Morals in business organizations: an approach based on strategic value and strength for business management

La moral en las organizaciones empresariales: un enfoque sobre su valor y fortaleza estratégicos para la gestión empresarial

Pablo Ruiz Palomino[1]
Alexis J. Bañón Gomis[2]
Carmen Ruiz Amaya[1]
Universidad de Castilla–La Mancha (España)

Resumen:

Durante las últimas décadas, la ética empresarial ha atraído un gran interés tanto a nivel académico como profesional. En la actualidad, la ética empresarial está siendo crecientemente implementada como disciplina necesaria en los planes de estudio sobre gestión empresarial de las universidades. Además, se evidencia su importancia con el incremento experimentado a nivel mundial de organizaciones e instituciones que han implementado sistemas de ética. Sin embargo, algunos enfoques de pensamiento que todavía se encuentran guiando las acciones y la forma de pensar de muchos académicos y profesionales no consideran la importancia y la necesidad de un comportamiento ético por entender que la única responsabilidad de la empresa se encuentra limitada a la maximización de beneficios. Después de analizar y debatir los postulados de esta línea de pensamiento, este trabajo concluye que las empresas tienen la responsabilidad de comportarse éticamente. Esta responsabilidad no implica exclusivamente servir y ser justo con los accionistas como los únicos actores sobre los que responsabilizarse sino el reconocer otros actores en escena, los grupos de interés, para construir una base sólida sobre la que las empresas puedan operar satisfactoriamente en el mercado. La implementación de un sistema de gestión ético (en adelante, SGE), puede contribuir a la generación de una cultura ética y a la mejora de la calidad moral de la organización. Como consecuencia, junto al tan anhelado "mejor lugar para trabajar" por parte de la Alta Dirección se puede mejorar la reputación frente a los grupos de interés, lo que redunda en la creación de valor para la empresa.

Palabras clave:

---

[1] Departamento de Administración de Empresas, Universidad de Castilla-La Mancha, Facultad de Ciencias Sociales, Avda. de los Alfares, 42; Cuenca, C.P.: 16071, España. Pablo.Ruiz@uclm.es, Carmen.Ruiz@uclm.es

[2] IECO, Fundación COSO, Calle del Mar 26, 2º 4º, Valencia, C.P.: 46003, España, abg@icav.es

Abstract:

In the last decades, the topic of business ethics has attracted great interest at the academic and professional levels. Nowadays business ethics is being increasingly implemented as a necessary discipline in universities' study plans on business management. Moreover, its importance is also evident according to the worldwide increase of organizations and/or institutions that have implemented ethics systems. However, some approaches thoroughly do not consider the importance and the need of an ethical behaviour and are still guiding the actions and the way of thinking of many academics and professionals led to consider that the only responsibility of business is limited just to profit maximization. After analyzing and debating the postulates of this line of thought, this paper concludes that the companies bear the responsibility of behaving ethically. This responsibility does not exclusively imply serving and being fair to its shareholders as the only actors to care about. Its fulfilment requires the recognition of other actors in scene, its stakeholders, to constitute a consistent basis on which companies can satisfactorily operate in the market. The implementation of an ethical management system (from now on EMS) can contribute to the generation of an ethical culture and to the improvement of the moral quality of the whole organization. As a consequence, together with the achievement of the desired Top Managers "best place to work", the corporate reputation related to its stakeholders can be improved redounding in the value creation for the company.

Keywords:

Ethics, Ethical Management System, Responsibility, Strategic Strength, Value Creation.

1. **INTRODUCTION**

From the very moment professions and economic-business activities started, the need of ethical considerations within the professional and business fields is a clear issue (Vogel, 1991). Certainly, just as many other scholars (Max Weber, Karl Marx, Albert Hirschman, etc.), Adam Smith already appreciated the relevance of ethics in his works on economy[1]. However, the topic of ethics in business has never before received so much academic and professional attention as it does nowadays. It is a topic that recently has acquired a special attention in the eyes of society due to recent numerous businesses ethical lapses (Union Carbide's Bhopal incident, Arthur Andersen debacle and the Enron, WorldCom, Tyco and recently Countrywide ethical failures) that have dramatically damaged the social trust in the business community, reflecting harmful consequences of unethical behaviour on society's welfare.

Indeed, during the last decades it is possible to appreciate a generalized climate of mistrust in society dealing with the business world. The generated mistrust has progressively become deeply rooted in society thanks to the information of the media about cases of damages caused by companies to employees, customers, shareholders and, ultimately, society. As a consequence, society has started to respond to all these moral abuses with a greater NGOs (lobbies) activism; less sensitiveness to price from products coming from ethically responsible companies (FORÉTICA, 2004; 2006); a greater number of investments in ethical and social funds (De la Cuesta et al., 2002) and more rigid and newer laws promoting social responsible behaviours (i.e. in relation to safety and hygiene in the work place, in environmental affairs, etc.).

Nevertheless, not all business professionals and academics have shown the same interest in this regard. A significant range of academics consider ethics as an external influence that does not directly affect general business operations and, therefore, they do not recognize the importance of ethics in the business world. In other words, their economic rationale is not complemented with a perspective founded on the idea that any business action is done with, by and for persons. This approach is supported by statements -such as "*there is one and only one social responsibility of business ... to increase its profits... within the rules of the game*" (Friedman, 1970, p. 126)*, "the ethics of business are not those of society, but rather those of the poker game*" (Carr, 1968, p. 143) or "*business must fight as if it were at war ... and above all, not morally*" (Levitt, 1958, p. 50)- made by important academics who do not necessarily refuse ethics in business but have an incomplete comprehension of it because they either associate the literal respect of the law with ethics (Levitt, 1958); or they understand business rules as different to other areas (Carr, 1968); or they generate incorrect frameworks of business and ethics (Friedman 1970); etc.

