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Editorial objectives

Electronic Journal of Business Ethics and Organization Studies EJBO aims to provide an avenue for the presentation and discussion of topics related to ethical issues in business and organizations worldwide. The journal publishes articles of empirical research as well as theoretical and philosophical discussion. Innovative papers and practical applications to enhance the field of business ethics are welcome. The journal aims to provide an international web-based communication medium for all those working in the field of business ethics whether from academic institutions, industry or consulting.

The important aim of the journal is to provide an international medium which is available free of charge for readers. The journal is supported by Business and Ethics Network BON, which is an officially registered non-profit organization in Finland.

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Each paper is reviewed by the Editor in Chief and, if it is judged suitable for publication, it is then sent to at least one referee for blind review. Based on the recommendations, the Editor in Chief decides whether the paper should be accepted as is, revised or rejected.

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Editorial: An ethical enterprise – What is it?

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It is important to reflect on ethics and the common good both from the viewpoint of social equality and of the individual good. Business enterprises are an essential part of the society we live in. They are the basic units of economic activity, aimed at satisfying our needs – or at least that is what they should be. Yet today, they are unfortunately often mere "profit-making machines" striving to maximize profits to the shareholders.

But the idea of ethical entrepreneurship and ethical business is always worth speaking for.

Enterprises vary widely as to their character. First of all they differ in size, from micro-businesses to small and medium-size enterprises, large-scale companies and finally to gigantic conglomerates. They also vary as to the industry sectors they operate in. A forestry company requires a different business strategy from one operating in the health sector, for instance.

Do companies also differ as to their degree of ethicality? The requirement for business ethics must be the same for all. The same ethical standards must apply to world-wide Nokia as to any tiny neighbourhood shop. The very concept of ethics contains an idea of universality. The rules must be the same for all.

Ethics is not a question of reciprocality. It is not a matter of "you scratch my back and I'll scratch yours". Instead, it has an altruistic element: it implies sacrificing one's own interest for another's. Accordingly, an ethical enterprise seeks the human good. An ethical enterprise is not an instrument of profit maximization.

What, then, does it mean to be "ethical"?

Ethics means pursuing "the good life". Business ethics can be defined as the pursuit of a good business life.

Nonetheless, what is good for someone may be bad for someone else. A person can be a terrorist for some whereas the same individual can be a champion of liberty for others. This is why it is so important to reflect on the criteria by which these judgements are made.

Ethical grounds for such reflection can be found, for example, in utilitarianism, the ethics of utility, and in deontology, the ethics of duty.

Utilitarian ethics claims that material utility and hedonistic pleasure are the only intrinsic values. The conception of humankind in economics is highly utilitarian. This might be regarded as the ideological basis upon which economies act nowadays.

Deontology, on the other hand, sees it as our duty as human beings to do good to ourselves and to others. Along the lines of Kantianism, the most prominent school of deontology, the duty of enterprises would be to improve things like the quality of life and equality, instead of concentrating on improving the standard of living in solely quantitative terms.

According to deontological thinking, an ethical enterprise is one which considers it as its duty to do good. The common good is an end in itself. Doing good is not a means for gaining something – like profit, for instance. The fact remains, however, that in order to survive in today's market system, a business has to be profitable. This is a subject of continuous controversy: an ethical enterprise is under constant threat of either perishing or degenerating into an "ordinary" enterprise.

How does an ethical enterprise differ from an ordinary enterprise?

An ordinary enterprise that wishes to become ethical can start by basing its operations, its business idea, on some humane value. One example of this is Body Shop, whose beauty and skin care products are based on the idea of sustainable development.

An ordinary business can also try to pursue its corporate social responsibility in an honest and genuine manner. For a large-scale business, for example, this means implementing a broad social responsibility programme alongside its business strategy, while simultaneously fulfilling its responsibility as an employer. This latter obligation has left much to be hoped for in recent years

Finally, there is the not-so-ordinary business, the "alternative" enterprise, whose entire operations are rooted in some specific set of universal values.

To conclude, an ethical enterprise works for the common good, not for profit maximization.

An assessment of the ethical dimensions of corruption

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Abstract

This paper addresses the ethical dimensions of corruption. Corruption in the form of bribery is widespread in the developing world and this includes Mauritius. Corruption assessed in absolute terms is unethical. However, if one were to use relativistic views, one would make allowances for 'mild' forms of corruption like seeking favours to obtain unwarranted advantages or paying bribes in the form of 'speed-up gratuities'. Our study shows that in many contexts, acts of corruption are accepted and justified either on the basis of the gains they bring to the individual who offered the bribe or undertake to seek the particular favour. It depends on the values prevailing in particular societies, hence notions of relativism. Another determinant of unethical conduct is the risk involved. As some of the literature emphasises, often the decision-maker may choose not to embark onto unethical conduct not because it is wrong in absolute terms, but because s/he is afraid of getting caught. This paper presents the assessment of specific acts of corruption, as made by our participants who were all from the business sector. Respondents rated scenarios representing instances of bribery, using the multi-dimensional ethics scale developed by Reidenbach and Robin (1988) as measurement device.

Keywords

Ethics, corruption, bribery

Introduction

Corruption is common to the Mauritian culture (National Integrity Systems, Transparency International Country Study Report, Mauritius, 2004, Unpublished). Different segments of the population get involved in corruption, the focus being on various trivial immediate benefits. At times of elections, efforts and resources are directed to the distribution of gifts, to ensure the vote of the recipients. Similarly, officials tend to expect bribes to be paid to them to 'motivate' them conduct their normal activities. This situation has somehow become a mode of life, not to say part of the Mauritian culture (Napal, 2001).

Corruption starts at a micro level that is, in business context. However, if no control is exercised, it takes a national dimension and becomes a cause for major concern. Special relationships that exist between the business sector and the government sector have traditionally accounted for some types of corruption. When the private sector contributes to political funding for instance, there is intent to corrupt. The cultural characteristics that contribute to corruption in developing nations make it imperative to create an ethical climate that would positively influence people's thinking. An ethical culture, in particular, ethical values, norms and beliefs, must be promoted, as a moral business culture is needed in developing economies. The aim is to prevent corruption from threatening social, economic and political development. Ethical behaviour should be marketed in such a way as to foster moral conduct at both business level and in everyday life.

This paper presents the findings of a survey administered to people of the business community. The survey itself consisted of hypothetical situations involving instances of bribery. Respondents were requested to assess the behaviour of the individuals presented in the two cases, using the multi-dimensional ethics scale developed by Reidenbach and Robin (1988). The findings are interesting as they reveal specificities of the Mauritian economy that are completely different from results obtained in previous applications of the R&R scale.

Literature

The World Bank definition of corruption refers to it as the misuse of one's office position for personal benefit. This relates to people occupying positions of public trust. Corruption is an economic problem intertwined with politics. "Corruption describes a relationship between the state and the private sector" (Rose-Ackerman, 1999). It takes the form of violation of norms of duty and responsibility within the civic order. Corruption can therefore be defined as the deliberate intent of subordinating common interest to personal interest.

Specific categorisations have been adopted to distinguish between different acts of corruption. Alatas (1999) draws a distinction between different forms of corruption, namely, nepotism, bribery, and extortion. Nepotism takes the form of "the appointment of relatives, friends or political associates to public offices regardless of their merits and the consequences on the public weal" (Alatas, p. 6). Bribery is the act of accepting gifts or favours offered, the objective being to induce the person to give special consideration to the interests of the donor. Some cultures condone the act of bribery as long as it brings in 'opportunities'. In fact, the concept of bribery has, for long, dominated the world of business. Extortion can take the form of either gifts or favours as a condition to the execution of public duty or the abuse of public funds for one's own benefit.

Although this type of corrupt practice is associated with underdeveloped countries (Hancock, 1989), there is evidence that corruption prevails in developed nations as well. Countries like France, Italy, Germany, Spain and Belgium have been the subject of major scandals over this kind of behaviour (Argandona, 2002). Politicians have been accused and/or tried in cases of irregular party funding.

Rossouw (1998) refers to three central concepts: corruption, fraud, and moral business culture. Corruption refers to the misuse of their position by people holding office of public trust, for their personal benefit. This could either involve the acceptance of bribes in return for favours or the fraudulent expenditure of public funds for private benefit. Fraud on the other hand, also referred to as economic crime or white-collar crime, constitutes intentional criminal deception for private benefit. This includes acts like bribery, illegal campaign contributions, laundering of funds, consumer frauds, environmental pollution, price fixing, embezzlement, income-tax fraud, and computer break-ins. Such acts could take place either in the context of business or in the public sector. Moral business culture refers to a commitment to conduct business in such a way as to respect all stakeholders' interests within a framework of a competitive market-driven economy. Like Alatas (1999), Rossouw (1998) distinguishes between different levels of unethical conduct. However, Rossouw's definition is somewhat wider than Alatas' as it covers different extents of unethical acts. By this classification, Rossouw implies that a distinction must be drawn between corruption and criminal behaviour and corruption and mal-administration or mismanagement, although the effects are the same.

Tanzi (1998) and Robinson (1998) give other classifications of acts of corruption. Tanzi's classification includes bureaucratic/petty corruption and political/grand corruption; corruption that is cost-reducing or benefit-enhancing to the briber; briber-initiated or bribee-initiated corruption; coercive or collusive corruption; centralised or decentralised corruption; predictable or arbitrary corruption and corruption involving cash payments or not. Unlike Rossouw who categorised unethical acts in terms of broad areas i.e. corruption and fraud, Tanzi (1998) further divides these general classifications by referring to sub-classifications of corruption. He adopts an economic perspective and makes reference to briber/bribee-initiated and cost-reducing/benefit-enhancing to the briber (bribery) and coercive/collusive corruption and grand corruption (extortion). This type of illicit transaction is normally initiated either by business executives or politicians, on a large scale.

Robinson (1998) considers three categories of corruption, incidental or individual; institutional; systemic or societal. Incidental or individual corruption compares with what Tanzi describes as petty corruption whereas systemic corruption would be closely associated with fraud or grand corruption. Systemic or entrenched corruption describes a situation where major institutions and processes of the state are routinely dominated and used by corrupt people and where many citizens have few practical alternatives to dealing with corrupt officials. This type of corruption features in societies characterized by low political competition, low and uneven economic growth, a weak civil society and an absence of institutional control mechanisms.

Corruption is a feature of business worldwide (Argandona, 2003; Colombatto, 2003; Crawford, G. 2000; Damania et al., 2004). This is due to the perception that a certain level of corruption is good for business (Segal, 1999). In fact most business decisions are derived from the notion of consequences that is, from teleological rules. Notions of teleology evolved from early philosophies developed by Socrates (c. 469-399 B.C.), which derive from notions of how real happiness is linked with the achievement of perfection. When applied to business situations these led to the idea of maximisation of utility. Ethics theories originate from the writings of great philosophers like Socrates, Aristotle, and Confucius, to name but a few. As an academic topic, however, 'business ethics' originates from the 'Wall Street' scandals of the 1980s. This particular period, often regarded as 'period of greed' shocked many observers. There was evidence that throughout the 1980s, many managers, most of whom were graduates from major business schools, were digressing from standards of ethics (Bradburn, 2001). Given the negative repercussions that this had on business, it became obvious that ethics is compatible with business.

According to the normative ethics literature, most decision-makers rely on notions of consequences when faced with ethical dilemmas. Ferrell, Fraedrich and Ferrell (2002) refer to two main teleological principles, utilitarianism and egoism. Both are founded on consequences that is, any act or decision is justified on the basis of its consequences. Utilitarianism is based on the concept of utility maximisation. When faced with ethical choices, the decision maker must opt for the act or decision that yields maximum utility or least harm (Adams and Maine, 1998).

The theory of egoism originates from Freud (1856-1939) who held that human beings are naturally aggressive and selfish. As per their philosophy, egoists should make decisions that maximise their own self-interests. In the context of business, this would imply choosing the alternative that contributes most to their self-interests. The general belief is that the egoist is intrinsically unethical. An egoist would focus on short-term goals oriented and make the most of any opportunity they avail of, as long as they derive a benefit from it. There is a different perspective to this theory.

Ferrell et al. (2002) present the concept of the enlightened egoist who allows for the well-being of others and adopts a long-term perspective. However, even the enlightened egoist gives priority to his/her own self-interest. If a business makes a particular donation, for instance, its motive may not be altruistic (Ferrell et al., 2002). When an individual or a business corporation gives with intent to receive something in return, such act involves an element of corrupt behaviour.

The theory of egoism states that people 'should' behave as egoists rather than 'they do' behave as such (Reidenbach et al., 1991). This school of thought relies heavily on ideas of prudence, self-promotion, best self-interests, selfishness, and personal satisfaction. An act is considered as ethical as long as it promotes the individual's long-term interests. An individual may also help others, and even give gifts if he/she believes that those actions are in his/her best interests (Reidenbach, et al., 1991). Whatever a person decides to do is a product of his ethical judgement and the circumstances in which the decision is made. In Mauritius for instance, it is traditionally acceptable to see someone use egoistic concepts to secure his/her own interests. Often, ethical judgements are influenced by self-motivating factors.

Bribery has been described as 'a practice involving the payment or remuneration of an agent of some organisation to do things that are inconsistent with the purpose of his or her position or office" (Adams and Maine, 1998, p. 49). The ethical aspects considered in this paper are moral, duty and relativistic considerations. The moral dimension is derived from virtue ethics and ideas of deontology. These theories assume that an act or decision is assessed in absolute terms. The notion of duty draws from ideas of contractualism and promise keeping, based on the principle of absolutism as well. Everyone knows for instance that the economic duty of business is to maximise profits. However while pursuing this profit maximisation goal, business executives should ensure that they do not undertake anything that would cause harm or prejudice to their stakeholders.

Therefore from a moral point of view, corruption would be condemned as a feature of business or as a mode of life to secure a position that one is not legitimately entitled to. The practice would not be condoned from a duty standpoint either. The option of seeking favours from the political class or paying/inviting bribes is likely to be discarded if one has recourse to notions of contractualism and promise keeping. From a relativistic perspective however, it could be argued that bribery or favouritism are acceptable modes of doing business or advancing in one's career. This is because under relativism, cultural characteristics pertaining to specific contexts are used to evaluate the practice of corruption. The relativistic factor derives from ideas of relativism, either cultural or moral. Whatever is acceptable under the Mauritian culture or particular choice of moral framework would be regarded as right or ethical. However, this does not make the act or decision right in absolute terms. For example the two-factor solution obtained in Scenario 1 shows that the respondents rated the act of bribing the judiciary as culturally acceptable. This does not make the act right in absolute terms, meaning that a different culture may condemn the act of paying bribes to the judiciary to escape trial.

Our survey attempts to shed light on the dimensions that impact on ethical decision making when the decision makers have vested interests.

Methodology

For measurement purposes, the multi-dimensional ethics scale developed by Reidenbach and Robin (1988) was used. Reidenbach and Robin (1988) devised the measurement scales from normative moral philosophy. The objective of these scales is to measure the different aspects of moral philosophy a decision maker may have to consider in evaluating an ethical issue.

Fair	1	2	3	4	5	6	7	Unfair
Just	1	2	3	4	5	6	7	Unjust
Culturally acceptable	1	2	3	4	5	6	7	Culturally unacceptable
Violates an unwritten contract	1	2	3	4	5	6	7	Does not violate an unwritten contract
Traditionally acceptable	1	2	3	4	5	6	7	Traditionally unacceptable
Morally right	1	2	3	4	5	6	7	Not morally right
Violates an unspoken promise	1	2	3	4	5	6	7	Does not violate an unspoken promise
Acceptable to family	1	2	3	4	5	6	7	Unacceptable to family

Factor analysis was used to further reduce the above scale to three dimensions that is, a broad-based moral equity dimension, a contractualism/duty dimension and a relativism/cultural dimension (Kujala, 2001). The moral equity dimension encompasses 'fair', 'just', 'morally right' and 'acceptable to family' while the relativistic dimension consists of 'traditionally acceptable' and 'culturally acceptable' items. The third dimension is the contractualism one and it comprises 'does not violate an unwritten contract' and 'does not violate an unspoken promise' (Reidenbach, Robin, and Dawson, 1991). According to Reidenbach and Robin (1990), "the multidimensional nature of the scale can provide information as to why a particular business activity is judged unethical; whether, for example, the activity undertaken is perceived as fair or just, or whether it violates certain cultural or traditional values" (reported in Kujala, 2001, p. 232).

