise the business of ethics as consumers are ready to pay extra for products/services of an ethically behaving company (Cryer and Ross, 1997). Further stakeholder trust and commitment are enhanced as well (Schwab, 1996). Nevertheless, there are arguments that even though consumers have become sophisticated, it's not reflected in their behaviour through the support of ethical businesses over non-ethical ones (Carrigan and Attalla, 2001).

In addition to the facilitation of effective differentiation, ethical branding can also help in dispelling consumer scepticism (Fan, 2005) as here ethics is projected as a part of the brand which is explicitly expressed through communication tools like CSR reports and also through stakeholders' images of corporate identity. Different stakeholders can have different perceptions of corporate identity which are the outcome of the filtering process they undertake with the brand-related communication they receive, which need not necessarily be explicitly undertaken by an organisation. Nevertheless, ethical corporate branding based on corporate ethical identity is far better placed to withstand the scrutiny of different stakeholders. However increased stakeholder expectations pertaining to the ethical standards and core functioning of an organisation in a corollary of ethical branding as it is basically value-driven (Kay, 2006). Such branding initiatives even though help in the creation of consumer-corporation value fit, can run the risk of severe backlash in the event of scandals or other visible violations of ethics (Bhattacharya and Sen, 2006).

Corporate Reputation

Barnett et al. (2006) define corporate reputation as the collective judgements of an organisation by its stakeholders which are based on the economic, social and environmental performance of that over time. Ethical branding and corporate reputation are closely associated, in the sense that they mutually reinforce each other and corporate brand is considered the core component of corporate reputation (Fan, 2005). Reputation is a highly valuable intangible asset with a hard-to-duplicate aspect to it thereby greatly contributing to an organisation's drive towards the creation and enhancement of sustainable competitive advantage (Fombrun and Riel, 1997; Fan, 2005; Fombrun and Shanley, 1990; Drejer, 2000). It is mentioned that corporate reputation can positively influence the market share of an organisation and also stock market value appreciation (Fan, 2005; Roberts and Dowling, 2002). Further, it is also argued to improve employee morale, employee productivity, attracting talented human capital and the retention of existing employees (Garbett, 1988; Turban and Cable, 2003).

Corporate reputation is created based on the past performance of an organisation, and this includes both financial and social performance (Fan, 2005) and as such is considered a solution used by stakeholders when they receive asymmetric information pertaining to an organisation with regard to decision making. When faced with a lack of information relating to the products/services or other initiatives of an organisation, stakeholders rely on reputation to judge the quality of products or to assess whether the claims behind such initiatives are trustworthy or not (Schnietz and Epstein, 2005). Thus it is critical that consistency of communication is achieved, whether it is explicit or implicit, thereby enabling the stakeholders to confidently undertake actions positively reflecting on the performance of an organisation. However, what can be noted is that many organisations undertake very explicit communication which is not substantiated by real efforts. For example, a company may claim that it is following ETI in its business with suppliers, however, supplier allegations of bullying reveal a different story. This draws the attention of stakeholders to the huge gap between what is proclaimed and what is actually undertaken, thereby enabling them to judge the authenticity of claims and this can have a detrimental effect on their perception of the product, stock value etc. of the company as well.

It is mentioned that any unethical behaviour can have an augmented effect on irreparably damaging the total intangible assets of an organisation as evident from the case of companies like Enron and Anderson Consulting (Fan, 2005). Neate and Moulds (2013) state that Tesco's sales in 11 global markets declined as a result of the horsemeat scandal and the dip in UK sales was worse than expected. Further, Fletcher (2013) maintains that the horsemeat scandal wiped £300m off the market value of Tesco. Thus even though unethical business behaviour has been observed from the time of inception of business (Fleege and Adrian, 2004; Trevion and Brown, 2004), the ramifications of unethical behaviour are far-reaching and inconceivable in the information age as evident from the case of Tesco. The financial and reputational backlash will be higher for companies which have a global presence and the developments in information technology and the internet can accentuate the damage in the absence of proactive crisis management measures as evident from the case of BP (Harlow et al. 2011).

