

# **The Paradox of Good Reputation**

“Whether you agree with its values or not, capitalism is a system positively bulging with moral content.”

(The Ethics Gap, The Economist, 2 December 2000)

## **Abstract**

This article is an attempt to reinterpret “The Ethics Management Paradox” as it is formulated by the Leuven philosopher-economist Luc Bouckaert (2006) who emphasizes how to make business ethics operational and how to make business genuinely ethical. The question becomes to what extent ethical behavior constituting a good reputation can be “used” by corporate managers to enhance corporate value. In line with Bouckaert’s paradox, I will argue that “instrumentalizing” reputation would possibly undermine its objectives to achieve useful benefits. The more an organization focuses on maximizing its reputation, the more the objectives may slip away. How to avoid the paradox? In other words, how does a manager translate an ethical concern in business to enhance the organization reputation without undermining its ethical intention?

## **Introduction:**

The reputations of organizations have nosedived in the recent years as result of the corporate scandals confirming that corporate greed is not the best guide for sustainable or even competitive development. “Rational fools” who attempt to take advantage of selfish rationality as expressed in competitive and often unethical corporate behavior somehow undermine the maximization principle. The quest for reputation is analogous to the quest for happiness: if you try too hard to get it, you are doomed to fail. Hence, if reputation is about stakeholders’ relationship management, it will need to avoid the trap of traditional

economic thinking, or alternatively, it will need to circumvent to “economize” the constraints ethics is imposing on management practices. Firms cannot afford to ignore their roles as corporate citizens and there is ample evidence that shareholders should insist for their own financial benefit that their companies become seen as good corporate citizens.

The legal and moral pressure upon those global organizations has increased dramatically. Quite a number of new legislation and regulations such as Sarbanes-Oxley and International Accounting Principles to increase accountability through transparency have been implemented over the last five years. That has led to an increased awareness of the importance of corporate reputation with respect to the longer term value and sustainability of the organization. Organizations are rightly quite concerned about their corporate reputation after all the recent corporate scandals. Should reputation then become the newest business fad which needs to be “maximized” or should the limiting constraint factors to be “minimized” in order to achieve the best “profitable” performances?

Professor Bouckaert has suggested that by “creating new regulations to temper opportunistic behavior in and among organizations, we may temper the symptoms but often reinforce the underlying roots of opportunism. We introduce economic incentives like benefits, such as premiums or tax relief for those who respect the new regulations, but by doing this, we substitute economic calculations for moral feelings. Preaching moral concepts such as trust, responsibility and democracy on the basis of calculative self-interest or as conditions of systemic functionality is not wrong but ambiguous. It opens the door for suspicion and distrust” (Bouckaert, 2006: 201). Along the same line, it will be argued that reputation management needs to avoid the trap of public relations and crisis management to “instrumentalize” the underlying determinants behind reputation. Ethical behavior as found in the notion of integrity - which is one of the main determinants of reputation<sup>1</sup> - will need to remain “de-economized” in order to fulfill its “limiting” or constraining function (Comte-Sponville, 2004) on management practices. Integrity is a proxy of ethical behavior and is a major

constituent of good reputation. It will be suggested that reputation as found in integrity needs to be analyzed from a more generic stakeholder or stewardship perspective beyond the traditional shareholder agent-principal model.

Integrity has been an interesting notion for socio-philosophical discussions, but is hardly perceived as relevant for organizations. However, changed expectations from customers and the society at large and the relevance of external stakeholders have highlighted the fact that integrity is at the forefront of successful organizational cultures, embodying a new vision and strategy that takes ethical principles seriously. How an organization treats its employees, suppliers, communities and its customers forms an increasing part of purchasing decisions. More specifically, top management acknowledges the yielding influence of stakeholders, not just shareholders. It has become mainstream thinking that appropriate corporate behavior – under pressure from these stakeholders - could have enormous positive and negative effect on the reputation. In some consumer-driven industries, having a good reputation – especially being perceived as having integrity – can increase the profitability of the corporation with more than five per cent (Davies *et al*, 2003). The examples of Nike's sweatshops debacle having a very negative impact on its corporate reputation and of Starbucks' social responsible behavior towards coffee cooperatives positively warming up (potential) customers with a good feeling to consume premium branded Starbuck coffee prove this point. Consequently, managers are almost automatically tempted to "maximize" the corporate reputation through smart advertising and public relations communication campaigns because of its beneficial effects. However that would be a mistake since such mere "economization" would possibly and paradoxically undermine the objectives it seeks to achieve.

