



JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL
JÖNKÖPING UNIVERSITY

How can companies benefit from business ethics?

A study of business ethics in the baby nutrition market

When I do good, I feel good, when I do bad, I feel bad, and that is my religion

Abraham Lincoln, 1809-1865, American President, abolisher of slavery

Master thesis within EMM

Author: ANDERSSON EMMA
SCHARMER CARL

Tutor: GUSTAFSSON KARL ERIK

Jönköping JANUARY 2007



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Hur kan företag dra fördel av företagsetik?

En studie om företagsetik på barnmatsmarknaden

*När jag gör bra ifrån mig, mår jag bra, när jag gör dåligt ifrån mig, känner jag mig dålig,
och det är min religion*

Abraham Lincoln, 1809-1865, Amerikas President, avskaffade slaveriet

Magisteruppsats inom EMM

Författare: ANDERSSON EMMA
SCHARMER CARL

Handledare: GUSTAFSSON KARL ERIK

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Master thesis within international business administration

Title: How can companies benefit from business ethics?
Author: Andersson Emma
Scharmer Carl
Tutor: Gustafsson Karl Erik
Date: 2007-01-10
Subject term: Business ethics, CSR, ethics, organizational ethics, TBL

Abstract

Problem: Increased information flow and augmented knowledge have together with increased competitiveness created restrictions for companies aiming not to consider the environmental and social aspects in their goals. Stakeholders have started to consider these aspects to larger extent recently. However, many companies do not see the opportunities with using an ethical approach, and whether they will benefit from it.

Purpose: The purpose of the thesis is to examine how companies can benefit from practicing business ethics within the organizations, by comparing theoretical studies and empirical findings.

Method: Due to the purpose, a qualitative method approach was chosen. Data were collected through semi-structured telephone interviews with all respondents. The selection of interviews consist of the three largest actors on the Swedish baby nutrition market; HIPPI, Nestlé, and Semper.

Conclusion: Companies benefit from applying an ethical approach, in terms of environmental and social goals into the organization. Ethics is still a complex concept, with several definitions. Companies may use the TBL model for their implementation of the two additional aspects, to make it more concrete. The ethical approach includes work beyond what is regulated and legislated. The motivational factors for companies applying ethics vary, nevertheless the stakeholders' interest for the company increase with environmental and social aspects included in the goals. To evaluate the ethical standpoint it is important for companies to verify whether their approach is correctly made and if it accurate received. Evaluating an ethical approach is however, difficult to make due to the complexity of the concept and its intangibility.

Magisteruppsats inom internationell företagsekonomi

Titel:	Hur kan företag dra fördel av företagsetik?
Författare:	Andersson Emma Scharmer Carl
Handledare:	Gustafsson Karl Erik
Datum:	2007-01-10
Ämnesord	Företagsetik, CSR, etik, organisationsetik, TBL

Sammanfattning

- Problem:** Ökat informationsflöde och kunskap har tillsammans med ökad konkurrens skapat restriktioner för företag som ej inkluderar miljömässiga och sociala aspekter i deras mål. På senaste tid så har intressenter börjat reflektera över dessa aspekter i större utsträckning. Trots detta så ser många företag inte möjligheterna med ett etiskt ställningstagande och huruvida de kan dra fördel från det.
- Syfte:** Syftet med denna uppsats är att undersöka hur företag kan dra fördel av att applicera företagsetik inom företaget. Detta är gjort genom att jämföra teoretiska studier och empiriska insamlingar.
- Metod:** Utifrån uppsatsens syfte valdes en kvalitativ ansats. Data insamlades genom semistrukturerade telefonintervjuer med samtliga respondenter. Urvalet består av de tre största aktörerna på den svenska barnmatsmarknaden; HIPP, Nestlé och Semper.
- Resultat:** Företag drar fördel vid tillämpning av etiskt ställningstagande, genom att inkludera miljömässiga och sociala mål i organisationen. Etik är fortfarande ett komplext begrepp med flera definitioner. Företag använder TBL modellen i implementeringen för att göra den mer handfast. Den etiska approachen inkluderar arbete utöver vad som är reglerat och legaliserat. Motivationsfaktorerna för företag som tillämpar etik varierar, och oavsett så ökar intressenters intresse i företag som inkluderar miljömässiga och sociala aspekter i deras mål. Att utvärdera det etiska ställningstagandet är viktigt för företag för att kunna verifiera om deras tillvägagångssätt är korrekt genomfört och om det mottas på rätt sätt. Att utvärdera ett etiskt ställningstagande är svårt på grund av komplexiteten av konceptet och dess ogripbarhet.

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1 Introduction

The introduction chapter presents background to the researched area, followed by problem discussion, problem questions and purpose of the thesis. Lastly, the delimitations are presented, followed by an outline of the thesis.

1.1 Background

Business ethics did not become a field of interest until the 1970's. It was in the late 1980's and during the 1990's when the interest for business ethics increased (Edlund, 1999). The phenomenon is extensively discussed today, and has got greater influence in the market these days. With the world politics and the global business network, ethics takes new forms in the sense of how the characteristics of the concept are changing (Lindfelt¹, 2006; Pfeffer, 1981). Business ethics has taken an international perspective, since worldwide developments are taken into consideration. This implies that more theoretical issues are considered within the field, such as cultural relativity of ethical values (Brytting, De Geer & Silberberg, 1993; De George², 1993). According to De George (1995), the accelerated attention arose mainly within major corporations and academic circles. Lindfelt (2006), Karlsson (2006), and Pfeffer (1981) state that today the globalization and information technology have great effects on the business world and ask for new requirements. The constant changes in the market have resulted in an increasing discussion of organizational ethics and moral discussed more than ever (Beck-Fries, 2003). Furthermore, the increased interest in businesses roles within the society has developed an increased sensitivity to attentiveness of environmental and ethical issues. Due to the sensitivity, customers are becoming more aware of environmental damages, inappropriate handling of employees and incorrect production. By spreading the information to society, through the increased media flow, the awareness continues to increase among citizens (Brytting et al., 1993).

According to Holm³(2004), the capitalistic driven society decides which businesses are successful on the competitive market, and as soon as any company makes mistakes, there is a perfect opportunity for competitors to take market shares (Holm, 2004). This argument has affected the market structures to constantly ask for new demands from the management, which makes it difficult for corporations worldwide to keep up with the rapid changes. An outcome of this issue is the increased criticism pointed to businesses (Gustafsson, 1988). As a result, questions regarding organizations' responsibilities have been raised according to Lindfelt (2006). This is one of the main reasons why businesses are monitored and get bad publicity regarding lack of implemented ethical aspects. Beck-Fries (2003) believes that the most important reason for the increase of monitoring organizational ethical aspects has increased depends on the publicity given to organizational scandals occurring all over the world, making faith in business life more difficult. Moreover, Porter⁴ (2003) states in the European Business Forum (2003) that ethics is becoming an even more important field of business. According to Werhane⁵ and

¹ Doctor International Marketing at Åbo's Academy and Researcher in the Value-Net-project (2001-5)

² Professor of Business Administration, and Co-Director of the International Center for Ethics in Business at the University of Kansas

³ Extensive management experience, and Master Degree from Stockholm School of Economics

⁴ Currently Bishop William Lawrence University Professor at Harvard Business School

⁵ Professor of Organizational Psychology at Manchester School of Management

Freeman⁶ (1997), companies today ought to invest in organizational ethics as part of their business strategy to become more competitive. Furthermore, Porter (2003) believes that the only way for businesses to be competitive is to add questions about responsibility to their strategy. Since literature lacks fact and evidence that organizational ethics actually results in more competitive businesses, Porter (2003) adds that the best argument to invest in ethics is *the good guts feeling*. Ethics becomes an added value to a company once positive strategies with proactive integration of corporate social responsibilities are implemented (Werhane & Freeman, 1997). Lastly, Porter states that academics need to present careful thinking, a clear rational framework, facts and intellectual argumentation to answer the questions *why* companies should implement ethics.

We only have one world – that is why our future is common.

Tarja Halonen⁷ 1943-

1.2 Problem discussion

When looking at the western world from a macro-economic perspective, each individual tends to get more power from three perspectives; the *consumer's*, *employee's* and *investor's perspective* (Schultz, 2006). To start with, the portfolios of different products have increased rapidly during the last 20 years. The competition today is more on the expansion level (Kotler, Wong, Saunders & Armstrong, 2005). Therefore it is even more important for companies to reach new customers as well as to retain existing customers. Since the brand has got more influence on consumer decisions, Kotler et al. (2005) claim, that successful companies add features to their products that will not only satisfy the customers, it also delight them. The consumer is not only buying the good itself, it also takes the brand communication into consideration when a product is purchased. Consequently, organizations need to consider what the brand is related to. Evidence can be found, that consumer behavior is affected by ethics in terms of how the product affect the environment. Up to 70 percent of the consumers have sporadically considered the environmental aspect when purchasing goods (Wagner, 1997). Furthermore, Wagner (1997) claims that about ten percent of the British consumers constantly consider the environmental features in their buying behavior. When considering markets like; the US, Canada, Germany, the Netherlands or the Scandinavian countries, this number may be even larger (Wagner, 1997). Bern⁸ (1993) states that the world needs to change its focus to a more sustainable view of development and that this is one of the most important questions also within business. Hence, companies are the society's source for changes and they play a crucial role in this development. If the population continues to exploit the world's natural resources to the same extent as the western world does today, the world would need five earths shortly Professor George Monbiot stated recently (Kerpner, 2006). Moreover, Will Steffen⁹ states that each European citizen consumes 50 tons of the earth's resources per year (Kerpner, 2006).

⁶ Professor of Education and Organizational Behavior at Graduate School of Business, Harvard University

⁷ Finland's President (mandate 2000-2012)

⁸ Doctor Technology at Gothenburg Technological Department, and several years of experience of leading Management Positions

⁹ Professor at Australian National University

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The development of organizations has turned from having great resources in fixed assets to be more dependent on human capital. It is vital for companies to attract a large number of applicants, due to the importance of employing the most suitable person (Newton & Kleiner, 1999). Since today's population is becoming more aware of how the world looks like, it is likely that applicants want to work for an ethical organization (Liu-Althin & Lundmark, 2005). During recent years more private capital has entered the stock markets, directly from private persons' investments as well as from indirect investments (Deno, 1988). Indirect investments are for example pension and investment funds. One way to attract long-term investors is to have a long-term ethical policy, which is suitable for the organization in the long run. Brooks¹⁰ (2004) consider this specific group as ethical investors.

Due to the great differences between social classes in the world today, the western countries have a responsibility to act as consumers in a good manner. This means that companies should not cooperate with suppliers in developing countries for their own profit only. However, almost every day examples of companies abusing developing countries can be discovered. Firms should use the suppliers in the developing countries, both because of their terms-of-trade (Jacobsson¹¹ & Håkanson¹², 2006,) and logically to contribute to their economic development towards a better country. The problems are that many companies do not respect the laws of human rights and let employees work more hours than accepted (Liu-Althin & Lundmark, 2005). In addition, many firms also use child labor, even if it is illegal (Liu-Althin & Lundmark, 2005). Some consumers may refuse buying and even boycott products from China as they are offended by China's human rights. However, companies may decide that it is lucrative to continue doing business in China, states Schlegelmilch¹³ (1998).

When considering how the world looks like, it is of even greater importance for organizations to have a policy with ethics in mind. Since information is shared very fast, there is great risk that information about bad behavior will be spread to companies' stakeholders, states Sten Philipsson¹⁴ (Edenholm & Westholm, 2006). With increasing knowledge in western countries, there is awareness among people that companies have to consider when operating on a market. Schwartz (1999) gives an example about a male employee who is responsible for design at a large toy company. The employee is embarrassed to tell his neighbors for which company he is working for, depending on the company's unethical actions. Furthermore, Chong, Holden, Wilhelmij and Schmidt (2000) add that companies have realized during the last decade how important the management of their intangible assets is.

Even though many companies are mostly focused on profit, they should also consider the ethical aspect, as the eventual bad-will could really hurt an organization (Edenholm & Westholm, 2006). An example is the petroleum company Shell. Shell was stopped by

¹⁰ Professor of Business Ethics & Accounting at the Rotman School of Management of the University of Toronto

¹¹ Professor at Jönköping International Business School

¹² Doctor Economics at Stockholm University

¹³ Chairman of International Marketing and Management at Wirtschaftsuniversität Wien

¹⁴ CEO of an ethic specialized consulting firm Proetika

Greenpeace during 1995, when the firm wanted to sink one of its platforms in the North Sea, which would have resulted in a great environmental catastrophe. Consequently several million drivers stopped buying gas at Shell (Werner¹⁵ & Weiss¹⁶, 2003). This example illustrates that consumers buying a product which might be seen as unethical also consider the actions of the suppliers. Therefore companies ought to think about their ethical standpoint in a greater extent, no matter what kind of product they are selling.

1.3 Problem questions

From the problem discussion above the following questions have arisen:

- Is business ethics important for companies today?
- How can companies gain from an environmental and social focus?
- What can companies do to be considered ethical?
- Can companies strengthen their reputation by being ethical? In that case how?
- Can ethics be implemented? In that case how?
- Can companies' ethical performance be evaluated? In that case how?

1.4 Purpose

The purpose of the thesis is *to examine how companies can benefit from practicing business ethics within their organizations, by comparing theoretical studies and empirical findings.*

1.5 Delimitations and clarifications

In this thesis, key *stakeholders* considered are; customers, employees, and shareholders. Hence, these are according to the authors, most directly affected by companies' decisions.

With *benefit* the authors refer to how a company can gain from its standpoints and actions, from a customer's, employee's and investor's perspective.

To simplify for the reader, as well as for the authors, the expression business ethics is referred to as *ethics*. The authors chose this alternative to minimize misunderstandings.

Figures in the thesis without references have been illustrated by the authors to clarify relationships and structures.

Footnotes are used to present authors to avoid disturbance and confusion when reading the thesis.

1.6 Outline

Chapter 1 Introduction: In the introduction chapter the background of the concept ethics is presented. The problem discussion is constructed next, from the background, leading to six problem questions and the purpose of the thesis. General delimitations of the thesis are

¹⁵ Recognized German Journalist

¹⁶ Journalist and Author

mentioned. The outline is presented to generate a good overview of the thesis for the reader.

Chapter 2 Frame of Reference: The frame of reference chapter is divided into six main parts; concepts, triple bottom line, approaches, motives, implementation and evaluation of ethics. These theories are based on literature studies. The chapter follows the structure from the problem questions in the introduction chapter.

Chapter 3 Method: The third chapter presents the method which describes how the process of gathering data has been conducted. Firstly, literature studies are presented, followed by different method approaches discussed, and the most suitable method for the thesis' purpose. Furthermore, selection of respondents is presented, and how interviews were prepared and conducted. The analysis process is described, the quality of the research, and lastly; the critique of study.

