ETHICAL CODES OF CONDUCT: A WAY TO COMMUNICATE SOCIAL RESPONSIBILITY AND CORPORATE MORALITY?

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1 INTRODUCTION

Background
In a global economy in which money, products, images and people flow with often dangerous invisibility, ethical and moral issues are particularly pressing, as the distance between producers, suppliers, retailers and consumers grows. A few years ago the Swedish Television revealed that Hennes & Mauritz and IKEA used child labour in their suppliers’ textile and carpet mills in Asia. The revelation caused a scandal and forced the multinational Swedish clothing and furniture corporations respectively to change their business routines and start large campaigns to win the consumers confidence back. According to Fagerfjäll et al. (2001) it has become important for companies to an increasing extent to fulfil ethical and moral requirements. Yet legislation becomes more complex and difficult to grasp. The consciousness to control and monitor the production flow becomes vital. It is especially true for companies operating in countries with political situations and protective labour legislation that are different and often less stringent than those in Western countries. Companies that operate globally may be perceived as exploiting conditions abroad that would not be allowed in their home countries.

Addressing some of these concerns, the study of business ethics alongside that of medical ethics and other branches of applied ethics started in the middle of the 1970s (Jackson, 1996, p. 112). Studies performed in the area of business ethics have highlighted different phenomena. What is good business behaviour? Why should a company take a social responsibility? Perhaps, to feel good about themselves or to assure the market that they are operating ethically and morally correct? Perhaps in order to portray itself as a company taking responsibility for its business actions. In contemporary society ethical aspects are accelerating in interest, even though many of these issues have prevailed for many years.

How do companies communicate their ethical framework to the consumers? Thus, how do consumers get the message? A challenge for many marketers may be to promote the statement and resources the company allocates to ethical aspects in the business practise. Companies offering low-to-middle price goods are attracting larger customer segments on the market due to large assortment. The brand recognition level is therefore high. Most consumers are aware of these brands even though they do not consume it. Companies’ emphasise on ethical aspects in their business activities may also be a way to display that they are able to fulfil their promises to the consumer in a credible and legal manner.

One aspect of consumer satisfaction is the social responsibility taken by the company. The significance of corporate ethics increase, some consumers are no longer satisfied if companies only follow the legal requirements in their activities. Some of them expect companies to be more active in the field of social responsibility. Drury (2000) asserts companies’ stakeholders are now giving high priority to social responsibility, safety and environmental issues, besides corporate ethics. Drury explains that many companies try to respond to the requirements by establishing code of ethics as an integrated part of the corporate culture, it is anessential policy. The issue also arise in terms of the value of the corporate reputation. But do organisations take their responsibility and follow their codes of conduct in every situation? And do consumers perceive that companies do as they inform?
Millions of people work in the textile-, clothing- and carpet industry over the world, about 30 million of them work in the clothing industry (DressCode, 2001, p. 7). Many of them are uneducated women with maintenance liability for family and children. Too many are children. Since the early 1990s the indignation has grown intensively over the world against bad working conditions and child labour. An unavoidable issue is to improve working condition for the parents. The most important export countries, which are at the same time countries with low standard of living, include Bangladesh, Cambodia, China, India and Pakistan. Swedish companies like IKEA, Indiska and Lindex have allocated much of their production to these countries.

The growing world trade, with outsourcing of many Western companies production to low-price countries in the Third World, in combination with increasing consumer awareness and a rapid information flow have resulted in different campaigns all over the world. The purpose has been to create global fairness, not just global economy. The public opinion seems to demand social and ethical responsibility from companies to an increasing extent. UN:s convention on the Right of the Child was consented to in 1989 and became the starting point for putting issues of children’s rights on the agenda in broader circles. The huge focus on child labour issues dominated the 1990’s (Interview Marianne Barner, IKEA, 19-04-02). By establishing ethical codes of conduct, which are proceeded by UN:s Universal Declaration of Human Rights, the Rights of the Child and UN:s labour organisation ILO:s conventions, the companies communicate their ethical statement both within the organisation and to the outside world.

During 1999 the Swedish part of the global campaign Clean Clothes, Rena Kläder, started with the object to establish independent control in the clothing industry to improve working conditions. The campaign resulted in that four Swedish clothing companies Hennes & Mauritz, Indiska, KappAhl and Lindex, together with independent organisations as Amnesty and Fair Trade Center as well as labour unions formed DressCode. DressCode is an ethical code of conduct for the clothing industry, which aims at guiding consumers and stockholders to clothing companies that systematically respects human rights. (DressCode, 2001)

Problem Definition and Research Question

Socially responsible companies have long understood that it is important to show that they care about their employees. In the last decades companies have also understood that their responsibility includes the effects of the company activities on the environment. The growing importance of companies, especially international ones, in a global economy requires new demands, risks and regulations. Companies with activities abroad, particularly outside the Western world, often come face to face with economical and social conditions, legislation, political structure and business practices that are very different from those they are familiar with in Sweden.

