Proactive versus reactive business ethics performance: a conceptual framework of profile analysis and case illustrations

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Abstract

The topic of this paper focuses on proactive versus reactive business ethics performance in the marketplace. The internal perception of a corporation and the external perception of the same corporation are used as generic determinants of business ethics performance. In turn, they are underpinned by evolutionary and contextual issues in the marketplace. The authors provide a generic conceptual framework of proactive and reactive business ethics performance. Case illustrations underpin the positives and negatives of proactive and reactive business ethics in the marketplace. A profile analysis process of proactive and reactive business ethics performance is also outlined. The gap between the internal and external perceptions of a corporation's actions becomes crucial to achieve successful business ethics performance in the marketplace. Therefore, a corporation's current business ethics performance should always be regarded as an on-the-spot-account that is either proactive or reactive. An important insight of this research is that business ethics performance requires the ongoing re-connection with reality by corporations.

Introduction

The revelations of transgression by high profile corporations has once again led society to focus on the practices of its major corporate entities. The activities of these famous companies have now led to them becoming infamous. The list reads like a who's who of US business: Enron, Worldcom, Arthur Andersen, Xerox, Merrill Lynch.

In each one of these situations, the point of interest focuses on the incredulity of society at the unethical and in some cases illegal behavior that has been revealed. In many of these cases, we have seen impassioned and eloquent defenses of the corporation's behavior: behavior that to many others has been reprehensible. The main perpetrators appear to be less than contrite in their acceptance of responsibility for their actions and that of their corporations.

How could these business executives have perpetrated these acts of deceit with such an apparent disregard for those individuals that they would affect? How is it that their business ethics performance could be so far wide of acceptable business conduct? How could they have so misread the mood of the society as to the severity of their behavior? These questions perplex and confound us, as we continue to witness, from generation to generation, the same indiscretions wrapped in different circumstances with different actors, but no less recognizable as the same unacceptable business conduct. How can business executives and the actions they perpetrate in the names of their companies be so wide of the mark in respect to societal expectations of business behavior? While this paper does not attempt to answer these conundrums, it does focus upon the need for business executives to consider that there are two perspectives that must be considered in all situations: the corporation's view and the society's view. Not to consider the perspective of both groups is an omission of the highest order and invariably sets the scene that leads to the inevitable dereliction of duty and self-centered decision making that in the end unravels for the corporation and the society and leads to the inevitable reality that all parties lose.

In this article, the authors examine this "gap in business ethics performance". This gap can be expressed as the internal perception of the employees of a corporation concerning an ethical scenario in the marketplace, as compared to the external perception of the same corporation's performance in respect to the same scenario by the marketplace and by the society in general. We contend that one needs to consider both evolutionary and contextual issues to form a comprehensive picture of the situation. Consequently, the outcome of business ethics performance is based upon two generic determinants, namely one internal determinant (i.e. the internal perception of a corporation) and one external determinant (i.e. the external perception of a corporation). These determinants are generally applicable across companies and across different industries. Therefore, there is a genuine justification to examine and develop a generic conceptual framework surrounding them in the marketplace.

The objective of this article is to conceptualize and describe the business ethics performance of corporations based upon the internal and external perceptions of corporate actions in the marketplace by considering different contextual and evolutionary issues. The dichotomy of internal and external perceptions is the source of proactive and reactive business ethics performance. Proactive business ethics refers to a "step-ahead" performance of the internal perception in relation to the external perception, while reactive business ethics refers to a "step-behind" performance, where the corporation lags behind accepted societal expectations in a given situation requiring ethical behavior.

Frame of reference

Townsend and Gebhardt (1997) write that the way that corporations go about their business activities, with particular respect to business ethics performance, is increasingly important to their customers. Customers in the marketplace are becoming increasingly aware of, and increasingly discriminating against, corporations that fail to meet the customers' criteria of acceptable versus unacceptable ethical business activities and management principles. We would contend that this concern does not just apply to customers, but to all stakeholders of the corporation and the society in general. Therefore, the topic of business ethics performance and the gap between the internal and external perceptions of the corporation is an important issue to discuss and for which to develop a generic conceptual framework. The frame of reference is divided into contextual and evolutionary issues.

Business ethics performance – contextual issues

Business ethics performance is surrounded by contextual issues (Figure 1), since the business environment certainly will affect what are acceptable and unacceptable business activities and management principles in the marketplace. A generic contextual issue of business ethics performance in the society is culture (Svensson and Wood, 2003). Generally, the actors, the activities and the resources in the marketplace form another group of contextual issues (e.g. Håkansson and Snehota, 1995; Håkansson, 1987). In particular, the environment, the atmosphere and the interaction are influential contextual issues on a corporate level of business ethics performance (Håkansson, 1982). Some of these influences are from the society, the industry in which the corporation operates, the corporation mores and the norms and behavior of individuals within the corporation. The impact of contextual issues of business ethics performance is more or less implicit or explicit in a managerial setting.

In the field of business ethics, studies on international and national levels have been performed considering different contextual issues (e.g. Jakubowski *et al*., 2002; Fisher *et al.*, 2001; Seitz, 2001; Peppas and Peppas, 2000; Singhapakdi *et al.*, 1999; Fernandez-Fernandez, 1999). Singhapakdi *et al.* (1999) argue that business ethics are of pivotal importance in international business, since an individual's culture and perceived context influences their business ethics decision making. The study reveals some significant differences between the national contexts examined. Failures to address these differences between contextual issues even within one's own culture may affect one's business ethics performance in the marketplace.

Fisher *et al.* (2001) examine the stances of Indian and UK managers towards ethical issues at work. Eight ethical stances were defined. These stances were based upon two dimensions:

- degree of ethical integrity; and
- dialectic of ethical purpose.

The tentative findings are that the Indian managers' ethical stances are similar to those of Western managers, but they are more likely to experience ethical tension between their personal, espoused stances and those they take at work.