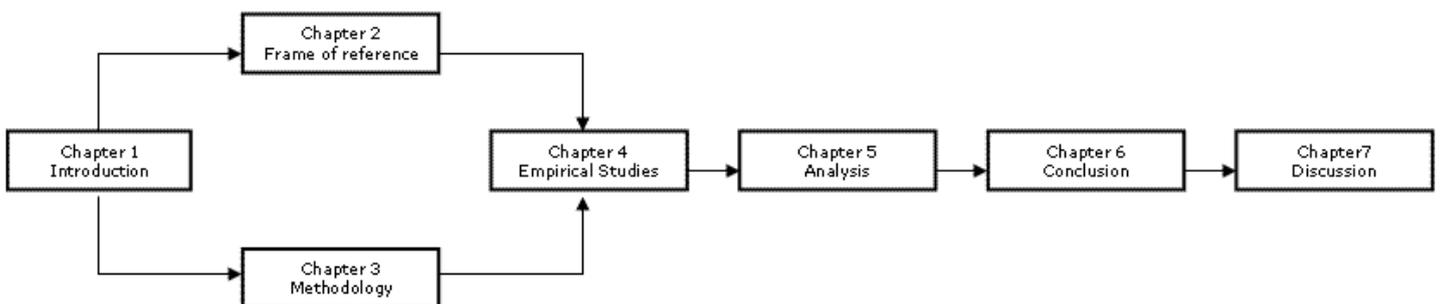
Chapter 4 Empirical findings: The findings conducted from the interviews are presented in the empirical chapter. The findings are presented separately for every company, since the answers differ among the respondents. Firstly, the respondents are presented, followed by a short company presentation. These are followed by findings presented with the same structure as the frame of reference chapter.

Chapter 5 Analysis: The analysis chapter consequently follows the structure of the frame of reference and the empirical findings chapters. The frame of reference is compared with the empirical findings, in order to draw conclusions.

Chapter 6 Conclusions: Chapter six summarizes the analysis. It presents the result of the study, which is utilized to answer the six stated problem questions in the introduction chapter.

Chapter 7 Discussion: In the last chapter, the authors present their own thoughts and reflections on the research area. Lastly, future suggestions for the research area are presented.

Figure 1-1 Illustration of the constructed outline of the thesis to increase the understanding



2 Frame of reference

In the frame of reference chapter, the literature studies are presented. Initially the concept and its components are described, followed by triple bottom line, approaches, motives, implementation, and evaluation of ethics.

2.1 The concept ethics and its components

Werhane and Freeman (1997, p. 317) state that *concerns about ethical issues in businesses go back as far as history itself; there has always been some form of mandate for people in commerce*. Furthermore, Werhane and Freeman (1997) mention that Aristotle, Adam Smith, and Charles Darwin among other philosophers have had a great influence on the concept of business in ethics. Karl Marx, as an example, already discussed during 1840-70 how to look at the human being with an ethical tendency. Marx (1818-83) claims that the individual is a social creature who has no fixed unchangeable nature, but is instead affected by the social environment that it lives in. When the society changes, it is possible for the individual to change, and when the society improves, the individual improves too (Edlund, 1999). In this sense, ethical thinking has been discussed since the late 19th century (Edlund, 1999), but has not been defined as a concept until much later (De George, 1993). The first general outbreak of the concept *business ethics* came in 1961 with the study; *how ethical are business men?* by Baumhart¹⁷, as a reaction on the electrical industry price fixing scandal in the US. The study demonstrated that there are ethical issues within all types of businesses, and on all levels of the managerial pyramid (Werhane & Freeman, 1997). At this time business ethics was often referred as social responsibilities of business. Many theories of ethics within businesses were developed during this time (such as utilitarianism and universalism) according to Werhane and Freeman (1997).

The first step in the evolution of ethics is a sense of solidarity with other human beings

Albert Schweitzer¹⁸ 1875-1965

The development of ethics during the 1960's was a result of the increased consumerism and the expanding strength of consumer movement (De George, 1993). This led to an improved interest within media during the 1970's and business ethics became a field of interest according to De George (1993). Not until the 1980's the concept of business ethics became significant enough to be considered as a movement and led to that ethical codes within businesses were established, and the great interest of business ethics was spread worldwide. De George (1993) continues that governments got involved and more focused on ethics during the 1990's thanks to the great interest of the concept during the 1980's, and ethics started to assume an international touch. During this decade a new way of thinking within businesses was established, namely to deliver results and profits from as few resources as possible. Since the world has limited resources, it became valuable to take care of them to secure a future with opportunities for future generations (Edlund, 1999). Because of this, other values had to be considered to be able to stay within the competitive environment (Edlund, 1999), and business ethics started to include a broader view of social issues (Werhane & Freeman, 1997).

The new educated generation did not want to support organizations that did not consider the environment, the employees, and the third world. This contributed to that corporations

¹⁷ President Emeritus at Loyola University Chicago

¹⁸ German Nobel Peace Price winning mission Doctor and Theologian

started to include ethics in their landscapes and business plans, and the accelerated attention of ethics got great influence in major corporations as well as in academic circles (De George, 1993). Corporations realized that the only way to attract these potential employees was to change values. To develop, the organizations knew that they continuously needed human resources (Edlund, 1999).

Today, ethics plays a central role in public debates and media (Brytting et al., 1993). In this way ethics has become a social phenomenon with academic, business, social and governmental aspects (De George, 1993). Consequently, ethics includes sustainability of finances, environment, society, and in the short term mankind aspects (Steiner & Steiner, 1997; Beauchamp & Bowie, 2004; Nijhof & Rietdijk, 1999; Velasquez, 2002). Due to its background, the concept has become very complex and requires people to be very innovative to develop solutions to all its issues and problems (Werhane & Freeman, 1997).

2.1.1 Ethics

Ethics has always been considered as the study of *what we should do*, according to Werhane and Freeman (1997). Ethics (from the Ancient Greek *ethicos*, meaning *arising from habit*) as a concept, is defined in several ways. It can generally be seen as; applied ethics that study ethical rules and principles inside the commercial context, the different moral or ethical situation developed in a business context, and several unique responsibilities or obligations that can affect actors within commerce (De George, 1995). Furthermore, ethics can be seen as the philosophy that studies the value of quality (Smith, Smith & Mulig, 2005).

Schlegelmilch (1998) states that ethics and law are not the same, but are related to each other, and continues that the law makes an attempt to codify a society's definition of wrong and right, even if this is not a process that can be done comprehensively. MacDonald¹⁹ (2006) claim that ethics instead is considering responsibilities that go beyond law, for example in situations that are legal but unethical, as Schlegelmilch (1998) agrees with. Furthermore, Carroll and Buchholtz²⁰ (2003) defines ethics as *the discipline that deals with what is good and bad and with moral duty and obligation* (2003, p. 170).

On the other hand, Beckius²¹ (2006, p. 57) states; *ethics is actually not more than a document, existing to be exposed to the environment, to confirm, that the organization is a trustworthy and reliable performer. Conclusively, it is not the opinion the company has itself, but the picture the surrounding environment has and how it affects the opportunities to operate the business successfully.*²²

Furthermore, the concept of ethics is distinguished by its systematic effort to make sense of individual and social moral understanding, by a method to determine the rates that ought to control human behavior, the values worth following, and the characteristics worth developing in life according to De George (1993). De George (1993) continues to states

¹⁹ Associate Professor at Saint Mary's University, awarded with three year Ethics Operating Grant in 2004

²⁰ Professor of Management and Buchholtz, Associate Professor of Strategic Management, both at Terry College of Business at the University of Georgia

²¹ Doctor Business Administration at Stockholm University

²² Svenskt ursprungscitat från Beckius, G. (2006). Företagsetik – En studie av etiskt organiserande i några svenska företag. Stockholm: Stockholms Universitet. *Etik är egentligen inte mer än ett dokument som kan visas upp för omgivningen, för att bekräfta, att man är en i sammanhanget trovärdig och tillförlitlig aktör. Avgörande är inte vilken uppfattning man har själv, utan i första hand den bild som omgivningen har och hur det påverkar möjligheterna att bedriva den egna verksamheten framgångsrikt.*

that the effort is systematic, and goes further than insightful people normally do in daily life. The effort makes sense of moral experience, organizing it, and attempting to make it rational and unified. According to Vasiljević and Jeurissen (2002), ethics is the study of morality, and is in this sense a theoretical attempt that considers moral phenomena and problems. It also differs from actual morality or moral practice which does not always involve theoretical analysis or critical thoughtfulness (Vasiljević & Jeurissen, 2002). Lastly Zinkhan (1994) states that ethics is a phenomenon that requires every individual to speak up. Eventually, every individual must not simply make a decision of what is right and wrong, but must also be able to explain for these personal decisions to critics.

2.1.2 Business ethics

According to De George (1993), ethics has always been a part of business. However, business ethics is not a new or different way of considering ethics. In this way business ethics is part of ethics, and not a different concept. It is an element of the universal concept of ethics. Business ethics can also be seen as a pattern within businesses, that origin from diverse ways of communicating depending on cultural differences between countries (De George, 1993). According to Carroll and Buchholtz (2003), business ethics is right and wrong, or good and bad manners in a business context. Today, right or wrong in terms of concepts tends to include complex and difficult issues of fairness, justice and equity today (Carroll & Buchholtz, 2003). Furthermore, business ethics can be written or unwritten rules within economic actions in business life. The profitability motive is not the only motive for business ethical actions. In addition, motives from cultures and traditions have to be considered (Brytting et al., 1993). Smith et al. (2005) argue that business ethics begins where the law ends and is therefore specifically applied to the areas and issues that are not included in regulations and laws. Keywords of the concept business ethics are right, wrong, good, bad, and responsibility (Steiner & Steiner, 1997; Beauchamp & Bowie, 2004; Nijhof & Rietdijk, 1999; Velasquez, 2002).

There exist many different definitions of business ethics due to the attention given to the concept during the last decade (Werhane & Freeman, 1997). The most common definitions that are studied in literature are from Arrow (1973); Bowie (1979); Chonko (1995); Dienhart and Curnutt (1998); Fleckenstein and Huebsch (1999); Gordon and Miyake (2001); Laczniak and Murphy (1993); Nijhof and Rietdijk (1999), and Sen (1995). It is constantly mentioned in media how business ethics can be defined in several ways (Brytting et al., 1993). Several of the definitions include social responsibility (Steiner and Steiner, 1997), sustainable development (Brytting, 1998), and corporate governance (Fernandez-Fernandez, 1999). Other definitions state the importance of morality (Brytting, 1998; Beauchamp & Bowie, 2002).

The concept also takes numerous practical ethical issues and phenomena in consideration that occur from functional areas of businesses or in relation to recognized business professions (De George, 1993).

Within business ethics there are mainly two disciplines that are applied; *normative* and *descriptive* business ethics. The normative discipline field is usually applied in corporate practice and career specialization, while the descriptive discipline is normally applied in academic situations. (De George, 1993)

2.1.3 CSR versus ethics

Carroll and Buchholtz (2003) use two simplified questions to consider whether or not a company takes CSR (Corporate Social Responsibilities) into consideration: *does the business*

have a social responsibility and if so, how much and what kind (2003, p. 30). Even if the questions may appear simple, they need a lot of effort and carefulness to be answered (Carroll & Buchholtz, 2003).

Business ethics and CSR are often mentioned together and have created confusion about the main difference between the two concepts. In *Corporate Social Responsibility*²³ (October 2006), it is stated that CSR has more than 179 different definitions. There is consequently no clear and widely used definition for the CSR philosophy either. Instead it is used differently by several groups (MacDonald & Norman²⁴, 2004). Norman and MacDonald (2003) further state that the main difference identified is that business ethics is a very broad philosophy with main focus on the good ethical decision making in commercial context. The concept of CSR hardly takes a company's social obligations into consideration, in the sense of a company's obligation to society in a more general matter (Norman & MacDonald, 2003; McGuire, Sundgren & Schneeweis, 1998). A report by Ernst & Young (2005) shows, that the main difference is the concept's relation to the law, saying that CSR is exclusively voluntary. Raymond Bauer (2003) states; *CSR is also seriously considering the impact of the company's actions on society* (Carroll & Buchholtz, 2003, p. 34). Davis and Blomstrom (1975) add that CSR requires decision makers to be able to act in a way that protect and improve the welfare of the society, completed along with their own interest. The European Commission on the other hand defines CSR as a concept where corporations on their own voluntary determination integrate social as well as environmental aspects into their organization and development (Rehn, 2001).

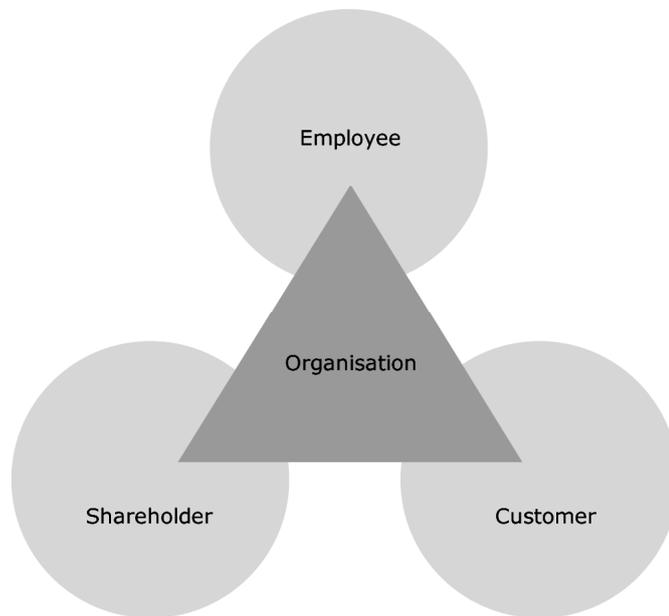
2.1.4 Stakeholders

The definition of a stakeholder in the business and management context is an individual or corporation that has a legitimate interest in a plan or project (Schlegelmilch, 1998). Carroll and Buchholtz (2003) define stake as an interest or a stock in a task. From a corporate perspective, stakeholders are an individual or a group having an interest in the business (Carroll & Buchholtz, 2003; Werhane & Freeman, 1997). Typically, a stakeholder is affected by actions, changes and decisions made by an organization. The stakeholder influences the organization, or vice versa (Carroll & Buchholtz, 2003). This concept was enlightened during the birth of social responsibilities, and includes utilitarian and traditional business goals. When companies state their goals, they consider responsibilities to all of their stakeholders, and consequently reflect the needs and wants of society, employees and owners (Schlegelmilch, 1998). According to Schlegelmilch (1998), the primary stakeholders are customers, employees, suppliers, shareholders, and institutional investors as well as ethical investment funds.

²³ Theme paper from Dagens Industri, October 2006

²⁴ McConell Professor of Business Ethics, Department de philosophie, University of Montréal

Figure 2-1 Stakeholder map; customer, employee and shareholders in relation to the firm. Source: Werhane and Freeman (1997, p. 604)



2.2 Triple bottom line

The world is facing several problems today and these have to be solved within the near future (Fagerholm, 2006). While the western world is trying to save energy at the same time as buys new types of new electronic products, developing countries are consuming and producing in a less environmental friendly way to reach the same standard dependent on their less developed economy and technology. According to Steffen (2006), the main problem is in the western world since each European consumes 50 tons of natural resources annually (Kerpner, 2006). This development cannot continue for long until the world will face even worse critical problems. Fagerholm (2006) refers to the program *the planet*²⁵ which discusses the problems the world is facing today. If the current development continues, the world will face a situation demanding natural resources corresponding to five new earths (Fagerholm, 2006).

