Electronic Journal of Business Ethics and Organization Studies

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In this issue:

Manuscript Submission and Information for Authors

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• the spesific suitable conferences or
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The manuscript should be submitted in double line spacing with wide margins as an email attachment to the editor. The text should not involve any particular formulations. All authors should be shown and author's details must be printed on a first sheet and the author should not be identified anywhere else in the article. The manuscript will be considered to be a definitive version of the article. The author must ensure that it is grammatically correct, complete and without spelling or typographical errors.

As a guide, articles should be between 3000 and 8000 words in length. A title of not more than eight words should be provided. A brief autobiographical note should be supplied including full name, affiliation, e-mail address and full international contact details as well as a short description of previous achievements. Authors must supply an abstract which should be limited to 200 words in total. In addition, maximum six keywords which encapsulate the principal topics of the paper should be included.

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References to other publications should be complete and in Harvard style. They should contain full bibliographical details and journal titles should not be abbreviated.

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Stakeholder Salience in Corporate Codes of Ethics

Using Legitimacy, Power, and Urgency to Explain Stakeholder Relevance in Ethical Codes of German Blue Chip Companies

Ingo Winkler

Abstract

What stakeholder groups are addressed in the German blue chips' corporate codes of ethics and why do companies concentrate on particular stakeholders? These questions were subject to a study on stakeholder salience in the corporate codes of ethics of the German DAX 30-companies. The extent and the mode stakeholders are addressed in the ethical codes of the companies listed in the German blue chip stock market index were analysed. The empirical results were interpreted in the light of stakeholder salience theory. Stakeholders' legitimacy, power, and urgency were evaluated against the background of the German business context and the sphere of research on applied business ethics in Germany. The results indicate firstly that companies develop a differentiated perception of their environment in terms of their ethical responsibility whereas they clearly distinguish between primary and secondary stakeholders. Secondly, this perception reflects the German business context and, hence, highlights the companies' embeddedness in a specific environment. Thirdly, stakeholder attributes offered by the stakeholder salience theory are proved to be instrumental for a systematic evaluation of stakeholder relevance. However, the findings point to a different relationship between these attributes than it is proposed by the theory.

Keywords

Code of Ethics, Germany, Stakeholder Salience, Legitimacy, Power, Urgency

Introduction

Adopting a corporate code of ethics or code of conduct (in the following used as synonyms) is common business ethics' practice for large German companies nowadays. These codes are commonly defined as formal documents declaring the responsibilities and good conduct of the corporation towards its stakeholders but also the conduct that the corporation expects of its employees (Kaptein and Wempe, 2002; Wood and Rimmer, 2003; Schwartz, 2004). Codes of conduct and codes of ethics are comprehensive documents proscribing behaviour and prescribing punishments (Weaver, 1995). In other words, they are regarded as statements setting down corporate principles, ethics, rules of conduct, as well as codes of practice of the company's philosophy concerning the corporate responsibility towards its stakeholders (Langlois and Schlegelmilch, 1990).

In Germany, knowledge on code adoption, code content, and on addressed stakeholders is yet limited to a small number of previous studies. A systematic analysis of stakeholder salience and hence relevance has not been provided so far. Such an analysis, however, would lead to fruitful insights into the rationales of German companies' perception of relevant stakeholders. Identifying differences in stakeholder responsibility and embedding the results into the specific German business context could assist to draw a picture of ethical relevance of stakeholders for German companies.

The aim of this article is to study stakeholder salience in the codes of ethics of German blue chips. Therefore, the extent and the mode stakeholders are addressed in the ethical codes of the companies listed in the German blue chip index "Deutscher Aktienindex 30" (DAX 30) is analysed. Stakeholders are defined as individuals or groups featuring a role-specific and morally legitimate claim to have their interests served by the company's business (Kaler, 2002) and are

able to influence the firm (e.g. Savage et al., 1991). The results are interpreted in the light of the stakeholder salience theory. In particular, stakeholder importance is evaluated by applying legitimacy, power, and urgency as the attributes of stakeholders in order to examine the relation of the companies to these groups. The evaluation of stakeholder relevance is done against the background of the specific German social and institutional environment the companies are embedded in.

The following paragraph outlines the main ideas of the stakeholder salience theory. Legitimacy, power, and urgency are described as the attributes determining stakeholder salience and hence relevance of a particular stakeholder group. Here, the article refers to recent developments of the theory that incorporate the idea that stakeholders possess these attributes to a certain degree but also reconsider the link between these attributes. Then, the method of data gathering is presented and the sample is illustrated. An explanation is given why the analysis does not concentrate on all codes found within the DAX 30 companies. Afterwards, the process of analysing the collected codes is outlined pointing to the circumstance that the empirical results are further qualified for a systematic qualitative assessment of a stakeholder's legitimacy, power, and urgency. The subsequent presentation and discussion of the results starts with outlining the two different groups of stakeholders that can be identified in terms of the extent they are addressed in the codes. The article further analyses selected stakeholders because a full discussion covering all identified groups of stakeholders would be out of the scope of this manuscript. Hence, the salience of exclusive and the probably most relevant stakeholders in the German context is exemplified. The final part of the article concludes that companies develop a differentiated perception of their environment in terms of their ethical responsibility whereas they distinguish between primary and secondary stakeholders. Moreover, the extent and the mode stakeholders are addressed in the codes clearly reflect the German context. Finally, the appropriateness of stakeholder attributes provided by the stakeholder salience theory to explain systematically stakeholder relevance is evaluated.

Stakeholder Salience Theory

The stakeholder approach has become quite prominent in business ethics research in previous years. It postulates that the corporation, or more precisely managers and entrepreneurs, must take into account the legitimate interests of those groups and individuals who are affected by or can affect the firm's activities (Donaldson and Preston, 1995). At the same time, this approach introduces the idea of corporate social responsibility (CSR) into a company's business (Kaler, 2004).

In order to identify stakeholder relevance, Mitchell, Agle and Wood (1997) proposed the stakeholder salience theory. This theoretical framework aims to identify stakeholders' reliability indicating their salience, which is understood as "the degree to which managers give priority to competing stakeholder claims" (Mitchell et al., 1997: 854). Within the stakeholder salience theory, power, legitimacy, and urgency are independent attributes of stakeholders used to define the company's relation to these groups. Power refers to the ability of a stakeholder to influence the firm's survival based on the ownership of and/or access to relevant resources. Differences in the amount of resources owned or controlled as well as the relevance of these resources result in different possibilities of stakeholders to exert influence on the firm. Legitimacy refers "to socially accepted and expected structures or behaviors" (Mitchell et al., 1997: 866). Entities in

a firm's environment that have legitimate standing in the society or may have a legitimate claim on the firm are defined as being legitimate stakeholders. Urgency is understood as the degree to which the management is allowed a delay in attending stakeholders' claims before the relationship is perceived as unacceptable (time sensitivity). Urgency, further, refers to the importance of a claim or the relationship to the stakeholder (criticality) (Mitchell et al., 1997). It is obvious that the importance of a stakeholder increases with the degree to which a stakeholder claim calls for immediate attention. Summarizing, power, legitimacy, and urgency are key variables in defining stakeholder salience. The more a stakeholder possesses these attributes, the higher its salience perceived by the management. In other words, a stakeholder with high salience possesses all three attributes (Mitchell et al., 1997). Agle, Mitchell and Sonnenfeld (1999) have studied this basic relation in subsequent research.

Arguing that the attributes are not just binary like proposed in the original version of the theory but variables operating on continua, Neville, Bell and Whitwell (2004) developed the theory further. According to their revision of the stakeholder theory, salience cannot only be defined and described by simply taking into account the number of these three attributes. Instead, they followed Winn and Keller (2001) who argued that stakeholders possess these attributes to a certain degree. Therefore, it is not just the mere possession of one or more attributes that defines stakeholder salience but the degree a stakeholder possesses these attributes. That means, a particular stakeholder has, for example, high legitimacy but medium power and low urgency. Introducing different degrees of attributes results in a more differentiated picture of stakeholder salience.

Additionally, Neville and colleagues addressed the question "whether the simple addition of the individual levels of the attributes will lead to an accurate assessment of 'total' stakeholder salience" (2004: D2). They demonstrated that power and legitimacy lie on the same axis as these attributes overlap to some degree and thus are in a coexisting relation. Urgency serves as a variable moderating the salience of power and legitimacy. In case of time sensitivity and criticality power and legitimacy are proposed to become more relevant.

Methodology

Sample and Data Collection

The study concentrated on the German blue chips listed in the prime index at the Frankfurt Stock Exchange (the so-called DAX 30) and their codes published in German language. These companies are the most visible German enterprises and hence probably the most important ones perceived by investors, business analysts, and the public. Consequently, studying the German blue chips means to analyse a leading example representing large German companies. Even if most of them are operating internationally and offering ethical codes in English language, I concentrated on codes written in German and published on the company's German webpage, as in some cases a code in English language was non-existent and in other cases English and German codes differed. Codes written in German language are designed addressing a specific German audience (e.g. employees, business partners, financial analysts or the government). Hence, it is assumed that these codes refer to a specific legal, social, and business context in Germany when outlining the ethical responsibility of the company and describing expected employee behaviour.

Following Campbell and Beck (2004), it was assumed that like other large German companies the DAX 30-firms publish

their codes of ethics on their webpage nowadays. Therefore, data collection started with visiting the web pages of the companies and searching for published formal documents, which address business ethics and business conduct issues. If no such document was found, the companies were asked if a code of ethics exists and could be made available.

This approach that lasted from January 2007 until February 2008 (including two rounds of updating the codes) resulted in 29 documents covering 24 companies of the index. Five companies denied the existence of a formal document addressing ethical issues and one company refused to send in the code. In a next step the sample was further modified. The 29 documents consist of different kinds of documents. Four texts are labelled "Social charta" documenting basic social rights and principles. Generally, these documents echo the labour standards provided by the International Labour Organization (ILO) and the UN Global Compact, such as upholding the freedom of association, abolishing child labour, or eliminating discrimination. Another four codes are designed for particular groups of employees (e.g. code of ethics for senior financial officers) defining their specific ethical responsibilities and expected conducts. The remaining 21 codes, usually titled "Code of ethics" or "Code of conduct", are formal documents broadly addressing business ethic and business conduct issues. These codes not only cover numerous ethical responsibilities of a company and its employees towards various stakeholders but also provide numerous rules for appropriate ethical behaviour and hence expected employee conduct. At the same time, these codes refer to mechanisms applied to enforce the rules and to punishments associated with uncovered misconduct. The analysis concentrated on the latter codes as it was intended to study codes that are close to the understanding outlined above and to ensure consistency within the sample. Therefore, codes for specific groups of employees and those aiming at a particular labour related subset of a company's social responsibility were excluded. Table 1 in the appendix provides an overview of the sample.

Data Analysis

Corporate codes of ethics define the responsibility of a company towards various stakeholders. To cover this variety, each of the sample codes was analysed using a set of twelve stakeholder groups developed out of reviewing past studies (e.g. Weaver et al., 1999; Farrell and Cobbin, 2000; O'Dwyer and Madden, 2006) as well as other literature on codes of ethics. Internal stakeholders are employees and owners. External stakeholders are the state (resp. federal government and federal state government), customers, suppliers, competitors, the region / municipality (incl. local authorities), NGOs, political parties, unions, as well as the general public. In contrast to previous studies, the natural environment is not regarded as a stakeholder group here. Although it is clearly affected by or can affect a company's activities, I understand a stakeholder as a social entity being able to deliberately determine its actions.

In the analysis of the codes, each stakeholder group was examined separately due to the circumstance that there were different responsibilities towards different stakeholders (Kaler, 2003; Kaler, 2004). The frequency to which stakeholders are addressed was identified, i.e. the number of codes addressing each stakeholder group, achieving, then, a ranking tentatively indicating the relevance of each stakeholder group for the companies. These findings were further determined by evaluating the mode stakeholders are addressed. It was examined which specific responsibility and / or behaviour the company declares towards this group.

The results were further related to the German business context and research on applied business ethics in German companies in order to further discuss the code content and to provide a systematic analysis of stakeholder salience. Firstly, previous studies on corporate codes of ethics directly addressing or including German companies were referred to in order to identify relevant stakeholder groups and to get insights into the reasons for this relevance. Secondly, the results of the study were compared with existing research on applied business ethics of German companies. Although there is only a limited amount of literature on applied business ethics, the existing results backup my empirical findings. Thirdly, literature describing the German business context is used in order to explain why certain stakeholder groups are perceived as being more important than others. Referring to this literature accounts for the relevance of each stakeholder group using the three stakeholder attributes of legitimacy, power, and urgency. Then, the degree these attributes that are possessed by each stakeholder is evaluated. Hence, management's decision to include a particular stakeholder group in the corporate code of ethics is discussed in the light of the stakeholders' salience for the company. This examination embeds the stakeholders' relevance into the specific German institutional framework the companies are part of. This framework defines to a certain degree stakeholder groups, which companies have to declare responsibility to in their code.

Results and Discussion

Stakeholders are addressed with various frequencies in the codes. In particular, two groups were identifiable. The first group consists of seven stakeholders that are often or very frequently addressed in the codes, i.e. customers (100%), state (90%), employees (86%), suppliers (86%), competitors (81%), owners (76%), and the public (71%). The second group comprises five stakeholders that are addressed to a lesser extent or yet minor degree, i.e. political parties (33%), region / municipality (19%), NGOs (14%), loan capital providers (5%), and unions (0%). Both groups are discussed more detailed in the following, in particular with reference to the salience of selected stakeholders. It would be out of the scope of this article to fully consider every stakeholder group. Hence, a selected analysis is provided examining more closely those groups frequently referred to by academic literature on German corporate business ethics and perceived as important groups within the German business system. The group of stakeholders most often addressed is linked to customers, the state, and employees. The discussion of stakeholders addressed to a lesser extent focuses not only on NGOs a group to which mixed levels of relevance are ascribed in German business ethics literature but also on unions as they are perceived to have a strong impact on firms within the German system of industrial relations (see table 2).

Stakeholder (Coverage %)	Ethical issues	Legitimacy	Power	Urgency
Customers (100%)	- Protecting confidential customer data - Fair treatment of customers - Respecting customers' interests - Not attempting to bribe customers and not accepting any bribery attempts by customers - Avoiding customers' disadvantages by preventing open competition - Ensuring high product quality	HIgh	High - Medium	Medium
State (90%)	- Abiding laws - Not bribing civil servants and office holders - Fair behaviour in case of official investigations by government authorities	High	HIgh	High
Employees (86%)	- Anti-discrimination - Fair treatment in terms of employee participation or support of an open corporate culture - Health protection	High	High	High
NGOs (14%)	- Supporting NGOs' objectives - Fair and sensible treatment	Medium - Low	Low	Low
Unions (0%)	- None	Low	Low	Low

Table 2: Stakeholder Group, Related Ethical Issues, and Levels of Legitimacy, Power and Urgency

Analysing examples of particular stakeholders means to have sufficient space for a systematic and comprehensive evaluation of their salience in terms of stakeholder's legitimacy, power, and urgency. During the discussion, translated citations of the codes are used to illustrate the particular mode companies follow to address ethical issues with each stakeholder group and to intertwine empirical results and their systematic interpretation.

Customers

As selling products or providing services are key factors in the company's business, it seems to be obvious that customers are rated firstly when it comes down to declare the responsibility of a corporation towards its stakeholders. The companies perceive customers as the most important stakeholder group and consequently have to affirm their ethical responsibility towards this group, for example in declaring to respect customers' interests:

"We satisfy various interests of our customers and business partners by showing integrity, fairness, and honesty in our behaviour." (Deutsche Post)

This result is supported by previous research on the German national business system, which features established and long-term networks of relationships between suppliers, customers, and financiers (Ferner and Quintanilla, 1998). German companies tend to invest in their relation to customers being interested to establish long lasting ties. Consequently, customers seem to play an accepted and institutionalized part in the German business system resulting in high legitimacy. The following quotation illustrates how the companies usually state their responsibility towards customers:

"Customer satisfaction is the cornerstone of our business. We listen to our customers, react quickly to their needs, and anticipate future demands…" (Henkel)

As legitimized agents in the business system, customers also should have power over companies. For example, the customers' decision to stop or significantly reduce buying products from a company might result in a definite influence of a firm's survival base making the acknowledgment of customers' power reasonable. However, as the companies in this study are large firms operating internationally, the power of German customers to exert influence is limited due to two reasons. Firstly, large companies are able to influence their environment and thus customers' perception regarding the company's image. Secondly, operating internationally enables the companies to move to other markets. Additionally, although it is maintained that German companies seek long-term customer relationships based on product quality and reliability (Limprecht and Hayes, 1982), the companies' codes of ethics usually exclude quality issues when addressing customers. While there are examples of decreasing quality of German products (e.g. a set of product recalls of German cars), companies do not perceive this as a problem and, as one possible consequence, do not point out this issue in their code of ethics (Winkler and Remisova, 2007). Subsequently, customers' power has to be rated as high to medium.