Bucar *et al.* (2002) develop a conceptual framework for the examination of cross-cultural differences in ethical attitudes of business people based upon the assumptions of integrative social contract theory. The study reveals the relevant cultural and economic norms that are predictive of the level of the ethical attitudes among societies and at the same time they point out the more subtle impact of social institutions on ethical attitudes of different groups within a society. Sen (1997) examines the role of cultures in influencing norms of business behavior and argues for the need to recognize the complex structures of business principles and the extensive reach of moral sentiments.

Vinten (1998) argues that business ethics has the potential to become a significant aspect of corporate strategy and culture. Business ethics has to be considered internally and externally in the ethical audit for it places the corporation's value system in its cultural and societal context. This idea needs to be explored further. We contend that the reasons for the malpractice that we continue to see in the corporate world are centered upon the self-indulgent, introspective and myopic perspectives of companies that are not able to transform their thoughts to consider all possible perceptions and ramifications of their actions: thoughts that are transfixed on corporate and/or personal self-interest to the exclusion of other possible options.

The frame of reference has suggested the managerial importance of considering the impact on business ethics performance in the marketplace of contextual issues. In particular, business ethics performance may therefore be seen as an inter-personal, intra-corporational, and inter-corporational on-the-spot-account based upon the gap between the internal and external perceptions affected by contextual issues.

Business ethics performance – evolutionary issues

Business ethics performance is also surrounded by evolutionary issues (Figure 2). A generic contextual issue of business ethics performance in the society is time (Svensson and Wood, 2003). Another one is change. The only constant is change. The contextual issues such as the actors, the activities and the resources in the marketplace are influenced by the evolutionary issues. Furthermore, the environment, the atmosphere and the interaction are also affected on a corporate level. The evolution of contextual issues in the business environment certainly will affect what are acceptable and unacceptable business activities and management principles in the marketplace. The impact of evolutionary issues on business ethics performance is more or less implicit or explicit in a managerial setting.

Kilcullen and Kooistra (1999) focus on the changing role of business ethics and corporate social responsibility in the business environment. The study indicates that there appears to be a change occurring among corporations that is seeing them move from unacceptable conduct towards acceptable ethical business activities and management principles. Unfortunately, there are other corporations that still continue to behave unacceptably in the marketplace. They do not read the signs or do not wish to read the signs that are happening in the general society and/or the marketplace. They make this omission at their own peril.

Giacalone and Knouse (1997) argue that businesses should use a holistic approach to business ethics. In order for a corporation to be fully committed to business ethics, its leadership must foresee what potential problems might occur and then act in a way to prevent such problems from occurring by implementing three sub-processes:

- corporational;
- job related; and
- cultural.

Yamaji (1997) states that business ethics should not just be a corporate code, but implemented in the line of business as a corporate philosophy and he attempts to show that these activities are ahead of the times resulting in greater prosperity for the corporation that uses them. McDonald and Zepp (1989) also write that evolutionary corporate strategies can influence the ethical behavior of employees, in respect to such areas as code of ethics, ethical policy statements, leadership, ethical ombudsperson, ethics committees, realistic performance and reward plans, and an ethical culture. A growing number of corporations are devoting attention to evolutionary issues in business ethics. These companies are trying to move themselves towards an ethical business philosophy in the expectation that ethical behavior by their employees will result.

Within the frame of reference we have also suggested the managerial importance of considering evolutionary issues on business ethics performance in the marketplace. In particular, business ethics performance may therefore be seen as an inter-personal, intra-corporational, and inter-corporational “on-the-spot-account” based upon the gap between the internal and external perceptions affected by evolutionary issues. The world is changing in many ways. These ways are often driven by technology. As our society evolves, then one can expect as a consequence that its members will expect and even demand more ethical behavior from its business leaders and their corporations. To not recognize this progression can be a fatal omission from both the corporate philosophy and the subsequent approach of the corporation to the marketplace.

A generic conceptual framework of proactive and reactive business ethics performance

This section introduces a generic framework that conceptualizes and describes two generic determinants of business ethics performance in the marketplace, namely the internal and external perceptions. In addition, the conceptual framework stresses the underlying contextual and evolutionary issues of the consequences of proactive and reactive business ethics performance. Altogether, the conceptual framework provides insights into proactive and reactive business ethics performance.

The conceptual framework is restricted to business ethics performance in the marketplace, which means that ethics in the society is beyond the scope of its contribution. Although the topic in focus is restricted to business ethics performance, parts of the conceptual discussion also may be applicable and useful to ethics in other contexts in the general society.

Determinants of business ethics performance

As evolution has progressed and the society has made contextual advances, these actions of themselves have created new ideological structures in the minds of citizens. The growth in education in industrialized economies has led individuals to question what they see around them and to articulate their views in such a way that members of the society continually challenge the society's moral precepts. As evolutionary issues pass and contextual issues evolve and become more complex, the by-product of such developments is a re-examination of the social constructs that underpin the mores and values of the dominant groups within the society. People ask why and why not, as they challenge the boundaries of societal acceptability. These issues influence the internal and external perceptions of all actors in the marketplace (Svensson and Wood, 2003).

Two generic determinants influence the outcome of either proactive or reactive business ethics performance in the marketplace, namely the internal and external perceptions of a corporation (see Figure 3). As the internal perception of business ethics performance develops, the external perception evolves and as a consequence the outcome of business ethics performance may change. In conjunction, these two determinants create a generic conceptual framework and also contribute to underpin the sources of proactive and reactive business ethics performance in the marketplace.

Consequently, reigning values, norms, and beliefs in the marketplace shape business ethics performance. Therefore, business ethics performance should be seen as an on-the-spot-account of the continuous gap between the internal and external perceptions of that which is viewed as ethical in the marketplace.