Although many things could be said in this regard, due to the purpose of this paper we are not going to offer a deep study of all the different business ethics approaches. We aim to indicate that these incomplete approaches can negatively serve as a behavioural guide for many practitioners, playing an important negative role for the improvement of the so

---

[1] Hirschman, A. (1973): *Saída Voz e Lealdade*. Sao Paulo: Editora Perspectiva; Marx, K. (1845-46): *The German Ideology*. (English translation, New York: International Publishers, 1947); Smith, A. (1790): *The Theory of Moral Sentiments* (reprinted, Oxford: Clarendon Press, 1976); Weber, M. (1930): *The Protestant Ethic and the Spirit of Capitalism*. London: Allen and Unwin.

desired ethical quality of the business sector. The role of ethics can be misunderstood or/ and seen as an instrument if it is not properly site in the business action. In preceding paragraphs, we have putted forward the importance of considering the economic rationale and the ethical one without emphasizing the relevance of an understanding of these key elements in their unity and integrity. It is important to state that the economic rationale deals with the efficacy and efficiency of the action; and the ethical rationale with its actors, in other words, with every person involved in the business action which includes the ones directly involved –passive and active- and the indirectly involved–the rest of stakeholders-.

The controversy on the factual responsibility of business organizations in relation to ethics generates different moral levels inside the business sector. Sound additional contributions are necessary to shed some light on the different ways business ethics are understood and interpreted but, also, on the practitioners' motivation in taking the topic of ethics seriously. To be useful in that purpose, this paper mainly tries to analyze and review the existent different theoretical approaches in the literature and in the different lines of thought related to this subject. In other words, we attempt to elucidate if being ethically responsible is necessarily a negative charge for business organizations as some other important academics seem to have supported (e.g. Levitt, 1958; Carr, 1968; Friedman, 1970). We sustain that, very frequently, behaving ethically can have positive consequences in the strategic strength of organizations. In order to do it, an explanative theoretical model -focused on an EMS- will be delineated and discussed, to finally lead to significant conclusions and implications for business practitioners.

2. THE RESPONSIBILITY OF BUSINESS: "PROFIT-MAXIMIZATION" VERSUS "SATISFICERS"

The issue of whether the company is morally responsible for its actions has been widely debated in the literature of business ethics (Velasquez, 2003). Although the predominant idea among scholars supports that the company holds such responsibility (e.g. French, 1979, 1992; Donaldson, 1982; Rafalko, 1989; Phillips, 1992), there is still an open discussion (Velasquez, 2003). Indeed, an important number of scholars follow totally divergent approaches guided by influential scholars' thoughts (e.g. Levitt, 1958; Carr, 1968; Friedman, 1970; May, 1992; Henderson, 2001), also supported by practitioners arguing that only those agents possessing characteristics such as free agency, consciousness, intentionality and corporeality can be considered morally responsible (Silver, 2005). Based on that assumption, corporations cannot be charged with moral responsibility because: they can not fall into a state of guilt or suffering (Velasquez, 1983); they are unable to originate an action by themselves, due to their lack of free agency which impedes them from acting freely or autonomously (May, 1983); and they neither have bodies nor intentional states such as beliefs and desires (Silver, 2005). Founded on those elements, the dominant guide of economists and business practitioners state that companies are exclusively accountable for maximizing profits, which is supported by the neoclassical economic principle of efficiency (Blaugh, 1992).

Indeed, as Friedman (1970) has affirmed, the pursuit of the highest profit is the company's primary objective and responsibility to be fulfilled, as long as it is only guided by the principle based on obtaining the best results with the possible minimum amount of resources. According to Friedman (1970), managers, as mere employees of the stockhol-

ders, have a direct responsibility to them basically consisting in making as much money as possible. This assumption allows to state that any use of resources for social purposes implies the imposition of an "illegal" type of tax on the company (Friedman, 1970) because society's general well being should rather be ignored (Levitt, 1958) or breaking market rules should be sometimes necessary (Carr, 1968).

However, these assumptions misinterpret the real essence of the neoclassical principle of efficiency. As profitable companies, business must be cost-effective to persist in time terms but it does not mean that the company's social dimension must be ignored. In fact, the concept of efficiency can not be only understood in its narrow sense –as an exclusively economic efficiency-, it has to be understood in its broad meaning due to the fact corporations are constituted by a group of people. Businesses, as organizations conformed by a group of people, are integrated by members of society (Solomon, 1992; Treviño and Nelson, 2004). Thus, their actions must be in agreement not only with shared social values (Cortina, 1994) but also with ethical values (Guillen, 2006). Furthermore, nowadays, business operates according to the conditions imposed more than one century ago when society decided to eliminate business restrictions (Schrader, 1987). As a result, and in agreement with today's dominant perspective, a business cannot be considered the exclusive property of its shareholders but rather a social institution which is also responsible for the rest of the company's stakeholders (i.e. employees, customers, suppliers, creditors, government, community and any other with an interest in the company) (Freeman, 1984; Frederick et al., 1992; Fontrodona and Sison, 2006).

Apart from shareholders, profit making can be perfectly achieved acting rightly and also serving third parties (Drucker, 1984) without denying its essential role for the interests of the mentioned groups (Schrader, 1987). Based on Schrader's (1987) definition, we argue that the purpose of business is not only maximizing profits but also obtaining enough returns to preserve the different arising demands of its activity. The concept of business as "satisficer" of the interests of its different stakeholders is created (Schrader, 1987), implying to behave ethically as a sum of criteria, values and virtues guiding human behaviour in today's global system (Argandoña, 2005)[2], and not as a legal constriction -normally limited to specific regions- to comply with.

Reality shows that not all stakeholders necessarily share similar ethical views, aims, contributions and/or expectations revealing latent problems among those divergent ethical views. An application of ethics exclusively focused on its divergences can betray problems. However, in this paper we approach these differences by focusing on their convergences that see ethics as a key contributor, as a necessary element of long term coexistence in aspects such as justice, freedom, security, trust, etc. In that sense, when ethics is understood as indispensable for long term coexistence, the different approaches and potential problems persist but tend to mitigate.

In sum, business cannot be understood without the responsibility of behaving ethically. The idea that corporations lack the necessary characteristics to be considered morally responsible is not valid to justify moral irresponsibility in companies, especially when the

---

[2] Examples of universal ethical standards to follow are the ones proposed by international organizations such as OECD (2008) and the United Nations (UN), the latter through the Global Compact initiative (see http://www.unglobalcompact.org/).

organization's culture and structure of policies, rules and decision making are thought to absorb the employees' intentions and actions (French, 1992). A solid foundation for the attribution of moral business responsibility seems to conceive the organization as "satisficer" of all the stakeholders' needs.