As brand-related communication has a direct effect on the creation of corporate reputation, the dimension on which the different stakeholders evaluate corporate reputation should be identified so as to undertake appropriate and targeted communications in order to generate positive reputations among them (Abratt and Kleyn, 2012). This study maintains that even though explicit communication can be efficacious, it is critical that such communication is buttressed by the presence of a corporate ethical identity, thereby facilitating consumers or other stakeholders to decipher corporate reputation when they face asymmetric information.

The following framework (Figure 1, p. 16) delineates how corporate ethical identity can be created and how it can facilitate the achievement of corporate ethical brand and corporate ethical reputation thereby enhance the value of these intangible assets and other benefits.

Conclusions

It is indispensable for organisations to communicate their efforts in the areas of business ethics as they are in the midst of scandals and violations of stakeholder trust by some of the erstwhile established and popular companies. However explicit communication of business ethics should be undertaken with circumspection as it can be judged precisely the opposite (Ashforth and Gibbs, 1990, p. 177). In order to undertake ethics-driven communication as part of tools like CSR reports, it is critical that a company fast establishes ethics in its entire operations. However, this is not an easy objective as ethical decision-making is a multistage process (Brown and Trevion, 2004). This study drawing on the findings of a number of previous findings delineates the -inter and intra relation between the various organisational factors that influence and reinforce ethicality in the functioning of an organisation.

The study could find that to confidently undertake ethics-related communication, it is critical that the ethical core is established first. An ethical core is established in an organisation with the presence of an ethical leadership which is committed to base all their operations which is ethically valid. The leadership should also be accessible to the decision-making units so that the units can clarify the ethical dilemmas they face in decision-making. Further, the mission/vision, strategic intent etc. of an organisation should propagate the inevitability of conducting business in an ethical manner. To bolster such efforts, a code of ethics can be formulated to facilitate the reinforcement of ethical values and to dispel ambiguity associated with decision-making. This results in the creation of a culture where even the taken-for-granted assumptions are based on ethics.

The recent scandals, such as the horsemeat scandal of Tesco, point to the vulnerability of supply chain management exposing the lack or absence of control mechanisms, among other issues. Suppliers no longer are considered as different from an organisation when their unethical or irresponsible behaviour hurt its various stakeholders. It is critical that they are treated as organisational citizens and educated on the code of ethics and code of fair trade such as ETI. They should be treated fairly, in a manner which fosters trust. The control and monitoring mechanisms