Sources and consequences of proactive and reactive business ethics performance

Business ethics is rooted in the concepts of the philosophical underpinnings of ethics. The focus is upon the same philosophical questions, but with business activity as the medium of interaction, thus, the conceptual discussion of business ethics is linked to a micro level in the society. This means that the internal perception is a point of reference for the forthcoming discussion of business ethics performance in the marketplace. The internal perception may be that of the employer, the employees and/or the owners/shareholders. Another point of reference is the external perception. The external perception may be that of the customers, the suppliers, and/or other publics.

The internal perception should at least match the external perception to avoid reactive business ethics performance. If there is a mismatch between the internal and external perceptions a gap occurs. This gap is referred to as 'the gap of business ethics performance' (see Figures 4 and 5). Preferably, there should be a proactive gap of business ethics performance, i.e. the corporation is a step ahead of the current values, norms, and beliefs in the marketplace and in the society, otherwise, an unethical situation might occur. A reactive gap of business ethics performance occurs when the corporation is a step behind the current values, norms, and beliefs in the marketplace. The latter is a generic source of reactive business ethics (see Figure 4). Accordingly, reactive business ethics performance occurs when the internal perception is reactive to the external perception of what is acceptable or unacceptable in the marketplace.

Proactive and reactive business ethics performance is an interactive phenomenon that depends upon contextual and evolutionary issues, such as existing values, norms, and beliefs held by the internal and external participants in any ethical scenario. Eventually, proactive and reactive business ethics performances are about what the internal and external participants judge (i.e. relatively) as acceptable or unacceptable conduct in business, at a specific contextual and evolutionary stage. Consequently, what is appropriate business ethics performance is determined by both the internal and external perceptions of the actions taken in respect to the situation faced. These are separate social constructions that may differ between the parties involved in a specific contextual and evolutionary situation.

The most troublesome ethical dilemma for a corporation occurs when it is a step behind current values, norms, and beliefs in the marketplace. This situation might have a severe impact on the corporation's business activities. Therefore, proactive business ethics performance should be inherent in all business activities. Proactive business ethics occur when the internal perception is proactive in relation to the external perception of what is acceptable or unacceptable in the marketplace.

The internal perception of a corporation is also linked for other reasons to the external perception of others in the marketplace and of course in the society. For example, the internal weaknesses or strengths of a corporation's business ethics performance affect the external threats and opportunities in the marketplace. The business ethics performance in the marketplace has its origin in the internal perception of a corporation. Weaknesses in the internal perception may convert into threats in the external perception (see Figure 6). Therefore, proactive business ethics performance is crucial for long-term business success in the marketplace.

Strengths in the internal perception may convert into opportunities in the external perception (see Figure 7). Reactive business ethics performance exposes the corporation to risks in the marketplace. The consequences of weakness and strength in the internal perception are dependent upon the contextual and evolutionary issues surrounding the external perception of threats and opportunities in the marketplace. Therefore, the accurate internal analysis of weaknesses and strengths of the corporation's business ethics performance is crucial to the external analysis of threats and opportunities.

A profile analysis process of business ethics performance

The previous components of the generic conceptual framework of proactive and reactive business ethics performance as illustrated in Figures 1-7 construct a process of profile analysis. The profile analysis process is dependent upon the contextual and evolutionary issues in the marketplace, which means that each situation or occasion is unique and has to be managed individually. We postulate in Figure 8 our contentions concerning the profile analysis process of business ethics performance.

The process of profile analysis consists of four different but interconnected parts, namely:

- *contextual and evolutionary issues* – it begins with the characteristics in the marketplace all of which frame the whole process and its outcome;
- *internal perception* – consists of internal analyses of weaknesses and strengths of the corporation's business ethics performance. In addition, it considers if the current business ethics performance is acceptable or unacceptable in the marketplace. This is an inside-out perspective;
- *external perception* – consists of external analyses of threats and opportunities of the business ethics performance. In addition, it considers if the marketplace regards the current business ethics performance as acceptable or unacceptable. This is an outside-in perspective; and
- *contingency planning* – evaluates if the gap of the current business ethics performance is proactive or reactive based upon the internal and external perceptions of the performance of the corporation and the consequences for all that result.

Case illustrations

The generic conceptual framework of proactive and reactive business ethics performance introduced in the previous section is supported in this section by a number of real-life cases. These cases illustrate the influence that proactive and reactive business ethics performance has on corporate actors, activities and resources in the marketplace.

The Joe Camel case

The Joe Camel case (Jennings, 1993) between 1913-1997 centers on the use of a cartoon character in order to position cigarettes as an acceptable product of choice for the youth market. The Joe Camel advertising campaign re-launched by RJ Reynolds in the late 1980s was so successful that it lifted the Camel brand name in sales from 2.7 percent to 3.1 percent market share.

At the same time, the corporation also attracted the ire of the US Surgeon General who was opposed to what appeared to be a blatant attempt to make Joe Camel "cool" and thus appeal to the youth market. In three US studies, as reported in the *Journal of the American Medical Association*, as many children aged six recognized Joe Camel as recognized Mickey Mouse.

At the time of the Joe Camel campaign more damning evidence of the health concerns of cigarette smoking was coming to the fore.

Profile analysis of business ethics performance

In March 1992, the Center for Disease Control reported that smokers between the ages of 12 and 18 preferred Marlboro, Newport or Camel cigarettes. These were the three brands where advertising was the most extensive (i.e. weakness). To target cigarette advertising at children was not seen as acceptable by many people in society at the time (i.e. threat), yet it required the risk of legal action to be taken that finally led to the campaign not continuing (i.e. reactive). Joe Camel was discontinued in 1997 as an advertising medium and cigarette packets now carry extensive health warnings.