Data Collection

The sample population consisted of business people, from middle management upwards, from both the public sector and private institutions. Participants worked in retailing, financial services, courier service, estate agency, telecommunications (public and private sectors), construction, the hotel sector and wholesale pharmaceuticals, amongst other businesses.

Four hundred questionnaires were distributed in total and the response rate was 26%. The sample is reasonably homogeneous with respect to what is being surveyed, that is, the different aspects of moral philosophy a decision maker may have to consider in evaluating an ethical issue. In terms of demographic structure, there were 80% male and 20% female participants. Of the 104 people who responded to the survey, about 55% were degree holders. The majority of respondents (over 45%) were aged 'between 31 and 40' while about 25% were aged 'between 21 and 30'. As regards the respondents' position in the organization that employs them, roughly 35% were senior managers, nearly 50% were in middle management and about 10% were owners of the business. In any society, one would expect the judiciary to function independently from interference. It is quite surprising to see a citizen charged with murder bribing the judiciary to escape punishment.

Results and Discussion

Scenario 1

SV, a wealthy businessman, is convicted of a crime that he claims he has not committed. However, all facts seem to confirm that he is guilty. SV insists on his innocence, stating that the best lawyers are prepared to defend him. He opts for paying a judge to be partial to his case.

How would you categorise SV's action?

Factor 1: Relativistic Dimension	*RFL*
Culturally Acceptable	*0.774*
Traditionally Acceptable	*0.869*
Fair	*0.911*
Just	*0.894*
Acceptable to Family	*0.750*
Factor 2: Contractualism Dimension	
Violates an Unwritten Contract	*0.922*
Violates an Unspoken Promise	*0.917*

This case relates to the choice of an alternative that contributes most to the self-interests of the actor and reflects the concept of egoism. The principle of egoism relies heavily on ideas of prudence, self-promotion, best self-interests, selfishness, and personal satisfaction. Egoism states that people 'should' behave as egoists and this coincides with SV's behaviour. Considering that bribing the judiciary promotes SV's long-term interests and helps him evade punishment, this choice would be rated as ethical under the principle of egoism. The general belief is that the egoist is inherently unethical. Such people are short-term oriented and would take advantage of any opportunity that faces them, as long as they derive a benefit from it.

The results of factor analysis show high loadings of justice scales on the relativistic dimension and yet heavier loadings under the duty dimension. The two-factor solution explains 77% of the variation. The three-factor structure does not offer good results and this could be explained by the fact that respondents view bribery at such a level as widely practised and accepted. The two-factor solution is therefore retained as the results it offers are more logical on the bribery scenario. However, one could have thought that respondents would rate 'bribing the judiciary' as a very serious issue. For this reason, they would have been expected to separate the notion of whether it is accepted from whether it is fair and just (using the three-factor loading pattern) as opposed to lumping the two together (the two-factor loading pattern, where justice scales load on relativistic ones).

Scenario 2

AD has applied for a building permit two years ago. Although he initially followed all the necessary procedures, he is confronted with officials who seem to be complicating the process. AD knows that he has the option of paying some form of speed-up gratuity to 'motivate' the people he is dealing with. This would empower the authorities, hasten procedures and stimulate the officials.

In the circumstances, if AD offers something, how would you rate such action?

Factor 1: Relativistic Dimension	*RFL*
Culturally Acceptable	*0.845*
Traditionally Acceptable	*0.872*
Acceptable to Family	*0.833*
Factor 2: Moral Equity Dimension	
Fair	*0.848*
Just	*0.869*
Factor 3: Contractualism Dimension	
Violates an Unwritten Contract	*0.817*
Violates an Unspoken Promise	*0.840*

Scenario 2 is a case of bribery. To refer to the definition of Adams and Maine (1998), bribery is the illicit payment effected to motivate the recipient to do things that are inconsistent with his/her duties. AD's initiative of bribing the official to speed up the process of getting a building permit issued corresponds to what Alatas (1999) viewed as common under the Asian culture. This is what encourages some public officials to withhold their services until they feel adequately motivated to act. In the above case, AD concluded that bribing the official concerned would serve his purpose. While universal ethics principles would strictly condemn the act of bribery, the consequences justify AD's choice.

This form of corruption can take the form of either gifts or favours as a condition to the execution of public duty. As is common in many countries, the actor offers a speed-up gratuity to local authorities to get a building permit or to empower the authorities, hasten procedures and stimulate officials. Under this form of bribery, the bribe-payer wants to speed up the process of the movement of files and communications relating to a specific decision or act where he has a stake.

The practice of offer and invitation of bribes is encouraged by a good proportion of the population and is almost part of the Mauritian culture. Some public officials have developed the habit of not fulfilling their basic duties until they are suitably persuaded to do so. On the other hand, there are members of the public who have developed a habit of corrupting public officials to do a job that they are already paid for and are expected to perform in the normal course of their duty. Similarly there are public officials who expect extra money in the form of 'speed-up gratuities' to do their work.

This case can therefore be defended under either a two-factor analysis or a three-factor one, depending on how respondents assess the practice of bribery in the Mauritian setting. If the act of bribe offer is condemned because it constitutes an illicit activity, the three-factor solution can be used to distinguish between justice and cultural dimensions. If, on the other hand, the practice is condoned on the basis that it helps 'hasten procedures', and therefore, saves time, the two-factor solution could be retained. This latter option offers heavy loadings of justice factors onto the relativistic dimension, whereas the three-factor structure offers an appropriate solution. The three-factor solution explains 79% of the variation. There are high loadings under all three factors. The second factor, the moral dimension, explains more variation than the third factor, which represents the duty dimension. In this particular case, there has been a tendency to use concepts of fairness and justice to evaluate the ethicality of the scenario. Since the two "duty scales" load onto the third factor, it means that those concepts were less important to the respondents as they evaluated the ethicality of this scenario.

It is worth pointing out that in Scenario 1, the duty scale was rated as the second factor in the two-factor solution and as the third factor in Scenario 2. As far as Scenario 1 is concerned, it is surprising to note that in a case involving an offence like an allegation of murder, the duty scale was rated as secondary. This differs from the results obtained in applications of the R & R scale in the United States of America where the duty scale was rated as the most significant factor.

Conclusion

Both Scenarios 1 and 2 present individuals who choose to pay bribes to further their interests. Scenario 1 carries even more significant ethical consequences as the decision maker uses his power to bribe the judiciary to rule in his favour. In this case the decision maker, a convicted individual, blends the notion of self-interest to serve his purpose that is to evade punishment. This coincides with the idea of overlapping between duty and enlightened self-interest. Garcia (1990) presented the view that some virtue concepts are more basic than deontic concepts. This could lead to a different notion of relativistic thinking where specific circumstances impact on ethical goodness and on human nature.

In Scenario 2, a citizen offers a bribe as a form of speed-up gratuity to motivate an official to give him a building permit. Speed-up gratuities constitute an area of concern, as many Mauritians, in particular the poorer section of the population, are not even aware of the unethical aspect of this type of 'payment'. Besides, what used to be accepted as 'speed-up gratuity' is now considered as insufficient. In other words, officials inviting bribery are becoming more demanding and expect bigger sums of money, which proves that a culture of bribery is slowly 'evolving' in Mauritius. Where it is question of the issue of licences or granting of permits, there are so many procedures involved that it becomes easy for the official concerned to have recourse to blackmail, depending on the financial status of the citizen involved, to secure bribes. Some people choose to pay bribes for an easy life as in this scenario.

It is interesting to note that participants distinguished between ideas of moral equity and relativistic factors, showing that they viewed this practice as clearly unethical. If this trend were to be maintained however, it would imply that people who cannot afford to pay bribes would be at a disadvantage. This is unacceptable if we take into account the fact that all citizens irrespective of class or status are entitled to such services, free of charge. Bribery is a feature of developing nations where systems of control are weak, leading to potential abuse of power and discretion on the part of policy makers.

Out of the three dimensions (moral, duty and relativistic) it can be said that the relativistic/cultural dimension has a considerable impact on ethical thinking in Mauritian context. This could be attributed to the individualistic culture of Mauritius. Under the individualistic culture, citizens feel that they owe obligations to one another irrespective of merits. Based on cultural grounds, business people sometimes 'justify' corruption on economic grounds. This can take the form of illicit payments to evade punishment or speed up the movement of files.

Summary

This paper focused on the controversy behind business decisions where ideas of duty are often in conflict with the pursuit of business objectives in the form of utility maximisation. While moral, duty and relativistic considerations impact on ethical decision-making to differing extents, there is evidence that ideas of duty often conflict with utility maximisation.

For the purpose of this paper, two scenarios were presented to the participants, each carrying an element of unethical conduct. In the first one, a wealthy business executive accused of a crime offers to bribe the judiciary to get a 'fair' trial. Contextual variables encourage the decision maker to use his/her self-interest to acquire happiness in the form of security. The second scenario presents an individual who chooses to bribe the local authorities to get a building permit. Again notions of duty overlap with self-interests as particular motives prompt this type of conduct. The bribe payer has something to gain from speeding up the movement of files relating to the issue of a building permit.

In absolute terms, the act of bribery is wrong meaning that we cannot re-define duty on the basis of the benefits that it brings to the wrongdoer. Yet the evidence shows that bribery continues to characterise and dominate the world of business, depending on the cultural acceptability of the practice of offering and inviting bribes. In the absence of control systems however, individualistic cultures tend to encourage a corrupt mode of life and Mauritius is no exception. In the long term this can take an unmanageable dimension and can cause considerable harm to the economy and society.

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Making Sense of Business Ethics – About Not Walking the Talk

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Abstract

By using a sensemaking perspective, this article argues that it is not relevant to fully expect firms to walk their talk in ethical matters. Accuracy between words and deeds is utopia in a post-modern world, with chaos and complexity. Integrating diverse ways of doing ethical business across global regions rather creates legitimacy, trust and a good image among firms in business networks. So what is the role of the ethics code? The article gives examples from a case study on Stora Enso, where the ethics code has a certain strategic meaning, but where the CEO also states that the firm has to do what it says, and say what it does. In short, the article discusses a new paradigm which influences how one can make sense of business ethics in the contemporary and global business market.

Keywords

Sensemaking, business ethics, ethics code, words and deeds, walking the talk, paradigm, Stora Enso, business networks, strategy

1 Introduction

Credibility for business is at times problematic. A study by Stevens (1999) shows that business people are ranked only 13th in an American Gallup poll among 25 professions. Stevens argues that the credibility soars as new business scandals occur. Especially drastic is the lack of credibility when scandals hit firms having official ethics codes. Likewise, even many business students are cynical towards beautifully phrased ethical statements. Do the businesses really walk their talk – do the deeds match the words? I argue that this is not a relevant question. Most firms probably do not walk the talk – but these very firms can still be very ethical. They may even be the fore runners of ethical issues.

To address this claim, I address the environment of contemporary firms, ponder the implications of the post-modern way of doing business in networks and try to make sense of what this means for a firm that is ethical in its approach. The underlying perspective is a sensemaking approach, as largely developed by Weick (1995). The conceptual study is underpinned by exemplifications from a case study on forestry firm Stora Enso in 2002-2004. Results of this case study, which applies a business network approach, have been published by Lindfelt (2004a, 2004b, 2004c, 2004d, 2005a, 2005b) and Lindfelt & Törnroos (2006).

Thus, the research question of the article reads: Why is it not necessary to ‘walk the talk’?

Central definitions are as follows. The firm exists in sets of connected exchange relationships between actors (e.g. Cook & Emerson 1978 cf. Johanson & Mattsson 1997). These dyadic relationships form business networks that consist of business and non-business actors (e.g. Hadjikhani 1996, Törnroos 1997). Strategy is the intended pattern of activities that have an impact on the achievement of the organizational goals in interaction with its environment (Lindfelt 2004b, Håkansson & Snehota 1990). As for the ethics code, Brytting (1998:196) suggests that it should be embraced both locally and centrally, express good practice and ideals and that it needs relevance in practical issues and has general applicability. Paradigm, sensemaking, Stora Enso, words and deed as well as walk the talk are elaborated further and defined in the text.

First, I take a look at the paradigm shift which is taking place in the society and marketplace, and discuss implications of this for ethical business - and business ethics. Second, I look at how an organization itself makes sense of its ethics management. Third, I discuss the overall arguments on not walking the talk. After this, follows notions on contributions, further research and acknowledgements.

2 A New paradigm/époque

The last few years’ concern with ethics in businesses may be related to a new paradigm. The concept of paradigm is usually understood and associated with shared understanding. Paradigms are set of assumptions about the world. Beliefs, values and visions are embedded in frames such as paradigms or ideologies that form what people think. Kristensson Uggla (2002), Normann (2001) and Weick (1995) all agree that we seem to be posed to a new époque or paradigm. How does this look and what is its relevance for understanding the development of business ethics?

2.1 Business networks and the ethical Prime Mover

Normann’s Reframing Business: When the map changes the landscape (2001) contains well argued claims for our facing a new époque. The new paradigm brings new ways of conducting business, which come from a radical shift in how economic value is created and how one should interpret and understand actors in the marketplace. Normann sees that successful businesses are those that make the first moves in the marketplace. These Prime Movers, as he calls them, become leaders because they create value for others – and thereby for themselves. The Prime Movers organize value creation and reconfigure ways of achieving this. They possess the competence to interlink various actors with different resources and knowledge in systems of value creation. The Prime Movers envision value creation networks. They also realize that when they create value for other actors in the network – this is when they create value for the own firm. Thus, also end customers are co-producers of value in the network. Co-creation and co-operation are key concepts (See also Ramírez 1999, Ulaga 2001, Walter et al 2001, Lindfelt 2004b, Forsström 2005). Normann's approach should be seen in contrast to the traditional industrial system (fordism), where value was understood to be created in a chain (Porter 1985) and where the end product was perceived to be consumed by the customer. This strategic model has dominated modern business theory for some time, but has been questioned in the past years by researchers such as Parolini (1999), Möller & Halinen (1999), Möller & Wilson (1995) Snehota (1993) and the ValueNet and IMP research groups[1]. The new strategic model for value creation means that resources and competence has replaced the value chain as a model. Rather than considering the end product as central in production, knowledge and relationships are central. Companies exist in – and are – networks, whose identity does not merely equal the headquarter building or office. It a sense, Normann's position tells about a shift towards more humane and soft values. In a knowledge and information society, the individual and collective mental processes distinguish failure from success. Therefore, Normann's work offers some interesting possibilities for making sense of how ethics are developing, and the role of the marketplace and society in this process.

Normann means that certain competencies are needed for creation and reconfiguration of value systems. Such competencies can come from technical innovations or from intellectual and conceptual innovations. While trying to make sense of ethics in a business network, it has become evident that if a firm takes ethics matters seriously, it needs to find itself in a business network where ethics matters are treated similarly. This is what I have called ethical embeddedness (e.g. Lindfelt 2004b). Firms have different ethical network positions, ethical network identities and ethical roles in this embedded network (see more in Lindfelt & Törnroos 2006). A business network's ethical fore runner – Prime Mover - pro-actively shapes the ethical dimension, because it believes that ethics create value and pays off. For business ethics to be trustworthy, this fore runner needs to be part of a network among other actors who together co-create economic value. In the terminology of Normann, such fore runners are qualified as Prime Movers. These firms use conceptual and intellectual innovations (such as ethics codes) in order to organize the co-creation of value in accordance with ethical principles for sustainability. An example of an ethically driven Prime Mover is Finnish-Swedish Stora Enso, which operates globally within the integrated paper, packaging and forest products sectors. An interesting note is that the firm is the oldest corporation in the world, its ancestor being Stora Kopparberg some 700 years ago.

Thus, I argue that the new époque emphasizes business networks as important units for ethical development in the marketplace. Ethically convinced Prime Movers drive the ethical embeddedness of a network – but are also constrained by this. These Prime Movers believe that business ethics is a strategy which pays of in the value creation process. As a result of the new competences needed in this époque, firms create corporate ethics codes or principles. These constitute in words how the company behaves – or rather should behave.