If companies regard customers as legitimated and to some extent as powerful stakeholders, it could be assumed that the management is allowed only a short delay to attend customers' claims and demands, for example in terms of meeting their changing needs. Referring to the way companies deal with customer complains about poor quality (e.g. goods that are produced in Asia to a large extent but still sold as German products), we often observe, yet, that it takes up considerable time until German companies react to complains of an individual customer. So, even if companies frequently emphasise the importance of their customer service, it remains questionable whether individual customer complains are perceived as being time-sensitive and critical. This circumstance raises doubts on the degree companies perceive customers as an urgent stakeholder group. Consequently, an evaluation of the customers' importance in terms of the degree their claims call for immediate attention is difficult due to ambiguous aspects provided above. Following the critical remarks I propose that urgency as a customer attribute has to be regarded as being medium.

State

The Federal Government as well as the Federal State Governments are regarded as important sources of power in Germany

and therefore are considered as a group of stakeholders with both high legitimacy and high power. The companies in Germany are embedded in a comprehensive legal framework. Thus, it seems to be reasonable for them to demonstrate their strength of will to accept laws and legal regulations in order to be supported by the state as well as to avoid extensive control and punishments (Winkler and Remisova, 2007). A statement like the following example could be found in all of the codes.

"Obeying law and legislation is our company's ultimate ambition." (Siemens)

Additionally, the state is regarded as dominating the public sphere of politics and economy (Palazzo, 2002) and so maintaining a rather high regulated business environment. Hence, German government influences business to a high degree also in the area of punishments, which are applied for not abiding by the German business laws and subsequent regulations. This circumstance makes it reasonable for companies to declare their general willingness to cooperate with authorities. The following statement from Bayer illustrates the acknowledgement of the dominant role of the state.

"The company aims at establishing cooperative and open relations to all authorities in charge." (Bayer)

Finally, the state constitutes an important stakeholder for firms, also from a moral point of view. For example, German companies request government measures to improve business ethics rather than to develop their own ethics program (Palazzo, 2002).

Turning to urgency as a stakeholder attribute of the state it is assumed that claims of the state have to be dealt with quickly due to its high legitimacy and power. Additionally, companies have to react in case of official investigations by authorities, as the state's claims are perceived as critical. For example, Fresenius advices its employees to be supportive in case of official investigations.

"Be cooperative in case of requests for information by official auditors and other official representatives." (Fresenius Medical Care)

The state's higher urgency compared to customers could be exemplified with state regulations introduced after a company's misbehaviour towards customers (e.g. service below accepted or desired standards, extortionate prices). Companies usually react to a state intervention (e.g. new statutes) immediately but not on customer complains preceding such intervention. Consequently, the state's urgency is rated as high, as well.

Employees

The companies perceive employees as the third important stakeholder group. This result supports findings of previous studies stating that employees in Germany are generally seen as resource not as costs that are to be minimized (Bondy et al., 2004). The code of MAN provides a good example of how companies value their employees in the code.

"The MAN group's success is based on the knowledge, experiences, and commitment of each employee. The MAN group invests in employee qualification and expertise…" (MAN)

The relationship between managers and employees in German corporations is embedded in the strong German system of industrial relations (Langlois and Schlegelmilch, 1990). The system of codetermination legally guarantees employees the right of information and participation. Additionally, relations between employees and management in Germany are characterised by consensus, confidence, and trust (Palazzo, 2002; Geppert et al., 2003). Consequently, we find expressions like the following in the codes:

"Broad-mindedness and trustful relations within the daily interactions are the basic beliefs of the management and the employees." (Daimler)

Traditionally employees are perceived as being a viable resource of the company (Ferner and Quintanilla, 1998). Based on this result employee legitimacy could be evaluated as high.

The ability of German employees to exert influence varies with the size of the company and the subsequent right for codetermination, i.e. legally allocated rights of participation and control. Large companies like all companies of the sample are obliged by law to allow workers' representatives. In Germany, codetermination takes place at two levels, the company level and the firm or plant level. At the company level, employee representatives (not necessarily union members) who are elected by all employees of the company have seats in the supervisory board, i.e. the board of non-executive directors. This board oversees the management board, i.e. the board of executive directors chaired by the CEO, which is responsible for determining the strategic direction of the company. Broadly defined, the supervisory board approves or rejects decisions of the management board, appoints its members, and makes decisions about their salaries (Gorton and Schmid, 2004). On the firm level, the work council (again not necessarily union members) which is elected by employees of the plant advocates for the rights of the employees. The work council has various rights of information, consultation, and participation. For example, it focuses on production issues, handles individual grievances, and is in charge of the implementation of collective agreements (Addison et al., 2007). So, while the workers' representatives are exerting influence more on a strategic level, the work council exerts influence more on an operational level. Taking into account the various abilities for employees to influence the company and firm management offered by this system, the power of employees has to be regarded as being high.

In this context, also the urgency of employees could be regarded as high. The institutionalized industrial relations in Germany, in particular the system of codetermination, made it difficult for the management to address employees' claims with much delay. So, companies declare responsibility towards employees with issues of working time and working conditions, like for example RWE.

"RWE commits itself to support employees to align company needs and private life with particular emphasis on the balance of family and work life." (RWE)

In fact, employees can directly contact the work council informing it about perceived problems or deficiencies in the employee-management relations. Moreover, workers' representatives normally make use of their legal right to influence directly management on the company and firm level. Both aspects lead to a high urgency of employees both in time sensitivity and in criticality.

NGOs

NGOs are rather less frequently addressed as stakeholders in the codes of the companies. This result is, however, not consistent with the view of some scholars who see NGOs influencing companies in Germany especially in the area of environmental protection. Foljanty-Jost and Jacob (2004), for example, advance the view that NGOs are well integrated in the climate change policy network in Germany, which indicates a certain amount of legitimacy. However, none of the companies in the sample mentioned any relevance of or cooperation with NGOs when addressing the company's responsibility for environmental protection.

Authors that are more critical claim that German compa-

nies consider NGOs as opponents of their public performance (Köpke, 2002). It is stated that there is no open and regular communication between companies and NGOs in Germany (Rieth and Göbel, 2005). Although NGOs are regarded as the key driver for the companies' perception of their social responsibility (Haufler, 2001), the most important German firms seem to perceive them as a rather irrelevant stakeholder group. Additionally, established relations with a strong state seem to interfere with the attempts of German non-institutional organizations and third-sector groups to influence the existing social order (Habisch and Wegner, 2005). Consequently, the legitimacy of NGOs has to be considered being medium to low and their power to exert influence on German companies in terms of having any impact on firms' survival as low.

The nature of the relationship between NGOs and companies in Germany leads to the assumption that NGOs' claims are perceived neither as time sensitive nor as critical by the company's management. Nevertheless, for example the Deutsche Postbank declares the willingness of the company to cooperate with NGOs in the following way.

"We will continue to get involved with sponsoring for social concerns in cooperation with NGOs and non-profit organizations in the future as well." (Deutsche Postbank)

This statement, however, points more to an attitude of 'We cooperate with NGOs when the company considers this as being useful' than to a general acceptance of NGOs as equal partners. Hence, urgency perceived by the companies should be rated as low because having quite limited legitimacy and a low amount of influence results in a low perception of the urgency NGOs' claims should be dealt with.

In contrast to NGOs so called intergovernmental organisations like the UNO or the ILO and their guidelines or codes seem to have a somewhat higher influence on the codes of ethics. About one fourth of the companies address these organisations stating that they behave in line with the guidelines of the UN Global Compact or the ILO labour principles.

Unions

None of the codes addresses unions as stakeholder the company has to any responsibility towards in ethical terms. At first view, this seems to be a remarkable result as unions are generally perceived to be strong stakeholders for companies within the German business system. Regarding the ethical responsibility of German companies towards external stakeholders, this assumption has to be put into perspective, though.

Traditionally German unions' interests are to sustain employment, to improve social and environmental standards, to enforce the right to form unions, and to fight against forced labour (Habisch and Wegner, 2005) as well as the quality of relations between employers and unions. These interests are deeply embedded in the German system of industrial relations, in which particularly the centralized, industry-levelled collective bargaining can be observed. In contrast, Habisch and Wegner (2005) also show that unions in Germany are only regarded as a weak driver for corporate social responsibility issues. The union's support of CSR aspects does not go beyond the unions' traditional interest. Therefore, companies might perceive a union's high legitimacy and power in terms of the right for association and collective bargaining but probably not in terms of the company's ethical responsibility towards its external environment.

Additionally, companies often emphasise their responsibility towards unions in specific kinds of documents. So, the right to form unions or aspects of relations between employer and employees are usually addressed in documents called standards

of engagements or social standards. These documents, which are often following the international labour standards provided by the ILO, address particularly issues related to the German industrial relation system. As this study concentrates on codes broadly defining the company's responsibilities towards stakeholder groups, workers' representatives, as well as unions might not be addressed here again.

Following the outlines regarding the unions' legitimacy and power, similar arguments can be provided to identify unions' time sensitivity and criticality. The perceived decline of the unions' legitimacy in the German system of industrial relation and their constant loss of power due to the decentralisation of the collective bargaining system (Addison et al., 2007) makes unions' claims less critical for company's management. Additionally, the process of decentralising collective towards local bargaining between management and work council is supported by deregulation activities of the German government. A set of opening clauses have been established to negotiate working times, wages, and salaries on a local level or to enable companies to be exempted from the sectoral agreement for a period of time (so called hardship agreements) (Addison et al., 2007). Summarizing, recent changes in the German system of industrial relations lead to a decrease in the unions' relevance but at the same time to an increase of the importance of employees and workers' representatives on the company and firm level. Hence, for the management of German companies claims of the unions have low urgency.

Conclusions

The aim of this article was to study stakeholder salience in the codes of ethics of the German blue chips. It analysed the extent stakeholders are addressed in the ethical codes of the companies listed in the DAX 30 stockholder index as well as the issues companies raise when expressing their ethical responsibility towards stakeholders. Stakeholder salience was evaluated assessing the level of legitimacy, power, and urgency that are the attributes of stakeholders. The systematic examination of the companies' relation to these groups resulted in identifying different degrees of stakeholders' importance.

Empirical Conclusions

The companies of the sample developed a differentiated perception of the environment which is reflected in their codes of ethics. The majority emphasises the companies' responsibility towards five or more stakeholder groups. Hence, they perceive more groups than only shareholders as relevant regarding their ethical responsibility towards the business environment. The DAX 30-companies acknowledge that various stakeholders are important for the firm's reputation and survival and therefore have to be addressed in the code. They clearly differentiate between relevant and non-relevant stakeholders. In terms of stakeholder groups which are addressed in the codes, two distinct groups emerge, i.e. primary and secondary stakeholders (Su et al., 2007).

The group of primary stakeholders contains customers, the state, employees, suppliers, competitors, owners, and the general public. Being addressed very often in the codes indicates that the groups are perceived as relevant for the firm. These stakeholders are seen as important because most of them are of strategic importance for the companies. This is particularly the case with customers, suppliers, employees, the state, as well as owners. Relations to these stakeholders are considered essential for

the companies' survival. For example, considering the extensive regulations of the business sphere established by the German state in order to provide a framework that ensures an efficient market and fair competition, it is obvious that German companies declare to obey existing legislation. Additionally, customers, suppliers, the state (e.g. interactions with employment agencies, finance offices or other authorities) are involved in the company's day-to-day business. Frequent interaction between the firm and these stakeholders are necessary in order to carry out business operations. This circumstance is an additional reason for their high salience urging companies to highlight their responsibility towards these stakeholder groups in the code of ethics.

The group of secondary stakeholders, i.e. NGOs, political parties, region/municipality, loan capital providers, and unions, consists of players being more peripheral in terms of their operational and strategic relevance for the company. For NGOs and unions, I was able to demonstrate why the companies perceive them as rather less important. Overall, this result might occur because these stakeholders do not directly affect daily business. From a strategic perspective, most of them also seem to be of less relevance for the companies; in particular NGOs with their limited influence on Germany's business environment, and the unions with their decreasing influence on companies. With political parties and thus issues like providing donations or influencing decisions, large German companies seem to downplay their real impact on the government. It is known that corporate involvement in political processes and in local communities (e.g. lobbying) is more likely to take place in Germany than in other European countries (Schlegelmilch and Robertson, 1995). However, both government representatives and companies often conceal this circumstance, as other stakeholder groups do not always accept it.

According to my study, the extent and mode of addressing stakeholders in the codes mirrors the German context. This was particularly demonstrated when discussing the results on stakeholder relevance by applying legitimacy, power, and urgency as stakeholder attributes. Therefore, even if I studied large German companies that operate globally, analysing the codes in terms of stakeholder relevance discloses their orientation towards the German social, political, and business context. Consequently, the DAX 30-companies do not just serve as an example but to some extent also as an indicator for the specificity of German firms' perception of their situation and the reaction to the typical German context. That means, analysing codes of ethics calls for a consideration of the origin of companies and of their strong links to their business environment.

Theoretical Conclusions

The stakeholder salience theory provides a set of stakeholder attributes in order to discuss stakeholder relevance in different contexts. For this study, legitimacy, power, and urgency contributed to the systematic evaluation of the importance each stakeholder group has for companies. These characteristics assisted to explain the management decision to include a particular stakeholder group in the corporate code of ethics and the way to address it. So, the attributes of the stakeholder salience theory are useful for reconstructing management decisions regarding stakeholder relevance and not only for serving as a base for management decisions about what and who is especially important, as initially intended by Mitchell et al. (1997).

Referring to the degrees a stakeholder posses these attributes, proved to be helpful in order to draw a differentiated picture of stakeholder salience in the codes and to embed the findings

into the German business context. Additionally, my results support the proposition made by Neville et al. (2004) that power, legitimacy, and urgency influence each other. Discussing stakeholder salience in this study also leads to the conclusion that stakeholder attributes are not independent but rather interrelated. However, I tend to maintain the opinion that legitimacy, power, and urgency influence each other in various ways and thus lie not necessarily on the same axis like proposed by Neville et al. (2004) regarding legitimacy and power. When discussing the results of this study, legitimacy of a particular stakeholder group that means its legitimate standing in society and the legitimate claim on a company often results in deriving aspects for the power of this group. For example, the state's high legitimacy in Germany leads also to a high amount of power in terms of being able to influence a firms' survival base. Additionally, both attributes, i.e. legitimacy and power, contribute to some extent to the evaluation of the degree of urgency. Ratings of high legitimacy and power often supported the conclusion that the stakeholder has also a high degree in time sensitivity, i.e. the company has to react on stakeholder claims without much delay, as well as in criticality, i.e. the claim is important for the firm. Than again, high urgency was found to have an impact on power and legitimacy.

Limitations

Evaluating stakeholder salience for German companies served to divide stakeholders into more and less important groups and to evaluate stakeholder salience by linking the results to the German business and social environment. A closer examination that evaluates differences between stakeholder salience according to single attributes was, however, not always possible due to the limited amount of available results on descriptive research on applied German business ethics. German scholars still tend to labour with theoretical concepts (Palazzo, 2002) and toil with answering the question whether there is a need for business ethics in companies. For this reason, we still have a rather limited amount of empirical studies addressing applied German business ethics which is the major problem regarding the reliability of this study. Hence, the picture of German business ethics drawn in this study is not mirroring the latest developments in Germany (think for example of the corruption scandal with Siemens or the ongoing discussion about excessive manager remunerations). In contrast, the picture elaborated in this article displays academic knowledge on the German business context and German business ethics research that is not fully covering current developments. It is rather based on a sectional study that is not able to cover long-term developments. Therefore, also changes in stakeholders' legitimacy, power or urgency due to, for example, scandals or the various degree of media attention are not covered. Although the codes themselves are hardly changed after recent developments, the company's perception of stakeholder salience as well as the interpretation of their relevance from a research perspective, e.g. in terms of urgency, might shift.

There are, in fact, new ethical challenges German firms face because of important changes in the business world and the role of the enterprises in society (Wieland, 1998; Wieland and Grüninger, 2000). The increased complexity caused by globalizing processes leads to problems of integration and control of the newly emerging networks. Consequently, ethical problems such as ensuring ethical behaviour of the actors, dealing with cooperation and competition at the same time or the enhanced possibilities of fraud in diversified firms emerge. Increased sub-

jectivity because of internationalization calls for a management of diversity that leads to the ethical problem of ensuring individual development and the need to follow organizational rules. Moreover, increased flexibility and more or less constantly reorganization within some enterprises require strong values to avoid the loss of sense within the workforce. Lastly and maybe mostly important in the context of the present study, the role of firms is changing in German society. It is questioned whether firms are still useful for society in some way although societal resources are used. Dismissals, increased use of flexible employment, excessive salaries of top-managers, or relocation of facilities into other countries change the perception of the role of German companies in society. Yet, these ongoing changes have not been addressed very often by research on applied business ethics. Therefore, the changing nature of Germany's business, the shifting relation between companies and society, as well as the alteration of the relationship between management and employees are subject to numerous discussions in Germany but not approached by critical research that much.

