Documento de trabajo
SEMINARIO PERMANENTE DE CIENCIAS SOCIALES

Ethical Management of Business Organizations: Responsibility or Strength? A Theoretical Approach on its Relation to Business Value Generation

Ruiz Amaya, C.
Ruiz Palomino, P.

SPCS Documento de trabajo 2006/5
http://www.uclm.es/CU/csociales/DocumentosTrabajo
Ethical Management of Business Organizations: Responsibility or Strength? A Theoretical Approach on its Relation to Business Value Generation

Carmen Ruiz Amaya, Pablo Ruiz Palomino*

Departamento de Administracion de Empresas, Área de Organización de Empresas,
Universidad de Castilla-La Mancha

ABSTRACT: Ethics in the business sector has become a relevant focus of interest, both at academic and professional level, although there are also some approaches trying to minimize the need for ethical behaviour in the business organization limiting the responsibility of the business just to profit maximization. In this paper, after thoroughly analysing and debating the postulates of this line of thought, we have concluded that the company bears the responsibility for behaving ethically and then, not exclusively to serve and be fair to its shareholders but also respond to the needs and desires of all of its stakeholders. Nevertheless the true aim of this paper is not only to consider the company’s responsibility for behaving ethically but rather to show that fulfilling this responsibility implies a consistent basis on which the company can operate in the market. Thus, through the implementation by the company of an ethical management system (EMS), the achievement of the ethical atmosphere which can contribute to create the so much desired by top managers “best place to work” is expected to be satisfied, considerably improving in addition the reputation of the company for its stakeholders, which finally redounds in a better organizational operation.

JEL CLASSIFICATION: M1; M10

KEYWORDS: Ethical Management, Ethical Behaviour, Value Creation

* Corresponding author: Facultad de Ciencias Sociales. Avenida de los Alfares, 44. C.P.16002, Cuenca. Tel. +34 902 204 100 Ext. 4238, fax: +34 902 204 130. Direccion de correo electrónico: Pablo.Ruiz@uclm.es
RESUMEN: La ética en el mundo empresarial se ha convertido en un aspecto de gran interés tanto a nivel académico como profesional, si bien es cierto que existe aún una corriente de pensamiento que trata de minimizar la necesidad del comportamiento ético en la empresa, limitando, en este caso, la responsabilidad empresarial a la obtención del máximo beneficio. En este trabajo, después de analizar exhaustivamente los postulados de esta línea de pensamiento, se concluye que la empresa tiene la responsabilidad de comportarse éticamente bien y, por tanto, no sólo de satisfacer y ser justa en relación a los accionistas, sino de responder a las necesidades y deseos planteados por el resto de grupos de interés de la empresa. Sin embargo, lo que verdaderamente se pretende con la elaboración de este trabajo es reflejar que el comportamiento éticamente bueno supone, además, a la empresa una base consistente sobre la que operar satisfactoriamente en el mercado. Así, a través de la implantación de un sistema de gestión ética, se alcanza un clima ético que contribuye tanto a generar el “lugar idóneo de trabajo” como a mejorar la reputación de la empresa ante sus grupos de interés, lo cual, finalmente, redunda en un mejor funcionamiento organizacional.

INDICADORES JEL: M1; M10

PALABRAS CLAVE: Gestión Ética, Comportamiento Ético, Creación de Valor

* Autor para correspondencia: Facultad de Ciencias Sociales. Avenida de los Alfares, 44. C.P.16002, Cuenca. Tel. +34 902 204 100 Ext. 4238, fax: +34 902 204 130. Dirección de correo electrónico: Pablo.Ruiz@uclm.es
1. INTRODUCTION