2.2 The ethics code as a network strategy

Normann's view of value creating networks is an interesting contrast to Milton Friedman's (1982/1962) logic considering the firm and its responsibilities towards stakeholders. Friedman argues that the company creates optimal value for its local community, employees and other stakeholders by increasing the economic value of the company. Any society benefits from money and the firm's financial strength is transmitted to the stakeholders, who indirectly benefit from the success of the firm. Therefore, Friedman claims, the main responsibility of the company is to optimize the shareholder value. Normann, in turn, in a sense reasons in quite the same way – but in the opposite direction! Through a wider stakeholder creation of value, the shareholders' value will increase. Normann argues that the shareholder value will increase, not by capital and resource ownership, but rather by mobilizing, handling and using resources more effectively. As a result, strategy is closely linked to a firm's position in the network – and not to the value of resources. The position in a network is A and O for all strategy. Strategy is based on mental processes and reframing of the business landscape. Therefore, I argue, the role of ethics in reaching a favourable position in the business network is highly interesting. This process has been researched in a case study on Stora Enso, (Lindfelt 2004a, 2004b), showing that for Stora Enso ethics does play a strategic role in some business relationships, foremost in investor and supplier relationships and to some extent in demanding customer and NGO relationships. In other words, these relationships are directly affected by the use of ethics codes. The ethics code thus to some extent alters the network position of Stora Enso in these relationships. Thus, the words – not the deeds – are examined in Lindfelt's study.

Normann sees the world as socially constructed (see also Berger & Luckmann 1967). This means that reality appears as a result of a dialectical interaction between a conscious mental process on the one hand and individual and social action on the other (Normann 2001:326). This interaction requires communication. Normann argues that it forms the core of leadership, because in this interaction, possibilities appear for reframing of business. The leader should be a catalyst for the process and part of its construction. Based on this, I argue that when a leader understands how the moral questions of a firm function as common artefacts and can communicate these, then the leader understands how he can make use of e.g. ethics codes to promote the co-production of value. The communication of moral, sustainability related issues enables creation of legitimacy of the firm among other actors in the network. Such legitimacy is foundational for the reframing and restructuring of value creation systems – networks. Legitimacy is closely connected to the use of ethics codes – again, the 'words' or the 'talk'.

An example is seen in the Stora Enso case. The Code of Ethics (2004) serves as a framework for the case firm's whole approach to sustainability. Stora Enso's definition of sustainability is that it equates corporate responsibility in the broadest sense, thus including environmental and economic issues as well as corporate social responsibility (Sustainability Report 2004:59). Stora Enso differs from the Finnish market in that the firm includes more social reporting in its ethical approach. The content of the Code of Ethics mainly centres on environmental and so-

[1] The ValueNet research group is financed by the Academy of Finland and studied value creation in networks 1999-2004. The IMP-Group (Research Group for Industrial Marketing and Purchasing) has existed for some 30 years. The focus of the IMP-project has been to study and collect empirical data on business relationships (Ford 1990, Håkansson 1982, Turnbull & Valla 1986).

cial responsibility, with a small section on financial responsibility. Stora Enso annually produces a Sustainability Report. The role of the Sustainability Report seems to be to show the stakeholders and the business network, that Stora Enso is moving towards ethical targets. Deputy CEO, Björn Hägglund:

"With sustainability issues in the global economy becoming more and more complex, it is absolutely vital to review the situation regularly, to see whether our good intentions have borne fruit or not. Sweeping sustainability claims could easily lead us onto thin ice. We need to base our reporting accurately on the facts – we have to say what we do: and do what we say" (Annual Report 2004:5).

The main function of Stora Enso's Code of Ethics is to demonstrate sustainability throughout its whole value chain - in other words, to display trustworthiness and create legitimacy. Key sustainability aspects are identified one area at a time and are followed by statements outlining the tools needed to achieve them. This is carried on across markets, society, investors, product units and employees. The Code of Ethics concludes that stakeholder engagement is vital for business operations, risk management and in order to identify opportunities for value creation. Worthwhile noting, is that the CEO claims "we have to say what we do: and do what we say". In other words – walk the talk and talk the walk, alternatively; words must match the deeds and deeds must match the words. I will come back to this statement later on.

2.3 Chaoplexity and glocalization – drivers of ethics awareness and management

In addition, the new époque brings other aspects that highly influence ethics understanding, management and relevance. Business networks are not left out to the logic of the business network – but find themselves in the midst of a global and complex society. Bengt Kristensson Uggla's thorough contribution to the discussion on how to interpret the constantly changing environment is published in his Slaget om verkligheten (2002). His book provides a well argued for incentive to understand and make sense of the marketplace from a philosophical and societal perspective. Kristensson Uggla uses two concepts to fathom the contemporary society; chaoplexity and glocalization[2]. Chaoplexity is a convergence of chaos and complexity. It describes the post-industrial society that firms need to adapt to, understand and make comparative advantages out of. Simultaneously, this new society is both difficult to overview and consists of niches for business. Chaoplexity creates a need among people to interpret and understand – to make sense of reality. Also other researchers try to describe this phenomenon. Normann, for instance, writes about absence of limits, a fog, and a lack of clarity in the physical world (2001:308). Other researchers address issues of turbulence (e.g. Hadjikhani & Sjögren 1996). However, Kristensson Uggla's chaoplexity provides a possibility for sensemaking of why firms during the past decade all the more anxiously have launched various types of ethics codes and principles, as exemplified also above with Stora Enso (see more about Finnish ethics codes in Rannikko 2004, Lindfelt 2004c). Consciousness of sustainability matters in and of business is a way to manage the increasing chaos and complexity: the chaoplexity.

The second concept, glocalization, is a product of two streams, or processes, in society: a process towards the local/regional and a process towards the global/universal. The streams are simultaneously evident and respectively strengthen each other at the expense of the national perspective (Kristensson Uggla's 2002). This phenomenon has been addressed in other disciplines, e.g. from a sociological, geographical and political point of view (such as Svensson 2001, Pries 2005, Robertson, 1995). Kristensson Uggla's (2002) interpretation of society gives an interesting sensemaking perspective (although he does not use this concept himself) on business networks, ethics codes and values. As exemplification, the study on Stora Enso shows clear signs of the glocal development. It is important for this firm that local sites develop own concrete ways of management which suit the local society well. Such management is to be in line with the global ethical initiatives (UN Global Compact, International Labour Organization, Global Reporting Initiative, etc, see more in Lindfelt 2004c), which form the central ideas in the Stora Enso Code of Ethics. This is not to say that the national Finnish or Swedish legislations are not considered important for Stora Enso, but these receive only lukewarm attention. Positive results, as well as negative scandals, are either on the local or the global scale. The forestry industry as such is also no longer of national character, but rather glocal, with strong local and global influences. In many cases, firms and their networks have a stronger influence and power over local regions than do the nation state. Kristensson Uggla writes (2002:256):

"The nation state seems to on the one hand be too big to engage in local and regional matters of interest to the people, and on the other hand too small to engage in many of the global problems facing us today".

What we see is rather that the nation state is an actor in a complex network, which together with other actors becomes stakeholders to companies. The nation state has then largely become an actor in the immense business networks. This is seen also in the type of relationship the Finnish jurisdiction, welfare, and development etc. have with Stora Enso; these form part of the network that is object to Stora Enso's strategic interests. Likewise, Finland is dependant on and part in the formation of global initiatives, agreements and conventions on global ethics standards and sustainability matters. Normann (2001:331) addresses this matter in a concept of integrated diversity. Diversity as such gives rise to innovations and mental growth and is needed for the new types of businesses. However, diversity needs to be globally integrated so that global firms can operate and be legitimate in distant regions.

I claim that these same streams of development are also evident in aims for global ethics, where various cultures need to co-exist in a common frame of ethics understanding – an integrated diversity. The integrated diversity implies that understanding of ethics may have locally diverse manifestations, but should be integrated to a common understanding on the global level. What does this mean for walking the talk? I claim it is a too challenging task to formulate a general corporate ethics code that would be understood in the exact same way in locally diverse regions. Likewise – it is almost impossible to write down all ethically diverse actions and integrate them into a generally fully functioning ethics code. Thus – in a glocal society where the chaoplexity drives ethics issues to the forefront, businesses need integrated diversity. The integrated diversity rhymes badly with a written down ethics code. How can the corporation really walk its talk?

2.4 Trust

Kristensson Uggla's two concepts, chaoplexity and glocalization, describe the contemporary society and can be seen as drivers of ethics awareness and management in Stora Enso and

[2] In original, the Swedish words kaoplexitet and glokalisering (Kristensson Uggla 2002).

other firms. Another main driver of ethics development is the issue of trust. The immaterial value of trust has reached a central position in the post-industrial and post-positivist society. Kristensson Uggla interprets that this comes from a shift in society of power and influence from material values (such as economic capital) towards immaterial values (2002:396). Trust steers economic operations at the local as well as the global scale and is a prerequisite for any business interactions. What is then special with trust? Trust has an elusive position in business, because when one focuses on it – it tends to disappear, argues Kristensson Uggla. An interesting example is seen in the business relation between Stora Enso and its customer, publishing company SanomaWSOY. Both companies have their headquarters in Helsinki and their business relationship goes generations back in time. SanomaWSOY's was not aware of the Stora Enso Code of Ethics; neither would these issues be discussed in the business relationship between the firms. The reason was that discussing ethics had implied that trust was lacking in the first place – a position neither of the firms seemed willing to take (See more in Lindfelt 2004a, 2004b). Ethics codes can in this perspective have paradoxical and counterproductive outcomes. In an often-referred article of 1985, Granovetter discusses the modern industrial firm and its relationships to the environment. In the article he argues at length that social relations are, in fact, what create trust in economic life. He does not see "institutional arrangements or generalized morality" (1985:491) as enabling the same kind of social order or trustworthy behavior, although he does admit that such generally arranged norms indeed are necessary in society.

Thus, I claim trust may be promoted through ethics codes or similar statements, but does not depend on these. Likewise should an ethics profile not depend on words but on deeds. In other terms – the ethics codes are better of reflecting the actions – and not the deed the words. I will return to this. Before, however, the sensemaking perspective gives a deeper insight into the firm's own perspective. How can one understand the making of sense?

3 Sensemaking of and in ethics management

Weick likes to describe sensemaking "as a developing set of ideas with explanatory possibilities, rather than as a body of knowledge" (1995:xi). This is also the setup of his well known book Sensemaking in Organizations. He argues that everyone engages in sensemaking in their normal life. Sensemaking literally means the making of sense. One can make sense of events, people, relations, structures, ideas etc. The idea is that as one constructs an understanding of the unknown, one makes sense to the world or issues within it. Sensemaking becomes of importance when something unexpected happens, a surprise, or a deviation from expectations. This is when one tries to understand and make sense of the world – the meaning of the surprise or event needs to be constructed. What then can sensemaking contribute with in this study? With the notions of a new époque, with new ways of doing business, in a new environment, it is necessary to try to make sense of why ethics is used all the more in and by firms. There is no evident answer to why this has happened. Is it an outcome - or cause? - of strategy, altruism, marketing or value creation? Or is it just a trend everyone follows? Sensemaking offers an interpretative process, which may result in an action, but can also result in more perceived information about a certain issue. The background of sensemaking comes both from a deductive and an inductive process, why it fits well in the empirical data on Stora Enso, achieved by using an abductive process (Alvesson & Sköldberg 1994).

3.1 Accuracy

The risk with sensemaking is, I see, that it justifies any construction of meaning that makes sense to one person or one firm. And if used in a scientific arena, this may impose problems linked to validity and epistemology. Kristensson Uggla's (2002) tolkning, I understand, lies between Weick's interpretation and his sensemaking. Weick sees interpretation as a process which is more evident; people usually agree upon the fact that something needs to be interpreted and the object of interpretation is somehow there to be observed by various people. Sensemaking, on the other hand, he understands as implicit, starting with a person's initial question whether things can be taken for granted at all. I understand Kristensson Uggla's (2002) tolkning as midway because he argues for the fact that our environment must be interpreted in order for it to make sense and have a meaning to a person. Kristensson Uggla does not see this interpretation as a given process that anyone is aware of. Because there can be several understandings of an event or an "object", it is important to find one sensible interpretation. This need not fill the demand for accuracy, because Weick claims accuracy is a difficult concept that poses problems in several perspectives, for instance: can accuracy be global? Can accuracy be seen in a study of interaction, such as a network setting? Weick means sensemaking is rather about plausibility, coherence and reasonableness, about socially acceptable and credible accounts. Sensemaking offers a way of making sense of something.

A brief reflection back to words and deeds provides that as accuracy gives way to sensemaking –judging accurate deeds from words is irrelevant and gives way instead to creating plausible words out of deeds. In other words: to walk the talk in a socially acceptable way – through integrating diversity!

3.2 Organizational sensemaking

Sensemaking from a firm's perspective implies the following. First, the identity of the firm forms how the firm itself makes sense of various processes (Weick 1995). How does this translate to ethics processes in business networks? According to the theory of business networks, actors can be individuals, units or organizations/firms (Johanson & Mattsson 1997). In an industrial network setting, such as the Stora Enso business network, we saw that one of the research foci investigates the concept of positioning to understand strategic actions taken by firms in the industrial market (also Seyed-Mohamed & Bolte 1992; Möller & Wilson 1995; Håkansson & Snehota 1990). The actors (firms) have relationships with other actors (firms). A business network is formed of these diverse and interlocking dyadic relationships. An important concept is the notion of interaction in the relationships and in the business network. If turning back to the sensemaking perspective, Weick sees that identities are constituted from the process of - interaction. Therefore, as the interactions shift in different relationships, also the definition of respective actor's identity shifts. Not only does the actor see its partners from its own definition of the world, but the self of the actor also shifts according to whom the actor interrelates with. The actor's identity is accordingly constituted from the process of interaction and interrelation in the network. Weick writes (1995: 20):

"Depending on who I am, my definition of what is 'out there' will also change. Whenever I define self, I define "it", but to define it is also to define self. Once I know who I am then I know what is out there. But the direction of causality flows just as often from the

situation to a definition of self as it does the other way. And this is why the establishment and maintenance of identity is a core preoccupation in sensemaking…"

As exemplification, I ask: what does this mean for ethics as means for identity construction at Stora Enso? Lindfelt (2005a) found that misunderstandings of ethics arise because of varying value claims across regions and cultures (also Kristensson Uggla 2002). But also, it is important to notice, that the ethical network identity (Lindfelt & Törnroos 2006) of Stora Enso varies depending on the other part in the relation. Furthermore, Lindfelt (2004a) found the Stora Enso ethics code to function as a strategic action in some business relationships of the network, but not in all. When the ethics code shapes an ethical network role that is positive and pro-active, Stora Enso's identity is sharpened from a strategic point of view. However, one cannot expect this to happen in all relationships, partly because actors have various demands on and expectations of Stora Enso. Issues such as culture, tradition and history partly form pieces of the picture. But also of importance is to understand that Stora Enso as a firm cannot expect to have the same identity to various actors (suppliers, buyers, NGOs, investors, etc) because its own identity construction is shaped and reshaped to some extent in the process of interaction. Ring and Van der Ven (1989, cf. Weick 1995) discusses this process and contends that an organization develops a self-referential appreciation of its own identity by projecting itself onto its environment. This process permits the organization to interrelate with its environment. I argue that the act of putting together an official ethics statement or code is to project the firm onto its environment, as firms usually include their stakeholders into such ethics codes. The code thus takes the form of identity construction for the firm. In this process, the firm simultaneously shapes its environment and is influenced by the same. This shows the ethical embeddedness of the firm in the network.

Second, in retrospective, the longitudinal study of Stora Enso shows how the sustainability development of the firm in the end may seem like a linear strategy. However, one can speculate that the learning process over the years has made Stora Enso's decision making deviate from the original strategy of the first Mission-Vision-Value statement. Only in retrospective can one envision a strategy of development that seems rational. This is noted also by Mintzberg and McHugh (1985) where they argue that ongoing retrospective sensemaking creates emergent strategies that differ from the deliberate and intended strategies. Thus, they suggest that learning can substitute for rational decision making. In other words, the relation between deeds and words is characterized by a constant and dynamic learning process – not a static structure of congruence.

