Guest Editors’ Introduction

Ethical Management of Intangible Assets in Contemporary Organizations

Rossella C. Gambetti
Università Cattolica del Sacro Cuore

T. C. Melewar
Middlesex University

Kelly D. Martin
Colorado State University

ABSTRACT: This essay explains how intangible asset management oriented toward enhancing corporate performance increasingly embeds ethical concerns, primarily to address stakeholder expectations. We discuss how ethical dimensions in intangible asset management may be co-constructed and intertwined in organization-stakeholder interactions to generate collaborative meaning making according to a stakeholder-centric view of the firm. In so doing, we adopt an ethical view that acknowledges that stakeholders beyond the firm have equal status and agency to engage in a social construction process of intangible assets nurtured by ongoing dialogue and reciprocal understanding between organization and stakeholders. The essay concludes by envisioning how the dialogic process of social construction of intangible assets involving both organization and stakeholders is best conceived as a social contract between the two that enacts a cultural bond between intangible assets together with ethical and societal resources that are collectively generated, owned, and maintained.

KEY WORDS: corporate identity, corporate brand, corporate reputation, social constructionist perspective, stakeholder-centric view of the firm, social contract

Academics and managers widely agree that a firm’s ability to gain competitive advantage and generate higher corporate and stakeholder value depends on its capacity to build and nurture intangible assets. The assets in question are idiosyncratic and firm specific; they include corporate identity, corporate brand, and corporate reputation. Corporate identity constitutes the sum of all elements of organizational life, including a firm’s culture, mission, vision, goals, strategies, organizational and physical structures, and communication systems (Melewar, 2003). Pressure to manage the corporate identity as part of the larger corporate brand continues to increase in order to meet stakeholder demands. In this regard, the corporate brand
serves as a value covenant between firm promises and stakeholder expectations (Balmer & Gray, 2003; Balmer & Greyser, 2002). Stakeholder expectations of the ethical management of intangible assets feature centrally in this conceptualization. Both the firm’s ability to deliver valued outcomes to multiple stakeholders and its ethical sensitivity in doing so may be best understood by evaluating the corporate reputation, defined as a collective representation of the firm’s past actions (Fombrun & Van Riel, 1997). Firms that proactively and ethically respond to stakeholders’ needs will enjoy reputational benefits.

Pressing questions remain, however: How does one define the “ethical management” of corporate intangible assets in the contemporary business climate? What concrete firm decisions and actions are required to enact and sustain ethical management? Finally, how might ethical management of intangible assets affect business-society relations generally, as well as enhance corporate credibility and firm-stakeholder interactions specifically? These open questions represent top concerns among global business leaders, especially in present times where a lack of ethics in corporate behaviors can dramatically affect the business environment. In organizations where egoistic or profit-motivated interests can overwhelm ethical decision making, intangible capital can create severe problems, such as legal problems, employee performance and engagement problems, and credibility problems (Carroll & Buchholtz, 2014).

Organizations’ quest for enhanced ethical management practices that nurture and protect their intangible resources suggests research opportunities for business ethics scholars. Accordingly, this special section aims to ignite academic debate as well as inform business practitioners in the domain of ethical intangible asset management. This special section introduction advances knowledge through understanding of three critical and interrelated issues increasingly faced by organizations while designing their ethical management orientation. It contributes to business ethics research by building on a social constructionist perspective of organization and stakeholder interactions. First, we identify specific ethical dimensions involved in building intangible assets, such as corporate identity and corporate brand. Second, we describe how these ethical dimensions actually are co-constructed and intertwined in organization-stakeholder interactions to generate collaborative meaning making using a stakeholder-centric view of the firm. Third, we explain how organizations operationalize ethical dimensions at the behavioral level to improve internal alignment and synergistic integration of ethical concerns within intangible asset management practices, as well as enhance corporate market performance. In this regard, we expect this essay and the special section articles to provide useful insights both for scholars interested in exploring the disciplinary interconnections between the business ethics and the marketing conceptual domains, and for corporate leaders who daily are challenged to balance ethical and market-focused decision making.