Although the need for ethical considerations within the professional and business fields is a clear issue from the very moment when professions and economic-business activities start (Vogel, 1991), it is true that the topic of ethics in business organizations has never before received so much academic and professional attention as it does nowadays. And a clear sign of it is the great amount of books, papers, articles, academic journals, meetings and associations on business ethics that have risen over the last decades which have achieved that such concepts as “business ethics” and “social corporate responsibility” become common in the modern managerial strategic language. It is true that there has always been some concern about ethics in the economic-business environment. Adam Smith already appreciated the relevance of ethics when establishing the principles of the modern economy just as many other scholars paid attention to ethical analysis in their works (Max Weber, Karl Marx, Albert Hirschman, etc.)\(^1\). However, it is now when this topic acquires a special attention in the eyes of society, surely soon after the numerous business ethical lapses happened in the last years (Union Carbide’s Bhopal incident, the Arthur Andersen debacle, etc.), which have dramatically damaged the trust that society had put in the business community and which reflect the harmful consequences of unethical behaviour not only for the society’s well-being but also for the organizational performance.

It is true that there is a generalized mistrust climate surrounding us towards everything related to the business world. People generally distrust managing directors and their way to exercise

---

responsibility when taking business decisions which may affect society’s well-being. This mistrust has progressively become deeply rooted in society as the media informs the public of cases of damages caused by the companies to the employees, to the customers, to shareholders and, ultimately, to society in general. Therefore, it is not surprising that the ethics issue has been the focus of interest and attention for academics as well as for practitioners of the business world since society has started to respond to all these moral abuses committed by the business community. For this reason, there is a growing concern in society about the ethical and responsible behaviour of the company which is translated into greater activism of NGOs (lobbies), less sensitiveness to price in relation to products from ethically responsible companies (FORÉTICA 2004, Business for social Responsibility, 2003), in more rigid laws and in the promulgation of new laws to promote responsible behaviours (i.e. in relation to safety and hygiene in the working place, in environmental affairs, etc.) and even in greater investments on ethical and responsible funds (De la Cuesta et al., 2002) which are, in the end, the reflection of the increasing importance of this issue at present.

Nevertheless, not all business professionals and academics have shown the same interest in this regard. There is still a significant proportion of business professionals as well as academics that minimize the importance of ethics in the business world and who seem to justify unethical business behaviour arguing that it is unavoidable in an economic system based on free competence and utility maximization. And so we find positions of this type: “the aim of the enterprise must be to increase its power (benefits, market share…), irrespective of any ethical consideration”, “business is a type of game which requires ethical principles different from those ruling a person’s behaviour in his/her social life”, or that “the only thing a company and its employees should do is worrying about making profits, as the
mechanisms of the market economy would achieve the options which are ethically the most correct or the public powers would try to solve the social problems which might arise”.

All these considerations, whether consciously or unconsciously, follow the line of thought headed by the work of Friedman (1970) which can be basically summarized in the limitation of the company responsibility to maximizing profits. Many of them deny any moral responsibility on the part of the company arguing that business organizations do not have the features to be identified as a person and, as a consequence, as a human being who is responsible for his/her actions (Friedman, 1970). However in this work we refute those thesis, finally concluding that business organizations are not only responsible for behaving ethically, but that satisfying such responsibility implies a strength on which to operate in the market as it improves the corporation social image. It is widely recognized that human resources are constituted as source of sustainable competitive advantage (Wright et al., 1994), therefore it is not surprising that the employees play an important role in bringing the benefits stemmed from a great company’s concern for ethics too. Therefore we elaborate a theoretical framework for “business value generation” which, in the first place shows the dimension of responsibility and strength of ethical behaviour and, in the second place, rests on the beneficial effects produced by the organizational implementation of an Ethical Management System (EMS).

2. THE RESPONSIBILITY OF BUSINESS ORGANIZATIONS: “PROFIT-MAXIMIZATION” VERSUS “SATISFICERS” APPROACH

The issue of whether the company is morally responsible for its actions has been widely debated in the literature on business ethics (Velasquez, 2003), establishing divergent positions on this matter. On the one hand, the position supporting that the enterprise is not morally responsible for its actions for the simple reason that they lack one or more of the following
necessary characteristics to consider an agent as morally responsible: free agency, consciousness, intentionality and corporeality (Silver, 2005).

