This is the authors' final peer reviewed (post print) version of the item published as:


Available from Deakin Research Online:


Reproduced with the kind permission of the copyright owner.

Copyright : 2011, Emerald Group Publishing
A conceptual framework of corporate and business ethics across organizations

Structures, processes and performance

The Authors

Göran Svensson, Oslo School of Management, Oslo, Norway

Greg Wood, Deakin University, Warrnambool, Australia

Abstract

Purpose – The objective of this paper is to introduce and describe a conceptual framework of corporate and business ethics across organizations in terms of ethical structures, ethical processes and ethical performance.

Design/methodology/approach – A framework is outlined and positioned incorporating an ethical frame of reference in the field of organizational chain management.

Findings – A number of areas and sub-areas of corporate and business ethics are framed in the context across organizations.

Research limitations/implications – The introduced framework should be seen as a seed for further development and refinement. It provides opportunities for further research of ethical concerns across organizations.

Practical implications – Organizations may benefit from the findings and insights presented and they may be used to enhance their ability to manage, monitor and evaluate ethical business practices across organizations.

Social implications – Changing societal and market patterns may enforce organizations to address ethical concerns across organizations. A myopic approach restricted to the judicial system may become insufficient and unsatisfactory from the perspective of other stakeholders of the organization.

Originality/value – The framework makes a contribution bringing in ethical concerns across organizations, providing a basis for their ethical values and culture, as well as asymmetric relationships in terms of power and dependence. The authors believe that a true learning organization needs to realise the importance of an extended view of its endeavors of corporate and business ethics in terms of ethical structures, ethical processes and ethical performance across organizations.
Introduction

Ethical concerns are an important area in business practices and research endeavours in the field of organizational chain management. In particular, ethical concerns become evident in situations of asymmetric relationships across organizations (e.g. in terms of power and dependence). There is a need to establish ethical structures, processes and performance measures in organizations. In previous research restricted parts of this idea across organizations have been addressed from an ethical perspective but not the whole process (e.g. Moberg, 2003; Geraint, 2003; Kidd, 2003; Carter, 2000; Cooper et al., 1997; Stainer, 1997). nevertheless, there have been a few recent research endeavours dedicated to the ethical concerns in organizational chain management as a whole. For example, Svensson and Bååth (2008) introduce and describe a conceptual framework of organizational chain management ethics based upon the automotive industry. Svensson (2009) focuses on the transparency of organizational chain management ethics based upon case illustrations across organizations in the fashion and telecom industries. The dilemma is that these ethical frameworks in the field of organizational chain management are still on a general level, where specific details are not provided on how to manage, monitor and evaluate ethical concerns across organizations.

There are multiple research topics that may be linked implicitly or explicitly to ethical concerns in across organizations, such as: chain management ethics (Svensson and Bååth, 2008; Svensson, 2009), corporate social responsibility (e.g. Dyllick and Hockerts, 2002), sustainable supply network management (e.g. Young and Kielkiewicz-Young, 2001), supply chain environmental management (e.g. Lippman, 1999), green purchasing strategies (e.g. Min and Galle, 1997), environmental purchasing (e.g. Zsidisin and Siferd, 2001), green marketing (e.g. Crane, 2000), environmental marketing (e.g. Sheth and Parvatiyar, 1995), environmental marketing management (e.g. Peattie, 1995) and environmental product differentiation (e.g. Reinhardt, 1999), reverse logistics (Zikmund and Stanton, 1971), sustainability labeling schemes (e.g. De Boer, 2003), environmental management (Hoffman, 2000), life-cycle assessment (Welford, 1999), sustainable supply chain management (Svensson, 2007), and ISO-14000-certifications (ISO, 2007).