This introductory essay is structured as follows. We first discuss how intangible asset management is increasingly infused with stakeholders’ ethical concerns in tandem with corporate performance goals. Striking an appropriate balance is critical for the organization to gain necessary reputational approval as well as to sustain its license to operate. We then explain how organizations progressively are abandoning
a firm-centric logic of intangible asset management to adopt a stakeholder-centric view of how to build and manage their intangible assets. This view acknowledges that stakeholders beyond the firm have equal right and status to command a social construction process of intangible assets that is nurtured by ongoing dialogue and reciprocal understanding between organization and stakeholders. We conclude with exploration of how this dialogic process of social construction of intangible assets involving both organization and stakeholders may be conceptualized as a social contract between the two creating intangible assets that are collectively generated and managed.

Our discussion here tackles the organizational complexity of creating and implementing an ethical stance on intangible asset management that benefits the organization and its stakeholders. Likewise, the two articles of the special section that follow deep dive into strategic and operational dimensions of ethical management of intangible assets. The article by Simões and Sebastiani (2017) extends corporate sustainability as a key ethical dimension of corporate identity and empirically illustrates how organizations can effectively manage the interface between corporate sustainability and corporate identity at strategic and instrumental levels to benefit stakeholders and organization alike. The article by Alwi, Ali, and Nguyen (2017) provides a conceptual and empirical understanding of how organizations can effectively leverage stakeholder perceptions of having a strong ethical brand identity by carrying out corporate branding and corporate social responsibility strategies that are able to enhance corporate and market performance.

CORPORATE INTANGIBLE ASSETS AS LANDMARKS OF CORPORATE PERFORMANCE

Superior performance increasingly depends on firms’ ability to ethically manage corporate intangible assets (Berrone, Surroca, & Tribò, 2007; Dacin & Brown, 2006; Roberts & Dowling, 2002). Ethical management of intangible assets requires a balance between traditional performance-based objectives (i.e., profit maximization, value creation) and broader business objectives that include maximizing stakeholder value and meeting societal obligations. In this regard, corporate intangible assets have become a top strategic priority for corporations—especially for those operating globally. The business landscape has witnessed an explosion of international rankings and indices developed by consultancies, media companies, and research institutions. Among the most popular are the Reputation Institute’s Reputation Quotient listing the most reputable companies, Fortune’s ranking of the most admired companies, Millward-Brown and BrandZ’s rankings of the most valuable global corporate brands, the Reputation Institute’s CSR Rep Track of the most socially responsible companies, Corporate Nights’ most sustainable corporations, Fortune’s Change the World ranking of the most sustainable corporations, Glassdoor’s ranking of the best places to work, and Universum’s ranking of Europe’s most attractive employers. Through these platforms, companies vie for top rankings on firm value and ethical attributions that are determined largely by assessing the corporate reputation and corporate brand. Although these ranking schemes vary considerably, collectively
they demonstrate the significant complexity and challenges associated with quantifying corporate intangible assets. Nonetheless, each ranking organization includes strong ethical concerns spanning multiple social dimensions (e.g., environmental sustainability, corporate social responsibility, diversity management, work-life quality/balance, company conduct transparency, talent acquisition/management, corporate citizenship, etc.).

Evidence shows that many global companies already are managing their corporate brands in ways that embody ethics, fully include stakeholders, and consider impacts and benefits upon society at large. IKEA, for instance, created a far-reaching campaign to fight stereotypes and conventions that limit individual freedoms and simultaneously promote gender equality. Other examples include benefit corporations that promote ethical brands and manage those assets in a way that involves vetting suppliers and materials providers so that every aspect of the firm embodies such values. Firms such as these have embraced global corporate brand strategies that shift their worldview from product-as-company, to company-as-(social)-product. Strengthened emphases on intangibles such as corporate name and logo that position the entire brand portfolio toward stakeholders create a powerful corporate identity that unifies all sub-brands. Firm use of the brand to encapsulate substantial investment in ethical dimensions, such as corporate responsibility, business sustainability, and care for people’s well-being ultimately can elicit brand preference and even regain brand loyalty (Berens, Van Riel, & Van Bruggen, 2005).