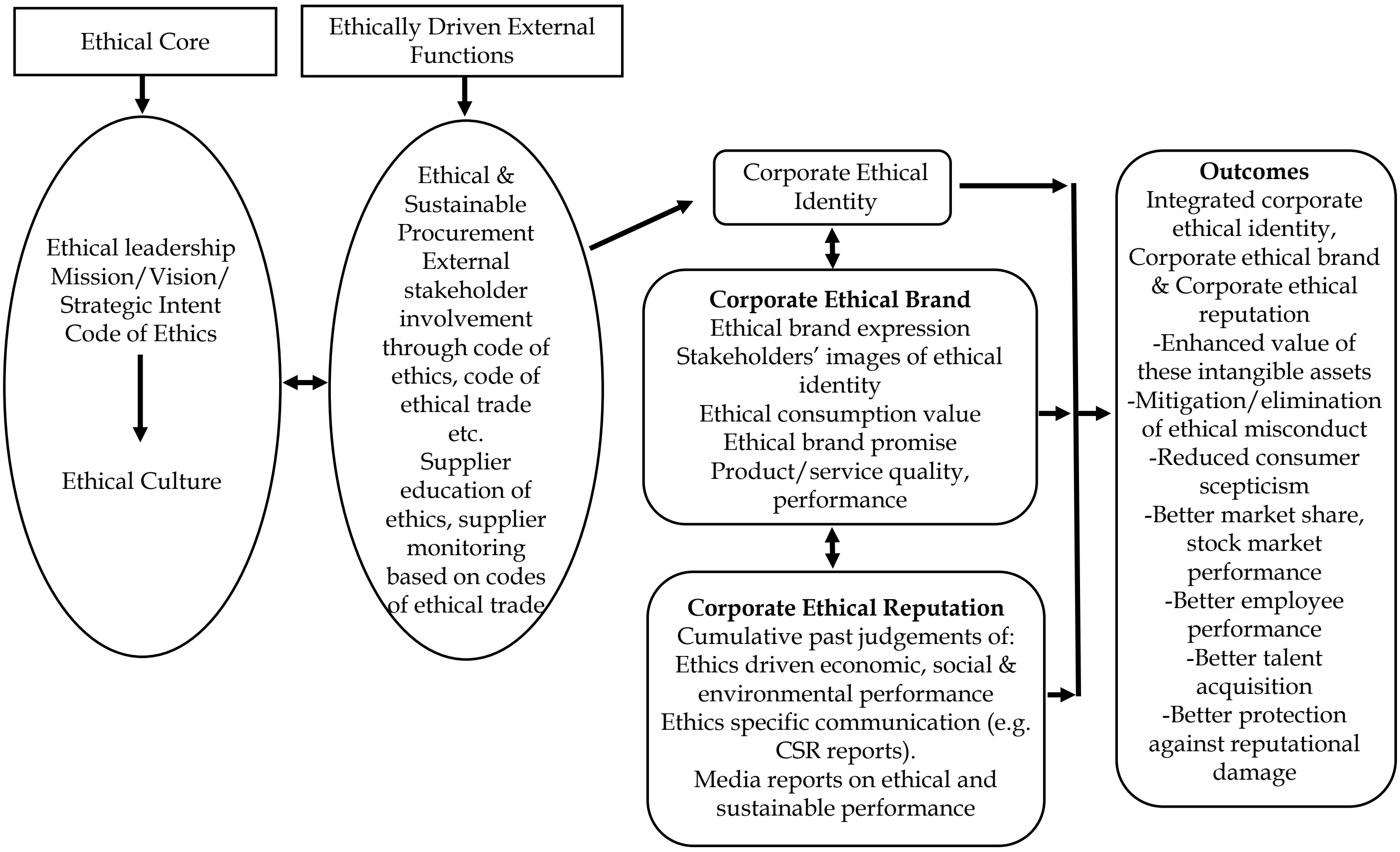

Figure 1. Development of a corporate ethical identity to prevent scandalous behaviours.

should be capable enough to eliminate any impulse of unethical behaviours on the part of suppliers.

The creation of an ethical core and the presence of ethically driven external functions imply that there is congruence between what an organisation does and what it implicitly communicates through corporate identity. This is an ideal position from where an organisation can undertake explicit communication of its ethicality through the corporate brand. It is however noted that corporate identity is amorphous and ever-evolving and so is the case of ethicality and sustainability associated with external functions. Establishing sustainability and educating suppliers on ethical decision-making and reinforcing ethical values in their supply chain is time-consuming. Thus the communication, especially if they are specific like the CSR report, should acknowledge the ongoing efforts in the direction of business ethics and sustainability. In other words, communication of business ethics which is part of the very functioning of an organisation should only be undertaken.

Future research can pay attention to factors that prevent an organisation from embracing ethics in its entire operations and can categorise the hindrances according to their relative significance. Further, scandals are exposing the need to expand the boundaries of stakeholder management, particularly suppliers, and as such highlighting industry-specific areas of concern with regard to business ethics can facilitate organisational understanding of tackling those concerns.

References

Abratt, R., Kleyn, N. (2012) "Corporate identity, corporate branding and corporate reputations. Reconciliation and integration". European Journal of Marketing. Vol. 46. No. (7/8) pp. 1048-1063

Achrol, R.S. (1997) "Changes in the theory of inter organisational relations in marketing: towards a network paradigm". Journal of Academy of Marketing Science. Vol. 25 pp. 56- 71

Arjoon, S. (2005) "Corporate governance: an ethical perspective". Journal of Business Ethics. Vol. 61 No.4 pp. 343-352

Arjoon, S. (2000) "Virtue theory as a dynamic theory of business". Journal of Business Ethics. Vol. 28 No.2 pp. 159- 178

Balmer, J.M.T. (2001) "Corporate identity, corporate branding and corporate marketing: seeing through the fog". European Journal of Marketing. Vol. 35. No. ¾. pp. 248- 291.

Balmer, J.M.T. (2002) "Preface: corporate identity: crossing the Rubicon". International Studies of Management and Organisation. Vol. 32 No. 4 pp. 123- 124

Balmer, J.M.T. (2010) "The BP deep water horizon debacle and corporate brand exuberance". Journal of Brand Management. Vol. 18 No. 2 pp. 97-104

Balmer, J.M.T., Dinnie, K. (1999) "Corporate identity and corporate communications: the antidote to merger madness". Corporate Communications: An International Journal. Vol. 4 No. 4 pp. 182-192.