This paper addresses explicitly different areas of how to manage, monitor and evaluate ethical concerns across organizations. An organization’s ethical values and culture are fundamental to its persona. The bottom line is that there is a need for a conceptual framework in the field of organizational chain management that describes organizations' corporate and business ethics across organizations in terms of ethical structures, ethical processes and ethical performance. To our knowledge, this is an under-investigated and appreciated area in contemporary research of organizational chain management, if not overlooked or even ignored. From a managerial perspective, it may be neglect that can cause serious damage in business practices to the corporate identity, profiling efforts and image in the marketplace and society. Furthermore, the organization's trustworthiness, and at worst corporate survival, may be at stake (e.g. Enron and Arthur Andersen), therefore, the objective of this paper is to introduce and describe a conceptual framework of organizations' corporate and business ethics across organizations in terms of ethical structures, ethical processes and ethical performance. It is a basis for organizations to
implement proper ethical values and culture. Furthermore, it supports the proper actions of organizations in asymmetric relationships of power and dependence.

There are various areas of ethical concerns across organizations. For example, on an overall level there are both internal and external areas. Robin and Reidenbach (1987) develop a multidimensional scale for improving evaluations of business ethics, while Huntet al. (1989) develop a corporate ethics scale. On the one hand, “business ethics” has an external emphasis considering the gap between organizations' ethical actions and behaviour in ongoing business practices and the marketplace's or society's perceptions of the organization's ethical actions and behaviour in their business practices (Svensson and Wood, 2004). “Corporate ethics”, on the other hand, has an internal emphasis considering the gap between the management’s ethical actions and behaviour and the staff's perception of the management's ethical actions and behaviour in ongoing business practices (Svensson and Wood, 2004). The conceptual framework described and illustrated in the next section comprises a combination of both the internal and external approaches of corporate and business ethics in the context across organizations.

**A conceptual framework of organizations' corporate and business ethics across organizations**

A conceptual framework of organizations' corporate and business ethics across organizations may be divided into four separate but at the same time interconnected principal areas (see also Figure 1):

1. across organizations;
2. ethical structures;
3. ethical processes; and
4. ethical performance.

This conceptual framework relates in part to the work by Wood et al. (2004), Singh et al. (2005) and Svensson and Wood (2008). The inherent structures, processes and performance require ongoing monitoring and revision of the business practices across organizations in order to determine whether the current relationships, business operations and behaviors in and between organizations are ethical or unethical. On an overall level, the conceptual framework should be seen as a continuous and iterative process.

The conceptual framework is continuous as it contains a series of consecutive organizations that are seen as mutually interdependent – that is, one depends upon the other, and vice versa. It goes beyond corporate judicial boundaries and refers to the ongoing attention to ethical concerns across organizations. We suggest in our conceptual framework that incorporating corporate and business ethics across organizations should be supported by the area of “structures” that underpin and nurture ethical business practices in and between organizations. These structures lay the groundwork to develop, manage and monitor ethical business practices across organizations as a whole. Furthermore, it provides support for the area of “processes” that demands organizations to perform sound current and future ethical business practices. The last area of “performance” serves the purpose of evaluation and maintenance of ethical business practices across organizations, and decides
whether they are ethical or not. This area enables the monitoring and control of the ethical structures and processes of the conceptual framework.

The conceptual framework of organizations’ corporate and business ethics across organizations is iterative as it asks for the ongoing and forthcoming revision between structures, processes and performance. Each area is in turn linked and evaluated in relation to the corporate and business ethics of each organization. The ethical structures, ethical processes and ethical performance of the conceptual framework are described and substantiated in the following paragraphs of this section. It should be stressed that we do not contend that this conceptual framework is complete, but it should be seen as a basis for further development and refinement in incorporating ethical structures, ethical processes and ethical performance across organizations, which to our knowledge has not been raised before in organizational chain management.

**Across organizations**

It is not an easy task to determine what may be classified as ethical or unethical business practices across organizations as a whole. An essential factor is that there are expectations and perceptions that vary between organizations. These expectations and perceptions also vary in the marketplace and societies that surround organizations, and that influence the predominant belief or conviction of what may, or may not, be seen as ethical business practices.