The first session attempts to explain "What is the paradox of reputation", followed by a second session "How do we avoid such a paradox" in which some solutions to resolve this paradox are recommended.

## ***What is “The Paradox of Reputation”?***

In order to understand the Paradox of Reputation, I will need to explain what I mean by reputation, and refer to its ethical component of integrity constituting a good reputation. Furthermore, the importance of corporate<sup>2</sup> reputation in terms of organizational value will then be highlighted. Finally, the temptation of reputation value within organization may induce managers to instrumentally maximize reputation which paradoxically may result in its own undoing.

### ***Good Corporate Reputation***

Corporate reputation is a reflection of how well or how badly different groups of interested people – stakeholders – view a corporation. It is the aggregate perceptions of multiple stakeholders about a company’s performance (Fombrun, 2000). Reputation<sup>3</sup> depends on successful relationships inside and outside the business, based on mutual trust and belief. The former CEO of J&J, Ralph Larson claims that “reputations reflect behavior you exhibit day in and day out through a hundred small things. The way you manage your reputation is by always thinking and trying to do the right thing every day” (Larkin, 2003: 5). Reputation relates to perceptions and expectations of stakeholders: if a certain quality or quantity of a delivered product or service equals or exceed the expectation, it results in a good reputation. Despite being a perception, researchers attempt to quantify and measure reputation in order to manage it better (MacMillan *et al*, 2005). Reputation is a valuable and has value. It incarnates corporate value but also creates (future) value.

Having a good reputation drastically improves the odds (1) to borrow at a lower cost of capital and thus improving the chances of a higher return *ceteris paribus*, (2) to retain the best corporate skilled talent and thus the best corporate visionary leadership to guide the organization into untested future waters, (3) to

be induced to comply with rules and regulations to avoid any possible legal liability, (4) to make sure that customers remain loyal to the organization's products and services by serving them well, (5) to make sure that through corporate social responsible behavior the organization obtains a license to operate from the society at large in which it operates and thus appealing to emotional sympathy, (6) to guarantee equal treatment to all shareholders (including minority rights) by implementing transparent and accountable governance rules, and finally (7) to have proper control, monitoring and communication systems in place to handle possible crises.

Indeed, having a good reputation has a lot of benefits that functions as an insurance policy against the chances of misfortune. Moreover, having a good reputation implicitly confirms that the organization has a "license to operate" within the community as it is likely be approved by external stakeholders such as media, government, regulators and others. Obviously, if the elixir of 'good reputation' will help to gain organizational value, the focus should turn to maximize such reputation, should it not. And that is where the economic logic defaults, more precisely, where the economic rationality may even undermine what one desires to achieve. Too eagerly trying to maximize the value of a "good corporate reputation" may destroy the chances of achieving such an objective: that is what I have called the *paradox of reputation*. The more we look to increase the purely utilitarian value of reputation in an organization, without giving notice to or being disconnected from the underlying socio-ethical factors, the more such reputation may evade the "control" of management, and eventually escape the organization altogether. To allegedly optimize the reputation of an organization and thus enhancing the overall value of the organization in the process, may fail in the end if the intention is solely oriented to maximize the self-interest of the top management (who represent themselves and the owners of the company as their fiduciary). The egocentric call to maximize the company's reputation may paradoxically fail to do so since the element of failure and vulnerability seem to be ignored. The corporate reputation – allow me to repeat - depends on the perception relevant stakeholders may

have of the organization. The lack of some organizational performance or deliverables may indicate a failure to fulfill certain expectations. The notion of reputation could be utilized in a very instrumental economic manner only without giving credit to its ethical constituents. It looks as if uncertainty and ambiguity on the one hand and intrinsic ethical thinking (not just ethical consequentialism) on the other hand has been taken aside and gotten rid of in the mechanical controllable world of management.

Reputation here is interpreted in a very peculiar manner: an attitude of integrity usually materializes into ethical behavior at an individual and organizational level. Integrity or trustworthiness are the most prominent “values” in a global survey on reputation (Davies et al, 2003: 47). In that sense, integrity counts to a high extent for the corporate reputation and thus explains the high or low level of corporate reputation. From that point of view, it should not be a complete surprise that companies like Johnson & Johnson, Caterpillar, Harley-Davidson, Honda, Toyota, Southwest Airlines, Timberland, Amazon, UPS, to just name a few among others, are considered as endearing companies that align profits with principles (Sisodia *et al*, 2007). Quite a number of those companies have been consistently voted as “most admired companies” over a couple of years – i.e. having a stellar corporate reputation – and that achievement is directly related to the perception that those corporations have a high level of integrity towards their stakeholders.

