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Corporate Reputation and Corporate Ethics: Looking Good or Doing Well

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ABSTRACT

Corporate reputation (CR) has become a fashionable topic due, among other reasons, to the recent financial and economic crisis and spreading corporate scandals. Given its interdisciplinary character and intangible nature, CR has been a frequent issue in many disciplines, but scarcely present in the business ethics field. This neglect is odd since a good reputation is one of the most valuable consequences of doing the right things and the things right. In this paper, we intend to explain this absence through three hypotheses: a) business ethics literature largely identifies corporate reputation and corporate social responsibility; b) corporate reputation overlaps with corporate image and corporate identity, resulting interchangeable constructs; and c) business ethics scholars have focused on the negative side of the reputation phenomenon, highlighting reputational risk more than benefits.

Based on a bibliometric analysis of the top journal of business ethics literature over a recent decade (2002-2011), we finally confirmed the three hypotheses although c) only partially. In addition, the findings of this study will allow for a deeper understanding of the link between looking good and doing well.

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Abstract

Corporate reputation (CR) has become a fashionable topic due, among other reasons, to the recent financial and economic crisis and spreading corporate scandals. Given its interdisciplinary character and intangible nature, CR has been a frequent issue in many disciplines, but scarcely present in the business ethics field. This neglect is odd since a good reputation is one of the most valuable consequences of doing the right things and the things right. In this paper, we intend to explain this absence through three hypotheses: a) business ethics literature largely identifies corporate reputation and corporate social responsibility; b) corporate reputation overlaps with corporate image and corporate identity, resulting interchangeable constructs; and c) business ethics scholars have focused on the negative side of the reputation phenomenon, highlighting reputational risk more than benefits.

Based on a bibliometric analysis of the top journal of business ethics literature over a recent decade (2002-2011), we finally confirmed the three hypotheses although c) only partially. In addition, the findings of this study will allow for a deeper understanding of the link between looking good and doing well.

Keywords: corporate reputation, corporate image, corporate identity, corporate ethics, corporate social responsibility.

Introduction

The recent financial and economic crisis has provoked an erosion of trust in business everywhere (Edelman Trust Barometer. Annual Global Study, 2012). As a consequence, corporate reputation (CR) has become a fashionable concept. Many scholars from different perspectives -Economics, Marketing, Accounting, Sociology, Communication, Organizational Behavior, Strategy, etc.- have underlined its crucial role as a key element of business strategy (Carlisle and Faulkner 2005; Fombrun 1996); a proven wealth generator (Rindova et al. 2005; Sims 2009); a driver of growth (Reichheld 2003); and as a tool that reduces uncertainty, orienting to consumers, suppliers, and partners (Fombrun 1996; Rindova et al. 2005).

However, the issue still presents conceptual delimitation problems, resulting in a wide variety of definitions and conflicting in many cases (Martín de Castro et al. 2006; Shenkar and Yuchman-Yaar 1997). Its intangible nature and interdisciplinary character cause its complexity (Deephouse 2000; Lange and Lee 2011; Martin de Castro et al. 2006; Wartick 2011; Whetter 1997). As Chun notes, inside an interdisciplinary construct with internal and external views, which must represent multiple stakeholders' perception, "an organization does not have a single reputation, it has many" (2005, 94).

Despite this "Tower of Babel" phenomenon (Hatch and Schultz 2000, 11), some authors suggest the scarce presence of business ethics as a discipline in corporate reputation discussions (Verbos et al. 2007). For instance, in the last decade, only 5% of the main journals of business ethics in the *Social Science Citation Index* (SSCI) have tackled corporate reputation as a topic. Considering that a good reputation is one of the most valuable consequences of acting properly and doing the right things, this absence within the corporate ambit is very surprising.

In this paper we formulate three hypotheses to explain this scarce presence.

Hypotheses

H1: Business ethics literature largely identifies corporate reputation and corporate social responsibility.

H2: Corporate reputation overlaps with corporate image and corporate identity, resulting in interchangeable constructs.

H3: Business ethics scholars have focused on the negative side of the reputation phenomenon, highlighting the reputational risk more than the benefits.

The purpose of this paper is to verify these three hypotheses in order to foster the development of a solid base for the corporate reputation construct and to deeper understand the link between looking good and doing well. The overall objective of this study is to formalize the meanings, linkages, and interactions of the business ethics and corporate reputation dyad.

A systematic, in-depth review of a recent 10-year span was conducted to learn how corporate reputation has been analyzed in business ethics literature. We reviewed *Journal of Business Ethics (JBE)*, *Business Ethics Quarterly (BEQ)*, *Business & Society (BAS)*, and *Business Ethics: A European Review (BEER)*. These journals were selected as the outlets for reputation-ethics research with the highest levels of impact, properly exposing the state of the art of the business ethics field. As in other similar studies (Robertson 2008), we selected a large period of a decade: 2002-2011, which permits us to capture a representative amount of corporate reputation research and to extract time evolutions and significant statistical trends. Further, this period includes corporate scandals, crisis and reputational risks which could have had a bearing on the research conducted. Any item with the words "reputation*", "corporate identit*", "corporate image*", "organizational identit*", "ethical identit*", or "organizational image" in the title, abstract or keywords published by those journals in that period was analyzed in the *topic* field of the *Web of Science* platform, and automatically selected.

