Corporate ethics and trust in intra-corporate relationships

An in-depth and longitudinal case description

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Abstract

Theoretically, a contribution of this article is the pinpointed connection between corporate ethics and trust in intra-corporate relationships. Furthermore, it contributes to a conceptual framework that distinguishes between the constructs of business ethics and corporate ethics. The authors also provide a grounded conceptual framework of corporate ethics and trust. The principal dyadic determinants of corporate ethics in intra-corporate relationships are interpreted to be management behaviour versus employee perception of that behaviour. Empirically, the contribution is an in-depth and longitudinal case description that underpins the topic and the discussion provided in the article.

Introduction and research objective

Townsend and Gebhardt (1997) argue that the way that corporations go about their business operations, with particular respect to ethics, is increasingly important in the marketplace. The marketplace is becoming increasingly aware of, and increasingly discriminating against, corporations that fail to meet the criteria of ethical business operations and ethical management principles. One can see from recent corporate collapses and revelations of malpractice by corporations, such as Enron and WorldCom for example, that this concept has gained momentum. Media outlets regale us all with the sordid details of the collapses and how they were orchestrated. Governments set up inquiries in an attempt to obtain a less jaundiced, more insightful view of the circumstances behind the façade. People follow these revelations with an avid interest and bemoan the behaviour that has led to these indiscretions that in many cases transcend business ethics and become ostensibly just plain illegal. Comedians lampoon the perpetrators and we all resolve to revile those who have perpetrated these acts against not only stockholders, but all of the stakeholders as well. When corporations collapse we as a society all lose in myriad ways:

- stockholders lose;
- creditors lose;
- employees lose;
- families lose; and
- communities lose.

The focus, however, in recent years appears to be upon business ethics as a function of the interaction between the business and its outside publics. Companies invoke a range of measures to enhance their perceived ethical performance in the marketplace (McDonald and Zepp, 1989; Sims, 1991). The 1991 US sentencing guidelines lay down prescriptive practices that should be a part of corporate culture. These practices are used to mitigate the penalties to be invoked in the event of a company breaching the law. We postulate that this concern should not just apply to the marketplace, but it also should apply within the corporation as well. Corporations may have well developed practices and artefacts in place for their external publics, but we contend that these same companies can be lacking in applying the same principles in their interactions with their own employees. Therefore, the ethical behaviour of management and the employees' ethical perception of that behaviour by their company's management are also important issues to discuss and for which to develop a generic conceptual framework. Another important topic to discuss in this context is the impact that ethical considerations have on trust in relationships.

Trust appears to be a feature that invariably assists in the better functioning of management operations in business relationships. Two decades ago Barber (1983) wrote that nearly everyone seemed then to be talking about trust. At the beginning of the new millennium, scholars continue to stress the importance of trust in developing and managing business relationships (Cowles, 1997; McCole, 2002; Svensson, 2001; Swan *et al.*, 1999). The importance of trust can be explained by the fact that it is seen as a phenomenon which contributes to the strength of different relationships (Grönroos, 2000; Håkansson and Snehota, 1995; Morgan and Hunt, 1994). Trust means that somebody is willing to take a risk, or to expose oneself, in relation to somebody else.

Rotter (1967) comments that the expectancy that others can be believed is an important factor in human learning in general, thus trust is an important factor in business relationships. Therefore, the construct of trust has gained increased interest and acknowledgement in literature during the last decades. It is regarded as one of the most important factors in developing and maintaining fruitful relationship management. Evidently, trust has an important role to fulfil in the evolution of enduring inter-personal relationships, intra-corporate relationships and inter-corporate relationships.

Despite the fact that ethics and trust are two important issues to consider in corporate relationship management, these frameworks are rarely discussed in conjunction. This is a deficiency that has been overlooked. In the first place, the fundamentals of trust building should be built upon ethical values. In the second place, techniques and tools used in trust building should also consider these ethical values. Therefore, the objective of this research is to develop and describe a conceptual framework of corporate ethics and trust in relationships. In particular, it is limited to intra-corporate relationships based upon management's behaviour and the employees' perception of that behaviour: behaviour from which often employees may suffer. Our contention is supported by an in-depth and longitudinal case description of that behaviour.

Ethics in relationships

Ethics is predicated upon an interchange of views about the individual belief systems amongst the citizens of any culture. Grace and Cohen (1998) write that the roots of the term “ethics” emanate from the ancient Greek word “ethikos” meaning “the authority of custom and tradition”, and mount an eloquent argument that suggests that one can accept “ethical” and “moral” as being synonymous. Other writers do attempt to create definitions of ethics *per se* (De George, 1999; Solomon, 1994; Velasquez, 1998). These definitions centre on concepts of values and morals, making sense of, or a quest for understanding of a diverse range of emotions and human interactions. As one can see, not only is it impossible to have a universally accepted definition of ethics, but there are also diverse philosophical views about those elements that constitute ethics. Various schools of thought exist that approach the issue of ethics from divergent perspectives. These schools of thought can comprise, but are not restricted to utilitarianism, deontology, egoism, virtue and the ethics of character (De George, 1999). One philosophical perspective is not more acceptable than the others, but each contributes in its own way to possible understandings of the many nuances of ethics.

Yamaji (1997) stated that business ethics should not just be a corporate code, but should be implemented in the line of business as a corporate philosophy and he attempted to show that these activities were ahead of their time, resulting in greater prosperity for the corporation that used them. McDonald and Zepp (1989) also wrote that evolutionary corporate strategies can influence the ethical behaviour 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 behaviour by their employees will result (Svensson and Wood, 2003) and that this behaviour will lead to benefits for their business. This contention that "ethics pays" is one that is difficult to quantify (Aupperle *et al.*, 1985). We can all hope that it is "a truism", but there are many examples in the corporate world that would tend to support a contrary belief. Recent business history is littered with questionable acts by corporations: acts that, at the time, looked to be going to spell imminent doom and gloom for the corporations involved. Today, these same corporations continue to flourish. Exemplars are Ford and the Pinto, and the *Exxon Valdez* (Gibson, 2000). Whilst we would all like to hope that such acts bring their "own rewards", obviously there are intangibles in business relationships that sometimes defy the rules of logic and fairness.