Balmer, J.M.T., Greyser, S.A. (2002) "Managing the multiple identities of the corporation". California Management Review. Vol. 44 No.3 pp. 72-86

Balmer, J.M.T., Wilson, A. (1998) "Corporate identity: there is more to it than meets the eye". International Studies of Management and Organisation. Vol. 28 No. 3 pp. 12- 31

BBC (2013) Horse meat scandal: Tesco reveals 60 % content in dish. Available at:< http://www.bbc.co.uk/news/uk-

21418342
BBC (2014) Tesco accounts face fresh inquiry. Available at:< http://www.bbc.co.uk/news/business-30575040
Bendixen, M., Abratt, R. (2007) "Corporate identity, ethics and reputation in supplier buyer relationships". Journal of Business Ethics.Vol. 76 pp. 69-82
Berman, S.L., Wicks, A.C., Kotha, S., Jones, T.M. (1999) "Does stakeholder orientation matter? The relationship between stakeholder management models and firm performance". Academy of Management Journal. 42 (5) pp. 488-506
Bernardi, R.A., LaCross, C.C. (2005) "Corporate transparency: code of ethics disclosures". The CPA Journal. April. Pp. 34-37
Berrone, P., Surroca, J., Tribo, J.A. (2007) "Corporate ethical identity as a determinant of firm performance: a test of mediating role of stakeholder satisfaction". Journal of Business Ethics.Vol. 76 pp. 35-53.
Bevan, D., Corvellec, H. (2007) "The impossibility of corporate ethics: for a Levinasian approach to managerial ethics". Business Ethics: A European Review. Vol. 16 No.3 pp. 208-219.
Bhattacharya, C.B., Sen, S. (2003) "Consumer- company identification: a framework for understanding consumers' relationships with companies". Journal of Marketing. Vol. 67 pp. 76- 88
Bick, G., Jacobson, M., Abratt, R. (2003) "The corporate identity management process revisited". Journal of Marketing Management. Vol. 19 No. 7/8 pp. 835-855
Black, E., Carnes, T., Richardson, V. (2000) "The market valuation of corporate reputation". Corporate Reputation. Vol. 3 No. 1 pp. 21- 31
Brady, N., &Hart, D. (2007) "An exploration into the development psychology of ethical theory with implications for business practice and pedagogy". Journal of Business Ethics. Vol. 76 No. 4 pp. 397- 412.
Branco, M.C., Rodrigues, L.L. (2006) Corporate social responsibility and resource based perspectives. Journal of Business Ethics. Vol. 69 pp. 111- 132.
Brown, B. (1997) "Stock market valuation of corporate reputation for corporate social performance". Corporate Reputation Review. Vol. 1 No. 1/2 pp. 75- 79
Buchnan, A. (1996) "Toward a theory of ethics of bureaucratic organisations". Business Ethics Quarterly. Vol. 6 pp. 419-440
Carrigan, M., Attalla, A. (2001) "The myth of ethical consumer- do ethics matter in purchase behaviour?" Journal of Consumer Marketing. Vol. 18 No.7 pp. 560- 577.
Carrington, D. (2010) BP oil spill report: the deep water horizon blame game. The Guardian (Online) Available at:< http://www.theguardian.com/environment/blog/2010/sep/08/bp-oil-spill-report-deepwater-horizon-blame-game
Carroll, A.B. (1991) "The pyramid of corporate social responsibility: toward the moral management of organisational stakeholders". Business Horizons. July-August. Pp. 39-48
Carroll, A.B. (1979) "A three dimensional model of corporate performance". Academy of Management. Vol. 4 No. 4 pp. 497-505.
Chun, J.S., Shin, Y., Choi, J.N., Kim, M.S. (2011) "How does corporate ethics contribute to firm financial performance? The mediating role of collective organisational commitment and organisational citizenship behaviour". Journal of Management. Vol. 39 No. 4 pp. 853-877.
