

Ethics in Service of Reputation and Value Creation

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Abstract

We explore the effects of CSR rankings on stock market performance by considering Ethisphere's annual announcements of the list The World's Most Ethical Companies (WME). While Ethisphere provides a third-party evaluation of firms' ethical behavior, participants in the index are self-selected. By requesting to be evaluated, firms send signals to the market. The index may be perceived as an additional marketing tool rather than an informative ranking on ethics. We investigate what kind of value Ethisphere listings provide. The findings indicate that WME listed companies register abnormal returns. We propose that the value may be reputational rather than informational. By investigating the moderating effect of other reputational rankings, we attempt to explain which dimension of the reputational asset is augmented by the Ethisphere list. Companies with stronger brands are rewarded with higher abnormal returns pointing at the accumulation dimension of reputation.

Keywords: *rankings; reputation; CSR*

Track: Social Responsibility & Ethics