### ***Integrity as good reputation***

A person of integrity discerns about what is right or good, acts accordingly to these discerned principles and values, and is willing to stick to these principles (Carter, 1996), even at a personal cost in case of adversity. That is the reason why individuals like Martin Luther King and Gandhi have impressed so many. Another example is Nelson Mandela whom for many if not for most people is currently seen as one of the greatest example of a man of high integrity who

selfishly fought for a (moral) cause and stood steadfast to his principles at enormous personal peril. Moreover, he was able to forgive his adversary, even to embrace him. That requires wisdom and moral courage.

Integrity involves an ethical sense of self, the capacity to resist attractive alternatives which may compromise a matter of principle, and the capacity to assume certain risks in defense of these ethical principles. Integrity justifiably integrates an intelligible and defensible moral vision of one's character within a certain context, enabling a wise person to know how and when to adapt his moral principles and commitments when understanding a different reality asks him to do so. A person of integrity stands for certain values and principles that are reasonably worth defending because they also concern others who deserve our moral attention and who may even "call upon us". Integrity then becomes connected to viewing oneself as a member of an evaluating organization or caring community (Verhezen, 2007). The aim of integrity becomes a "social virtue" beyond a fully autonomous person whose actions are presumably determined by the self. The commitments worth living for usually go beyond the self-identity but refer to others who may be quite different from the self whereby the assumed purity of those commitments may be submitted to the judgment and critique of others in that organization or community. Concretely, being seen as a good citizen helps build the intangible asset that is reputation. Corporate reputation itself is about creating and maintaining good relationships with all its relevant stakeholders.

It is often clear that emotions or reasoning motivates us as it is imperative to find an appropriate and "fair" balance between what is good for oneself and the company and what is good for the other (stakeholders). Self-interest as a motive to pursue certain business objectives should be aligned with the good of the other (Rossouw, 2006). Business interests, almost equal to self-interest, should be constrained or limited by ethical objectives, beyond some instrumental calculations.

In collaboration with others, integrity is directly tied to mutual trust and thus less dependent on bureaucratic rules and authority-obedience relationships,

dramatically increasing the synergies and ethical potential. Integrity carries a relational component that is too often ignored (in organizations). In other words, integrity does not deny the existence of a self, it even assumes such a self-centered economic principle but not at the expense of the other which remains the main aim of any normative ethical theory. An ethical perception of integrity implies both a self and the other, not either or, but it refers to an “and” relationship. The other would not exist without the awareness of oneself, but this oneself would not be able find a good life as a solitary agent without any other to care for. The notion of integrity implies an ethical perspective that transcends the ego-centered perspective and emphasizes the other.

This appeal by the other implicitly refers to something which goes beyond the self-interest of corporate behavior without being necessarily altruistic. J. Paul Getty, the rich American oil magnate would have said that reputation affects the propensity of others to deal with you, “If you have a reputation for always making all the money there is in a deal, you won’t make money deals” (Davies *et al*, 2003: 66). In other words if you get a reputation for unfair dealing then others will refuse to deal with you and anyone who does will be nervous of doing so again. Similarly, a business in a monopoly position that exploits its market power too aggressively will come to the attention of regulatory authority, as in the case of Microsoft.

The notion of integrity as a social virtue indicates that ethics as a life being lived for the good of oneself and the others does not necessarily contradict any of the mainstream economic and ethical perspectives. It does not deny moral obligations and duties (as a Kantian deontology), not does it undermine the importance of any beneficial consequences of their ethical actions (as preached by utilitarianism) or the virtues implied in a good life (as in Aristotelian virtue ethics). Its emphasis lies elsewhere: a personal integrity related to a philosophical awareness of what is good and right, acting accordingly even under enormous pressure, will need to be transformed into a social form of integrity where its ethical virtuous values are practiced for others. Only when the other is made the central perspective of one’s actions, the epithetic adjective of good

reputation can be bestowed upon that person (of high integrity). Integrity as good reputation is as living shared ethical values. However, the beneficial consequences of being a person or organization of high moral integrity are side-effects and not the main aim of integrity itself (Verhezen, 2006).