As stakeholders expect more from companies, including ethical conduct, these expectations also are playing out in firm efforts to shape the brand. Research shows that stakeholder expectations can heighten firm ethical behavior and promote greater social responsiveness (Fukukawa, Balmer, & Gray, 2007). Related work suggests this enhanced emphasis on ethics happens through either stakeholder dialogue or confrontation. Regardless, this interaction can create conditions for corporate identity alignment with critical stakeholder and societal expectations (Abratt & Kleyn, 2012). Some have referred to ethical corporate identity building as ethicalization, the process by which trusted stakeholder relationships and organizational citizenship come together (Balmer, Fukukawa, & Gray, 2007; Kleyn, Abratt, Chipp, & Goldman, 2012). Ethicalization represents an important strategic imperative underpinning a firm’s attempt to build a strong brand that is inclusive of its multiple stakeholders.

Although managers and business ethics scholars agree that the ethical management of corporate intangibles is a necessary ingredient for firm success, what this implies for corporate identity and corporate brand remains unclear. So too, the antecedents and outcomes of such ethical management have yet to be defined. As such, ethical management of intangible assets constitutes a significant research gap in need of future work.

**SHIFTING PERSPECTIVES ON CORPORATE INTANGIBLE ASSETS: FIRM-CENTRIC TO STAKEHOLDER-CENTRIC**

Traditional normative approaches to corporate intangible assets cast them as generated and managed by senior management (Balmer, 2001). For instance, corporate
brands are likened to a conscious senior management decision to convey organizational identity attributes in the form of a well-defined branding proposition (Balmer, 2001). Corporate brands are depicted as the unique corporate identity promise the firm makes to its stakeholders, which are managed and controlled by key organizational actors and conveyed via persuasive communication messages. This view assumes linear communication modes comprised of one-way channels from the organization to its stakeholders (Balmer & Soenen, 1999; Van Riel & Balmer, 1997; Van Riel & Fombrun, 2007). Communication is then conceived as a conduit (Reddy, 1979) that bridges the self-defining intentions of the organization that constitute its identity and the overall set of cognitive and emotional representations held by stakeholders that shape corporate image and reputation (Christensen & Cornelissen, 2011; Cornelissen, Christensen, & Kinuthia, 2012).

However, as Cornelissen and colleagues (2012: 1098) argue, such a view presupposes meaning construction as an unproblematic process of message exchange, whereby any outcome of meaning-making is predetermined. This perspective overlooks any formative effect of language on cognitive processes and on meaning construction in social and organizational settings. It also disregards agency and interpretative work by stakeholders to whom company messages are addressed (Christensen & Askegaard, 2001; Cornelissen et al., 2012: 1098). Depicting communication as a constitutive force by which actors exert agency in framing and ascribing meanings to organizations, Cornelissen and colleagues (2012: 1099) offer a social constructionist approach to communication and corporate intangible asset management. They contend that corporate identity and corporate brand are emerging in, and shaped by, communication flows between organizations and stakeholders. This view suggests that corporate identity and corporate brands are resources that constantly are (re)produced and socially constituted in company-stakeholder interactions. Unlike the conduit model often ascribed to communicated messages, which is largely a meaning disclosure and transfer function of corporate identity, the constitutive view of communication highlights relational connections between organizations and stakeholders guiding how they produce meaning (Cornelissen et al., 2012: 1099).