3. **FACILITATING CORPORATE ETHICS: THE IMPLEMENTATION OF AN ETHICAL MANAGEMENT SYSTEM**

In previous epigraph we tried to determine if businesses are morally responsible concluding they are morally responsible. At this stage, we aim to contribute to the debate of how to achieve morally excellent corporate behaviour. This is not a trivial task since any action of an individual, no matter the difficulty of its control and management, may be considered as a corporate act by stakeholders. However, Top Management has at its disposal a wide number of organizational mechanisms to transmit and influence on its employees' behaviour and attitudes. Indeed, when all those tools of an organizational type are used together, they become a strong adhesive for the organizational culture which finally has a significant effect on the individual's behaviour. On the one side, the organizational culture serves to legitimize the ethical issue as an integral part of the corporative identity (Fernandez et al., 2003); and on the other side, the organizational culture -constituted through values, beliefs and assumptions- is a successful instrument to orientate and lead the ideology and daily behaviour of employees (Schein, 1992). As a result, all the mechanisms which are perceptible and useful to transmit values and beliefs (e.g. written documents, myths and stories, etc.) are thought to have a strong effect on the employees' ethicality, especially as much as they are methodically implemented with a clear ethics-laden objective. Those constitute the conditions to adequately implement an EMS.

Although any organizational mechanism is useful for transmitting ethics and having an influence on an individual's behaviour, the ethics consistency of the message is thought to be the key to successfully affect the employee's ethical behaviour. As some studies seem to overcome (e.g. Fontrodona and de los Santos, 2004), the sole interest in ethics is not enough but it is necessary to perform the adequate tasks in the most effective way. May be, the necessary piece to be an ethical performer is the commitment acquired in the EMS implementation because, on the one hand, it requires "*a set of internal rules…to standardize behaviour and monitor internal processes…*" (Argandoña, 2004, p. 45); and, on the other hand, it needs a rigorous control of all the organizational mechanisms (explicit, implicit, formal and informal) to optimally work. Indeed, it is not only crucial to have tools at the company's disposal (Argandoña, 2004) but to use them methodically in order to be useful for the purpose of promoting ethics (Weaver et al., 1999a). In other words, an integrated approach in the use of mechanisms is necessary to clearly communicate the employees a coherent message on ethics. Otherwise, the EMS would work only as window-dressing (Treviño et al., 1999), spreading cynicism among employees about the real purpose of the system and diluting, as a result, the company's ethical performance (Treviño and Weaver, 2001).

Indeed, when an EMS and specifically its organizational mechanisms are mainly misused for window-dressing purposes, its probable logical result is its moral failure (Sims and Brinkman, 2003). An EMS may be instrumentalized by companies for mere facade purposes

(Sims and Brinkman, 2003), due to the pressures/demands of societal institutions such as government agencies, the media and even fashion-setting members of the business community (Weaver et al., 1999b). As such, it is not enough with associating organizational ethics to mere explicit mechanisms such as codes, memos, bulletins, policy documents, etc. In order to be successful in getting an ethical company, it is necessary to walk the ethics talk (Sims and Brinkman, 2003; Treviño and Brown, 2004), surely by linking ethics to all organizational mechanisms, procedures and systems, etc. in the daily organizational activities (Weaver et al., 1999b), and really making them deeply embedded in the organizational culture (Stevens, 2009). Hence, the proper and successful development of an EMS is thought to require a true commitment of its (top/senior) leaders as this aspect becomes really essential to effectively get ethics embedded in every organizational procedure, system, practice, policy, etc.

In sum, the implementation of mechanisms such as codes of ethics, social accounts, standards and certifications is a necessary instrument although insufficient to achieve a complete integration of ethics. The accomplishment of its integrity implies a wide understanding of ethics as a concept which is present in any facet of the action. Therefore those explicit mechanisms have to be combined with the presence and consideration of implicit (e.g. systems of incentives, policy of promotion, performance appraisals, etc.) and informal ones (e.g. heroes, rituals, language, leader's role modelling, etc.) (Treviño and Nelson, 2004) through which the adequate development of the main steps to follow in the implementation of a successful EMS is achieved (see Figure 1).

Indeed, the first step is to manifest the interest for behaving ethically and establishing the ethical commitments with every stakeholder. In that sense, a code of conduct or any other written document[3] seems to be very useful.

The next step is to control and manage any process taking place, creating either an ethical committee or the figure of an ethical agent/ombudsperson. When such figures are not possible -small companies, economic restrictions, etc.- its functions can be carried out by human resource managers (Wiley, 1998; Van Vuuren and Eiselen, 2006).

The central part of the system is the specific objectives and actions that must be performed in order to achieve the planned results. At this stage the availability of information and resources for employees becomes an essential task, which can be accomplished implementing mechanisms –formal and/or informal, explicit and/or implicit- such as training programs, hotlines, reward/sanction systems, rituals, myths, stories, role modelling, bulletins and memorandums, among others. Probably, out of all the above cited mechanisms, the most important ones are those informally implemented and especially referred to the perceptible daily organizational behaviour of managers. Indeed, based on several theoretical perspectives *Role Set* (Merton, 1957), *Social Learning* (Bandura, 1986) and *Differential Association* (Sutherland and Cressey, 1970), manager's ethical role modelling is thought to represent a high impact on employees' behaviours (Mayer et al., 2009). Managers' behaviours are intended to be emulated because managers are seen as legitimate authorities (Merton, 1957) and very proximal to employees in terms of interaction (Sutherland and Cressey, 1970), surely conveying organizational living expectations and approved norms (Bandura, 1986; Brown and Treviño, 2006). Therefore, resting upon managers' role modelling to implement an EMS

---

[3] This instrument may adopt different names -codes of ethics, corporate creeds/credos, declaration of principles, statement of values, etc. - depending on each business organization (Guillen et al., 2002).

seems to be crucial to be successful, which is somewhat supported by previous research (e.g. Weaver and Treviño, 1999; Treviño et al., 1999) finding that a "values" approached EMS – mainly based on the instrument of manager's role modelling- (Treviño and Nelson, 2004) is more successful than the traditional "compliance" oriented EMS -exclusively based on formal instruments detecting, preventing and punishing ethical violations- (Treviño et al., 1999). Certainly, some of the above described formal mechanisms (e.g. training initiatives, hotlines, etc.) may be "values" oriented, especially if they are implemented to encourage the employees to voluntarily commit to stated organizational values (Treviño et al., 1999). However, employees more easily perceive that the EMS is "values" oriented if informal instruments are implemented and, especially, if ethical leadership is promoted at managerial levels (Treviño and Nelson, 2004), leading to consider "managers' role modelling" as a key instrument to succeed when implementing organizational ethics.