The ethical issues of human rights that the companies are facing are both bigger and more complex to deal with than the internal local issues. Therefore well-defined ethical statements that deal with these problems are essential for the companies to avoid accusations of contribution to human rights abuses, which would damage the company’s brands and their reputation. The risk of a damaged reputation includes loosing confidence among consumers and shareholders as well as making it harder to attract qualified employees.
Companies promote ethical concerns in order to portray an image of a social responsible “corporate-citizen”. The ethical commitments undertaken by the company have to be communicated externally. It may be strategically important that the message reaches the market. Especially though, people may think that low priced products are a result of less ethical working methods. When a company is able to offer products at a low price, the ethical aspects regarding the company’s activities is inevitable. Is low price – less ethic a logical relation? As all profit-organisations strive for increasing margin between cost and revenue, how can it be that some products are relatively cheap, without exploitation of resources? We have formulated our research question in order to find a clarification and take a step forward in the research area of external communication of ethics.

- Why are companies communicating their ethical commitment externally? How do they communicate their social responsibility to the stakeholders?

Research Purpose

Whether or not a company communicates its codes of ethics may be a critical issue. This research aims at investigating why and how low-price companies in retail trading, with their own trademarks are communicating their ethical commitment. We examine their strategies and thoughts behind the business actions. To fulfil our research purpose we have constructed a conceptual framework for communication of the ethical commitment.

Disposition - Your Guide to the Research

Subsequently, the process of accomplishing and writing the thesis entailed a comprehensive quantity of information. We have designed a disposition that aims at guiding the reader through the research.

In chapter 2, the methodology approach is discussed. We provide our scientific approach, research design, methods for data collection and method criticism. The section discloses how we assembled the information and determined the approach that structured and built the research.

In chapter 3, we present our conceptual framework for communication of the ethical commitment. The model explains thoroughly the elements constructing the research. Our aim is to explicit communicate our way to completion and compilation, to reach the research purpose. The plan’s objective is to guide the research through its development.

In chapter 4 and 5, we present our literature review. The theoretical framework is aimed at presenting different insights and information of previous research and theoretical findings conducted by different theorists. We have demonstrated a theoretical comprehension of the role of business in society, human rights in a global environment, reasons for establishing voluntarily corporate codes of conduct, communication of codes, corporate identity and image and consumer behaviour. The list is quite extensive though the various elements are interrelated and difficult to separate in order to gain a holistic perspective of the ethical commitment and communication of it.

In chapter 6, the presentation of the empirical part commences in correspondence to our conceptual framework. The account of the case studies is to provide a deeper understanding of
how organisational, cultural and financial assets are colouring the ethical statements taken by IKEA, Indiska and Lindex. Differently stated, we emphasise the significance of a displayed picture of the case companies’ respective work and organisation for ethical concern.

In chapter 7, the analytical framework is extensive and provides a deeper understanding of the social responsibilities and its implications for communication strategies taken by the case companies. The analysis accentuates the analytic model in our conceptual framework for communication of the ethical commitment. By the understanding received from the case studies, we think that the reader will better understand and follow the reasoning and discussion found in the summary that complete respective part of the analysis with a conjunction to the literature review. The different parts in the analysis are investigated and discussed in their relation to our research purpose, whether or not to communicate the ethical commitment. The fact that they all are interrelated put forward an extensive and holistic approach on the studied phenomenon.

In chapter 8, we have finally arrived at the last chapter. This chapter aims at terminating the thesis by answering our research purpose. We present some of the major findings of corporate communication of the ethical commitment. In addition we present our suggestions for future research. This research has signalled and revealed interesting side points that favourable would contribute to valuable information in the field of business ethics.

2 METHODOLOGY

Scientific Approach

We are using a hermeneutic approach in our explorative investigation. Hermeneutic’s primary aim is to give an understanding by interpreting the meanings of the studied phenomenon (Ödman, 2001), in our case, of why and how companies communicate their ethical commitment externally. It is our object to interpret and understand company’s communication in its broader context in the relation to the companies and their stakeholders.

To evaluate if communication of moral and ethical commitment is consistent with intention and actual conduct respectively, is complicated. Not at least due to information asymmetry, it is hard for an outsider to follow a company’s all products from product development and design, to production, intermediaries and further to retailing. Therefore this thesis is focused on why and how, in a company perspective, the case companies are communicating ethical commitment and social responsibility in the way they do. In this context, we supplement literature of business ethics, ethical codes of conduct and consumer behaviour by interpreting company communication on the homepages, stores, advertisement as well as companies own view of their communication and we interviewed two respondents representing independent organisations.