This essay presupposes that a business person of high integrity will likely gain a reputation<sup>4</sup> of being trustworthy. Such a person can be trusted by others, it will result in loyalty from his subordinates who will follow a leader who can guide them through treachery waters. Other stakeholders immediately feel that his words are reliable and that such a leader who is willing to be accountable will transparently conduct his business, boosting a virtuous circle of trust and being trusted. There is an assumed relationship, even a correlation, between integrity and reputation. Some companies have learnt the hard way that spinning the truth through clever public relations campaigns does not constitute integrity and once that is lost, reputation is harmed as well. The “Intel Inside” sticker became as important to have on your computer as any maker’s brand name. However, in 1994 a professor mathematics at an American college first discovered a problem with Intel chips (1994) trying to inform Intel who hardly reacted. Only after IBM took firm action to preserve its own reputation, Intel gave in and had to admit that the chips were flawed and would be replaced. Nestle’s powder milk sold in Africa, backed up with advertising, was another reputation management disaster.

When speaking about the Paradox of Reputation, it actually refers to a “Paradox of Integrity as Good Reputation”, emphasizing the important role the socio-ethical notion of integrity plays to achieve a genuine good reputation. Integrity as good reputation implies to show genuine concern about shared values and act according to them. The actual commitment of a corporation to those ethical values, especially under distress, will create trust in such a corporation. Indeed, a trusted corporation<sup>5</sup> usually can bear on a good reputation. However, similar to reputation (which here bears on integrity as one of its important determinants), integrity cannot be “economized” because we cannot fully control integrity. Indeed, the more we intend to maximize [the intrinsic value of] integrity which stands at the roots of a good reputation, the

more likely such a utilitarian strategy will undermine integrity. The instrumental use of integrity as good reputation is often translated into a public relations exercise which aims at ameliorating the reputation of an individual or organization. However, such self-interested motivation is contrary to the other-oriented motivation of genuine integrity that reflects its intrinsic value.

In order to feel engaged by a person of integrity, it somehow will assume the characteristics of values beyond self-centered principles; values which can be valid for almost everyone beyond the specific organizational context. A top manager who is trustworthy and considered to be of high integrity will likely continue to have that characteristic in other contexts. Although such a virtuous characteristic can be perceived as universal and thus independent of a certain context, the virtue itself can only be severely tested in specific contexts. The notion of reputation is therefore described as a relationship-based notion that is oriented in giving trust and been trusted.

A person with high integrity has a “good name” or has gained “face”. Having gained face is very important in an Asian context and almost equals with wealth. Someone with a good face usually has many relationships on which he can fall back in case needed. To be able to show that one has many relationships in Asia means that such person has a lot of potential wealth at hand. Alternatively, such a person is considered as important and powerful within a Confucian hierarchical society.

That integrity emphasizes a philosophical awareness of what is good and what is bad may assume a certain practical wisdom with respect the epistemological status of the understanding. Although it is quite obvious that one can justify some enlightened self-interested behavior from a private perspective, it remains very contextual and its intent often hard to unravel. In other words, one easily could turn any presumed attitude of integrity into a self-interested propaganda stunt<sup>6</sup>.

Indeed, a purely instrumental interpretation of the notion of integrity as a tool to improve the administrator’s or manager’s reputation may undermine the inherent value of the ethical virtue of trustworthiness. The instrumental use of

integrity to ensure a good reputation by reinforcing corporate governance serves a practical economic purpose but limits it to individual or organizational self-interest. However, integrity as good reputation, based on enlightened self-interest, could certainly serve personal interests and *private* aspirations. This approach, used as a form of rational instrumentality, becomes a tool to increase the profit sustainability of organizations, enhance the ethical awareness of good behavior, and to reduce the legal and *reputation risk*.

However, the notion of integrity as good reputation does not present itself as a concept of justice that is *true*, i.e. one that can serve as a universal basis for informed and willing political agreement between participants viewed as free and equal partners (Habermas, 2005).

A purely utilitarian integrity strategy misses the obligatory force of binding norms and valid moral statements, unless serving one's self-interest. Some cognitive content of a normative statement needs to be considered as found in an attitude of integrity that goes beyond its instrumental rationality. Truthfulness understood as reflecting intrinsic value could refer to such a possible universal though not absolute moral perspective<sup>7</sup>. In other words, a utilitarian strategy aims at enhancing the private interest only whereas an ethical enlightened strategy takes the public interest or common good seriously. A person who acts in the interest of the public while "in office" will gain trust. That leads to a good reputation. Serving public interest does not need to reduce private interest. On the contrary, both can go hand in hand.<sup>8</sup>

Describing someone as a person of high integrity, implies that such a person intentionally aims the best for the other and oneself. That individual is not to deceive himself with respect to the ethical objectives aimed at. He understands the implications and objectives of his ethical action in a reasonably objective manner that at any time can be falsified.