Finally, once those informative/communicative mechanisms have been adequately implemented, the ultimate step to follow is to periodically deploy external and internal audits obtained through the verification of the EMS' level of implementation and effectiveness. The development of this stage contributes to a successful fulfilment of the EMS' purpose due to the presence of its strictly necessary elements: commitments and improvements. Commitments can be fulfilled and openly communicated to all the stakeholders along with the necessary improvements for the optimal performance of the system (e.g. favouring more employees' personal and voluntary commitment and effort, implementing additional compliance and disciplinary procedures, etc.).

Figure 1

Stages for an ethical management system implementation
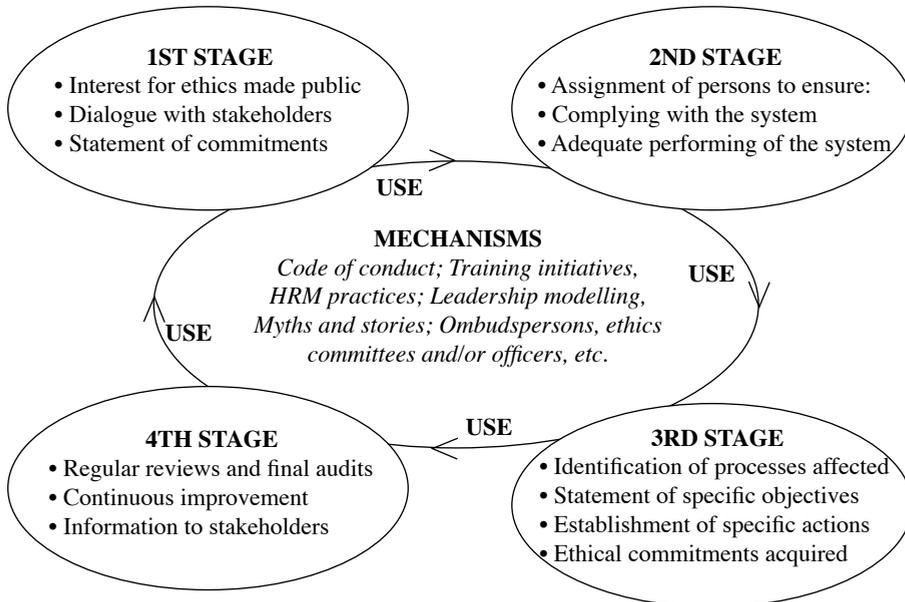
4. ETHICAL MANAGEMENT SYSTEM AND BUSINESS VALUE CREATION

According to the above mentioned ideas, it seems reasonable to consider that a successful implementation of an EMS constitutes an essential ingredient in fulfilling the responsibility of business to behave ethically. The main goal pursued by implementing an EMS into the company is to influence in the company's decision making to improve its performance in ethical terms. Possibly, as the EMS is successfully implemented the goal can be achieved or at least bitterly achieved. In fact, empirical research shows that practitioners are increasingly implementing ethics into organizations confirming this statement (Weaver et al., 1999c). However, it is interesting to note that, most frequently, practitioners seem to implement the EMS not only to achieve ethical improvements but also as a way to succeed in the market (Treviño and Nelson, 2004). Indeed, nowadays there is an increasing concern for moral excelling in business although self-interest is also guiding practitioners' attitudes and actions in this matter (Treviño and Nelson, 2004). Practitioners are increasingly motivated by the idea that ethics is an essential ingredient for today's business success because it is considered as a final value produced by and for the company (Guarnizo, 2006). In other words, they implement EMS because they expect to achieve not only a value that will provide a better external corporate reputation but, also, a good place to work.

4.1. Attracting value from an external perspective

The above epigraph showed us that seeking for moral goods is and can be compatible with searching for other types of goods. In fact, a corporation can be dramatically benefited by possessing a good moral corporate reputation (Treviño and Nelson, 2004). Indeed, based on its moral reputation, the company may attract value in many ways due to the greater confidence it inspires to stakeholders: facilitating the recruitment of the best human capital available in the labour market (Treviño and Nelson, 2004; Fombrun, 2001); having the disposal of greater financial funding than other companies, as participants of ethical and responsible funds of investment (De la Cuesta et al., 2002); having a lower cost than rivals (Fombrum, 2001); receiving favourable treatment by media and other social authorities (Fombrum, 2001); establishing a greater number of sales and production contracts (Treviño and Nelson, 2004, Fombrum, 2001). Together with the moral goods produced by being and acting ethically, all those are some of the many advantages an ethical company may receive in contrast to others without such a good moral reputation. Nevertheless, acting ethically is not enough in order to attain a good moral reputation. The ethical action must also be transmitted and communicated in order to be understood and accepted as such.

Hence, a successful implementation of an EMS becomes a company essential value generator ingredient to internally contribute to the organizational ethical culture and to externally transmit its values to stakeholders. On the one hand, such internal cultural contribution encourages and helps employees to achieve moral excellence in their professional and/or personal action and behaviour not just with colleagues but also stakeholders and, ultimately, it transmits good corporate governance. On the other hand, the EMS' imple-

mentation generates commitments to its ethical statements that can be made public and, at the same time, can allow the acquisition of a guarantee certificate of their accomplishment. Independent institutions such as SAI (Social Accountability International), ISO (International Organization for Standardization), or FORETICA[4] (certifier of good ethical and social responsibility management in Spain and other Spanish-speaking countries) are certifiers and guarantors of such commitments[5].

4.2. **Attracting value from an internal perspective**

An EMS can be seen as a facilitator of the cultural ethical transformation of the organization into the always desired and aimed ideal place to work (Treviño and Nelson, 2004). Indeed, individuals tend to feel involved in a pleasant climate to work when ethical principles and values dominate spheres related to the company's working life – such as working relationships; structure of tasks; objectives proposed; etc.-. Probably in such type of climates, individuals will not only face less internal conflicts and tensions (Melé, 1991) but also, and more important, basic human needs or values -such as solidarity, confidence or protection- will be more easily satisfied (García Echevarría, 1993). As a consequence, an organizational culture perceived to serve as an ethical value and a principle guide can become a necessary ingredient to achieve valuable attitudes and behaviours (e.g. motivation, satisfaction, loyalty, commitment, citizenship, creativity, productivity, etc.) of its individuals. On the one hand, when individuals not only feel their needs satisfied but also potentially satisfactory, they may feel highly motivated to work (García Echevarría, 1993). This seems to be empirically supported in different studies that find higher job satisfaction (e.g. Valentine et al., 2006); commitment to the company's success in the market (e.g. Treviño et al., 1998; Schwepker, 2001); intention to stay (e.g. Valentine et al., 2006); and citizenship behaviour among the employees (Podsakoff et al., 2000; Ehrhart, 2004). On the other hand, an ethical culture favours the employees to foster and experiment values in complex ways allowing key conditions for associability and trust, promoting organizational social capital (Melé, 2003; Pastoriza et al., 2009), and as a consequence, all types of behaviours and attitudes (e.g. collective knowledge, sharing of experiences and information, improvement of abilities, internal capabilities, creativity and innovativeness, etc.) favouring better employee assigned job performances and, also, a better market performance for the company (Dyer and Sighn, 1998; Nahapiet and Ghoshal, 1998; Becerra and Gupta, 2003).