Previous comprehension is the basis and pre-condition for understanding (Ödman, 2001). Our previous comprehension is drawn upon our earlier studies in ethics, consumer behaviour, political economy, political science, fashion design, purchasing, logistics and journalism. Further, important for our understanding are our experiences as price-sensitive and ethical concerned customers (as students and parent of small children) to low-price chains. Third, our
professional experiences as fashion designer, logistics co-ordinator and journalist respectively, with interest in clothes and furniture design, have brought us to developing countries. Visits at textile factories and tanneries in India and South Africa deepened our concern for ethical aspects of Western corporate activity far away from home, with low transparency. All this together made our focus on clothes and home-furnishing retailers with a majority of their production located to suppliers in low-cost countries natural. Our previous comprehension have consequently contributed to a primary orientation, facilitated the choice of subject and made it possible for us to treat the phenomena the way we did.

Choice of the Research Subject

When we started the initial work with this thesis we wanted to investigate ethical work in large Swedish companies. We wanted the head office to be situated in Sweden to increase our access. Further, we wanted a company with activity abroad and large enough for allocating resources to ethical issues. After studying homepages we started to wonder why companies offering low-price commodities communicated their ethical commitment on their homepages to a greater extent than companies with more expensive products? This observation was also supported by general beliefs among consumers we met in Sweden and France, which show itself in the assumption that low price companies such as H&M and IKEA were conducting worse than their competitors offering more expensive products. Accordingly, our focus is on Swedish retail trading companies, characterised by offering low- to mid-price, mid-quality products to larger consumers segments.

Thus, given the small exploration on homepages for companies offering clothes and home-furnishing to consumers, and a perception of a common beliefs among consumers in our neighbourhood, we started our investigation from an initial hypothesis that companies offering low-price products to consumers have to communicate their ethical commitment for trustworthiness, to a greater extent than companies selling more expensive consumer products. But to communicate ethics, the company first have to build a perception of its own prospective social responsibility and second decide what substance it will give to its communication, i.e. how are social responsibility implemented in corporate activity? Third, the company need to find out if its consumers care for the communication of the ethical commitment and fourth, are ethics and social responsibility profitable for the company?

Consequently, to understand why and how low-price retail trading companies are communicating their ethical commitment externally, we have to find out if companies believe that they have a social responsibility, what their ethical work consist of, how they implement it, if they believe that consumers care about it and if social responsibility is profitable for the company. For this reason we have established a conceptual framework (chapter 3), which starts in the prerequisites for a low- to mid-price company and in four steps lead to a deeper understanding of reasons for communicating an ethical statement. By discussing these matters, we intend to make a map of our main discussion, on why and how companies communicate ethical commitment, relatively its broader context.

Methods for Data Collection

To gain primary data and collect relevant and useful information to fulfil the research purpose, qualitative interviews have been conducted. We found it an efficient method to
collect data for the problem at hand. We chose to interview the information manager, the marketing manager and the purchase manager at the clothing companies Hennes & Mauritz, Indiska Magasinet, KappAhl and Lindex and home-furnishing companies IKEA and Skeidar. We started with calling the head office and asking for e-mail addresses and telephone numbers for the managers. Then we sent e-mails to three managers in each company.

After e-mailing and telephoning, we received five positive answers, two from IKEA, two from Indiska Magasinet and one from Lindex. We have conducted qualitative, depth interviews about 1-1.5 hours with these five managers. We also e-mailed and called representatives of two independent organisations (that is, not connected with a particular company) for labour rights and fair trade, Amnesty Business Group and Fair Trade Center, who have been quoted much in media on the subject of ethical codes of conduct. The representative for Amnesty Business Group has also been head of the DressCode-project, where both Indiska and Lindex participated. Interpretations of the respondents’ answers have constituted the basis for the analysis and the conclusions.

Except for conducting interviews, we have also visited two stores for IKEA, Indiska and Lindex respectively. At the stores we looked for prospective ethical labelling on the products and asked the shop assistants for both oral and written information on how the products are made and the company’s ethical codes of conduct. We have also read the three companies’ ethical codes of conduct, their homepages, annual reports, catalogues and other written company information thoroughly.

Moreover, due to great interest and research conducted in the field of business ethics we have extracted much secondary data. Literature and articles that were found have contributed with relevant and interesting information to our research. Worth mention is that none of the scientific articles explores the market condition for a Swedish clothing company (or any Swedish company) in an ethical approach. Furthermore, literature in the field of business ethics turned out to be very extensive. We do found it positive to gain different perspective from different authors.