A sample of 154 articles was tracked —i.e. 146 articles, 6 reviews, 1 book review and 1 editorial material. Those records generated 803 citations in the *Web of Science* to March 15, 2012. This data permitted us to deduce the scientific visibility and impact of the items tracked.

A second sample of the overall business literature over the same 10-year period was tracked with the same methodology in order to compare how different the paths followed by business ethics literature and overall business literature are when addressing corporate reputation and its related concepts. A total of 1.011 items were retrieved in 106 publications categorized as "business journals" by the *Web of Sciences*. They generated 8.411 citations in the platform on March 15, 2012.

Based on this review, we devote the first section to explore the relation between corporate reputation and corporate social responsibility to verify if the *H1* is supported by the literature. The second section describes and discusses the interactions between corporate identity, corporate image and corporate reputation to confirm the *H2*. The third section tries to solve whether *H3* is correct, underlining that business scholars focus more on the negative side of corporate reputation than on its positive effect.

Our analysis will permit us to extract some quantitative trends from the corporate reputation research in the business ethics literature and to discuss the results in relation to the hypotheses.

Specifically, our revision of data will verify *H1* and *H2*, but only partially *H3*. Some remarks are finally exposed.

H1: Business ethics literature largely identifies corporate reputation and corporate social responsibility.

Corporate reputation and corporate social responsibility have often been used as respective proxies for each other, e.g. the variable to measure the social performance has been Fortune's Corporate Reputation Index[1] (Fombrun and Shanley 1990). In many studies corporate social responsibility appears as a key driver of corporate reputation (Logsdon and Wood 2002; Rettab et al. 2009; Roberts 2003; Van der Laan et al. 2008).

Companies seem to have two main reasons to engage in social initiatives: instrumental and ethical motivations. The former consider the strategic value of CSR actions due to its direct impact on profitability, increasing firms' legitimacy and reputation. The latter are based on the desire of companies to make a positive contribution to society. In both cases being good would pay: "corporate executives appear to increasingly agree that social initiatives can help a company to build 'reputational capital' and that 'by doing good' managers generate reputational gains that improve a company's ability to attract resources, enhance performance and build competitive advantage'' (Brønn and Vidaver-Cohen 2009).

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[1] Some authors have raised doubts about the supposed validity of the Corporate Reputation Index as a measurement of the firms' corporate social performance (Stanwick 1998).

Since companies engaged in corporate social responsibility actions can obtain the benefits commonly associated with a good reputation, i.e. higher financial profits, more engaged consumers, motivated employees, better workplaces, etc., CSR actions can become a way to get more reputation directly and a higher financial performance indirectly (Rettab et al. 2009). Thus, the social and the financial corporate performances can be positively related and can economically justify the social investments made by companies due to their creation of value through building corporate reputation. However, it is only positive until a peak from which the increase of reputation would not be accompanied by an improvement in the financial performance occurs due to decreasing scale returns (Fernández and Luna 2007). Moreover, the social engagement of companies in social and green policies can even lead to real monetary losses, at least in the short run because of the expenses that firms incur in their socially responsible actions. This disagreement about the positive relation between CSR and financial performance (López et al. 2007; Van der Laan et al. 2008) can generate tensions between different stakeholders about CSR actions.

According to the stakeholder approach, companies should be accountable not only before their shareholders but rather before all “people at stake”. In his seminal book, Freeman described stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (1984, 46). These firms “maintain good reputation if they continue to meet the expectations of their key stakeholders, which for most companies includes a high level of corporate social responsibility” (Roberts 2003, 168). However, it is not easy to exactly determine what a good CSR performance means in practice since stakeholders regard this matter as unpredictable and illogical, and not all of them pay attention to social concerns. In this sense, Martín de Castro et al. (2006) deconstructed the reputation concept in two components: (a) business reputation and (b) social reputation. The former includes different aspects of corporate reputation related to stakeholders closely tied to business activity, as customers and employees: corporate governance; the quality of the management team; the innovation level; and the capability to attract and retain talented people, among other issues. The latter involves the insights and perceptions of stakeholders not so close to the daily operation of a firm, known as the community. This reputation would be based on social and green actions and policies. Similar conclusions were reached by Van der Laan et al. (2008), who differentiated among primary and secondary stakeholders. Primary ones are involved in reciprocal, direct, and frequent exchanges with the corporation and include employees, consumers and investors. Secondary ones are more distant groups, who depend on the firm for the realization of their goals, but the firm is not crucially dependent on them, so there is an imbalance of power between these stakeholders and companies. These stakeholders are more interested in community, diversity, environment and human rights.

The engagement of companies in social actions and policies is also influenced by national or regional factors, firm size, and prior reputational scores of the companies. The bigger and more respected the company, the bigger its willingness to invest in social and reputational actions (Fernández and Luna 2008).

It is also very important to underline that companies should never appear to be engaging in social or green actions for a selfish motivation, or to give the impression that their final motivation is only money. Looking good should be the result of acting well. If companies only want to look good without facing the costs of acting well, their social and green actions could lose legitimacy (Van de Ven 2008; Vanhamme and Grobben 2009). Moreover, because stakeholders are more sensitive to negative information than to positive information, managers need to be conscious of the risks of being badly perceived (Castelo Branco and Rodrigues 2008). They should constantly monitor two aspects: what is said about them, especially in the mainstream media, and what the impacts of their actions on social issues are, because these actions are especially character-enhancing or damning (Dutton and Dukerich 1991).