The Challenger case

The Challenger disaster (Desjardins and McCall, 2000) in 1986 was a national tragedy in the USA. The build up to and the expectation surrounding the flight of school teacher, Christa McAuliffe, had gripped the nation. The public was horrified to see the explosion one minute and 13 seconds after take off, and the fact that it claimed the lives of the seven astronauts.

After the initial shock, people were looking for answers. It would appear that safety was compromised for the holy grail of commercial expediency. On this occasion, NASA was under more than usual pressure to deliver a successful mission. On the night before the flight, Roger Boisjoly of Morton Thiokol once again expressed his concerns and abject reservations about launching the shuttle in the weather conditions that were to prevail on the day of the launch. Under extreme pressure he was asked to compromise his professional judgement and to think subsequently from a management perspective which in itself was code for everyone’s self centered need to think first of the “commercial good” of the venture. He relented and gave the all clear for the flight.

Profile analysis of business ethics performance

The irony of this situation is that his prophecy did eventuate as Boisjoly had predicted (i.e. weakness). He testified before the Rogers Commission, where he provided detailed information of his concerns (i.e. threat): concerns that he had communicated to his management at least a year earlier. Boisjoly had his job responsibilities at Morton Thiokol downgraded. Eventually, he left Morton Thiokol as the corporation made his continued employment untenable. The public believed that to take such a risk with seven lives for a successful space flight was too high a price to pay. NASA had to restructure its security procedures and routines before each launch of the space shuttle (i.e. reactive).

The Exxon Valdez case

The Exxon Valdez case (Ferrell and Fraedrich, 1991) in 1989 is synonymous with the destruction of a pristine environmental habitat through corporate malpractice. The shipping disaster became an ecological disaster when 11 million US gallons of crude oil was spilt into Prince William Sound. The blame was placed upon the ship’s captain who had a documented alcohol problem. He had handed over command of the vessel to a junior officer who it appeared made some incorrect maneuvers and in the middle of the night ran the carrier aground.

The CEO of Exxon, Lawrence Rawl, reacted inappropriately when he did not comment on the spill for nearly six days nor did he appear at the scene of the disaster. He had misread the mood of the nation and the power of the environmental lobby. The ecology of the area was severely damaged as were the livelihoods of the communities that depended on the pristine sound. The corporation agreed to a clean up plan that was seen by many as inadequate. As the investigation into the disaster unfolded, it was discovered that the safety equipment supposedly in place to contain spills was inadequate and costs had been saved in this area over the years by not maintaining the safety plan and the condition necessary of the equipment that should have been there.

Profile analysis of business ethics performance

An interesting part of the case is that for US$22 million the tanker could have been double hulled which would have contained the spill. As a shipper of crude oil around the world, they had not correctly understood their responsibilities (i.e. weakness), nor the backlash against them that would occur. The corporation was lagging in its appreciation of the impact of environmental safety issues on the US public (i.e. threat). The subsequent costs to Exxon are conservatively numbered in the hundreds of millions of dollars (i.e. reactive).

The Ford case

The Ford Pinto case (Jennings, 1993) between 1968-1979 was to be Ford's newest foray into the subcompact car market. The car was to weigh less than 2,000 pounds and to cost less than US$2,000 and it was to be made in quicker than normal time. This directive was immutable and corners were cut and costs kept to a minimum in order to fulfil Lee Iacocca's dream. The dilemma was that the car had a problem with its fuel tank in certain types of impact situations. It had the propensity to catch on fire.

Prior to its launch in the marketplace Ford was aware of this problem. The corporation conducted a cost benefit analysis based on the cost of recall versus the cost of indemnifying victims for the damages that would result when inevitably the cars would catch on fire. Projected costs for death and injury were considered in the calculations. Based on the savings implicit in not initiating a recall of the Pinto, the corporation continued to place the car in the marketplace. People started to notice a pattern with the Ford Pinto and car fires from rear or rear side impact. In 1979, Ford was indicted by the State of Indiana for reckless homicide.

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People could not believe that any US corporation, let alone one of its icon motor manufacturers, could conceive of a cost benefit analysis that traded the value of the human life of potential customers off against minor modifications to a car that the corporation knew was inherently unsafe (i.e. weakness). Ford did not just misjudge, but completely missed the sentiment of the society by such a long distance (i.e. threat). At the end of the day, Ford had to reconsider its business principles to match the opinion in the marketplace (i.e. reactive).

The Johns Manville case

The Johns Manville case (Jennings, 1993) between 1887-1992 is not centered on a once off experience, but is a scenario comprising institutional neglect and intransigence over many decades. The dangers of asbestosis were known as early as 1AD and reported by Pliny the

Elder and Strabo. In the 17th and 18th centuries, European medical professors doing autopsies upon stone cutters documented severe respiratory problems. By 1918 the US government was interested in the phenomenon.

Johns Manville conducted its own studies in the 1930s and they too were aware of the insidious nature of the product that they mined. Unfortunately, they did not communicate their knowledge to their own employees. They sponsored research grants on the provision that the results would not be made public. They compromised the integrity of academic research so that their secret would not be discovered. In the 1930s, they paid out some compensation to victims but also continued to market their products.

Worker rights were not as developed in the 1930s as they were to become from the 1970s onwards. It was this evolution in the rights of employees that would eventually lead to the exposure of Johns Manville. The result was that in 1982 Johns Manville filed for Chapter 11 as a tactic to protect itself from lawsuits. "The bankruptcy proceedings continued through 1989 when Manville and others agreed to the Manville Personal Injury Settlement Trust. Under the agreement, Manville was required to give $2.5 billion in assets (mostly stock) to the trust. Manville was also required, beginning in 1991, to pay $75 million to the trust annually as well as 20 percent of its annual net income each year" (Jennings, 1993, p. 138).