Clarkson, M.B.E. (1995) "A stakeholder framework for analysing and evaluating corporate social performance". Academy of Management Review. Vol. 20 No. 1 pp. 92- 117
Cornelissen, J. (2011) Corporate communication: a guide to theory and practice. 3rd edition. Sage. London.
Cornelissen, J.P., Haslam, S.A., Balmer, J.M.T. (2006) "Social identity, organisational Identity and corporate identity: towards an integrated understanding of processes, patternings and products". British Journal of Management. Vol.18 pp. 1-16
Crosby, L.A., Evans, K.R., Cowles, D. (1990) "Relationship quality in services selling: an interpersonal influence perspective". Journal of Marketing. 54 (3) pp. 68-81.
Cryer, E.H., Ross, W.T. (1997) "The influence of firm behaviour on the purchase intention: do consumers really care about business ethics?" Journal of Consumer Marketing. Vol. 14 No.6 pp. 421- 433
Cullen, J.B., Victor, B., Stephens, C. (1989) "An ethical weather report: assessing the organisations's ethical climate". Organisational Dynamics. Vol. 18 No. 2 pp. 50-63
de Chernatony, L. (1999) "Brand management through narrowing the gap between brand identity and brand reputation". Journal of Marketing Management. Vol. 15 pp. 157- 179
Dobson, J. (2009) "Alasdair Macintyre's Aristotelian business ethics: a critique". Journal of Business Ethics. Vol. 86 (1) pp. 43-50.
Donaldson, T. (1999) "Making stakeholder theory whole". Academy of Management. Vol. 24 No. 2 pp. 237-241.
Donaldson, T, Preston, L.E. (1990) "The stakeholder theory of the corporation: concepts, evidence and implications". Academy of Management Review. Vol. 20 No. 1 pp. 65-91
Drejer, A. (2000) "Organisational learning and competence development". The Learning organisation. Vol. 7 No. 4 pp. 206- 220.
Durant, W. (2006) The story of philosophy: the lives and opinions of world's greatest philosophers from Plato to John Dewey. Simon and Schuster. London.
Eltantaway, R.A., Fox, G.L., Guinipero, L. (2009) "Supply management ethical responsibility: reputation and performance impacts". Supply Chain Management: An International Journal. Vol. 14 No. 2 pp. 99- 108
Fan, Y. (2005) "Ethical branding and corporate reputation". Corporate Communications: An International Journal. Vol. 10 No. 4 pp. 341- 350
Fleege, E., Adrian, E. (2004) "The implementation of corporate ethics: a comparative study between Motorola and Ericsson". UW-L Journal of Undergraduate Research. Vol. 7 pp. 1-9
Fletcher, N. (2013) Horse meat scandal wipes £300m off Tesco's market value. The Guardian (Online) Available at:< http://www.theguardian.com/business/marketforceslive/2013/jan/16/horse-meat-tesco-market-value-shares
Fombrun, C., Foss, C. (2004) "Business ethics: corporate responses to scandal". Corporate Reputation Review. Vol. 7 No.3 pp. 284- 288.
Fombrun, C., Reil, C.V. (1997) "The reputational landscape". Corporate Reputation Review. Vol. 1 No. 1 pp. 5-13
Fombrun, C.,Shanley, M. (1990) "Whats in a name? reputation building and corporate strategy". Academy of Management Journal. Vol. 33 No. 2 pp. 233-258
Freeman, E.R. (1984) Strategic management: a stakeholder approach. Prentice Hall. New Jersey.
Freeman, E.R. (1999) "Divergent stakeholder theory". Academy of Management Review. Vol. 24 No. 2 pp. 233-236
Friedman, M. (1970) The social responsibility of business is to increase its profits. New York Times Magazine. 13 pp. 32-33
Gardberg, N.A., Fombrun, C.G. (2006) "Corporate citizenship:

creating intangible assets across institutional environments". Academy of Management Review. Vol. 31 No. 2 pp. 329- 346
Ghoshal, S. (2005) "Bad management theories are destroying good management practices". The Academy of Management Learning and Education. Vol. 4 No. 1 pp. 75-91
Gilley, K.M., Robertson, C.J., Mazur, T.C. (2010) "The bottom line benefits of ethics code commitment". Business Horizons. Vol. 53 pp. 31-37
Goodijk, R. (2003) "Partnerships at corporate level: the meaning of stakeholder model". Journal of Change Management. Vol. 3 pp. 225- 241
Greyser, S. (1996) Corporate reputation and bottom line. Speech at the launch of International Corporate Identity Group, House of Lords. London.
Harlow, W.F., Brantley, B.C., Harlow, R.M. (2011) "BP initial image repair strategies after the Deepwater horizon spill". Public Relations Review. Vol. 37 No. 1 pp. 80-83
Harris, F., de Chernatony, L. (2001) "Corporate branding and corporate brand performance". European Journal of Marketing. Vol. 35 No. 3/4 pp. 441-456
Harrison, A., Scorse, J. (2010) "Multi nationals and anti-sweat shop activism". American Economic Review. Vol. 100 No. 1 pp. 247-273
Hayobor, S., Wasieleski, D.W. (2009) "Effects of the use of the availability heuristic on ethical decision making in organisations". Journal of Business Ethics. Vol. 84 pp. 151-165
Heath,J. (2009) "The uses and abuses of agency theory". Business Ethics Quarterly. Vol. 19 No. 4 pp. 497-528.
Heikkurinen, P. (2010) "Image differentiation with corporate environmental responsibility". Corporate Social Responsibility and Environmental Management. Vol.17 pp. 142- 152.
Jones, T.M., Wicks, A.C. (1999) "Convergent stakeholder theory. Academy of Management Review". Vol. 24 No. 2 pp. 206-221.
Kay, M.J. (2006) "Strong brands and corporate brands. European Journal of Marketing". Vol. 40 pp. 742- 760
Kaptein, M. (2010) "The ethics of organisations: a longitudinal study of the U.S. working population". Journal of Business Ethics. Vol. 92 pp. 6-1- 618
Keller, K. (1998) Strategic brand management. Prentice Hall. New Jersey.
Kish-Gephart, J.J., Harrison, D.A., Trevino, L.K. (2010) "Bad apples, bad case and bad barrels: meta -analytic evidence about sources of unethical decisions at work". Journal of Applied Psychology. Vol. 95 No. 1 pp. 1-31
Kleyn, N., Abratt, R., Chipp, K., Goldman, M. (2012) "Building a strong corporate ethical identity: key findings from suppliers". California Management Review. Vol. 54 No. 3 pp. 61- 76.
Knox, S., Bickerton, D. (2003) "The six conventions of corporate branding. European Journal of Marketing". Vol 37 No.7/8 pp. 998- 1016
Laffont, J.J., Martimort, D. (2002) The theory of incentives: the principal agent model. Princeton University Press. New Jersey.
Levit, T. (1965) Industrial purchasing behaviour: a study of communication effects. Harvard Business School. Boston. Massachusetts.
Lozano, J.M. (2005) "Towards the rational corporation: from managing stakeholder relations to building stakeholder relationships (waiting for Copernicus)". Corporate Governance. Vol. 5 pp. 60- 77
Meikle, J., Lawrence, F. (2013) Tesco drops Irish supplier over horse meat scandal. The Guardian (Online) Available at:< http://www.theguardian.com/business/2013/jan/30/horsemeat-scandal-tesco-drops-supplier