Given that acting well can be the foundation of a good corporate reputation based on CSR actions, renowned scholars have accentuated the importance of taking into account social and other goodwill-driven considerations into the core strategies of companies, not only as an appendix. When companies do the right things *and* do things right, they act like good citizens, successfully integrating the social and economic dimensions in their strategy, reflecting their core values (Fombrun 1996).

An important number of studies have linked *being good* or *bad* with reputational consequences, at least in the long term. Thus, the reputational capital of corporations has a negative relation with corporate ethical violations (Armstrong et al. 2004). With nuances, the positive trend between the need of acting right and do the right things to earn corporate reputation has been coined in the business ethics literature as "ethicalization'' (Fukukawa et al. 2007), "corporate ethical identity" (Berrone et al. 2007), and "reputational optimality" (Mitnick and Mahon 2007).

The reputation reached after acting well has direct and tangible benefits: better financial returns (Choi 2008); a bigger corporate value for some key stakeholders as suppliers and employees (Bendixen and Abratt 2007); stronger relationships between a firm and its partners (Sacconi 2007).

Based on our literature review, we can conclude that business ethics scholars have directly dealt with CSR instead of corporate reputation. It seems that business ethics scholars view corporate reputation more as a "make-up procedure" intended for short-term profit than as an ethical long-term corporate character. Given that only corporate social responsibility would show a genuine commitment, this discipline gives more prominence to CSR than CR.

In addition, we carried out a content analysis of the items and a standardization of the author keywords to extract the main themes, based on the methodology used by Robertson (2008). Corporate social responsibility was the thematic concept most repeated in the business ethics items addressing corporate reputation, followed by "values", "risks", and "accountability measures". In this sense, it can be observed that when business ethics journals address corporate reputation, they mainly do it through the CSR approach. This also explains why business ethics journals have extensively analyzed how good behavior—e.g. CSR actions—and wrong doing relate directly with good or bad reputations.

Insert Table 1 here

Thus, corporate social responsibility becomes the path chosen by companies to take advantage of the benefits commonly associated with a good reputation—i.e. fostering employee satisfaction, enforcing contracts and commitments, increasing intangible but not imitable capital, and improving financial performance.

H2: Corporate reputation overlaps with corporate image and corporate identity, resulting in interchangeable constructs.

Many scholars underline that identity, image, and other concepts closely related with corporate reputation have been used synonymously. Depending on the level of generalization, “each of these terms has been offered as (a) the equivalent of reputation, (b) an important component within reputation, or (c) a broader term that encompasses reputation. In other words, these terms are either bigger or smaller or just the same as corporate reputation” (Warticks 2011, 373).

Although the definitions of corporate identity (CID), corporate image (CIM), and corporate reputation vary in extent, some common foundations can be extracted from the literature review we undertook. The goal of this conceptualization is to reflect the state of the art of corporate reputation and its related topics in the main business ethics journals and to conclude if these terms have been used as interchangeable constructs

Corporate identity

Corporate identity is a multidisciplinary notion that has evolved and become more sophisticated over the years.

In the corporate ambit, the term ‘identity’ was borrowed from the psychological and sociological literature (Hatch and Schultz 2004), where it was commonly used to express the sense that a person has about herself, i.e. self-image, self-esteem, etc. In this regard, identity is commonly linked to personality and character, i.e. what makes one unique or at least to distinguish between one person and another (Ashman and Winstanley 2007).

At the beginning, CID was only used by consultants as a marketing tool or a synonym for corporate logos and related graphics (Balmer et al. 2007; Kiriakidou and Millward 2000). This concept was introduced into the field of organizational studies by Albert and Whetten (1985) who assured that identity is formed by the set of firm attributes that are seen as (a) essential; (b) distinctive; and (c) enduring. Since then, CID has been conceptualized as the essence and unique character of organizations, the summation of the tangible and intangible elements that make any corporate entity distinct, the melding of strategy, structure, communication, and culture that makes every company an unrepeatable unity (Balmer 2001). In short, CID has been recognized as "the embodiment of a firm" (Bendixen and Abratt 2007, 71); "the corporate personality" –the set of essential features that give individuality and differentiate an organization- (Abratt 1989); "the manifestation of a firm's spirit in a comprehensible way" (Olins 2003, 64).

If corporate identity contains the set of attributes that provide character to a firm, then it could be discerned operationally through identifying the idiosyncratic, structural functions and traits of corporations—e.g. strategy, values, philosophy, and organizational culture (Balmer et al. 2007).

One specific element in the mix coined by Albert and Whetten (1985) has been later questioned: the sameness and durability of identity. According to Gioia et al. (2000) identity is really dynamic, and the illusion of its supposed enduring character is based on the labels used by the organization's members to describe and name their company, e.g. slogans. However, the meanings and interpretations associated with those labels change between different audiences and ages. Apparently, the essential features of CID maintain their sameness and continuity, but they cannot be considered to be enduring, strictly speaking.