Trust in relationships

The presence of trust or distrust will certainly affect the performance in intra-corporate relationships. Therefore, the outcome of an intra-corporate relationship is to a certain extent dependent upon the existing trust between the management and the employees. It is a completely different situation if a partner in an intra-corporate relationship does have trust in the other, than if it does not have trust in the other party. This may be referred to as the dynamic of trust in intra-corporate relationships. Wilkinson and Young (1999) write that relationship development and performance is seen as a dynamic process in which the various dimensions of a relationship interact and self-organise into a mutually consistent pattern of performance, perceptions and attitudes representing the "personality" of a relationship.

Trust is a multidimensional construct (Corazzini, 1977) that has been revealed to contain various dimensions that make up the construct. There has been a wide range of publications during the last five decades that propose different dimensions of trust. A selection of these sources in literature is presented in the Appendix. This selection of sources does not pretend to be complete, but demonstrates the potential multidimensionality of the trust construct in an intra-corporate relationship.

In the 1950s, different trust dimensions appeared. For example, Strickland (1958) identifies “benevolence” as an important ingredient of the trust construct. Deutsch (1958) proposes “predictability” as another important issue. In addition, Hovland *et al.* (1953) mention “motivation to lie” as a principal trust feature. During the 1960s, other contributions evolved. At this time, Giffin (1967) introduces “expertness” and Deutsch (1960) put forward “motives/intentions”. Kwant (1965) argues for “confidence”. In the 1970s, additional dimensions continued to be revealed, such as ”altruism” (Frost *et al*., 1978), “acceptance” (Bonoma, 1976), “business sense, judgement” and “character” (Gabarro, 1978). In the 1980s, Butler and Cantrell (1984) propose “consistency”, while Hart *et al*. (1986) introduces “fairness”. Zaltman and Moorman (1988) argue for “faith” and Jackson (1985a, b) proposes “respect”. In the 1990s, Sitkin and Roth (1993) identify “congruence”, while Anderson and Narus (1990) mention “promise fulfilment” and Butler (1991) identifies “receptivity”.

Thus, there is a genuine tradition of exploring the construct of trust. In addition, there exists a large amount of research literature dealing with the construct of trust in different empirical and theoretical contexts. Accordingly, there has been an increase, in stages, in the number of identified dimensions of which the trust construct is proposed to consist. These developments have occurred in different empirical contexts over time. However, there are still issues to explore, because there are certain domains of trust that have not been researched sufficiently. For example, the impact that corporate ethics has on trust in an intra-corporate relationship is missing.

A conceptual framework of business ethics, corporate ethics and trust

A number of theoretical and managerial implications are provided in this section based upon the constructs of business ethics, corporate ethics and trust in intra-corporate relationships. In the first place, the perspectives and facets of the constructs of business ethics and corporate ethics are described and positioned in a generic model and a typology. In the second place, the contexts and determinants of business ethics and corporate ethics are also conceptualised. This means that a framework that distinguishes between the constructs of business ethics and corporate ethics is provided. Finally, the association between corporate ethics and trust in relationships is conceptualised and discussed.

Perspectives and facets of business ethics and corporate ethics

There are various facets of business ethics and corporate ethics in relationships (see Figure 1).

On the one hand, business ethics has an external emphasis. In particular, business ethics considers the gap between the corporation's ethical behaviour and the marketplace's perception of the corporation's ethics in its business operations. Corporate ethics, on the other hand, has an internal emphasis. In particular, corporate ethics considers the gap between the management's ethical behaviour and the employees' perception of the management's ethical behaviour in business operations. We do not confine business operations to just the marketplace, but to the internal behaviour towards employees of the corporation by the corporation.

There is a close relationship between business ethics and corporate ethics. Business ethics applies an outside-in perspective of the corporation's business operations, while corporate ethics has an inside-out perspective (see Figure 1). An outside-in perspective means that the outcome of the corporation's ethical behaviour is determined by external sources in the marketplace, such as customers, suppliers, competitors, the general public and other publics. An inside-out perspective means that management's ethical behaviour is determined by internal sources within the corporation, such as the employees. In this research of business ethics and corporate ethics, these two perspectives are underpinned by the four facets of management behaviour versus corporation behaviour and employee perception versus marketplace perception (see Table I).

Accordingly, the constructs of business ethics and corporate ethics do not reflect the same phenomenon in the business environment. Therefore, there is a necessity to distinguish between the points of view of behaviour and the points of view of perception of that behaviour in the two different circumstances.

We contend that business ethics should refer to the marketplace's perception of the corporation's ethical behaviour in business operations, while corporate ethics should refer to the employees' perception of the management's ethical behaviour within the corporation (Figures 2 and 3).

The principal determinants of corporate ethics in intra-corporate relationships are interpreted to be management behavior and the employee perception of that behaviour (see Figure 4). The environment of corporate ethics is the corporation, whereas the marketplace and the society are the environments of business ethics. This means that the ethical values in the society affect the ethical values in the marketplace, and vice versa. In turn, the ethical values in the society and in the marketplace should influence the ethical values of the corporation. These same values should influence the ethical values of management behaviour, since they will ultimately affect the treatment of the employees of the corporation by their management.