Consistent with the rise of social constructionist approaches to corporate intangibles, which acknowledge their role as “vehicles of meaning that emerge from social interaction” (Melewar, Gotsi, & Andriopoulos, 2012: 602) between the firm and its stakeholder environment, we argue that the management of corporate intangible assets occurs in a context of empowered, socially engaged, and culturally adept stakeholders who possess substantial influence in shaping the brand. These stakeholders bring a range of societal and economic expectations to the proverbial table, some of which may be aligned with and some of which may conflict with the actions of the firm (Handelman, 2006). Stakeholders increasingly claim moral legitimacy as justification to influence firm actions that affect their personal, professional, and community spheres. Handelman (2006: 107) in this regard contends that as firms increasingly emphasize the value of strong corporate branding, intangible assets may assume the role of cultural entities whose inherent meanings morph across different social stakeholder groups. As such, corporate intangible asset construction...
and maintenance no longer reside under the sole strategic control of the firm, but rather, are guided by corporate leaders in partnership with stakeholders to shape the cultural evolution of the brands. Along these lines, brands are transformed in the social spaces in which organizations and stakeholders coexist and thereby jointly shape the meanings underlying corporate identity and corporate brand (Handelman, 2006: 110). Hence, intangible asset management has become a process of symbolic facilitation, involving efforts and activities that contribute to the ongoing dialogue between the firm and its stakeholders (Handelman, 2006) and that encourage stakeholders to create value (Grönroos, 2011).

Social constructionist approaches also adopt an ethical perspective on corporate intangible assets, casting them as the interconnected result of top management vision, organizational culture, and stakeholder perceptions/values toward the firm (Hatch & Schultz, 2003; Melewar et al., 2012). Firm constructions emerge through relational communications with stakeholders (Christensen & Cornelissen, 2011) so that any collective sensemaking about the firm’s intangible assets are situational and arise in organization-stakeholder discourses resonating with the values stakeholders bring into play in their interactions (Cornelissen et al., 2012). Hence, intangible assets can be ethically conceived and managed as the dynamic output of ongoing negotiation and co-creation processes (Hatch & Schultz, 2010; Thompson, Rindfleisch, & Arsel, 2006) between the firm and its stakeholders. So too, these assets are sustained and nurtured by the inherent relational nature of corporate intangibles. The ethical view of corporate intangibles highlights the brand promise as embedded in firm-stakeholder dialogue. It follows that this view more fully characterizes contemporary firm brand management than do past perspectives of the firm as unilateral communicator (Christensen & Cornelissen, 2011). We advocate firm approaches to intangible asset management that are steeped in multilateral communication and ongoing collaborative sensemaking between the firm and its stakeholders.

The social constructionist, ethical perspective on corporate intangible assets openly contrasts with normative approaches that are deterministic and firm biased (Pitt, Watston, Berthon, Wynn, & Zinkhan, 2006). These latter perspectives on intangible asset management neglect the formative contribution of firm-stakeholder social interactions (Biraghi & Gambetti, 2013; Melewar et al., 2012). Likewise, the ethical perspective is rooted in a shift from a firm-centric to a stakeholder-centric approach to intangible assets. We suggest that such an approach extends traditional good citizenship behaviors (Logsdon & Wood, 2002; Matten & Crane, 2005; Moon, Crane, & Matten, 2005; Post, 2002; Wood & Logsdon, 2008) and better integrates the firm with society as a whole. The social constructionist, ethical perspective on intangible asset management ascribes a central role to stakeholders and their claims in shaping corporate goals. It also envisions intangible assets as collective resources that contribute to a sustainable future for people and organizations alike. Although powerful and visionary, this view holds a utopian afflatus that can create problems for both strategy formulation and daily business decisions that extend beyond multilateral communication flows. In this way, the perspective raises unanswered questions that future academic research should address for ethical intangible assets management to benefit both stakeholders and the organization. For instance, how
is shared meaning produced, negotiated, and socially constructed by organizations and stakeholders? How are organization and stakeholder interactions symbolically facilitated? How does co-creation occur and how can the process be optimized for maximum benefit to organizations and stakeholders?