Maignon, I., Ferrell, O.C. (2004) "Corporate social responsibility and marketing: an integrative framework". Journal of the Academy of Marketing Science.Vol. 32 No. 1 pp. 3-19
Marwick, N., Fill, C. (1997) "Towards a framework for managing corporate identity". European Journal of Marketing. Vol. 31 No. 5/6 pp. 396-409
Melo, T., Garrido-Morgado, A. (2012) "Corporate reputation: a combination of social responsibility and industry". Corporate Social Responsibility and Environmental Management. Vol. 19 pp. 11- 31
McManus, J. (2011) "Revisiting ethics in strategic management". Corporate Governance. Vol. 11 No. 2 pp. 214-223
Meinert, D. (2014) Creating an ethical culture. HR Magazine. April. Pp. 23-27
Melewar, T.C. (2003) "Determinants of the corporate identity construct: a review of literature". Journal of Marketing Communications. Vol. 9 No. 3 pp. 195- 220.
Melewar, T.C., Wooldridge, A. (2001) "The dynamics of corporate identity: a review of a process model". Journal of Communication Management. Vol. 5 pp. 327-340.
Moore, B.N., Bruder, K. (2001) Philosophy: the power of ideas. 5th edition. McGraw Hill. New York.
Mudambi, R., Helper, S. (1998) "The close knit adversarial model of supplier relationship in the US auto industry". Strategic Management Journal. Vol. 19 pp. 775-792
Neate, R., Moulds, J. (2013) Tesco sales tumble on horsemeat scandal. The Guardian (Online) available at:< http://www.theguardian.com/business/2013/jun/05/tesco-sales-fall-horsemeat-scandal
Nichols, W. (2014) M&S takes next step on sustainability journey with new 2020 goals. Available at:< http://www.businessgreen.com/bg/feature/2348574/m-s-takes-next-step-on-sustainability-journey-with-new-2020-goals
Norman, W., MacDonald, C. (2004) "Getting to the bottom of triple bottom line". Business Ethics Quarterly. Vol. 14 No. 2 pp. 243- 262.
Ojeili, C. (2002) "Post –modernism, the return to ethics and the crisis of socialist values". Democracy and Nature. Vol. 8 No. 3 pp. 397-421.
Orlitzky, M., Schmidt, F.L., Rynes, S.L. (2003) "Corporate social and financial performance: a meta-analysis". Organisation Studies. Vol. 24 No.3 pp. 403- 441.
Otubanjo, B.O. (2011) "Practitioner conceptualisations of corporate identity 1950- 2011: review and analysis". The Marketing Review. Vol. 11 No. 3 pp. 263-279
Palazzo, G., Basu, K. (2007) "The ethical backlash of corporate branding". Journal of Business Ethics. Vol. 73 pp. 333- 346
Pendse, S.G. (2012) "Ethical hazards: a motive, means and opportunity approach to curbing corporate ethical behaviour". Journal of Business Ethics. Vol. 107 pp. 265-279
Pojman, L.P. (2002) Ethical theory: classic and contemporary readings. 4th edition. Thomson Learning, Wadsworth. California.
Porter, M.E. (2008) The five competitive forces that shape strategy. Harvard Business Review. January. Pp. 78-93
Post, J.E., Preston, L.E., Sachs, S. (2002) "Managing the extended enterprise. The new stakeholder view". California Management Review. Vol. 5 pp. 6-28
Pruzan, P. (1998) "From control to value based management and accountability". Journal of Business Ethics. Vol. 17 pp. 1379-1394.
Robertson, C.J., Crittenden, W.F. (2003) "Mapping moral philosophies: strategic implications for multinational firms".