It becomes obvious that codes of conduct are regarded differently around the world, depending on different perspectives. In the US, codes of conduct are frequently regarded as an instrument for regulation of internal organisational business ethics. Codes of conduct are more generally focused on professional conduct, staffing policy and ethics in marketing with great emphasis on the national market (i.e. McDonald and Nijhof 1999). Whereas in our research perspective, codes of conduct are only concerned with companies’ emphasise on human rights and ethical accepted working conditions at the suppliers’ plants. Thus, it became apparent during the research that the codes found in the US contrast the European codes.

The fact that business ethics is a frequently debated and an up-to-date subject, explains the extensive amount of articles, papers and books found. The social responsibility aspect of business and different perspective of business ethics both internally and externally in the production process is discussed and analysed. Nevertheless, secondary data has some disadvantage and limitations due to the fact that it has been collected for purpose other than the problem at hand and the value may therefore be restricted (Malhotra, 1999, p. 46). Not surprisingly, were most of the literatures discussed in an American perspective, but we found and utilised valuable discussions from both a European and an American perspective. Worth mention are the valuable articles found in research journals as Journal of Consumer Marketing, Journal of Business Ethics, Journal of Consumer Research and Leadership and
Organisation Development Journal. On the Internet the case companies’ homepages were useful sources of information as well as the web sites of Amnesty and Fair Trade Center.

Case Studies

Case studies are performed on a small distinct and demarcated sample. The point is to accomplish a holistic perspective. To reach the holistic perspective, we have collected data from different sources. Homepages, store visits, corporate ethical codes of conduct, articles, booklets and conducted structured interviews are sources that the case studies are built on. The thesis outlines many and large parts of the social responsibility in business. The fact that the subjects are interrelated explains the multiple areas that are examined. It is important to articulate that case studies have to be focused by limitations in the research and it has to be positioned on relevant factors to congruence the research purpose and the theoretical standpoints. (Lindgren, 1999, p. 137)

Case studies are also suitable in order to investigate different alterations and processes on the market. Many retail-trading companies are today facing increased requirements on a holistic responsibility in the production process and thereby take an eco/humanitarian responsibility. Moreover, case studies are practised to support the theoretical statements about the nature of reality. Davidsson and Patel explain that the generalisation of the results depends on the structure and the nature of the research sample that has been selected. (Davidsson et al., 1994, p. 44) We found the approach to be an efficient and worthy method to investigate, discover and interpret respective companies ethical commitment related to given parameters. The case studies aims at infusing information about the studied companies’ way of working with ethical codes, their organisational resources and the way they want to be perceived in the field of business ethics. Thereby a platform is constructed before entering the analysis part, which provides the reader with a body of information, which places oneself within the cultures and structures of the case companies’ organisations.

Approach to Solve the Research Problem - A Qualitative and Quantitative Variable

One of the most critical aspects we met during the research period was to narrow down the project. The field of business ethics is vast and embraces many interesting areas, largely the whole organisation is involved and people from upper-management to ordinary employees may face ethical dilemmas in any form. The outcome affects both corporate image and consumer behaviour.

We have performed a deductive research approach. We have through literature; articles, hypotheses and statements gain insights to the field of business ethics. The theories have influenced our selection of information. To enrich the research empirical information has been gathered. The empirical information has been derived from conducted interviews with top managers, who represent their organisations. The same questionnaire has been used to respective company. As a result of the method similarities, dissimilarities, different aspects and thoughts have been highlighted. We believe that it would be an interesting perspective not only concentrating on the visual communication of companies ethical standpoint, but also to gain insights to the companies own perception of the ethical dilemma.

Qualitative research allows the study of complexity and ambiguity that characterise the field
of business ethics. The chosen strategy to perform qualitative closer researches on a small sample increases the profoundness of the research. Stated differently, thanks to the small research sample we have had the possibilities to penetrate profound in the case companies’ way of working and consideration of ethical issues by interrogating a rich amount of questions in the field of social responsibility. Furthermore, the qualitative research approach characterise a closer and detailed observation, which inform about the subjects features (Bryman, 1997, p. 20f). Thus, a qualitative research approach is dominant in the research.

According to Malhotra (1997) qualitative research is a research methodology that provides an understanding and deeper insights to the research problem. We emphasise a holistic view with a deeper understanding of the research subject. We also found the research method valuable to the fact that it is smoothly changeable to different circumstances. A useful method in the qualitative research is the case study (Bryman, 1997). We have implemented the case studies in order to increase the comprehension of companies’ ethical work, commitment and attitude. The qualitative variables clarify and describe the theory in many cases, even though contradictions and dissimilarities are discernible. The quantitative approach was eliminated in this research due to the fact that we did not possess the means obligatory to accomplish that approach, in terms of both time and financial resources.