Profile analysis of business ethics performance

This case shows the evolutionary progress made in workers' rights in the later half of the 20th century. Generations of managers hid the truth (i.e. weakness). The price of doing business in the end was vast and lasting for the corporation (i.e. threat). The interest in this case is that it was about a corporation who went one step further than exposing its customers to harm: it knowingly and for a prolonged period of time also disregarded the health and safety of its own workforce. It also shows a corporation that knowingly suppressed the truth for many decades and that had no real qualms about its expendable workforce (i.e. reactive).

The Nestlé case

The Nestlé infant formula case (Jennings, 1993) between 1975-1992 was one of the first cases to mobilize activists from around the world for a boycott of the products of a multinational corporation. The infant formula issue was a simple one. Nestle was one of a number of companies marketing its infant formula to lesser-developed countries of the world.

Some of these companies employed women who dressed up as nurses, but who were not nurses, to go into the hospitals and convince mothers that milk formula was a better way to go than the traditional breastfeeding of their children. Mothers readily accepted this "professional advice" and opted for the infant formula. This was not a problem when they were in hospital, but when they left hospital they found that they faced a number of potential problems. They could not properly refrigerate the product; nor could they necessarily afford the formula and hence, would dilute it; and/or they did not have the proper sanitary conditions to prepare the product. By the time that the mothers had discovered a problem their own milk had dried off leaving their children often in desperate need.

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Nestlé capitalized on people's desire to improve the lot of their children with this new first world initiative without ensuring in the long term that these new consumers could adequately afford and/or use the product safely (i.e. weakness). The corporation was singled out by activists and in 1975 it sued. The media coverage was enormous and led to not only boycotts of Nestlé products, but also to attempts to have a code of practice for infant formula marketing implemented in the industry. The abhorrence by many to this situation was that large first world multinationals appeared to be trading on the lives of the youngest and most helpless in lesser developed societies: its children. Many in the world wondered if capitalism could stoop much lower in its quest for customers and profits (i.e. threat). Nestlé had to change its business strategy in lesser developed countries (i.e. reactive).

The Tylenol case

The Tylenol case (Jennings, 1993) in 1982 had the potential for a major disaster for the corporation. Six people died in the Chicago area as a result of taking Tylenol capsules that had been laced with cyanide. The tablets had been tampered with and unsuspecting customers took them for pain relief. When the tragedy was revealed Tylenol reacted immediately. They withdrew all of their stock of the offending tablets right across the USA. This action would cost them approximately US$150 million in lost sales in the first year. The corporation would not take any chances with its product or with its consumers. The corporation and the CEO of Johnson and Johnson, Jim Burke, were lauded by then President Ronald Reagan for their actions.

Profile analysis of business ethics performance

Tylenol implemented a full product recall. They believed that their ethical principles meant that they could not compromise on product quality and hence product safety (i.e. strength). As a result of these concerns, the corporation developed tamper proof packaging, which in itself was socially responsible (i.e. proactive). Within a year their re-launched product had re-captured its 40 percent of market share. They had however, captured a bigger prize than market share: the ongoing trust of the US people (i.e. opportunity).

The Union Carbide case

In 1984, Bhopal became famous because of a toxic chemical leak into the surrounding district from a Union Carbide pesticide factory (Jennings, 1993). The effects on the people who lived in this poorer district of Bhopal surrounding the factory were devastating. Upwards of 3,500 people died from the gas cloud that enveloped the area and two hundred thousand others were blinded, burned, or left with lesions in their respiratory systems. The ongoing health related issues were predicted to be of an extreme magnitude. The corporation had located its factory in Bhopal because of low labor costs, very low taxes and safety standards that were much less stringent than those required in the USA.

The corporation at first reacted quickly and positively to the tragedy. CEO, Warren Anderson, offered to assist the Bhopal community. Not only did he promise quick relief, but he personally offered to devote the rest of his career to the Bhopal situation. As time went on and it became clear that Union Carbide was responsible for the tragedy the offers of support evaporated and the situation turned into one of legal dimensions. In the following year, as a result of its falling share price, Union Carbide had to spend US$3 billion to stave off a takeover bid. In 1986, Anderson was indicted by an Indian court in order to answer charges of culpable homicide. His lawyers claimed that the court had no jurisdiction.

This defense raises the pertinent issue concerning the misguided belief that it is acceptable to do business in a country, but that one is not subject to the laws of that country. This perception smacks of the "extraterritoriality concept" imposed on 19th century China, where foreigners (a synonym for westerners) could not be tried under Chinese law for crimes committed in China. In effect, it quarantined these foreigners from the law of the land and removed the sovereign powers of the Chinese government of the time to enforce its own social order. One would have thought and hoped that this type of implicit xenophobia would have mellowed by the 1980s, especially amongst employees of a multinational corporation. The bizarre twist would be to see the reaction if the same defense had been used in the USA in such circumstances by a foreign corporate executive. One wonders at the validity of the claim and the subsequent voracity of US officials and the society to see justice done.

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In 1992, with the threat that Union Carbide was about to sell its stake in India a magistrate seized all of Union Carbide's Indian assets. Union Carbide had been in Bhopal since 1969 and had assisted the Indian government by keeping the plant going after 1980, even when the plant was making losses (i.e. reactive). This was a magnanimous action to take, but the corporation did not take its safety responsibilities as seriously as they should have (i.e. weakness). In spite of their quasi-philanthropic gesture since 1980, they still faced derision at home in the USA because of the magnitude of the disaster and the public's reaction to Union Carbide's position (i.e. threat).

The Volvo case

The Volvo case (Svensson and Wood, 2003) runs between 1927 until today. The car manufacturer has a long tradition of focussing upon the safety of its products. Volvo was founded in 1927 and the founders of Volvo stated a few years later, when safety issues in the automotive industry were ignored, that (Volvo, 2002, p. 1):

… Cars are driven by people. The guiding principle behind everything we make at Volvo therefore, is – and must remain safety …

Three areas are applied to fulfil Volvo's safety philosophy:

- active safety (i.e. driving safety) – the characteristics and equipment which help the driver avoid accidents whenever possible;
- passive safety (i.e. crash safety) – the whole of the car body and the interior are designed to protect all the occupants when an accident takes place; and
- protection (i.e. for people and property) – designed to improve protection from car thefts and threats to the car owner on his/her way to and from the car (Volvo, 2002, p. 1).