If integrity is, indeed, a major constituent of reputation, meaning that the paradox of reputation is logically related to this constituent, how to concretely understand this paradox of [integrity as good] reputation in an organizational context?

## ***The Paradox explained***

If reputation is an intangible and thus “immaterial” asset, we likely are able to measure reputation in an indirect manner only. It should be noted that those intangible assets count for 70 per cent on average of the total market value of the international capital markets (Larkin, 2003). This figure could be even more for knowledge companies such as Microsoft, Intel, Google, Amazon, eBay among others, those listed on the Nasdaq, for which is not only the short term material profit but the longer sustainable value of the organization and thus its reputation and its constituents that guide them to excel. Similarly, a number of Japanese and German brand names as Honda, Toyota, BMW and Mercedes are worth a lot of money. Their names are sustained by long term relationships between creditors (banks) and the owners of the organization, which is quite different from the short term thinking of fund managers in the USA whose focus is quarterly profits (Banks, 2004).

If corporate reputation is an important invaluable asset, one could argue that maximizing this corporate reputation of a company seems to guarantee to some long term corporate value. Unfortunately, this reasoning may result in the opposite. Once more, maximizing the reputation hits a paradox. One cannot maximize the reputation of an organization without endangering some of its underlying factors. Indeed, because of the vulnerability of ethical factors underpinning reputation, it cannot be maximized at all. One only can aim to reduce the risks of losing one’s good reputation, or aim to create value which (in)directly leads to a good name, i.e. having a good reputation. It should be noted, however, that managers – especially in the field of marketing & sales – attempt to develop “reputation toolkits” (Davies *et al*, 2003: 216). My hypothesis is that the instrumental use of such a toolkit – even if well managed – somehow completely neglects the fact that socially ethical characteristics explaining in a significant manner the effect upon reputation. Moreover, ethics cannot be fully “controlled” or manipulated, it can only be lived in a good and righteous manner.

While (1) consequences and results of ethical behavior may be considered as important, other variables such as (2) intentions, (3) obligations and duties, and (4) virtues play as an important role in ethical behavior in organizations.

In other words, one cannot “economize” morality, let alone ethical values, which constitute “integrity as good reputation”. A person (or organization for that matter) with a good reputation - who therefore is considered as truthful and trustworthy - does not fully comply with a mere instrumental economic logic. Corporate or individual reputation based on integrity has its own logic which transcends the logic of maximizing and efficiency. Trying to “economize” those ethical constituents will paradoxically be at the roots of its deconstruction or demise.

What are the cures to overcome the paradox of reputation? Managers are not completely powerless and can enhance reputation by broadening their perspective and embrace ethical-environmental goals.

### ***How to avoid such a Paradox?***

If a person or organization will gain a name of ‘good reputation’ by increasing the ability of being trusted (i.e. by being a person of high integrity in almost all circumstances), then it is plausible to assume that top managers would like to receive the epitaph of a man of good reputation because of its assumed benefits. As argued above, a pure utilitarian approach to gain ‘good reputation’, however, would paradoxically undermine that good reputation. Hence, mere public relations and crisis management<sup>9</sup> - though important in keeping stakeholders informed rather than given a nice spin – would not lead to a sustainable reputation. Moreover, sometime cynical public relations approaches may even undermine the trust in the organization. An organization that has gained a “good reputation” pursues goals and causes that are not limited to the profitability only. It creates value by aligning financial and ethical-environmental

objectives that acknowledge nonfinancial goals as a “limiting” factor to circumvent the paradox of reputation.

### ***Rephrasing the paradox in terms of ethics and spirituality***

Enhancing integrity and its related reputation is best pursued indirectly. This paradox of reputation is similar to a Zen-like approach: trying to maximize the profits in real life often destroys this maximization principle: most profit-oriented companies for example are usually not the most profitable, whereas most companies that are highly profitable are usually not focused on maximization of profits but rather on value creation through values. We need a sense of meaning and values, and a sense of fundamental purpose (i.e. spiritual intelligence) in order to build the wealth (i.e. to be well) that these can generate, what Zohar and Marshal define as spiritual capital (Zohar, 2005).