[4] For a comprehensive understanding of this standard, please visit www.foretica.es

[5] Although there are several other international standards on ethics (e.g. AA 1000 and IES 100), this article has mainly paid attention to those issued by SAI and ISO, as the most proximal in assessing aspects related to ethical management. On the one hand, SAI has elaborated a standard (SA 8000) to establish criteria for ethical working conditions, and to serve as trainer, adviser and issuer on how to adequately implement and realize it (for more information, please go to www.sa-intl.org/). On the other hand, ISO has created an environmental management standard (ISO 14000) in order to issue a certification. An ISO standard on corporate social responsibility (ISO 21000) is also available, but it only contains voluntary guidance and not formal requirements, thus a certification is not possible in this subject (for additional information, please go to www.iso.org/iso/home.html).

4.3. A theoretical framework for business value generation

Together with the intrinsic benefit of acting ethically, the implementation of ethics is also a way to generate and to promote certain values of a company. In management terms, we propose to do it based on an EMS which is a strategic instrument for the company based on a theoretical value generator model capable to contribute positively to the organizational performance, see figure 2.

Figure 2

A theorical framework for business value creation
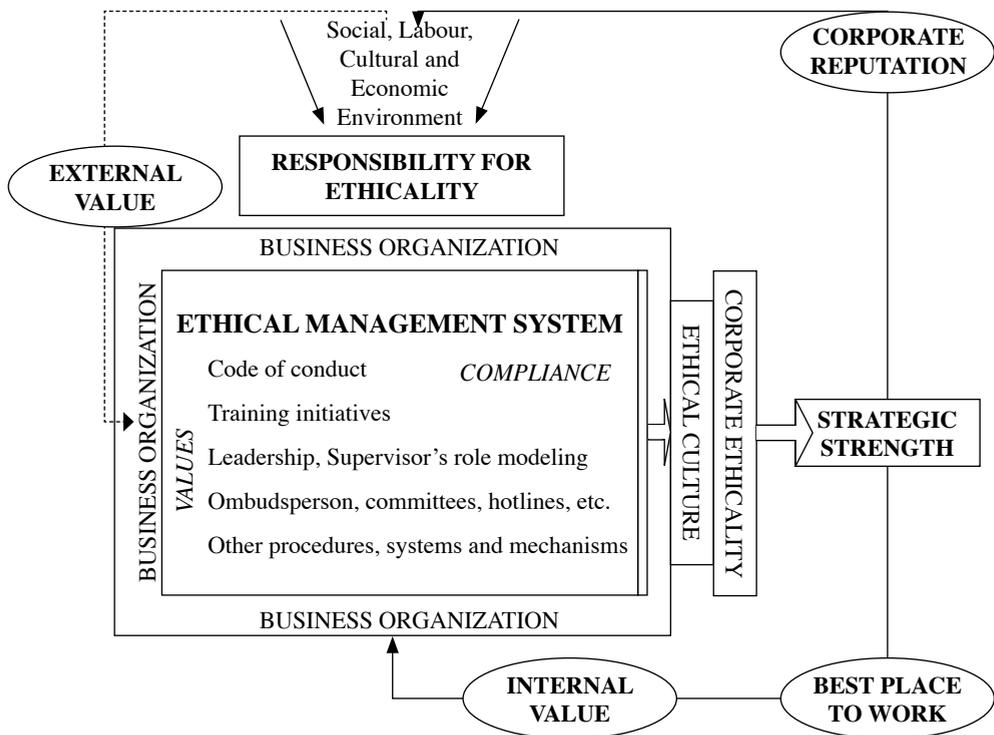
As represented in Figure 2, an organizational system of ethics is said to be successfully established once the already described specific steps and stages have been implemented. This implies using every perceptible organizational mechanism available (e.g. code of ethics, training initiatives, hotlines, bulletins, supervisor's role modelling, myths and stories, etc.) in an integrated and coordinated way, thus employees perceive that both a "compliance" and a "values" approach is being considered in the implementation of the EMS. In ethical terms, we can consider that an ethical culture is created and capable of capturing

voluntary commitment and behaviour of employees once it sends consistent transmittable messages on ethics, applicable in practices, activities and routines.

Together with its direct consequences, a living up ethical culture has indirect and perceptible consequences. For example, it projects an ethical image to external stakeholders -either through the so called ambassadors of the company (employees) or through public statements and certificates on ethics-. However, and more importantly, the same system implemented through the immediate generation of an ethical culture contributes to achieve an ideal place to work. Therefore, either from an internal or an external perspective, business can attract value from moral excelling not just due to the good moral reputation obtained through the generated trust that leads to improve the stakeholder relations (Waddock and Graves, 1997) but also to the establishment of internal environmental conditions that may contribute to get the best out of employees (Treviño and Nelson, 2004). Consequently, as found in empirical research, higher levels of financial performance could be obtained for the ethical company (e.g. Waddock and Graves, 1997; Institute of Business Ethics, 2007). Hence, behaving ethically is not just a responsibility to comply with but also a strategic strength to successfully operate in the market (Wilcox, 1999). From this perspective, ethics –taking into account the needs, demands and interests of the stakeholders- should not be obviated by managers in their decision dealing with the distribution of the investments to strategically manage the business corporation.