One of the authors in favour of this ideology is May (1987, 1992) who states that companies are conceived as people who belong to a group and this perception implies that companies can only be responsible by delegation, as actions and decisions can only be made by agency through the people who constitute the company. The same opinion is shared by Velasquez (1983), arguing that despite the corporation might have the characteristic of behavioural intentionality, the individuals are the real actors, being the main depositaries of moral obligation and responsibility. However, this author also points out that corporate actions are the result of the addition of the different actions and that those individuals, not being aware of the final outcome, neither could be considered responsible for the damage caused in some situations (Velasquez, 2003). For this reason, Velasquez (2003) also calls for the corporation responsibility understood as compensatory liability rather than moral responsibility as this is the only fair way to distribute the costs of damages inflicted on third parties.

In contrast, for other authors, the company is morally responsible (French, 1979, 1992; Donaldson, 1982; Phillips, 1992; Rafalko, 1989). According to French (1979, 1992), many corporative acts could not be easily and coherently reduced to employees’ actions, reason for which they could not be attributed any responsibility for these actions. French (1979, 1992) assures that these people’s intentions and actions would be absorbed by what the company defines as Internal Corporative Decision Making Structure, which identifies common aims and objectives, establishes criteria and procedures, roles hierarchy and associated duties. Therefore from this perspective, business organizations could be perfectly identified as moral persons with moral responsibility for their actions. As remarked by Donaldson (1982), decision making in the company control both the company’s actions and its structure of
policies and rules, and to the extent this occurs, the company should be deemed as morally responsible for its actions.

Thus it is not so relevant that corporations may lack some characteristics to enable any agent to be considered morally responsible for his/her actions, as the fact that the culture created within the corporations might have an influence on the individuals who form the company. It is true that corporations can not fall into a state of guilt or suffering (Velasquez, 1983) and it is also true that they are unable to originate an action by themselves as they lack free agency and cannot act freely or autonomous (May, 1983). They lack bodies (Silver, 2005) and intentional states as well, such as beliefs and desires about something, point which is however rejected by other authors (French 1979, 1992). Nevertheless, despite this deficiency, business corporations are morally responsible for their actions. It must be emphasized that the culture of the business organization constitutes an important source of influence on the employees which importantly affects their attitudes and ideology (Silver, 2005). And although the individuals are the ultimate responsible for decisions and actions, these are strongly affected by the cultural values fostered in the corporation. Therefore, in our opinion, there is solid foundation in favour of the attribution of moral responsibility to business organizations. This is the conclusion after wide debate on the topic (Velasquez, 2003), although the debate still continues regarding the range of responsibility of the companies.

For some economists the company should be accountable exclusively for obtaining maximum profits and therefore should only satisfy the needs of its stockholders (Henderson, 2001; Friedman, 1970). This opinion is supported by many authors, being the work of Friedman (1970) the main referent of this approach. In a controversial and well-known article by Friedman published in The New York Times Magazine, when asked whether managers were right to defend the idea of the social responsibility of the company, he gave a negative
answer. For Friedman (1970) this principle would imply the use of the company resources for social purposes unconnected to the business world and, as a consequence, this would imply to impose an “illegal” type tax on the company. In fact, that is how it would be as Friedman’s thesis (1970) maintains that managers are mere employees of the stockholders and as such they have direct responsibility to them, which basically consists in making as much money as possible. Following this approach, the company’s only task would be the use of its resources and the participation in activities directed to increase profits; this would summarize the exercise of the business social responsibility.

Other authors, although without having the same repercussion, present a same position. Levitt (1958), for example, affirms that the main task of the company is to produce sustained benefits without considering society’s general well being and he even identified the business world with a war in which it was a necessary to fight with courage, braveness and without morality. Carr (1968) was in favour of breaking a few market rules to succeed in the market and identified some ethical norms which governed companies as in a poker game. Finally, the position of Fieser (1996) who rejects Friedman’s arguments at first but proposes that the enterprise, regarding moral and social matters, should not go beyond the requirements of law, as it is understood that laws already include the most relevant and universal aspects of morals. However, this ultimately position does not seem very solid mainly because in a world that is at present increasingly globalized, operating in different socio-cultural environments, the most frequent case according to this position would be the application of a double standard: one for the country of origin and other for less developed countries, when actually a single universal standard must be followed, as the one proposed by international organizations such as OECD\(^2\) and UN, the latter through the Global Compact initiative. Moreover, the legislation is usually

reactive, considering the problems after they have appeared and neglecting in many occasions numerous details and important rights as well (Melé, 1991: 126).