There are several areas that contribute to this variable situation. For example, government legislation may frame and define the criteria of ethical business practices across organizations. Developed western style democracies have laws that govern the expected and perceived actions and behaviours in business practices as they tend not to be self-regulatory (Carson, 2003; Davies, 2001; Piety, 2004; Rondinelli, 2003). Historically, they have been able to impact societies' and their citizenry's expectations and perceptions of organizations' business practices (Grit, 2004; Whawell, 1998). Organizations are also confronted with societal expectations and perceptions beyond purely economic issues, such as environmental and social change responsibilities (Handelman, 2000; Handelman and Arnold, 1999).

With the awakening of globalization has come a realization in first world economies that there are organizations who appear to have diverse sets of actions and behavioural standards depending upon the country in which they find themselves at the time (McMurtry, 2002; Sørensen, 2002).

**Ethical structures**

The area of “ethical structures” consists of the following sub-areas:

- a code of ethics;
- ethical audits;
- ethics ombudsman;
- ethics committee;
• ethics training committee; and
• support to whistle-blowers.

The area of “ethical structures” is intended to support organizations' ethical concerns across organizations. There is a need for ethical structures that surround the modes in which organizations strive to inculcate corporate and business ethics. Without them there are no supports in place to create ethical processes and evaluate ethical performance. This area serves as a support that the organization and its staff should be able to relate to at the strategic, tactical and operational levels of business practices. It is a point of reference to other stakeholders in the marketplace and society.

**Code of ethics**

A crucial sub-area of ethical structures in the conceptual framework of organizations' corporate and business ethics across organizations is a code of ethics. Since the early 1980s, a number of studies in the area of corporate codes of ethics have been conducted in the USA (e.g. Cressey and Moore, 1983; Chonko et al., 2003), in the UK (e.g. Le Jeune and Webley, 1998), in Canada (LeFebvre and Singh, 1992; Schwartz, 2002; Singh, 2006) in Sweden (Svensson et al., 2004), in Australia (Kaye, 1992; Farrell and Cobbin, 1996; Wood, 2000; Wood and Callaghan, 2003). Code studies have been also conducted on the largest multinational corporations operating across a range of jurisdictions in the world (Bethoux et al., 2007; Singh et al., 2005; Wood et al., 2004).

Studies have found that having an ethical code does have a positive impact on the ethical actions and behaviours of organizations (Adams et al., 2001; Schwartz, 2001; Wotruba et al., 2001). Other studies have found this causal relationship not to be conclusively the case (Ford et al., 1982; Clark and Leonard, 1998; McKendall et al., 2002).

Stajkovic and Luthans (1997) see codes of ethics as one of the crucial parameters that interact together to influence the ethical standards of organizations and their individuals. Berenbeim (2000) sees codes of ethics as having a pivotal importance in making an organization more ethical. Nijhof et al. (2003) suggest that a code once written is not enough by itself to ensure a responsible ethical organization.

**Ethical audits**

Another sub-area of ethical structures in the conceptual framework of organizations' corporate and business ethics across organizations is the conduct of ethical audits. A number of authors have suggested the need to incorporate ethical audits into a organization's processes (Crotts et al., 2005; Lacznia and Murphy, 1991; Murphy, 1988). Garcia-Marza (2005) views the ethical audits as an integral part of the process of developing trust, with the other factors in developing trust being the existence of ethics codes, ethics ombudsman, ethics committees and ethics training committees in organizations. “Within this integrated system of ethics management in the organization, ethics auditing can respond to the basic objective of ethics management, which is simply to integrate economic benefit with social and environmental benefit” (Garcia-Marza, 2005, p. 211).
Ethics ombudsman

A third sub-area of ethical structures in the conceptual framework of organizations' corporate and business ethics across organizations is the presence of an ethics ombudsman. It is an area that has a relationship with another sub-area of ethical structures, namely whistle blowing. Organizations need individuals who are designated in this position, in order that individuals within the organization who have genuine concerns can feel free to voice these concerns to an independent arbiter (Crotts et al., 2005; Laczniaik and Murphy, 1991; Murphy, 1988).

Ethics committee

A fourth sub-area of ethical structures in the conceptual framework of corporate and business ethics across organizations is the development of an ethics committee. The development of ethics committees is an essential structure recommended by a number of authors (Center for Business Ethics, 1986; Wood, 2002), and as such they have been incorporated by organizations in many countries (Wood et al., 2004) and it is believed that they may support the development, management and monitoring of ethical business practices across organizations.