To gain information about consumers’ perception on ethical aspects, i.e. to gain a deeper understanding of peoples’ perception of moral issues related to their own consumption, a suitable and interesting approach would have been to arbitrary choose a sample and conduct quantitative interviews with consumers. But it would be too extensive and too time-consuming to distribute and compile questionnaires to the respondents. The reliability of the research would also be critical due to people’s ability to answer questions on questionnaires in an inaccurate manner.

The subject of the research would also be sensitive in multiple ways. Because even though people believe moral aspects and social responsibility are something to consider in purchase decisions and want to demonstrate good manner, consumers may not always follow their moral rules in actual behaviour. Probably too often financial interest exceed moral consideration, both for individual consumers and businesses. Due to discussed dilemmas we have chosen to focus on previously performed research in the field of consumer behaviour. A further raised alternative was also to conduct interviews with store managers, though they do work close to the consumers and therefore may record different consumer behaviour and perceptions. We did not follow the approach due to the fact that only internal information will be received and the store managers may not be the right targets for this research, but as described before we visit a sample of stores and ask for information. This does not mean that we changed focus, our perspective is still the companies’ point of view, on how and why companies communicate their ethical commitment.

Research Quality - Validity and Reliability of the Research

An important question arising when performing research is the accuracy of the results. It means if the research are estimating a certain variable, the reliability and validity of the research. The validity of the research is significant though it means the questionnaires ability to measure its intended purpose. Therefore it is important to design the questions on the questionnaires as accurately and suitable as possible (Ericsson et al., 1997, pp. 35). We have tried to improve the validity of our research by designing specific and appropriate questions
that embrace the area of social responsibility of business in international trade. We have tried to avoid leading or particularly sensitive questions, though our objective is to penetrate beyond the promoted self-presentation image of the corporate business activity.

We think that the theory and methods chosen to perform this survey covers and measures our research questions satisfactorily and thereby its intended purpose. Beside the fact that we do not possess the means to independently control the case companies business practise, that is the implementation of the ethical codes and conditions at the suppliers, of which the majority is found in the Third World. During the interviews with respondents from the case companies, it became visible that the respondents portrayed a positive image of their organisation. Especially, the interviewed corporate representatives put forward an incontestable picture that put negative facts into the background. To overcome the dilemma, we interviewed independent organisations working in the field of business ethics, to gain a critical view on the communicated positive image. We also contrasted the case companies’ own view with previous studies on businesses ethics and voluntary codes of conduct.

Researchers like Bryman (1997), Dahlström (1996), Davidsson et al. (1994), Ericsson et al. (1997) and Malhotra (1999) stress the significance of reliability, since it measures the stability and credibility of the research. Our questionnaire aims at providing reliable and credible responses. High reliability implies the same results should be presented in cases of re-conduction of the survey (Malhotra, 1999, pp. 46). However, the reliability of the research can be influenced by temporary and randomly features of the interviewer, respondents or the method of measurement (Ericsson et al., 1997, pp. 35). Formulating the conducted interviews requires reproducing the spoken language in the way it was apprehended in the interview situation (e.g. in full sentences), not exactly word by word what the respondents said. To minimise biasing of our research results, personal opinions have been eliminated when analysing the information from the interviews, since an objective position has been taken into account. At the same time, we found it important not to exclude “doubtfulness” that was important in the context. We conducted the interviews in Swedish by taking notes and made a clean copy afterwards.

To improve the research reliability the received interview data has been re-sent to the respondents for approval to exclude misunderstandings or misinterpretations. We have translated the data, therefore we have no original sentences, only translated ones. Furthermore, very sensitive questions have been neglected, though they may frame respondents to respond inaccurately or answer them unsatisfactory, by avoiding the actual subject. Another step has been the utilisation of the same questionnaire to the respondents, the research questions thereby have been answered several times. In qualitative researches the measurement of reliability could be hard, since respondents can supply different interpretations of the same information. Re-conducting the research will therefore probably turn out differently and that is why case studies and qualitative researchers make it difficult to fulfil the requirement for reliability.

Criticism of the Sources

To question the accuracy and creditability of sources are significant in the quality of the research. The tendency criterion focuses on the aspect of the respondents’ conscious or unconscious, interest of biasing the information (Sköldberg, 2001). A higher amount of tendency in a research entails less quality of the research. A common scenario is that many
companies want to put forward a corporate business practise in a positive image and attempt to make things better than they are. Something that becomes explicit in our research, but we have to mention that the case companies consciously discussed the difficulties met in the production chain. We interviewed independent organisations working in the field of business ethics, to gain a critical view of the case companies’ ethical work.

The contemporary critiques estimate the source in terms of time and space. A closer relation to the research means a better value of the research. The ethical dilemma in the business production process is a very up-to-date dilemma and ethical codes of conducts became a necessity and requirement for large Swedish retailing corporations in the late 90s as a consequence of the prohibition of child labour. Social responsibility of business are reaching increased attention in the contemporary society due to pressure groups, independent audit organisations like DressCode and, not at least, public increased awareness and knowledge in ethical and moral issues.