2.2.1 Environmental aspect

Initially, problems with pollution were not considered as crucial for the world's development. Due to pollution, mankind's physical well-being is threatened by environmental deterioration caused by corporate activity (Brooks, 2004). Brooks (2004) additionally claims that pollution could be localized, controlled and regulated. The awareness of pollution contributed to awareness of further problems, such as acid rain which neutered lakes and defoliated trees as well as dissipation of the ozone layer. Therefore it is of every individual's concern that organizations do not abuse the environment more than necessary and instead improve the way of working and producing to contribute to a sustainable future.

²⁵ Planeten; television program showed during fall 2006 on the Swedish public service television

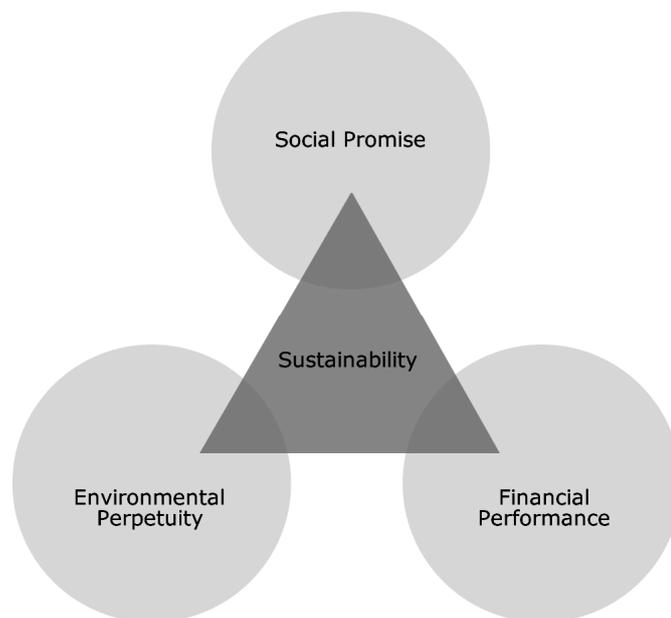
2.2.2 Social aspect

Since the middle of the 20th century there has been a development of public pressure on fairness towards companies' employees. The desire of fairness among employees has resulted in new laws and regulations. Furthermore, the development has changed from protecting the large corporation to being more favorable to each single person (Brooks, 2004). Friedman²⁶ (1995) states; *there is one and only one social responsibility – to use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud* (p. 53).

2.2.3 Utilization of TBL

The result of the changed ethical environment is an increasing interest in corporations and their activities among stakeholders. Stakeholders may not have the possibility to directly affect the company, customers excluded, but they affect organizations indirectly in a favorable or unfavorable way (Brooks, 2004). Triple Bottom Line (TBL) is an extended target for organizations. Instead of just focusing on *financial* goals, TBL also considers *social* and *environmental* factors (MacDonald & Norman, 2004). The model below describes the TBL by illustrating the relationship between financial, social, and environmental factors.

Figure 2-2 Illustration of TBL. Source: Cohen (2006)



The expression was invented in 1994 by Elkington²⁷, and first some years later it became a well known concept (Henriques, 2004). The inventor describes TBL as not only the economic contribution a company makes, but also as the environmental and social values a corporation takes into consideration or ignores (Henriques, 2004). Elkington (1997) states, that a corporation is only sustainable when it takes the TBL concept into account, in terms

²⁶ Chicago Economist and Nobel Laureate

²⁷ Co-Founder and Chairman of SustainAbility, one of the most well-known Sustainable Business Consultancies

of environmental quality and social justice. Furthermore, taking TBL into consideration includes acting and thinking in seven dimensions: market, value, transparency, life-cycle technology, partnership, time-perspective and corporate governance (Elkington, 1997). The advantage of applying TBL will give the company an advantage over its competitors. Since the corporation will be able to provide the stakeholders with a vision, it will have the great opportunity to win their trust, and consequently their capital. Elkington (1997) continues to illustrate the use of TBL as a commercial opportunity for companies to develop technological innovations and improve eco-efficiency. Companies that take the opportunity will profit from the future sustainability, and corporations which will ignore the chance will fail (Elkington, 1997). Panchak (2002)²⁸ states that the question about the environmental and social aspects are no longer an issue only for *environmental fanatic people, bleeding heart liberals*, and *tree huggers*. Executives in companies like Baxter International and Nike have realized this movement. Furthermore, Panchak (2002) claims that it is time for top executives to start considering these aspects. TBL has become a trendy phenomenon for companies to show that they are working ethically (MacDonald & Norman, 2004). As an example of the increased attention, a search on Google came up with about 22 900 hits on TBL in year 2003. One year later the number had more than doubled (MacDonald & Norman, 2004).

2.3 Approaches to business ethics

To be able to establish a long-term development within businesses it is important to include ethics in the daily work, as well as in the greater decisions made in corporations, according to Edlund (1999). The two theories, utilitarianism and relativism, will be described as theories that help companies to develop continuously.

2.3.1 Ethical utilitarianism

The theory of utilitarianism within ethics contributes to the idea that by doing the right things, the good things are being done. The theory supports the idea that the world becomes a better place by doing the right things (Werhane & Freeman, 1997). Continuously Werhane and Freeman (1997) state; the theory of utilitarianism is normative and does not assume that actions or value-judgments replicate an unprofessional obligation to promoting welfare. Furthermore, the theory claims that by being good the basic values are fulfilled. These values should then be maximized in order to create welfare. The theory also requires that all individuals should get equal consideration, but does not assume similar treatment for all individuals (Smart & Williams, 1973). Ferrell, Fraedrich, and Ferrell (2002) define an ethical decision from utilitarian perspective as one which creates the largest happiness for those affected by the action. Lastly, Ferrell et al. (2002) state that to decide which strategy is ethical, a cost-benefit analysis must be carried out for all affected stakeholders.

2.3.2 Ethical relativism

Ethical relativism is an important aspect to consider when having business ethics in mind. According to Beauchamp²⁹ and Bowie³⁰ (2004) it asserts what may be right in one culture is

²⁸ Editor-in-Chief on Industry Week, www.industryweek.com

²⁹ Professor Georgetown University

³⁰ Professor University of Minnesota

or will be wrong in another. This implies that there is no universal standard for being ethical in the world. What may be considered as ethical in one country and culture may therefore be seen as ghastly somewhere else. Beauchamp and Bowie (2004) mention abortion as an example, which is allowed in Sweden, and is consequently morally acceptable. However, the Irish tradition forbids abortion, and thus is wrong in the Irish culture. Furthermore, countries may have clear differences in belief and practice, but still agree on ethical standards. Beauchamp and Bowie (2004) also use the drug market of the US and Germany as an example. Both countries have laws to protect citizens from adverse effects. At the same time the countries try to launch new drugs to the market as fast as possible to save lives. Still, both countries have different standards for the trade-off between protecting the customers from side effects and saving lives. This shows that two cultures may have the same opinion concerning basic principles of ethics, even if they can disagree on the implementation of these principles into the society (Beauchamp & Bowie, 2004). Ethical relativism is criticized due to its evident inconsistency. Beauchamp and Bowie (2004, p. 9) claim that *no general theory of ethical relativism is likely to convince us that a belief is acceptable merely because others believe in it strongly enough.*

Caroll and Buchholtz (2003, p. 178) refer to an important question for companies considering ethical aspects in their business; *how do we get from what is to what ought to be?* Caroll and Buchholtz (2003) describe ought-to-be questions as questions that may not be practically reachable, but function as a goal to work towards. They also serve as remarks to compare the progress of work towards. The main purpose of the questions is what the company intends to carry out and what the company can manage. Caroll and Buchholtz (2003) also state that *these ideas interject a measure of realism into our efforts to close the gap between where we are and where we want to be in a business ethics application* (2003, p. 178).

2.3.3 Ethical decision making

When making ethical decisions in an organization, it important to consider the different forces that can affect the firm (Caroll & Buchholtz, 2003). It is common to put the philanthropic expectations when doing this aside, and instead focus on ethical expectations and forces like economics and law. These three forces are usually considered and balanced against each other, to be able to conclude which decision to make (Caroll & Buchholtz, 2003). Company's ethical, economic and legal responsibilities can be shown in a model that demonstrate how certain actions, decisions, or policies can accomplish any of those responsibilities (Caroll & Buchholtz, 2003).

Figure 2-3 Venn diagram for ethical decision making. Source: Carroll and Buchholtz, 2003



The areas can be described as;

Area 1: profitable, legal, and ethical.

Area 2a: profitable and legal.

Area 2b: profitable and ethical, probably legal too.

Area 3: Legal and ethical, but not profitable. (Carroll & Buchholtz, 2003, pp. 175-6)

2.4 Motives with business ethics

According to Carroll and Buchholtz (2003) corporations should consider what the motives for being ethical are. Carroll and Buchholtz (2003) mention three examples of what to reflect over when deciding to act ethically. Carroll and Buchholtz (2003) illustrate with an example where a person is to make a donation to charity. Does she make this because of her belief or because of the reason that the gift will make a difference, or does she give the money due to anxiety to lose her reputation? It can also be the case that she can make a tax-reduction, due to her contribution. In any of the cases, it is better that a person makes a contribution than none. It can be compared with how companies act in ethical questions. Furthermore, Carroll and Buchholtz (2003) consider which kind of company an ethical aware stakeholder wants to be associated with; a company that acts ethically just because of its egotistic belief, or one that acts like this depending on its thought that it will do good?

Bern (1993) states, that the most important issue that will affect the world's development during the 21st century is the transition from the situation today with increasing pollution, to a sustainable development. Companies have the greatest influence to carry out this

progress, and the leadership within these corporations will be crucial (Bern, 1993). To change an organization's goals by including a more sustainable attitude, new managers have to be creative and knowledgeable about nature and ecological relations. As payback, companies that manage this change will be seen as precursors. This will help companies to benefit position-wise (Bern, 1993).

Research of Swedish companies shows that most of the actors are passive in ethical terms. The majority are mainly tries to prepare how to handle eventual crises or scandals, since this can have a huge impact on a company's attractiveness. An example of such a scandal that damages the company's reputation is the spy-scandal at Hewlett Packard (Edenholm & Westholm, 2006). In an article written by Edenholm and Westholm (2006), Sasja Beslik³¹ states that Swedish companies have started to consider ethical aspects to a larger extent. However, companies still have difficulties to see the opportunities of acting ethically. Beslik (Edenholm & Westholm, 2006) mentions Toyota as a good example of a company which manages to create business and added value through its development of environmental friendly techniques. Added value, or value added is, according to Palmer (1966); Shaikh and Tonak (1994), and Yanovsky (1965), the additional value that is created during a specific stage of a company's production, marketing or image. Kay (1993) on the other hand states that added value is the difference between the selling price of a certain product and the resources the company has used to produce it.

2.4.1 Stakeholders

Through time, the relation between a corporation and its stakeholders became more important. Initially the great concern was to generate profits for shareholders who had invested capital. Child labor and environmental disturbance were common in factories when trying to generate a great return to their stakeholders. Today companies cannot neglect the two latter factors if they want to make profit in the western world. The relation has changed from not considering the stakeholders' interest to focus on what their interests are and to win their support (Brooks, 2004). If an organization does not have the stakeholders' beliefs in mind when making decisions, it may loose their support. This will affect the corporation in a negative way (Brooks, 2004).

Philipsson (Edenholm & Westholm, 2006), states that of the 100 most successful companies in the US, 80 percent of them have some sort of ethical ongoing project. American companies have realized that it is possible to benefit from participating in charity projects, which also Swedish firms have started to. Philipsson (Edenholm & Westholm, 2006) also states that companies are realizing that if stakeholders feel that the company is acting in an incorrect way, the media will notice. Several scandals in companies have been discovered during recent years. This has not only changed the view and priorities of ethics in many companies, but also contributed to increased attention to the concept. Scandals also show the disadvantage of not acting ethically. Only when there is an understanding of ethical aspects in a company then it is possible to earn additional money by acting ethical. Corporate boards really start to take ethical aspects into consideration in their decision making depending on the public pressure and the advantages of acting ethically according to Matthias Bergquist³² (Edenholm & Westholm, 2006).

³¹ Banco Fund's ethical expert

³² CEO of the foundation Etikakademien (The Academy of Ethics)

When looking at a company from stakeholders' perspective; the company's support depends on its reputation as well as on the strength of competitive advantage. This is dependent on the trust that the company's stakeholders have in its activities (Brooks, 2004). Furthermore, Brooks (2004) states that stakeholders gradually expect that the activities of an organization will consider their values and interests. It is stated that respect for stakeholders' interests determines the view of ethics and therefore the success of a company. De George (1993) claims in *Competing with Integrity in International Business*³³ that business, as other public activities, presume a base of morality and would be impossible without it.

2.4.2 Customer motives

In the short run it may be costly for a company to be ethical. However, the consequence of not being ethical may result in long-term problems because of lost customers. Since companies have to recall their products from distributors as well as stores, they also have to inform the consumers. This may affect firms' reputation (Schlegelmilch, 1998). Schlegelmilch (1998, p. 21) mentions two examples of how to cope ethically and unethically with a problem, when a company finds out that its product may be dangerous. The first example is Johnson & Johnson, where the company realized that some bottles of Tylenol (a non-prescription pain killer) were laced with cyanide. The costs of recalling the product were about \$100 million. However, the trust in the company was re-established fast among customers, and the product soon regained its market share. Ford Motor Company on the contrary chose not to recall its car model Pinto, even though the company realized that the car had a defect which could have caused an explosion in the gas tank. Ford realized that it would be less costly to settle law suits with families of those killed or injured by this defect, than to solve the problem by recalling the cars. Nevertheless, when the media found out how the company handled the situation, it led to huge problems for Ford Motor Company. It took the company a long time to re-establish trust among customers. In this way, according to Schlegelmilch (1998), the public and the customers will attack or prize companies on the basis of their ethical actions. Furthermore, Schlegelmilch (1998) claims *by ignoring the different moral pressures, companies may jeopardize their reputation and profits* (1998, p. 19).

Panchak (2002) states, that more consumers are becoming aware of ethics. Companies can no longer ignore these customers. With the increased interest in environmental and social features among customers, companies need to reflect on these to be successful according to Elkington (1997). Furthermore, if customers cannot trust a company they may not buy its products. The market is based on trust between the firm and the customers. If trust fails, the company will face a decrease in sales (Schlegelmilch, 1998).

2.4.3 Employee motives

As already stated by De George (1993), companies need to consider ethics to be able to attract the new educated generation. It has become more important than ever to attract employees who fit for the tasks in the company today, since organizations are more dependent on human capital compared to earlier (Edlund, 1999). If a company wants to strengthen its reputation through ethical focus, it has to set up targets to work towards (Schlegelmilch, 1998). Moreover, the employees have to believe in these goals (Schlegelmilch, 1998). Beauchamp and Bowie (2004) discuss the philosophy of Johnson & Johnson, which state that *we must be responsible to our employees, the men and women who work with us*

³³ Published by the Oxford University Press

throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe (2004, p. 88). Research shows that ethical goals are correlated with improved performance according to Philipsson (Edenholm & Westholm, 2006), and if the company's objectives are in line with the employee's, the employee will perform better (Edenholm & Westholm, 2006).