Third, noting the issues of legitimacy and image, there are issues linked to the so-called 'license to operate' as Stora Enso CSR Manager Kaisa Tarna (2004) expresses. Pfeffer (1981) sees that there are systems of shared meanings in organizations. In order to manage these systems, belief systems need to be constructed and maintained, for which language, symbolism and ritual is used. These belief systems legitimate and rationalize decisions based on the firm's (organization's) power and influence. Adapting Pfeffer's thoughts to this case study means that the Stora Enso Code of Ethics is a constructed belief system communicated through language, being a symbol and setting ethical rituals. The Code is the company's license to operate and legitimates its operations. This is needed because Stora Enso exerts power and influence in the sites where it operates. (We can see the glocal tension) Thus, legitimacy is also closely connected to image. Selznick (1949, cf. Weick 1995) argues that an organization, such as for instance Stora Enso, derives its meaning and significance from interpretations that people place on it. Image is crucial to the interpretations stakeholders and actors make of a firm. The firm's image not only influences the counterpart in a relationship, but also the firm itself is shaped by the image as perceived by others. Thus, the ethics code constitutes legitimacy, a 'license to operate' in a world of integrated diversity. If successful, it creates a good image – but vice versa, if unsuccessful it may cause a scandal. As the interpretation of the ethics code must partly be left to various stakeholders and other actors, also the good image of a successful company is partly left to the powers of individual interpretation when people across the world make sense of an ethics code of a particular company.

Fourth, there is the issue of risk management in turbulent times. When Stora Enso uses the ethics code in business relationships, it is in form of a risk management, to make sure the suppliers deliver safe resources, that the investors stay attracted to Stora Enso and that buyers want to stay loyal to the firm, etc. Stora Enso surely in part creates the code to stabilize a turbulent environment and make it more predictable. Weick (1995) himself uses terms such as taking control over dispersed resources, creating legitimacy in the eyes of stakeholders, accountability and socialization. The firm itself may firmly believe in walking the talk – as seen by the Stora Enso CEO's expression (above): "we have to say what we do: and do what we say".

4 Discussion – about not walking the talk

Finally, it is time to ponder the interesting issue on words and deeds, understood in a sensemaking perspective. What has been brought up this far? The initial claim was that it is not relevant to expect firms to fully walk their talk in ethical matters. Words need not match the deeds – which not necessarily makes a firm unethical. The research question of the article read: Why is it not necessary to 'walk the talk'? It has been argued that accuracy between words and deeds is considered utopia in a postmodern world, with chaoplexity and glocalization.

Furthermore, in a glocal society with chaoplexity drivers for ethics issues, firms need to aim for integrated diversity. Integrated diversity implies that a firm with a corporate global ethics approach may see that this is implied differently in locally diverse regions. Therefore, a real challenge is to formulate one general corporate ethics code for a global company. The claim on integrated diversity implies that words are not easily transformed into equally perceived deeds. It was questioned how the corporation really can walk its talk.

It has also been argued that the relationship between the words and deeds is constantly in a state of change. This is because the relation between deeds and words is characterized by a constant, dynamic learning process. Therefore, the learning process in ethical matters is central to the strategy, not the walk of the talk. A brief reflection back to words and deeds provides that as accuracy gives way to sensemaking – judging accurate deeds from words is irrelevant and gives way instead to creating plausible words out of deeds. In other words to walk the talk in a socially acceptable way – through integrating diversity!

In addition, it was seen that trust may be promoted through ethics codes or similar statements, but does not depend on these. Likewise, the ethics profile need not depend on an ethics code. Neither should the deeds follow the words – but rather the words could be constructed out of deeds.

Finally, how could one answer a claim that Stora Enso (does or) does not "walk the talk"? Can a manager avoid a scandal through the approach of sensemaking? According to the logic of Weick (1995), the question of walking the talk is not relevant, because it "is normal natural trouble in the multiple realities of organizational life" that managers cannot always walk the talk in everyone's eyes. Consistency in actions and words is a way to deal with too few (managerial) actions being mapped back across too many words which contradict the actions. (Weick 1995:182-183).One of the central ideas in the book of Weick is that actions come before beliefs. The actions provide the sayings of the firm. What does this mean for Stora Enso? If there is not congruency between words and deeds, is that because the words have not made it up to the deeds yet? Sensemaking suggests this way to look at the world. Normally, Weick (1995) argues, we are prone to look the other way around that the deeds have not matched the words yet. And what if there are multiple interpretations of a value within an organization? Weick means that people often interpret this as weak organizational culture. Rather, he suggests, it shows on turbulence in the organization's environment. Kristensson Uggla (2002) agrees with Weick upon the fact that it is useless to ask for a perfect ethical behaviour of a firm. He claims that it is even dangerous to ask for a world, where it would be possible to distillate the good from the bad. Such a society would be absurd. Normann (2001) sees that firms continuously need to change, because society and the marketplace changes. In order to secure legitimacy in society, the firm is to endlessly question its frames, its mission – its raîson d'être.

As a final remark I like to add that as long as we do not expect human beings to be perfect and genuinely good in all actions, it is a utopia to expect firms to be flawless. After all, firms consist of people, who are not flawless. Therefore, I see that all that can be asked for in firms is the aim to become more sustainable, ethical actors. What is needed is maybe an Aristotelian approach in applying virtues, rather than what we oftentimes see in business; a teleological or deontological approach with more absolute claims. In the Stora Enso Code of Ethics, there is a tendency to strive towards certain goals. This is good in itself. However, any claim to actually also fully reach these goals should be seen with scepticism.

5 Contribution and further research

In summary, the paper contributes with a sensemaking perspective of ethical management, specifically that of ethics codes. It takes a provocative stance in arguing that deeds need not match the words in order for a firm to be ethical. The theoretical contribution stems from relying on conceptual discussion foremost of Weick (1995), Kristensson Uggla (2002) and Normann (2001) to fathom what the new époque means for driving business ethics development. Concepts such as glocalization, chaoplexity, identity, trust and image are discussed in relation to the development of business ethics. Aspects of how ethics can create value in firms and in business networks are seen as an unusual theoretical perspective. These aspects theoretically contribute to new ways of understanding driving forces of business ethics in the contemporary business market.

Empirically, the contribution comes through examples from the Stora Enso case. The paper provides an understanding of a handful of situations in which Stora Enso and its global environment interrelate in driving ethics issues to the forefront in the marketplace. Because Stora Enso is considered a Prime Mover, the article gives managerial insights to firms not this far developed in ethics management and therefore constitute a managerial contribution. However, one of the main managerial implications is that scandals could be avoided when understanding that it is irrelevant to ask any company to walk their talk. Rather, one should ask what has been learned from a negative experience and how this can be avoided in the future. In short, the paper offers a view on how ethics make sense in the post-industrial network economy.

In the field work with the case firm, CSR Manger Tarna exclaimed (2004): "The big question is: are we taking this (the work on ethics) in the right direction, are we doing enough? Does this work really make the world a more sustainable place?" These issues provide good guidelines for further research. It seems to me, after the sensemaking analysis and four years of study into these matters, that firms with ethical cognition are firms that are well managed. Why? These firms work for a sustainable development in a larger perspective. The firms have pondered their mission in the society, their vision for the future, their legitimacy to operate and have mentally overcome a moral uncertainty. The management of such a firm, I believe, has also in its creativity learnt much on the firm's identity and values and what the firm aims for – both in ethical and economical terms. Therefore, the link between good management, ethical management and a sustainable development are close. However, whether ethics codes need be part of this development is unclear. This would be a good ground for further research.

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Strategically Balanced Change: A Key Factor in Modern Management

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Abstract

Organizational change is a much discussed topic in the management literature. It is an important issue because proper change management significantly increases the survival of an organization in today's hyper-competitive global business environment. Yet, all too often transformational change programs fail due to a variety of reasons. The purpose of this paper is to describe change from different angles (e.g., themes and types of change, importance of change, resistance to change, and change lessons) and to utilize the literature information to identify key components of organizational change in order to develop a "Model of Strategically Balanced Change". I argue that transformational change is a balancing act and should involve the entire workforce (i.e., leaders, managers, and workers). This review article is essentially an information guide about organizational change that can be used by decision makers in industry and nonprofit organizations, by business consultants, and by business educators and students in academia.

Keywords

Change, organization, communication, values, business ethics, strategic management, scanning, leadership, followership, global business

Introduction

In light of fundamental gross and incremental changes constantly occurring in the internal and external environment of organizations, leaders need to realize that their organizations can only survive if they anticipate, recognize, strategize, plan, and implement adequate change in a timely manner. Today, organizations face a variety of challenges, including competition from global markets, managerial restructuring by down-sizing or up-sizing, mergers, acquisitions, and break-ups of companies, increased business regulations, heightened media scrutiny, employees' desire to take a more significant part in the decision-making process, and a disturbing decline in business ethics resulting in increased employee and shareholder activism. Such a changing and increasingly unpredictable business environment requires leaders to ensure their organizations are constantly and properly aligned with the new business realities. It is important that leaders anticipate changes in the business environment before they become a threat to their organizations. Bateman and Crant (1999) suggested 'proaction', which means, actively creating change, not merely anticipating it. Moreover, it is important to redefine the ethical framework for proper business conduct of an organization in a global business setting. Without introducing adequate change in a timely and ethical manner, organizations will face difficult times and significantly reduce their chances of long-term survival.

This review article has two broad objectives. First, organizational change is described from a variety of angles, including different themes and types of change, importance of change, and resistance to change. I also included a section called 'Change Lessons from Microbiology'. Second, the information compiled from the published literature sheds light on the most critical components of organizational change with a main focus on transformational change. The knowledge of these components is then used to develop a "Model of Strategically Balanced Change". It is important to note that organizational change has been typically associated with leadership. I argue in this paper that identifying alterations in the internal and external environment as well as introducing change should not solely be the responsibility of leaders but rather of all employees in an organization. I believe that the "Model of Strategically Balanced Change" will be of value for decision makers in industry and nonprofit organizations, for business consultants, as well as for business educators and students in academia because it emphasizes that change is not static in nature but rather a dynamic and natural process linking all members of an organization (i.e., leaders, managers, and workers) together like a spiral that is kept under a positive, creative tension. This paper is essentially an attempt to convey a more balanced view of transformational change, one that can be initiated by any member of the organization. To my knowledge, no similar model of organizational change with inclusion of all members of the organization has been suggested before and no such comprehensive and structured review article about organizational change has ever been published.

Themes and Definitions of Organizational Change

MacKechnie (1978) reviewed the different themes of organizational change that arose from the business literature over the years. He noted that the theoretical constructs and methodology of organizational change were derived primarily from social psychology. Earlier studies were mainly directed at understanding the basics and importance of change in organizations and at attempts to overcome resistance to change. Later, the emphasis shifted toward seeing change as something that can be actively planned, created, and influenced. Behavioral scientists became an important part of change programs by acting as consultants or change agents who could facilitate the change process. In more recent years, extensive research has been done on multiple aspects of organizational change, including on the effects of change on the organizational culture, structure, communication, performance, and survival. Today, change has become an important part of strategic management in many organizations because leaders realized that we live in a 'temporary society' and that constantly introducing change can give an organization a competitive advantage in both the domestic and the international business environment.

At first glance, one might believe that it is relatively easy to define organizational change. However, the business literature is full of definitions of change, each of which describes a different characteristic. The earlier definitions of organizational change are rather simple. For example, Spencer and Sofer (1964) define three basic types of change: Change in the amount of flexibility of the organization; change in the degree of centralization; and change in the lateral distribution of power between different departments. Schein (1970) defined organizational change as an induction of new patterns of action, belief, and attitudes among substantial segments of a population. DeBettignies and Boddewyn (1971) see change as the process of adaptation by the organization to changing internal and external circumstances. Bigelow (1980) discussed organizational change more in terms of the time it requires: Evolutionary change may occur through a series of intermediate incremental changes extending over a period of years or decades, while revolutionary change may occur rapidly, over a period of months or days. Kanter (1983) acknowledged the elusiveness of change and emphasized the idea of innovation. She believes that change involves the crystallization of new action possibilities (e.g., new policies, behaviors, patterns, methodologies, products, or market ideas) based on reconceptualized patterns in the organization. Thichy (1983) defined organizational change as strategic change. This type of change is a nonroutine, nonincremental, and discontinuous change which alters the overall orientation of the organization and/or components of the organization. When strategic change is properly managed, the organization is led through uncertainty via the decisions of leadership in the technical, political, and cultural areas.

Ackerman (1986) defined organizational change in three categories: Developmental change, transitional change, and transformational change. While developmental change leads to improvements of the currently existing status quo (the aim is to do more or to do things better), transitional change leads to the implementation of a known new state and requires rearranging or dismantling old operating methods. Transformational change goes much further in that it leads to the emergence of a new state, unknown until it takes shape. This type of change is more profound and traumatic. Jick (1993) believes that change in its broadest sense is a planned or unplanned response to pressures and forces, in particular technological, economic, social, regulatory, political, and competitive forces. He sees organizational change as an important issue because simultaneous, unpredictable, and turbulent pressures have become more the norm than the exception. Moreover, on a global scale, these forces multiply. Jick (1993) believes that pressures that provoke change can be considered either obstacles or challenges, either threats or opportunities. They can elicit shocking and paralyzing frustration and despair or mobilize great energy that leads to renewal and growth. It appears that the reactions solely depend on how people in organizations interpret the forces and pressures surrounding them, and how they react to them.

Duck (1993) sees an organization as a web of interconnections, similar to a mobile. If change is introduced in one particular area, it throws a different part off balance. Managing these 'ripple effects' is what makes managing change a dynamic proposition with unexpected challenges. Duck describes managing change as an art of balancing, similar to balancing a mobile. She believes that change is intensely personal and for change to occur in any organization, each individual must think, feel, or do something different. Quinn (1996, 2000) identified two different types of change: Incremental change and transformational (or deep) change. Incremental change is usually limited in scope, typically happens within normal expectations, and is often reversible. This type of change usually does not disrupt our past patterns but is rather an extension of the past. Transformational change, on the other hand, requires new ways of thinking and behaving. This type of change is major in scope, is discontinuous with the past, and is generally irreversible. Transformational change can cause a feeling of great uncertainty and ambiguity because this type of change lies outside of our normal expectations, is intensely personal, and carries significant risks. Deep change means essentially surrendering control. Quinn (1996) believes that we need to undergo personal change prior to being able to introduce organizational change. Furthermore, change can be either a top-down process (i.e., initiated by leaders) or a bottom-up process (i.e., initiated by empowered members of the workforce). Wagner (1995) discussed change by analyzing views of Greek philosophers. She wrote that Aristotle realized that a change process is not only the responsibility of leaders but should rather involve everyone in the organization.

Sullivan and Harper (1997) observed that change has a dual nature: It is both a condition and a process. While change as a condition describes what is happening in our surroundings, change as a process describes the leadership and managerial actions we take to transform our organizations. These authors noticed that change can be either evolutionary or revolutionary in that it can take place either gradually within an existing paradigm, or it can come in the form of a more dramatic shift to create a whole new paradigm. Sullivan and Harper recognized that change as a condition can influence us profoundly although it takes place externally, while change as a process is what we foster internally. It is interesting to observe that people who seek change appear to have very different goals in mind. Senge (1999) noticed that some leaders seek the accelerating, visionary, or intelligent organization, while others seek the innovative, living, adaptive, or transformational organization. Thus, it appears that the type of change is greatly influenced by the personality of the change agent. Despite the fact that these different goals exist, all change agents seem to have one thing in common, i.e., they all attempt to respond quickly to changes in the internal and external environment and think more imaginatively about the future. Finally, Kerber and Buono (2005) examined three types of organizational change: Directed change that is driven from the top of the organization, relies on authority and compliance, and focuses on coping with people's emotional reactions to change; directed change that reflects a quick, decisive approach to introducing change which can have significant pitfalls (e.g., change denial, anger, sadness, or loss), if introduced improperly; and planned change that arises from any level in the organization but is ultimately sponsored from the top.