As the late Peter Drucker expressed it: “Profit is not the explanation, cause or rationale of business behavior and business decisions, but rather the test of their validity” (Drucker, 1973). Likewise, maximizing reputation itself is not a worthy objective. Having a good reputation is the result of appropriate motivations leading to ethical and other-concerned behavior and successfully implemented strategies. Founder Anita Roddick of The Body Shop emphasized that her products were not tested on animals, a feature of most cosmetics; that they were not over packaged (originally you could refill her, basic, containers) and; that she aimed personally to support Third World initiatives particularly those associated with women. In doing so she positioned The Body Shop and created a strong corporate reputation of ethical positioning within the cosmetics industry.

If instrumental strategies miss the obligatory force of binding norms and valid moral statements, other strategies or solutions need to be defined to overcome the paradox. Some cognitive content of a normative statement needs to be considered as found in an attitude of integrity that goes beyond its

instrumental rationality. Integrity as good reputation understood as reflecting intrinsic value could refer to such a possible universal though not absolute moral perspective. The aim of this article is to assess the process of creating the appropriate motivation and intentions behind such an intrinsic value of organizational reputation. Such intentions are rooted in some spiritual values beyond selfishness. Paradoxically, directly focusing on integrity, loyalty and “good reputation” only without being sincere and accurate about one’s intentions will likely undermine these beneficial objectives of integrity in the long term since they are perceived as purely instrumental to increase our selfish profit maximization objectives (which are usually not revealed). However, the beneficial consequences of being a person or organization of high moral integrity are side-effects and not the main aim of integrity itself.

As is argued here, integrity as good reputation needs to remain “de-economized” and should refer to its intrinsic roots, i.e. a kind of spirituality<sup>10</sup> or ethical values. Reputation Management is identifying how identity influences image, how the news of employees of those organizations will influence the news of customers. In other words, the notion of harmonization starts to play an important role.

### ***Resolving the paradox of reputation***

The only way to circumvent or solve the paradox of reputation is to “look away from” an economic thinking with respect to [integrity as good] reputation.<sup>11</sup> Even if we would know the basic sources that constitute a good reputation, we may not be able to completely understand the subtleties of the complexity behind reputation. What we do know though is that if one tries to optimize the reputation of an organization, one needs to strengthen the underlying factors of what constitute a good reputation and not to directly focus on the benefits of reputation itself.

Shall we maximize the profitability of the corporation that will bring long term value and thus increase its reputation as a profitable brand? Or shall we focus on maximizing the governance issues of the corporation? Whatever emphasis, it is clear that there may be trade-offs between the different factors causing a good reputation. Maximizing one factor may be offset or at the expense of another factor. For example maximizing profitability only may be at the expense of ethical values as the Enron case has proven. Any unidimensional maximization of say short term profitability could easily be at the expense of say the long term ethical principals. One almost needs to apply an anti-economic thinking to move away from trying to control everything. If one encompasses everything with a certain attitude of integrity, it may lead to some beneficial (non intended) effects. The control over these beneficial effects escapes us, it evades us. We only can hope by looking away from it.

Indeed, maximizing the good reputation may likely undermine the objective itself since one cannot fully control the causing factors, nor can we be sure that there is a linear correlation. If the intention was to personally benefit of “integrity as good reputation” – acting as *if* may have positive consequences for the other – one undermines the notion of “what is good” for oneself and the other from a deontological and virtuous moral perspective. The intention to solely focus on oneself can never lead to a good reputation in an ethical or spiritual sense<sup>12</sup>.

How to enhance reputation? As it becomes clear by now, one should not directly use reputation in a utilitarian manner only, reputation and its ethical constituents should be “de-materialized”. By “humanizing” business relationships and emphasizing the spiritual and or ethical constraints to business, one will circumvent the paradoxical trap of utilitarian thinking. For instance, the following concrete measures could be considered: making sure that the right leadership and corresponding best corporate governance principles are in place; to guarantee that transparency and integrity are the main guiding factors in dealing with information; to emphasize the importance of the community as a manner to legitimate the “license to operate”; to acknowledge the customer and care for his needs and wants; to value the worker at the organization as a genuine human

asset; to show respect for the environment; to pursue policies that create equality and diversity; and, create an awareness of cultural differences that should not be ignored when dealing with them.

Although corporate reputation cannot be fully controlled as it results from independent observations and perceptions of corporate behavior, managers can have some control over the way in which it communicates its corporate behavior. Corporate reputation needs time to develop, to create trust, and to prove its integrity to various stakeholders which contrasts with the short term pressure for profits.