The Swedish firm H&M conducted a study on employees' working conditions in a production plant in Asia, where the company had introduced longer lunch-time and less overtime. These small changes led to a great production increase of 28 percent according to Beslik (Edenholm & Westholm, 2006).

2.4.4 Shareholder motives

Today most companies operate in a short-term perspective. However, it is of great concern for long-term shareholders that the organization acts on a durable basis. Brooks (2004) mentions a group of investors, called *ethical investors*. These consider two main factors before investing; whether companies make their profit in excess of suitable hurdle rates, and/or whether companies make profit in an ethical manner. Additionally ethical investors are more concerned of the environment or the rights of other stakeholders, rather than getting the last cent of dividends. Brooks (2004, p. 312) further claims that *the maximization of profit in a longer than one-year time frame requires harmonious relationships with most stakeholder groups and their interests*. Furthermore, if not considering stakeholders' interest, a negative public relation with a high cost could be the result.

Tommy Borglund³⁴ (Larsson, 2006) sees a larger interest in ethics at the financial market since more investors than just those of ethical trust funds consider companies' ethical perspective important. Besides, a corporations' reputation among their stakeholders will be strengthened and companies obtain a competitive advantage from an export view, states Borglund. Lars-Olle Larsson³⁵ (Larsson, 2006) states the importance of acting ethical, the value it brings, and the added value it generates. Larsson (Larsson, 2006) refers to research which discovered that companies acting ethically have a higher valuation than other firms in the same business. Furthermore, Larsson (Larsson, 2006) also underlines the importance of the judgment that the financial sector makes. These valuations may be even more important than the one from consumers. Lastly Larsson (Larsson, 2006) claims, that ethics should be considered as good management and not as moral.

2.5 Implementation of business ethics

When a company makes its mission statement, it tries to distinguish from other firms within the same business, as well as to declare the scope of its operations in terms of product and market (Schlegelmilch, 1998). Even if not everyone believes in the corporations' mission statement, it is still useful for organizations to emphasize the actions (Schlegelmilch, 1998). Falsey (1989) claims that mission statements are the heart of a company's corporate philosophy, which is more than just a business definition. These are supposed to set the means to reach the target and define the corporation's priorities. The company's statements must include certain components to reach the set goals. It is essential to find out the productive elements and sort out unnecessary non-productive

³⁴ Doctor Business Ethics at Stockholm School of Economics

³⁵ Auditor Specialized on Ethics at Pricewaterhouse Coopers

activities (Pilgrim³⁶, 2006). Furthermore, the mission statements or policies are supposed to lead to a greater awareness about ethics, consistency in the application and the avoidance of ethical disasters. To be able to fulfill these statements, corporations often require that employees attend seminars regarding business' behavior. These also include company's statements (Schlegelmilch, 1998). The traditional statement includes the relationship of the corporation to its environment. Later on, organizations have chosen to include an internal focus to the mission statement by addressing the organizational philosophy and its values. However, these statements cannot just be stated, they must be fulfilled if a company wants to build and/or maintain its position.

According to Schlegelmilch (1998) it is of great importance on how companies behave. Schlegelmilch (1998) uses a statement from Jones and Kahaner (1995, pp. 253-4) where the CEO of Worthington Industries (which is a manufacturer of metal and plastic products), stresses the company's corporate mission; *it is not something that is on the shelf; it is a way of living at Worthington. Our people understand it and have to live it.* Schlegelmilch (1998) continues; *the true test for a company is not in what it says, but in what it does; actions speak louder than words* (p. 115). Beslik (Edenholm & Westholm, 2006) agrees and adds that there are many companies in Sweden that think that it is sufficient enough to have a policy-document in place. However, it is when starting the actual work that companies become ethical and can avoid negative publicity. Borglund (Larsson, 2006) has seen an increased interest in ethical questions among mainly larger companies. In a study by Beslik (Edenholm & Westholm, 2006) based on the 62 largest Swedish companies at the Stockholm Exchange Trade, it is noticed that only one third of them are actively working with social questions. The engagement is even smaller when inspecting small and middle sized enterprises. In an international perspective Sweden is far behind according to Beslik (Edenholm & Westholm, 2006). Moreover, Borglund (Larsson, 2006) adds that it is first and foremost the lack of resources in smaller and middle sized companies that imply the lack of ethical work, although, these corporations have to consider these questions, too.

2.6 Evaluation of business ethics

Literature studies show that there is little written about how to evaluate company's ethical profile from a holistic view according to Godar³⁷, O'Connor³⁸, and Taylor³⁹ (2005). Godar et al. (2005) conducted a literature search of ethical behavior in companies, 20 years ago, and the result in total was only eight articles. However, all these articles focused on ethical evaluation on micro level (individual level) (Godar et al., 2005). As MacDonald and Norman (2004) exemplify: how does sexual harassment lawsuit affect the company, and is it possible to compensate this with charity donations? However, there are more common evaluations of other elements within business on ethical performance, such as advertising.

The competence to make a trustworthy evaluation may not exist in the company, and because of this there is a need of external resources (Grönkvist, 1999). Depending on the costs of making evaluations, many companies decide not to include this part in the budget (Grönkvist, 1999). Furthermore, Grönkvist (1999) states that companies normally carry out

³⁶ Doctor at Georgia State University

³⁷ Professor at William Paterson University

³⁸ Associate Professor at City University of New York

³⁹ Associate Professor at William Paterson University

evaluations to see whether their reputation have changed from their stakeholders' view. Turner (1989) on the contrary claims that companies should not even try to evaluate this, since it is too difficult and not cost effective. Skinner and Rukavina (2003) disagree, and state that the information received from an evaluation is of great importance to companies for future improvements. Another reason why companies do not evaluate according to Grönkvist (2000) could result from the fact that companies do not state measurable goals in the planning process, which makes it difficult to actually measure received values from the evaluation towards stated goals. Furthermore, Clark (1996) implies that even if companies consider the evaluation as abstract and difficult, there are always goals within a company's ethical work that can be defined and quantified. According to Grönkvist (2000), companies do not usually include the evaluation in the budget, and have problems to increase liquidity to finance the evaluations when it is time. Lastly, Schmader and Jackson (1997) add that to analyze information and to avoid work overload for the employees, companies include external resources to receive a reliable and effective measurement.

When evaluating the performance of ethical aspects in marketing, culture and ethical relativism have to be well considered at launching stage. Shaver⁴⁰ (2003) illustrates this with an example where the development over time can be seen; during the 1950's, marketing targeting homosexuals was unacceptable while it is tolerated in today's society. On the other hand, marketing cigarettes was totally accepted during the 1950's (Shaver, 2003). The example shows how the development over time can affect the difference between two cultures (Shaver, 2003). Another example is Trawick, Swan, McGee and Rink (1991) who conducted a research from a business perspective on how salespeople's capacity to sell was effected by including ethical aspects when working. The result of the study demonstrated that salespeople who were practicing more ethical sales had an ability to increase the interest of making business among clients.

However, the problem with evaluating ethics, including the two additional aspects (social and environmental) remains, due to the difficulty to actually measure a company's performance within these areas. Financial aspects will always be easier to verify by calculating numbers, while social and environmental performances remain more difficult to study and observe (MacDonald & Norman, 2004).

2.7 Summary

To start with, the development of the concept ethics was general initially, to be followed by more narrow definitions. Furthermore, business ethics is not separated from the concept ethics. It is an element of it. CSR is another concept that sometimes is confused with ethics. However, it does only consider the social aspect and not the environmental aspect, to the same extent as ethics. The model TBL explains more tangible, how to realize the goal of adding the environmental and social aspect in the company's goal. When consider an ethical approach, the company has to be aware of both utilitarianism and relativism, to be able to succeed. The motives for attracting customers, employees and shareholders are defined, to state the advantage an ethical approach. Once a company has decided to act ethical, the goals have to be written, to be realized. The implementation process does nevertheless vary depending on the company and its market. To evaluate the ethical performance is difficult concerning the actual outcome. However, it is still very important to be able see the results..

⁴⁰ Assistant Professor in Nicholson School of Communication's Department of Journalism

3 Methodology

The methodology chapter describes the method of the thesis. Literature studies are explained, followed by chosen method approach, selection of respondents, explanation of chosen research tools, method for analysis, and lastly quality of the research.

3.1 Literature studies

Comprehensive literature studies have been conducted, to give the authors a deeper knowledge and understanding about business ethics, and which research areas exist within the subject. By using the findings from these studies, the frame of reference and method chapters were constructed.

The literature studies were mainly at the library of Jönköping University, Sweden. By analyzing magazines and newspapers, several interesting articles were found. Especially one article; *Unik kartläggning: Blågula bolag bovar utomlands*, in the magazine *Attention* (2006) caught the authors' interest and gave them ideas for further studies. By contacting the *Attention* magazine's editorial staff, the authors got in touch with the free-lance journalist of the article, Wingborg (2006), to discuss different aspects within ethics. In addition several articles from newspapers provided the research with international and national perspectives, as the authors found rewarding.

When using the library's database, Ebrary, Julia and Emerald Fulltext, and search engines Google and Google Scholar, to search for literature, following keywords⁴¹ were used to find material; CSR, corporate social responsibility, ethics, business ethics, organizational ethics, ethical companies, TBL, and evaluating ethics. / The Internet resources used were the search engines Google and Google Scholar. In addition the library's databases Ebrary, Julia and Emerald Fulltext were used. When the authors searched for information these keywords were used: CSR, corporate social responsibility, ethics, business ethics, organizational ethics, ethical companies, TBL, and evaluating ethics.

Several cases of ethical performance were studied, such as H&M, Nestlé, Sandviken, Assa Abloy, Brio, Acne Jeans, Shell and many others, to obtain deeper understanding of business ethics on today's market. These cases were mainly found on the Internet, but also in the library of Jönköping University and by contacting various companies.

3.2 Method approach

The method as an instrument was used to fulfill the purpose that every researcher may have with a study. That is why, it is important to obtain information and to gain knowledge from methodology theories to generate a method structure especially constructed for the researcher's specific purpose. However, it is an important aspect though, not to believe that due to the chosen method automatically guarantees a good outcome. This makes method an essential instrument for the development of a successful research study. However, it is essential to understand that a research study also needs other components to be sufficient (Holme & Solvang, 1997). Dependent on this, the method has become a tool to be able to find a solution of problems to gain new knowledge (Lekvall & Wahlbin, 2001).

⁴¹ Following Swedish keywords were used; etik, företagsetik och organisationsetik

A dialogue was held to find the most suitable method approach for the thesis. The method chosen was therefore constructed to answer the thesis purpose; *to examine how companies can benefit from practicing business ethics within their organizations, by comparing theoretical studies and empirical findings.*

The thesis has to take a qualitative or quantitative method approach (Lekvall & Wahlbin, 2001). Both approaches generate empirical data, but differ in terms of conduction and characteristics. While the quantitative approach is typically used to find statistical significant differences by using a large sample, the qualitative approach is instead used to accomplish deeper understanding through in-depth questions by referring to a smaller sample (Patel & Davidsson, 2003). The qualitative method is therefore less formal than the quantitative (Holme & Solvang, 1997). Deeper understanding and the possibility to interpret situations of a subject is the key to a qualitative research method. Thus the qualitative research method goes deeper into the problems being researched by increasing the understanding of the subject. The method of collecting data in qualitative research is often open questions, which means that the respondent has the opportunity to bring more value to the study by giving more descriptive information than in a questionnaire (McDaniels & Gates, 2005). The questionnaire is a common tool within the quantitative research method (McDaniels & Gates, 2005; Hartman, 1998; Holme & Solvang, 1997). Consequently, a qualitative method approach was used to be able to answer the purpose of the thesis.

3.3 Selection of respondents

The authors wanted to conduct a relevant sample of respondents which could strengthen the reliability of the thesis. Through case studies the research of companies was made and from the outcome the selection of companies felt natural. From the literature studies, the authors were aiming to study companies within the baby nutrition market. This market was chosen after the authors had a dialogue of how to find a typically sensitive product. Since children's development is dependent on nourishment in the food, parents have a great responsibility to give them the optimal nutrition. Consequently the authors' opinion is that the baby nutrition is ethically sensitive since the parents have to have great knowledge about the product. Therefore the authors believe that it is essential to include ethics as a core value for corporations in this business. Consequently, corporations on the baby nutrition market became interesting respondents for the study. The initial contact was made through emails and phone calls. After the response from the companies, following sample from the three actors of baby nutrition on the Swedish market was chosen;

- HIPP – Frida Keane, Product Manager
- Semper – Agneta Frykhammar, Marketing Director
- Nestlé – Gayle Crozier-Willi and John Bee, Managers of Public Affairs

Depending on the limited timeline, it was important to contact the persons who were able to provide the information needed. As a result the efficiency of the interviews held increased, which means that the required information was given directly (Lekvall & Wahlbin, 2001; Svensson & Starrin, 2000).

3.4 Research tools

Since a qualitative method approach was chosen, qualitative research tools were applied to the study. The most suitable tool for gathering the data needed for the purpose were interviews, a common and appropriate tool according to Smith (2003). There are mainly

two different kinds of interviews, personal interviews and telephone interviews (Lekvall & Wahlbin, 2001; Ghauri, Grønhaug, & Kristianslund 1995; Eriksson & Wiedersheim-Paul, 2001), and Andersson (2001) also mentions group interviews as the third type of interviews. To collect the empirical data, telephone interviews were conducted. The authors decided not to do personal interviews, due to the location of the companies in combination with time and costs. Since the sample contained one respondent from HIPP and Semper, and two respondents from Nestlé, there was no need for group interviews either. The interviews were conducted and recorded at Jönköping International Business School. According to Arksey and Knight (1999), telephone interviews are almost equal to personal interviews if the questions in the interview guide are open and sensitive. Silverman (2001) also states that the respondent in a telephone interview feels more comfortable and safe, since the researchers making the phone call are implicitly more prepared, and therefore more structured and leading during the interview. In addition this was another reason why the researchers decided that telephone interviews were the most suitable instrument in order to gather the required information.

3.4.1 Interview structure

According to Lekvall and Wahlbin (2001), interviews can be constructed in three ways; structured, unstructured and semi-structured. When a researcher uses the structured interview, the respondents will get identical questions, following a questionnaire. When using this method, Andersson (2001) claims that the respondents get little space to give complete answers. The unstructured interview is characterized by an open discussion related to the area of research, since the researcher follows a guide with general questions. In this approach the information will be deeper and become useful in a qualitative investigation according to Arksey and Knight (1999) and Andersson (2001). By using an unstructured interview the answers from the respondents are not getting limited or controlled by a questionnaire. In addition it gives the opportunity to the researcher to add probes to the answers from the respondents (Svensson & Starrin, 2000). Furthermore, Jacobsen (1993) claims that the semi-structured interviews are often considered as a combination of the two other interview structures described. They allow the researcher to use both open questions and a framework of questions, which makes the respondent focused on the area of research. The questions conducted in a semi-structured interview are usually more general (Bryman, 2002). Both structured and unstructured questions were designed in combination when constructing the interview guide, and therefore the most suitable classification of the interviews structure being performed was semi-structured. This structure was used to get the information needed to answer the purpose of the thesis.