CORPORATE INTANGIBLE ASSETS AS A SOCIAL CONTRACT BETWEEN THE FIRM AND ITS STAKEHOLDERS

The perceptual shift from corporate intangible assets as firm-generated and firm-owned resources to collectively created and collectively managed resources more intentionally connects a firm and its stakeholders. Along these lines, corporate intangible assets epitomize a bilateral social contract by which organizations and stakeholders reciprocally commit to align goals and values time after time throughout all their interactions touch points and modes (Biraghi, Gambetti, & Schultz, 2017). The social contract is executed at the intersection of firm-stakeholder encounters that emerge organically from societal issues—not just those that are relevant to the firm. This view suggests that an ethical management of intangible assets may allow firms to fully integrate with their external environment and to better respond to stakeholders’ demands.

So too, the notion of service-dominant logic (Vargo & Lusch, 2004, 2008) recently challenged the notion that consumers are passive users of firm value, refuting the idea that they are but “destroyers” of value but rather including them in the value creation process so that they are always involved. This process empowers consumers to act as resource integrators (Lusch & Vargo, 2006), leveraging their competencies and abilities to undertake actions that, directly or indirectly, increase or diminish the value organizations offer to the market (Cova & Dalli, 2009). Consumer empowerment is the extent to which a firm provides its customers avenues to connect with it and to actively shape its operations, as well as to collaborate with each other by sharing information, praise, criticism, recommendations, and ideas (Ramani & Kumar, 2008). Empowerment allows consumers to combine their resources and skills to support, challenge, or even threaten organizations. By appropriating, transforming, and negotiating meanings and values, empowered consumers create opportunities to imbue the market with their own cultural identity (Biraghi, Gambetti, & Quigley, forthcoming). In doing so they raise societal issues that call for an immediate response by organizations that provides a credible, ethical, and responsible solution to their demands.

The social contract view of intangible assets emphasizes co-construction platforms that enable the firm and all its stakeholders (not just consumer stakeholders) to jointly design future goals and collectively redefine a priority agenda (Biraghi & Gambetti, 2013; Biraghi et al., 2017). Co-construction relies on peer-to-peer conversation and participation. In the current context, co-construction relies on firm-to-stakeholder dialogue. Effective firm-stakeholder dialogue forms a value covenant that fosters shared understanding and moral commitment (Pies, Hielscher & Beckmann, 2009). The social contract perspective views corporate intangibles as ethical assets that are built and strengthened over time as societal resources.
These resources are societal in that they are jointly shaped, negotiated, and re-shaped by the firm and its stakeholders (Biraghi et al., 2017), who take on a role as societal constituents (Handelman, 2006).

Expanding on Handelman (2006), the social contract perspective holds that corporate intangible assets and their related cultural meanings reside in constituents’ social sphere, further contradicting the idea that corporate identity and corporate brand are controlled solely by the organization. As Handelman (2006: 110) contends, societal constituents use intangible assets as symbolic clues or cultural artifacts to make sense of their own world. In so doing, they operate as active co-creators of corporate intangibles, taking up individual or collective actions to shape their own social space. Organizations and stakeholders evoke the social contract by constantly engaging in co-constructed and co-fostered meaning-making dynamics that both confer and actualize an ethical stance on corporate intangible asset management.

Adopting an ethical view of intangible assets challenges current research at both conceptual and empirical levels. At a conceptual level, research is needed to grasp the true essence and meaning of managing intangible assets as ethical and societal resources in perpetual two-way interactions with stakeholders. For instance, research is needed to understand exactly how intangible assets are framed as stakeholder cultural artifacts and sensemaking devices to inform their own world view. Additionally, how can organizations nurture this cultural process so that intangible assets are infused with positive values and meanings unique to the firm and that differentiate it in both the market and in the broader society? Finally, how should firm-stakeholder interactions be formally structured and rhetorically fashioned, as well as continuously maintained, to encourage collaborative meaning making?