Ethics education committee

A fifth sub-area of ethical structures in the conceptual framework of organizations' corporate and business ethics across organizations is the establishment of an ethics training committee. Such a committee can provide a fruitful environment in which staff can engage in discussion and have education in ethics in situations that they might face whilst in the organization’s employ (Laczniaik and Murphy, 1991; Rampersad, 2003; Schwartz, 2002; Trevino and Brown, 2004).

Support of whistle-blowers

A sixth sub-area of ethical structures in the conceptual framework of organizations' corporate and business ethics across organizations is the support given to whistle blowers. If organizations are to evolve into ethical entities with ethical business practices, individuals must take both individual and collective action to change the business practices that they see may be an antithesis to the ethical health of the organization. Someone must make the move to expose violations of the organization's ethical principles. Formal guidelines to support whistle blowers should be considered, because if standards are to be set then one needs ways to ensure that either violations or breaches will be reported, reviewed and corrected (Wood, 2002).

Ethical processes

The area of “ethical processes” consists of the following sub-areas:

- ethical performance appraisal;
- staff education;
- aid in strategic planning;
• consequences for a breach;
• communication of the code to organization workers;
• dissemination of the code to new staff;
• dissemination of the code to customers;
• dissemination of the code to suppliers;
• communication of the code to other stakeholders; and
• revision of the code.

There is a need to support the staff of the organization in different ways, otherwise they will not know the corporate standpoint on ethical business practices. In particular, staff may not know how to act and behave in situations requiring ethical considerations. Organizations need to be aware that ethical values and principles change over time and vary across contexts. It is therefore crucial to create processes that contribute to regulating organizations' ethical business practices, but also there must be structures in place to support staff in their ethical actions and behaviors.

**Ethical performance appraisal**

A sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is ethical performance appraisal. The need for organizations to implement an evaluation of the ethical performance of staff through the staff appraisal system is supported by Fraedrich (1992). Ethical performance appraisal should contribute to strengthen corporate efforts to manage and monitor ethical business practices across organizations.

**Staff education**

Another sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is staff education. An organization cannot just expect staff to be ethical to the level of the organization's expectations without having some involvement with training. A number of writers have proposed the use of training programs as a means of institutionalizing ethics within corporate business practices (Laczniak and Murphy, 1991; Maclagan, 1992; Rampersad, 2003; Schwartz, 2002; Trevino and Brown, 2004). Staff education may also influence the development and performance of ethical business practices across organizations.

**Aid in strategic planning**

A third sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is as an aid in strategic planning. Thomas *et al.* (2004) contend that leaders must think strategically about how they ensure that they engender an ethical culture within the organization. Leaders must have a vision to move their organization towards a better corporate culture of ethical business practices. They must empower their staff to act in ethical ways. Organizations should consider and review their plans in light of the ethical principles that the organization believes that it should apply and upon which it has predicated its decisions in respect to its participation in the marketplace and society.
Consequences for a breach

A fourth sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is that there should be consequences for a breach of the corporate code of ethics. A number of writers contend that within a code one should outline enforcement provisions for those individuals who do not uphold the code (Lere and Gaumnitz, 2003; Schwartz, 2002). The concern here is that consequences for a breach, should not be just placed in the code as a public relations exercise, but they should be implemented in all good faith as a measure of commitment to developing the ethos of the code for the betterment of the organization. The organization, by having procedures for a breach of the code, signals to staff the significance of the need to abide by the code for both themselves and the organization and effected stakeholders.

Communication of the code to the organization's workers

A fifth sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is the communication of the code to the organization's workers. The code has to be communicated to staff effectively and provide good examples of what is required. Rushton (2002) suggests that progress towards an ethical organization that is meaningful and real can only be achieved when the corporate leaders bring about these changes. Leaders must be seen to make choices that support the organization's values regardless of the difficulty of that choice (Thomas et al., 2004).