All these approaches are practically based on the same principle described in the neoclassical economic paradigm which represents a basic characteristic of human behaviour: the efficiency principle (Blaugh, 1992). This principle consists simply in trying to obtain the best results with the minimum possible amount of resources or just minimizing the quantity and the value of the resources used to obtain the goals established. Therefore from this perspective the pursuit of the highest profit by the company is justified since as it is an economic institution, the efficiency criterion must be applied to all actions. Nevertheless the goal of pursuing maximum profits is not wrong in itself. Quite the reverse. Companies must be cost-effective as profitable companies are the type of business organizations that persist through the ages because they use resources adequately and develop products and services demanded by the market. And, according to García (1993), this is the first responsibility that companies should pursue, and on which the rest of the social and ethical responsibilities of the company are developed (Carroll, 1991). However, the problem appears when the goal of maximizing profits is considered as the main and ultimate objective of the company, since such consideration would imply disregarding the social nature inherent to the function of the business organization. An enterprise is one more member of society (Solomon, 1992) and as a part of it, should take care that its actions be in concordance with the values shared by in the said society (Cortina, 1994), idea also shared by Friedman (1970), who had already affirmed in his work that the aim of maximizing profits should always be achieved staying within the rules of the game, engaged in open and free competition, without deception or fraud.

Thus it must be considered that business nowadays operate without the restrictions imposed more than one century ago, and that the present situation results from the choice of society
that in a specific moment, decided, through its governmental institutions, to eliminate such
restrictions (Schrader, 1987). Then it is not surprising that in order to have social legitimacy
the business is required to satisfy human needs by making products and services, but
respecting the rights of society and the values shared in such society (Cortina, 1994). As
Aristotle stated in his works, the means used are as important as the final aims, and should
never enter into conflict neither with the individual nor with society (Collins, 1987).

According to this opinion, the level of relevance which supporters of the neoclassic line of
thought focus on making profits seems, as Solomon states (1991), excessive, since this
company’s natural orientation does not necessarily imply to develop the business activity at
the cost of disregarding the inherent ethical and social aspects in the decisions and actions to
take. To satisfy the shareholders’ needs does not mean to do anything to make the highest
profit for shareholders. It is also necessary to act ethically as this is not an obstacle to make
profits. As proposed by Drucker (1984)\(^3\), profit making can be perfectly achieved acting
correctly and also serving third persons apart from shareholders. Moreover, as part of the
society, this should also be the purpose to fulfil by the business. We are all part of the present
society and we live inextricably connected to each other and to the environment surrounding
us (Treviño & Nelson, 2004). And the business, for being a group of persons, is also a part of
this society (Treviño & Nelson, 2004).

Thus, the business can not be considered as the exclusive property of its shareholders as
Friedman affirmed. In its nowadays status, society has played a very important role freeing
the business from restrictions, enabling the use of human and natural resources to carry out its
productive activity and to reach the present status of power, reason for which it is quite

difficult to appreciate too much legitimacy in Friedman’s assumption that the business
corporation is the exclusive instrument of its shareholders (Schrader, 1987). Another
assumption by Friedman is also doubtfully licit, though not explicitly stated but underlying
his thoughts (Schrader, 1987), regarding the supposition that the sole concern of the
shareholder is making the highest profits out of his investment. Obviously the shareholder’s
desire is to obtain money from his investment. However, it is highly improbable that a person
who is against fraudulent practices or those against human dignity, invest his money in
companies accused of developing similar actions. A great amount of investors do consider
ethical aspects of the business when investing their money (Schrader, 1987) and the number of
investors worried about this aspect is increasing as evidenced by the great advances achieved
in the past few years by the so called socially and ethically responsible investment (Brammer
& Millington, 2003).