Importance of Organizational Change

Change itself is a natural process and is important for the development of people as well as organizations. Without change people and organizations would remain the same over time. Attempting to maintain the status quo is thus unnatural and inhibits the evolution of people and organizations. I believe that we need to start seeing change as something natural which can help people to grow and organizations to develop.

The continuous process of development and growth is important for companies in both the domestic and the international business environment. However, the forces and pressures in a global business environment are immense and much stronger than in a domestic business environment. According to Jick (1993), the reason for this is that competition in a global setting greatly intensifies and companies establish more complex relations with each other. Kanter (1999) described that the clash of global and local ideas produces new concepts in which local companies need to respond to international competitors, while foreign companies attempt to accommodate to local practices. I believe that this adaptation process must also include the definition of the proper ethical framework suitable for both the national and the international business environment. It appears that the number of strategic choices increases in global business almost exponentially and decision makers need to be very careful about what kind of changes to make at what time and in what quantity in order for their organizations to survive (Jick, 1993). In the past, the business environment was less turbulent and organizations were smaller and simply organized. In contrast, today, companies are more complex and the internal and external business environments change constantly. For example, changes occur in technology, markets, competition, customers, diversity of the workforce, management, and societies (Heifetz & Laurie, 1997; Jick, 1993). There are changes in the corporate culture, that means, in the collection of beliefs, expectations, and values learned and shared by the members of an organization and transmitted from one generation of employees to another (Wheelen & Hunger, 2002). There are also changes in the availability, educational level and attitude of our workforce, as well as changes in the availability of finite economic resources. All this indicates that organizations need to be constantly adapting to new business conditions and that change needs to be strategically balanced and seen as a key factor in modern management.

Resistance to Change

Change is for most people uncomfortable and can cause pain (Abrahamson, 2000; Kegan & Laskow, 2001). The reason is that it gives us a feeling of uncertainty, not knowing where to go, what to expect, what the future will look like, how we can reach the future, and what kind of person we will be after the change process is completed. Many of us are afraid of change because we fear losing control of the known status quo and enter into an unknown territory and an unpredictable future. Thus, a change process is immensely personal and involves our emotions (Duck, 1993; Quinn, 1996). It is therefore understandable that humans fear change. However, without change people and organizations will not develop further and risk becoming obsolete.

Bolman and Deal (2003) define the barriers to change in four different frames. In the human resource frame, barriers to change include anxiety, uncertainty, and feelings of incompetence and neediness; in the structural frame, barriers include loss of clarity and stability, confusion, and chaos; in the political frame, barriers of change include disempowerment, and conflict between winners and losers; and in the symbolic frame, barriers include loss of meaning and purpose, and clinging to the past. Bolman and Deal believe that restructuring, recruiting, and retraining can be powerful levers for change. They suggest the following strategies to overcome barriers of change: For the human resource frame, training to develop new skills, participation and involvement, as well as psychological support; for the structural frame, communicating, realigning and renegotiating formal patterns and policies; for the political frame, creating arenas where issues can be renegotiated and new coalitions formed; and for the symbolic frame, creating transition rituals by mourning the past and celebrating the future. The research by Bolman and Deal clearly shows that change touches many different aspects affecting people in organizations and that one has to consider all of these frames in order to be successful with change programs.

Strebel (1996) noticed that many change efforts fail because executives and employees see change differently. For example, for many leaders, change means opportunity – both for the business and for themselves. But for many employees, change is seen as disruptive and intrusive. Jick (1993) wrote that change agents will face resistance, no matter how needed a change program is, and no matter how closely involved they are with the change process and the employees. Resistance can essentially come from anywhere, even from the leadership. Change can make leaders as well as managers uncomfortable because it often leads to a redistribution of power. In addition, change programs cost time, effort, and significant financial resources.

Unfortunately, resistance to change is often seen as something negative that must be overcome. However, resistance can often help all people in organizations to understand the change process in more detail because resistance often leads to strong intraorganizational discussions. Senge (1999) wrote that fear and anxiety should not be seen as problems which need to be cured. Instead these feelings are natural and essentially healthy responses to change. Openness and discussion of these feelings is important in order to move the change process forward. Quinn (2000) suggested that we should think of resistance as a feedback loop in which the change agent and the resisting system are joined in a creative tension.

Crucial Factors of Organizational Change

Many organizations recognize the need for change, introduce it, and their efforts initially seem quite successful. However, not all organizations succeed with their change programs over time. During the past decades, many business researchers have investigated the reasons, importance, strategies, and effects of organizational change in relation to company performance, employee work satisfaction and workforce retention. These research studies are extremely useful for identifying components of change which play a crucial role for the development of change models and successful change programs. Organizational change consists of many factors. Depending on the point of view, some factors may be considered more important than others. In this section, I review the management literature for different factors of change and identify those I believe are the most crucial.

Leadership and Organizational Change

Tichy (1983) noticed that leaders often focus only on small components of the overall change. This can be critical as it may lead to a fixation on tactical concerns which, in turn, can have a profound impact on the overall change process. Henderson (1979) believes that small changes are often grossly inadequate and insufficient when decisions have a strategic nature and result in major irreversible consequences for the organization. Kotter (1995) investigated more than 100 companies (including the Ford Motor Company, General Motors, British Airways, and Bristol Myers Squibb) in regard to change initiatives (e.g., total quality management, reengineering, right-sizing, restructuring, cultural change, and turnarounds). He observed that many leaders often lack experience introducing organizational change and made crucial mistakes. Those mistakes included: A lack of establishing a sense of urgency for change; not creating a powerful enough guiding coalition; a lack of a clearly defined vision; under-communicating this vision; not sufficiently removing obstacles to the new vision; a lack of a systematic plan for and the creation of short-term wins (which is important for maintaining the momentum during the change process); an unfortunate willingness to declare victory of introduced change before it becomes apparent whether or not the change process is successful; and forgetting to anchor changes in the organization's culture. The research by Hall, Rosenthal, and Wade (1993), who analyzed over 100 companies, revealed that the success of change efforts depends on how broadly the change process is defined, to what depth the change takes place within the organization, and to what degree leaders are involved in the change process. Goss, Pascale, and Athos (1993) showed that executives are often unwilling to think rigorously and patiently about themselves or their ideas. The authors often found executives "perched like a threatened aristocracy, entitled, aloof, and sensing doom". Thus, when confronted with leading an organization into the future, executives are often reluctant. Kiely (1995) observed that change programs often fail due to poor structuring. This occurs when the wrong leaders are selected to head the project, when people concentrate on too narrow objectives, when important information is excluded from human resource specialists, or when there is a general lack of a positive attitude. Goold and Campbell (2002) pointed out that organizations today need to be well designed in order to survive, and that a change process can help improve the design of organizations.

These research data clearly indicate that leaders play an important role in organizational change. However, the data also show that leaders are often only partially effective and that crucial mistakes can be made because organizational change is a very complex process affecting all members of the organization. Consequently, change management should not solely be the responsibility of leaders but should rather involve all members of the organization.

Organizational Culture and Change Management

Many research papers are concerned with the role of the organizational culture during change. For example, Collins and Porras (1996) studied successful companies, such as Hewlett-Packard, 3M, Johnson and Johnson, Procter and Gamble, Merck, Sony, Motorola, and Nordstrom, and observed that the leaders in these companies understood how to preserve a core purpose and core values throughout the change process while the strategies and practices of these companies were adapted to changing environmental conditions. The authors believe that a crucial factor for success of change programs is to balance continuity and change which is closely linked to the ability to develop a vision. Hannan and Freeman (1984) wrote that resistance and detrimental consequences can be expected in organizations if changes are made to core features (i.e., mission, form of authority, technology, and marketing strategy). Hannan, Pólos, and Carroll (2003) advanced this theory by describing a framework (defined as a code system) in which a change is considered significant if it creates violations of architectural codes and if the efforts to resolve the violations triggers cascades of other changes in the organization. Slater (1995) emphasized that change should be a continual process and not a short-term program. He views organizational change as a continuum that runs from genesis (with little stability present) to paralysis (where stability is highly valued and changes are minor). He also described a balance point, called synthesis, in which the firm's leaders seek to match stability with change. Bouchikhi and Kimberly (2003) also believe that preserving the company core is important and that a change process that is in conflict with this core identity often fails. Terry (2001) wrote that company values are so central that to violate them would destroy the organization. Clement (1994) identified three key factors for organizational change. These are the prevailing corporate culture, the kind of leadership used to make changes, and the forces behind internal politics and the organizational power structure. Finally, Voelpel, Leibold, and Streb (2005) believe that organizations need to develop an innovation culture and to produce replicators of innovation thinking which should be disseminated and embedded in the organization. This so-called "innovation meme management" provides innovative excellence (e.g., uniqueness, relevance, or speed) and helps an organization to survive in today's complex, networked, unstable, and chaotic business environment.

Based on these research data, it appears that culture is the foundation of any organization and that change needs to be linked to this core. Culture contains certain beliefs, ethics, values, and behavioral patterns that distinguish one organization from another. If a change program is not properly aligned with the cultural framework, which means, change does not fit to the core purpose and to the core values of an organization, a change program will not be successful. However, this does not exclude the possibility that a change program can ultimately lead to changes in the political, structural, and cultural framework over time.

The Role of Communication and Ethics in Organizational Change

Spector (1989) believes that if leaders communicate and convince employees that the status quo is not satisfactory the change process is greatly facilitated. Kouzes and Posner (2002) observed that leaders often cut themselves off from critical information sources because they are often too busy trying to lead the organization through the change. Also Larkin and Larkin (1996) emphasized that communication during the change process is important. Interestingly, they believe that changes should be communicated to employees by their immediate supervisors and not by senior managers who unfortunately often rely on the use of video presentations and poorly written company handbooks instead of on personal communication. Thus, it appears that person-to-person communication is much more effective in change programs because it engages more people, it is usually more convincing, and it provides specific and immediate answers to questions relevant to the change process. Kanter (1999) believes that change is everyone's job and that new skills, new behaviors, and new roles are needed to support initiative and imagination, create trust and foster communication, as well as build human connections between internal networks and external alliances.

Communication is also important for discussing personal and organizational ethics issues. Organizations as an entity have ethical responsibilities and so do employees as individuals. In today's global business setting, many organizations have subsidiaries in foreign countries and employ a cultural diverse workforce. Global and domestic multicultural organizations face many challenges (and opportunities), including cross-cultural communication, an evolution to open industry standards, and a requirement for ecological and social sensitivity (Prahalad & Oosterveld, 1999). In international business environments, there are fewer commonly accepted norms, international guidelines, and regulations (Cavanagh, 2004). Adler (2002) emphasized that managing across cultures demands adherence to the highest standards of integrity while making and implementing culturally appropriate decisions. I believe that ethics need to play a major role in all organizational change programs and ethical guidelines need to be properly communicated cross-culturally. It is important that ethical issues are discussed before they become a threat to the organization and the individual. Ethical business behavior positively impacts a company's reputation and can give an organization a significant competitive advantage (Wheelen & Hunger, 2002; Cazalot, 2005).

It appears that authentic communication (i.e., the kind of communication that conforms to fact) is a crucial factor in organizational change management. It generates trust among employees and keeps them informed about what is happening during the organizational restructuring. Communication, in particular personal communication, means that the three groups of employees (i.e., leaders, managers, and workers) must work closer together. In order to achieve this, there has to be some kind of a constant communication linkage that holds these three groups together. I believe a spiral best describes this communication linkage because it symbolizes a connection between two points that increases or decreases in distance, depending on the tension of the spiral. For example, the more compressed the spiral is, the more authentic, person-to-person communication takes place among all members of the organization; if the spiral is more relaxed, communication among organizational members is insufficient which, in turn, can negatively impact the outcome of a change program.

Environmental Scanning and Organizational Change

According to Wheelen and Hunger (2002), environmental scanning consists of the monitoring, evaluating, and disseminating of information from the environment. The purpose of scanning is essentially to identify factors in the external environment (opportunities and threats) and internal environment (strengths and weaknesses) that can be used for strategy formulation.

Research indicates that there is a positive relationship between environmental scanning and profits. For example, Thomas, Clark, and Gioia (1993) analyzed 156 hospitals and observed that attention to external information is associated with higher profits, and attention to internal information is associated with higher hospital admission levels. Muralidharan (2003) sees environmental scanning as a critical element of strategic decision making, in particular for multinational corporations because they operate across a multitude of different cultural environments. Moen (2003) believes in the importance of environmental scanning as a search tool for cues about how the world is changing and how these changes are likely to affect an organization. Albright (2004) emphasized that environmental scanning is vital to an organization's strategic planning in that it helps identifying and understanding the complex issues facing the organization. It is essentially an early warning system designed to help identifying potential threats to the organization.

Lauzen (1995) examined the formality of environmental scanning in 16 organizations. She observed that companies with formal environmental scanning systems tend to monitor a larger number of issues in their environments for shorter periods of time, when compared to organizations with informal environmental scanning systems. Lauzen found that culture (i.e., participative culture) is more strongly related to scanning efforts than is environmental complexity. Choudhury and Sampler (1997) pointed out that it is important to consider not only what kind of information is needed by which activity, but also the nature of such information. Finally, Kumar, Subramanian, and Strandholm (2001) believe that environmental scanning itself is not enough; the information gained must be used by the organization in some relevant manner.

Most of the research indicates that environmental scanning has a positive impact on an organization's survival. It seems important that relevant information is fast and reliably transmitted within the organization. This requires that all members of the organization actively participate in the scanning process. Environmental scanning is considered one of the most significant tools in strategic management today because it can ensure the long-term health of an organization by avoiding strategic surprises (Wheelen & Hunger, 2002). Therefore, environmental scanning is a crucial factor before, during, and after organizational change.

Persistence and Flexibility in Organizational Change

Persistence in organizational change means refusing to give up or let go before the change program is completed. Flexibility, on the other hand, means not being rigid; it relates to the ability of an organization to react to unexpected alterations in the environment while undergoing an organizational change program. Goss, Pascale, and Athos (1993) believe that changing an organization requires both persistence and flexibility. Persistence is important because no change program can be completed overnight. Flexibility, on the other hand, allows decision makers to adapt to even those changes in the environment which occur during the change process. Martin (1993) described what can happen when flexibility is lacking. He identified a four-stage syndrome in troubled companies undergoing organizational change. In the first stage, companies articulate their vision. Then steering mechanisms are developed to operationalize the vision and guide the company through the change (second stage). Unfortunately, these steering mechanisms are often too rigid so that the focus is more on the vision than on the changing environment. The unfortunate result is that feedback deteriorates (third stage) and important information relevant to achieving the change is not properly used (fourth stage). Martin (1993) as well as Terry (2001) pointed out that a vision is an important part of a change process but leaders of organizations need to be aware that a vision should only give a direction to employees and should not make a company inflexible. Also, Kanter (1983) sees flexibility as an important factor in organizational change. Flexibility allows organizations to be more "surface" exposed to the environment through sensing mechanisms for recognizing emerging changes and their implications. Finally, Tichy (1983) believes that injecting too much formality into the system can lead to a significant lack of flexibility, looseness, simplicity, and creativity.

Persistence is an important driving force in organizational change. Quinn (2000) observed that committed people are those who act while facing uncertainty; they persist in the face of opposition and drive change through the external sanctions and institutional barriers. Kouzes and Posner (2002) noticed that proactive people tend to work harder and persist in achieving their goals; in contrast, others tend to give up, especially when faced with strong objection or great adversity. Change is a dramatic process for all members of an organization. Persistence and flexibility are crucial factors in organizational change but it appears that they need to be well balanced or a change program may not be successful.

Total Employee Engagement and Market Orientation (TEEMO) Change Management

Argyris and Schön (1978) view an organization as an organism consisting of many cells, each with a particular, partial, and changing image of itself in relation to the whole organization. They argue that people have mental maps with regard to how they plan, implement, and review their actions. If we understand that organizations are not static entities but rather dynamic because they are made of people with different mental maps, it becomes clear that organizations have the capability to learn. Argyris and Schön pointed out that "organizational learning" can occur when learning agents, discoveries, inventions, and evaluations are embedded in organizational memory. Senge (1994) believes that people in modern organizations should continually expand their capabilities and become masters in the following five disciplines: Systems thinking, personal mastery, mental models, building shared vision, and team learning. This would set apart traditional organizations from what he called "learning organizations".