Corporate ethics and trust – a conceptual model

Despite the fact that trust research has been dedicated to identify numerous dimensions of the construct the impact of other constructs is less explored in literature. This research explores and conceptualises the association between the constructs of corporate ethics and trust (see Figure 5). We contend that corporate ethics impacts trust in intra-corporate relationships.

As far as management's ethical behaviour in business operations and relationships is acceptable, the employee's perception of management's ethical behaviour may be satisfactory. In extension, this is a fundament of trust that could make the employee feel confident with the management's ethical behaviour. As management's ethical behaviour in business operations and relationships becomes less acceptable (or more unacceptable) the employee's perception of trust declines and distrust begins to rise. The more unsatisfactory the employee's perception is of management's ethical performance in business operations and relationships the more unsatisfactory this perception becomes.

An in-depth and longitudinal case description of corporate ethics: management behaviour versus employee perception

The case in this section describes the development and the demise of corporate ethics and trust in an intra-corporate relationship between a management's ethical behaviour in business operations and relationships, and an employee's perception of this ethical behaviour. In addition, the deterioration and failure of corporate ethics, and the rise and increase in distrust in the intra-corporate relationship concludes the in-depth case description.

The longitudinal case description is based upon a real-life situation focusing on the determinants of management behaviour and employee perception in an intra-corporate context. The illustration contains delicate and sensitive information. For this reason, the names, the locations and the dates have been slightly changed to be fictitious in order to secure anonymity and confidentiality in the case description. Nevertheless, the sequence of happenings narrated corresponds to the time-span of the case at hand.

Prologue

As Peter Smyth fastened his seatbelt for landing and thought of the last time that he was in Singapore, his mind wandered back to earlier days when this very flight had held such hopes and promise for him: hopes that were to be dashed by circumstances in many ways outside of his control and definitely not of his making. The series of events that were to unfold for him had all of the elements of a Shakespearian tragedy. Such promise had turned to such despair and disillusionment.

Corporate ethics and trust flourish

Ten years earlier, Peter had been selected to head up a new operation in Singapore for his merchant bank. Singapore had always been a place of mystery for him, for his father had been one of the last to be successfully evacuated before the fall of Singapore in early 1942. His father had been stationed in the Far East for a number of years as a young naval officer and he and Peter's mother had told him stories about their early life together in Singapore. This posting meant that Peter could visit a place that held so much interest for him. His new role would also facilitate travel around South-east Asia as he would need to set up subsidiary operations in Thailand, the Philippines and Indonesia. He even hoped that his work would take him to Australia.

Two months before Peter and his wife, Julie, were to set off on this great adventure Julie's mother was diagnosed with cancer. This news threw them both into turmoil. Julie and her mother were very close and they relied upon each other in many ways. Peter noticed that Julie very quickly started to cool on the Singapore move. With a heavy heart, he decided that he would need to speak to his future divisional chief, Rupert Flower, about the viability of taking up the Singapore posting. He met with Rupert who was extremely understanding. Peter had decided to withdraw from the posting and he communicated the decision to Rupert. He was assured by Rupert that it would not affect his future career with the organisation. Peter was struck by the compassion shown for him and was convinced that joining the bank five years earlier had been one of the best decisions of his life.

Unbeknownst to Peter, the company looked for other candidates to post to Singapore but they subsequently decided that really he was their best option and they would place such a move on hold until perhaps Peter might be able to see his way clear to take up the position.

Julie's mother had her course of chemotherapy and after about six months she suddenly went into remission. Everyone in the family was apprehensively ecstatic. How wonderful for them all.

A few weeks later, Peter received an unexpected phone call from Rupert. Rupert asked Peter to come and see him. When Peter went to meet with Rupert, he was surprised to see Malcolm Gower, the regional manager for South-east Asia, sitting in Rupert's office. Rupert once again placed the Singapore offer before Peter. This time he was told that the company saw him being Malcolm's logical replacement, if he proved his worth in Singapore. Peter was flattered and taken aback by the offer. Never before had the company so plainly laid out before him his career choices. Peter's mind started to go into overdrive as he imagined himself in Singapore with Julie living a lifestyle to which they had both aspired. Rupert gave him three days to consider their offer. Peter dashed around to Julie's place of employment to tell her his news. She was as excited as he was. She had felt guilty that she had held him back from this outstanding career move that she knew would be beneficial for them. They agreed to go. Julie was sure that her mother would be OK, as she was in remission and the prognosis looked positive. Peter contacted Rupert and requested another meeting with him.

Both men met in an atmosphere of great friendliness. Rupert was excited that Peter had taken up the offer. Peter, however, was still a little apprehensive. It had occurred to him that Julie's mother might not continue to be as good as was currently the case and so he decided to broach the issue with Rupert. Rupert once again was very understanding. He said to Peter that if there was a relapse with Julie's mother, that the company would fly Julie back to England to see her mother as often as she wished. In the event that the gravest of situations came to fruition, the company would fly them both back to England and Peter could take annual leave at that time whether it was due or not. Armed with these assurances Peter accepted the offer. Rupert asked if he could leave within two weeks. He agreed.

When he spoke to Julie, she said to him that she would require more time. She would join him within a month. Two weeks later Peter set off for Singapore confident that he had made the right choice and eager to get on with the job. He was enamoured with the company for its compassion and understanding.

Peter was looking forward to working for Malcolm Gower. He was a forthright, straight shooting person who had served in the Household Cavalry in his earlier years. The fact that Peter was a Reservist officer in the Royal Navy gave them some common ground. When Peter landed in Singapore, Malcolm was on hand to meet him. They hit it off from the first moment. They enjoyed each other's company and shared similar views on the way to conduct business in the hurly burly of the Singapore marketplace. Peter threw himself in to his work from the outset. There was a lot to do and even more to learn, but he accepted the challenge and went at it full steam ahead. He looked forward to when Julie would join him.