The dependency approach is focusing on the fact that information distorts or transforms incorrectly the more links it passes and thereby decreasing the quality of the society. We therefore have executed interviews with first-hand sources that possess competence in the research field. All the respondents are integrated in the respective firm’s work or commitment of ethical issues.

Internet sources have been used minimally. Since much of the published information found on the Internet has not had a publication date, the ambiguity concerning the credibility of the data and author’s competence within the subject contributes to the exclusion.

A dilemma in comparison is that the case companies are very different in size and recourses. IKEA:s turnover (13 800 M SEK) is about 28 times larger than the turnover of Indiska Magasinet (500 M SEK) and IKEA have 70 000 employees, whereas Indiska have 450. Moreover, at Lindex we had the opportunity to speak with only one manager, compared with two different sources at both IKEA and Indiska, who could confirm the statements of the company.

One important criticism of the sources, which we mentioned before, is that the managers were all loyal to their company, sometimes in a self-laudatory way. The issues of corporate ethics and social responsibility are so loaded that it could be hard for the individual managers to speak frankly with us, without being afraid of damaging brand reputation. There is also a problem in a broader context with both self-regulation, as well as co-regulation, of corporate conduct and companies that outsource their production or other activities, because while the company can choose only to include the suppliers’ activities in the codes, they can also put all the liability on the contractor. Our study also points at one minor tendency, to put the blame on the suppliers alone, if the corporate codes of conduct were not fulfilled. But though we concentrate on why and how companies communicate an ethical commitment, the division of labour between purchasers and producers is not the main issue for this thesis.
OUR CONCEPTUAL FRAMEWORK FOR COMMUNICATION OF THE ETHICAL COMMITMENT

LITERATURE REVIEW

Previous Research

- The Ethical Organisation and Society
- Consumer Behaviour
- Ethic as Communication Strategy
- Corporate Identity and Image Aspects of the Ethical Commitment
- The Role of Business in Society
- Human Rights in a Global Environment

Discussion on Voluntary Codes of Ethics
- Reasons for Establishing Corporate Codes
- Codes as an Instrument to Assure an Ethical Standard
- Communication of Ethical Codes

EMPIRICAL MODEL

Case Companies

1. What do you want your brand to communicate?
2. How do you believe consumers and other stakeholders perceive your brand?
   What are the indicators to that?
3. The content of the ethical code of conduct? When was it introduced?
4. What are the reasons for establishing a code of conduct?
5. What are the monitoring and control mechanism for the code?
6. How do you communicate and implement your ethical statement and the code internally?
7. How do you communicate the ethical statement and the code externally?
8. How do the company respond to prospective accusations of unethical behaviour?

ANALYTICAL MODEL

RESEARCH PLAN

Low Price - Less Ethics?

10. Is there a greater amount of pressure from the market on low-price segment companies with middle quality products to behave ethically?

Do Corporations have a Social Responsibility?

11. Does the company believe that they have a social responsibility?
12. What characterises moral and ethical behaviour for the company?
13. For whom is the code established? And whom does it protect?

Effects of Working with the Codes

14. Are the monitoring systems reliable and do suppliers really implement the companies’ requirements?
15. Which procedures and sanctions should take effect in the event of non-compliance?
16. Have you observed any effects from the establishment of the codes of conduct?
17. What kind of problems and challenges does your work with codes of conduct entail?

Do the Consumers Care?

18. In what way do you believe that your customers interpret and care for your ethical statement and the way you work with these aspects?
19. Do business ethics have any significance for consumers purchase behaviour?
20. Do codes of conduct possess any significance for the corporate identity and brand image?

Are Ethics and Social Responsibility Profitable?

21. Are ethics and social responsibility profitable?
22. To what extent should social responsibility drive corporate activity?
23. Proportion of the turnover to ethical and social engagements?

Communication versus Non-Communication of Ethics

24. Reasons for communicating the ethical statement and the code externally?
25. What significance does the communication of the companies’ social engagement have for brand image?
26. How do you communicate your social responsibility to the consumers, if they do not read your homepage thoroughly?
THE ETHICAL ORGANISATION AND SOCIETY

This part of the literature review aims at giving insights to interesting and appropriate theories contributing to fulfil our research purpose. We have demonstrated a theoretical comprehension of the ethical gap and consumer interpretation, ethics as a communication strategy, corporate identity and image aspects of the ethical commitment, business’ role and obligations in society and finally human rights in a global environment.