3.4.2 Interview guide, preparations, and conduction

The construction of the interview guide for the thesis was based on the purpose and theories being studied. With open questions, comprehensive information could be gathered, at the same time as more specific questions were prepared. Questions were based on the studies made in the frame of reference chapter. By using open questions of general character in the beginning of the interviews, the respondents felt free to have an open conversation. Furthermore, the more specific questions were asked, the more they kept the respondents focused on the subject. Probes were also prepared to keep focus and to obtain the information needed from the respondents, as Svensson and Starrin (2000) encourage. Before conducting the interviews, the interview guide was tested with fellow students to correct mistakes and to prevent misunderstandings. After this, the interview guide was sent to all respondents by email in advance. When sending the guide in advance the respondents had the chance to prepare for the interviews. This approach strengthens the credibility of

the respondents' answers. It also prevented unexpected questions for the respondent when questions were asked (Svensson & Starrin, 2000).

Empirical data were collected by taking notes and by recording information being exchanged during the interviews. Each interview needed 60-70 minutes and therefore allowed both parties to discuss further questions afterwards when there was need for it.

The interview guide was written in both Swedish and English, depending on the companies' corporate language. Both interview guides are attached as appendices.

3.5 Method for analysis

The analysis of the collected empirical data from the interviews is mainly a process of collecting, structuring and analyzing (Marshall & Rossman, 1999). By analyzing the empirical findings, the interest for the reader should increase according to Alvesson and Sköldbberg (1994). Saunders et al. (2003), claim the importance to approach the analysis in a systematic and well planned mode when analyzing qualitative data. Since the empirical data from the thesis are of a non standardized form, it is crucial to classify them to some extent.

In order to classify the data, the information should be divided into different categories (Saunders, Lewis & Thornhill, 2003). This was done in the thesis by following the structure of the frame of reference chapter, in order to create a better structure and overview of the first draft. Secondly, the data were divided into chunks of text that were further separated into the previous categories created, as Saunders et al. (2003) describe. The third and last step, according to Saunders et al. (2003), is to recognize relationships within categories as well as among them. This was done in the thesis to further structure the data.

An overall aspect to consider when analyzing empirical findings is the interpretation process. When analyzing qualitative data, the interpretation from the researchers is essential according to Smith (2003). It is important that the researchers do not involve personal opinions to keep high objectiveness and therefore obtain the best quality of the study, according to Larsson (1986). The analysis chapter in the thesis will follow the same structure as the empirical findings, which were structured according to the frame of reference.

3.6 Quality of research

The two concepts validity and reliability should always, according to Smith (2003), be carefully considered when conducting a scientific research. To be able to assure that the research made has a high level of validity and reliability it is necessary to investigate conceivable sources of error systematically during the entire study according to McDaniels and Gates (2005). This was made during the entire empirical part of the thesis to ensure highest quality and trustworthiness as possible.

3.6.1 Validity

The concept of validity is dependent on what is measured and whether this is stated in the problem or not. When the intended measured variable is actually measured, the validity is fulfilled (Eriksson & Wiedersheim-Paul, 2001). The validity demonstrates to which degree the research measures, observes or identifies what is set to do (Mason, 2002; Smith, 2003). According to Smith (2003) validity could also measures how well the findings can be generalized to reality. With a high theoretical understanding and a high-quality research the level of validity will be high.

In order to achieve and ensure the validity of the study, the interview guide was based on relevant theoretical studies. The interview guide was constructed as an instrument for the semi-structured interviews. Furthermore, it allowed additional follow-up questions. By using the same interview guide for all respondents, the researchers asked the same questions in order to reproduce the findings. Through deeper studies of how to construct an interview guide, the authors of the thesis further increased the validity, to ensure that the questions were constructed in the right way to avoid misunderstandings, which McDaniels and Gates (2005) suggest. Lastly, to be able to achieve an even higher validity, the researchers of the thesis spent a lot of time trying to find the most suitable respondents within the companies, possessing as much relevant information as possible.

3.6.2 Reliability

The second concept, reliability, is dependent on how the measurements are conducted and the researchers' ability to handle the findings of the study according to Holme and Solvang (1997). The perfect level of reliability would exist if the results of a study turned out to be the same if it was conducted again (Bryman, 2002; Runkel & McGrath, 1972; Smith, 2003; Svenning, 1997; Yin, 1994). Mason (2002) states that by doing this; reliability could be seen as the correctness of research chosen, and furthermore becomes a measurement for the consistency of the study. Qualitative studies are often exemplifying and quantitative studies are often generalizing. Since a qualitative approach usually includes interviews, the data becomes difficult to standardize, which decreases the reliability in general according to Mason (2002). Dependent on this, reliability becomes more difficult for a qualitative study. Since no approach can really be neutral though, Mason (2002) argues that the reliability concept could be limited in actual use, but still sustains great importance for a study.

To be able to increase the reliability of the thesis, several steps in the study were considered. The interview guide was sent a week in advance to the respondent, to prepare the respondents and to make them feel comfortable during the. It was also important to make the interview guide as easy to understand as possible. During the interviews, data were collected with tape recorders as well as notes. Through this the misinterpretation of the data was minimized, and it gave the researchers the opportunity to listen to the interviews numerous times to capture all information given. When the gathered data from the interviews was summarized, the empirical findings were confirmed by the respondents before using it in the thesis. It also gave the respondents an opportunity to add additional information if needed. By taking these actions, the researchers increased the reliability of the thesis.

3.6.3 Limitations

Even if the quality of the method was controlled to a certain extent, there were critical phases that could potentially decrease the trustworthiness of the study. This is most certain because of the method being chosen. The outcome of a study can always be affected by the method approach being used according to McDaniels and Gates (2005) since there are advantages and disadvantages of both qualitative and quantitative method approach. The choice of a qualitative approach implies that the selection of respondents is limited, and the result is likely to be different with a quantitative approach. Furthermore, Trost (1997), and McDaniels and Gates (2005) state that telephone interviews are not the most suitable research tool when asking deeper interview questions. Therefore information required by the researchers could be limited. In addition, the respondents' patience during a telephone interview is lower than when conducting a personal interview (McDaniels & Gates, 2005; Lavrakas, 1993). The selection of the respondents can also affect the outcome, dependent

Error! Style not defined.

on sample size and the respondents answering the interview questions. Another aspect which could have influenced the outcome of the empirical findings is the interview knowledge and skills. The researchers have only made similar interviews in their earlier Bachelor thesis, and may therefore not necessarily have the experience and knowledge necessary to conduct interviews in a more professional manner (McDaniels and Gates, 2005).

4 Empirical Studies

This chapter presents the empirical findings from the interviews with HIPP, Nestlé and Semper. These are conducted according to the same structure as the frame of reference. The data is presented per company, since the collected data differs between the companies. This helps the reader to get a clear picture of each company's statements.

4.1 HIPP

In this section the empirical findings from the telephone interview with Frida Keane, Product Manager at HIPP, from the 28th of November, 2006 is presented. The interview questions can be found in appendix 1.

4.1.1 Company presentation

HIPP⁴² was established in 1932 by George Hipp and the Swiss ecological philosopher; Hans Müller. Together they launched the first ecological baby nutrition food in a glass container. The idea of ecological baby nutrition has its origin in Germany's Pfaffenhofen (outside München), for more than 100 years. HIPP has approximately 1000 employees in total, and at Arvid Nordquist; the Swedish distributor, two employees work directly with HIPP since June 2002. HIPP is the only baby nutrition company that distributes an entire product portfolio of KRAV labeled products. The company operates in 35 different countries all over the world.

4.1.2 Concepts

Ethics as a concept for HIPP is to take responsibility for the environment and the society. All environmental aspects are important, both social and biological.

The environmental aspect exists in everything HIPP does. Ecology is an important part of this aspect and has been a crucial element of the company's core idea since the establishment. When the founders established HIPP, the environmental aspect was vital due to the influence from a poor Europe at this time. Today HIPP has 54 ecology labeled products by KRAV. The company is constantly working towards a better climate and nature. HIPP fulfills all rules legislated for the industry, and the company also satisfying its own standards at an even higher level. Antibiotic restriction is one example of such a standard, where the corporation has decided to use limited amounts of animals in the production.

4.1.3 Triple bottom line

HIPP wants to take responsibility for the environment. The company has proved that it is possible to be ethical and profitable at the same time. HIPP is furthermore constantly working to take new and improved steps towards an environmental friendly future by improving company's procedures. To develop the processes internally, HIPP has suggestion boxes where the employees can make suggestions on how to make such improvements. In 2005 HIPP made 28 improvements of its environmental program based on proposals from the employees.

⁴² HIPP; www.hippbarnmat.se

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The product; baby nutrition, is a strong reason why HIPP has decided to take ethical initiative in consideration. Baby nutrition is a sensitive product, as well as its consumers; children. The baby nutrition industry therefore has more restrictions and rules, in comparison to an industry producing cans for example. Both children and nature belong to the future and due to this the social and environmental aspects are of importance to HIPP. One example of HIPP's social goals, the firm has internal standards concerning working hours, health, and well-being. The company maintains the working environment as ecological as possible, which for example include 100 percent recyclable paper, and electricity restrictions.

HIPP's main ethical responsibility is on the company itself, and then on the industry's stated guidelines. Furthermore, the company is focusing on educating its business partners, like Arvid Nordqvist. By teaching its ethical mission of statement, HIPP can trust its partners. When selecting business partners it is important for HIPP to choose environment certificated companies that act ethically.

4.1.4 Approaches to business ethics

HIPP puts a lot of effort to continually improve the firm's ethical profile. All products are transported by bio-diesel trucks or trains as an example. Every process the company undertakes in the production is ecological. Even if all steps are ecological, the company constantly tries to find new agricultural and manufacturing processes which may decrease the environmental affection. All ethical responsibility goals are set by the management, aiming to be as ecological as possible. When marketing its values the company does not make a difference of geographic location or culture. HIPP communicates the same core value to all markets when marketing the company's products.

4.1.5 Motives for business ethics

HIPP's most crucial motive to be ethical is the opportunity to improve its impact on the environment and the future. The ethical values are communicated within the organization, and the employees respond positively, and are loyal to the statements. As a result, employees' families have worked in the firm for generations. By operating in an ethical manner, HIPP has gained trustworthiness and respect from its customers. HIPP claims that it is profitable to be ethical. If the company would ignore ethical standpoints in the market, the likelihood of being profitable in the future would be small.

Since HIPP is privately owned, the annual report is not public. Still, it is clear for stakeholders that the firm differentiates with a very unique ethical profile in the market. By using this profile HIPP strengthens its trustworthiness. Even if the company cannot state that it is possible to have larger margin because of its ethical work, HIPP still considers its ethical actions as a success factor.

4.1.6 Implementation of business ethics

The ethical values are communicated internally to the employees when implementing additional ethical perspectives. Newly employed staffs also have to sign a contract including the ethical statements. The internal implementation is part of the firm's culture and occurs automatically. Initially many of HIPP's stakeholders were skeptical to the ecological focus. This made HIPP aware of the importance to find the most suitable employees to strengthen the company, by having employees sharing their ecological ideas.

4.1.7 Evaluation of business ethics

HIPP's ethical statements are found in contracts and documents for the employees. Its ethical values are also communicated to its stakeholders continuously. The firm's webpage and slogan⁴³ are the main tools for this. In the beginning of the year, goals to be achieved are stated in the annual report. The outcome of the ethical effort is evaluated step by step in several reports. A statement in the annual report during 2005 was to use 100 percent bio-energy, in comparison to 97 percent during 2004. By evaluating its ethical actions, the firm receives a lot of useful information, and therefore the evaluation is cost efficient. It confirms that the company lives as it learns and fulfills set goals, which is important for the firm. The evaluation is made internally as well as externally. The organization and its products are evaluated and certified annually by KRAV. KRAV is the main label that HIPP wants to use on its products. Lastly, HIPP has received several prizes and awards for its ethical work. The company is for example recommended by WWF⁴⁴ and Greenpeace⁴⁵ as the only producer of baby nutrition in the world that works along with the nature and the environment.

4.2 Nestlé

In this section the empirical findings from the telephone interview with Gayle Crozier-Willi and John Bee, Managers of Public Affairs at Nestlé, from the 5th of December, 2006 is presented. The interview questions can be found in appendix 2.

4.2.1 Company presentation

Nestlé⁴⁶ was founded in 1866 by Henri Nestlé, a pharmacist who developed baby nutrition for babies unable to be breastfed. Today the firm is a multinational corporation within packaged food and is the market leader in milk products, infant food, bottled water, coffee as well as performance and healthcare nutrition. The corporation has more than 250 000 employees and operates in every country of the world except North Korea.

4.2.2 Concepts

Nestlé does not use the expression ethics, but instead refers to *corporate business principles*. Ethics to Nestlé is to work towards its corporate business principles which are in line with United Nations Global Compact⁴⁷. This is, according to Nestlé, the most relevant measurement. United Nations Global Compact has principles on how multinational corporations should act in a responsible manner. Nestlé has a responsibility to its shareholders. The company has been in business for 160 years and hopes to continue for at

⁴³ HIPP's slogan; *the best from the nature, the best for the nature*

⁴⁴ WWF; Worldwide Fund for Nature is the world's largest and most experienced independent conservation organization. (www.wwf.org)

⁴⁵ Greenpeace; Greenpeace exists because this fragile earth deserves a voice. It needs solutions. It needs change. It needs action. (www.greenpeace.org)

⁴⁶ Nestlé; www.nestle.com

⁴⁷ United Nations Global Compact; a purely voluntary initiative with two objectives; 1) mainstream the ten principles in business activities around the world, 2) catalyze actions in support of UN goals. www.unglobalcompact.org

least another 160 years. The company has to have confidence in the next generation and beyond it.

The ethical manner goes back to Nestlé's founder, Henry Nestlé. By inventing a substitute for baby nutrition, Nestlé saved the life of a child who was unable to be breast fed. In this way ethics was implemented from the inception. Nestlé has noticed that ethics has changed within the company. The change has contributed to formalizations of what the company has always known, by documenting.

4.2.3 Triple bottom line

Nestlé recently published its corporate social responsibilities in a report. The report states how the firm is creating shared values for the society and its shareholders. Creating these values is the most sustainable way of contributing to the society. Philanthropy always comes from the bottom of a corporation. If the company faces difficulties, philanthropy becomes less easy to justify to the company's shareholders. As guardian of the shareholders' invested capital in difficult times, it is surely good to address the core activities of the company. These contribute to the development of the society, which creates value to the shareholders. This is what Nestlé is concentrating on right now.

Nestlé has the most stringent rules in marketing infant formula in developing countries, which includes stricter standards. Due to the principles, the company has become more rigorous about monitoring the company's suppliers systematically. Nestlé has implemented an external auditing system to be able to follow up every single complaint made. The company is just as ethical in the baby nutrition area as in any other area.