Corporate ethics and trust decline

Two days before Julie was to join him, he received a call at work from her. She was in a state. That morning she had just found out that her mother's cancer had reappeared and the prognosis now was not favourable. He was shocked and disappointed for her and his mother-in-law. None of them deserved this news. Upset as he was, he rang Malcolm.

Malcolm was understanding and said that he would talk to Rupert about what could be done. A couple of hours later Malcolm rang back. Rupert was sympathetic to Peter's situation, but asked if Peter could delay his trip home until the end of the following week after he had kept his business appointments in Manila. The company had been working long and hard to penetrate this market and one of the key players in Manila would not be available for another few weeks if this meeting was cancelled. Peter reluctantly agreed. The company had been good to him, so he needed to be flexible, he thought. It was the only fair thing to do.

Corporate ethics deteriorates and distrust rises

Peter flew back to London to Julie and her mother. His mother-in-law's condition had deteriorated and she was obviously extremely unwell. Julie was distressed and desperate for her mother to be better. Peter stayed with them for a week, but then felt that he had pressing commitments back in Singapore. Julie had decided to stay with her mother in London and as her father had passed away two years earlier, there was no-one to care for her mother. Peter understood and returned to Singapore alone.

He immersed himself in his work. In the first month after his return to Singapore, he was in contact with Julie on a daily basis. They decided that each would ring the other when they awoke each morning. Very quickly, Peter started to notice that he was making his phone calls, but that Julie's calls were becoming more erratic and spasmodic in frequency. When he talked to her she was becoming more melancholy as her mother's condition deteriorated. He had now been in Singapore three months and whilst he was enjoying the work, he was still concerned, obviously, about Julie and her mother.

One day he received a call from his brother who lived in Manchester. Peter knew from the tone of his brother's voice that all was not well. His brother had visited Julie that morning in London and he was extremely concerned with what he had seen. She appeared to be in a state of anguish and despair that bordered on depression. She was disturbed by Peter's long absence and was questioning Peter's priorities in life. Peter immediately rang her and to his chagrin found that his brother's perceptions were accurate. It had all got too much for his wife. She had told Peter to say in Singapore and not to return. He knew that this was not Julie, but the emotion and pressure of caring for her mother and watching her mother's condition deteriorate before her eyes. Alarmed, he rang Malcolm Gower and said that he needed to go back to London urgently. Once again Malcolm had to talk to Rupert. This worried Peter as it was becoming painfully obvious that Rupert called “the shots” in most major decisions to be made. Next day he had heard nothing from Malcolm. He literally barged into Malcolm's office to be told that Rupert would call him that afternoon. He eagerly awaited the call.

Finally, the call came. Malcolm had briefed Rupert. For Rupert this seemed enough. He was not too concerned about Peter's ideas and suggestions. The conversation became more heated as Peter realised that he was seen as a perpetrator of the problem rather than a victim of it. Rupert was becoming more aggressive and demanding. He accused Peter of manipulating the situation and in one moment of anger told Peter that really it was about time that Peter decided between his career and his wife. Peter was aghast. He hung up the telephone in disgust, mid way through one of Rupert's sentences. In a state of shock, he sat just looking out the window of his office on to Orchard Road. Time seemed to move in slow motion for him. He had had better days.

Disgusted he penned his resignation and sent an e-mail to Rupert, Malcolm and to Rupert's boss, Geoffrey Reeves. His resignation was brief and to the point. Next day he received another call from Rupert who said that resigning was inappropriate and that the company would transfer him back to London to a position in the bank befitting his skills and status. He would have to give the bank about two months to make this all happen. Peter agreed. He enjoyed working for the bank and it had become his life.

A month later he was informed of his new posting. He was to be transferred into the human resources division at his current level. This was an annoyance because the week before the flare up with Rupert, Malcolm had informed him on the quiet that he had been recommended and approved for promotion to the next level. This would have placed him one level below Malcolm's position. Human resources was not really the glamour role that he currently had. In effect, this move was a demotion and would be seen as such by all within the company. However, Peter rationalised that he had no alternative in his current state of mind but to accept it. Anyway, his reputation in the company was very good and he was confident that he would reassert himself once the company saw how well he was performing in human resources. It was only on his return to London that he learnt that Geoffrey Reeves had intervened on his behalf.

Peter returned to head office in London. His life was not as it was. His relationship with Julie had deteriorated and they were estranged. His mother-in-law had passed away and he felt horribly alone. His friends within the company welcomed him back and before long he was enjoying the work in human resources. It was not the challenge of Singapore, but in light of his current emotional state perhaps that was just as well.

Corporate ethics fails and distrust flourishes

Peter had been back in London for nearly a year when he had a chance meeting with his old line manager who ran the bank's operations in Manchester. George was about to retire and his role was to be melded with another division. The job would still be there, but it would have different reporting lines. George suggested that Peter should apply for the position as he was amply qualified to do the job. Peter made inquiries about the position with the person who would be the number two in the new division, John Lamb. John and Peter had been old friends since well before the Singapore days. They discussed the role and Peter was determined to go for it. He made his feelings known to his current line manager.

A number of months passed and Peter heard nothing about the new job. He asked his line manager again, but was told the position about which he was interested was on hold. Two weeks later, to his amazement and disgust, one of his old London friends was named to the position that supposedly was on hold. Peter rang his “old friend” John and was a little aggressive towards him. He was met with a similar force. John was angry with him too. John scolded Peter about the fact that it was now too late to whinge about a position that he (Peter) had “turned down”. John proceeded to ask Peter at what game he was playing. Peter was stunned. The two men continued to talk and decided to meet in London for lunch the next time that John was in town. A week later John managed to engineer a trip to London. They talked frankly with each other for over two hours. John and his boss had asked for

Peter to be appointed to the job, but they were told that Peter had been asked and for personal reasons had declined the invitation. At first Peter was angry, then livid and then a calm descended over him. He thanked John for his candour, returned to his office, resigned and left that afternoon. This was not the company that he had joined, nor the one that had sent him to Singapore. He believed that it had lost its soul. He was happy to be out of this environment, but what would he do now?