Future Research Directions

The results of this study serve as indicator for the particular way large German firms address stakeholders in their code based on their perception of stakeholder relevance. Further studies should include a larger quantity of companies from large ones to medium and probably smaller ones in order to achieve a more elaborated picture of the German companies' codes of ethics in general and the management's specific perception of stakeholder importance. In addition, much more research on applied business ethics is needed in Germany in order to disclose and understand the ongoing developments in Germany's business and social environment but also to acquire profound knowledge of the current state of the German system. Turning to the stakeholder salience theory, more empirical studies are necessary in order to investigate the relation between the stakeholder attributes. The initial study of Agle et al. (1999) provided first but mixed results on that subject. The advances proposed by Neville et al. (2004) have hardly been examined so far by empirical studies.

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Appendix

Company	Title of the document
Allianz	Code of conduct (Verhaltenskodex)
BASF	Code of conduct (Verhaltenskodex)
Bayer	Agenda for legal and responsible behaviour (Programm für gesetzmäßiges und verantwortungsbewusstes Handeln)
Continental	Code of conduct (Verhaltenskodex)
Daimler	Code of conduct (Verhaltensrichtlinie)
Deutsche Bank	Code of Conduct
Deutsche Post	Code of Conduct
Deutsche Postbank	Code of Conduct
E.ON	Code of conduct (Verhaltenskodex E.ON)
Fresenius Medical Care	Corporate Code (Unternehmenskodex)
Henkel	Code of Conduct (Verhaltenskodex)
Hypo Real Estate	Code of Conduct (Verhaltenskodex)
Infineon Technologies	Business Conduct Guidelines
Linde	Code of Conduct (Verhaltenskodex)
MAN	Code of Conduct
Merck KGaA	Code of Conduct (Verhaltenskodex)
Münchner Rück	Code of Conduct (Verhaltenskodex)
RWE	Code of Conduct (Verhaltenskodex)
SAP	Business principles for employees (Geschäftsgrundsätze für Mitarbeiter)
Siemens	Business Conduct Guidelines
TUI	Giudeline for employees (Leitlinie für die Beschäftigten)
Table 1: Sample overview (as of February 2008; note that some documents have English titles and therefore are not translated)	

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How Virtuous is Your Firm? A Checklist

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Abstract

Scholars are noting a change in the way business is being conducted. Many firms --one scholar estimates the number at 15%-- are concerned about values rather than focusing exclusively on maximizing profits. This new kind of capitalism considers factors such as societal needs, quality, needs of employees, and environmental sustainability in business decision making. In addition, a large number of consumers (approximately 70 million Americans), known as values-driven consumers, prefer doing business with companies that have values. This paper provides a checklist that can be used by firms to determine whether or not they are indeed virtuous; if they are not, the authors provide reasons why they should change.

Keywords

Business ethics, corporate social responsibility, virtuous firm, servant leadership, workplace diversity, spirituality

A sea change is occurring in the corporate world. Many businesses are no longer seeing themselves as organizations that should only be concerned with profits but, instead, are now concerned about values (Batstone, 2003; Greider, 2003; Hindery, 2005; Hollender and Fenichell, 2004; Kotler and Lee, 2005; Mitroff and Denton, 1999; Paine, 2003; Pava, 2003). One researcher feels that approximately 15% of firms understand this and are proactive; "They put people first, safety next, customer service third, and profits last" (Walker, 2002).

This number should continue to grow. Patricia Aburdene, a renowned trend watcher and author of Megatrends 2010, asserts that spirituality in business is "converging with other socioeconomic trends to foster a moral transformation in capitalism" (Lampman, 2005). Corporations are becoming more sensitive to the needs of the community and less concerned about "profits at all costs." Aburdene (2005) notes that we are moving towards "conscious capitalism" a new kind of capitalism which not only focuses on profits but which considers factors such as social, environmental, and economic costs in business decision making (Lampman, 2005). Some of the major social trends identified by Aburdene include "the power of spirituality," "the dawn of conscious capitalism," "spirituality in business," "the values-driven consumer," and the "socially responsible investment boom" (Aburdene, 2005). This transformation is also on the consumer side; as many as 70 million Americans — Aburdene refers to them as "values-driven consumers" — prefer buying from firms that have values.

According to Business Ethics Magazine, "The best managed firms today —in this era when societal expectations of business are rising — can no longer focus solely on stockholder return. Companies that aim to prosper over the long term also emphasize good jobs for employees, environmental sustainability, healthy community relations, and great products for customers" (Business Ethics Online, 2006).

Smith (2005) observes that the ethical malfunctions we saw in the business world, such as Enron and Worldcom, were not due to a shortage of ethical theories or confusion on the part of management as to which theory to apply. Rather the breakdown in business ethics was due to "a failure to perceive the transcendent" and because the literature on normative business ethics "is deficient in its failure to consider the spiritual aspects of management and ethics in particular." More and more organizations are talking about values, virtue, and spirituality.

The business model that focuses solely on maximizing shareholder wealth is becoming obsolete, and is morphing into one that is concerned with all the stakeholders including employees, customers, suppliers, government, the community, and society (including the effects on the environment). Pava, an accountant whose research compared socially responsible firms with those that were not, came to the following conclusion (Pava, 2003:62): "Much to my surprise, we were unable to uncover any cost of social responsibility. In fact, the evidence suggested that there might even be a financial advantage for the companies carrying out these projects." Hollender and Fenichell (2004: 26-27) assert that there is a strong positive correlation between being a value-driven firm and financial performance. Firms that make virtue part of their culture have done much better in terms of long-term financial performance than those only concerned with profit maximization. It does not matter whether virtue leads to profit. In fact, one can say that looking for a profit motive in acting virtuously cheapens the latter. For the values-driven firm, it is about doing the right thing.

Corporate Social Responsibility

Firms that wish to succeed will have to focus on corporate social responsibility, not on maximizing shareholder wealth. Our definition of corporate social responsibility (CSR) will be the one cited in Hollender and Fenichell (2004, p. 29):

… an ongoing commitment by business to behave ethically and to contribute to economic development when demonstrating respect for people, communities, society at large, and the environment. In short, CSR marries the concepts of global citizenship with environmental stewardship and sustainable development.

Corporate social responsibility is often a broader and richer concept than business ethics alone. It certainly includes business ethics but also takes into account such concepts as helping one's community and global citizenship. Lantos (2001) asserts that there are three types of CSR: ethical, altruistic, and strategic. All organizations have to advocate ethical CSR, which is concerned with avoiding societal harm. On the other hand, one can argue against altruistic CSR since helping others can reduce the profits of the firm and thus hurt the shareholders. Strategic CSR focuses on doing good in a way that benefits the firm.

Porter and Kramer's classic paper (2006) demonstrates how CSR can be used in a strategic manner to benefit all stakeholders, not only shareholders. They believe that CSR has to do with the fact that business and society have shared values; CSR is a win-win for both. Asongu (2007) posits that "strategic CSR should not be seen as a type of CSR but as an essential component of every CSR program." Asongu (2007) cites a survey he conducted that indicated the following: 83% of Americans prefer to buy from a company that has an active CSR program as long as the product was comparable in price and quality to competing products. On the other hand, 51% were willing to boycott a firm that was not socially responsible, even if the product sold was superior or less expensive than others.

A socially responsible firm benefits in numerous ways. These include: increased sales and market share, strengthened brand positioning, enhanced corporate image and clout, increased ability to attract, motivate, and retain employees, decreased operating costs, and increased appeal to investors and financial analyst (Kotler and Lee, 2005: 10-11). Virtuous firms with values quite likely have a competitive edge over firms that do not have values. Studies of numerous industries demonstrate that virtuous organizations experience increased levels of customer satisfaction, product quality, productivity, employee satisfaction, and profitability (Brady 2006; Paine, 2003:53). Two companies that measure and track 'corporate citizenship' have found a relationship between stock market returns and virtuous behavior (Dvorak, 2007).

The Checklist

It is becoming clearer that we are witnessing a moral transformation of capitalism. Many organizations claim to be socially responsible and values-driven. The checklist in Figure 1 is a useful device enabling an organization to test whether or not they are indeed virtuous or are just fooling themselves.

1. How serious have you been about hiring the disabled?
2. Have you encouraged diversity in the workplace? Are you serious about supplier diversity?
3. Are you a learning organization? Do you empower employees? Are you treating your employees well?
4. Does top management believe in the importance of integrity and honesty? Have conflicts of interest in the organization been eliminated?
5. Are leaders seen as servant leaders? What is the ratio of CEO pay relative to the pay of the average worker in your organization?
6. Have you helped the local community in which you conduct business? Are you helping public schools by partnering with them and/or providing internships for students?
7. Is customer satisfaction important to your firm? Do you have a procedure for dealing with client complaints? Do you apologize when you make a mistake?
8. Have you been showing concern for the environment?
9. Are you engaging in corporate philanthropy? Have you made the world a better place?
10. Does your mission statement discuss values?
Figure 1. The Checklist

1. Hiring the Disabled

Friedman, Lopez-Pumarejo, and Friedman (2006) believe that marketers should not overlook the disabilities market, a group that consists of about 20% of Americans and will double in size within fifteen years. It has an aggregate income of over one trillion dollars. The major causes of disability are arthritis and rheumatism; back and spine problems; heart trouble and atherosclerosis; lung and respiratory problems; and deafness and hearing problems. Disabled employees in the workforce can help the organization generate and develop ideas for new products and services. Firms that have employed autistic individuals and those with Down's Syndrome have found that they are hardworking, dedicated, and loyal employees (Friedman, Lopez-Pumarejo, and Friedman, 2006). Whether a company makes more of a profit or not in hiring the disabled, it happens to be the right thing to do. Moreover, in some cases there may be legal issues — e.g., it may be a violation of the Americans with Disabilities Act if a firm does not make their organization disabled-friendly.

2. Diversity in the Workplace

Workforce diversity helps create a work environment in which female, minority employees, the disabled feel welcome; even customers will feel more welcome in such an environment. The demographics of America are rapidly changing, and workforce diversity is vital for firms that desire to thrive in the future (Friedman and Amoo, 2002). Diversity may help an organization flourish but it is also the right thing to do. Furthermore, diversity is important if one wants to create a learning organization (Checklist Item #3). It is also important to help promote supplier diversity by doing business with firms that are owned by women and minorities.

3. Respect for Employees

As far back as the 1950s, Peter Drucker felt that employees should not be seen merely as factors of production that could

be discarded like worn-out machinery. He saw the corporation as an organization "built on trust and respect for the worker and not just a profit-making machine" (Byrne, 2005). Seeing employees as partners is the way to build an organization with values. Harrington, Preziosi, and Gooden (2006) insist that it is clear that workers wish to experience "real purpose and meaning in their work beyond paychecks and task performance." They maintain that corporate America is responding to this need.

Pfeffer (2002) cites numerous studies that show that "organizations that have and live by their values, that put people first, and that manage using high commitment work practices outperform those that don't." Whether profit is increased or not, Pfeffer (2002) makes a point that all moral organizations must heed: "An individual's desire and right to be treated with dignity at work, to be able to grow and learn, to be connected to others, and to be a whole, integrated person can not simply be sacrificed for economic expediency."

In the corporate world, many firms are recognizing that the ability of an organization to learn is the key to survival and growth and "organizational learning" has become the mantra of many companies (Argyris and Schoen, 1996; Senge, 1990). What is organizational learning? Garvin (1993) believes that a learning organization is "an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights."

What should we find in a learning organization? Much of what we expect to find requires empowered employees that work together and share knowledge. Thus, learning organizations have an infrastructure that allows the free flow of knowledge, ideas, and information; there are open lines of communication making it easy to share knowledge. There is an emphasis on team learning where colleagues respect and trust each other. It is an organization where one employee will compensate for another's weaknesses, as in a successful sports team. Employees learn from the experiences and mistakes of others in the organization. There is a tolerance for failure and a willingness to experiment and take chances. Diversity is seen as a plus since it allows for new ideas. Employees are committed to lifelong learning and growth. They have the ability to adapt to changing conditions and the ability to renew, regenerate, and revitalize an organization.

4. Ethics and Integrity

There is no question that integrity and honesty must start at the top of the organization. Bell, Friedman, and Friedman (2005) believe that conflicts of interest have caused many of the serious ethical lapses that occurred in the last decade. Before a company can improve its ethical behavior, it must remove all conflicts of interest. Excessive compensation of executives (and backdating of options) was at least partially due to the existence of ties between members of compensation committees and CEOs. It is important for executive compensation to be fair. There is evidence that paying executives outrageously excessive salaries while cutting the pay of employees will result in reduced productivity and lower product quality. Employees have no choice since they need their jobs; they can however become indifferent to the quality of what they produce if they feel that they are not being treated fairly (Bernasek, 2006).

5. Servant-Leadership

Bebchuk and Fried (2004:1) note that the ratio of CEO pay at large firms relative to the pay of the average worker has grown

to 500:1. Samuelson (2006) found that from 1995 to 2005, median CEO compensation increased 151% ($2.7 million to $6.8 million); median salary increases for all full-time employees increased only 32%. In addition, the ratio of median CEO salary/median worker salary rose from 94 to 179 in the same time period. It is becoming quite apparent that executive compensation is not tied to company performance. It is not surprising that CEOs have lost their credibility in the United States.

According to a Watson Wyatt survey, approximately 90% of institutional investors believe that top executives are dramatically overpaid (Kirkland, 2006). Warren Buffet asserted that ensuring fair pay for executives is the "acid test of corporate reform." The latest scandals involving backdating of options has made it obvious that executive pay has little to do with superior performance. Jeb Bush, governor of Florida, contends that "… if the rewards for CEOs and their teams become extraordinarily high with no link to performance —and shareholders are left holding the bag— then it undermines people's confidence in capitalism itself" (Kirkland, 2006).

There is currently a trend among CEOs — it does not appear to be a fad— towards being likable. Executives are becoming warm, responsive, caring, and humble (Brady, 2006). According to Brady (2006), "positive energy" is popular with CEOs today and they are learning to reach out to stakeholders and the media. Engardio (2006) asserts that we are seeing what is called "karma capitalism" or "inclusive capitalism." Indeed, many firms are interested in pursuing the goals of value creation, virtue, and social justice. Leaders are supposed to be fair, show compassion, and be sensitive to all stakeholders.

Many CEOs are interested in becoming servant leaders. Servant-leaders empower others and are facilitators; they are not concerned with personal aggrandizement. The servant-leader is the antithesis of the autocratic, authoritarian, leader who is primarily concerned with power and wealth; he cares about people and wants them all to be successful. Spears (2004) finds ten characteristics in the servant-leader:

• Listening intently and receptively to what others say. This, of course, means that one has to be accessible.

• Having empathy for others and trying to understand them.

• Possessing the ability of healing the emotional hurts of others.

• Possessing awareness and self-awareness.

• Having the power of persuasion; influencing others by convincing them, not coercing them.

• Possessing the knack of being able to conceptualize and to communicate ideas.

• Having foresight; which also includes the ability to learn from the past and to have a vision of the future.

• Seeing themselves as stewards, i.e., as individuals whose main job is to serve others.

• Being firmly dedicated to the growth of every single employee.

• A commitment to building community in the institutions where people work.

Spears (2004) lists a number of companies that either include the principle of servant-leadership in their mission statement or corporate philosophy. These include firms such as ServiceMaster Company, Southwest Airlines, Toro Company, and Men's Wearhouse. It does not necessarily have to be servant leadership. There are other models of leadership that are quite similar and are appropriate for firms that wish to be virtuous. Pava (2003) speaks of "covenantal leadership"; Covey (1991) of "principle-centered leadership"; and Blanchard (2007) of "leading at a higher level." All require leaders that care about values.

6. The Local Community

A virtuous firm should establish and maintain strong ties with the local community in which it conducts business. It should hire employees from the local community and do business with local companies. After all, many of a firm's customers will come from the surrounding areas. Also, if the local community thrives, it can only benefit the businesses that are based there. No one wants to run a business in a dying community on its last legs. Some hotel chains have developed a new workforce by offering training to the unemployed in local communities—a win for everyone.

Wal-Mart Watch (2005) lists seven principles that it believes define an organization's obligations to the common good. All are derived from ideas expressed by Sam Walton in his book Made in America. One of the principles is: "Buy local first." It is based on something Sam Walton stated: "For Wal-Mart to maintain its position in the hearts of our customers, we have to study more ways we can give something back to our communities" (Wal-Mart Watch, 2005).

Improving the schools is a practical way of ensuring that a firm will have an adequate supply of dedicated, competent, and literate employees. School reform is a win for society and for business. Kanter (2003) describes how a partnership between the corporate world and the public sector can benefit both. Companies such as IBM and Bell Atlantic have helped public schools while at the same time benefiting themselves.

7. Customer Satisfaction

A virtuous organization truly cares about its customers and clients. No one will consider a company that purposely sells defective or dangerous products as virtuous. Many firms today believe that customer satisfaction is the most important measure of business performance; it is even more important than profit and market share. Indeed, a survey of major business leaders who attended the World Economic Forum were asked what was the major measure of success. Only 20% mentioned profitability. The majority mentioned the reputation of the corporation, integrity, and high quality products (Hindery, 2005: 10).