The corporation applies environmental management, and monitors the environmental impact in a number of criteria, for example; material and packing. Nestlé states in its management report how the firm is handling and monitoring its environmental impact on an annual basis. Some very impressive reductions of the environmental impact were identified. Measurements are made over a period of time and the long-term perspective is the most meaningful viewpoint. Nestlé also measures its community investments programs. All measurements are compared with the company's set goals. Nestlé declares that every individual in the society has to be responsible for its actions. Governments, customers, as well as industries have to take ethical responsibilities into consideration.

4.2.4 Approaches to business ethics

Nestlé has numerous principles that have an impact on several areas. A code of conduct on how the employees work is an example for such principles. Except the corporate business principles, Nestlé has planning and management leadership principles (applied in the infant formula marketing), and furthermore monitoring and auditing principles. All policies are fully communicated and trained at an appropriate level in the company's own definitions. All investments that Nestlé makes have to be beneficial for the country in which it operates. The investments are documented to be able to see the benefits for both Nestlé and the community, in a virtuous circle. These documents guide the way the company should act, and creates awareness of the impact on the society.

Nestlé does not have a CSR department. Instead the firm has specialist areas within the company; agriculture, environment, and human resources for example. The specialists focus on specific subjects and work with all corporate social issues. Hence, the company works on several levels and efforts are reported annually.

Nestlé communicates the same message to its customers, independent on country and culture. Implementation methods can differ though. The infant formula, as an example, is marketed more rigorous in developing countries. Certain countries and governments do not reach an agreement within these areas. Chile is one example where the company has seen radical changes in the government.

4.2.5 Motives for business ethics

The ultimate aim for Nestlé is to maintain a sustainable business. To be sustainable, the main motive must be to act ethical. Ethics is prioritized on the agenda in today's media, and university students are more aware of ethics and its impact. Due to Nestlé's ethical profile, the new generations get attracted to the company.

Nestlé creates value to its customers with the ethical approach. This value is one of the firm's external benefits. The corporation is actively responding to customers' requirements with a number of product offerings. Generally, Nestlé's overall practices are implemented. Nestlé asked consumers in 23 countries whether the company fulfills its social corporate responsibilities. Customers in developing countries gave high and positive scores (67-80 percent), which are not always reflected in North Europe and North America. This often depends on misconceptions on behalf of the northern Europeans and North Americans of what Nestlé is doing in developing countries.

The firm's ethical approach is creating shared value to society and shareholders. The latter also gain monetary values from this. Creating value to society is part of Nestlé's fundamentals of a genuine sustainable approach. Nestlé looks at value creation on a number of levels. The firm believes that it becomes more important to explain what the company is doing concerning its ethical responsibilities. As an example the firm has fair trade products in Great Britain, Sweden and Ireland to meet market needs. Nestlé can neither charge a higher price, nor have a larger margin due to its ethical profile depending on the competitive market. All competitors are operating on the same market and the firm is forced to state the price the consumer is prepared to pay. Nestlé can be profitable and responsible at the same time. Porter and Kramer⁴⁸ made a research of Nestlé, and had a theory of shared value creation which sounded exactly as Nestlé's way of working. Nestlé is taking a long-term view over all subject areas. Shared value creation in reality has to be considered in a long-term perspective. Nestlé recognizes strategic business opportunities to move from a transformed product to a health and wellness company. By offering additional value there is a business opportunity to increase the return to Nestlé's shareholders. Part of Nestlé's strategy is now the bottom of the pyramid. Nestlé does not see intentions of serving the bottom of the pyramid and at the same time give attractive business propositions for the company. Nestlé bring in consumers and distributors into the bottom of the pyramid. Nestlé engages stakeholder audience systematically and the company listens to them about specific subjects. As an example Nestlé gives guest lectures at universities to tell the story of the company.

4.2.6 Implementation of business ethics

Nestlé evaluates all its community investment programs, in line with the United Nations Global Compact. The firm implements ethics with strategies and principles. These activities

⁴⁸ Mark Kramer, Senior Fellow, Centre for Business and Government, John F. Kennedy School of Government, Harvard University and Managing Director, Foundation Strategy Group (FSG)

are summarized systematically. When implementing ethics, the firm faces the same problems as with other implementation processes. The organization rather makes employees act than writing it on paper. Nestlé sets targets, and uses measurements, relevant to the company. The firm faces numerous scenarios, where different measurements are suitable. Since Nestlé is a multinational industry, it also meets and corporate with its corporate partners. Due to different opinions it is sometimes hard to agree.

4.2.7 Evaluation of business ethics

The ethical focus is stated in Nestlé's annual report on the first pages, such as the commitment to general business principles, and examples from the specialist annex. New employed staffs Global Compact principles are evaluated. The evaluation is mostly made internally, even if Nestlé invites a third party when there is expressed concerns in a specific aspect. Concerns of infant formula marketing were, as an example, expressed three years ago in South Africa, Mozambique, and Nigeria. The evaluation is systematically being done and is cost effective. Lastly, Nestlé has got a lot of recognition from different investor analysts worldwide for its ethical actions and standpoints within the company.

4.3 Semper

In this section the empirical findings from the telephone interview with Agneta Frykhammar, Marketing Director at Semper, from the 23rd of November, 2006 is presented. The interview questions can be found in appendix 1.

4.3.1 Company presentation

Semper⁴⁹ was established in 1938. In 2003 it became an independent branch when the company was sold by Arla to Triton. Triton further sold the company to Hero in February, 2006. Today Semper is the leading provisions company within baby nutrition and gluten free products in the Scandinavian countries. In addition the company has a leading position within baby nutrition in Russia, and gluten free products in Great Britain. Semper has 87 employees and operates in Sweden, Norway, Finland, Russia and the Baltic countries.

4.3.2 Concepts

Ethics is a very well integrated concept in the firm. It is involved in everything Semper does. Ethics is not a concept to be promoted; instead it is a phenomenon that is part of the company since its establishment and focus on ethics exists within all departments. It is an unspoken vision. Semper never breaks rules, regulations, codex, or recommendations in its work. Instead the firm prioritizes and focuses on children's best. Ethics is crucial for the company due to the product. A mistake could lead to devastating consequences.

It is not possible to act as a serious actor if the company cannot provide safeness and trustiness to its consumers. Neither would it be possible to work according to the company's core values; *trustiness, safeness, quality and competence*⁵⁰. The firm supports breast feeding, and has started organizations to increase this activity. Statistical research of breast feeding has been conducted since the 1970's to encourage mothers to breast feed.

⁴⁹ Semper; www.semper.se

⁵⁰ Sempers kärnvärden; förtroende, trygghet, kvalitet och kompetens

Semper's view of ethics has changed, and the firm is today better in formulating its ethical actions. Control systems are used internally by employees on how to work, as an example. The firm also works with a scientific advisory board, which is used for discussing products and marketing messages. Since 2005 Semper is also supporting Rädga Barnen⁵¹.

4.3.3 Triple bottom line

The core values of the company, together with the product, are the main reason to work ethical. Semper strives to have as high quality as possible on the products. The firm uses Swedish meat, even if it is not rated to be higher quality. It belongs to the company's policy to act close to its consumers. Since children are sensitive, high quality is important to prevent children from getting hurt. Semper could not work with baby nutrition if it would exclude the ethical aspect. The control and quality need to be perfect when operating on this sensitive market. The firm cannot risk anything by taking shortcuts, since quality is always first priority.

The WHO⁵² code is followed by Semper on all markets, and ethical marketing methods are applied. Ecological and local production is important to Semper. Therefore the entire production is located in Sweden, with the exception of one production plant in Denmark. It is important for the company to use processes for quality, auditing, controlling, and specifications when buying raw materials. Semper has as an example which is the decreased the number of fish dishes due to the fishing quotas stated by the GMO⁵³. Even if Semper does not have environmental or social goals formulated, the company works indirectly with this. The company has together with the industry the greatest ethical responsibilities.

4.3.4 Approaches to business ethics

Semper has clear responsibility areas within the company. Ethical questions are constantly under discussion by the board and the marketing department. The issue about children's tea in Russia is an example, since there is no real need for children to drink tea. It is under discussion since there is a demand from the Russian market. Furthermore, employees are educated in order to increase the competence concerning the company's ethical profile. Semper discusses products, ingredients, children's best, and also ethics, with the scientific advisory board. This board works with pediatricians, diet specialists, and nutrition specialists in Sweden. Lastly, the product development process is controlled by making check points to be able to develop new ideas and make critical evaluations.

There is no stated ethical department in the company; instead it is spread over the marketing, and research and development department. Indirectly the supply chain also gets a lot of ethical focus, due to the work with the distributors. Ethics exists mostly on a personal level, and is included in Semper's *parent friendly* policy where employees are encouraged to have children. Due to this Semper *lives its brand*. Externally, the ethical focus is divided into consumers, by helping breast feeding organizations, children's health centers, and hospitals. The company communicates the same values when marketing in different countries, independently on culture. When following the WHO code for marketing reasons, Semper makes it clear that the Swedish profile is applied.

⁵¹ Rädga Barnen; Save the Children Sweden. www.rb.se

⁵² WHO; World Health Organization, United Nation specialized agency for health. www.who.int/en/

⁵³ GMO; Genetically Modified Organism. www.gmo.nu

4.3.5 Motives for business ethics

Semper became ethical due to its products. By being ethical the organization increases the moral, and makes the daily work a lot easier to handle. It also raises the solidarity and develops the performance among the employees. Externally, ethics strengthens the brand and the company gains trustiness, and safeness. It is hard to determine whether Semper gains monetary from being ethical, even if the company believes so. For Semper it would not be possible to focus only on monetary goals, especially not since the company is a local actor. In the short-term perspective the firm would make profit, but in the long run it would be difficult.

The new owners of Semper are interested in the company due to its brand. Over time they have become impressed by the firm's ethical manners. Ethics has helped Semper to strengthen its reputation to its stakeholders. Dependent on the power of the brand, the value of the product has increased. Ethics is therefore a success factor for Semper. However, the firm cannot have a larger margin because of its ethical standpoints.

4.3.6 Implementation of business ethics

The implementation is an ongoing process. During the process, Semper has faced difficulties with the human resource turnover in combination with the constantly changing environment where there is no time to relax. There is always a need to find new ways to improve the company's ethical policy. Lastly, Semper implements its policies to encourage their employees to have children.

4.3.7 Evaluation of business ethics

The ethical profile that Semper practices does not exist in written form. Instead the firm relates to its core values; trustiness, safeness, quality and competence. Semper's effort in Rädga Barnen is evaluated internally. The annual evaluation of the brand is made externally, to see if Semper's actions are made in an ethical manner. The core values are also measured and they are generally very high on the Swedish market, the scores on *concern*⁵⁴ are the highest. It is hard to say if the evaluation is cost efficient, even if it is part of the investments that Semper makes.

⁵⁴ Omtanke

5 Analysis

The chapter presents the analysis of empirical findings by using information from theories and methods described in earlier chapters. The analysis follows the same structure as frame of reference and empirical findings; concepts, triple bottom line, approaches, motives, implementation and lastly evaluation of business ethics. The authors of the thesis are referred as authors, and when HIPP, Nestlé, and Semper are discussed at the same time, they are referred as the companies in this chapter.

5.1 Concepts

Even if ethics has been present for a long time, it did not become a concept of interest until much later (De George, 1993). Nestlé and Semper agree, and agree that ethics has changed and developed over time. De George (1993) further indicates that ethics is a systematic effort that is useful and organizes experience. HIPP, Nestlé, and Semper are consistent with De George (1993), and claim that ethics is a concept that affects the business pattern, as a result of the communication in the organizations. Therefore ethics is a phenomenon that helps the companies to become better formalized and structured. At the same time it adds sense to what the companies are working for.

Even if the concept of ethics has a central place in the media and public debates (Brytting et al., 1993), the concept is complex due to its many definitions (Werhane & Freeman, 1997). The companies agree and state the difficulty in defining the concept. HIPP claims, in line with Steiner and Steiner (1997) and Brytting (1998), that ethics include environmental as well as social aspects. In HIPP's ethical work, both social and ecological focuses are included. According to HIPP, ecology is the only way to be able to promote a trustworthy product to its customers. Nestlé instead thinks that ethics is referred as corporate business principles, which include social responsibility, sustainable development and corporate governance, similar to what Brytting (1998), Fernandez-Fernandez (1999), and Steiner and Steiner, (1997) claim. These principles are used to work to the most suitable measurements. Moreover, Nestlé believes that ethics is about what a company should do, similar to Werhane and Freeman (1997), and lastly, that ethics is the company's obligation, in line with Carroll and Buchholtz (2003). Semper believes that ethics is a phenomenon that is used to be able to act seriously, and communicate safeness and trustiness toward its customers. Ethics has always been an essential phenomenon to work towards its core values. Independently of similar or different values within the companies, it is apparent that ethics is an important part of the companies' goals. It is a concept to profile them. Since all firms have included ethical aspects from the inception due to sensitivity of the product, it can be stated that the product has an effect for the companies' decision of including ethical standpoints.

All respondents agree that ethics is a concept which is integrated in all activities in the organizations, corresponding to Werhane and Freeman (1997). The companies also agree that ethical responsibilities go beyond laws and regulations, in line with MacDonald (2006) and Schlegelmilch (1998). In this way ethics begins where the law ends, stated by Smith et al. (2005). Semper takes it a step further, and states that ethics go beyond the law in line with what the society defines as right and wrong, as Schlegelmilch (1998) states. Even if the companies have applied ethical practices since the establishment, all activities or standpoints do not exist in written form, as Carroll and Buchholtz (2003) declare. Semper refers ethics as an unspoken vision in the company. Due to this there is a possibility that stakeholders can misinterpret the actual ethical work. Even if all companies already state at different levels the ethical aspects, there is a need for formulating organizations' ethical

standpoints and focus to a greater extent, according to the authors. Then ethics would get a more central spot in the organizations, and automatically in the entire business world. It may even be taken to a point where the government demands documentation in the corporations' annual report. By using the media to spread the importance and meaning of ethics, the society as well as the business environment would be better informed, which would contribute to further positive affection. Due to the fact that ethics is such a complex concept with multiple definitions, there is a difficulty to demand ethical standpoints from organizations. The authors would like to see documentation of ethics in the annual report that includes clearly defined targets for the future. This could help companies to work towards a more sustainable business world in the future.

5.2 Triple bottom line

5.2.1 Environmental focus

According to MacDonald and Norman (2004), there is an increased interest in TBL, which initially can be seen among the companies. The companies have taken the two additional factors into account at an early stage, since they are acting on an ethically sensitive market. Still, the ethical work in Semper and Nestlé is currently performed to a greater extent. Semper has become better in stating the goals and controlling them. Nestlé claims, that philanthropy has to be included in the company's business policy. During the last years the company has improved its monitoring of the suppliers, due to the company's idea of responsibilities. Since the start HIPP has on the other hand considered the environmental aspect in its production, even though the company is constantly improving procedures. The companies are constantly improving their methods of working with less environmental affection, which is aligned with what Fagerholm (2006) and Brooks (2004) state. Elkington (1997) claims, that the work with TBL will give the company a competitive advantage. The companies benefit from the work with the two additional aspects. When acting on the baby nutrition market, ethics becomes a norm. Companies operating on other markets also have a lot to benefit from including ethics. The companies in the study have multiple goals to increase profit by including social and environmental aspects. The theory that companies only have one goal to make profit (Friedman, 1962) is therefore not valid for the companies.