Since 1970 almost 30,000 accidents where Volvo cars have been involved have been analyzed. The standards for safety required by Volvo are far more comprehensive than the legal standards that are mandated. They go beyond the law and lead public perception to what is possible in car safety. The aim is to save lives, alleviate the effect of injuries, or preferably, to prevent accidents ever occurring (Volvo, 2001).

Volvo has included features in their cars that the market did not as a whole necessarily believe that it needed. Some of the features included in their cars other carmakers only included after there was legislative intervention. For example, Volvo introduced safety belts in to Sweden in 1959. The legislative intervention in Sweden for front seat safety belts occurred in 1975 and for back seat safety belts in 1985 (Volvo, 2002). Volvo has been a world leader in a number of safety areas. These areas include a triangular two-circuit brake-system in 1966; day-running lights in 1975; lap-diagonal safety belt in the back middle seat in 1986; side impact protection system (SIPS) in 1991; integrated child cushion in 1992; SIPS-bag in 1994; inflatable curtain (IC) in 1998; and whiplash protection system (WHIPS) in 1998 (Volvo, 2002).

Profile analysis of business ethics performance

Safety has been at the forefront of all that Volvo has done, since its inception. Safety and Volvo are synonymous. Volvo pursued safety issues well before they were palatable in other companies. They led the market and the society in terms of making safer cars. One could be cynical and laud this concept as a profitable strategic marketing initiative, but this may be over-simplistic. Volvo appears to have had a genuine concern for its consumers (i.e. strength). Volvo has established a reputation for safety that in its obvious extension means a concern for their customers (i.e. opportunity). This focus has benefited the corporation since its inception. This concern led Volvo to implement safety features that not only challenged the market, but that established a positive business ethics gap performance with consumers (i.e. proactive). The public trusts Volvo and its products to deliver as safe a motoring as is possible (Svensson and Wood, 2003).

Case summary - profile analysis of business ethics performance

The case illustrations are briefly summarized in Table I. The table highlights the four components of the introduced process of profile analysis of proactive versus reactive business ethics performance.

Generally, the cases (i.e. 1-6 and 8) illustrate that the internal consequences of the situation that occurred in the marketplace were misjudged. The perceived internal strengths of the contextual and evolutionary issues in the marketplace were wrongly recognized as acceptable by the corporation. Therefore, the external consequences of the contextual and evolutionary issues turned out to be unacceptable in the marketplace. The internal perception was a step behind the external perception. In conclusion, reactive business ethics performance dominated the corporate contingency planning in these case contexts.

The other two cases (i.e. 7 and 9) illustrate that the internal consequences of the situation that occurred in the marketplace were judged correctly. The perceived internal weaknesses of the contextual and evolutionary issues in the marketplace were interpreted as unacceptable by the corporation. The external consequences of the contextual and evolutionary issues turned out to be acceptable in the marketplace. The internal perception was a step ahead of the external perception. In conclusion, proactive business ethics performance dominated the corporate contingency planning in these case contexts.

Concluding thoughts and suggestions for further research

At any given point in time, all businesses face the dilemma of reading the mood of the marketplace and the society. Environmental scanning is practiced throughout the world as a means of ensuring that one is in touch with the moods and events going on around you. To misread the current environment is a critical corporate error, that in itself leaves the corporation open to the vagaries of the marketplace. With their products in mind many corporations try to lead the market and tune into the moods of the society in order to obtain a competitive advantage. If one suggested that corporations should be reactive to the marketplace and not proactive in the marketplace one would be seen as recalcitrant. Corporations need to take the same proactive response to their ethical values as they do to their product positioning. Business ethics cannot be an afterthought in a corporation's planning.

In this paper a conceptual framework has been proposed and case illustrations have been used to lead the reader to a number of conclusions that might be drawn. First of all, business ethics performance is dependent upon the contextual and the evolutionary issues in the marketplace. Therefore, business ethics should be interpreted as a continuous process. It is ongoing and needs to be viewed as such. Second, the importance of continuously considering the gap of business ethics performance, i.e. the match or mismatch between the internal and external perceptions cannot be overstated. Business ethics performance is only an "on-the-spot-account" in the marketplace: a marketplace that changes more or less drastically over time. Third, the consequences of internal weaknesses and strengths become threats and opportunities in the marketplace. Therefore, proactive business ethics performance wins in the long run, while reactive business ethics performance loses. Business ethics performance may be seen as a "reconnection with reality" when corporate management has gone astray or lost contact with the relative association between the internal and external perceptions in the marketplace. Finally, business ethics *per se* is not proactive or reactive. It is the performance of the corporation that is either proactive or reactive. Corporations need to be mindful of the role of business ethics in their everyday activities. They need to be ever vigilant.

A consideration of one's corporate business ethics cannot be left until a major crisis arises, for a lack of preparation both philosophically and practically will leave the corporation unduly exposed. The desire of corporation's to protect themselves first and then to examine the impacts on other stakeholders in itself leads to reactive business ethics rather than proactive business ethics. The very litigation and poor public relations experience feared by corporations invariably comes to fruition. As we have attempted to show in our cases in this paper, corporations can suffer immeasurably from these poor, self-centered decisions: decisions which taken in a reactive manner often lead to financial hardship that may appear at first to be out of all proportion to the initial issue of concern. Yet, society judges these actions and the actors involved harshly, if social mores are flouted and self-interest predominates. Caveat emptor has been a tenet of corporate business for years in respect to products and services, but in the case of business ethics it is a case of corporation emptor. Corporations are on notice that business ethics needs to be viewed from a proactive approach and not one of constant catch up.