It is difficult for a firm to fail when it is obsessed with providing customers with the best products in the marketplace. On the other hand, it is difficult to succeed when a firm's products are substandard and not designed to provide value. The attempt to cut costs at Home Depot, Dell, and Northwest Airlines may have reduced costs but had disastrous effects; a reduction in customer satisfaction that quickly translated into reduced market share (Hindo, 2006).

Organizations that care about their customers also want to hear what they have to say. Listen to them. Listening to customers, especially customer complaints, is a good way of coming up with ideas to improve products. It is also a simple way to determine whether or not customers are satisfied. Even the best of organizations will occasionally have an unhappy customer, whether it has performed poorly or not. Even at very high levels of quality, say, six sigma, there are 3.4 defects per million. Executives at companies such as Boeing now have two public blogs: an internal one to hear from employees and an external one to hear from the public (Holmes, 2006). Negative word of mouth can have a serious impact on sales. Even before the Internet, the belief was that unhappy customers would complain to as many as 10 people. Today, with the Internet, a dissatisfied customer can complain to thousands of people. Buzz marketing is just as effective for negative word of mouth as it is for positive word of mouth.

John P. Mackey, CEO and co-founder of Whole Foods Market, asserts that customer satisfaction is more important than profit maximization. He is an advocate for what is referred to as values-driven capitalism. His firm consciously works to improve society and does not rely solely on the "invisible hand" of the marketplace to achieve this result. In fact, the company stopped selling lobsters because it did not like the way the animals were treated. The company is also increasing its spending on its purchases of produce from local farmers (Nocera, 2006).

When an organization makes a mistake, it should not be afraid to apologize. Even apologizing correctly is an art that many do not perform properly. Friedman (2006) reviewing the work of many scholars in the field indicates that a good apology has four key elements: (1) acknowledging the offense; (2) communicating remorse and the related attitudes and behaviors such as, regret, shame, humility, and sincerity; (3) explanations as to why the offense was committed; and (4) an offer of reparations/restitution.

Virtuous organizations are not afraid to apologize and show remorse for mistakes.

8. The Environment

There are several reasons that the corporate world is going green. These include improving its image and competitive advantage; in fact, environmental stewardship is a way to differentiate a product or service and attract customers (Wald, 2006). A number of studies show that the public is very concerned about the environment and wants to do with business with companies that care, and avoid those that do not. One study found that 75% of consumers claim that their purchasing decisions are affected by a firm's reputation with respect to taking care of the environment (Kotler and Lee, 2005:12). This may help explain why a significant number of companies are promising that in the future they will be completely green, i.e., produce no waste and only use renewable sources of energy.

There is also a moral reason for being green. How much longer can the United States with only 5% of the world's population continue to use 25% of many critical resources? Because of pollution, it is unsafe to swim or fish in close to half of all American rivers and lakes (Markham, 2006).

Firms that see environmental issues as opportunities rather than threats are more likely to succeed by establishing a competitive advantage over the competition. Clearly, the public is hungry for products that are competitively priced yet do not harm the environment. Ecological sensitivity may not be an option in the future. Regardless of any marketing gains, a firm should be concerned about our planet. Planet Earth is all we have and we should take care of it.

9. Corporate Philanthropy

According to the Giving USA Foundation, companies donate, on average, a measly 1.2% of total corporate profits, nothing close to the tithe that many religions encourage (Business Week, 2005). Porter and Kramer (2003) feel that corporate philanthropy does not have to be seen as pure charity. It can be used in a strategic way to improve the competitive context — "the quality of the business environment in the locations where they operate"— of a firm. In other words, philanthropy may actually benefit the firm by ultimately increasing its long-term profits. For example, a firm could use its resources to improve education and the welfare of the area in which it operates. Done correctly,

this can also benefit the firm. A virtuous firm does not necessarily think about future benefits from philanthropy. They engage in philanthropic acts because humankind has an obligation to make the world a better place. All of humankind gains if we eradicate poverty and war.

Cause-related marketing (CRM) which involves contributing a part of every sale to a cause organization is another way of benefiting both the firm and the society (Kotler and Lee, 2005). Done right, it can improve the image of the company and the brand, increase sales, and help improve the morale of employees. American Express, one of the pioneers of CRM, used a campaign in which the company announced that it would donate 1 penny for every use of its card and $1 for every new card issued towards the renovation of the Statue of Liberty. The campaign helped American Express increase the number of card users and also raised money for the Statue of Liberty campaign. Volunteerism is another way to help others. For instance, Tom's of Maine encourages its employees to spend 5% of paid time acting as volunteers to the community.

10. Mission Statement

An organization that is interested in virtue must examine its mission statement. Mission statements should not only discuss profit and growth; maximizing shareholder wealth is not what it is all about. Corporate performance cannot and should not be measured by using only one criterion such as maximizing shareholder wealth or maximizing profit (Pava, 2003:8). A firm must consider the long-term and its mission statement should therefore consider the needs of the environment, society, employees, customers, suppliers, and government. The mission statement of the firm should say something about a firm's moral and ethical values and it should have something to say about all the key stakeholders, not just stockholders. The needs of customers, suppliers, society, employees, government, and the environment should be addressed in the statement.

The mission statement can and should be used to energize the entire organization and provide direction so that employees, customers, suppliers, investors, and other stakeholders know exactly what the organization hopes to achieve. Thus, a good mission statement will mention ideas such as producing high-quality products; the importance of integrity in business; providing employees with meaningful and fulfilling work that provides dignity and the opportunity to grow; respect and concern for the environment; cultivating positive relationships with suppliers and customers; helping the local community; and concern for society.

Many firms are publishing an annual corporate social responsibility report so that all stakeholders can see exactly what the firm is doing in order to conduct its business in a socially and environmentally responsible manner. Starbucks makes it Corporate Social Responsibility Annual Report available online (http://www.starbucks.com/ aboutus/ csrannualreport.asp). Starbucks uses key performance indicators such as partner satisfaction (they refer to employees as partners) and percentage of executives that are female and people of color to measure how

well it is doing in maintaining its values. This is a good way to send a message to everyone that social responsibility is as important as profits and must be measured.

Conclusion

It was not that long ago that Ivan Boesky told University of California students that "Greed is all right, by the way. I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself" and was wildly cheered (Lynn, 2005). Gordon Gecko, a fictitious corporate raider in the movie "Wall Street" also asserted that "Greed, for lack of a better word, is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms, greed for life, for money, for love, knowledge, has marked the upward surge of mankind." Today, someone telling an audience that "greed if good" might be (deservedly) tar and feathered and chased out of town.

Milton Friedman's (1962, 133) view of the sole responsibility of business is also not very popular today. He stated: "There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." The public is more receptive to the beliefs of another Nobel laureate in economics, Robert Fogel. Fogel (2000) stresses the importance of spirituality in the new economy. He identifies 15 vital spiritual resources that include such concepts as "a sense of purpose, a sense of opportunity, a sense of community, a strong family ethic, a strong work ethic, and high self esteem." The implication of his view is that capitalism must consider spiritual values in order to survive in the new economy.

Porter and Kramer (2006) make the point that

"Successful corporations need a healthy society. Education, health care, and equal opportunity are essential to a productive workforce. Safe products and working conditions not only attract customers but lower the internal costs of accidents. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Good government, the rule of law, and property rights are essential for efficiency and innovation."

The other side of the coin is that a healthy society also needs a successful private sector. "No social program can rival the business sector when it comes to creating the jobs, wealth and innovation that improve standards of living and social conditions over time" (Porter and Kramer, 2006). This is why it is important for the business world to work with government and try to improve the world and make profits. Maximizing profits while ignoring the needs of society may work in the short run but will be a disaster for both society and business in the long run. And, of course, while many of the ideas suggested in this paper may not only be costless to an organization but even produce additional profits in the long run, that is not the only reason to consider them. After all, for the virtuous organization, virtue is indeed its own reward.

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The Association Between Ethical Leadership and Employee Outcomes – the Malaysian Case

Cyril H. Ponnu
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Abstract

The topic of ethical leadership has received significant attention in recent years due to the plethora of corporate scandals both in the US and other countries. The shocking financial irregularities that have been uncovered in the executive suites of former Wall Street darlings like Tyco International, WorldCom, Adelphia, HealthSouth, and Enron and more recently Transmile in the case of Malaysia, bring to fore the need for ethical leadership more than ever before. The common thread underlying these corporate scandals is the failure of corporate leadership to demonstrate ethical leadership and its consequent negative impact on employee outcomes. However, despite its theoretical and practical significance, empirical research on the ethical dimensions of leadership and leaders' ethical behaviour on employees' level of commitment to their organization is lacking, more so in the case of Malaysia. Hence, this paper investigates the association between ethical leadership behaviour and employee outcomes. This study attempts to explore the impact of ethical leadership behaviour on employee attitudinal outcomes such as employees' organizational commitment and trust in leaders. The study uses primary data collected from 172 intermediate managerial level employees from the corporate sector in Malaysia. Results indicate that ethical leadership behaviour has a positive impact on employee organizational commitment and employee trust in leaders. The study provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' organizational commitment. This study also provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' trust in leaders.

Keywords

Ethical leadership, organizational commitment, trust in leader

1. Introduction

With the increasing trend of commercial crimes being committed in Malaysia, the question of ethical leadership has become a heated issue, gaining attention of academicians, managers, proprietors and even politicians (Zabid & Alsagoff, 1993). For instance, from 1997 to the year 1994, the total number of commercial crimes committed in the country has increased from 1,981 cases to 4,229 cases, which is an increase of 113% from 1977. Moreover, the number of commercial crime cases has almost tripled between 1994 and 2003, with criminal breach of trust and misappropriation of funds forming the bulk of cases. In the year 2003, about 11,714 cases were reported relative to 4,229 cases in 1994, and thus reporting an increase of 491% from 1977. The amount involved increased almost four-fold, from RM153.8 million in 1994 to RM570 million in 2003 (Royal Malaysian Police, 2004). Stunningly, as per the latest reported figures in Malaysia Crime Watch (2007), in the year 2006, commercial crime cases has increased from 171,604 to 198,622 cases compared to year 2005, and thus accounting for 10% of all reported crimes during year 2006.

The common thread underlying these corporate scandals/commercial crimes is the failure of corporate leadership to demonstrate ethical leadership and its consequent negative impact on employee outcomes. However, despite its theoretical and practical significance, empirical research on the ethical dimensions of leadership and leaders' ethical behaviour on employees' level of commitment to their organization is lacking, more so in the case of Malaysia. In other words, though there have been studies that have examined the individual and group determinants of ethical leadership behaviours and the consequences of such ethical behaviours at the organizational level (Holmes, Langford, Welch & Welch, 2002; Honeycutt, Glassman, Zugelder, & Karande, 2001), how ethical leadership influences individual behaviour or the employees' attitudinal outcomes has not

been thoroughly explored, especially in the Asian context.

Hence, this paper empirically examined the impact of ethical leadership behaviour on employee attitudinal outcomes such as employees' organizational commitment and trust in leaders. Thus, the three-fold objectives of this study were to:

1.	Measure employee perception of their leaders/immediate authority figures in terms of ethical leadership behaviour.

2.	Identify the association between employee perception of their leader's ethical behaviour and employee commitment.

3.	Identify the association between employee perception of their leader's ethical behaviour and employee trust in the leader.

However, as this is the first empirical study on the impact of ethical leadership behaviour on employee outcomes in Malaysia, the researchers did not intend to set the parameters within a particular industry. Therefore, this study was a cross sectional study of the corporate sector in Malaysia. Further, in order to draw meaningful conclusions, the scope of the study was limited to intermediate managerial level employees. Because characteristically, it is at this level that specific operational matters arise which may test the feasibility of implementing general ethics principles in particular instances. It is also within the group or department that many of the interactions occur which governs employee's interpretation of what is or is not acceptable behaviours.

Even though, a prior theoretical study (Zhu, May & Avolio, 2004) has proposed an advanced conceptual model with two moderating variables such as employee psychological empowerment and authenticity of ethical leader behaviour, due to few reasons, the researchers did not intend to test the role of such moderating variables in this study. Firstly, the proposed advanced model is a theoretical model, which has not been empirically tested; secondly, this study is considered to be the first empirical study in Malaysia in this area, and lastly, due to the time constraints within which the study should be completed.

Hence, this paper explored only the impact of ethical leadership behaviour on employee commitment and the trust in leader, which in turn contributes to organizational performance. Thus, as this study was aimed to explore the impact on ethical leadership behaviour on employee outcomes, the construct of ethical leadership behaviour was considered as the independent variable whereas employee organizational commitment and employee trust in leader were considered as criterion variables.

2. Literature Review

2.1 Ethical Leadership Behaviour

In spite of the recent high profile corporate scandals that has shaken the corporate world, evidence from the empirical research suggests that the leaders are not as concerned about ethics as perhaps they should be. The Christian & Timbers survey of 180 executives disclosed that only 13 percent of the big-company top executives thought, "having strong ethical values is the most important leadership needed by CEOs" (Business Week, Sep. 12, 2005 as cited in Stango, 2006).

Brown, Trevino and Harrison (2005) has defined ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and, decision-making" (pp.120). As per Brown et al (2005), the first component of this definition, "demonstration of normatively appropriate conduct through personal actions and interpersonal relationships…" implies that leaders, who are perceived to be ethical, models con-

duct that followers consider to be normatively appropriate (e.g., honesty, trustworthiness, fairness and care), making the leader a legitimate and credible role model. The next part of the definition, "promotion of such conduct to followers through two-way communication…" suggests that ethical leaders not only draw attention to ethics and make it salient in the social environment by explicitly talking to followers about it, but also provide followers with voice, a procedurally or interpersonally just process (Bass & Steidlmeier, 1999; Howell & Avolio, 1992 as cited in Holmes et al., 2002). The component of the "…reinforcement…" in the definition, implies that leaders who are perceived to be ethical, set ethical standards, reward ethical conduct and discipline those who don't follow the standards (Trevino, Brown & Hartman, 2003) contributing to vicarious learning. Further, the final element of the definition that relates to "decision-making" mirrors the fact that ethical leaders are mindful of the ethical consequences of their decisions, and make principled and fair choices that can be followed by others (Howell & Avolio, 1992 as cited in Holmes et al., 2002).

Similarly, Ciulla, (2004) [as cited in Resick et al 2006] observed that fundamentally, ethical leadership involves leading in a manner that respects the rights and dignity of others. As leaders are by nature in a position of social power, Aronson (2001) pointed out that leaders are obligated to furnish a moral example for their subordinates and to demarcate the constant striving for increased profits from those activities, which may be detrimental to the values of the society in general. As Zhu et al (2004) contended leaders exhibit ethical behaviours when they are doing what is morally right, just, and good, and when they support followers to elevate their ethical awareness and moral self-actualization. As Butcher (1987) has noted the ethical behaviour and leadership are intertwined and inseparable. Thus, leaders cannot shrink from their obligations to set a moral example for those they lead (Butcher, 1997; Enderle, 1987) They must draw the line between on the one hand, the perpetual push for higher profits and on the other, actions antagonistic to the values of the larger society.

Put in another way, ethical leadership entails more than fostering of ethical behaviour. Butcher (1987) mentioned that, "ethical business leadership requires not only investing in the small trees and experimental hybrids that won't yield a thing that in this quarter or the next, but also caring for the soil that allows us to produce such a harvest in the first place" (pp. 5-6). Thus, ethical leaders must focus more effort on creating the right conditions and organizational culture, which is also the organizational soil, to foster the development of ethical behaviour than on building a compliance infrastructure. In other words, they must make ethics the cornerstone of how they conduct business by practicing ethical behaviour in their personal life, in their business, and in their relationships (Sims & Brinkmann 2002). Drucker (1974) quotes Hippocrates when presenting the minimal standard of ethical behaviour for all managers in all business circumstances: Primum Non Nocere – "Above all, not knowingly do harm." (as cited in Cordeiro, 2003). In addition, many researches have developed a list of acceptable and unacceptable behaviours for managers (Dalton & Cosier, 1982). Thus, in determining what appear to characterize ethical leadership Resick et al (2006) found that four components that characterize ethical leadership in western societies—Character/Integrity, Altruism, Collective Motivation, and Encouragement—are universally supported, and viewed as behaviours and characteristics that contribute to a person being an effective leader across cultures. In the same vein, Goodpaster (1983) [as cited in Cordeiro, 2003], presented a list for managers that he calls "moral common sense: avoid harm-

ing others, respect the rights of others, do not lie or cheat, keep promises and contracts, obey the law, prevent harm to others, help those in need, be fair, and reinforce these imperatives in others." In short, it can be said that ethical leaders "emphasize the importance of being perceived as having a people orientation, as well the importance of engaging in visible ethical action (Trevino, Brown & Hartman, 2003).

2.2 Ethical Theories

More specifically, ethics requires an individual to behave according to the rules of a moral philosophy with an emphasis on the determination of right and wrong [Gundlach and Murphy, 1993 as cited in Roman & Munuera (2005)]. Similarly, Hurley (1972) [as cited in Cordeiro, 2003] has defined ethics as "a process by which individuals, social groups and societies evaluate their actions form a perspective of moral principles and values" (pp.265). Moreover, review of the literature in business ethics signifies that Frankena (1973) has outlined two of the major theoretical perspectives in the ethics field—which are referred to as deontological and teleological theories.