Organizational change has significant effects on all employees. Jick (1993) described that recipients of change experience dramatic emotions in that they often feel angry, betrayed, shocked, unappreciated, anxious, and confused. He wrote that no organization can institute change if the employees do not help in the effort and accept the change internally. He is convinced that any organization that believes change can take hold without considering how people will react to it is in deep delusion. It appears that too many companies focus today on reducing the workforce and fail to consider the qualifications and morale of the employees (Marshall & Yorks, 1994).

It is interesting to observe that most of the literature about organizational change links change directly to leadership. There is no doubt that leaders matter greatly when it comes to organizational change. However, organizations consist not only of leaders, but also of managers and workers. Any type of organization cannot function properly without the presence of each group. Kelley (1988) is one of the few business researchers who wrote about the importance of followers in organizations. He said that "Organizations stand or fall on the basis on how well their leaders lead, but partly also on the basis of how well their followers follow". The author identified four qualities in effective followers: They manage themselves well; they are committed to the organization and to a purpose, principle, or person outside themselves; they build their competence and focus their efforts for maximum impact; and they are courageous, honest, and credible. I believe that organizations of the 21st century should pay much more attention to followers because they can play significant roles in organizational change, such as scanning the internal and external environment for alterations, proposing and initiating changes, engaging managers and leaders in a more active form of communication, and helping to ensure that the organization acts ethically. I strongly believe that leaders of today's organizations simply cannot afford to treat followers as being inferior. We should think of followers as being equal human beings and important for the organization's survival.

Nordin (1989) wrote that "Kelley has verbalized what is needed to develop productive, engaged, energized organizations of human beings". I fully agree with this statement and believe that followers need to play a much more active role in today's and tomorrow's organizations, in particular in regard to organizational change efforts. Therefore, I propose a change management of "Total Employee Engagement and Market Orientation" (TEEMO). This type of change management utilizes all employees with a focus on the market. It requires that all employees are more actively involved in the making of strategic management decisions. Duck (1993) suggested that organizations should teach employees to think strategically, recognize patterns, and anticipate problems and opportunities before they occur. Thus, employees should receive training in strategy skills in addition to their administrative, service, and technical skills. Duck's plan would allow creating in organizations a powerful pool of people who think ahead of time and recognize changes in the business environment before they become a threat. The TEEMO change management goes further than only creating a "pool of strategists" within organizations; it would essentially provide strategy training for everyone in the organization with the final outcome that every employee would actively participate in the strategy formulation and organizational change process. TEEMO change management can be initiated either by leaders, managers, or by members of the workforce. It can be a top-down, middle-range, or bottom-up process, depending on the situation and threats identified in the business environment.

Change Lessons from Microbiology

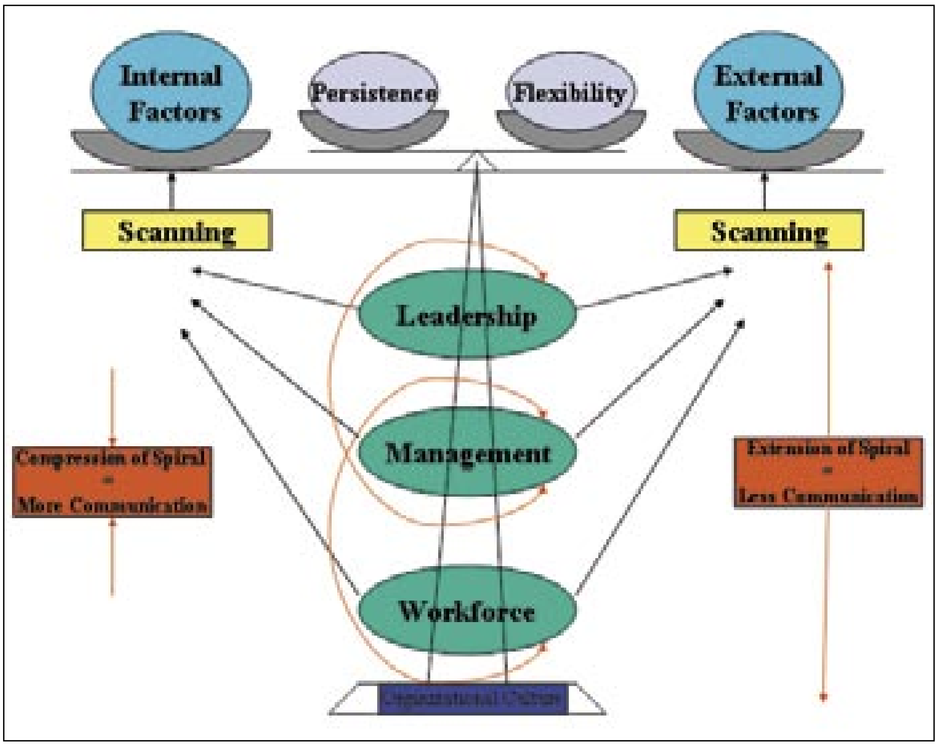
We can learn an important business lesson about change from microbes. Microorganisms are exceptionally diverse and can be found almost everywhere; they are real experts in dealing with change. Lederberg, Shope, and Oaks (1992) described that, in order to survive, most microbes must be well adapted to a particular ecological niche and must compete effectively with other microorganisms. For example, microbes must develop mechanisms which help them in the survival of extreme environmental conditions (e.g., high temperatures or high salt concentrations), in cell surface attachment and invasiveness, in countering or suppressing host immune responses, in persisting or surviving inside and outside a host organism, in transmission from one host to another, and in resistance to antimicrobial drugs. Furthermore, they are experts in using mechanisms such as mutation, recombination, and gene transfer. Microbes clearly demonstrate that they are "well trained" in strategy and able to adapt to any kind of environment which is required for the successful competition and evolutionary survival (Lederberg, Shope, & Oaks, 1992). This example shows that microbes are not only willing adapters to change but also quick responders to adverse environmental conditions.

I believe that we can learn the following lesson from this microbiology example: In order to remain competitive and survive in today's global business environment, all employees in organizations must frequently make significant changes and reinvent themselves. Augustine (1997) cited a statement made by Charles Darwin who developed a theory of biological evolution: "It is not the strongest of the species that survives, nor the most intelligent; it is the one that is most adaptable to change". Employees in organizations who do not fear change have a tremendous strategic advantage over those who attempt to hold on to the past. We need to realize that change is being demanded with more frequency today than in the past because of globalization and increasing competitiveness.

The Model of Strategically Balanced Change

The comprehensive review of the management literature allowed identifying the key elements of organizational change. Using this knowledge, I developed a model of "Strategically Balanced Change" (SBC model). This model is unique in that it combines crucial factors of change in a way that the dynamic of the change process becomes evident. In addition, the model contains all levels of employees of an organization. To my knowledge, no other investigator has attempted such an approach before. The SBC model is displayed in Figure 1.

Figure 1
Model of Strategically Balanced Change (SBC Model).



The SBC model shows that organizational change is a dynamic process which requires a balancing act between several components. These components are leadership, management, and workforce, which all together create the organizational structure in form of a balance. The foundation of this balance is the organizational culture. Internal and external factors are located on each end of the arms of the balance. There is a second smaller balance in between these environmental factors which carries two additional crucial factors for organizational change, which are, persistence and flexibility.

Leadership, management, and workforce are connected via a spiral because their interrelationship is highly dynamic as it keeps the organization in a creative tension through authentic communication. The more positive tension exists in the spiral the better the communication is between leadership and management, management and workforce, and leadership and workforce. The further the spiral is extended, the less positive connection exists between these three groups of employees. Leadership, management, and workforce are positioned in a way that allows rotating the formation so that the organization can introduce change either through leaders, managers, or members of the workforce, depending on the situation and data from the environmental scanning.

The model shows that the organization essentially needs to decide how to balance between the internal factors (e.g., corporate structure, culture, and resources) and the external factors (e.g., economic, technological, political, legal, social, and cultural factors). Ideally, all employees (i.e., leadership, management, and workforce) are participating in scanning the internal and external environment for changes which might affect the organization. This requires that organizations train all employees to think strategically in their specific area of expertise such as administration, technical, and service. Even if all internal and external factors are scanned properly and if it is decided that change is warranted, there are two more factors which need to be considered; these factors are persistence and flexibility. The organization needs to balance persistence and flexibility throughout the change process in order to be successful. If the communication spiral of the organizational structure is extended too much and/or if the internal and external factors as well as persistence and flexibility are not balanced properly, the organization will not be able to operate to its full capabilities and risks its survival.

Conclusions and Future Directions

In this review, I attempted to provide a comprehensive overview about organizational change and to utilize information from the published management literature in order to develop a dynamic model of strategically balanced change. Since today every organization is confronted at some point with the necessity to introduce some sort of change, I believe that this model can help industry companies, academic institutions, as well as other nonprofit organizations to improve their change programs by recognizing the importance and the individual key elements of change. I described that the main purpose of change in a constantly changing environment is to learn to adapt quickly to new business conditions with well developed and balanced strategies. Since every company has to confront different internal and external challenges, each organization will need to introduce change in its own way by considering its size, circumstances, and goals.

Furthermore, I believe that focusing on implementing positive change should become a primary goal of every organization because it would give back to an organization its original purpose. This purpose is to employ highly stimulated, committed, active, happy, ethical, and loyal employees in form of workers, managers, and leaders who have one goal in mind, which is to produce and deliver innovative and high quality products and services in order to satisfy customers' needs and wants.

Finally, the present study showed the importance of research to the topic of organizational change. Although numerous research studies have been conducted and published about this subject, I believe that more research is warranted, in particular about the role of workers and their relationship to managers and leaders in organizations. This, in turn, would allow business researchers to develop more comprehensive action plans for organizational change and to periodically up-date and fine-adjust currently existing models of change.

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Society Versus Business Organization: The Strategic Role of Marketing

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Abstract

This paper is intended to discuss the role of business organization within society, contributing to the theoretical and managerial understanding of this matter. Concepts of strategic marketing and societal marketing are presented and comparatively analysed. In addition, corporate positioning based on social responsibility is examined. The author believes that managers should accept the challenge of balancing the interests of society with those of organizations, trying to reach the best relationship between them.

Keywords

Society, business organization, societal marketing, strategic marketing, roles

Introduction

This article discusses the inter-relatedness of society and marketing, considering the strategic aspect that emerges from such a combination. Social responsibility is becoming increasingly popular amongst organizations and can be regarded as a strategic positioning tool. Studies merging society and strategic marketing are needed in order to clarify the genuine role of business organizations within the social context. This is a challenging matter as the managers should balance and juggle the often competing interests of society and companies and go beyond corporate image to effectively sustain a competitive position. This article addresses these concerns, presenting the view of several authors and concepts to support them.

Competing Interests of Society and Companies

The recent years have witnessed an enthusiastic debate about the role of business organizations within society. Academic scholars and practising managers have questioned "whether the proper or legitimate role of a business organization is merely economic or also social" (Lantos, 2001, p. 608). They have wondered what the corporate purpose should be and to what extent the company should be held responsible for social issues. This is not simply a speculative debate over how to accommodate different opinions, but a relevant discussion over how the business world actually works and how it could do better.

Some authors have criticized profit-oriented companies which do not return a portion of their profit to society. They claim that organizations may serve many purposes beyond those for which they primarily exist. Mintzberg et al. (2002, p. 69), for instance, argue:

Corporations are economic entities, to be sure, but they are also social institutions that must justify their existence by their overall contribution to society.

And Lazer (1996, p. 52), talking specifically about the marketing area, corroborates:

Marketing is not an end in itself. It is not the exclusive province of business management. Marketing must serve not only business but also the goals of society. It must act in concert with broad public interest. For marketing does not end with the buy-sell transaction – its responsibilities extend well beyond the formal boundaries of the firm.

Companies generating cash flows, producing goods or maximizing stock values may also promote social welfare. If companies exist to serve society as a whole, it is expected that they pursue economic profitability and have social responsibilities as well. However, in real life this is not a simple task. Organizations ought to make profits to survive and to be able to keep investments and employment. Bankruptcies bring clear negative social implications. The commonsensical view holds that generation of capital is beneficial to all society.

Nevertheless, the goal of making profit is not always compatible with the collective interest. While the societal ideal would be to aim at offering a good standard of life to all its members, companies apply market segmentation techniques to attain certain profiles of consumers who can afford to pay for their products. While society needs a more equal distribution of income, companies pay dividends to their shareholders, generally distributing earnings among the most affluent groups. Some ethical dilemmas appear when analysing these examples. Could ordinary corporate activities, such as segmentation and dividend distribution, be considered means of social exclusion, leading to the perpetuation of social disparity? Could they not be considered inconsistent with the ideology and ethics of society? There are instances when the goals of a society and the goals of a business organization are at least contradictory. The question that remains is how managers should cope with these situations.

The difficulties in answering such challenging questions and the contemporariness of the 'society-versus-organization' topic have made it the focus of numerous debates. A crucial strategic component underlies this matter and this is the future relationships among all constituencies involved in the organizational process. The next section comparatively analyses conceptual aspects of 'society' and 'strategy' within the corporate context.

Societal Marketing and Strategic Marketing: Points of Convergence

The bridge between firms and society is created and maintained by marketing tasks involving the establishment of relationships through the exchanges of values. The concept of exchange is also present in the definition of 'societal marketing' – a term coined by Kotler (1972) in the early 1970s. The societal marketing approach considers not only the commercial exchanges carried out to satisfy the needs of customers, but also the effects on all members of the public involved in some way in these exchanges. The members of the public who are directly or indirectly involved in the organizational process are called stakeholders. Business's major stakeholders include consumers, employees, owners, shareholders, suppliers, competitors, government, the community, and the natural environment (Carroll, 2004; Ferrel, 2004; Henriques and Sadorsky, 1999; Laszlo and Nash, 2001). The notion of future is embedded in the societal marketing thought since the consequences of current decisions will be felt in the long-term. In the latest edition of their textbook, Kotler and Keller (2006, p. 22) define societal marketing as follows:

The societal marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

In order to make comparisons between concepts, let us to look briefly at the concept of strategy. The term 'strategy' has its roots in the Greek word 'stratego', which meant to "plan the destruction of one's enemies through the effective use of resources" (Fawcett, 1995, p. 33). Although strategy is still defined in terms of competition, its original meaning evolved over time to integrate other elements. The view of Hamel and Prahalad (1994) – prominent researchers in this area – draws on strategy as a pattern and as an imaginative future position. A comprehensive definition of strategy is given by Kerin et al. (1990, 39):

Strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization with markets, competitors, and other environmental forces.

This definition embraces a broad range of participants (or stakeholders). In addition, it suggests that a strategy should specify: (a) objectives to be accomplished today and in the future, (b) which industries and product-markets to focus on and finally, (c) which resources and activities to allocate to meet environmental opportunities and to gain a competitive advantage.

Strategy exists at various levels in an organization, including functional levels (Varadarajan and Jayachandran, 1999). The interface between the function of marketing and strategic management is established by the so-called 'strategic marketing' that considers long-term objectives and planning. According to Wiersema (1983), the strategic marketing perspective is defined as having the dual task of providing a marketplace perspective on the process of determining corporate direction, and guidelines for the development and execution of marketing programmes that assist in attaining corporate objectives. Among other actions, it includes trend analyses, customer service and relationship processes, forms of corporate marketing organization, intelligence gathering processes and marketing planning and positioning.

By comparing the conceptual elements underpinning the definitions of 'societal marketing' and 'strategic marketing', it is possible to find points of convergence. These conceptual similarities can be summed up in three points:

a) Broad view of marketing. Societal marketing goes beyond the traditional marketing concept based on commercial exchange, by incorporating exchanges able to safeguard society's welfare. Analogously, strategic marketing enlarges the scope of marketing, considering it as a way to do business and not only as a function of business.

b) Focus on long-term rather than short-term. The future serves as a broad-spectrum guide to societal marketing as much as it does to strategic marketing. Both are concerned with preparing the organization and its environment in regards to forthcoming events.

c) External-orientation towards stakeholders. While societal marketing concentrates its efforts on enhancing the well-being of society, strategic marketing carries out environmental and trend analysis involving all the members of the public relevant to the organization. In other words, both work in favour of stakeholders.