Maximizing profitability is guided by either exuberant behavior of greed or a predominant mood of fear. Excessive material consumption, next to uncontrollable population growth and negligence of isolated humans, are the driving forces of increased pollution and resource degradation, not to speak of the mental human alienation. An organization in the future may not just be about maximizing shareholder or even stakeholder value. An organization likely will continue to exist to enable full integration of humankind beyond mere monetary terms to fulfill some more advanced needs and purpose. It is going to be about catering the highest motivation of all involved in any organization beyond mere “atomic” short term satisfaction.

We only can “limit” – not even minimize which remains within the realm of economic efficiency thinking – the costs of a possible bad reputation. To bring values into an economic equation implies that economic activities are “limited” from outside by a legal-political order, that itself is constrained or driven by a moral order of [social and moral] obligations which on its turn is inspired by an ethical order of generosity whose generous intentions are often of spiritual origin.

By emphasizing all seven factors constituting reputation as described here above, one should not try to get ‘most out of them’ but one should implement them in the most appropriate manner. By being “proper”, i.e. being accountable for one’s actions, one may limit possible liabilities. Through an attitude of ethical awareness leading to appropriate ethical behavior, one will gain trust<sup>13</sup> as a trustworthy person. A business rationality can be pursued as long as it is

constrained by judicial (no unlawfulness), moral (don't harm) and ethical objectives (care for the other). Although a business is not aiming at public goods, a business corporation will need to provide and sustain both economic value and social value in the future. Apparent opposing ideas can be dialectically combined into a higher goal. Business could enhance its overall reputation by creating "societal value". The tension between those apparent opposites creates an opportunity by generating a new idea that contains elements of the others but is superior to both. We could define this as integrative thinking. To take advantage of oppositions which could lead to tensions, we must resist our natural leaning toward simplicity and certainty. The world is more often ambiguous and complex than not. We humans try to simplify this complexity to allow decisions to be made to pursue certain actions. However, synthetical or integrative thinking is the ability to take advantage of this complexity and ambiguity and create new opportunities. Such solutions grow out of the tension between them.

A thoughtful leader does not settle for either or clauses (Martin, 2007: 64). A leader who embraces holistic rather than segmented thinking can creatively resolve the tensions that launched the decision-making process. Integrative thinking generates options and new solutions. It creates a sense of limitless possibility. With integrative thinking, aspirations rise over time. Fundamentally, the conventional thinker prefers to accept the world just as it is and take advantages of it whereas the integrative thinker welcomes the ambiguity of the world which challenges him to shape a world for the better.

## ***Conclusion***

The only manner to solve the paradox of reputation is by creating organization value through (ethical) values. In other words, one will need to align economic profitability with moral principles. Reputation will be about doing well by doing good for oneself (self-centered) and the others (enlightened self-interest or altruistic aspects of businesses). Applying a pure economic rationale as to

maximizing reputation will fail to gain a good reputation because this economic thinking is based on fear and greed which may be the opposite of some ingredients behind a good reputation.

Linking profits to principles is not entirely new. What is new is the sense of urgency and the importance of innovation for both private enterprise and public purpose. People have shifted up the Maslow's hierarchy of needs and now wants to express themselves not just as consumers but also as moral, social and political and even spiritual beings. The impressions of a corporation is not based on the marketing or advertising of that company but as what customers and other stakeholders experience and what the firm stands for, the issues that the firm has been involved in, even how its top leaders communicate and act.

A top manager has become increasingly a public figure whose integrity and reputation is continuously scrutinized. Similarly for organization they lead. Stakeholders in those ethical corporations look beyond the basic products and services; they want an experience beyond pure utilitarian need. Those who lack integrity are likely to do whatever maximizes wealth, revenue or profits in the short run, eventually destroying the corporation's reputation. The lack of reputation in having a high level of integrity undermines the long term value of an organization and the various professions through we contribute to organizational reputation. Integrity is not just a nice feature to have as an add-on for business; it is at the core of any sound and viable business that aims to be sustainable.

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9 September 2007

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## Notes

<sup>1</sup> Being seen as being socially responsible contributes with those traits being seen as having integrity where promises are kept, and stakeholders treated properly overruling the traditional adage of *caveat emptor* (let the buyer beware).

<sup>2</sup> It seems that of the top 100 economies in the world, fifty-one are now corporations that are enormously powerful globally. Coupled with this is the power of communication, the power of the Internet that undermines any government's ability to fully control or to influence events. Reputation of those organizations become comparable to the political polls in a democratic system; partial and incomplete, but useful in making judgment beyond profitability targets.