Deontology may be described as the theory or study of moral obligation. The deontological perspective, according to Frankena (1973), states that what is morally right is not dependent upon producing the greatest level of good as opposed to evil, but rather is determined by characteristics of the behaviour itself. This perspective views it as our duty as human beings to do good to ourselves and to others. Alternatively, the teleological perspective emphasizes the outcomes or consequences of an action when evaluating whether the act is moral. To Frankena (1973), the teleological perspective for the criterion of what is ethically right is the nonmoral value that is created. Therefore, an act is moral if it is judged to produce a greater good over evil that any other alternative, and is immoral if it does not do so.

Another perspective often discussed in organizational and behaviour and philosophy literature is the "justice" or fairness of a decision (Weiss, 2003). There are two types of organizational justice—distributive and procedural. Distributive justice refers to the fairness of a managerial decision based on the allocation of outcomes such as pay, rewards, recognition and promotion relative to an employee's input as well as retribution. Procedural justice addresses the impartiality of the methods relative input from employees regarding the standards used to make and apply managerial decisions (George & Jones, 2006). In terms of the teleological versus deontological categorization discussed above, distributive justice may best be thought of as a teleological theory of fairness due to its focus on outcomes, while procedural justice is best considered a deontological theory because of its focus on the means of making decisions. Nevertheless, employee's perception of one form of justice may spillover to their perceptions of the other form of justice [Lind (1992) and Lind, Kulik, Ambrose, and de Vera Park (1993) as cited in Zhu (2004)].

Hence, from an applied management point of view, it is expected that ethical leaders will treat their employees fairly and in an unbiased and impartial manner, i.e. using both distributive and procedural justice to guide their leadership behaviours. Because empirical evidence from the organizational behaviour literature shows that followers' perception of being treated fairly affect both their job attitudes, such as satisfaction and commitment, and organizational outcomes (Dailey & Kirk, 1992; Koh & Boo, 2001).

2.3 Ethical Leadership Behaviour and Employee Organizational Commitment

The concept of organizational commitment has grown in popu-

larity and received a great deal of attention in the organizational behaviour and industrial psychological literature (Mathieu & Zajac, 1990). It has been suggested that gaining a better understanding of the individual, group and organizational processes that are related to organizational commitment has significant implications for employees, organizations, and society (Mathieu & Zajac, 1990; Spreitzer, 1995, 1996; Mowday, Steers & Porter, 1979). Although, there is no clear relationship between individual organizational commitment attitude (and subsequent behaviour) and individual performance, there is evidence of a strong relationship between the organization-wide level of employee commitment and the performance of an organization as a whole (Adams, 1965; Evans, 1977 as cited in Liang, 1987). Organizational commitment of individual employees in the organization is therefore important for the success and the continuity of an organization. Moreover, Buchanan (1974) reasoned that employee organizational commitment is important in the absence of ownership as a motive for concern for the organization well being, the organization has to resort to deliberate creation and protection of committed elites.

As such, over the decades, the researches have developed a plethora of definitions on the concept of employee's organizational commitment. However, in general, organizational commitment can be referred to an individual's attachment to his or her organization, and is reflected in the relative strength of the individual's identification and involvement with it. (Jaramillo, Mulki, and Marshall 2005 as cited in Jaramillo, Mulki & Solomon 2006). Definitions of commitment can be classified as attitudinal commitment or behavioural commitment (Staw, 1977). Thus, the concept of commitment has been used to describe two quite different phenomena. More specifically, commitment as the process by which employees come to identify with the goals and values of the organization and desirous of maintaining membership is termed as attitudinal commitment whereas, commitment as the process by which an individual's past behaviour serves to bind him or her to the organization is termed as behavioural commitment. Nevertheless, in this study, attitudinal commitment as defined by Mowday et al (1979) is adopted. It is defined as the relative strength of an individual's identification with and involvement in a particular organization. As such this definition encumbers three main factors such as: (1) A strong belief in and acceptance of the organization's goals and values. (2) A willingness to exert considerable effort on behalf of the organization. (3) A strong desire to maintain membership in the organization. Additionally, the anecdotal literature suggests that the antecedents of organizational commitment can be divided into three broad categories: organizational factors, personal factors and work experiences (Eby, Freeman, Rush & Lance, 1999; Meyer & Allen, 1997 and Mowday et al., 1982 as cited in Zhu 2004). In that, Mowday et al. (1979) has indicated supervision as one of the critical organizational factors that can influence employee commitment to the organization.

In the leadership literature, a number of authors have suggested creating an ethical climate/culture as one of the main responsibilities of a leader (Jaramillo et al, 2006; Carrillo, 2005; Sims & Brinkmann, 2002; Minkes, Small & Chatterjee, 1999; Daft, 2005). Similarly, Chen, Sawyers and Williams (1997) [as cited in Liang, 1987], has recommended that top executives must live up to the ethical standards they are espousing and suggest ethical behaviours in others. This position assumes that leadership can make a difference in creating an ethical or unethical organizational climate. More specifically, it is the leaders of the organization, who play the dominant role in creating and maintaining climates regarding ethics. In addition, the leader's per-

sonal values and ethics are embedded in and shape the emerging climate regarding ethics, as well as the climate that is maintained (Grojean, Resick, Dickson & Smith 2004). Previous empirical research has shown that ethical climate results in lower role conflict and role ambiguity and higher satisfaction, which in turn, leads to lower turnover intention and organizational commitment for salespeople (Jaramillo et al 2006; Valentine & Barnett, 2003). Similarly, Sims and Kroeck (1994) found that ethical fit was significantly related to turnover intentions and employee commitment. In addition, Trevino et al (2000) suggests that ethical leadership contributes to employee commitment, satisfaction. Along these lines, Mathieu and Zajac (1990) suggested that leadership dimensions such as employee empowerment, initiating structure, consideration, communication, and participative leadership are all antecedents of organizational commitment at individual level. In other words, prior research has shown that organizational commitment is greater for employees whose leaders encourage their participation in decision-making (e.g., Jermier & Berkes, 1979), who treat them with consideration (e.g., Bycio, Hackett, & Allen, 1995), fairness (e.g., Allen & Meyer, 1990) and are supportive of them (e.g., Allen & Meyer, 1990; Mottaz, 1988). Also, Mize (2000) proposed that there is a positive relationship between ethical behaviour and employees' level of commitment. Similarly, Brown et al (2005) found, from seven studies conducted on various sample groups such as MBA students, employees from large, multi-location financial services, doctoral students and others, that followers of an ethical leader are willing to put extra effort into their work (job dedication/job commitment).

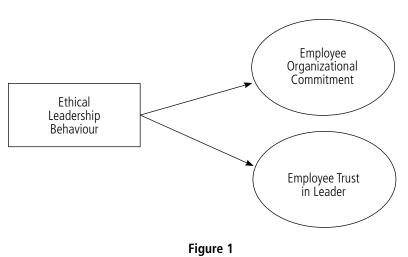## 2.4 Ethical Leadership Behaviour and Employee Trust in Leaders

The construct of trust has received significant attention in the organizational sciences literature, evidenced by an abundance of published work attempting to understand the phenomenon from a variety of perspectives (Mayer & Davis, 1999); in part due to the consequences it has for organizational effectiveness and performance (Zhu, 2004). Also, this variable has been identified as an important component of effective leadership (Bennis and Nanus, 1985) and is a central component of follower's perceptions of effective leadership (Hogan & Hogan, 1994). It is suggested that employee trust in leaders will boost their compliance with organizational rules and laws, amplify their zones of indifferences and thus facilitate the implementation of organizational change (Van Zyl & Lazeny, 2002). In the same vein, Robbinson (1996) asserts that employee trust in leaders directly influences their contributions to the organization in terms of performance, intent to remain and civic virtue behaviour. Moreover, Dirks and Ferrin (2002) suggest that trust in leaders is important for building relationships between leaders and subordinates and creating confidence in the leaders' character (Dirks, 2000).

Despite its importance for both theoretical and practical reasons, there is some evidence that suggests that trust levels for management in many organizations are dwindling [Farnam, (1989) as cited in Mayer et al, 1999]. Some researchers have noted that organizations routinely violate what the employees believe are the employers' obligations, leading to a general erosion of trust for employers (Robinson & Rousseau, 1994).

As Calder (1977) observed, the study of topics such as trust, which "belong to the world of everyday explanation," (pp.182) leads to a proliferation of approaches to understanding them, as there are plenty of connotations of the terms involved. Nonetheless, the literature on trust has converged on the beliefs that (a) trust is an important aspect of interpersonal relationships

(b) trust is essential to the development of managerial careers and (c) trust in a specific person is more relevant in terms of predicting outcomes (Butler, 1991). The literature on this construct shows that most perspectives of trust acknowledge that a leader's words must accurately predict his/her future actions in order to create a necessary, although not sufficient, condition for the development of trust. Ethical/moral leaders are those who have the moral courage to transform their moral intentions into behaviours despite pressures to do otherwise (Daft, 2005). Such leaders believe in virtues such as honesty and attempt to practice it in daily lives. Hence, we expect that the behavioural consistency between such leader's words and actions will be relatively high and consequently they will be trusted by their workmates. At the same time, several other scholars have focused their definitions of trust on the notion that an individual believes the person who he/she trusts will behave in a way that is favourable to the person. (i.e. benevolence). For instance, George & Jones (2006) define trust in general as "a person's confidence and faith in another person's goodwill" (pp. 694) while Robbinson (1996) concludes trust as "one's expectations of belief about the likelihood that another's future actions will be beneficial, or at least not detrimental, to one's interest" (pp.576). However, this study adopts Mayer, Davis & Schoorman's (1995) [as cited in Mayer et al, 1999] definition of trust, which stipulates "…as willingness to be vulnerable to the actions of another party" (pp.124). This conceptualization differentiates trust itself from its outcomes, which are various types of risk-taking in the relationship with the trustee (e.g. to be trusted party). Trust defined in this manner does not involve risk per se, but is a willingness to engage in risk-taking with the focal party. Such outcomes could include cooperation, sharing sensitive information, and voluntarily allowing the trustee control over issues that are important to the trusted party.

Further, based on the organizational as well as leadership literature, it is evident that an ethical leader is one who does not seek to accomplish his/her own self-interest at the expense of others, but who genuinely looks after the group's interest. Ideally, such a leader bases his/her behaviour on moral principles that respect the rights of others and treats them fairly. Also, ethical leaders involve their employees in decision-making within their firms to enhance procedural justice and autonomy over their work lives the employees' experience. Such involvement facilitates not only the well-being and potential growth of the employees, but also the amount of trust that employees placed on their leader. Moreover, Brown et al (2005) observed that ethical leadership is positively related to the affective trust in leader, while Argyris (1964) [as cited in Mayer et al, 1999] theorized that trust for management is tied to important productivity-related outcomes. Given this, this area of trust in leader is important for both theoretical and practical reasons.

Thus, based on the preceding review of the literature and the research questions posed in this study, it is proposed that the conceptual framework for this study is as follows:

Figure 1

3. Hypotheses

Based on the preceding literature review and the conceptual framework above, we propose the following;

H11 : There is a significant relationship between ethical leadership behaviour and employee's organizational commitment.

H21 : Ethical leadership behaviour is positively associated with employees' trust in leaders.

4. Methodology

4.1 Selection of Measures

4.1.1 Ethical Leadership Scale (ELS)

Employees' perception of the ethical leadership behaviour of their superior/immediate authority figure was measured with the Ethical Leadership Scale (ELS), adopted from Brown et al, (2005), which followed the steps advocated in the psychometric literature (e.g. Ghiselli, Campbell & Zedeck) and summarized by Hinkin (1998) [Brown et al, 2005]. This scale consists of 10 Likert items that are represented on a 5-point continuum (1 = strongly disagree, 5 = strongly agree) with higher scores indicating greater ethical leadership behaviour. These survey items were designed to "tap the full domain of ethical leadership that could apply to both formal and informal leaders (…) and to leaders at all organizational levels" (Brown et al, 2005, pp.123).

Results from prior studies on exploratory factor analysis (EFA) for validity has indicated a one-factor solution with all items loaded strongly on this factor, 0.5 and above. Thus, ethical leadership, as measured by these 10 items, has formed a coherent construct. Reliability estimates has indicated that ELS has demonstrated excellent internal consistency and were stable over 3 studies as < = .92, N = 127; < = .91, N = 184; < = .94, N = 87 respectively. Further supporting the high internal consistency, the Cronbach alpha coefficient in the current study was .89 (N = 174).

4.1.2 Organizational Commitment Questionnaire (OCQ)

OCQ, which was dopted by Mowday et al (1979) is an instrument that assesses individual's commitment towards his/her work organization. Although the original instrument composed of 15 items, where by 6 items were negatively phrased and reverse scored in an effort to reduce response bias, a nine-item shortened version of the OCQ utilizing only positively worded items adopted by Mowday et al (1979) was used for this study. Empirical research results have yielded that "the short form of the OCQ (using only the nine positively worded items) may

be an acceptable substitution for the longer scale in situations where questionnaire length is a consideration" (Mowday et al, 1979; pp. 244). Moreover, the questionnaire, which was originally, 7-point Likert scale anchoring from strongly agree, moderately agree, slightly agree, neither agree nor disagree, slightly disagree, moderately disagree to strongly disagree, was modified in this study to a five-point Likert scale response categories as follows: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree. And the high scores indicate behaviours and attitudes typically associated with "highly committed" employees/individuals were utilized in this study.

The analyses of the psychometric properties of the instrument across nine samples revealed that reliability coefficient was consistently very high, ranging from .82 to .93, with a median of .90. Further, factor analysis with Kaiser's varimax solution resulted in a single-factor solution confirms the homogeneity of the OCQ items. Also, prior results suggested that the overall measure of organizational commitment was relatively stable over short periods of time (r = .53, .63 and .75 over 2-, 3-, and 4-months period. In the current study, the Cronbach alpha coefficient was .88 (N = 174).

4.1.3 Trust Scale (TS)

The four items used by Schoorman et al, (1996a) [as cited in Mayer and Davis, 1999] to measure trust were used to evaluate the employees' trust in leader. The Trust Scale is a 4-item measure with a 5-point Likert-type response format. The response choices are Strongly Disagree, Disagree, Neither Disagree nor Agree, Agree and Strongly Agree; with higher scores indicating greater employees' trust in the leader except for the two items that are inconsistent with employees' trust and are reversed-scored. Alphas for this scale were .82, .59 and .60 for the first, second and third waves respectively. And Cronbach alpha coefficient for the current study is reported to be .86 (N = 174). However, for the present study, the items were altered slightly to reflect a focus on the superior/immediate authority figure, instead of the top management.

4.2 Sampling Design

A total number of 227 questionnaires were distributed for this study. Respondents were from companies that were located in the Klang Valley, representing a variety of industries in the corporate sector. Of this number, 188 were returned and 174 were found usable. A non-probabilistic sampling method, namely convenience sampling was used in drawing samples for this study. The sample included 77 males (44.3%) and 97 females

(55.7%). The range of ages of the respondents is from 20 to 53 years, with a mean of 31.52 and standard deviation of 6.421. Of the 174 respondents, 61 or 35.1% are Malays; whereas Chinese and Indians are 76 (43.7%) and of 32 (18.4%) respectively. A minority of respondents, whose representation in the total sample was only 2.9%, was categorized as 'Others'. The educational level of the respondents is high with 84% holding bachelors or post graduate degrees (MBA/PhD). Slightly more than half (50.6%) of the respondents report that they hold the position of Executive; whereas 17.8% are Assistant Manager; and 13.8% Managers. The respondents were kept naïve as to the exact nature of the research purpose; being told only that the study investigated the employee's perception about the ethical leadership behaviour of their supervisors/immediate authority figures.

4.3 Data Collection Procedure
Primary data was collected for this study with the use of a self-administered questionnaire distributed among MBA/MM students, all of whom were working or had work experience, and also among employees, who represented many different industries and also who were easily accessible. The questionnaire consists of 5 parts where first three parts comprise of ELS, OCQ and TS respectively. Section 4 is designed to gather data on leader's/superior's profile whereas the last section focuses in obtaining the respondents' demographic profile. However, no identifying data were obtained on employees.

The respondents were asked to evaluate their current/recent immediate supervisor and also indicate their level of commitment to the organization and the trust in leader by completing the entire questionnaire. The researchers distributed the questionnaires among colleagues, who volunteered to administer the questionnaire. In addition to the researchers, eight individuals administered the questionnaires, but in different settings and returned the completed questionnaires to the researchers. Thus, over a period of 3 weeks, 188 completed questionnaires were returned to the researchers, representing an overall of 82.8% percent response rate. However, of the 188 respondents, 13 or 6.91% were rejected, as their place of work was not within the Klang Valley.

4.4 Data Analysis Technique
SPSS Version 14.0 was used to analyze the data and test the aforementioned hypotheses.

Preliminary data analyses were performed to test for normality of the research variables, and to obtain descriptive statistics on demographic profile and the general characteristics of the respondents as well as superiors/immediate authority figures.