5.2.2 Social focus

Brooks (2004) claims that there exists an increased interest of fairness towards staff today, and the employees have got more rights. HIPP states that the social aspects, such as employees' health and working hours, are important aspects for the company. This effort has resulted in loyal employees in the company. Semper is also including the social focus. The firm has a purposeful way of working by supporting their employees to live the brand, for example by encouraging them to get children. The opinions of the employees' are in this way prioritized in HIPP and Semper, in line with Brooks (2004). Nestlé declares that the company has codes of how the employees should behave, and that the company has a responsibility towards its stakeholders. In the study, Nestlé did not specify employee rights as the other two companies did. What should be kept in mind though is that Nestlé as a multinational company faces difficulties having the same focus on each employee. The companies do include the social aspect in their work though.

5.3 Approaches to business ethics

5.3.1 Ethical utilitarianism

HIPP, Nestlé, and Semper believe in a future improved by corporations taking responsibilities for their actions, in line with ethical utilitarianism. The earth becomes a better place by taking the right actions (Werhane & Freeman, 1997). By taking responsibilities, basic values get fulfilled. When maximizing the values, welfare will be created (Smart & Williams, 1973). HIPP constantly tries to find new ecological ways to improve its ethical work and profile to maximize value, while Semper works hard towards improving the local environment in Sweden to gain customers' trust. Semper also takes international actions, by discussing indirect ethical questions that are occurring abroad. Nestlé, in line with Farrell et al. (2002), believes that to be considered ethical, the company also needs to make analysis of costs versus benefits for its stakeholders. This process is carried out by stating all investments, to be able to confirm that they are good for the country. Therefore Nestlé sees its impact on society. The companies take ethical utilitarianism into consideration in their work to be regarded ethical. Furthermore, the companies have a belief in doing what is right for the companies, also has to be right for the society.

5.3.2 Ethical relativism

The companies state that the message they want to communicate to their stakeholders is the same, independent on country, and culture. Nestlé has faced several situations where it has been difficult though, as a consequence of government differences for example. These situations occur due to cultural differences, and since the view of ethics vary in different countries (Beauchamp & Bowie, 2004). Since Nestlé's is operating worldwide, it is more likely that these situations occur to Nestlé, in comparison to HIPP and Semper, according to the authors. Moreover, Beauchamp and Bowie (2004) emphasize the goal setting as an important moment in the process of being considered ethical. These goals should exist to work towards, even if they may not be reachable in practice. HIPP, Nestlé and Semper agree. Decisively, the companies also consider ethical relativism when working towards an ethical profile.

5.3.3 Ethical decision making

The companies go beyond the law when making decisions, and they put a lot of effort and work hard to practice their ethical profile. When looking at the Venn diagram from Carroll and Buchholtz (2003), the authors conclude very convinced that the three companies can be classified to stay within the first area; profitable, legal, and ethical when making their decisions. The companies are therefore in the ultimate phase when making decisions, taking all responsibilities in consideration. The main reason is again, according to the authors, due to the market in which the companies operate on where it is crucial to have an ethical focus.

5.4 Motives for business ethics

5.4.1 Stakeholders

When a company takes the decision to act in a more ethical manner, it is important to consider what motives the company has for acting like this. Has the company chosen to act ethical dependent on its own profitability, or is the standpoint made owing to its opinion (Carroll & Buchholtz, 2003)? HIPP states that the motives for acting ethical are due to the

environment and the responsibilities for the future. Furthermore, Semper claims that the product and the company profile is the strongest motive why the company considers ethics. Nestlé declares that the company has operated in business for more than 160 years. The company aims to be in business for at least another 160 years. The standpoints vary, even though the companies have chosen to act ethical because they care. The companies take the external factors into account to a large extent. According to Bern (1993), it is the corporation which has the greatest influence in affecting the development of society's sustainability. HIPP agrees with this statement, while Semper claims that both the company and the industry have a responsibility. Nestlé states instead that everyone is responsible for its actions. From the authors' view it is interesting to see the different views of the companies. Since both HIPP and Semper state the companies' responsibility, they can be considered more pro-active than Nestlé with its statement. If Nestlé would agree, the company could have greater influence because of its size in the market.

5.4.2 Customers motives

Schlegelmilch (1998) states, that a company is dependent on its behaviour in the public. The company will be prized or attacked if it makes something controversial in terms of ethics (Schlegelmilch, 1998). Semper states that ethics has strengthened its reputation towards its stakeholders, through perceived credibility of core values and brand. The company receives very good rankings from customers. Moreover, HIPP claims that the company has gained trustworthiness and respect from customers, by operating in an ethical manner. Nestlé creates value to its customers with the ethical approach. The companies have all strengthened their reputation by acting ethical. Panchak (2002) states that more customers become aware of ethics. This contributes to increased support from customers and gives companies the ability to strengthen their position in the market. The companies manage to benefit from their ethical profile at a customer level. HIPP can charge a higher price due to its company profile. However, it is not certain that the company can have a larger margin, because of its ethical profile. Semper believes that the company can have a higher price, mainly because of its reputation. The mark up of Semper's products is not larger due to its ethical standpoint though. Nestlé does not state specifically that the company can have a larger margin, even if the company claims that there is no contradiction between profitability and responsibility. The companies can charge higher prices depending on their ethical profile, which provides the customers with added value. How the companies have managed to add value can be compared with Toyota's success with its environmental friendly techniques. Since these techniques add value to the product, the customers are ready to pay premium according to Beslik (Edenholm & Westholm, 2006). However, it is not clear that the companies can have higher margins due to an ethical profile, since an ecological profile makes it more expensive to produce.

5.4.3 Employee motives

Nestlé states the advantage of attracting students from universities and to meet their aspirations, as a strong positive internal motive. This statement is also declared by Edlund (1999). Brooks (2004) states that; stakeholders are expecting that the company's actions should agree with their own opinions. Furthermore, the employees have to believe in these goals (Schlegelmilch, 1998). HIPP does only employ people with similar ethical standpoints to the company's core values. Moreover, the employees are loyal to the company. Brooks (2004) makes the strong statement that a company's success is dependent on its view of ethics. De George (1993) continuously claims that a company should presume a base of morality to make it possible to survive. Semper agrees and believes that its ethical profile has contributed to internal effects such as moral and solidarity. Both HIPP and Semper

mention that the employees perform better when they agree on the company's targets, which is supported by Philipsson (Edenholm & Westholm, 2006). The companies all state that ethics is a positive aspect for employees. While Nestlé is more focused on the recruiting aspect in the ethical work, HIPP and Semper instead consider improved performance among personnel, and loyalty among employees. What is especially interesting is that employees seem to perform better when they agree on the company's statements.

5.4.4 Shareholder motives

Brooks (2004) states, that long-term maximization of company's profit needs a good relation with its stakeholders. Nestlé agrees and states the importance of creating value for the shareholders as well as for the society. Shareholders who concur on this statement are according to Brooks (2004) called ethical investors. Semper has new owners, which purchased the company due to its strong reputation. Borglund states (Larsson, 2006), that a company obtains a better reputation due to its ethical standpoint, which is the case with Semper's new shareholders. Since HIPP is owned by its founders, it is difficult to state anything else than that the shareholders are satisfied with the company's standpoint. With these examples in mind, the ethical viewpoint of the companies has paid back from the investor's perspective, since the companies are all attractive for shareholders. This statement is furthermore stated by Borglund (Larsson, 2006), who argues that ethical firms have higher valuations than their competitors.

5.5 Implementation of business ethics

A company's success depends on its behaviour, according to Schlegelmilch (1998) and Beslik (Edenholm & Westholm, 2006). Ethics in Nestlé is implemented through principles, and through follow-up activities. HIPP's implementation of ethics starts with its new employees. By signing a contract, the employees agree on the company's standpoints. The implementation process in Semper is ongoing and there are no specific implementation plans. It is implemented indirectly through having parent friendly policies. Semper's idea of living its brand is supported by Jones and Kahaner (1995), who state that the employees have to understand the company's business, and they also have to live it. The implementation processes differs between Nestlé and the other two actors. When the mentioned companies integrate an ethical policy related to the work and the privacy of their employees, Nestlé instead uses principles which are evaluated later. Nestlé declares that the company has faced the same problems with other implementation processes. Semper has faced difficulties in terms of employment turnover together with a constant changing environment. HIPP only mentions that the company faced problems in the beginning, due to the disbelief among external stakeholders. The scepticism was likely dependent on lack of knowledge in the society, and the fact that mankind's affection on the environment was not well discussed. Pilgrim (2006) writes that companies have to find productive and non-productive activities. HIPP concurs, by refereeing to its suggestion boxes activity for improvements. This is a positive and productive activity, since the suggestions are constructed by people facing these difficulties. The companies all show that ethics can be implemented in different ways. They have faced minor difficulties, as in any implementation process. A reason why the process had been so trouble-free likely depends on the facts that all companies initially considered ethics.

5.6 Evaluation of business ethics

HIPP as well as Nestlé have their ethical statements in written form; as documents for their employees, on their homepage, as well as in the annual report. HIPP believes that by

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stating ethical goals in the beginning of each year, it is easier to be able to evaluate what has been achieved. The evaluation is made step by step in different reports. Even if HIPP and Nestlé state the importance of evaluating, the authors have not found any literature that states the same. No literature is mentioning how companies actually should practice their holistic ethical evaluations. MacDonald and Norman (2004) mention that it is common to evaluate ethics within the promotion tools that companies apply, but not how it should be done. An explanation why there is little information published about the assessment is probably its complexity. Without guidelines on how to evaluate, companies might face difficulties when carrying out the evaluation. If the information flow of evaluating ethics could be better, companies would have greater chances to do successful evaluations. HIPP and Nestlé believe that ethical performance is best evaluated by stating goals in advance, and work towards them. Semper on the other hand believe that its ethical evaluation could be referred to its evaluation of the core values instead (trustiness, safeness, quality, and competence). The internal evaluation of Rådda Barnen could however be seen as part of its ethical evaluation since this is an ethical standpoint and action that the company has made. The external evaluation of the brand is also part of an ethical evaluation, since the company's actions in an ethical matter are measured. Even if Semper has an unwritten vision, the authors believe that the company does parts of an ethical evaluation, if not an entire. Nestlé uses monitoring and auditing systems when evaluating its ethical actions internally, including the management standards. For its CSR evaluation the firm involves external resources. Lastly, Nestlé also evaluates its investments, actions, and measurements. All evaluations take place annually, and are cost effective. HIPP agrees with Nestlé that the evaluation is cost effective, while Semper believes that it is difficult to say even if it is included in the company's investments. MacDonald and Norman (2004) believe that the difficulty of evaluating ethics' origin from the fact that ethics is really difficult to measure. Companies should evaluate their ethical performance in order to receive useful information according to the authors. HIPP agrees and states that it brings a confirmation of the company's way of living. It is also important to evaluate internally as well as externally, to be able to present what kind of ethical standpoints and actions have been practiced within the organization.

6 Conclusion

In this part of the thesis, the conclusions are presented by composing the analysis and by drawing conclusions. These conclusions answer the problem questions stated in the introduction chapter.

Ethics is important for companies for several reasons. By applying ethics into businesses, the social and environmental aspects are getting more focus. It is companies' responsibility to work towards a sustainable future. When focusing on ethics in a business context, it is most likely that stakeholders recognize the company as a serious actor. This is due to the ability to communicate safeness and trustiness through the concept. Therefore ethics can be seen as a method for companies to profile themselves. Since ethics goes beyond law and regulations, companies can differentiate and work toward higher standards to improve their sustainability in the future.

Core components that the authors would like to include in the practice of ethics are; opportunity, complexity, solidarity, social and environmental responsibility, external and internal measurable goals to work towards, competitive advantages, and favorability.

By including social and environmental aspects in a business context, there is a lot of benefits. Through stating goals within these focuses, companies find it easier to control their actions. By practicing the social and environmental aspects, companies improve their procedures. An important outcome of applying the social aspect is loyal employees. The result of adding environmental control to production is a trustworthy product in the market, and less affection on the nature. These are two examples of great benefits that companies can gain from social and environmental practices. Conclusively, companies gain competitive advantage overall.

To be considered ethical, companies need to practice different ways of thinking. It is important for companies to take responsibility beyond the law, and do the right thing towards a sustainable future. The world will benefit from companies setting and fulfilling social and environmental goals. If companies state their ethical investments, it is possible to show what impact they have on society and environment. Companies need to be able to communicate their message well to different countries and cultures, to make customers understand in which way they are ethical. If companies also discuss difficulties and issues within ethics to find new ways to be ethical, they could be considered as even more ethical.

Companies can strengthen their reputation by being ethical in several ways. They have different motives of ethics, but what is common is that they want to create values for their stakeholders. This includes providing trustworthy products to customers, creation of better work conditions for employees, and engagement for a more sustainable society to attract the right shareholders. These examples are fulfilled when companies take responsibility for the future by considering social and environmental aspects. By working in an ethical manner, and by fulfilling core values, stakeholders will become loyal and supportive.

Ethics can be implemented in different ways and on different levels. Stating principles and values are a start for companies and then work towards these in an ongoing process. Companies' policies should be communicated to their employees, by providing contracts with ethical statements as an example. Productive as well as non-productive activities are another way to implement ethics, and are best done by including the employees.

Companies' ethical performance can be evaluated, even if this area is still less explored in literature. Ethical goals set by companies in the beginning of the year can be evaluated by auditing and monitoring the effort done during this year. Specific projects, evaluation of

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core values, and evaluation of investments are examples of such efforts. This process is supposed to take place systematically during the year. The results should be reported continuously through the process. By doing this, companies can follow the development of the evaluation. Moreover, the evaluation should be made both internally and externally to get as fair outcome as possible.

7 Discussion

In the discussion chapter the authors reflect over the thesis. Critique of study is discussed, and lastly, the authors make suggestions for further research.

7.1 Authors reflections

Completed conclusions of the thesis show that even if ethics can be described with a number of core values, there is no universal definition of the concept. This contributes to a wide range of interpretations of the phenomenon. This means that ethics is not limited to be used in certain areas only. Instead it can be implemented in every task a corporation undertakes. Therefore it is more important to concentrate on the meaning of the concept, rather than the definition of it. Still, the core components should not be overlooked. Instead they should be considered as elements that need to be understood and included when considering ethics.

No authors or any of the companies agree with Beckius' (2006) controversial definition. It could therefore be seen as a contradiction to most other stated definitions in this thesis, since it does not include the same values as other definitions. It is particularly interesting to compare it with Bern's (1993) view that states that companies have the greatest influence to carry out the process to a more sustainable environment, and accomplish this and not just to state it. What can further be stated against Beckius' (2006) statement is the view of Larsson (Larsson, 2006) who claims, that companies which are acting ethical have a higher valuation. With these statements in mind, the authors of this thesis are quite skeptical to the rather egoistic statement made by Beckius (2006); that it is more important to be seen ethical than what a company actually does.