As an organization's labels can produce different meanings and interpretations, corporations might not have a unique identity, but rather a variable number of identities, going from simple to complex ones (Randel et al. 2009). A simple corporate identity would be composed of a small number of identities, and a complex identity would be on the opposite extreme of an identity continuum scale.

Therefore, CID can present different faces, not only a single, immutable one, and some of these faces could overlap, at least partially, with corporate reputation and image. Those faces are (a) actual identity, (b) communicated identity, (c) conceived identity, (d) desired identity, and (e) ideal identity[2] (Balmer and Greyser 2002). Consequently, it may be argued that the main dimensions of CID are behavior and communication[3] (Berrone et al. 2007; Kiriakidou and Millaward 2000; Margulies 1977; Olins 2003). Therefore, CID merges the reality of a company —what the company is, thinks, feels, and how it behaves— with its projection —how the company interfaces and relates with the external world. Because of this, Birkigt et al. (1995) defined CID in these influential terms: "in the economic praxis, corporate identity is the strategically planned and operationally applied self-expression and behavior of the company in the internal and external ambits, which are based on a defined business philosophy, long-term

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[2] The actual identity is formed by the structural, organizational, and philosophical corporate attributes and it encompass the management and employees' values. The communicated identity is what the company communicates to its constituencies, and includes the facets of corporate communication controlled by the firm, and the non-controlled or tertiary means of communication—e.g. word of mouth and media coverage. The conceived identity refers to the perception of the company by relevant stakeholders, and involves corporate image and corporate reputation. The desired identity is the image wanted by corporate management. The ideal identity is the firm's optimal identity seen by outside analysts (Balmer and Greyser 2002, 74-75).

[3] Communications refer to the explicit revelation of aspects of identity as history and values. Behaviors are related to activities and actions that characterize corporate identity (Berrone et al. 2007).

corporate goals, and a set of images a firm wants to give of itself, with the will that all these actions be represented by a single framework in the internal and external fields” (1995, 18).

Key to the conceptualization of corporate identity is that *what we really are* and *what we say we are* should be congruent (Fukukawa et al. 2007). Therefore, companies should avoid the perils of misalignments between the actual and the communicated facets of a corporate identity (Balmer and Greyser 2002). In this sense, Gray and Balmer posed one of the most generic depictions of CID as “the reality and uniqueness of the organization” (1998, 696). In other words, corporate identity is the signature that runs through the core of all that a corporation does and communicates (Balmer et al. 2007, 8). Therefore, the delivery of an attractive corporate identity influences clients’ image and its study becomes extremely important, attracting interest from scholars and practitioners, due to its potential strategic value for companies (Pérez and Rodríguez del Bosque 2012).

The similarities and differences of corporate identity and corporate image are described in detail below.

Corporate image

If CID is the reality, uniqueness, embodiment, and essence of corporations and their public presentation, then what is corporate image? What exactly is an image? In advertising, Aaker and Myers defined image as the total impression of what a person or group think and know about an object, this overall impression being more than a set of facts (1985).

An image only *lives* if it is appreciated and recognized by perceptive individuals. Dowling explained that an image is a set of a person’s meanings, beliefs, ideas, feelings and impressions by which an object—or a company, a brand, a product, etc.—is known and through which people describe, remember and relate to it (1986, 110). Implicit in this definition is that images vary from person to person because people's meanings are very different. "Because an organization serves multiple publics that have a different type of interaction with the company, then each of these groups is likely to have a different image of a particular company. Hence, a company does not have an image; it will have multiple images" (Dowling 1988, 28). For instance, a firm's image as an employer held by either employees or job applicants can be quite different from a firm's image as a provider of goods and services held by customers (Davies et al. 2001, Gotsi and Wilson 2001, Riordan et al. 1997).

If an image can be conceptualized as the awareness of an object by people, corporate image can be understood as the awareness of a company by its key audiences, the overall public perception of the actions, activities, and accomplishments of an organization by specific groups (Markwick and Fill 1997). "Corporate identity is the self-expression of the firm, as the corporate image is the public impression of the firm, the projection of the corporate identity in the public ambit" (Birkigt et al. 1995, 23).

While CID is the set of attributes used to describe an organization, CIM considers the beliefs held by people about an organization held by people. In this sense, CIM answers the question "What do people think about you?", while corporate identity answers the question "Who are you?" (Dowling 2004, 21). Thus, CID is a firm's character and its external projection over time, CIM is the appreciation of those attributes, actions, signals, and symbols by specific and relevant publics at a determined time.

It is evident that the perception of some specific groups, as the stakeholders, is more relevant to managers and employees than the general public impression. In this sense, Freeman highlighted that stakeholders have *legitimacy* and the ability to affect the direction of the firm. Because of this, managers are justified to spend time and resources to meet the demands of their stakeholders, regardless the appropriateness of those demands (1984, 45). In consequence, CIM can be seen as the overall perception of a firm held by those meaningful interest groups, who have a stake into the company; therefore, a company is supposed to be accountable to them. For this reason, a firm's image is partially based on its ability to meet and satisfy the particular needs and interests of its stakeholders (Barnett et al. 2006, Riordan et al. 1997).

Given the way that a company presents itself affects the way it is perceived by their key audiences, the manner in which audiences learn about a firm may influence the corporate self-presentation (Hooghiemstra 2000). CID and CIM influence each other and change reciprocally to create a new stage, which in turn is influenced and changed again (Dutton and Dukerich 1991)[4].