We postulate further that business ethics research would benefit from exploring why companies in the marketplace continuously fail to maintain a proactive gap of business ethics performance. A focus on the consequences could be built upon the internal weaknesses' and strengths' impact of the external threats and opportunities in the marketplace. In addition, the focus on the sources of proactive and reactive business ethics performance would make a fruitful contribution to the current knowledge in field. These sources may be categorized as either economic or non-economic. They could also be traced to the presence of interactive versus non-interactive features between internal and external perceptions of a corporation in the marketplace.

Figure 1*Business ethics performance - the impact of contextual issues*

Figure 2*Business ethics performence - the impact of evolutinary issues*

Figure 3*Determinants of buesiness ethics performance*

Figure 4*A source of the reactive gap of business ethics performance*

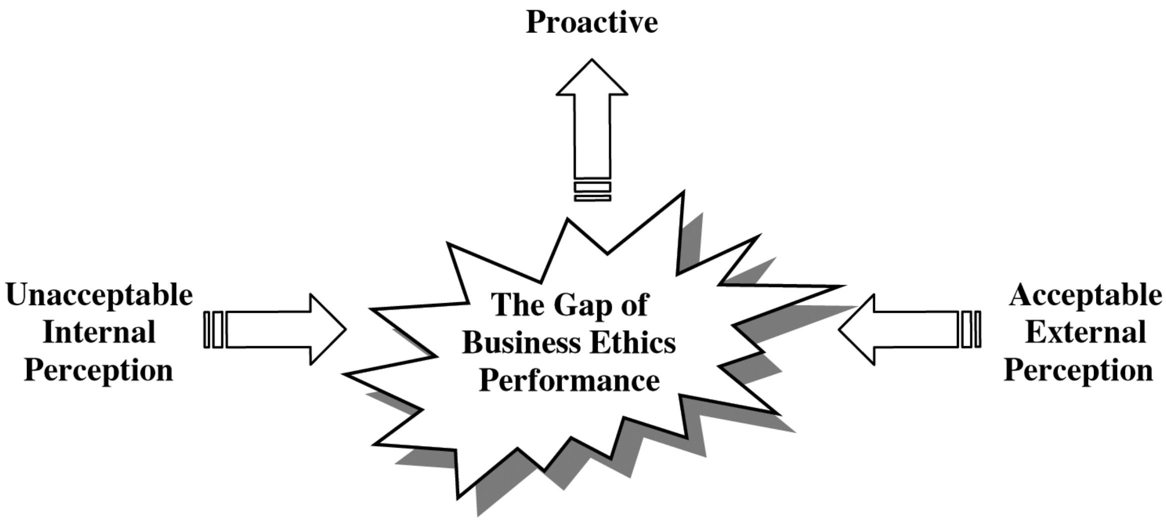

Figure 5*A source of the proactive gap of business ethics performance*

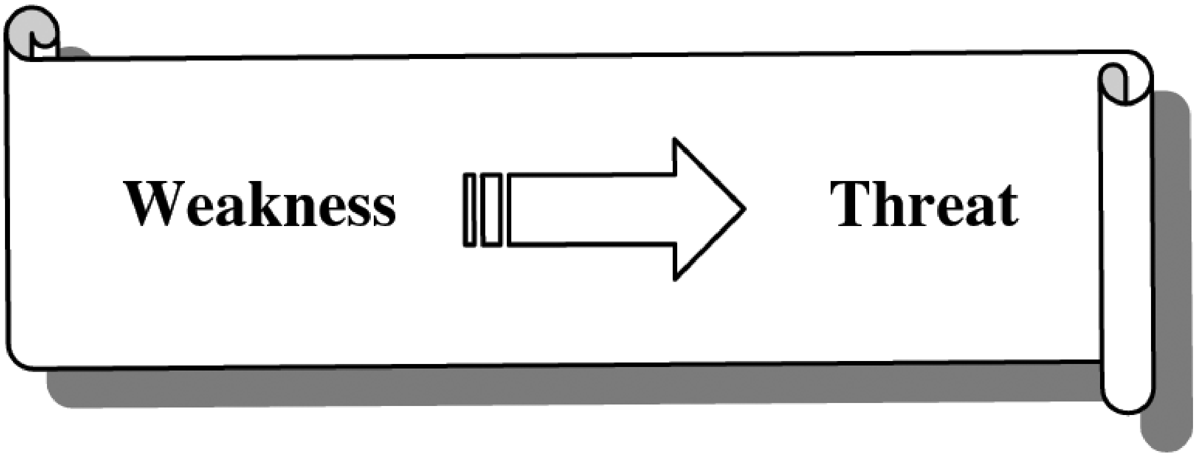

*Figure 6*A consequence of reactive business ethics performance - internal weakness becomes external threat

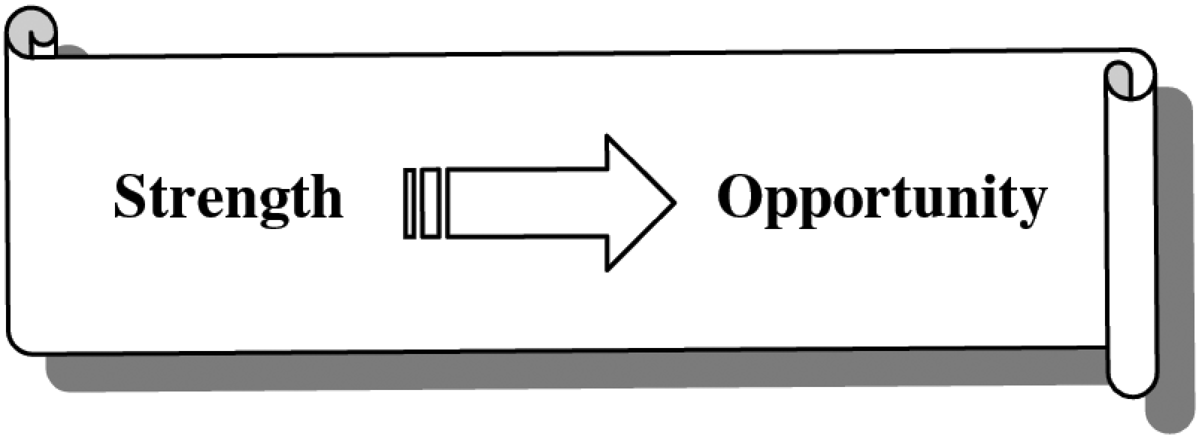

*Figure 7*A consequence of proactive business ethics performance - internal strength becomes external opportunity