5. CONCLUSIONS AND IMPLICATIONS FOR MANAGEMENT

Much has been discussed about the exact role of ethics in the strategic management of business. We have exposed along this study different scholar points of view dealing with the ones which do not consider ethics, or consider it as long as it does not collide with profit maximization (e.g. Levitt, 1958; Carr, 1968; Friedman, 1970); and others which support the necessity of always considering ethics in normal activities of corporate life understanding that business must satisfy the stakeholders' needs, and not only the stockholders' ones (e.g. Freeman, 1984). Evidently, the debate of the role of ethics in business does not only lie in a maximization problem or in the creation of a win to win context. Due to the purpose of this paper, we have just focused on a strategic and managerial rationale to justify the presence of ethics although we are aware of many other reasons, for example, the intrinsic motives for ethics which are consistent and enough to justify its presence in business.

The review and arguments proposed in this paper help to understand the strategic convenience of broadening the company scope of responsibility when operating in the market. Hence, the paper's final conclusion is that the incorporation of an ethical behaviour and responsibility to business is not to exclusively serve its shareholders but also, as Freeman (1984) supports, to recognize new actors in business action, that is, the rest of its stakeholders. Admitting business organization "*has the just right and reclaim of obtaining profits*" (Guillén, 2006, p. 8) does not imply operating with no ethics, and obviating the adequate and right attendance to stakeholders on the basis of their implication in the fulfilment of the company's mission. As a consequence, the "needs satisficer" concept proposed by Schrader (1987) more than two decades ago is very present today. This concept implies attaining the role of making enough profit to satisfy the various demands encountered but considering ethics in its normal operation.

The model proposed in this paper incorporates a managerial rationale that clearly and explicitly establishes that following ethical guidelines can be a strategic strength to successfully operate in the market. In fact, the implementation of instruments for ethically managing the company permits to walk the talk on ethics which can actually be a source of business value for the company.

The implementation of an EMS contributes to create an ethical culture that positively influences the employee's ethical behaviour. As a result their individual actions can finally have a positive repercussion on the company's value-added reputation taking into account that those actions should be added in conjunction with those of the rest of employees and cross over the organizational scope (e.g. company's fulfilment of commitments acquired, compatibility and making of wealth for local community, etc.). Consequently, a probable ethical culture derived from the EMS can be expected to finally be translated to business value due, firstly, to the possible moral reputation acquired; and secondly, to the human quality promoted among employees, achieving a trustful and pleasant workplace determining an invaluable employees' job response.

However, in order to be successful, the efforts of business practitioners should be focused on creating an optimal strategy to deploy a living EMS, promoting managers to serve as role models on ethics. Indeed, a successful EMS' performance depends on the employee's level of commitment and willingness, which is influenced by informal structures that play an important and significant role (Schein, 1992; Falkenberg and Herremans, 1995). Managers behaviours, attitudes and living messages may represent potential important referents to emulate (Bandura, 1977), evidencing the importance of the ethical leadership and the role modelling cultivation at every managerial level.

To sum up, this study has tried to shed some light on ethics as an opportunity for the company to be operationally successful and not only as a compulsory dimension to be considered. This perspective requires an effort from business practitioners to broaden their understanding of the role of ethics in business not only limited to something which is necessary to do due to mandatory social external forces. If acting ethically is considered a value generating asset for the company, business practitioners have to implement certain organizational instruments –constituting an EMS- in order to guarantee ethical performance. When doing so, they always have to keep in mind that organizations are formed by a group of individuals with different personal values and attitudes. The contribution of an independent institution to create and help to the implementation of ethical standards and procedures –both at an international and national level- can help and, can additionally certify the ethical quality of the company as a way to externally communicate what is the business doing.

There is an obvious limitation in this paper referred to the theoretical approach selected in the analysis carried out. Although empirical research exists on the positive relationship between proxy variables to generate value and the company's ethical quality (Valentine et al., 2006), based on financial performance as the only measurement system there are mixed results on such relationship (Margolis and Walsh, 2001) and a recent research suggesting its total inexistence (Nelling and Webb, 2009). In addition, although managers and their informal role have been suggested and founded to have a significant impact on organizational ethical practices (Mayer et al., 2009), there is scarce conducted empirical research dealing with its influence in the successful implementation of an EMS. The existent research describing very positive outcomes when an EMS is "values" oriented (e.g. Treviño et al.,

1999; Weaver and Treviño, 1999) must be complemented in order to verify if a combined strategy -using both "values" and "compliance" approaches- can significantly have a higher impact on ethics than a single "compliance" oriented EMS, with special emphasis on analyzing the supervisor behaviour's role in such matter.

Further research is hence necessary and consequently, an empirical test of the proposed model could be useful to verify ethics real effect on the company's financial value. We suggest to find out if its nature is basically subjective and attitudinal (e.g. job satisfaction, loyalty, citizenship, etc.) and, therefore, if it impedes an objective evaluation of its long term valuable consequences. In addition, future studies could be oriented to find out the positive consequences of a combined strategy integrating "values" and "compliance"- instead of a compliance-only approach, and also, the reasons why that potential success is obtained through such mixed strategy. In that sense, the "values" oriented instrument of manager's role modelling could be used to test the existence of interaction effects between this variable and other "compliance" oriented mechanisms in explaining the company's ethical performance. Thus, clarification could be found not only regarding how successful is a combined "values-compliance" strategy but also in relation to the influential role of this informal mechanism in improving both the employees' ethics and the EMS' performance.

To conclude, we understand that the central justification for considering ethics in business should not only be done in managerial or economical terms. The question for business practitioners around the role of ethics in business should not depend on its potential competitive advantages because reality may show that a win-win game is not always the consequence of an adequately implemented EMS. Managers should ask themselves if ethics can be obviated from business. Ethics as the discipline searching human fulfilment is present in any human action. Therefore, it must be present in any business action because, ultimately, its performance is always done by human beings. If ethics is ignored, dehumanization easily arises among employees, probably resulting in a self-destruction and limited survival of the whole company.

6. REFERENCES

ARGANDOÑA, A. (2004): "On Ethical, Social and Environmental Management Systems", *Journal of Business Ethics*, Vol. 51, pp. 41-52.

ARGANDOÑA, A. (2005): "Firm, Market Economy and Social Responsibility", Working Paper Nº 600, IESE Business School, Universidad de Navarra.

BANDURA, A. (1977): *Social Learning Theory*. Englewood Cliffs, NJ: Prentice Hall.

BANDURA, A. (1986): *Social Foundations of Thought and Action*, Englewood Cliffs, NJ: Prentice-Hall

BECERRA, M., and GUPTA, A. K. (2003): "Perceived trustworthiness within the organization: The moderating impact of communication frequency on trustor and trustee effects", *Organization Science*, Vol. 14, Nº. 1, pp. 32-44.