Epilogue

Peter is now entrenched in another career. He has no animosity towards the bank, but still harbours a healthy disrespect for some of its managers. He looks back on his time with the bank as an exciting experience that helped shape the person that he is today. His Singapore days were extremely rewarding for him professionally and he still uses the lessons learnt today in his present occupation. Peter believes that his own experiences have made him a better, more considerate people manager who delves more deeply into situations than perhaps he would have without the Singapore experience.

Lessons learned and concluding thoughts

At any given point in time, all corporations face the dilemma of reading the mood of the marketplace and the society. They also face the dilemma to interpret the mood within their corporations among their employees. Environmental scanning in the marketplace and in the society is practised throughout the world as a means of ensuring that one is in touch with the moods and events going on around you. The case description shows that this ought to be done internally among one's employees too. This corporation had a well-developed code of ethics in place that unfortunately had an external focus. Employees were referred to only in terms of the damage that they might do to the corporation by their miscreant acts to the corporation or on behalf of the corporation. This focus is not an unusual one in corporate codes (Lefebvre and Singh, 1992, Mathews, 1987; Wood, 2000). No consideration had been made that in a code of ethics a corporation needs to consider its relationship to protect its own staff from itself (Wood, 2002). This is the dilemma with corporate codes of ethics. They are there for “corporate continuance” *per se* (Wood, 2000) and within their code most organisations appear not to perceive a need to focus internally on their own corporate behaviours. The ways that staff are often treated can be at odds with the ways that the corporation would treat its own customers. Employees are a corporation's most valuable asset, for they are the ones who make and implement the decisions that affect all other assets. Investment in one's employees is investment in the business and investment in the performance of that business in the marketplace.

To misread the current external and internal environments is a critical corporate error, which 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 a corporation's management behaviour should be reactive to the marketplace and to their employees, and not proactive in the marketplace and to their employees, 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 and corporate ethics cannot or should not be an afterthought in a corporation's planning and considerations.

In this article, a conceptual framework has been proposed and a case description has been used to lead the reader to a number of conclusions that might be drawn:

1. Business ethics and corporate ethics do not reflect the same perspective in a business environment. Business ethics should be interpreted as an external perspective, while corporate ethics should be seen as an internal perspective.
2. The importance of continuously considering the gap of ethical performance, i.e. the match or mismatch between the inside-out and outside-in perspectives cannot be overstated. Consequently, business ethics and corporate ethics are two different perspectives in business operations and relationships.
3. The consequences of internal ethical weaknesses in management behaviour may become threats to the corporation in the marketplace. Likewise, the lack of internal strengths may cause the loss of external opportunities.
4. Business ethics and corporate ethics rest on the same ethical value ground, that is, corporations need to be mindful of the role of internal and external business operations and relationships in their every day activities. They need to be ever vigilant and cautious, as it should not only be the marketplace that they are wary of disenfranchising, but the very employees that they send into that marketplace.

A consideration of one's corporate 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 corporations to protect themselves first and then to examine the impacts on employees or other stakeholders can lead to reactive ethical behaviour rather than proactive ethical behaviour. The very litigation and poor public relations experience feared by corporations invariably comes to fruition as disgruntled staff can take that next step to embarrass the corporation publicly. However, most people do not go public about their problems because it is an internal matter that to many others does not bear marketplace relevance. Like Peter they just walk away: despondent, disillusioned, disrespectful of the corporation and determined not to place themselves in a similar position again. In the marketplace other consumers shy away from the miscreant corporation and their loss can be quantified. When an employee is treated badly, there is a flow on effect to other employees and the chance of resentment towards the corporation by many as a result of what they have witnessed happen to the individual concerned. Those who are able to do so may predicate a decision to leave a company based on their perception of its treatment of other staff. Unlike lost customers, these staff losses are not easily quantifiable or are even not recognised as such by the corporation. Staff attrition is accepted as a cost of doing business. Such a mindset is not open to a consideration of the links of employee dissatisfaction, trust and intra-corporate ethical behaviour.

As we have attempted to show in our case description in this article, corporations and their management behaviour towards employees, who are actually allies and not foes in the battles in the marketplace, can suffer immeasurably from these poor, self-centred decisions: decisions which are taken in a reactive manner without due consideration of the prevailing circumstances and the impacts that they can have on us all.