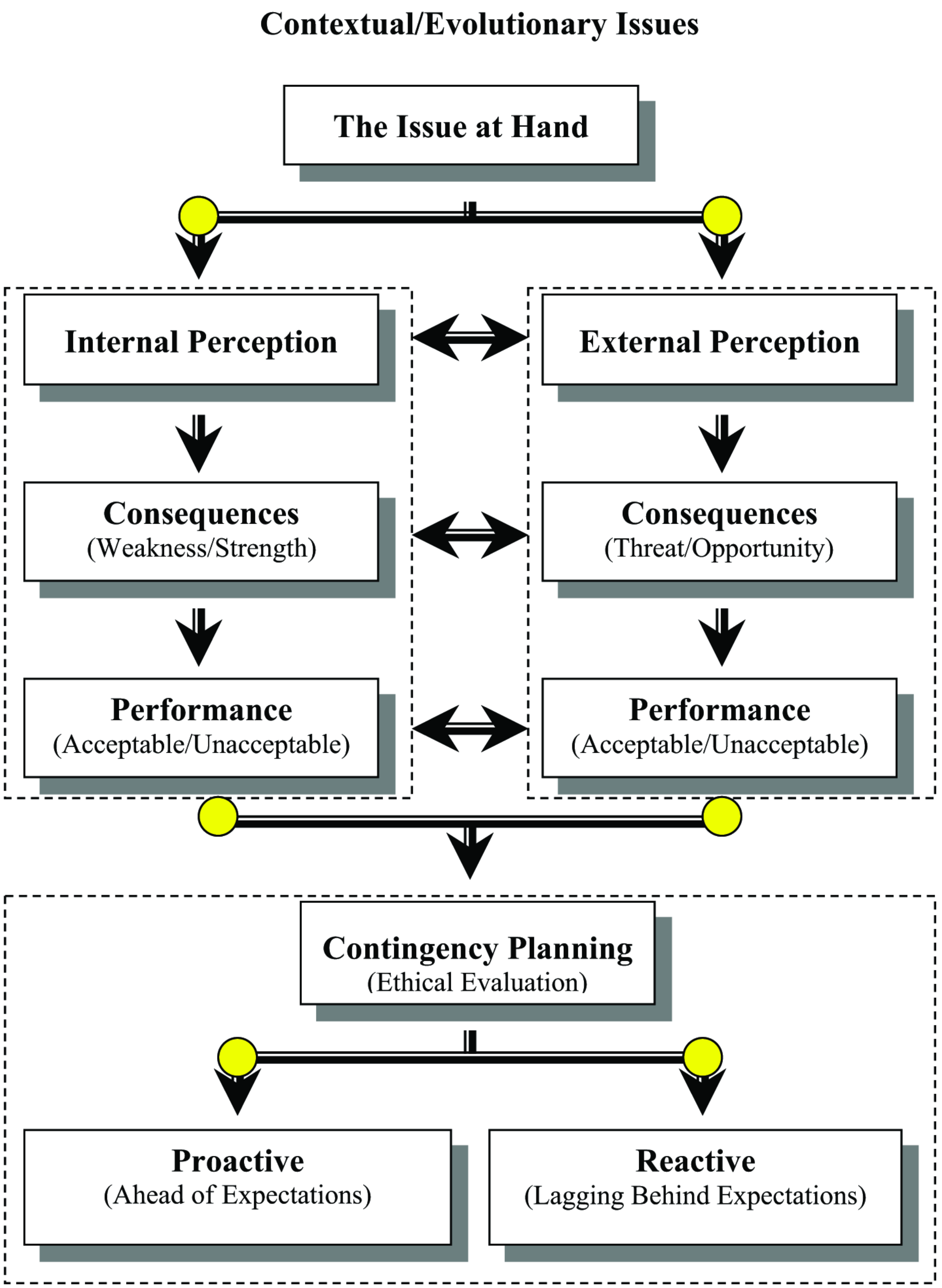

Figure 8*A profile analysis process of business ethics performance - proactive versus reactive*

Table I A summary of case illustrations – profile analysis of business ethics performance

Case illustration	*Internal perception*		*External perception*		*Contingency planning*
	Consequences	*Performance*	*Consequences*	*Performance*	
1. Camel	Weakness	Acceptable	Threat	Unacceptable	Reactive
2. Challenger	Weakness	Acceptable	Threat	Unacceptable	Reactive
3. Exxon Valdez	Weakness	Acceptable	Threat	Unacceptable	Reactive
4. Ford	Weakness	Acceptable	Threat	Unacceptable	Reactive
5. John Manville	Weakness	Acceptable	Threat	Unacceptable	Reactive
6. Nestlé	Weakness	Acceptable	Threat	Unacceptable	Reactive
7. Tylenol	Strength	Unacceptable	Opportunity	Acceptable	Proactive
8. Union Carbide	Weakness	Acceptable	Threat	Unacceptable	Reactive
9. Volvo	Strength	Unacceptable	Opportunity	Acceptable	Proactive

***Table I**A summary of case illustrations – profile analysis of business ethics performance*

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