The Ethics Gap and Consumer Interpretation

How the consumers perceive the communication of ethics and how they act in accordance to this is essential for both ethical strategy and communication strategy in corporations. Researchers are disunited whether consumers care about companies’ ethical conduct or not. According Creyer and Ross (1997) and Mason (2000), consumers expect companies to act ethically and take the ethical behaviour of the firm into consideration when they make their buying decisions. In spite of this, Attala and Carrigan (2001) claims, that it is not realistic to expect that the consumers will reward an ethical company.

Much research has been conducted in the area of consumer behaviour. Researchers (e.g. Brown et.al 2001; Csikszentmihalyi et al., 1981; Hirschman and Holbrook, 1982; Firat and Venkatesh 1995; Wilk, 2001) have all examine different viewpoints on consumption. Csikszentmihalyi et al. investigates the role of objects in people’s definition of who they are, of who they have been and who they wish to become. For despite the importance of objects, little is known about the reasons for attachment to them, about the ways in which they become incorporated in the goals and actual experience of persons. Wilk examines reasons why consumption itself inevitably raises moral issues in every culture.

An interesting framework on consumption is the research on the “caring consumer”. We found it suitable for our research in the perspective of; Do consumers really care about business ethics? Are ethics decisive in the purchasing process? Do consumers have any impact on firms employing unethical business practise? Who are the ethical consumers? In an attempt to discuss these research questions, we found it believable to focus on research conducted in this field, (e.g., Carrigan and Attalla 2001; Creyer and Ross 1997; Mason 2000; Vitell et.al 2001).

To project an image of being an ethical “caring” company and adopt an ethical approach in business practise may be a competitive strategy. What do the caring consumerism implies for companies? Mason (2000, p. 28) argues that consumers observation on e.g. Nike’s labour practices have had an impact on the working methods undertaken by the multinational brand. To answer the criticism Nike have altered and gone through its monitor system in a step forward to enhance its responsibility in the production line. Mason also asserts that companies like Nike are learning from these events. Though researches, (Mason 2000, Råd &Rön 2002) have proven that an increasing amount of consumers are taking ethical consideration in mind when determining whether to purchase a company’s products.

Consumers awareness of ethical issues in business have increased the last five or six years (Fagerfjäll et al., 2001, page 100). Internet campaigns, NGO actions and demonstrations criticising globalisation have enlarged the pressure on companies to behave according to
human rights and enhanced the value of trustworthy statements of ethical behaviour. Despite the attention given to marketing ethics the last years, the consumer perspective of the purchase process is insufficiently investigated (Creyer and Ross, 1997; Attala and Carrigan, 2001).

Even though ethical behaviour should be important in itself, whether a company behaves ethically or unethically may also influence consumers purchase behaviour in different ways (Creyer and Ross, 1997). This raises difficult questions, caused by information asymmetry, because how do consumers know that the companies behave accordingly to their ethical statements? Consumer beliefs about companies may be formed in three essentially different ways (Creyer and Ross, 1997). First, beliefs can be based on direct experience. Second, beliefs can be based on the information provided by outside sources such as the media and word-of-mouth. Finally, beliefs can be developed when the individual goes beyond the information provided by their experience or by the information source.

Business ethics and theorists on consumer behaviour have attempted to deepen their philosophical approach by applying to three common distinctions in ethical theory. These are the ethics of duty (deontology), the ethics of consequence (utilitarianism) (Allen and Husted, 2000; Brytting and de Geer, 1992; Donaldson, 1999; Vitell et al., 2001; Jackson, 1996) and “the human nature” approach (Donaldson, 1999). The latest assumes that all humans have intuitive abilities to evaluate actions in terms of ethics. The choice between duty, consequence and human nature ethics cannot be made in an entirely rational way. Likewise, the three perspectives mentioned above will solve an ethical dilemma in its own way, because in ethics there is no absolute truth. Yet, people continue trying to apply them, maybe because they do not have a better alternative and this is why we found it relevant to shortly discuss them.

The increasing interest for ethical behaviour in business raises several interesting questions, in resemblance to theories in ethical theory. Hunt-Vitell (1986; 1993) theory of ethics is analysing how consumers make decisions concerning ethical issues. Should ethical norms or perceived consequences of behaviours decide behaviour intentions in situations involving ethical issues? The Hunt-Vitell model indicates that individual’s ethical determinations are a function of both classifications, deontological and teleological. (Vitell et al., 2001, p. 153-154).

Even though communication of ethical statements has become crucial to many companies, is it really that important for consumers? Do consumers really care that much about business ethics, that it affects their purchase behaviour? According to Creyer and Ross (1997) they do. Creyer and Ross found that consumers expect companies to act ethically and that consumers take the ethical behaviour of the firm into consideration when they make their buying decisions. The consumers were prepared to pay more for a product from an “ethical” brand and less to punish an “unethical” one - the cost of less ethics.