This overall observation could have a bearing on corporate reputation as well, as it is proposed below.

Corporate reputation

As identity, reputation's study has been nurtured by multiple disciplines. Based on the economic perspective, CR can be defined as the specific set of assessments of the relevant attributes of a

[4] The interaction between companies and audiences is not pure, because some third-parties as the media intervene (Castelo Branco and Rodrigues 2008; Deephouse 2000; Rindova et al. 2005). The media set the agenda of stakeholders, at least partially, and the higher the media coverage of a corporate issue, the higher the chance of adoption of that issue by the key corporate stakeholders (Deephouse and Heugens 2009).

firm—e.g. the ability of a corporation to produce quality goods (Fombrun and Shanley 1990). Referring to the institutional perspective, CR can be understood as the collective knowledge about and recognition of a firm. Thus, CR comprises two dimensions: (a) the valuation and assessment of corporate attributes, and (b) a firm's prominence. The former refers to the degree to which constituencies evaluate an organization positively on some specific traits. The latter captures the degree to which an organization receives extensive collective recognition in its organizational field (Rindova et al. 2005).

In consequence, CR has been conceptualized as a durable assessment, recognition or value judgment of companies by relevant stakeholders (Balmer 1998; Fombrun 1996; Fombrun and Shanley 1990). In this sense, the role of perceivers is more active. Nevertheless, not all stakeholders pay attention to the same corporate issues when they evaluate a firm [5].

The assessment of a company by its stakeholders is often based on some of the following corporate elements: (a) the historical trajectory and future projection of a company, (b) the ability of a company to fulfill these expectations, (c) the affective engagement created by a firm, and (d) a firm's values. All these drivers require some discussion.

First, interest groups can assess the reputation of a company, evaluating past actions in order to project future performance. Thus, stakeholders compare the attractiveness of a specific firm to the appeal of its competitors (Roberts and Dowling 2002).

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[5] Chun identified three schools of thought in the reputation paradigm based on which stakeholders are taken as the focal point. In the "evaluative school" reputation is assessed for shareholders; in the "impressional school" reputation is assessed for internal stakeholders as employees and customers; while in the "relational school" reputation is based on the views of both internal and external stakeholders (2005, 93-95).

Second, stakeholders can assess and compare the ability of a company to fulfill and meet their expectations and to fulfill its commitments (Fombrun and Shanley 1990; Fombrun 1996). This is especially relevant when external stakeholders, as consumers, have a limited knowledge about the real characteristics and potential of purchased products and services. In these cases, firm or brand reputation is the best warranty for consumers to be assured that their expectations will be fulfilled, reducing their uncertainty (Fombrun 1996; Shapiro and Varian 1999).

Third, reputation valuation can also be based on an affective linkage between perceivers and a firm, based on its performance and its quality status. In this sense, *corporate reputational optimality* increases as the affective bond strengthens (Mitnick and Mahon 2007).

Finally, the assessment and valuation can be based on the values shared between stakeholders and organizations. Stakeholders usually confront a company's behavior and communications with their own values, and evaluate the ability of companies to meet those parameters (Bick et al. 2003). A company with a good reputation has values that suit to each evaluator's own values (Siltaoja 2006).

Because CR is a collective assessment formed over time about a firm, it derives from the company's identity —i.e. what a firm really is and how it presents itself— and develops as the company tries to build a favorable image—i.e. a short-term and immediate impression of the firm (Barnett et al. 2006; Christensen and Askegaard 2001; Dhalla 2007; Fombrun 1996; Fombrun and Shanley 1990). In consequence, a corporate reputation depends on what the company is —its character—and how the company presents itself —its public picture. Therefore, we can state that image and identity can be seen as the main components of reputation (Chun 2005, 105).

Like image, reputation has to do with what people think and feel about a company but with some differences: reputation (a) is formed in the long-term; (b) is based on the firm's character, values, culture, and conduct; (c) is associated with all aspects of the firm, cutting across all departments and divisions; and (d) impacts all constituencies, not just consumers but investors, shareholders, employees, etc. (Jackson 2004).

As noted above, identity and image continuously influence each other. Companies *keep an eye on the mirror* and monitor what is been perceived about them. They then act, communicate, and adapt to what is expected or desired of them (Dutton and Dukerich 1991). Reputation also participates in this cycle, having an effect on identity and image and being reciprocally influenced by them (Barnett et al. 2006; Dhalla 2007; Fombrun and Shanley 1990; Fombrun and van Riel 1997; Logsdon and Wood 2002; Souiden et al. 2006; Wei 2002)[6].

What are the possible determinants of a well-managed reputation? Fombrun and Shanley (1990) identified a wide range of factors that contribute to generating a positive corporate reputation if they are well handled: (a) high performance—i.e. profitability—and low risk; (b) size measured by total sales; (c) media visibility—i.e. total number of articles about a company in a year—and advertising—i.e. total advertising expenditures by the firm in a year; (d) institutional ownership; (e) dividend policy; and (f) social responsibility —i.e. charity[7].