Correlation matrix was created to determine the relationships among constructs. Furthermore, reliability analysis was carried out on all sets of variables to determine whether they form an additive scale. This was to provide means to simplify the analysis and reporting the data by showing that a group of variables, possibly all, form a scale that is reliable to measure a construct. Finally, allowing for correlation among factors, exploratory factor analysis (EFA) using principle components (PCA) with an oblique rotation was conducted on ELS, OC and TS instrument to identify variables that were most important in measuring each construct. Although the trend now is to perform an EFA using PFA (principal axis factoring) to meet theoretical considerations, the results are often similar.

5. Research Findings

5.1 Summary Statistics
The data was examined to check for accuracy of data entry, missing values, the normality of distributions, and outliers. The values for skewness and kurtosis fitted into an appropriate range (i.e., below the absolute value of 2), indicating the normal distribution of the scores across all variables of interest (Heppner, 2004). Some of the variables were found to have univariate outliers; the relevant scores were checked to ensure that those scores were within the range of possible scores for those variables. Furthermore, in order to check how much of influence these outliers have on the mean, the original mean of each variable was compared against the respective 5% Trimmed Means (Pallant, 2005). Given the fact that the two mean values for each variable of interested were not too different to the remaining distribution, those cases with outliers were retained for the analysis.

5.2 Analysis of Measures
A set of new variables called TOTELS, TOTOC and TOTTS was created by adding total scores for each subject under each construct in order to facilitate further analysis. However, prior to conducting advance statistical analysis to explore relationships among variables, the new variables were again tested for skewness and kurtosis. Histograms and boxplots were plotted to ensure that the assumption of normality was not violated. Also, in order to ensure that the employed scales measured consistently what they were intended to measure, the Cronbach alpha coefficient was computed to check for reliability. Though, there were no extreme points, one extreme case was detected as a univariate outlier in TOTELS variable and thus was deleted, leaving 174 cases for analysis. Descriptive statistics and the Cronbach alpha coefficients for the above mentioned new variables are shown in the Table [4.2] below.

Table 4.2: Summary of Descriptive Statistics and Reliability Scores

Variable / Scale	No. of Items	N	Mean	SD	5% T. Mean	Skewness	Kurtosis	Cronbach Alpha
TOTELS	10	174	35.62	6.505	35.72	-0.377	-0.273	0.888
TOTOC	9	174	31.76	5.523	31.66	0.277	-0.056	0.877
TOTTS	4	174	11.25	3.217	11.23	0.220	-0.521	0.852

As shown in Table [4.2] above, the skewness and kurtosis values are well below the absolute value of 2 and thus indicate that the scores for three variables have not violated the assumption of normality (Heppner, 2004). This assumption is further supported by the differences between the original mean value and 5% trimmed mean value or each the variables, which are not significant (Pallant, 2005). Furthermore, as per Nunnally (1978), a scale is deemed to be reliable, if its Cronbach alpha is more than 0.5 (= > 0.5). Hence, the Cronbach alpha coefficient values shown in Table [4.2] above, which are much higher than 0.5, indicate that the three scales—ELS, OCQ and TS—are reliable.

In addition, an exploratory factor analysis with an orthogonal varimax rotation and a Kaizer-Guttman criterion of eigenvalue greater than 1.00 was conducted for the 10-item ELS; 9-item OCQ and 4-item TS ((Pallant, 2005). For 10-item Ethical Leadership Scale (ELS) two components (or factors) with eigenvalue greater than 1.00 were extracted. The total variance explained by the 2 factors was 60.9% and as Hair, Anderson, Tatham and Black (1995) suggest that for social science studies, it is not uncommon to consider a solution of about 60 per cent as satisfactory. However, the general criterion of eigenvalue greater than 1.00 may misjudge the most appropriate number of factors (Gorsuch, 1983), thus the scree plot was carefully examined. The scree plot was also confined to 2 factors. To facilitate easy interpretation, these factors were then rotated using the varimax criterion for orthogonal rotation. Only statements/items with factor loadings of 0.50 and above in the rotated factor matrix was considered as significant in interpreting the factors. Table [4.6] shows the factor matrix indicating the factor loadings and communality estimates (h2) of every variable on these two factors. Factor 1 (F1) and Factor 2 (F2) comprised of six and five items, respectively. By analyzing the items in the factors, some dimensions was identified and thus, Factor 1 was labeled as "The Demonstration of Ethical Conduct (e.g.: honesty, trustworthiness, fair and care)" whereas Factor 2 (F2) as "The Promotion of Ethical Conduct to Followers".

Table 4.3: Scale Items, Component Loading and Communality Estimates for Two-Factors of Ethical Leadership Scale

Item	Factor Loadings		h²
	F1	F2	
Factor 1: The Demonstration of Ethical Conduct			
Listens to what employees have to say	0.540	0.445	0.490
Has the best interest of employees in mind	0.820	0.017	0.672
Makes fair and balanced decisions	0.793	0.277	0.705
Can be trusted	0.808	0.268	0.725
Discusses business ethics or values with employees	0.594	0.443	0.549
Sets an example of how to do things the right way in terms of ethics	0.614	0.544	0.674
Factor 2: The Promotion of Ethical Conduct to Followers			
Disciplines employees who violate ethical standards	-0.002	0.757	0.573
Conducts his/her personal life in an ethical manner	0.234	0.700	0.545
Defines success not just by results but also the way that they are obtained	0.444	0.662	0.636
When making decisions, asks, "What is the right thing to do?"	0.358	0.624	0.518
Eigenvalue	5.035	1.051	
Percent of Variance	50.348	10.510	
Cumulative Percent	50.348	60.858	

h² = Communality Estimates

Similarly, an exploratory factor analysis with principal component analysis was conducted on OCQ and TS respectively. However, the results for both of these scales has shown what Thurstone (1947) referred to as 'simple structure' in which each of the variables loaded strongly on only one component, and each component being represented by a number of strongly loading variables (Pallant, 2005). Moreover as the general criterion of eigenvalue greater than 1.00 may misjudge the most appropriate number of factors (Gorsuch, 1983), thus the scree plot was also carefully examined. A steep break in the both scree plots (OCQ and TS) between the first and second factor (eigenvalues of 4.635 and .807 respectively for OCQ; and eigenvalues of 2.783 and .609 respectively for TS), indicated a one-factor solution. As

illustrated in below Table [4.4], for both scales, all items loaded strongly on this one-factor, .5 and above.

Table 4.4: Scale Items and Component Loading for One-Factor of Organizational Commitment Questionnaire (OCQ) and Trust Scale (TS)	
Item	Factor Loadings
	F1
Organizational Commitment Questionnaire	
Factor 1: Employee Organizational Commitment	
I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.	0.628
I talk up this organization to my friends as a great organization to work for.	0.762
I would accept almost any type of job assignment in order to keep working for this organization	0.546
I find that my values and the organization's values are ver similar.	0.669
I am proud to tell others that I am part of this organization.	0.775
This organization really inspires the very best in me in the way of job performance.	0.756
I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.	0.828
I really care about the fate of this organization.	0.723
For me this is the best of all possible organizations for which to work.	0.732
Eigenvalue	4.635
Percent of Variance	51.503
Cumulative Percent	51.503
Trust Scale	
If I had my way, I wouldn't let my superior have any influence over issues that are important to me.	0.848
I would be willing to let my superior have complete control over my future in this company.	0.842
I really wish I had a good way to keep an eye on my superior	0.802
I would be comfortable giving my superior a task or problem which was critical to me, even if I could not monitor their actions.	0.804
Eigenvalue	2.783
Percent of Variance	69.577
Cumulative Percent	69.577

Thus, it is evident from the above table that both organizational commitment and trust in leader, as measured by those 9-items and 4-items respectively, formed coherent constructs.

5.3 Testing of Hypotheses

Correlation analysis was performed to test the strength and direction of the linear relationship between two variables—ethical leadership behaviour and employees' organizational commitment; ethical leadership behaviour and employees' trust in leader. Further, the preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity.

As per the results, there was a medium (Cohen [1988]), positive correlation between the two variables [r = .46, n = 174, p < .05], with high levels of perceived ethical leadership behaviour associated with higher levels of employee's organizational commitment. The first hypothesis, which stated that there is a significant relationship between ethical leadership behaviour and employees' organizational commitment, was thus supported. However, as many authors in this area suggest that the focus should be directed at the amount of shared variance, rather than at statistical significance (Pallant, 2005), the coefficient of determination was calculated for above two variables. With a correlation of r = .458, it can be said that perceived ethical leadership behaviour has helped to explain nearly 21 per cent of the variance (.458 X .458) in respondent's scores on the Organizational Commitment Questionnaire. The output retrieved from SPSS is presented in the following Table [4.5].

Table 4.5: Pearson Product-Moment Correlations Between Measures of Ethical Leadership Behaviour and Employee's Organizational Commitment.			
		Total ELS	Total OC
Total ELS	Pearson Correlation	1	.458(**)
	Sig. (2-tailed)		.000
	N	174	174
Total OC	Pearson Correlation	.458(**)	1
	Sig. (2-tailed)	.000	
	N	174	174

** Correlation is significant at the 0.01 level (2-tailed).

Similarly, the second hypothesis, which was offered as "Ethical leadership behaviour is positively associated with employees' trust in leader" was also tested following the same procedure that has been used to test the first hypothesis. As such, the relationship between perceived ethical leadership behaviour (as measured by ELS) and employee's trust in leader (as measured by TS) was also explored using Pearson's product-moment correlation coefficient. There was a strong (Cohen [1988]), positive correlation between the two variables [r = .634, n = 174, p<.05], with high levels of perceived ethical leadership associated with higher levels of employees' trust in leader. Hence, the second hypothesis of this study, which stipulated that 'ethical leadership behaviour is positively associated with employees' trust in leader', is also supported by the findings. However, similar to the first hypothesis, the coefficient of determination was again calculated with regard to Total ELS and Total TS in order to investigate how much of variance the two variables share. With a correlation of r = 0.634, which when squared indicated the coefficient of determination of 0.402 (.634 X .634), was then reported as

40 per cent shared variance. By detailing that perceived ethical leadership behaviour has helped to explain 40 per cent of the variance in respondents' scores on the employees' trust in leader scale (TS), this further supports the second hypothesis of the current study. The output retrieved from SPSS is tabled in the Table [4.6] below.

Table 4.6: Pearson Product-Moment Correlations Between Measures of Ethical Leadership Behaviour and Employee's Trust In Leader.		Total ELS	Total TS
Total ELS	Pearson Correlation	1	.634(**)
	Sig. (2-tailed)		.000
	N	174	174
Total TS	Pearson Correlation	.634(**)	1
	Sig. (2-tailed)	.000	
	N	174	174

** Correlation is significant at the 0.01 level (2-tailed).

5.4 Summary and Discussion of Research Results

In an environment where white-collar crimes are increasingly being committed and thus, the question of ethical leadership has become an important issue (Zabid & Alsagoff, 1993), this study set out to investigate the impact of ethical leadership on employee outcomes particularly on employee organizational commitment and employees' trust in leader. And despite its importance, to the researchers' knowledge, within the context of Malaysia, this research is the first study that attempts to identify the impact of ethical leadership behaviour on employee outcomes.

The first Hypothesis (H11) of this study stated that there's a significant relationship between ethical leadership behaviour and employee's organizational commitment. This hypothesis was supported by the results, as a medium, positive correlation was found between the two variables—ethical leadership behaviour and employee's organizational commitment. The results reveal that high levels of perceived ethical leadership behaviour are associated with higher levels of employee's organizational commitment. Thus, the findings mirror those of Mize (2000), Trevino et al (2000), and are consistent with Sims & Kroeck (1994), Valentine & Barnett (2003), Brown et al (2005) and Jaramillo et al (2006).

As ethical leadership literature suggests, one possible explanation for this finding could be that when employees are treated fairly and well by a leader they trust, they are likely to think about their relationship with the leader and organization in terms of social exchange rather than economic exchange and they are likely to reciprocate by helping the organization in a variety of ways (Organ, 1990). Thus, ethical leadership behaviour promotes going above and beyond the call of duty. Nonetheless, at the same time, it should be noted that as this instrument is a self-rating questionnaire, the ratings might not be synonymous with respondents' actual level of commitment to their organization.

Hypothesis 2 (H21) stated that ethical leadership behaviour is positively associated with employee's trust in leader. Results of this study support this hypothesis. As anticipated, the results revealed a strong positive correlation between the two variables

and employee's perception of ethical leadership accounted for a significant portion of the variance in respondents' scores on the employees' trust in leader scale (TS). This finding is consistent with those of Brown et al (2005), which observed that ethical leadership is positively related to the affective trust in leader.

One probable explanation for such a positive correlation is that it is evident that the ethical leader is not one who does not seek to accomplish his/her own self-interests at the expense of others, but who genuinely looks after the groups interests. Also, such a leader bases his/her behaviour on moral principles that respect the rights of others and treat them fairly while getting them involved into the firm's decision-making process. Such involvement facilitates not only the well-being and potential growth of the employees, but most importantly the amount of trust that employees placed in their leader.

6. Implications, Limitations and Suggestions

6.1 Implications

The findings of this study, which supports previous research in this area, has significant implications to corporate firms as it further confirmed that ethical leadership behaviour is associated with outcomes or consequences beneficial to and valued by the organization, stakeholders, and the physical, social and economic environments in which it operates. Hence, these research findings also have important implications for both practitioners and academicians, because they demonstrate that encouraging and practicing ethical leadership behaviour is not only the right thing to do but also has significant benefits for both the leader and the organization as a whole. Due to the lack of empirical studies done in this area, especially in Malaysia, the results of this study emphasizes the importance of ethical leadership.

6.2 Limitations of the Study

As with all empirical studies using human respondents there are limitations to this study that may impact the ability to generalize the results to other settings. One potential limitation with this study is that as it is confined to corporate firms in the Klang Valley, this may be perceived as insufficient to be representative of the whole corporate sector in Malaysia.

Further, the researchers relied solely on follower's ratings of ethical leadership. Given that researchers have conceptualized ethical leadership as modeled, observable behaviour, and that most leadership research involves follower ratings of leaders (Brown et al, 2005), the researchers believe that their choice of others ratings was appropriate. Moreover, another major limitation of this study relates to its sampling method. Due to time and budget constraints, the researchers utilized convenience-sampling technique, which is one of the non-probability methods. Even though, samples can be drawn quickly and economically, respondents drawn by convenient sampling may not be representative because of the haphazard manner by which many of them are chosen or because of self-selection bias. Hence, projecting the results beyond the specific sample may be perceived as inappropriate.

Another perceived limitation in this study is that it is focused on superior-direct report relationships. Hence, this study cannot measure whether or how distance from the leader would influence employees' ratings of ethical leadership. For instance, lower-level employees in large organizations rarely see or interact with their senior managers. Therefore, they make inferences about the leadership qualities based upon available information rather than direct experience. Thus, in such a case, perceptions of executive ethical leadership may rely more upon public re-

lations information or organizational outcomes, and also upon image management than on perceptions of supervisory ethical leadership.

6.3 Suggestions for Future Research

There are several possible directions for future research that would help better understand and explain the importance of ethical leadership behaviour and its impact on employee outcomes. First, in order to improve generalization of the findings, future research should increase the sample size and broaden the sample location from a single administrative site to a larger regional or national site. Second, as the samples for this study were drawn by convenient sampling and hence may not be representative due to the haphazard manner by which many of them are chosen or because of self-selection bias, it is suggested that future researchers utilize a random sampling method.

Third, though this study relied solely on follower's ratings of ethical leadership, one might want to consider self-ratings in future research. Although, self-ratings might be considered, it should be noted that high agreement between leader self-reports and employee's ratings could not be expected. Because, research on self-perception (Ashford, 1989) and self-assessment of socially desirable behaviour (e.g. absenteeism: Harrison and Shaffer, 1994) suggests that leaders are almost certain to rate themselves favourably on the ethical dimensions of leadership. Alternatively, researchers could collect ethical leadership data using a historiometric approach by providing raters with biographies of well-known leaders, and asking them to assess leaders in terms of their ethical leadership. Data on the antecedents and outcomes of ethical leadership could also be generated from these rich biographical accounts. This approach has been used to study personality and charisma in the US presidency (House, Spangler, & Woycke, 1991), and could be applied to the study of ethical leadership as well.

Fourth, given that this study is focused on superior-direct re-

port relationships and hence, cannot measure whether or how distance from the leader would influence employees' ratings of ethical leadership, the researchers encourage future researchers to focus their research to identify whether employees' ratings of close and distant leaders' ethical leadership coincide.

Lastly, it is suggested that the future research may conducted using a more advanced conceptualized model with two moderating variables such as employee psychological empowerment and authenticity of ethical leader behaviour, which was theorized by Zhu (2004), to measure the role of such moderating variables in the relationship between ethical leadership behaviour and employee outcomes.

7. Conclusion

With the increasing trend of commercial crimes in Malaysia (Zabid & Alsagoff, 1993), it appears that there is a growing need for ethical leadership. It is essential for corporate leaders to earn the confidence and loyalty of their followers and the esteem of society at large (Aronson, 2001). Thus, this study was conducted mainly to investigate the impact of ethical leadership behaviour on employee outcomes, particularly on employee's organizational commitment and employees' trust in their leaders.