<sup>3</sup> See Barnett M. *et al*, 2006: The notions corporate identity, corporate image and corporate reputation though interrelated should be conceptually distinguished. Corporate Identity is a collection of symbols, whereas corporate image are the expressions of the firm. Corporate reputation is the judgments by the observers, usually stakeholders in the corporations. Reputation is this a collective term referring to all stakeholders' view of corporate reputation. Corporate reputation capital is the economic capital resulting from a good reputation.

<sup>4</sup> See Davies *et al*, 2003, p.117 : "Agreeableness (with honesty and integrity as its constituents) accounts for 48% of the variation in satisfaction among staff, 35% among customers, and 32% among managers. No other dimension added more significantly to the explanation of satisfaction for the organization." The trait of « agreeableness » reflects an emphasis in the reputation literature on trust, social responsibility and integrity. In other words, being socially responsible adds to a reputation of integrity. This characteristic of integrity emerges as one of the most important dimensions of a good reputation. I would describe corporate **identity** as self-concept of the company's internal constituents (its managers and employees). It summarizes how the company thinks of itself, how it would like to be seen on the outside. It therefore is aligned with notions of corporate character, personality and organizational culture. The corporate **image** describes how a company is actually perceived on the outside. Identity refers to self-presentations designed to achieve a closer match between a company's inner reality and constituent's perception of that reality.

<sup>5</sup> Trust is usually seen as based on honesty and benevolence. We believe that the other party has our best interest at heart; that they see the relationship between us through our eyes as well as through their own.

<sup>6</sup> The aim here is to find a way to go beyond a organizational or even community contextual content to circumvent the potential criticism of instrumental rationality of integrity to reach some universal validity beyond cultures or ethno-centric perspectives, possibly by reaching an overlapping consensus (Stout, 1988). The attitude of "private" integrity on an individual level gives

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and creates a trusting environment can lead to some publicly recognized obligations as found in morality on an organizational level.

<sup>7</sup> The criterion of intrinsic moral worth or truthfulness remains fallible and dependent on (1) an intentional sincerity and (2) professional accuracy of using a moral vocabulary. Truthful moral reasoning requires the “virtues” of (1) sincerity (i.e. what a person says reveals what he believes) – or trustworthiness – and (2) what the late Oxford philosopher Bernard Williams refers as accuracy (i.e. a person does his utmost best to acquire true beliefs) – or objectivity acquiring abilities (see Williams, 2002, p45). Sincerity involves a certain kind of spontaneity when one tries to ‘tell the truth’. The notion of accuracy, implicitly referring to a semantics explaining a conceptual content, includes resistance to self-deception and wishful thinking. A moral proposition should not be insulated from critical questioning, conjectures and refutation processes.

<sup>8</sup> It is when the mutual reciprocity is undermined by selfish behavior as revealed in Prisoner’s Dilemma that the relationship and trust is suffering. Members of our species become individual in and through being socialized into networks of reciprocal social relations, so that personal identity is from the start interwoven with relations of mutual recognition and respect.

<sup>9</sup> See Davies et al, 2003. Public Relation activities regarding reputation include: government organizations, community, philanthropy, Issues Management, Media relations, public relations, employee communications, public interest & activist groups, crisis management, investor relations, research and measurement.

<sup>10</sup> Spirituality is a “search for the sacred”, a process or journey by which one examines one’s life, its meaning and purpose, and the overall effect one had upon others and the environment, including the organization one inhabits (King, 2006: 118).

<sup>11</sup> Our knowledge is too limited and so no final judgment can be assumed. Only falsification, not verification can sustain some growing knowledge.

<sup>12</sup> See Comte-Sponville (2004, p.74): « **L’ordre techno-scientifique** (ou **économico-techno-scientifique**), *structuré intérieurement par l’opposition du possible et de l’impossible, mais incapable de se limiter soi-même ; limité donc, de l’extérieur, par un deuxième ordre, l’ordre juridico-politique, lequel est structuré intérieurement par l’opposition du légal et de l’illégal, mais tout aussi incapable que le précédent de se limiter lui-même ; limité donc à son tour, de l’extérieur, par un troisième ordre, l’ordre de la morale (le devoir, l’interdit), lequel est complété, « ouvert par en haut », vers un quatrième ordre, **l’ordre éthique**, l’ordre de l’amour. »*

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