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[6] As it was mentioned, some third-parties as the media intervene in the interaction cycle described, because public construct reputation from available information from the firms and from the media. Deephouse (2000) developed the concept of media reputation as the overall evaluation of a firm presented in the media, and found that this variant of reputation influence firms' performance.

[7] Fombrun summarized later four guidelines that companies should follow to be well-regarded by their stakeholders: reliability, credibility, trustworthiness, and responsibility (Fombrun 1996).

Note that a firm's reputation can be more important than the real corporate characteristics and attributes that are evaluated. In this sense, some scholars have emphasized the spillover or halo effects[8] that reputation can produce (Fombrun 1996; Kaplan and Ravenscroft 2004; Puncheva 2008). Based on that effect, a good or bad reputation can expand the good or bad stakeholders' evaluation of some specific positive (or negative) corporate traits to other areas less known by the observers. For instance, if a manager is evaluated as unethical, that specific trait may influence her overall reputational valuation. She may be labeled as generally bad as evaluated by her competence, knowledge, and diligence, which affects her work-related opportunities (Kaplan and Ravenscroft 2004). A company's reputation in one specific area can serve as *a shorthand label* assigned to other attributes that are less known or badly evaluated (Puncheva 2008, 276).

Our literature review shows that researchers have paid attention to corporate reputation, corporate identity, and corporate image with different intensity through the years. The study of these three constructs has followed an evolutionary course.

Insert Figure 1

Scholars have successively focused their attention on corporate image—during the 1950's—, corporate identity—1970's and 1980's—, and corporate reputation—since then (Balmer 1998). The annual evolution of the reputation-business ethics research followed a clear and progressive increase in interest since 2002 to 2009. In 2002, only 5 items addressing reputation, identity, or

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[8] The halo effect was first formulated by the American psychologist Thorndike, noting that people tended to generalize when evaluating others. Thus, one relevant and specific personal trait (as intelligence) seemed enough to make a positive general valuation of other individuals as intelligent, skilled, and reliable ones, because people appeared not capable to discriminate between the others' different personal characteristics (Thorndike 1920).

image issues were released by the four business ethics journals (JBE, BEQ, BAS, and BEER), out of 239 items in total. Thus, these issues represented 2% of the scientific production by the four journals. On the contrary, in 2009, 33 articles addressing the same issues were counted with a share of 5% of the total production. In the overall business literature the annual average of items addressing reputation-identity-image topics for the period considered was 101. A similar time path with the business ethics literature was observed. The 1,011 items addressing these issues in the 106 business journals of the *Web of Science* platform increased strongly from 2002 to 2010, falling in 2011. In 2002, 45 items of the overall business sample represented 0.97% of the total scientific production. In 2010 the items raised to 193 —i.e. 2.72% of the category, as it can be observed in the table 2.

Insert Table 2

After our review, it can be stated according to other researchers, that business ethics scholars have used these three concepts as interchangeable terms (Balmer and Greyser 2002, Barnett et al. 2006, Souiden et al. 2006, Walker 2010, Wei 2002), or allied constructs (Chun 2005).

H3: Business ethics scholars have focused on the negative side of the reputation phenomenon, highlighting the reputational risk more than the benefits

Creating and maintaining a good reputation is a long and costly task. Despite the effort, the reward of the endeavor is usually worthy. A good corporate reputation has the potential to generate a strategic value (Fombrun, 1996), and its intangible character makes its replication considerably more difficult by competitors (Roberts and Dowling 2002). Once a good reputation is reached, it becomes a valued competitive asset: “a reputation is valuable because it informs us about what products to buy, what company to work for or what stocks to invest in” (Fombrun 1996, 5).

Besides the former advantages, corporate reputation can provide the following tangible and strategic benefits: (1) to lower costs; (2) to increase prices; (3) to create competitive barriers; (4) to improve customers’ associations and transactions; (5) to retain employees; (6) to lower the concern of suppliers and business partners about contractual hazards with the firm; and (7) to lower contracting and monitoring costs (Deephouse 2000; Roberts and Dowling 2002). In a climate of distrust and with the presence of large information asymmetries, CR appears to minimize transaction cost, acting as an *equalizer,* reducing those differences, and functioning as a warranty that signals the likelihood that dealings with partners will be complied with and expectations will be met (Fombrun 1996).

In his seminal article about the resources-based model, Barney also highlighted the *contractual* role played by reputation and its importance as a moderator of uncertainty. Thus, reputation may substitute the use of guarantees and other long-term contracts developed by companies to reassure their customers and suppliers (Barney 1991). In the corporate ambit reputation can serve as a tool for honoring the trust vested in partners (Dobson 1990). Because firms recognize the importance of safeguarding and enhancing their reputation, they are supposed not to abuse stakeholders, gaining their confidence and cooperation (Sacconi 2007).

From a financial performance standpoint, a good CR is considered largely responsible for sustained financial outcomes (Chauvin and Hirschey 1994; Roberts and Dowling 2002), but the opposite is also true, i.e. a high financial performance can be the source of good reputation. For this reason, scholars have researched the interaction of both aspects with conflicting conclusions (Hammond and Slocum Jr. 1996).

CR has also been identified as a driver of positive effects in the workplace environment, improving employee morale attracting better job applicants and retaining them (Castelo Branco and Rodrigues 2008; Coldwell et al. 2008). However, others have not found any impact (Bernardi and Guptill 2008). Corporate reputation has also been described as an excellent marketing tool and a favorable channel of positive word of mouth (Fombrun 1996; Reichheld 2003; Sims 2009).