Motives to be ethical seem to be an area, both for the corporations as well as for the literature, which would gain from being further explored. When developing more defined motives, companies should include both internal and external directives in general. Afterwards every company needs to define what is most important to be fulfilled by them. The motives should be the starting point to become ethical. Corporations should consider these as motivation factors for their employees. It is important to understand that internal and external motives are related, and should not be confronted separately. Several internal motives will affect the external ones, and vice versa. By creating an ensemble, the authors believe that the benefit would be greater. For example it would improve the communication of ethics to all stakeholders, as well as within the organization. Benefits from increased communication could be; understanding, knowledge, value creation, and increased motivation. This should be something that every single corporation should strive for.

HIPP, Nestlé and Semper are all unique companies, by including ethics from the very inception. It has always been a core value for them. This means that their knowledge about ethics in comparison to other companies is larger, and the concept is integrated in many different components. Even if some parts of ethics are costly to implement in a corporation, there are many which are not. This is something that should appear more in the media to encourage even more ethical implementations. By considering ethics from the start, the companies in this study have been able to implement the ethical perspective gradually. Ethics has always been part of their strategy. As an enterprise it can be difficult to start by including all ethical aspects, due to costs and lack of knowledge. The implementation of ethics needs time. It has to be done step by step.

Evaluation is yet another area within ethics that is barely discussed in literature, if at all. If evaluation would be a greater part of ethics it would get more attention, and it would be easier to show the value of ethics. If there would be measurements, as there is for evaluation of promotion tools, it would be easier to prove the importance of ethics in a more defined manner. This thesis does only look into the baby nutrition market, and it is therefore hard to analyze companies in general. Baby nutrition is a sensitive product, and consequently demands ethical behavior to a greater extent than other markets. It can therefore be concluded that baby nutrition companies likely evaluate to a greater extent, than other companies. Is it a problem that companies do not evaluate ethics? From the authors' perspective, it definitely is, since it restrains the development of the concept to be spread worldwide. Would the information flow be greater if companies did evaluate their ethics? Probably yes, due to the more environmental aware world today.

Thanks to organizations like Greenpeace, Fair Trade, KRAV, and WWF, ethics becomes more discussed in the media and public debates. Their effort to evaluate different companies' ethical actions, and their way of giving companies credit that work in an ethical way, give even more reasons for corporations to work in an ethical manner. Therefore, organizations get motivated to work towards an ethical future. To receive recognition of respectable organizations as just mentioned should be a motivation factor to any company. Even if the companies evaluate their ethical actions to different extent, there is evidence of a need for more information on how evaluations of ethics should be made. Furthermore, if there would be more literature and information in general, a lot more companies would evaluate, and to a greater extent. Generally, there exist problems within evaluation due to the difficulties to interpret the concept of ethics, and the differences in motives. Therefore there are no universal methods to evaluate ethical performance, and instead the companies carry out their evaluations in the sense that they believe is the best way. The motives for the companies to be ethical do not seem to be the reason for what information the companies wish to receive from evaluating ethics. In common, all the companies generated useful information from their evaluations that helps to improve their future work effort within ethics. Surprisingly, all companies in the study perform evaluations to a greater extent than the authors had expected. Even though the authors expected that businesses operating in the baby nutrition market actually do this to a greater extent than in other markets.

7.2 Critique of study

Throughout the process of this study many decisions have been made. These decisions are believed to have been made correctly. There are a small number of decisions that have been more problematic.

Critique that could be identified after completion of this study is the sample size of the respondents. By only making three interviews, even if they cover the entire Swedish baby nutrition market, it is hard to generalize conclusions to companies in other markets. Still, the thesis actualizes a present problem with an outcome of numerous interesting conclusions. Although, the thesis might have limitations since only corporations on the baby nutrition market were interviewed.

Another critique of the study from the authors' point of view is whether the information from the interviews is correct or not. Since the companies gain by confirming and stating their ethical actions, it is possible that the information may be biased. This is of course hard to control, since the authors could not control the respondents' answers. What can be

stated against this critique is that companies acting ethical may be more honest when answering.

Lack of time and difficulties to get in contact with the companies contributed to the fact that interviews with respondents could only be made on one level at each firm. Interviews with employees at different levels could have given more comprehensive information.

Since the frame of reference needed long time to conduct, due to the subject's complexity, there was no time for the authors to revise the interview guide prior to the interviews in the extent as they wanted.

During the work with the frame of reference, the authors realized that ethics as a concept is far more complex and extensive than expected. This has contributed to the difficulty to narrow down the purpose. Since literature about ethics is a lot less comprehensive then it seemed to be before constructing the frame of reference, it became difficult to specialize further than the authors wanted. If literature about ethics would have been more extensive, it would have opened an opportunity to be more specific in its purpose. It is therefore a great challenge to undertake a thesis within such a complex and unexplored subject area.

7.3 Suggestions for further research

Several new ideas of future studies have arisen during the construction of this thesis. The following suggestions were the most interesting;

- *Carry out the same type of research, but on a different market.* If the baby nutrition market instead would be exchanged with a market where ethics was not considered from the start, the empirical findings would probably be different. The petroleum market is a good example. This is a market that has been unethical from the beginning. However, with pressure from society it has been forced to work towards an ethical profile. It would be interesting to research how it differs from a market where ethics is a core value.
- *Comparison of an ethical and an unethical firm.* By comparing an ethical company with an unethical company, the contrast would become stronger and more obvious than studying companies with the same profile. It could also contribute to suggestions on how the unethical company could improve, and why it should improve. It would also be of interest to gaze at the success factors; what is it that makes the unethical company able to stay attractive in the market, if ethics is not included?
- *Evaluation of ethical performance.* The evaluation of companies' comprehensive ethical performance seems to be an area within ethical studies that is not well explored. Little literature within this subject was found during the literature studies. The area has unlimited opportunities to explore in all directions. There is a need of knowledge in this area, according to the authors. By gaining new knowledge, it would be easier in the future to describe the value of an included ethical profile for businesses.
- *Quantitative study.* If the study's empirical findings would be based upon a large number of respondents, for example employees, the information would be more comprehensive. It would strengthen the perspective and the result of the study. The questions would have been differently formulated, which would have affected the outcome.

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- *Study by mission.* Another way to examine ethics could be to look into a real case scenario. Based on a mission from a corporation, it would be possible to investigate closer and to find specific situations. This proposal of study could be made with a qualitative as well as a quantitative method approach.
- *Ethics as an instrument.* No literature found mentions ethics as an instrument to communicate or to be used to improve good corporate citizens. This is another area where the authors find research potential. If word of mouth can be seen as a promotion tool, why cannot ethics?
- *Live its brand.* For companies aiming to benefit from their ethical profile, it is of great importance to live its brand. It would be interesting to study a company with a stated ethical profile, where the media has found a contradictory picture. One concrete example could be ICA. The company has an extensive ethical policy written on its homepage. In opposite to the company's policy the media has found out though, that the company has suppliers in India which produce sheets, towels and cloths under inhuman circumstances.

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Appendix 1 Intervjuguide för HIPP & Semper

Telefonintervju

Datum:

Företag:

Svarandes namn:

Presentation: Vi kommer från Internationella Handelshögskolan i Jönköping och läser fjärde och sista året på Internationella Ekonomiprogrammet och tar vår examen denna termin. Under hösten skriver vi vår Magisteruppsats, som alltså går ut på att undersöka hur företag kan dra fördel av att applicera företagsetik inom företaget. Detta är gjort genom att jämföra teoretiska studier och empiriska insamlingar

Generell företagsinformation:

- Antal anställda?
- Den intervjuades namn och position?
- Verksamhet?

Frågeställningar:

Koncept:

Vad är etik inom HIPP?

Varför är etik viktigt för HIPP?

När började HIPP ta in etiska aspekter i sitt arbete? Fanns det någon orsak för detta?

Har HIPP:s syn på etik förändrats sen etikens genomslag under sent 80-tal, början på 90-talet? Om ja, hur och varför?

Triple bottom line

Varför har HIPP valt att vara etiska?

Vad har HIPP tagit för etiska ställningstaganden?

Har etik förändrat HIPP:s arbetssätt inom företaget? Om ja, hur?

Har barnmat, som en av HIPP:s produkter, någon betydelse för företagets etiska initiativ? Anser HIPP att barnmat är en känsligare marknad än andra branscher?

Förutom vinst, inkluderar HIPP även miljömässiga och sociala mål?

Approaches:

Använder HIPP olika etiska budskap i olika länder beroende på kulturskillnader?

Hur agerar HIPP praktiskt i det dagliga arbetet inom företaget för att vara etisk?

Appendix

Var någonstans i organisationen ligger HIPP's huvudsakliga etikfokus?

Motiv:

Vilka motiv har HIPP med att vara etiska?

Vad vinner HIPP internt på att vara etisk inom företaget?

Vad vinner HIPP externt på att vara etisk inom företaget?

Tjänar HIPP monetärt på att vara etisk? Om ja, hur då?

Hade HIPP varit lika lönsamt utan sin etiska profil?

Hur viktigt är etik för HIPP's anseende gentemot företagets intressenter (främst: aktieägare, anställda och kunder)?

Var någonstans på marknaden anser HIPP att det yttersta etiska ansvaret ligger (kunderna, företaget, branschen, lagstiftaren)?

Stärker HIPP sitt anseende mot sina intressenter med sitt etiska ställningstagande? Om ja, hur?

Hur förändras värdet på produkterna genom HIPP's etiska profil?

Kan HIPP ha större marginaler genom att vara etiska?

Är etik en av HIPP's framgångsfaktorer?

Implementering:

Hur har HIPP implementerat etik i organisationen?

Vilka svårigheter har HIPP stött på under processen av implementering?

Utvärdering:

Finns HIPP's etikfokus på pränt (i årsredovisningen, i dokument som nyanställda får, på hemsida, i annonser som slogan)?

Utvärderar HIPP sina etiska insatser? Om ja, hur?

Om ja, hur ofta utvärderar HIPP sina etiska insatser?

Om ja, görs HIPP's utvärdering internt eller anlitas externa resurser?

Om ja, är utvärderingen kostnadseffektiv?

Om ja, vad är värdet av en utvärdering för HIPP?

Har HIPP fått någon utmärkelse inom etik?

Avslutning:

Tack för HIPP's deltagande

Appendix 2 Interview guide for Nestlé

Telephone interview

Date:

Company:

Respondents name:

Presentation: We are students from Jönköping International Business School where we are studying our fourth and last year at the International Business Administration program, and we graduate this semester. We are writing our Master thesis during this fall, with the purpose *to examine how companies can benefit from practicing business ethics within their organizations, by comparing theoretical studies and empirical findings.*

General company information:

- Number of employees?
- Name and position of the respondent?
- What is the business?

Interview Questions:

Concepts:

What is ethics within Nestlé?

Why is ethics important for Nestlé?

When did Nestlé start to consider ethical aspects in its work? Was there any reason for this?

Has Nestlé's perspective of ethics changed since the major development of the concept during late 80's and early 90's? If yes, how and why?

Triple bottom line

Why has Nestlé decided to be ethical?

What ethical standpoints has Nestlé made?

Has ethics changed Nestlé's way of working within the organization? If yes, how?

Has baby nutrition, as one of Nestlé's products, any effect on Nestlé's decision to become ethical? Does Nestlé consider baby nutrition as a more sensitive market than other industries?

Except monetary goals, does Nestlé also include environmental and social goals?

Approaches:

Does Nestlé approach different countries with different ethical messages, depending on cultural differences?

Appendix

How does Nestlé act in a practical matter within the organization to be ethical (in the daily work)?

Where in the organization is Nestlé's main ethical focus?

Motives:

What motives does Nestlé have with business ethics?

What are the internal benefits of being ethical within Nestlé?

What are the external benefits of being ethical within Nestlé?

Does Nestlé gain monetary profit by being ethical? If yes, how?

Would Nestlé's be as profitable without its ethical profile?

How important is ethics for Nestlé's reputation towards the organizations' stakeholders (mainly customers, employees, and shareholders)?

Where in the market does Nestlé believe that the main ethical responsibility is (customer, company, industry, law and regulation institution?)

Is Nestlé strengthening its reputation towards its stakeholders by its ethical standpoint? If yes, how?

How does the product value change through Nestlé's ethical profile?

Can Nestlé have larger margins by being ethical?

Is ethics one of Nestlé's success factors?

Implementation:

How has Nestlé implemented ethics within the organization?

What difficulties has Nestlé faced during the implementation process?

Evaluation:

Does Nestlé have its ethical focus in writing (annual reports, in documents to newly employed staff or in advertisements)?

Does Nestlé evaluate its ethical standpoints within the organization? If yes, how?

If yes, how often does Nestlé evaluate its ethical performance?

If yes, is Nestlé's evaluation being done internally or are external resources applied?

If yes, is the evaluation cost-effective?

If yes, what is the value of an evaluation for Nestlé?

Has Nestlé received any honor for being ethical?

Completion:

Many thanks for your participation

Appendix 3 Timeline for the thesis

20 of August – 21 of September

Choice of research area

Research and study of area chosen

22 of September

Seminar 1 – Purpose under discussion

22 of September – 15 of October

Research, background, problem discussion under construction

16 of October – 22 of October

Research for method, contact companies, construct interview guide

19 of October

Seminar 2 – Focus on introduction. 5-8 pp written report

23 of October – 29 of October

Method and frame of reference research

30 of October – 5 of November

Method and frame of reference research

Potential interviews conducted

6 of November – 12 of November

Method and frame of reference research

Data from interviews analyzed

14 of November

Seminar 3 – Focus on frame of reference and method. 15-20 pp. written report

13 of November – 19 of November

Empirical studies

20 of November – 26 of November

Empirical studies

23 of November

Semper Interview

27 of November – 3 of December

Analysis and end discussion

Appendix

4 of December – 10 of December

Analysis and end discussion

11 of December

Seminar 4 – Almost finished manuscript presented. Analysis work finalized.

11 of December – 17 of December

Finalization

18 of December – 21 of December

Preparation for presentation

10 of January

Final presentation

Appendix 4 Quotations

For every complex problem, there is a solution that is simple, neat and wrong

H L Mencken

The winner of any corporate competition is the company whose moral purpose best fits the prevailing environment and assets

Nikos Mourkogiannis, management consultant in Strategy + Business, Issue 41, Winter 2005

The value of life is not in the length of days, but in the use we make of them: a man may live long yet very little

Michel de Montaigne 1533-1592, French writer and philosopher

A business that makes nothing but money is poor kind of business

Henry Ford 1863-1947, American industrialist

There is one and only one responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of game

Milton Friedman 1912 – American prominent economist advocate for free markets 1976 Nobel price for economics

The only sustainable competitive advantage is the ability to learn faster than the competition

Arie de Geus, Dutch writer, author of The Living Company

Treating people with respect will gain one wide acceptance and improve the business

Tao Zhu Gong 500 B.C., assistant to the emperor of Yue, 2nd Business Principle

In a knowledge economy, a good business is a community with a purpose, not a piece of property

Charles Handy, Harvard Business Review, December 2002

After all, everybody only hears what he understands

Johann Wolfgang von Goethe 1749-1832, German poet and nature philosopher

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