BLAUGH, M. (1992): *The Methodology of Economics or How Economist Explain*, 2nd edition, Cambridge: Cambridge University Press.

BROWN, M. E., and TREVIÑO, L.K. (2006): "Ethical Leadership: A Review and Future Directions", *The Leadership Quarterly*, Vol. 17, Nº. 6, pp. 595–616.

CARR, A.Z. (1968): "Is Business Bluffing Ethical?", *Harvard Business Review*, Vol. 46, Nº. 1, pp. 143-153.

CORTINA, A. (1994): *Claves para una Cultura Empresarial: Ética de la Empresa*, Madrid: Editorial Trotta.

DE LA CUESTA, M.; VALOR, M. and SAN MARTIN, S. (2002): *Inversiones Éticas en Empresas Socialmente Responsables*, Madrid: UNED.

DONALDSON, T. (1982): *Corporations & Morality*, Englewood Cliffs: Prentice Hall.

DYER, J. and SINGH, H. (1998): "The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage", *Academy of Management Review*, Vol. 23, pp. 660-679.

DRUCKER, P. (1984): "Doing good makes Cents", in H. BROOKS, LIEBMAN, L. and SCHELLING, C. (eds.), *Public-Private Partnership: New Opportunities for Meeting Social Needs*, Cambridge: Ballinger.

EHRHART, M.G. (2004): "Leadership and Procedural Justice Climate as Antecedents of Unit-Level Organizational Citizenship Behaviour", *Personnel Psychology*, Vol. 57, pp. 61-95.

FALKENBERG L. and HERREMANS, I. (1995): "Ethical behaviours in organizations: directed by the formal or informal systems?", *Journal of Business Ethics*, Vol. 14, pp. 133-143.

FERNANDEZ, E.; JUNQUERA, B. and ORDIZ, M. (2003): "Organizational Culture and Human Resources in the Environmental Issue: A Review of the Literature", *International Journal of Human Resource Management*, Vol.14, pp. 634-656.

FOMBRUM, C.J. (2001): "Corporate Reputation as Economic Assets", in HITT, M.A., FREEMAN, R.E., HARRISON, J.S. (Eds), *The Blackwell Handbook of Strategic Management*, Oxford: Blackwell Publishers

FONTRODONA, J. and DE LOS SANTOS, J. (2004): "Clima ético de la empresa española: Grado de implantación de prácticas éticas", Working Paper Nº. 538, Universidad de Navarra.

FONTRODONA, J. and SISON, A.J. (2006): "The Nature of the Firm, Agency Theory and Shareholder Theory: A Critique from Philosophical Anthropology", *Journal of Business Ethics*, Vol. 66, pp. 33-42.

FORÉTICA (2004): *Informe FORETICA 2004: Situación en España*. Available from: http://www.foretica.es [accessed December 20, 2009]

FORÉTICA (2006): *Informe FORETICA 2006: Evolución de la Responsabilidad Social de las Empresas en España*. Available from: http://www.foretica.es [accessed December 20, 2009]

FREDERICK, W.C.; DAVIS, K. and POST J. (1992): *Business and Society: Corporate Strategy, Public Policy and Ethics*, 7th edition, New York: McGraw-Hill International.

FREEMAN, R.E. (1984): *Strategic Management: A Stakeholder Approach*, Boston: Pitman.

FRENCH, P. (1979): "The Corporation as a Moral Person", *American Philosophical Quarterly*, Vol. 16, pp. 207-215.

FRENCH, P. (1992): *Responsibility Matters*, Lawrence: University Press of Kansas.

FRIEDMAN, M. (1970): "The Social Responsibility of Business is to Increase its Profits", *The New York Times Magazine*, 13 September, pp. 122-126.

GARCIA ECHEVARRÍA, S. (1993): "La Ética de las instituciones Económicas y Empresariales: La Ética en la Dirección de los Recursos Humanos en la Empresa", Conferencias y trabajos de investigación del Instituto de Dirección y Organización de Empresas, Nº 200, Universidad de Alcalá.

GUARNIZO, J.V. (2006): *Ética y Responsabilidad Social de la Empresa*. Lección Inaugural del Solemne Acto de Apertura del Curso Académico 2006/2007, Ediciones de la Universidad de Castilla-La Mancha.

GUILLEN, M., MELE, D. and MURPHY, P. (2002): "European vs. American approaches to institutionalisation of business ethics: the Spanish Case", *Business Ethics: A European Review*, Vol. 11, Nº. 6, pp. 167-178.

GUILLEN, M. (2006): *Ética en las organizaciones: construyendo confianza*, Madrid: Pearson Educación.

HENDERSON, D. (2001): *Misguided Virtue: False Notions of Corporate Social Responsibility*, Wellington: New Zealand Business Roundtable.

INSTITUTE OF BUSINESS ETHICS (2007): "Does Business Ethics Pay? Revisited: The value of ethics training", Available from http://www.ibe.org.uk/publications/listofpublications.htm [accessed December 2, 2009].

LEVITT, T. (1958): "The Dangers of Social Responsibility", *Harvard Business Review*, N° Sept-Oct, pp. 41-50.

MARGOLISH, J. and WALSH, J.P. (2001): *People and Profits? The Search for a Link between a Company's Social and Financial Performance*, Mahwah: Lawrence Elbaum.

MAY, L. (1983): "Vicarious Agency and Corporate Responsibility", *Philosophical Studies*, Vol. 43, pp. 69-82.

MAY, L. (1992): *Sharing Responsibility*, Chicago: University of Chicago Press.

MAYER, D.; KUENZI, M.; GREENBAUM, R.; BARDES M., SALVADOR, R. (2009): "How low does ethical leadership flow?: Test of a trickle-down model", *Organizational Behaviour and Human Decision Processes*, Vol. 108, N°. 1, pp. 1-13.

MELE, D. (1991): "Ética y Empresa", *Información Comercial Española*, N°. 691 (March), pp. 122-134.

MELE, D. (2003): "Organizational Humanizing Cultures: Can they create Social Capital?", *Journal of Business Ethics*, Vol. 45, pp. 3-14.

MERTON, R.K. (1957). "The role set: problems in sociological theory", *British Journal of Sociology* Vol. 8, N°. 2, pp.106-120.