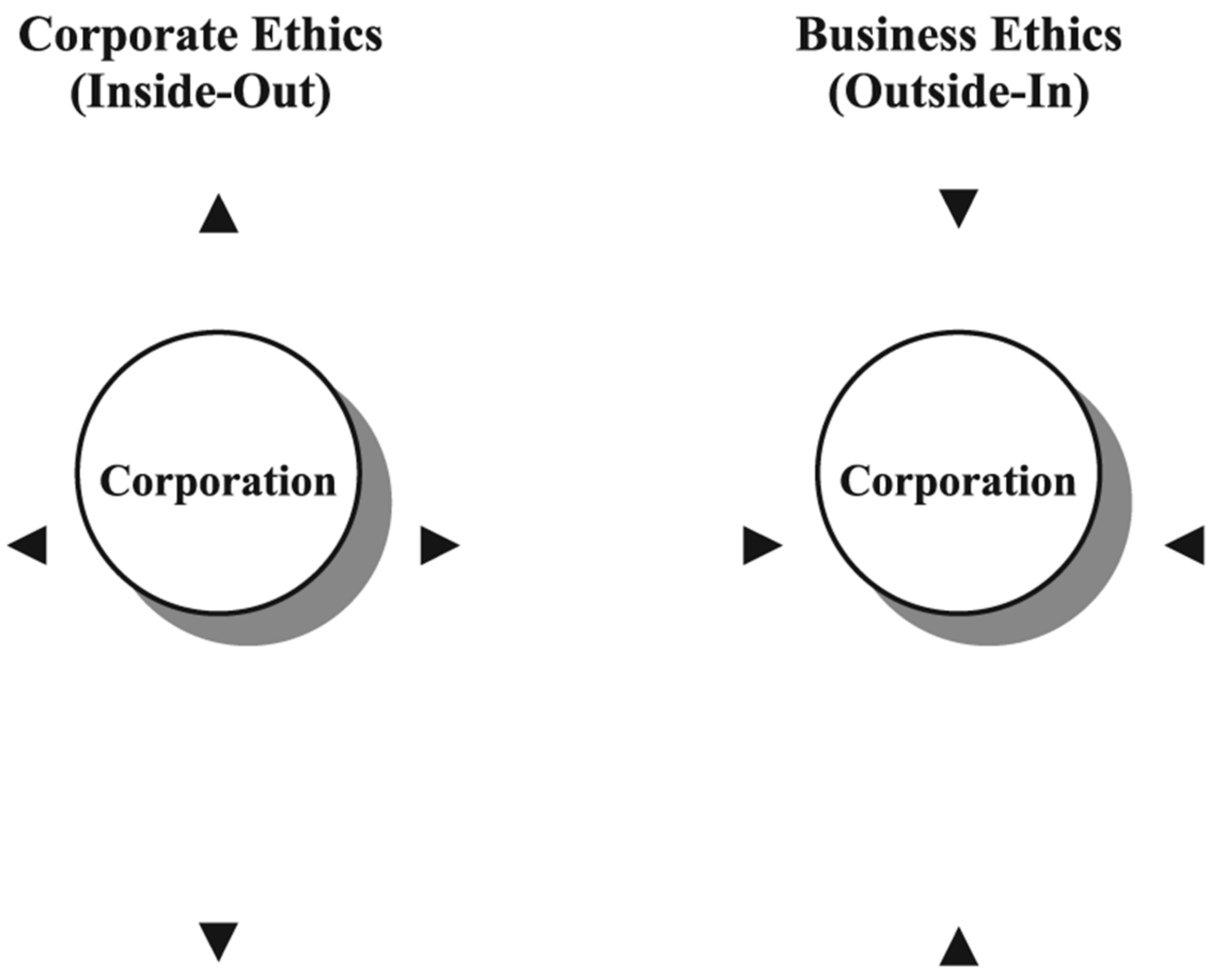

Figure 1
Perspectives of business ethics and corporate ethics

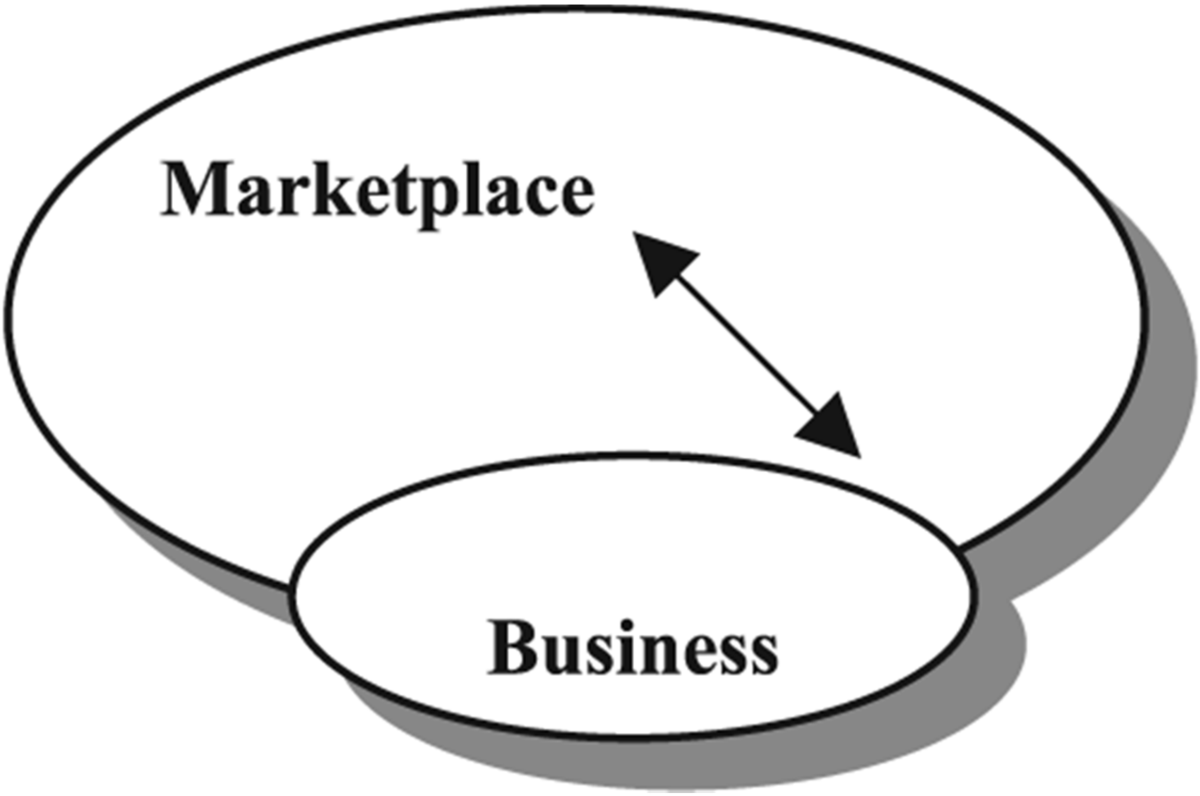

Figure 2
Context of business ethics

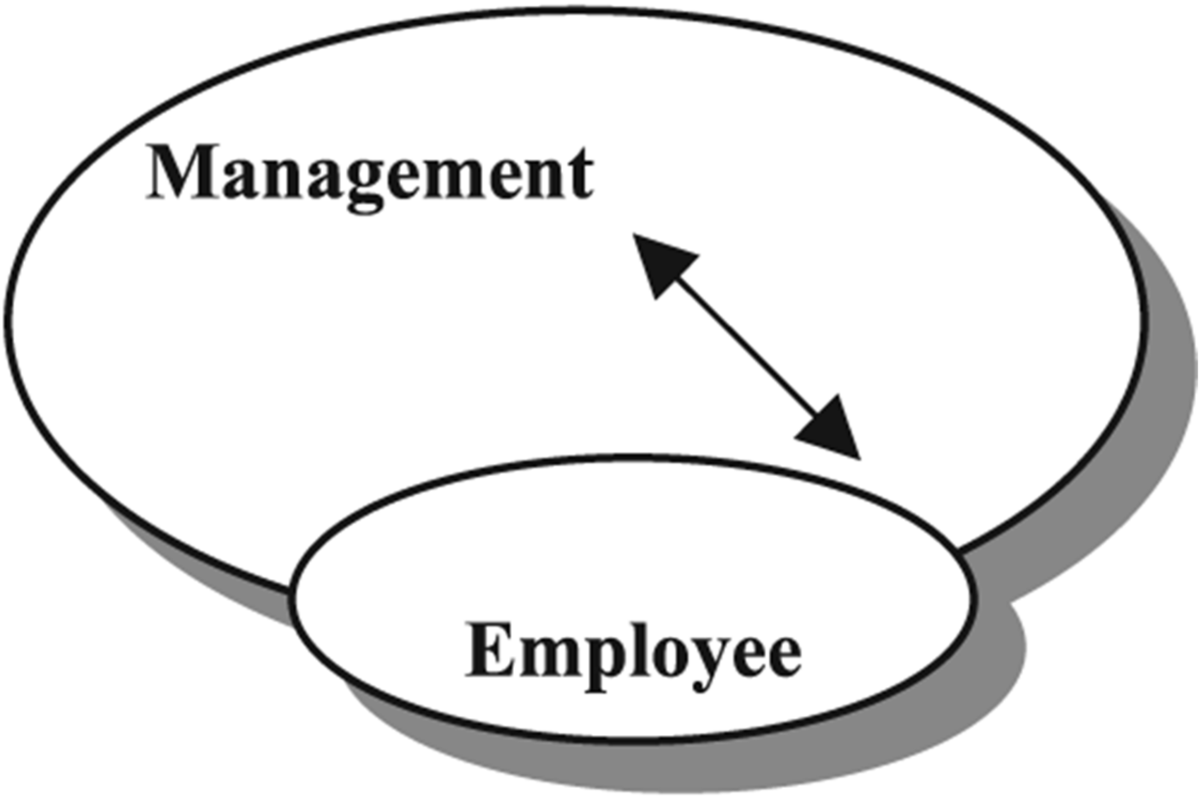

Figure 3*Context of corporate ethics*

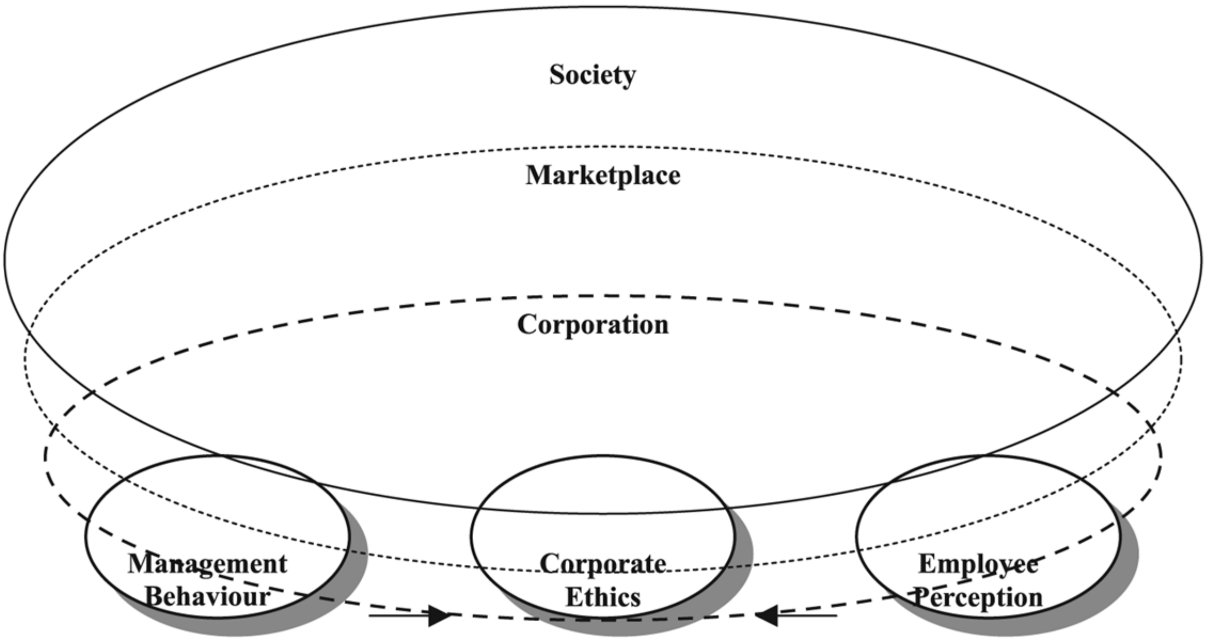

Figure 4*Determinants of corporate ethics in intra-corporate relationships*

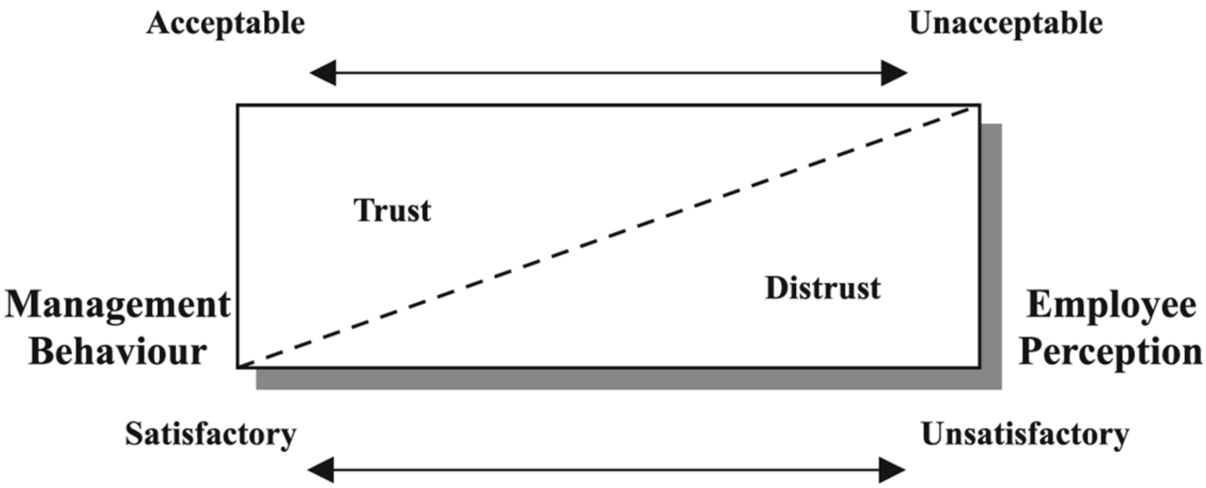

Figure 5*Corporate ethics and trust in intra-corporate relationships*

Table I.
Facets of business ethics and corporate ethics

		Behaviour	
		Management	Corporation
Perception	Employee	Corporate ethics	
	Marketplace		Business ethics

Table I*Facets of business ethics and corporate ethics*

Dimension	Source
Ability	e.g. Sitkin and Roth (1993); Cook and Wall (1980); Jones *et al.* (1975); Deutsch (1960)
Altruism	e.g. Frost *et al.* (1978)
Acceptance	e.g. Bonoma (1976)
Availability	e.g. Butler (1991); Jennings (1971)
Benevolence	e.g. Mayer *et al.* (1995); Solomon (1960); Strickland (1958)