Dissemination of the code to new staff

A sixth sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is the dissemination of information on the code to new staff. New staff are not to be forgotten. If new staff feel connected to their organization they will subsume the ethos of the code of ethics. New staff members need to be active participants in the organization (Crane et al., 2004) and staff should not have to compromise their ethical standards to fulfil the organization's requirements (Lovell, 2002). Satisfied staff members do not feel the need to become whistle blowers.

Dissemination of the code to customers

A seventh sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is that customers should be informed about the organization's code. Customers and other stakeholders should be seen as partners in the process of developing organizational wealth, not as the means by which one develops it (Metcalfe, 1998).

Dissemination of the code to suppliers

An eighth sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is that suppliers should be informed about the organization's code. Many suppliers rely extensively on the continued goodwill of the organization. The power in the relationship usually resides with the organization. In most industries, a range of alternate suppliers can be sourced. This organizational flexibility
places pressure upon the incumbent supplier to abide by the rules of the employing organization (Crane et al., 2004). They should be seen as partners in a mutually inclusive mission to create value for everyone across organizations. It is advisable to get suppliers to embrace and contribute to the organization's values and ethical viewpoints – in extension, ethical business practices.

**Communication of the code to other stakeholders**

A ninth sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is to keep other stakeholders informed (Svensson and Wood, 2008). The sentiments and views of other stakeholders are important to any organization as they may be affected by the success and/or failure of the organization (Heath and Norman, 2004). Good organizations do not differentiate between institutional stakeholders and other stakeholders in the marketplace and society. The welfare of all stakeholders should be treated equally regardless of the monetary value that they represent to the organization. In sum, all stakeholders of the organization are important to consider when one is to develop, manage and monitor ethical business practices.

**Revision of the code**

A tenth sub-area of ethical processes in the conceptual framework of organizations' corporate and business ethics across organizations is that organizations should revise their code regularly. It is important that the corporate code is not a static structure, but a flexible and living document. The marketplace and society where organizations run their business operations evolve and adaptations may be required across contexts and over time. In fact, research shows that codes tend to evolve (Singh, 2006).

**Ethical performance**

The area of “ethical performance” consists of the following sub-areas:

- resolving ethical dilemmas;
- assist the bottom line; and
- effectiveness of the code.

Theorists such as Levitt (1958) and Friedman (1962) would contend that the only business performance worthy of examination is whether the organization made a profit or a loss and how its business practices in the marketplace have impacted upon its shareholders. Today, business practices require a different focus, and in particular in respect to the ethical aspects of the organization's business practices. Terms such as triple bottom line, corporate governance, corporate social responsibility, and balanced scorecard (Carroll, 1979; Heath and Norman, 2004; Joyner and Payne, 2002; Lovell, 2002) indicate a major change from the belief in previous eras that organizations are only in existence to make profits.

Different stakeholders in the marketplace and society examine the economic performance of organizations. Profit should be the natural performance measure of their business practices (Lea, 1999). As Le Menestrel (2002, p. 158) says there is no contradiction between
ethical concerns and profits. Governments establish taxation regimes that in essence are designed to ensure that businesses practices contribute to the maintenance of the society of which they are a part (Solomon and Martin, 2004). Yet, profit does not guarantee that the business practices undertaken by organizations to achieve this profit are in the best interests of the society, such that they are ethical. Society goes through a set of checks and balances to ensure that the profit declared by the organizations has been earned in ways that do not compromise the integrity of the organization, the shareholders, the stakeholders and the society in general.

**Resolving ethical problems**

A sub-area of ethical performance in the conceptual framework of organizations' corporate and business ethics across organizations is whether the ethical structures and processes resolve ethical dilemmas across organizations, and in extension the marketplace and society. Society and marketplace stakeholders no longer judge an organization's performance on profit alone. Consideration of the ethical and socially responsible actions underlying profitability, in conjunction with the other areas of the conceptual framework, should lead organizations to aspire to being better corporate citizens in order to achieve ethically long term profit. As the social conscience of many in the developed world became more acute in the latter years of the twentieth century, then so too was there a corresponding rise in the expectations of organizations to be better corporate citizens and to invest in making the society a better place (Campbell et al., 2002; Rondinelli, 2003).