Societal marketing and strategic marketing present similar conceptual points that deserve more study and research. The discussion until now has demonstrated the relevance of the topic 'society versus business organization' to strategic marketing management. The next section explores the impact of companies' actions on stakeholders' perceptions, as well as the consequences of their perception for the organizations, by discussing social responsibility as a strategic positioning tool.

Social Responsibility as a Strategic Positioning Tool

Nowadays it seems that business organizations are finally learning to look to their customers. Listening to customers, paying attention to customers, looking after customers needs: these are the most basic lessons of any marketing lecture. Customers are observers analysing their purchase alternatives before deciding upon a specific product that will enable them to maximize their level of satisfaction. Customer-aware companies are actually concerned with finding out and reaching their needs. Moreover, they are concerned with demonstrating that they are able to do it. Given this, positioning strategies have been created in an attempt to develop a positive institutional image in the costumers' mind and, consequently, influence their behaviour. As images and perceptions are not enough to sustain sales, firms are also employing sophisticated techniques towards the creation of long-lasting relationships, employee training, customized offering and the opening of new channels of communications with consumers, among other customer-oriented activities. Ellson (2004, p. xiii) summarizes these comments in the following statement:

Every action and inaction, every behaviour and trait observed by a customer, whether business or retail, forms part of the larger picture. It is not enough to rely upon an image, a perception (or sometimes, more accurately, a manipulation of perception) to support the sale of products and services.

Companies are trying to create differentiation criteria in tune with their positioning, taking into consideration that customers are always on the verge of changing their purchase decision since they are constantly evaluating and comparing products and brands. In this regard, social responsibility emerged as an important criterion of differentiation in the last years. However, it is becoming more and more common, putting pressure on companies to engage in social activities and to display them to the wider public. "Corporations are starting to view philanthropy-related expenses as no different from budget allocations for advertising, human resources, raw materials and other traditional expenditures" (McAlister and Ferrell, 2002, p. 690) and most of them are emphasising societal issues in their values, marketing strategies, structures and functions (Karna et al. 2003).

In fact, corporate social responsibility has been affecting business images as well as customer behaviour. Surveys reveal a great quantity of customers who either reward or intend to reward companies that are proactive regarding social or environmental issues in their business and marketing practices (Carlson et al., 1993). This can be confirmed by Brown and Dacin (1997), who investigated the effects of the company's perceived social responsibility on product responses. The research findings show that what consumers know about a company can influence their reactions to its products. Negative corporate social responsibility associations can have a detrimental effect on overall product evaluation, whereas positive ones can improve the product evaluations. In their words (1997, p. 80): "managing all the associations that people have about a company, both for abilities and social responsibility, is an important strategic task".

The standpoint on social responsibility as a strategic device is endorsed by other authors. McDaniel and Rylander (1993), for instance, recommend incorporating environmental concerns into strategic marketing planning. In their opinion, with increasing environmental consciousness, green marketing is taking shape to be one of the key business strategies of the future. The results of the Hartmann et al.'s research (2005) also indicate the positive influence of green brand positioning on brand attitude.

The process of creating brand values through social contributions, called 'cause of related marketing' (Pringle and Thompson, 2001), appears to have a widespread appeal among organizations. But, it does not mean that a firm needs to adopt a philanthropic cause to meet the demands of society. Doing 'charity' work should not be considered the norm for organizations to manage their stakeholders' expectations and to gain their confidence. Furthermore, promotional campaigns do not necessarily have to be devised in order to build the firm's reputation as an exemplary social contributor. Stakeholders can realize it by other means since a solid reputation is not constructed overnight, but day by day. Adopting a philanthropic cause for the company's own sake may sound evasive and disconcert stakeholders. Paraphrasing Peatti and Peatti (2003, p. 366):

Corporate initiatives driven by enlightened self-interest may make a positive social contribution, but they ultimately reflect the harnessing of social issues to drive forward corporate and marketing strategies.

Food advertisements that talk about quality of life do not hold any meaning if the food is unhealthy. Similarly, it does not make sense if a company claims to protect an environmental cause while not using emission-controls in its production processes. What can be said about the social responsibility of the automobile industry considering the pollutants emitted by cars? Even though reality is full of paradoxes, people expect consistency in corporate actions.

Social responsibility is not merely using communication tools to inform stakeholders of corporate conduct that favours the community. Communicating social achievements must not be the primary business goal, but a secondary outcome. Indeed, what is necessary is to generate capital responsibly and to be responsive to stakeholders. As Kopperi (1999) points out, people who work in business should consider how their economical decisions affect other people, the environment and society. The interests of all stakeholders should be acknowledged and weighed. Promotional activities that do not reflect true societal concerns can incite the opposite effect, leading to the depreciation of the corporate image.

As previously mentioned by Ellson (2004), it is necessary to go beyond corporate image to effectively sustain a competitive position, which is also applicable to positioning involving social issues. More than lending a brand an aura of social responsibility and making profits in doing so, it is imperative to truly improve the quality of life within the community.

Final Considerations

In the beginning of 1970s, Bell and Emory (1971) had already suggested the 'consumer comes first' assumption as a more equitable basis for the buyer-seller relationship. This message seems to be understood at present. However, besides customers, these authors (1971) mentioned society as well, arguing (p. 41): "the entire business is a total operational system with consumer and social problems taking precedence over operational considerations in all functional areas". Companies are concerned with their customers and it is about time they treated society as a whole in the same manner. A particular corporate positioning strategy may influence not only the customer, but also several different audiences (or stakeholders) and it should be carefully examined by the firm as well.

What this article engenders is the idea that marketing managers should accept the challenge of balancing the interests of society with those of organizations, trying to reach the best relation between them. It is worth elucidating that behind the impersonal walls of an organization are people. A company is built by people for people. Employees, managers and directors of a specific company may play the role of consumers of another or feel collectively injured by an unethical decision of a particular organization. In this sense, we receive back all that we give to our society.

Moreover, individuals do not develop in isolation. Their development occurs through relationships with others. In order to promote an ethical behaviour in managers, the firm should nurture them with an ethical environment (Sargent, 1999). Bearing in mind what is discussed in this article in terms of societal marketing and strategic marketing, we invite academic scholars, practising managers and ordinary citizens to think seriously about what kind of world we are constructing and the consequences of our current actions in the future.

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Organizational Change – A Remedy Prescribed in Over-dose?

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Abstract

People in general want improvements, but rarely radical changes. To overcome this conservatism among employees, managers are often overselling change. During a long time there has been a frenetic enthusiasm for managers to become leaders with 'transformational' and charismatic capabilities. To do things right has been less important than doing the right thing. This article questions this prophetic capability of managers and also the value of change. As a phenomenon in modern society, and in modern companies change is often overestimated and overvalued. What happened to the new economy? Maybe time has come to question the leader and appreciate the manager?

Keywords

Change, rationality, transformational, transactional, legitimacy

Introduction

Samuel Johnson concluded that a decision to remarry is the triumph of hope over experience. Most managers listening to such a comment will make a brave statement on firm commitment to successful change despite long odds of obtaining a result in line with the expectations. This article will present arguments for an attitude to managing change that is less enthusiastic and more prudent. This even implying the heathen thought that the banishment of the manager and the canonization of the leader might be a mistake. Change might be both misunderstood and over-valued.

Ambivalence to change

The difference between conservatives and radicals is sometimes more the attitude to labels than the attitude to change itself. The sensible conservative primarily wants to keep the good things - but think it is right to change the bad things. The sensible radical primarily wants to change the bad things - but think it is right to keep the good things. The ambivalence to change was illustrated when Saudi Arabia a few years ago celebrated its independence using the slogan "60 years of progress, without change". When the Communists of China have their celebration 2009, if still in power, the same slogan might be recycled. The core value is stability for the power elite, despite significant economic changes.

In companies the attitude is much more radical. The message of some management gurus rings familiarly to a slogan of early socialism: "The proletarians have nothing to loose but their chains". Marat coined this slogan that Marx later duplicated in the Communist Manifesto. The same message, of everything to win on a gamble and nothing to loose, often comes from people with different values and objectives. It is a way of recasting radical change from a bold move to a necessity only opposed by indecisiveness and paralysis.

In Sweden the previous center-right government described their modernization initiative as "the only way". Even more outspoken is the label for the pro-market reforms initiated 1984 in New Zealand by Roger Douglas, then the minister of finance of the Labor Party. This transformation of a traditional welfare state was baptized Tina - "There Is No Alternative". Even when seeing a suggestion as implying more choices, it is described as a necessity rather than as a choice of a better option.

Several scholars endorse such a strategy on the company level. Schein (1993) describes the change process as persistent efforts to increasing an anxiety about not learning, not changing. People are not ready to embrace change until that negative feeling is stronger than the anxiety for change. John Kotter agrees with a CEO spelling out the goal as "to make the status quo seem more dangerous than launching into the unknown" (Kotter, 1995, p 60. One possible conclusion of this way of describing the choice is that the agitators of change think they have a hard sell. Verbally there are plenty of people saying nice things about the desirability of change, but when it really counts, it might be that most people are closet conservatives.

In a more general way this argument for change can be explained in a simple model. Different outcomes might be given the following values: Status quo is given the value 0, the unsuccessful change -1, and successful change +2. The proponents for change try to make a credible plan for reaching a successful change. However, the possibility to obtain the +2 alternative may be in doubt. In addition to such doubts, there are risk aversion and the heavier discounting of distant advantages than of close costs. A popular persuasion strategy is to introduce a forth alternative, the long-term status quo given a value such as -2. Status quo is degenerating fast, so the 0-point alternative is fading and should be replaced. Missionaries of change have always tried to simplify the analysis by discarding the present as temporary or illusory; the Devil is just around the corner, you have nothing to lose but your chains.

You often read that half of all scientists that have ever existed are active today and that not only GNP, but also human knowledge double in a few decades.

What happens today and the prospect for tomorrow are the major parts of news programs, papers, journals and books. In much of literature and theatre, the themes are more eternal, but a substantial emphasis is put on new contributions. In such an avalanche of change there seems to be no better option than to ”hang on and enjoy it.”

However, our time might be less revolutionary and change much slower than that picture indicates. Substantial change in society and in companies shows a different pace than the most visual level. Capital accumulation in the company is much slower than the boom and bust of its shares.

Frederick Reichheld (1996) is presenting strong reasoning and illustrative examples demonstrating the importance of obtaining a high retention. The buyers attracted by special offers usually do not give an important marginal income, but generate losses during their short stay as customers. Most people have a wide range of activities. To be able to cope with these, they have stable or satisfactory goals in many fields. This year's new jacket should be all right to wear also next year, if worth buying. When finally worn out, the more conservative customer will minimize risk and change by buying the replacing product from the producer that has served him so well. Experience of a brand is likely to be more important than pledges about quality.

'Creative destruction' endorsed by Joseph Schumpeter (1942) as a general phenomenon might be a blessing, but when it results in just destruction this shortened life span is of major importance for the employee and the customer alike. The company's present product line will not support the employee for his lifetime, but carefully maintained it might last six years instead of three if the company invests its money in several bold but unsuccessful new visions. Keynes assurance that 'in the long run we are all dead' is another way of downgrading problems rather than solving them properly. (The Economist turned that around in a memorable way: ”We are now in the long run - and Keynes is dead”)

Radical change is not mainly an alternative to avoid death, but one enhancing that probability. In organizational ecology, Michael Hannan has studied effects for companies that introduced major changes - '”changed the company blueprint” - compared with companies making only adjustments of less radical kind. Companies introducing blueprint changes had three times higher mortality the companies than the less radical ones (Hannan, 2005, p 61). Such empirical results are of major importance for shareholders as well as employees.

From a consumer perspective, people are interested in change within their special fields of interest. Here they will strive for maximization; the newer the better and change is not perceived as a cost, but a pleasure. When buying a new technical gadget, it is a major attraction if the product has been for sale only the last two weeks, but for many other purchases, it might be more important that a product has a long life span. Michael Silverstein and Neil Fiske (2003) see a trend of trading up some luxury items and trading down for the rest. There is probably a connection with what they classify as luxury items and here described as special interest. When the main interest for an item is a low price, the interest is probably also low for 'new and different'.

Change, as a phenomenon, seems to be strongest when evaluated as an attitude, as being a declared opinion. When looking at specifics concerning one's actual situation, the judgment is probably more conservative. Will this change really imply an improvement? And if so, is it worth the trouble? However, there is a further level, the ex post evaluation of change, that is often more positive. When established, many non-popular changes get wide support. Such patterns are arguments for the pushing of many reforms - one day the critics will have a better-informed, and positive, opinion about the suggested reform. Humans are adaptive to a degree that might surprise; despite so many conservatives, there are few reactionaries.

Summing up, I think change is not a positive motivational factor. In the same way as it is realistic to expect risk aversion, it is realistic to expect conservatism. In a similar way as socialist agitators, and religious prophets try to motivate people to a risky shift by portraying the present situation as a road to catastrophe, many managers argue for change, not only by picturing a brighter tomorrow, but by stressing the decay of today. As the Red Queen in Alice in Wonderland, a company has to run fast to stay in the same place. As a rather shallow attitude it is practical to show some enthusiasm for change. However, it is a mistake to read that attitude at face value.

Management as an avant garde for change

New mergers have usually not been the fast roads to the estimated impressing synergies, but at best more limited benefits. There is some experience behind the generalization that the winners are limited to the managers in the acquiring company and shareholders in the acquired company (Sirower, 1997). There is a lot of ambivalence towards radical change among the employees and customers, but a lot of enthusiasm in management. What supports the enthusiasm for change?

Albert Camus made the distinction between rebels and revolutionaries. The former object to the concentration of power, but the latter are not against the concentration of power per se, but against what they see as the wrong project and the wrong people - that is, not themselves - being in power. In business there is sometimes a critique of the present policy, but it is mostly by revolutionaries out of power. Young Turks are making plans for their fifteen minutes of fame as do old heavy weights, temporarily but not necessarily permanently, outside the inner circle. Different advocates of radical change quarrel about which goal to focus and who will be in charge.

Even with some sympathies with the rebels, it seems necessary to attribute the main capacity for generating change to the revolutionaries. It is remarkable to what extent that small groups of like-minded individuals have succeeded to counterweight the force of general conformity bias by a very strong subgroup identity. In-groups like religious sects and extremist parties seem to gain some extra force by promoting the conformity of the subgroup. In other fields, there is also justification for a similar view. The detailed suggestions for change might vary, but one main conflict is between on the one hand people urging for change, closing ranks, wanting to believe, and, on the other hand, skeptics seeing such trust and confidence more as a poor judgment than a virtue. For a larger company there is often a need of an avant garde group that develop their ideas internally and then proceed to influence other managers and employees. Kotter (1995, p 62) estimates the number of managers in what he calls ”the guiding coalition” to 20-50 persons for a large corporation.

Many see the leader's prime function as energizing the employees. His function is not as much to find the right goal, but rather to create a will to move forward to future stages. Jesse Jackson expressed a view on leadership: ”to generate heat, you have to put yourself into fire”. If change is paramount, companies have to go along, and enthusiasm and pseudo change can be seen as part of a predisposition for the right behavior. But there are reasons for doubts about giving the central role to 'the vision thing', the "I have a dream". There is a preacher and leader demand for such ideas and skills, but what about the listeners? Do the employees need an energizer? Many people answer those questions affirmative. It might be what religious leadership is about, but I nurture an interest for a more secular view where leaders should be inclined to do something more down to earth.

In the authoritarian and the post-modern tradition, there is an idea that the leader provides meaning for the lead. This demand is likely to increase in turbulent times (Popper & Zakkai, 1994). Turbulence is not necessarily created by external factors but a leader with charismatic ambitions has motives to create a perception of crisis with a demand for prophets providing "meaning" and guidance. Such causality brings a definition on psychoanalysis by Karl Kraus to my mind: "Psychoanalysis is the mental sickness that it consider itself to be the remedy for" (Fredriksson, 1994). Also for some leadership ideology it is dubious if the treatment is a part of the solution rather than a part of the problem.