Business sense and judgement	e.g. Gabarro (1978)
Character	e.g. Gabarro (1978)
Competence	e.g. Butler (1991); Bluhm (1987); Dwyer and Lagace (1986); Butler and Cantrell (1984); Barber (1983); Lieberman (1981); Gabarro (1978); Rosen and Jerdee (1977); Altman and Taylor (1973); Kee and Knox (1970)
Confidence	e.g. Dwyer and Lagace (1986); Luhmann (1979); Jones *et al.* (1975); Kwant (1965)
Congruence	e.g. Sitkin and Roth (1993)
Consistency	e.g. Butler (1991); Dwyer and Lagace (1986); Butler and Cantrell (1984); Larzelere and Huston (1980); Altman and Taylor (1973); and Rotter (1971)
Discreteness	e.g. Butler (1991); and Gabarro (1978)
Expertness	e.g. Giffin (1967)
Fairness	e.g. Butler (1991); Michalos (1990); Hart *et al.* (1986); Dwyer and Lagace (1986); Larzelere and Huston (1980); Altman and Taylor (1973); and Rotter (1971)
Faith	e.g. Zaltman and Moorman (1988)
Integrity	e.g. Morgan and Hunt (1994); Butler (1991); Hart *et al.* (1986); Butler and Cantrell (1984); Lieberman (1981); Larzelere and Huston (1980); Gabarro (1978); Altman and Taylor (1973)
Intentions or motives	e.g. Cook and Wall (1980); Kee and Knox (1970); Giffin (1967); Deutsch (1960)
Liking	e.g. Swan and Trawick (1987); Swan *et al.* (1985)
Loyalty	e.g. Berry and Parasuraman (1991); Andaleeb (1992); Butler (1991); Butler and Cantrell (1984); Jennings (1971)
Motivation to lie	e.g. Hovland *et al.* (1953)
Openness of management	e.g. Butler (1991); Hart *et al.* (1986) Gabarro (1978)
Predictability	e.g. Coleman (1990); Dasgupta (1988); Gambetta (1988); Good (1988); Lewis and Weigert (1985); Luhmann (1979); Deutsch (1973); Rotter (1967); Parsons (1964); Deutsch (1958)
Promise fulfilment	e.g. Butler (1991); Anderson and Narus (1990); Crosby *et al.* (1990); Anderson *et al.* (1987)
Receptivity	e.g. Butler (1991); and Fletcher and Peters (1997)
Respect	e.g. Jackson (1985a, b)
Security	e.g. Zand (1978)

Table AI. Dimensions of trust in relationships

Table AI*Dimensions of trust in relationships*

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Appendix

Table AI