There is now a wider perspective with respect to corporate social responsibility sustained by
the theory of stakeholders (Freeman, 1984) which conceives business corporations as social
institutions (Freeman, 1984; Frederick et al., 1992), and the wealth produced must have
effects on an increasing number of agents. According to the ideas stated in this thesis, a
business is not only responsible towards its shareholders but also towards the rest of the
company’s stakeholders (employees, customers, suppliers, creditors, the government, the
community, etc.). This theory suggests that there are different groups playing involved in the
operations of a firm and all of them should be taken into account in managerial decision
making, above all, because each group plays a role in the activities of an organization and can
affect or be affected by the achievement of the organization’s objectives (Freeman, 1984).
Although it is clear that profit making is essential to consider the interests of the mentioned
groups (Schrader, 1987).
In conclusion, although the purpose of the business corporation should not be limited to maximize profits making, it is also true that it must be oriented to obtain a substantial and increasing amount of profits as these are undoubtedly the condition required to improve the economic position of every member with any kind of interest in the corporation. The labour force is also interested in the increase of salaries as well as shareholders regarding dividend increases and civil society with more wealth and jobs creation… Therefore using the definition given by Schrader (1987) we propose that the purpose of the business is not maximizing profits but obtaining enough returns to satisfy the different demands which arise while carrying out its activity. The concept of business as “satisficer” of interests of its different stakeholders is created. To make this possible it is undoubtedly required to behave according to the values shared by society, that is, ethical behaviour, concept on which the corporate social responsibility is based. It must not be understood as a constriction under which the business is submitted as understood by Friedman (1970). Ethics should rather be conceived as the sum of criteria, values and virtues to take decisions and start actions, that is, a guide for human decisions (Argandoña, 2005). Thus the business is understood with the responsibility of behaving ethically and then, not exclusively to serve and be fair to its shareholders but also, as Freeman (1984) supports, respond to the needs and desires of the rest of its stakeholders.

3. PROMOTING ETHICAL BEHAVIOUR: THE IMPLEMENTATION OF AN ETHICAL MANAGEMENT SYSTEM

Inevitably, the company has an evident social transcendence (López & Vázquez, 2002) and requires social legitimacy which is achieved by carrying out its business, observing the rights recognized by the society where it operates and also its intrinsic values (Cortina, 1994).
Therefore, the corporation has the need and the responsibility to behave ethically. This responsibility is more and more urgent whether due to the pressure of the stakeholders, the logic of the competence or to the organizational structures and dynamics. A proof of this is the evident fact that the business community is progressively making greater use of organizational instruments (Treviño & Weaver, 2001; Weaver et al., 1999a; Guillén et al., 2002) whose aim is simply to generate an ethical culture in order to have favourable influence on the ethical behaviour of the employees.

Organizational culture could be defined as a sum of beliefs, values and assumptions shared by the members of a group, maintaining it united (Smircich, 1983). Consequently, it is understandable that this may be one of the main causes of the behaviour developed by the people working in the company, reason for which Silver (2005), basing on that consideration, attributes the company the responsibility for behaving ethically. Organizational culture orientates the ideology of the people working for the organization and directs their daily behaviour. For this reason, it is proposed as the only reliable way for top management to control the behaviour of each member of the firm and as a consequence, the ethical nature of this behaviour. Its role in the company is so important that it could legitimate the ethical issue as an integral part of the corporative identity, and undoubtedly, this would be a main point for the achievement of better ethical results because it would very much affect the perception the employees could have of the importance given to this matter in the company (Fernández et al., 2003). The fact that managing directors seriously undertake to follow specific ethical values in decision-making is an important step to establish a model of behaviour for business operations. However, if the rest of the labour force is not committed to consider ethics as a guide for decision making, the company would be unsuccessful, and for this reason it is necessary to transmit the importance of ethics and of an ethical style of acting and thinking as
effectively and convincingly as possible to those actually accountable for the establishment of excellent corporate ethical behaviour: the employees.