NAHAPIET, J., and GHOSAL, S. (1998): "Social Capital, Intellectual Capital, and the Organizational Advantage", *Academy of Management Review*, Vol. 23, pp. 242-266.

NELLING, E. and WEBB, E. (2009): "Corporate Social Responsibility and Financial Performance: the Virtuous Circle Revisited", *Review of Quantitative Finance and Accounting*, Vol. 32, n° 2, pp. 197-209.

OECD (2008): *Guidelines for Multinational Enterprises*, Available from http://www.oecd.org/dataoecd/56/36/1922428.pdf .

PASTORIZA, D.; ARIÑO, M. A. and RICART, J.E. (2009): "Creating an Ethical Work Context: A Pathway to Generate Social Capital in the Firm", *Journal of Business Ethics*, Vol. 88, pp. 477-489.

PODSAKOFF, P.M.; MACKENZIE, S.B.; PAINE, J.B. and BACHRACH, D.G. (2000): "Organizational Citizenship Behaviours: A Critical Review of the Theoretical and Empirical Literature and Suggestions for Future Research", *Journal of Management*, Vol. 26, pp. 513-563.

PHILLIPS, M. (1992): "Corporate Moral Personhood and Three Conceptions of the Corporation", *Business Ethics Quarterly*, Vol. 2, pp. 435-460.

RAFALKO, R. J. (1989): "Corporate Punishment: a Proposal", *Journal of Business Ethics*, Vol. 8, pp. 917-928.

SCHEIN, E. (1992): *Organizational Culture and Leadership*, 2nd edition, San Francisco: Jossey-Bass.

SCHRADER, D.E. (1987): "The Corporation and Profits", *Journal of Business Ethics*, Vol. 6, pp. 589-601.

SCHWEPKER, C.H JR. (2001): "Ethical Climate's Relationship to Job Satisfaction, Organizational Commitment and Turnover Intention in the Salesforce", *Journal of Business Research*, Vol. 54, pp. 39-52.

SILVER, D. (2005): "A Strawsonian Defense of Corporate Moral Responsibility", *American Philosophical Quarterly*, Vol. 42, pp. 279-294.

SIMS, R.R. and BRINKMAN, J. (2003): "Enron Ethics (Or: Culture Matters More than Codes)", *Journal of Business Ethics*, Vol. 45, pp. 243-256.

SOLOMON, R.C. (1992): "Corporate Roles, Personal Virtues: an Aristotelean Approach to Business Ethics", *Business Ethics Quarterly*, Vol. 2, pp. 317-339.

STEVENS, B. (2009): "Corporate Ethical Codes as Strategic Documents: An Analysis of Success and Failure", *Electronic Journal of Business Ethics and Organization Studies*, Vol. 14, pp. 14-20.

SUTHERLAND, E. and CRESSEY, D.R. (1970): *Principles of Criminology*, 8th edition. Chicago: Lippincott.

TREVIÑO, L.K.; BUTTERFIELD, K.D. and MC CABE, D.L. (1998): "The Ethical Context in Organizations: Influences on Employee Attitudes and Behaviours", *Business Ethics Quarterly*, Vol. 8, pp. 447-476.

TREVIÑO, L.K.; WEAVER, G.R.; GIBSON, D. and TOFFLER, B. (1999): "Managing Ethics and Legal Compliance: What Works and What Hurts", *California Management Review*, Vol. 41, pp. 131-151.

TREVIÑO, L.K.; and WEAVER, G. (2001): "Organizational Justice and Ethics Program" 'Follow-Through': Influences on Employees Harmful and Helpful Behaviour", *Business Ethics Quarterly*, Vol. 11, pp. 651-671.

TREVIÑO, L.K. and NELSON, K.A. (2004): *Managing Business Ethics: Straight Talk about How to Do It Right*, New York: John Wiley and Sons.

TREVIÑO, L.K. and BROWN, M.E. (2004): "Managing to be ethical: Debunking five business ethics myths", *Academy of Management Executive*, Vol. 18, pp. 69-81.

VALENTINE, S.; GRELLER M.M. and RICHTERMEYER, S. (2006): "Employee job response as a function of ethical context and perceived organization support", *Journal of Business Research*, Vol. 59, N°. 5, pp. 582-588.

VAN VUUREN, L.J. AND EISELEN, R.J. (2006): "A role for HR in Corporate Ethics? South African Practitioners' Perspectives", *South African Journal of Human Resource Management*, Vol. 4, N° 3, pp. 22-28.

VELASQUEZ, M. (1983): "Why Corporations are not Responsible for anything they do?", *Business and Professional Ethics Journal*, Vol. 2, pp. 1-18.

VELASQUEZ, M. (2003): "Debunking Corporate Moral Responsibility", *Business Ethics Quarterly*, Vol.13, pp. 531-562.

VOGEL, D. (1991): "Business Ethics: New perspectives on old Problems", *California Management Review*, Vol. 33, pp. 101-117.

WADDOCK, S. AND GRAVES, S. (1997): "The Corporate Social Performance-Financial Performance Link", *Strategic Management Journal*, Vol. 18, pp. 303-319.

WEAVER, G.R. AND TREVIÑO, L.K. (1999): "Compliance and values oriented ethics programs: influences on employees' attitudes and behaviour", *Business Ethics Quarterly*, Vol. 9, N°. 2, pp. 315-335.

WEAVER, G.R.; TREVIÑO, L.K. AND COCHRAN, P.L. (1999a): "Corporate Ethics Programs as Control Systems: Influences of Executive Commitment and Environmental Factors", *Academy of Management Journal*, Vol. 42, pp. 41-57.

WEAVER, G. R.; TREVIÑO, L.K. AND COCHRAN, P.L. (1999b): "Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pressures and Corporate Ethics Practices", *Academy of Management Journal*, Vol. 42, pp.539-552.

WEAVER, G. R.; TREVIÑO, L.K. AND COCHRAN, P.L. (1999c): "Corporate Ethics Practices in the mid-1990's: an Empirical Study of the Fortune 1000", *Journal of Business Ethics*, Vol. 18, pp. 283-294.

WILCOX, T. (1999): "Ethics as Strategic Thinking: Creating legitimacy in the Workplace", *Business & Professional Ethics Journal*, Vol. 18, pp. 73-91.

WILEY, C. (1998): "Re-examining perceived ethics issues and ethics roles among employment managers", *Journal of Business Ethics*, Vol. 17, pp. 147-161.