Reputation can generate for companies all the benefits and advantages described before. However, all those desired outcomes can be a chimera due to the expansion of reputational risks and threats to the companies, especially in a globalized world.

Reputational risk is placed at the top of a risk manager's list of priorities. With an index score of 52, it is perceived as substantially more significant than regulatory risk and human capital risk, both of which scored 41 (The Economist Intelligence Unit 2005, 2). The development of global media and mass communication channels largely exposes companies to scrutiny from regulators and other stakeholders, including boycotts from activists, etc. (Castelo Branco 2008). A potential failure to comply with regulatory or legal requirements can drastically and rapidly reduce credibility and customer loyalty.

Four aspects should be considered when measuring and dealing with reputational risks. The first one is that not all threats are equally relevant for companies. For this reason, firms should primarily identify and fight those that can damage their identity's foundations —i.e. the core identity of the organization— (Randel et al. 2009). Two other key factors to measure the degree of reputational risk are the firm's size and scope (Lee and Lounsbury 2011; Zyglidopoulos 2002). Multinational companies are more vulnerable because they have more stakeholders in more countries, and they might be forced to withdraw a costly operation because some remote groups could consider it illegitimate (Zyglidopoulos 2002). In an era of global outsourcing, big companies should manage not only their own ethical, social and environmental reputational risks, but also threats that are beyond their direct control, e.g. the reputational risks of their distant supply networks (Roberts 2003). A fourth aspect that must be considered is the reputational score and the history of a firm and its industrial sector. In this ambit, conflicting conclusions have been laid out. On one hand, it seems that companies with an ethical reputation are likely to suffer larger reputational costs when facing a crisis than those with a lower ethical reputation. A second virtuous circle seems to operate in this regard: companies with prior reputational capital seem to take more advantage of their positive and social actions. This capital works as a shield during time of crisis. On the contrary, firms with a lower reputational score "will face consumer skepticism, disbelief, and, in turn, more negative company and product perceptions, as well as doubts about the company's integrity" (Vanhamme and Grobben 2009, 280), punishing companies who are perceived as insincere in their social initiatives (Van de Ven 2008).

The process is the same in industry sectors with better fame: the social efforts of an organization in an industry with a poor social reputation can be seen skeptically by external stakeholders. For instance, some campaigns of tobacco companies against smoking among children have been badly perceived because of the bad reputation of that industry and because that particular social cause was directly opposed to their core business (Bhattacharya et al. 2004). This could also be the case for mining companies developing social actions. These attempts might easily be considered as a profit-driven gimmick by their detractors (Kapelus 2002).

Among our literature review, corporate reputation is seen many times as a shield to avoid or palliate the spreading reputational risks commonly suffered by companies, especially when these risks are multiplied everywhere by the development of global media and communication channels. Reputation has become a prized but highly vulnerable corporate asset, and one of the most difficult to protect: “barely a day goes by without some company facing new assaults to its reputation” (Sims 2009, 467). This more sensitive scenario warns companies to be reluctant to engage in actions and activities that could taint their fame (Kaplan and Ravenscroft 2004). As a valuable treasure found though a huge effort in the deep soil, a good and solid reputation is highly difficult to achieve because its development takes considerable time (Roberts and Dowling 2002), but, on the contrary, it is very easy to ruin it. Thus, the main duty of managers would be to avoid or minimize the risk of ruining a reputation. For this reason, business ethics would focus more on reputational risk than in a positive approach to CR issue —i.e. highlighting the benefits of having or building a good reputation.

Final remarks and conclusions

Our review in-depth of the business ethics literature over the 2002-2011 period has verified our three hypotheses previously formulated.

Regarding the H1, it can be stated that corporate social responsibility seems to be the main bridge used by companies to take advantage of the benefits commonly associated with corporate reputation—i.e. increasing employee satisfaction, creating competitive barriers, enforcing contracts and commitments, increasing the intangible and not imitable capital, and improving the financial performance. Because social and ethical corporate actions seem to generate so many benefits to companies, some business ethics scholars have concluded that companies are increasingly engaging in a process of "ethicalization" (Fukukawa et al. 2007), or creating a "corporate ethical identity" (Berrone et al. 2007), or searching and "reputational optimality" (Mitnick and Mahon 2007). Thus, when companies integrate social, ethical, and economic dimensions in their strategies (Fombrun 1996), they appear to confirm that acting well is the first step to looking good and being known.

The H2 has also been confirmed, as other scholars did before (Balmer and Greyser 2002, Barnett et al. 2006, Chun 2005, Souiden et al. 2006, Walker 2010, Wei 2002).

Lastly, the H3 is partially confirmed, because it is common to tackle corporate reputation as a shield to avoid or palliate spreading reputational risks incurred nowadays by companies —i.e. decreasing value; defection from partners; lack of employee engagement; low customer loyalty, etc., but the benefits of corporate reputation has also been remarked within the literature. Therefore, building an ethical corporate reputation appears today as a crucial goal for companies and managers. In this paper we identified four aspects that should be taken into account by managers at the time of measuring and/or dealing with reputational risks: a) to focus on identifying and fighting the more significant reputational risks, i.e. those that can damage the foundations of a company's identity; b) to consider the size of the firm; c) to consider the scope of the firm, i.e. how expanded the firm is in different countries or markets; and d) to take into account the prior reputational score and record of the firm and its industrial sector.