For that aim and according to Schein (1992), certain tools designated as *artefacts* are available. They include such mechanisms as behaviour codes or other formal documents, development of training programs, myths and legends, hotlines, telephone lines on ethics and other symbols. The use of any of these mechanisms is very useful for the company in order to promote the ethical behaviour of its employees. None the less, the joint use of all of them yields better results, in terms of ethics, than their isolated use (Robbins & Coulter, 2000) and when the company uses more than one mechanism of this type methodically and with a clear objective, it is said that the company is developing an EMS.

According to Argandoña (2004) an EMS is a set of internal rules used by top management to standardize and shape behaviours in an attempt to achieve ethical goals in the company. Specifically, with the implementation of the EMS in the company, top management tries to promote the knowledge of ethical and legal concerns and to favour ethical behaviour among the employees within the workplace (E.R.C., 2001) and for that aim, the use of some organizational tools is required, among which the most important are those of more explicit nature such as codes of ethics, training initiatives, policy manuals, ethics seminars, ethics committees or ombudspersons, informative bulletins and hot/help-lines, among others (Weaver et al., 1999a; Guillén et al., 2002; Center for Business Ethics, 1992; Frontodona & de los Santos, 2004). The use of this type of mechanisms responds to the logic of an adequate implementation of an EMS in the company, explained in the following sections⁴.

---

⁴ In the explanation of the necessary steps and aspects for the implementation of an EMS within the business organization we have mainly based on Argandoña’s work (2004).
Firstly, an essential step for the implementation of an EMS is drafting a document manifesting this interest to all stakeholders and especially to the employees, whose actions will lead to greater or lesser success of the system. Aiming at the implementation of an EMS, it is necessary to define first writing down and expressing publicly the ethical commitments acquired, that is, the fundamental values and ethical principles on which business actions will be based, and consequently their relation and lines of action with the stakeholders, reason for which, it is essential to draft a written document as ethical code.

It is also necessary to choose the person or the body of the company with enough authority and independence to direct the process of implementation and watch the observance of the system (Argandoña, 2004). To this regard, it is important to point out the different options available in the company ranging from the creation of an ethical committee, or the figure of the ethical agent and/or the consideration of an ombudsperson and always importantly, with the strong support from top management, since without it, the employees could perfectly distrust the true aim of the system.

Argandoña (2004) also defends what he considers the central nucleus of the system, that is, to explicitly state the specific aims and actions to be started to ensure the fulfilment of the general purpose pursued with the implementation of the system. To achieve this, it is necessary a proper planning in time and form to make them operative and their fulfilment requires availability of the necessary information and resources (Argandoña, 2004). One of these resources is the necessary education of the employees. To provide such training is the next step after drafting the ethical code, as training transmits the ideas a code contains thus helping the employees to recognize and find the answer for the ethical problems they may face (Weaver et al., 1999b). For the same purpose, telephone lines or help-lines can also be
used as through them the employees can be informed and advised on the questions they may have (Weaver et al., 1999b). They have also another function: getting information about violations of the code or about the processes considered to fulfil the aims established in the system (Weaver et al., 1999b). Thus the task of starting the necessary improvement actions to achieve the results planned in the system is facilitated. This is the last important step to be taken in the process to implement an EMS. This means that the persons or bodies responsible for complying with the system have the obvious task to improve the fulfilment of the aims of the system, carrying out periodic revisions and audits to be able to verify the level of fulfilment of the objectives proposed in the system (Argandoña, 2004).

In conclusion, according to Argandoña (2004), it can be stated that the implementation of an EMS rests on two fundamental mainstays:

- The performance: assigning responsibilities, providing resources and educating the employees (ethics committees, ombudspersons, training in ethics, telephone lines on ethics, etc.).
- And finally, verification of the progress through systemic audits and appropriate actions to solve the problems as they are detected, continuously updating the system.