Strategic Management Journal. Vol. 24 No. 4 pp. 385-392.
Roberts, P.W., Dowling, G.R. (2002) “Corporate reputation and sustained superior financial performance”. Strategic Management Journal. Vol. 23 pp. 1077- 1093
Sabate, J.M.F., Puente, E.Q. (2003 a) “The concept and measurement of corporate reputation: An application to Spanish intermediaries”. Corporate Reputation Review. Vol 5 No. 4 pp. 280- 301
Sabate, J.M.F., Puente, E.Q. (2003 b) “Empirical analysis of the relationship between corporate reputation and financial performance: survey of the literature”. Corporate Reputation Review. Vol. 6 No. 2 pp. 161- 177
Sainsbury’s Supermarkets Ltd (2013) Code of conduct for ethical trade. Available at:< http://j-sainsbury.co.uk/media/1586898/sainsbury_s_code_of_conduct_for_ethical_trade.pdf>
Schein, E.H. (2010) Organisational culture and leadership. John Wiley and Sons. California.
Schlegelmilch, B.B., Houston, J.E. (1990) “Corporate codes of ethics in large UK companies: an empirical investigation of use, content and attitudes”. European Journal of Marketing. Vol. 23 pp. 7-24
Schneider, B. (1975) “Organisational climates: an essay”. Personnel Psychology. Vol. 28 pp. 447-479
Schmidt, K. (1995) The quest for identity. Cassell. London.
Schnietz, K.E., Epstein, M.J. (2005) “Exploring the financial value of reputation for corporate social responsibility during crisis”. Corporate Reputation Review. Vol. 47 No. 4 pp. 327- 345
Schurr, P.H., Ozanne, J.L. (1985) “Influence on exchange processes: buyer’s perceptions of a seller’s trustworthiness and bargaining toughness”. Journal of Consumer Research. Vol. 11 pp. 939-953
Schwab, B. (1996) “A note on ethics and strategy: do good ethics always make for good business?” Strategic Management Journal. Vol. 17 pp. 499- 500
Simoes, C., Dibb, S., Fisk, R.P. (2005) “Managing corporate identity: an internal perspective”. Academy of Management Science Journal. Vol. 33 No. 2 pp. 153-168
Sims, R., Brinkmann, J. (2003) “Enron ethics (or: culture matters more than codes)”. Journal of Business Ethics. Vol. 45 No.3 pp. 385-392
Soltani, B. (2014) “The anatomy of corporate fraud: a comparative analysis of high profile American and European corporate scandals”. Journal of Business Ethics. Vol. 120. Pp. 251- 274.
Tesco 2014. Trading responsibly: Our ethical trading approach. Available at:< http://www.tescoplc.com/assets/files/cms/Resources/Trading_Responsibly/Our_Ethical_Trading_approach.pdf>
Trevino, L.K., Brown, M.E. (2004) “Managing to be ethical: debunking five business ethics myths”. Academy of Management Executive. Vol.18 No. 2 pp. 69-81
Trevino, L.K., Brown, M.E., Hartman, L.P. (2003) “A qualitative investigation of perceived executive ethical leadership: perceptions from inside and outside the executive suite”. Human Relations. Vol. 55 p. 5-37
Trevino, L.K., Butterfield, K.D., McCabe, D.L. (1998) “The ethical context in organisations: influences on employee attitude and behaviours”. Business Ethics Quarterly. Vol. 8 pp. 447-476.
Trevino, L.K., Weaver, G.R. (1999) “The stakeholder research tradition: convergent theorists- not convergent theory”. Academy of Management Review. Vol. 24 No. 2 pp. 222- 227.
Turnbull, P., Ford, D., Cunningham, M. (1996) “Interaction, relationships and networks in business markets: an evolving perspective”. Journal of Business and Industrial Marketing. Vol. 11 pp. 44-62.
Valentine, S., Barnett, T. (2002) “Ethics code and sales professionals’ perceptions of their organisations’ ethical values”. Journal of Business Ethics. Vol. 40 pp. 191-200
van Reil, C.B.N., Balmer, J.M.T. (1997) “Corporate identity: the concept, its measurement and management”. European Journal of Marketing. Vol. 31 No. 5/6 pp. 340- 355
Victor, B., Cullen, J.B. (1988) “The organisational bases of ethical work climates”. Administrative Sciences Quarterly. Vol. 33 pp. 101-125
Walker, H., Sisto, L.D., McBain, D. (2008) “Drivers and barriers to environmental supply chain management: lessons from the public and private sectors”. Journal of Purchasing and Supply Management. Vol. 14 pp. 69-85
Watrik, S.L., Cochran, P.L. (1985) “The evaluation of the corporate social performance model”. Academy of Management Review. Vol. 10 No. 4 pp. 758-769.
Weaver, G.R., Trevino, L, K., Cochran, P.L. (1999) “Corporate ethics practices in the mid- 1990s”. Journal of Business Ethics. Vol. 18 No. 3 pp. 283- 294
Williams, C. (2015) Tesco faces fresh accusations of ‘bullying suppliers over price cuts’. The Telegraph (Online) Available at:< http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11399558/Tesco-faces-fresh-accusations-of-bullying-suppliers-over-price-cuts.html>
Williams, L. (2008) “The mission statement: a corporate reporting tool with a past, present and future”. Journal of Business Communication. Vol. 45 pp. 94-119
Wills, J. (2011) M&S- wholly embracing staff in plan to become the world’s most sustainable retailer. The Guardian (Online) Available at:< http://www.theguardian.com/sustainable-business/staff-plan-worlds-sustainable-retailer
Wood, D.J. (1991) “Corporate social performance revisited”. Academy of Management Review. Vol. 10 No. 4 pp. 691-718
Yazdani, N., Murad, H.S. (2015) “Toward an ethical theory of organising”. Journal of Business Ethics. Vol. 127 pp. 399-417.
Zigan, K. (2012) “A contingency approach to the strategic management of intangible resources”. Journal of General Management. Vol. 38 No. 2 pp. 79-99

Author

Kishore Kumar has a Master in Arts (MA) in Human Resource Management from Leeds Beckett University, UK. He is a Human Resource Management (HRM) professional at present with more than 20 years of varied industry experience, email: kishore7kk@gmail.com