We can add another conclusion. Our business ethics literature review has remarked that companies should never appear to be engaging in social or green actions only for a selfish motivation, i.e. to undertake social actions merely to earn a good reputation. As motivation appears as the fundamental driver for discerning whether a reputation is based on principles or solely on self-interest, the better reputation based on moral grounds usually earns a greater reward.

In sum, companies should develop corporate social responsibility actions and policies as an end in itself, and not as a means to expand their corporate reputation. Nevertheless, because social and ethical corporate actions commonly generate reputational earnings, looking good would be the natural result of acting well.

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Table 1: Themes appearing in the business ethics sample

Thematic area	Specific contents within area	Number of articles
CSR	Stakeholders / Corporate Social Performance / Code of conducts	47
Values	Ethical corporate behavior and policies / Rules / Principles / Moral judgment / Integrity / Trust / Fairness	18
Wrong-doing / risks	Scandals / Management crisis / Unethical behavior / Wrong practices / Corporate threats / Risk management / Reputation rebuilding process	17
Audit / accountability measures	Audit decisions and practices / External monitoring / Environmental stakeholders / Accounting profession / Rating agencies	15
Corporate identity dimesions	Organizational and corporate identity / Firm identity	13
Philantropy	Corporate giving / Charity / Volunteerism /	8
Reputational dimensions	Main dimensions and components of corporate reputation / Reputational leadership / Firm size / Financial performance /	9
Event / case study	Case studies / Corporate cases	7
Environment	Sustainability / Environmental citizenship / Green management	6
Communication / reporting	Corporate communication / Disclosure / Transparency / Crisis communication	7
Employee / workplace	Employee attraction and retention / Labor / internal affairs / Earnings management	3
Media	Mass Media / Media visibility /	2
Corporate brand	Branding / Corporate marketing /	1
Image	Impression management / Perception	1
TOTAL		154

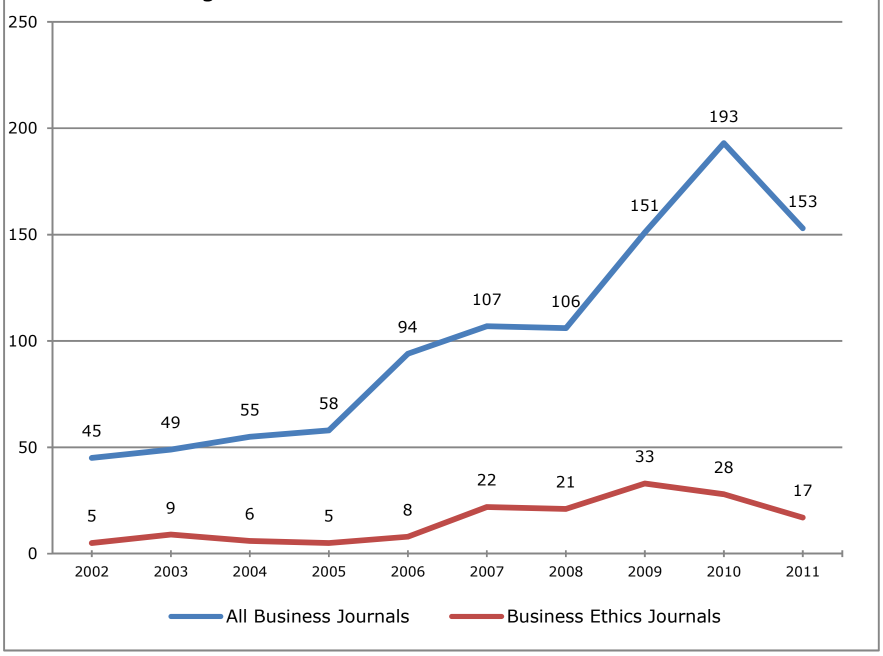

Figure 1: CID-CIM and CR items 2002-2011

Table 2: Scientific production on CID-CIM-CR in Overall Business Journals and Business Ethics Journals 2002-2011								
	Overall Business Sample				**Business Ethics Sample**			
Year	**Freq.**	**Var. (%)**	**Total Business Items**	**Share (%)**	**Freq**	**Var (%)**	**Total Business Ethics Items**	**Share %**
2002	45	--	4.656	0,97%	0	--	239	2,09%
2003	49	8,89	4.613	1,06%	9	--	248	3,63%
2004	55	12,24	4.950	1,11%	6	-33,33	260	2,31%
2005	58	5,45	5.272	1,10%	5	-16,67	249	2,01%
2006	94	62,07	5.282	1,78%	8	60	245	3,27%
2007	107	13,83	5.784	1,85%	22	175	256	8,59%
2008	106	-0,93	6.537	1,62%	21	-4,55	456	4,61%
2009	151	42,45	6.934	2,18%	33	57,14	654	5,05%
2010	193	27,81	7.099	2,72%	28	-15,15	524	5,34%
2011	153	-20,73	7.877	1,94%	17	-39,29	381	4,46%