Based on the preceding discussion of the results, several conclusions can be drawn from this study. First, this study provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' organizational commitment. This study also provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' trust in leader. Hence, it could be said that ethical leadership behaviour pays dividends in employee pride, commitment, and loyalty—all particularly important in a full employment economy in which good companies strive to find and keep the best people (Trevino et al, 2000).

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Ethics and Responsibility in ICT-Enterprises – Prospects and Challenges for Management and Leadership

Mirja Airos

Abstract

In this article the author critically analyzes underlying discursive statements on managerial and leadership issues in relation to ethics and responsibility in information and communication technology enterprises – the firms and people involved in the case have a Finnish and/or Nordic background. The topic of the study is remarkably broad, and so this fact indicates the existence of limited, subjectively constructed views on multiple theoretical, methodological and empirical insights and dimensions. The issues of context, discourse and text are important in these kinds of qualitative interpretations. The triangle formed by technology, business and organization has some essence in contemporary society. According to this study, the size, hierarchy and scale of companies cause differing ethical dilemmas, actual leadership and management practices raise other problems and the specific managerial and leadership actions in turn bring about new discourses. The governance and control of an enterprise's performance, decision-making procedures, activities, moments of truths and other illustrative elements are often intertwined.

Keywords

Enterprises, Ethics, Information and Communication Technology, Management and Leadership, Responsibility

Abbreviations:

ICT – Information and Communication Technology

Firm A, B, C etc. – Enterprises in enclosed quotations (or in original empirical data)

NN, MM etc. – Leaders, managers or others in enclosed quotations (or in original empirical data)

Introduction

Although transparency is not a keyword in this paper, this study has the same sort of original intent – to show how firms acting in the field of ICT are to be comprehensively perceived. Discourses that illustrate the managerial and leadership aspects of firms are crucial. This deeper understanding then creates a good basis for future ethics and responsibility developments in business and technology. The multi-filament conceptualization of the firm and its activities are advantageous for general planning as well as information systems planning.

The primary common scope of this article involves disclosing how the chosen sources typically represent the management and leadership in relation to the prevailing issues in regard to ethics and responsibility in ICT enterprises. This paper has two different research problems. Firstly, to analyse what kinds of suggestions the source materials offer for potential ethical leadership, and secondly, to unfold what sort of proposals they have for responsible management. The author will therefore explore discursive statements and written texts, and describe the manner in which written sources suggest possible managerial and leadership actions.

These themes are rather seldom studied nowadays in the context of ICT enterprises, at least in domestic and Scandinavian academic and practical fields. The perspectives of this study are based on current public interests and trends in society, and this paper could be seen as part of the continuing growth in studies about ethics and responsibility in information science, management and leadership. Diverse social and societal themes that combine technological and business-oriented views of the marketplace are the focus of a growing volume of studies.

The reader ought to see this paper as a limited study on how management and leadership are viewed in the literature, and how ethics and responsibility are depicted and tied to these discourses. The emphasis in this article is somewhat pragmatic and so further epistemological or ontological questioning is left out due to limited space and the time span of the research. These aspects will be covered in further studies.

The current ICT context in terms of ethical and responsible decisions is challenging, but also offers considerable potential. ICT business or businesses have correlations with other industrial fields as well.

"The IT [information technology]-bubble...as a word is misleading. When the ordinary bubble splashes only a wet splotch remains. The IT-bubble has burst and the most anxious IT-boom has ended, but it gave birth to and transcended a lot of good things [in economic life]...The IT-bubble was a collective illusion...Raising stock exchange rates was the main attention of that thrill, but at the same time there were absurd amounts of investments in hardware, software and development tasks...Although virtual prosperity is gone, no-one is tearing optical cables from the ground or carrying [all of] the servers to the dump." (Rainisto, 2003)

This study consists of two main separate discussion chapters as well as introductory and concluding chapters. The first of the discussion chapters includes an overview of the literature, and the actual topic is defined and investigated through academic literature and statements from empirical research and corporate activities in the field. This chapter provides us with glimpses of actual business situations according to the ideas of real business people. This empirically treated evidence is based on economic journals, company-based statements, discourses and web-based sources. The second chapter illustrates some methodological ideas,

dimensions and research data. Methodologically, this paper is qualitative in origin, and the research is conducted using content and discourse analysis. The research also has some features of a traditional case study due to the fact that the main focus involves firms, leaders and/or managers. The concluding chapter reveals that both of the research questions could have multiple answers or that a multi-level interdisciplinary approach is suitable as a single functional formula. Preliminary results show some discursively constructed views in ethical leadership and responsible management issues. One suggestion for a potential overall framework is also offered.

Theoretical and Empirical Findings

When we examine the literature about the prospects and challenges for management and leadership in relation to ethics and responsibility, we ought to discover how abstract concepts and theories face real-world dilemmas and decisions. In this kind of research it is worth practicing two-way review methods – from theory to context and from context to theory (Johnson, 2001). Academic, professional and societal contexts must be interpreted side by side (Forester & Morrison, 2001). In this chapter, we will skim through both theoretical and empirical standpoints on the research themes, which include indications about technology, business, the environment, society, size, hierarchy and scale, managerial and leadership issues and actual actions.

One remark that is worth making already at this point is that information and communication technology is nowadays present in a variety of business environments, not only in firms specifically operating in the field of ICT. These are companies offering telecommunications and mobile operator services and other networking aids for private and institutional customers or firms, which are known more as information technology service or software maintenance providers. Thus, ethical and responsible management and leadership in ICT are crucial for many kinds of enterprises. The empirical research units and data are more thoroughly described in the sub-chapter, Research Units and Data under the main-chapter Research Methodology, Dimensions, Units and Data.

Business, Technology and Environment – Societal Issues

Among the literature there are many discourses, where upper level dimensions exist that have ethical and social impacts or effects on ICT enterprises and/or that interface with the management and leadership of firms. These dimensions can be identified as organization, technology, and general assumptions of morality, values and norms, and there may be some overlap between these. Openness towards the surrounding environment and society has an impact on business life. In the prevailing information society the following is needed: continuous ethical analysis, applicable and updated ethical principles and responsible business practices. This is particularly true when these societal and environmental aspects effect our control over universal ethical and responsibility implications: human rights, deception and fraud, the systematic undermining of some party in society etc. We have to realize that designing new technology always involves the component of human-computer interaction, and solutions often enhance or diminish active participation (Laudon & Laudon, 2000; Wilkes 1990; Robertson, 2006).

Individuals – including the managers and leaders of ICT firms – must be able to respond to overall ethical and social issues, which are emerging in information systems themselves

and in the nature of business. This means that the information systems themselves create new kinds of ethical and social issues and that business as such are creating them as well. These issues may be unique for this field of business and thus they create new situations and even completely new holes in the current value system. This poses ethical, social and political questions. The moral dimensions that prevail in the information society may be described in five ways: 1) information rights and obligations 2) property rights, 3) accountability and control, 4) system quality and 5) quality of life. Typical basic concepts in this discussion may also be responsibility, accountability, liability and due process or manners. In business there are many important questions to be handled, information rights, privacy, freedom in the information society, trade secrets, copyrights, trademarks, patents etc. It is also worth noting that technology usually develops faster than legislation and ethical quandaries occur. This often happens especially in electronic commerce, where there are ongoing struggles at the moment (Laudon & Laudon, 2000 p. 124; Carr & Williams, 1994; McNurlin & Sprague, 2002).

It is integral to see the "bigger picture" of company operations and take care of the other people inside the firm and in the surrounding business environment. The "product-oriented" view does not count any more. Managers and leaders ought to be aware of current key technological trends. Development and planning where the leader or manager does not understand either technically or in business terms is harmful and dangerous for the whole business unit. Leaders and managers are working in a turbulent environment in which the predominant concepts are global, uncertain, complex and interconnected. The task for corporate executives is to reduce uncertainty and complexity for people and provide a suitable picture of the days to come and the foreseeable future. The special nature of business shall be recognized, profits are to be viewed as a means to better serve customers not as the main purpose (Bowyer, 2001; Maak & Pless, 2006).

The concerns of globalization in the ICT sector are many. One adequate quotation explains how the dilemmas emerge from the removal of barriers to the mobility of knowledge, technology, services, goods and capital. This is bringing about a growing interdependence between nations (Argandoña, 2003).

"Outsourcing in the ICT sector is threatening the preparedness for crisis…When back office services are transferred to down-market areas, anyone of us can't be totally sure of functioning networks or how things are with electricity. Firm B told us that it is concentrating its production more and more abroad in cheap markets, countries and suppliers. The same goes with the other service providers, operators and networking firms, too…This trend is frightening the authorities, who are financially bracing themselves for the future: every transfer and service that concatenates and links, for example, increases the vulnerability of Finnish information systems in exceptional situations." (Korhonen, 2007)

Size, Hierarchy and Scale – Enterprise Level Issues

When we focus on the statements in the literature we find that they also reveal many illustrations that highlight the size, hierarchy and scale of doing business in the ICT field as well as in other areas. Different kinds of risks in ethical leadership and responsible business arise in diverse firms. Small firms or firms in the early stages of their life-cycle are sensitive to financial pressures and may still have unspecified, shared business tasks, inadequate or lacking written policies in computer use among other things. At the next level, companies typically have spe-

cial personnel for computer maintenance and some elementary job descriptions and task definitions. Commercial software are widely in use, locally generated software may have difficulties in complying the industrial software standards or actually meeting obligatory legislation. There may also be some coordination dilemmas, particularly in fast growing companies. At the third level, companies normally have designated computer specialists, but their tasks are defined solely in practical terms. Senior managers fail to understand these specialists as strategic actors (Langford, 1999).

Managers and leaders in the most developed companies have solved the general organizational and administrative problems by forming a special team for computer specialists. The leader of this unit ideally has a visible position in the general management hierarchy, and this ensures the permeability of ethical computer use policies. Ethics and responsibility issues are actively on the agenda; specific courses, directions and an enforceable company policy are in use. There may still be some concerns about each individual's behaviour and some troubled thoughts about the possible consequences of their actions. It is obvious that demands evolve as the number of terminals and computing dependency grows. "Information entrepreneurs" – more independent consultants and contractors and large, global corporations with corporate acquisitions between giant firms raise multiple, and even overlapping concerns, such as the potential for information inequities in the future. Verbal and written agreements are general, but the filing or promoting of orders shall be actively managed and led (pp. 15-16; Long, 1983; Baase, 2003; Buchanan, 1999).

Governance, leadership and the characteristics of entire management systems are emphasized in multiple ways at least in large-scale ICT enterprises. Avoiding further business scandals has forced companies to create formal standards and statements for every action. Internal directors are most likely seen as people that are responsible for tactical and operational decisions, and external directors have broader responsibilities, including strategic and directional changes. These split roles ought to be in touch with each other because there is a lot of potential for things to go wrong (See also Dorweiler & Yaknou, 2006).

Often the question of governance, management and leadership is seen in terms of the transparency or visibility of corporate conduct. Managers and leaders are concerned with avoiding the shame and humiliation or damaged reputation associated with perceptions of inappropriate performance (Roberts, 2001). The requirements for management and leadership have also risen due to many previous corporate scandals and speculation on the stock markets. These have also threatened the position of senior corporate managers and harmed the financial well being of the companies over which they preside (Knights & O'Leary, 2006). This can be seen in the following, where a firm with more than 16 000 employees lost hundreds of millions of euros in less than a year with its new chief executive officer.

"Leader NN dissolved half of Firm B…The development of the market prices for Firm B shares reveals the reasons why leader NN has to resign…'The recent development of results indicators have been such that there are now more chances for him to continue', explains council chair, MM, who was recruiting him as successor to his position. 'The company has no other reason than to create value. If we fail in that, the owners and the council need to act.' Leader NN made the mistake of doing too little too slowly. The problems have had the space to stay alive…The search for a decorator or an axe man that is willing to change the structure of the enterprise in a big way has started" (Rainisto, 2007).

Here we see statements that emphasize a current tendency toward more democratic technological governance. The inner and outer worlds of the company are seen as important for governing the firms. The essential analysis may consist of power, participation and responsibility. An integrative perspective allows firms and managers/leaders to make more critical moral reflections and behave accordingly, and this improves individual and collective moral capacity. This then develops people's ethical orientations and helps to structure technological systems in a new environment of social and political challenges (Zimmerman, 1995). This can also be seen in larger information and communication technology enterprises. The next sample illustrates the situation in one firm, where the members of the board have recently been changed because of the needs of stakeholders.

"Ethics is really being adopted by the board of directors… Ethics, procedures and suspected illegalities are being raised in enterprises widely across Europe. In Sweden the most paraded has been the rapidly changing political arena of Firm C. The chair of the board is director OO." (Holtari, 2007)

The buyer-seller relationship in its widest sense is one critical point where ethics and responsibility issues occur in decision-making procedures at the industry level. The perceptions of ethical behaviour differ on the buyer and supplier side of the business deal. Although the field of business may differ, the main idea of these interactions has the same characteristics and comparisons that have emerged in other studies (Carter, Kaufmann, Beall, Carter, Hendrick & Petersen, 2004). Lessons to be learned are stated in various transcripts, but the main message is that a supplier's dependency on one customer company may result in risks later on.

"Forget the New Nokia…News about Firm A closing down all of its production in Finland is unfortunate, but not surprising. It is a hard time for us to stop longing for the new Nokia to arise and protect the future of Finland. We can't base our future on the idea of hitting the jackpot next week…In light of the rapidly swelling gap between the sizes of companies, in small companies…money and skills tend to come to an end... Surely Firm A and other suppliers have known that depending on one customer is a huge risk..." (Lilius, 2007)

Other important "moments of truths" for the strategic decision-making in specific large-scale ICT corporations include global-local dependencies, which are seen in negotiations and also in client-consultancy relationships (Pozzebon & Pinsonneault, 2005). Both integrative management policies and larger business contextual arrangements can be seen in the following extract.

"CR management framework

The basis for Firm C's corporate responsibility work is our shared values, our Code of Ethics and our business vision – Simplicity makes everything possible. They complement each other to form the cornerstones of our corporate culture.

These standards apply to all wholly-owned operations. Our majority-owned businesses have locally defined policies. These policies are based on the same goals, values and standards as firm C's group policies, but also take into account the particular issues and challenges in the local market." (Firm C´s Corporate Responsibility Report 2007)

Actions, Decisions and Skills – Professional Level

Managers and leaders may be seen as moral agents because they cover three principles: 1) they have interactivity with their environment, 2) they have autonomy, which means they are able to change their states, and 3) they have adaptability, which means

they have the capability to change the transition rules by which these states are changed (Siponen, 2005). Firms and individual managers and leaders show their commitment to ethics and responsibility matters by "doing" not only by "debating" about these issues. According to Terry Winograd there are at least three key components in the "doing" side of actions: 1) recognizing responsibility/ethics issues, 2) starting serious discursive considerations about the opportunities, with him/herself and with others, and 3) taking real action. In this procedure, both an individual and social component exists (Johnson & Nissenbaum, 1995).

We are able to go even further in this frame-working of ethical and responsible decision-making in action. One of the most tempting ideas in the literature is called 'moments of truth'. These are everyday situations in which we confront ethics and responsibility issues of some kind. These are also sometimes known as ethical quandaries (Smith, 2002). Managers and leaders face these as well as others; these are of the moments for making decisions. We have our inner sense of normal behaviour and expected actions. We have assumptions about desirable and unwanted actions. Again we are able to categorize the behaviour in three classes: 1) actions that fall within acceptable norms and cause no special ethics or responsibility concerns, 2) actions that prove some exceptional merit and no "business as usual" cases, and 3) actions that have some bad, negative or harmful consequences (Mason, Mason & Culnan, 1995).

The difficulty of ethical skills arises when a manager or leader is facing conflict situations, "moments of truth", where critical thinking may be lost because of confusing individual goals, feelings, values or emotions (Kavathatzopoulos, 2003). Confusing situations may be associated with behaviours, where the enterprise's (immaterial) property is seen as neutral, ethical or unethical (Calluzzo & Cante, 2004). Managers and leaders show some weaknesses and do not use proper functional problem-solving strategies in some situations. In the following case, multiple unlawfulness occurred because some managers and people in leading positions wanted to earn personal profit and gain something extra out of the stock markets.

"District Attorney PP decided, according to the Helsingin Sanomat newspaper, to press charges against 16 people and three enterprises for various illegal actions, such as misuse of inside information, misinforming, gross negligence in skewing of stock exchange rates and false accounting etc. Leader QQ was one of the accused. The accused people denied any illegal behaviour. These instances happened between the end of 2000 and some time in 2001. Leader QQ worked as a vice president of corporation D, but was forced to resign in autumn 2001." (Rainisto, 2006)

In a "business as usual" or "call of duty" situation the managers or leaders face no decisive challenges and are pursuing their own self-interests in an ordinary manner. The individual is in a rather balanced state or is already increasing earnings. Situations reach a crucial point when leaders or managers must really act and respond to a situation and the results of their actions are to be seen as threats or opportunities. These activities may have an effect on a set of stakeholders: media, rivals, employees, suppliers, customers, municipalities etc. These are parties that are affected by the decision or have an interest in the outcome (Friedman, 1970; Freeman, 1984; Carroll, 1993; Donaldson & Preston, 1995; Näsi, 1995; Donaldson & Dunfee, 1999; Kujala & Kuvaja, 2002 et cetera).