At an empirical level, research is required to understand how intangible assets designed as ethical and societal resources shape corporate goals, values, decisions, and behaviors. For instance, research is needed to understand how the cultural process of collaborative sensemaking for ethical intangible assets can be properly measured. Measurement is critical to identify both enabling or constraining factors, and to capture both organizational and stakeholders outcomes (short-term and long-term outcomes). These open questions are at the heart of the debate that this special section aims to spark in the hope for future scholarly contributions. The two articles comprising the special section vividly depict the ethical view of intangible asset management. Their collective contribution provides scholars and managers insight into the meanings, characteristics, and potential effects of ethical principles as foundation for building and managing corporate intangible assets as ethical and societal resources.

**INTRODUCTION TO THE SPECIAL SECTION AND KEY TAKEAWAYS**

As described above, corporate identity, corporate brand, and corporate reputation are among the key intangible ethical assets of an organization. The article in this issue by Simões and Sebastiani (2017), “The Nature of the Relationship between Corporate Identity and Corporate Sustainability: Evidence from the Retail Industry,” probes corporate identity as its focal construct. An important contribution is its nuanced
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exploration of corporate identity interwoven with corporate sustainability. Using a qualitative research methodology, Simões and Sebastiani explore whether and how corporate sustainability (a potentially critical dimension of ethical corporate identity management) is used at both a strategic and operational level in the retail industry. In so doing, the authors identify important links between corporate identity and corporate sustainability. For sustainability to emerge as a guiding principle in the organizational business model, firm strategy that supports sustainability must infuse all behaviors. The study advances corporate identity as the potential platform that sustains these corporate sustainability orientations. To realize such a vision, systematic alignment between corporate sustainability and corporate identity must be nurtured throughout an organization’s life via shared identity strategically focused on sustainability together with ongoing employee engagement. The article contributes to this special section by explaining how the ethical management of corporate identity may infuse organizational life with a sustainability ethos increasingly required in contemporary organizations.

The article by Alwi, Ali, and Nguyen (2017), “The Importance of Ethics in Branding: Mediating Effects of Ethical Branding on Corporate Reputation and Brand Loyalty,” describes how ethical branding has been conceptualized and practiced in the industrial electronic office equipment sector. The authors investigate the antecedents and consequences of ethical branding on corporate performance. Their research findings provide an integrated consumer response model and offer empirical evidence of the impact of ethical branding, demonstrated as a mediating mechanism, on corporate brand equity variables (corporate reputation and brand loyalty). While defining the ethical brand at a corporate level via a firm’s moral responsibility to its multiple stakeholders, Alwi et al. offer a new way to ethically manage a corporate brand that relies on projecting and differentiating CSR elements. These elements include traditional marketing variables of products, services, and perceived price. This research contributes to the special section in that it investigates empirically how and under what circumstances ethical management practices can enhance intangibles such as corporate reputation, as well as marketing outcomes such as brand loyalty. The article also addresses an important question posed in the present essay: how typical marketing levers such as products, services, and price can be designed and managed as ethical signals to stakeholders. It considers how these levers reinforce CSR efforts and support corporate brand philosophy in ways that enhance the perceived ethical positioning of the firm toward consumers and stakeholders in general.

Although the contributions offered by the two articles suggest important insights into ethical management of intangible assets, both studies build on a company perspective that ascribes agency predominantly to the organization. In this regard, and consistent with our musings here, future research is needed to explore the interface between the organization and its stakeholders to grasp exactly how their interactions generate collaborative sensemaking, thereby transforming intangible assets into cultural resources of individual and collective value. Adoption of a social constructionist perspective on corporate intangible assets is conducive to managing them as ethical and societal resources. This perspective also implies collaborative
efforts by scholars and managers to adapt reference frameworks and mental models to tackle the complexities of the current digital-mediated socio-cultural environment where organizations and stakeholders have equal agency. Focused research and managerial attention would enhance understanding of the relational territory that provides the interface between organization and stakeholders where value co-creation occurs. Such research should explore interaction trajectories as well as the rhetorical and discursive strategies involved in the social construction process of collaborative meaning making. A balance of interests, values, and goals between ethical organizations and ethical stakeholders likely will hinge on such foundational research. The two articles in this special section begin to travel this complex path, and we hope future research and scholarly dialogue will continue to pave the way.

REFERENCES