The compromise to carry out this last step is essential to obtain proper effectiveness in the implementation of the system. The desire and the compromise to improve the implementation of the system guide the responsible bodies and/or persons to use all the mechanisms available to foster ethical behaviour in the business organization. The system achieves greater effectiveness in its goal thanks to the use of all organizational mechanisms available.
Managing ethics in organizations is not just about implementing a system (implementing explicit mechanisms such as codes of ethics and training programs, etc.) and designating people or bodies as accountable for it. Moreover, it is necessary that those responsible develop different types of policies and use all kinds of procedures and systems to promote ethical behaviour, reason for which the strong support from top management is essential, as stated above. This way, it is commented that the development of a proper EMS not only includes explicit mechanisms but also all those instruments considered implicit (e.g. systems of incentives, promotion policy, performance appraisals, leader’s role modelling, etc.) (Brenner, 1992) and those more informal ways to communicate ethical values and principles (i.e. heroes, rituals, myths, stories, language, etc.) (Treviño & Nelson, 2004), which can even be considered as more effective to promote ethical behaviour in the company (Jose & Thibodeaux, 1999; Treviño et al., 1999). The desired EMS should be very integrated in the organizational context and carried out in an effective way (i.e. taking actions to solve the ethical problems that arise, punishing unethical behaviours, etc.). Otherwise the perception of an inconsistent culture in relation to the message to transmit would cause uneasiness and cynicism about the real purpose of top management regarding the implementation of an EMS in the company, thus considerably reducing the ethical performance of the company (Treviño & Weaver, 2001), and as a consequence, the fulfilment of the responsibility to take it into practice.

4. ETHICAL MANAGEMENT AND BUSINESS VALUE CREATION

In addition to positively contributing to fulfil the responsibility of behaving ethically, an EMS leads the company to success. Actually the ethical behaviour of the company generates value and the aim pursued by creating an EMS is to improve the company’s ethical performance. We have already mentioned that one of the main reasons moving the community’s concern on
business ethics was the disastrous image given by the business community through moral scandals in the past decades, showing the negative aspects derived from the absence of ethical considerations in management strategies. In sum, to consider ethics as an important part in daily decision making avoids negative aspects in the company, also generating value for the business, idea which is starting to be considered by an increasing number of members of the business community. First of all, the strong commitment with ethics by top management through the implementation of an EMS which aids in the creation of the desired “best place to work” which many companies hope to reach as a formula to ensure profitability optimisation and, secondly, the implementation of an EMS in order to obtain good corporate reputation.

ACHIEVING THE “BEST PLACE TO WORK”

In fact, through the implementation of an EMS it is easier to improve ethical culture in the business and therefore to achieve the desired aim of transforming the working place into the ideal place to work in. It is not surprising to find greater job satisfaction in working environments where individuals are guided by ethical principles and values. Many studies show that in the environments with common ethical behaviours and/or where ethics was an active concern for managing directors and they tried to behave ethically, there was an important increase in employees’ job satisfaction (Schwepker, 2001; Vitell & Davis, 1990).

But this is not the only positive attitude attained by the employees when they move in an ethical environment. People working for companies concerned about their behaviour and the implication on stakeholders, will probably be more engaged in the company’s success in the market. A full research line supports this assumption, granting the ethical culture the capability to widely increase the commitment of the labour force with the company (Treviño
et al., 1998; Schwepker, 2001). The literature also suggests that this commitment with the company is translated in some cases into extra-role behaviours by the employees, which might be developed due to the climate of corporate fairness experienced in working environments of such nature (Moorman, 1991).

ENHANCING CORPORATE REPUTATION

Besides achieving the best place to work, an EMS enhances corporate reputation to its stakeholders. It is obvious that a business with ethical considerations as an important part of its strategies transmit this good governance to its stakeholders mainly through the employees, who may be the best or the worst ambassadors of the company. For this reason, it is relevant to establish an ethical culture in the company, as it can influence the ethical conduct of the employees who, in turn, through their actions (i.e. dealing with customers, etc.) will make it visible to all stakeholders. This is the best way to make evident the ethical culture to all stakeholders, but the company has also different means to transmit its ethical commitment to the stakeholders. Thus by publicly stating the ethical policies of the company and/or the code of ethics, the perception the stakeholders have about the company may be influenced.