**Assist the bottom line**

Another sub-area of ethical performance in the conceptual framework of organizations' corporate and business ethics across organizations is whether the ethical structures and processes in place assist the bottom line of the organization. Today it would appear that the stakeholders of first world economies look more deeply at such profit declarations. The declaration of a profit or a loss is only the first of a set of criteria upon which the marketplace and society evaluates the performance of the organization. This is where ethical business practices become crucial and may benefit the organization in both the short and the long term.

**Effectiveness of the code**

A third sub-area of ethical performance in the conceptual framework of organizations' corporate and business ethics across organizations is regarding the effectiveness of the corporate code of ethics. International research has shown that codes may have a certain impact on organizations' performance in the marketplace and society, though it is not easily quantified (Wood et al., 2004). Code effectiveness is difficult to quantify because in the organization that is committed to an ethical culture it should be one of many initiatives that act in concert to lift the ethical perspectives and actions of the organization. For an organization not to have a code is an automatic abrogation of their ethical responsibilities as a code should be a part of an elaborate ethics tapestry that showcases the organization to the world.
Concluding thoughts and proposals for future research

A few concluding thoughts may be drawn from the introduced and described conceptual framework of organizations' corporate and business ethics across organizations. The framework aspires to be dynamic as it has to be adapted to each organization's cultural context. The framework also argues that organizations' corporate and business ethics across organizations should be seen as continuous and iterative. There is no actual end of it, but a constant ethical attention and revision of organizations' business practices across organizations is needed. The areas and sub-areas of the framework underpin the dynamics of this complexity as they provide support on how to develop, manage and evaluate organizations' ethical business practices across organizations.

We contend that the introduced conceptual framework of organizations' corporate and business ethics across organizations makes a contribution to the creation and examination of ethical structures, ethical processes and ethical performance in the field of organizational chain management. The proposed framework rests upon the challenge of combining the ethical concerns in business practices taking place between organizations with the ethical concerns in the marketplace and across the societies involved.

Expectations and perceptions in the marketplace and across societies initiate or trigger the underpinnings of the framework by determining what concerns should be addressed to achieve ethical business practices across organizations. The organizations' values, norms and beliefs considered in strategic, tactical and operational business practices should match these expectations and perceptions. They will be the fundament of internal and external perceptions that will be connected to an organization's achieved ethical performances. In turn, these perceptions underpin the evaluations that societies will subsequently undertake.

It is important to recognise that ethical business practices across organizations are dependent upon the actions of staff and their behaviours and they therefore need supporting structures and processes.

Consequently, organizations' corporate and business ethics across organizations is dependent upon existing ethical structures, ethical processes and ethical performance measures. Organizations are interdependent and implicitly responsible together for the ethical performance across organizations as perceived in the marketplace and across societies. The globalization of business practices has led to organizations extending their spheres of influence across countries and different continents where the ethical values and principles tend to some extent to be different or variable to the organization's country of origin. This is a major challenge to be managed in organizations' aspirations to act and behave ethically in the marketplace and across societies as all societies and marketplaces have their own culturally acceptable practices and societal expectations.
Figure 1A conceptual framework of corporate and business ethics across organizations: structures, processes and performance

References


About the authors

Göran Svensson is a Professor at the Oslo School of Management, Norway. He holds a PhD at the School of Economics and Commercial Law, Göteborg University, Sweden. Furthermore, he is a committed member of the worldwide community of marketing/management research and numerous international research and scholarly networks and associations worldwide. He has been an industrialist and entrepreneur in South America. Göran Svensson is the corresponding author and can be contacted at: goran.svensson@hh.se

Greg Wood is an Associate Professor in the School of Management and Marketing at Deakin University, Australia. He holds a PhD from Deakin University. As well as nearly 20 years of academic experience, he spent from 1981-1990 working for a multinational energy and resources company and/or its affiliates. In his career, he has had a distinctive blend of commercial and academic experience.