In this kind of situation, ethics and responsibility issues are handled either consciously or unconsciously. Actions may be taken 1) in an impulsively and emotionally driven way, 2) by looking back at the past and acting out of habit, or 3) by re-

ally contemplating the issues and acting on the basis of reasoned considerations (Mason, Mason & Culnan, 1995 pp. 13-14). The managers and leaders in ICT enterprises also need courage to handle complex business situations such as political threats. There seems to be a willingness to make their behaviour conform to the required or appropriate level, even in cases when it is individually hazardous. People feel differently and behave differently in these kinds of situations (O'Boyle, 2002). This can also be seen in the following empirical extract:

"Finland's Firm C doesn't need gunmen. News of hired bodyguards for senior level managers in Firm C was surprising for the people of the Finnish side of the company. That's why, for example leader TT, may still walk without security staff. '-We have not raised our alarm levels' says the head of communications, Leader VV, explaining the situation in Finland…'It is [a] convivial [atmosphere] in Finland.' Leader VV continues… 'Swedish newspapers have told us that armed guards follow the CEO of Firm C, Leader WW, and besides that the head of operations in Sweden, Leader XX. The Swedish media believes that the reason for this is a fear of the Eastern mafia.'" (Vaalisto, 2007)

Sometimes managers and leaders are just not able to make the proper decisions because of conflicting information and a lack of ability to piece together the overall business context and direction of the firm. The leader fails to avail him/herself of certain information, is short of the skills necessary for creating or generating and this affects his/her organizational environment in confusing ways (See also Floridi, 2006).

Risky and painful "moments of truths" are pointed out in selected discourses as well. Some actions may waste resources and may also lead to undesirable implications for the whole organization. The ICT field is relatively young and constantly evolving and the meaning of "acceptable behaviour" is ambiguous as is establishing ethical attitudes (Paradice, 1990).

"The leader of Firm F is turning the place inside out…That time in July 2003 when leader RR started as CEO of the largest owned stock exchange company, Firm F had 7300 employees. Now after three and a half years of his practices, this consolidated corporation no longer has more than 3600 employees. In autumn 2003, leader RR had plenty of considerations about how to motivate the employees. 'I came to the conclusion that people want to have successful experiences. If we planned to succeed in Firm F, we have to make decisions that may also be received with resentment. In fact we didn't have a lot of alternatives.'… According to Leader RR, the 'structural change [in the ICT industry] was no less than that what we saw in the paper industry later on'" (Mikkonen, 2007).

Research Methodology, Dimensions, Units and Data

Inter-textual is the right word for the research at hand. The main ideology of inter-textuality is that each text is surrounded and related to other statements and words. For instance, the managers' and leaders' own individually produced discourses and also those of others are based on other heard, read or written comments (Bazerman & Prior, 2004). The sources in this study: scientific literature, journal articles and company-based materials are to be seen as discourses produced and interpreted by people. In this study, these interpretations and production processes are also seen as concrete textual practices among the other daily activities of managers and leaders (Tiainen, 2002).

This notion is enriched then with the ideas of discourse and content analysis plus the case study formulations. All these have something to contribute to this investigation, or at least these

sides must be somehow explained for the reader to understand the various options for future developments. Clearly this study is qualitative by nature and the prevailing paradigm is interpretative (Burrell & Morgan, 1982) with the potential to make some hermeneutic assumptions and perceptions, such as conducting the research back and forth many times when necessary, the main aim being to unveil some remarkable discourses from among all the sources. In this study, the overall and previously studied holistic aim to scratch the surface is crucial (Vartiainen, 2005).

Discourse Analytical Dimension

The notion of context is critical for this kind of critical discourse analysis. The research phenomena here are to be seen as explicitly stated power relationships, which are typically hidden and under the surface. These theoretical assumptions are in relation to the empirical data and reconnect these sides of the investigation by permitting specific ways of interpretation (Meyer, 2001). Also, enterprises may be seen as institutions or social groupings that have particular meanings and values that are expressed in the discourses in systemic ways. Texts are essential units of language in communication. Readers are active recipients in their relationship with texts. Scientific use of language has the same sort of structures as do the language of institutions – in this case, other discourses from the information and communication technology era (Wodak, 2001).

The material which this investigation consists of includes actual "instances of discourse". These are usually referred to as "texts", and in this research these are not entirely based on non-empirical speculations. The ease of collecting and identifying the chosen discourses is taken into account. It is also worth mentioning the choices to be made; there is a counting dilemma – what to include and what to exclude, and so some boundaries and ramifications will be revealed (Johnstone, 2002).

The core of discourse analysis is to examine how language constructs phenomena, and the exploration of the relationships between text, discourse and context are typical. Discourses are seen as constitutive of the social world, they do not assume discourses as truths and the whole picture. They are subjective in nature and clues to reality (Phillips & Hardy, 2002; Wetherell, Taylor & Yates, 2001; van Dijk, 1997; Jokinen, Juhila & Suoninen, 2006).

Content Analytical Dimension

Content analysis may be entered from various starting points. This particular content analysis is approached on a more problem-driven basis than other alternatives also known as text- and method-driven observations. A problem-driven formula provides answers to epistemological questions about the phenomena, events or processes in focus. Analysts begin with research questions and attempt to find analytical ways of getting from the adequate texts to their answers (Krippendorff, 2004).

Content analysis may be used as a method in this study because the research question – Ethics and Responsibility in ICT-Enterprises – Prospects and Challenges for Management and Leadership – involves widely unobserved phenomena in the context of available texts. The research question also results in several possible answers. The analysts also have an opportunity to select from these answers at least in principle even though sometimes in practice it is not possible (p. 343).

In this study, content analysis is followed up in a qualitative or interpretative manner. A close reading is carried out for rela-

tively small amounts of the textual matter, texts are re-articulated into new analytical or de-constructive narratives and the acknowledgements, and the culturally and socially conditioned understanding of the analyst are also admitted when working with the hermeneutic circles. This study illustrates one possible discursive insight into the phenomena to such a degree that social constructivist and discourse analytic characteristics, and especially individual and social components, (van Dijk, 1993) are present. It elaborates discourses that are above the level of sentences and the focus of interest is in the conceptualizations of the reality in which we are involved and interact (pp. 16-17; Tuomi & Sarajärvi, 2002; Carney, 1972; Weber, 1990 et cetera).

Case Analytical Dimension

The basis for using the case study method derives from the need to understand complex social phenomena. When we are exploring management and leadership issues relative to ethics and responsibility discourses in ICT enterprises, we are heading towards the holistic and meaningful characteristics of real-life events, such as organizational and managerial processes, the maturation and scale of the industry and stakeholder relations. The research question provides answers to "how" these discourses occur and the focus is on contemporary issues. Robert K Yin refers to the same sort of ideas and proposes the suitability of this research method for the research task in this article (Yin, 1990). Yin describes the essential nature of this kind of approach in a similar way to how it is applied in this article (pp. 22-23):

"A case study is an empirical inquiry that:
- investigates a contemporary phenomenon within its real-life context; when
- the boundaries between phenomenon and context are not clearly evident; and in which
- multiple sources of evidence are used"

It is particularly important to define the unit of analysis and later on compare the findings with previous research (pp. 32-33). The unit of this analysis is limited to managers or leaders, which have various roles in their organization. The actions they have taken, which have been publicly stated in the selected discourses, represent interesting phenomena. These discoveries then tell us something about common management and leadership discourses on ethical and responsible ways of carrying on business and interactions in the ICT sector. The general outline of the discourses on ethics and responsibility in these companies, or other discourses that reveal these issues are also of special interest. The cases are seen in a related way (Anderson, 2004), and are also capable of being divided under various themes as is the case in this article. A comprehensive overview of these kinds of studies also has some importance (Gerring, 2007).

Research Units and Data

In this part of the article the author provides space for the actual cases and other discursive notions found from economic journals and company-based statements. The citations are prepared so that the reference dates and the appropriate net addresses or sites are mentioned. A number of additional scientific materials is used to strengthen the discussion so far. The personal details of the managers and leaders and other similar information has also been omitted because it is not necessary for the purposes of interpretation, and also ensures anonymity for these individuals. In the following exploration Firm A, D and G are smaller suppliers or operational units, Firms B, C, F, H, I and K are market leaders or other dominant players in the ICT field, and the lead-

ers/managers are indicated as NN...XX. The people selected for the study are working or have worked in top positions in their organizations, and both discourses from female and male actors are included.

The reader also ought to be aware of the two levels of interpretation: the first determines the basic direction of the enterprises and the second fragments the enterprises into smaller units: functional, departmental, divisional or individual entities (see Minkes, Small & Chatterjee, 1999). There are also notions taken as examples from internet sources; evidence from websites is used because it also contains very informative extracts. Studies that are quite similarly oriented and primarily analyse the content of corporate performance using website information as a source have already been conducted (Jose & Lee, 2007), but these put more stress on the quantitative than this study. This paper does not count the number of different types of discursive statements whether theoretical, empirical or even methodological.
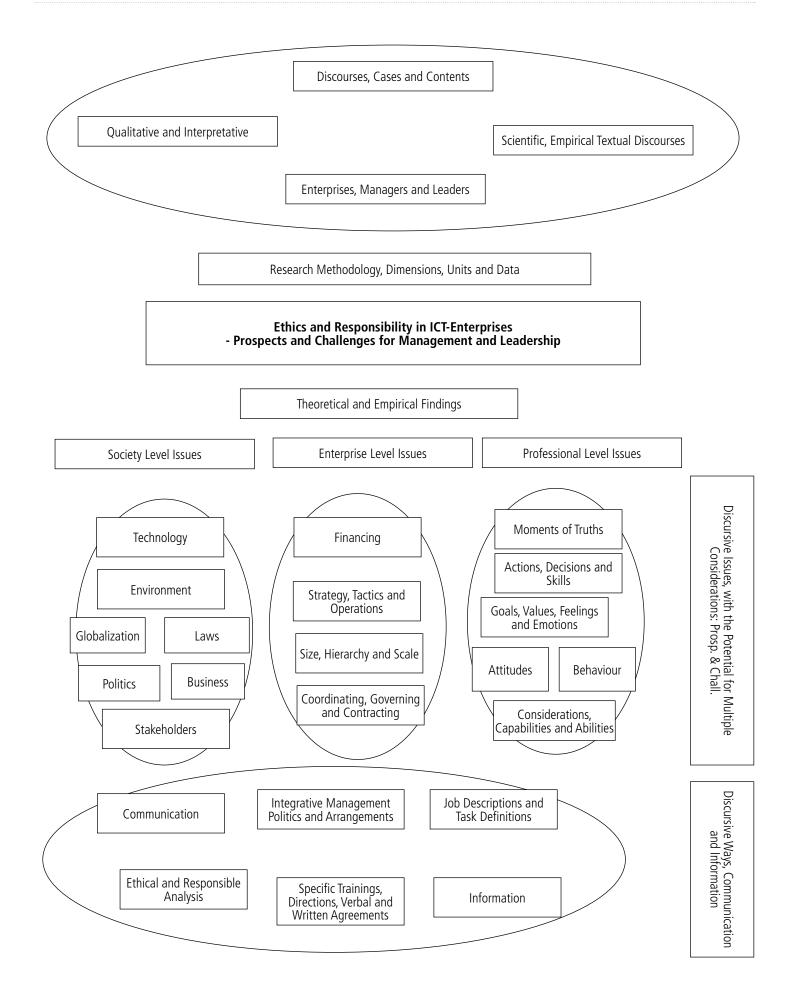
Concluding Thoughts

Framework for the Preliminary Review of the Research Themes

Increased transparency and making ethical and responsible management and leadership more visible and understandable

for various audiences is actually the main aim of this research, and the author may claim that in that sense, this partial construction has succeeded. This kind of ethical thinking may be called disclosive ethics (Introna, 2007). The obvious discovery and conclusion of this investigation is that there are multiple opportunities for constructing such widespread phenomena. Considerations of the extent of the study shall also be made. Other valuable ways of conducting this study would have been to divide the theoretical and empirical explorations into two separate analyses, but some valuable and worthy detailed information would have been lost. On this occasion the available and selected discourses go hand in hand with each other in the context of the themes outlined.

In completing or presenting some interim notes about the research, we are able to illustrate the whole story by creating the following figure (Figure 1), which puts the main ideas of this article together. It shows us an overall framework for the discourses of this summary paper. The upper part describes the methodological choices, data and orientation of the paper as a single oval form, the main research theme is stated under that oval and then under the main research task it pulls together the main discursive statements identified from selected discourses, which are examined more closely in this study in the three separate ovals: Society Level Issues, Enterprise Level Issues and Professional Level Issues.

Discourses, Cases and Contents

Qualitative and Interpretative

Scientific, Empirical Textual Discourses

Enterprises, Managers and Leaders

Research Methodology, Dimensions, Units and Data

**Ethics and Responsibility in ICT-Enterprises
- Prospects and Challenges for Management and Leadership**

Theoretical and Empirical Findings

Society Level Issues

Enterprise Level Issues

Professional Level Issues

Technology

Environment

Globalization

Laws

Politics

Business

Stakeholders

Financing

Strategy, Tactics and Operations

Size, Hierarchy and Scale

Coordinating, Governing and Contracting

Moments of Truths

Actions, Decisions and Skills

Goals, Values, Feelings and Emotions

Attitudes

Behaviour

Considerations, Capabilities and Abilities

Discursive Issues, with the Potential for Multiple Considerations: Prosp. & Chall.

Communication

Integrative Management Politics and Arrangements

Job Descriptions and Task Definitions

Ethical and Responsible Analysis

Specific Trainings, Directions, Verbal and Written Agreements

Information

Discursive Ways, Communication and Information

Figure 1 Framework for the Preliminary Review of the Research Themes

Below these, another oval shows the potential methods and solutions for management and leadership to cope with multiple ethics and responsibility concerns. Information and communication are added to this framework because at least according to this study they have some powerful impact on and a role to play among multiple activities, occurring when facing ethics and responsibility quandaries.

Research Process and Suggestions for Further Studies

As a research process and scientific continuum, this article has at least three levels at which it has contributed to the prevailing discourses. First, at the disclosure level, it illustrates the normative constructions in the issues of ethical and responsible management and leadership in ICT enterprises. Second, at the theoretical level, the suitable theoretical and methodological discourses are developed. Finally, at the application level, the previous chapters are evaluated. This methodological foundation is usually known as a multi-level interdisciplinary approach (Brey, 2000) and seems appropriate for the article in hand.

Our interpretation is based on various discourses and our assumptions constitute theoretical notions and a necessary conceptualization: the selection of theoretical concepts and relations, and assumptions. In addition, this conceptualization also requires operational procedures and instruments; in an ordinary case these would be discourses and texts (Meyer, 2001). The importance of pragmatic arguments is obvious in this sort of research project – they supplement the presuppositions, and overlapping issues are then perceived. We also have to debate (or critically consider) consensus creating and cross-disciplinary thoughts in this study (Søraker, 2006). Although there is a need for some considerations, the original aim of this study is not so much to reach consensus (about the main truths and falsehoods in the original discourses), but to indicate some discourses among the prevailing publicly presented discussions or debates.

One emerging point of view, which is also supported elsewhere (De George, 2006; Albrechtslund, 2007; Johnson, 2006),

is endorsed: technology is itself not ethical or responsible by nature, rather it creates multiple implications and/or causalities.

"Ethical behaviour [British English version in original text] is ultimately a personal responsibility. Each employee, regardless of their position in the organization, is expected to follow these policies, report any misconduct and safeguard the company against unethical activities." (Firm K's Ethical and environmental Policy, 2008)

There are still some final statements to be expressed. One notion is that in this research the relevance and content of the language used in the written discourses studied show the firms and actors as being both active and passive in ethics and responsibility issues. Secondly, there are many potential ways to explore and construct the phenomena – Ethics and Responsibility in ICT Enterprises: Prospects and Challenges for Management and Leadership – which seems to be quite a broad idea. Thus, this ought to be considered as an attempt to gain some comprehensive insights into the theme as a whole through the glimpses afforded by the selected discourses. Heuristic interviews would have quite obviously enriched this picture, but those have been left out for the time being. This paper reveals one possible reading and explanatory process for the topic. The tone of the paper is indeed presented as a debate and it is intended to be taken as a piece for further discussion.

The themes, such as the overall ethical and responsible (moral) capacities of the firms and people (employees, managers, leaders, co-workers, colleagues, employers, subordinates etc.) involved, would also be fertile ground for further studies. To explore these themes properly it would be necessary to include discourses from both inside and outside the firms involved. The topic could also be explored more thoroughly from the perspective of either corporate or personal moral development. A closer look at ethical and responsible decision-making procedures among individual leaders or managers would also be of great interest. What are the "moments of truth" and how are they stated in the lives of individual people? What kind of integrative perspective exists in specific firms in the field of ICT?

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