However, the best way to achieve this goal is through obtaining a certificate of ethical conduct by an independent entity, as while using the other mechanisms the compromise might be window-dressing, in this case, the engagement to ethics would be authentic. For this aim, several institutions have been created in the last decade aiming at the establishment of an objective system of implementation, assessment and verification of corporate ethical management, among which we should emphasize SAI –at international level- and FORETICA –in Spain- (López & Vázquez, 2002). They both have made up their respective norms (SA 8000 and SGE21) in order to establish general criteria for ethical management and
to set forth the basic principles to guide business actions\textsuperscript{5}. They follow similar procedures. The companies interested in the system should contact the institutions mentioned which facilitate as much as possible the realization of the norm. After some time, the company is submitted to an external audit and if it is finally passed, it is awarded a certificate that, under periodic revisions, would guarantee its relations to all its stakeholders.

5. A THEORETICAL FRAMEWORK FOR BUSINESS VALUE GENERATION

The analysis carried out in this work offers an approach of the role played by ethics in the field of business. It must be emphasized that the company’s ethical behaviour implies a responsibility that the company, as a social institution, must satisfy. Another important remark is that ethics is a strategic issue in the company’s policies because of its relation to business value generation. Therefore, taking into account that the best way to achieve proper ethical strategies is by implementing an EMS, we propose a theoretical framework focused on business value created by means of a solid commitment to ethics (Figure 1).

---

\textsuperscript{5} See www.sa-intl.org/ and www.foretica.es
Firstly, the model proposed is based on the idea that the company is responsible for an ethical behaviour, and for that aim, the establishment of an EMS in the company is proposed as a useful means to attain this purpose. The implementation of this system implies to follow concrete steps involving the creation of some mechanisms required to promote an ethical behaviour in the company. The effectiveness of such mechanisms depends on the consistency of all organizational mechanisms which may have an influence on the ethical behaviour of the employees, no matter whether they are informal or more implicit. Thus a system completely integrated in organizational life is established to promote ethical behaviour in the company, which implies a good point for operating in the market. This is due to two main lines of action. The first is that the system is expected to create and/or strengthen corporate ethical culture and this contributes to achieve an ideal place to work for the employees, then producing greater job satisfaction and dedication. And the second effect is that the ethical culture shaped thanks to the implementation of an EMS would become evident to stakeholders when dealing with them and in the personal relations established, and also through the certificates guaranteeing the company’s ethical engagement and as a consequence, improving the image of the company.

6. CONCLUSIONS AND IMPLICATIONS FOR MANAGEMENT

The final conclusion of this work is that, against the approaches presented by some authors as Friedman, (1970) or Carr (1968), “profit-maximization” should not be the sole concern of business organizations, using the term “satisficers” proposed by Schrader (1987) to designate the main goal of the company, that is, “making enough profit to satisfy the various demands encountered in its normal operation”. Thus, this paper, according to the modern theory of “business ethics” emphasizes that the company has the responsibility of behaving ethically and should not exclusively serve and be fair to its shareholders but also, as Freeman (1984)
supports, respond to the needs and desires of the rest of its stakeholders. To achieve these aims should be an essential point in the commitments of managing directors, not only because it is the responsibility of the company but also because it implies a chief strength on which to operate in the market.

In fact, the implementation of an EMS to promote an ethical behaviour will be actually a source of business value for the company. Firstly, the implementation of an EMS implies the introduction of helpful organizational mechanisms for enhancing the organizational members’ ethical behaviour, getting a very pleasant workplace which enhances the employees’ attitudes and behaviours in the form of increased job satisfaction (Schwepker, 2001) and job dedication (Moorman, 1991; Schwepker, 2001). And secondly, the implementation of an EMS contributes to the creation of an ethical culture that influences the employee’s ethical behaviour, and whose individual actions, added in conjunction with those of the rest of employees, have a positive repercussion on the company’s reputation (Treviño & Nelson, 2004), which is also made perceptible to stakeholders in form of certifications of guarantee.
REFERENCES