There are also less gung-ho motives for change. Many managers think it is simply their duty to promote change. Image and reputation are caused by a pattern of positions in several questions and such considerations affect many managers' policy. Especially if you cannot stop an initiative, there are good policy reasons - even if not virtuous - for supporting a "happy go lucky" policy. Many decision run out of steam and will never get implemented. The best result for a critical manager might be that a dubious project never get into effect, while he has expressed some verbal support and that way avoided making himself powerful enemies.

Many decisions taken by middle management will be according to central decisions. To some degree the manager has a similar role to the copywriter making a national adaptation; not much more than a translation of decisions taken at another time, another place and by other people. Shifts seem to occur with senior and middle management in lock step. This kind of centralized decisions creates some problems for the middle managers self-esteem and for his authority as a real decision-maker. One policy is to pretend membership in the avant garde group. It is hard for others to judge if a person who is instantly in line with the new policy is one of its promoters or a quickly adapting turncoat.

There are also possibilities for proper individual initiatives. An example of excessive change is when a new marketing director starts a change of a product profile. Such a person is often a risk taker that will try to succeed as a change master, a leader, rather than being a mere manager. A most lucky, and not uncommon, outcome for this person is that his bold initiative is noted, and he is promoted before results will show whether the change was for better or for worse.

One countervailing power to the enthusiasm of the new solution is if the protagonists of the old solution can keep a power player in the game. One such solution is the common habit in Europe to keep the previous chief executive officer as the chairman of the board. The present emphasis on change is one reason for the Swedish Code of Conduct to recommend against such a solution. This will make it harder to defend old sins, but also to defend old virtues. The practical forces against change are strong, so change needs support by structure and policy. There is often some kind of culture revolution attitude - all systems should be biased for go. Common advises to managers carry bold messages such as: "Managers should not be bosses, but leaders", "the essential is not to do things right, but doing the right thing". The heart of such views is that the manager should be a change leader, someone "transformational," not "transactional" (terms coined by Burns 1978). Another split of bosses into two similar kinds was made by Abraham Zaleznik (1977) in an article named "Managers and leaders: Are they different?" With the terms "transformational leader" and "transactional manager", this article continues this long discussion. There have been many influential contributions e.g. Bernard Bass (1985) and Pawar & Eastman (1997). Since the 70-ties there has been a dominance for promotion of the transformational leader.

The fire metaphor by Klein and House (1995) is illustrative for the dominant transformational view on leadership; the metaphor has three components: the spark (the leader), the flammable material (the followers) and the oxygen (the environment). Slowly there is some criticism of the literature for being 'leader centric'. Yukl and Van Fleet conclude: "Most of the prevailing leadership theories have been simple unidirectional models of what a leader does to subordinates" (Yukl & Van Fleet, 1992, p 186). Slowly the focus has been expanded to the followers and the relationship to the leader. The LMX-model (leader-member-exchange) initiated by Graen (1976) has got some following. Howell and Shamir (2005) suggest two types of leaders and relationships: personalized charismatic relations and socialized charismatic relations. The followers are crucial for which of those two kinds of relationship that is occurring. There seem to be a trend of directing more interest towards the followers, so in some respects several authors make efforts to be less leader centric. But there are few signs of a development to a less 'change centric' view. Conger et al (2000) illustrate that the link between charismatic leader and change is not being revised "Managers who are seen as charismatic will therefore be more likely to be perceived as both critics of the status quo and as reformers and agents of radical reform" (Conger et al., 2000, p 748)). The transactional leader and his followers are still out of focus.

Using these terms as ideal types, there are reasons to stress the idea about ideal type and to comment the risks of misuse since that is commonly done. First, an ideal type is not an ideal (Weber, 1904), but the character of a frequent and interesting personality type with both good and bad sides. A type can be seen as some components in a cluster to be judged as a package. One way to undercut the usefulness of ideal types is to give one type additional positive features so the comparison becomes just a rhetoric exercise. A second misuse is to kill the distinction by suggesting 'both' instead of 'either or'. This is avoiding the priority question for some kind of "happy hybrid" between alternatives (See Collins & Porras (1994) for an effort in a general defense of the 'both'-philosophy). Here, ideal types are used in the Weberian tradition. Transformational leaders are close to the charismatic with a focus of change to find the right things to do, while the transaction manager is focused on the issue of doing things right.

One of the few areas in which there is something positive said about the transactional manager is concerning entrepreneurs. Several authors put emphasis on the need of entrepreneurial firms to change from entrepreneurs (transformative leaders) to administrative (transactional) managers. When a firm is growing it comes to a point when it needs more of structure and delegation and less of being a one-man show (Schein, 1983; Hofer and Charan, 1984; Flamholtz, 1986).

This appears to be a reasonable point even if many more scientist are promoting the advice that the entrepreneurial alias transformative virtues should be supported versus the administrative also in big companies since the latter are suspected to stifle growth (Michael et al., 2002; Stevenson & Jarillo-Mossi, 1986)

The hierarchy factor

Below the higher management level there are a number of factors influencing the attitude to change. One view of hierarchies is that they are natural and also emotionally attractive to the low-status individual. Certainly there are examples such as the devotion of fans. However, the general explanation for accepting a low rank is most likely the chance to get better off than somebody else belonging to an out-group, or being left out in the cold. In-group cooperation fosters some practical hierarchy, but the reason for the lower members to comply is out-group threat, not any satisfaction in submission. If de Maistre is wrong in his claim that ”all men are born for monarchy” (Holmes, 1993, p 19), we have a practical question for people in charge of the hierarchy. How keep people at the bottom happy, if the confrontation with competition is not so hard that dire discipline seems necessary?

Companies have several solutions and one is to trim the pyramid. This cuts the number of rules and instructions for the employees at the bottom and is a most important change. That lightens the burden, but there is still aversion to stand on the pyramid's bottom line.

Even if we all dread to be at the bottom of a pecking order, someone has to be there. The economist Robert Frank (1985) argues for another way of handling the hierarchy factor. His theory states that in our economies there are significant economic transfers from the productive to the less productive, as some kind of compensation for the dismal social position of the latter. This does not refer to welfare state legislation but to private sector practice; the difference between e.g. salesmen is much smaller in compensation than in productivity. Frank's understanding of the situation is that high productive individuals subsidize the low productive ones. If also the low productive earned his salary the companies should be more profitable than they actually are because of significant contributions from the high productive employees. To be a star, people need others to outshine, and the outshone demand compensation.

Continuous change is another way to handle the hierarchy problem. By moving people around, a career possibility is kept opened to most employees most of the time. To be one of the candidates for the top positions in the distant future might be stimulating even if almost everybody else is also a candidate. But an organization nurturing such possibilities by a policy of having people surfing around generates costs. There are educational costs when learning the first year, contributions the second year and new costs when being assigned a completely new task the third year.

The personal policy of an international oil company where I used to work was to keep everybody in a flux. The policy was to have at least three qualified candidates for every job; no one should feel he was the given successor for a promotion, but just a possible one. By the same token, no one should find himself out of the race; the formula is "up or out". To be stuck in the career, ”to be plateaued', was not only a personal misfortune but an organizational mistake since such a person could hardly be expected to give his utmost. A high pace of change can make more people think that they are on the way up and when suffering disappointments, these might be seen as only short-term set backs; in the next reshuffle, the previously discarded might become a winner.

Every person in an organization has to consider the power of dominating expectations. Middle managers who want to keep their job and move up in the ranks will have little choice than to profile themselves as proponents of radical change. Better initiating some ill-advised changes while showing the right attitude with some deficits in experience than being perceived as lacking "the right stuff".

A comparable situation is if members of a parliament knew that their expected and monitored performance was to initiate and get through a new law. Such a standard would likely result in an explosion of laws. Some good ideas would be more than offset by impairments and the costs of changing; information problems, confusion, not anticipated side effects etceteras. Similarly, major reorganizations with short intervals are extremely likely to be overall impairments even when including positive elements.

Legitimacy and rationality

Lorsch (1974) writes about ”the psychological contract” and Zetterberg (1984) about ”the invisible contract” between employer and employee. The basic conditions are understood as firm commitments which management cannot easily change. If management wants to go ahead with a major change there are three alternatives. They can try to downgrade the proposal to ”routine rationalization” and claim there is no need for special treatment. The second alternative is referring to force majeure - this is a 'Tina' situation - as when the survival of the company is at stakes. The third alternative is participation - after discussion the psychological contract gets revised. It is justified to conclude that many times none of these alternatives really succeed; the change is pushed through, and the contract gets damaged.

Management can induce trial by force, but they cannot create a positive ex ante evaluation of their suggestions as some kind of psychological reciprocity; if they are nice and listen, the employees will be nice and say what management wants to hear. Some proponents of participation seem to think it has the same effect as a customer complaint switchboard; the function is to defuse complaints by letting people voice these complaints and get the steam out (in addition to some occasional good idea). If participation is meant to be less symbolic and directed according to script, it is likely to result in more alternatives and often an entrenchment in different alternatives. It might result in improvements by taking advantage of good suggestions, but a participation process can be expected to lead to less unity rather than more.

When organizations change, people often fear that they will lose. It is unlikely that participation changes this problem in a significant way, but the central confrontation is the employee's self-interest versus authority. Authority might be strengthened by participatory support causing opponents to give in - and sometimes later make a more positive reevaluation of the change. But joint decisions might not only intrude on managers, but also on ordinary employees who will generally prefer personal empowerment to orders – collectively or hierarchical. However participation might carry two other positive effects. New suggestions and open debate carry a potential quality improvement and the general inherent conservative bias in participating is likely to be beneficial if there is an abundance of proposals for change.

The prime interest for any employee is not to do what the leader tells him, nor what the majority has proclaimed being desired. His prime interest is doing his own thing. Of course this has some limits. The professional code conveys virtues that the person has adopted before joining this specific organization. A special interest for the product or the field is not unusual and an asset for the individual and the company. To internalize some of the organizations main goals as if they were in the realm of one's own self-interest is also normal. The problem is when the manager insists that he or a higher manager have the competence to write new recipes. Each of us think he knows what is the right thing, and if proven wrong, there is a lot to say in favor of making one's own mistake, not others.

However, such a critical view of charismatic leadership does not pull the rug out under the manager because we all know the importance of coordination. When appropriate a higher organization level can contribute. Most people with experience in cooperation on the same level know this is no panacea. There is a point when people feel inclined to vote for dictatorship rather than one more coordination meeting to build rapport, mutual understanding, commitment for a common goal etceteras. There are simply too many coordination decisions in a company to be taken by joint decisions. Therefore, the main mission is to make coordination straight and smooth, keeping the organization on track rather than blast new roads into unknown territory. The manager's prime task is to try to do things right. In contrast Ronald Heifetz, as many other management gurus, has for decades excluded these kinds of work from the issues worthy attention: "I am not talking about routine problems; I do not think they require leadership." (Heifetz, 1988, p 37).

There are of course situations in which incremental change is not an option. If there is a proposal to merge with another large company - you either do it, or you pass. To choose a long term and expensive research program might be another example. Such daring jumps with both feet are often of prime interest, so an emphasis on coordination and more evolutionary change can be seen as focused on more limited issues. However, many big questions can be broken down to smaller chunks. It is even so that many big steps receive radical characteristics by restructuring and in hindsight, while in real time they were series of minor actions, sometimes with other purposes. The management's task, as I see it, is primarily to handle such more comprehensible projects in a proper way. One reason for a better survival prospect of larger companies is that they can afford unsuccessful experiments. If the large company chooses maximum size experiments, this better risk absorbing capacity is abandoned. The 'big leap forward' is a wild gamble with a high risk of failure, not only for China.

Some popular programs like "Business Process Reengineering" (Hammer & Champy, 1993) seem to be strongly linked to radical change. The status quo is ignored to avoid the risk of perceiving prejudices as tacit knowledge. The BPR approach suggests a blank slate as the starting point rather than the existing processes of the company. But how frequent and successful are such radical overhauls? Different kinds of quality programs in the Toyota tradition indicate an alternative approach. Here the introduction might be seen as a major shift, but then the basic idea is to make a lot of minor improvements a part of the ordinary working day. Accumulated change makes a lot of difference, but this is evolution not revolution and handling this evolution is to a much higher degree a question of doing things right than doing the right thing. There is an emphasis on testing, involving, yes managing the change process in a professional way.

Conclusions

Claims of knowing what is the right thing can of course be made with support of enthusiasm, self-confidence and force etceteras. But right in the central meaning is more elusive. Are there any strong reasons to think that the manager knows what is the right change for the future? Delacroix (1993) and Aharoni (1966) are two of many researchers coming to the conclusion that vital change decisions such as entry into a new market are very poorly investigated.

A classical misjudgment is when a company acquires a small company in a new business and then puts 90 per cent of leadership time and enthusiasm into a business making up 10 per cent of the company volume. Making it worse, this is often a field in which they have a marginal experience with which to contribute. Such a situation might occur even without an acquisition. The new sexy product receives a lot of attention and a company reorganization emphasizing this change is introduced, while the old but important product is given a left-hand treatment.

An alternative is a more low key change strategy, to give the new ideas a chance, but not the central stage. The people working there will need funding, but they do not need ex ante recognition. Keep the organization unchanged until the size of the achievement - not the ambition - makes it rational to reorganize. That the company organization has to change when the company change is a truism, but few people will challenge the judgment that the organization is often changed as some kind of message to the employees or to external stakeholders. People, departments and products are lifted or downgraded as a kind of demonstration of the leadership's priorities. Most big organizations do much reorganization that seems to be questionable. Many times decisions and symbolic acts are taken as more real and important than real changes which often are slow and incremental processes rather than distinct points in time. This is a costly way to get attention and communicate a message.

In management's tasks, one could also include efforts to maintain the "distinctive competence" of the company as suggested by Selznick (1957). To discard existing comparative advantages is often a mistake. If the company should succeed to obtain profitability and a comparative advantage in the future, a good way is probably to nurture and develop present strengths rather than give central stage to visions and aspirations. If a new field becomes an important market, being there early on might not be a sufficient advantage to fend off competition. There is a need of competence at the level of the competitors.

In the general push for change, a lot of stamina is needed for holding on to a success (especially if created by someone else). The Marlboro man just rides on, while other companies seem to have little resistance to change, these changes involving not just the specific ad, but the profile, the logotype, and even the trademark. These things are estimated to be worth millions, but they are expected to be poured into new shapes with as low transaction cost as switching funds between Dollars and Euros. Finding the right thing in the flood of contenders is not an easy task. These problems lead me to suggest some skepticism of the manager as a person with prophetic qualities.

Of course there are exception when radical change is both necessary and also successful. But a few exceptions do not change the rule. The guru Peter Drucker asserted: 'Effective executives do first things first and they do one thing at a time' (1992, p 105). If agreeing with Drucker, the issue is to select the prime function to which the manager should focus his energy. My judgment of what to consider first things differs from what seems to be the currently dominant opinion.

A realistic approach to change has to with acknowledging that there is a conservative bias against change. Change in itself is normally not an aphrodisiac but a pain. Therefore, it has to be prescribed with care implying considerable improvements compensating this pain. This article claims that change in organization often is not a reaction and adjustment to external change, but to patterns in the internal environment. The mechanics of promotion and hierarchy are creating change for the sake of change. Therefore, the requirements on suggested changes of necessity and quality are insufficient, resulting in too little construction and too much destruction.

Such a change-obsessed way of leading organizations threatens the rationality of company policy and the legitimacy of its leadership. From the top to the middle managers there is a need of less whim and a more grounded attitude. The demand is for the skills of handling the business process including a will and an ability to incorporate a stream of incremental improvements. And this kind of change will be evolution rather than revolution. The revolutionary rhetoric and mind-set deserve some skepticism.

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Jan Tullberg is an associate professor at Stockholm School of Economics. His research is focused on the virtue of practical and rational norms. Conventional ethics is strongly influenced by altruistic ideals in the religious and metaphysical tradition and has serious compatibility problems with conventional economics with its focus on self-interest. A better fit seems possible with a less ambitious - and more honest - ethics grounded in sociobiology and other sciences. Reciprocity is a strong candidate as the central norm for ethics in general and especially so for business ethics. This research has been financially supported by The Jan Wallander's and Tom Hedelius' Foundation.