One of the problems with Creyer and Ross’ study is that the 450 consumers involved are parents at a single elementary, public school. Parents with children may be a more sensitive group for concerns about business social and environmental impacts during the time when their children grow up, than other consumer groups. Another problem is that consumers tend to not answering these questions honestly, because their conscience say one thing and their wallet another, when it comes to buying decision. Attala and Carrigan (2001) call this gap between intention and conduct in ethical purchasing for an “attitude-behaviour-gap”.

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Attala and Carrigan (2001) claim, in spite of Creyer and Ross (1997) and Mason (2000), that it is not realistic to expect that the consumers will reward an ethical company. They talk about an “ethics gap” between what society expects and what marketing professionals are delivering. In their focus group study found that price, value, brand image and trends were the four most important factors that influence consumers purchase decisions. In fact, working conditions and the rainforest were low on the list for the consumers in their study, while cruelty to animals would affect the consumers buying behaviour. The study also suggests that sex does not affect ethical attitudes.

In reality, too many ethical abuses can still continue to be carried out by companies without discernible negative impact on consumer buying. Consumers seem to need more information to make it possible for them to make ethical judgements, and there is an important issue for the companies to communicate their ethical statements more efficiently (Attalla and Carrigan, 2001). Thus, companies need to differentiate themselves better and convince the consumers of their ethical behaviour. Consumers, on the other hand, need to believe in that they actually can affect corporate ethics by their purchase behaviour.

Brand is also interesting from a consumer research perspective. Some researchers argue that contemporary consumers have gained more power, in terms of increased available information and strengthen buying power. One of the researchers is Kapferer (2001). He stresses that consumers today are informed thanks to increasing technological developments, like Internet, mobile technology etc. People can take part of information wherever they are situated in the world. The researcher proceeds by claiming that consumers are gaining more power in their transactions, in their relationship with firms and brands on the Internet. Apéra (2001) explains that consumers do select brand that best suit with their personality, or the values consumers possess. It can be said that consumers choose between different brands based on the resemblance they feel for the brand. However, consumers are sometimes buying a product because they like the image it promotes.

Ethics as Communication Strategy

Ethics is an important component of consumers’ unconscious image of a brand. An increasing amount of research in the correlation between business and society points out that business ethics and social responsibility can be profitable (Allen and Husted, 2000). Ethics is therefore an important ingredient in corporate communication strategy.

Allen and Husted (2000) raise the question, if it is ethical to use an ethical statement as strategy? In most strategic management textbooks, strategy contains four parts: it is long-term, it requires certain goals, development of a plan and commitment of recourses. By definition, strategy aims at increase value for the corporation by creating competitive advantage. Allen and Husted (2000, p 25) have coined the concept of corporate social strategy, which refers to “the firm’s plan to allocate resources in order to achieve long-term social objectives and create a competitive advantage”.

Strategies based on social and ethical issues involves opportunities to revalidate the corporations role in society, due to the conviction that ethical strategies have the potential to increase overall social welfare (Allen and Husted, 2000). The dilemma of the moral acceptability of companies’ involvement in social commitments is depending on the reasons behind, not upon the social strategy itself (ibid, 2000, p 29). The problem is that most
stakeholders do not have enough information or time to determine the company’s motives of social commitments. However, a company that only engage in social projects to get competitive advantage probably will leave the project if it looses its strategic use. But a company that is committed to a cause as a matter of duty will continue to hold on to the project, regardless of its usefulness as competitive advantage.

In investigating the motives behind ethics in business, Kaler argues that negative reasons, external pressure from governments, public opinion or campaigning groups, is the most effective endurance of companies’ ethical behaviour (Kaler, 2000). The initiative from campaigning groups raises the awareness of the consumers regarding the ethical behaviour of corporations (ibid, p 171). To confront a growing discontent is rife among the public, which governments may be forced to content, the corporations responds with displaying more social responsibility. The corporations’ response even increases the expectations from the public and so on. That is what Kaler calls a “virtuous spiral”.

Business decisions in the field of moral and social responsibility are of strategy, not of ethics (Carr, 1968). Because business is a game played at all levels in corporate life, distinguished from the ethics of “private moral”, and it demands both special strategy and an insight to its specific ethics (ibid; Sennet, 1990). Business is our main area of competition today and therefore it has been “ritualised” into a game of strategy (Carr, p. 23, 38). According to Carr, the limit is set by government regulation and as long as companies apply with the law they can operate as suited. But the view that business is bluffing ethical as in any other game is contradicted. Betz (1999), rejects that the ethics of business is considerable distinguished from private moral and argues that business leaders practice application of normal, basic Judaeo-Christian ethics and that this also is expected from colleagues, employees, customers and even competitors (p. 42).

As big, international corporations are becoming powerful economic and political agents, they are accompanied by a growing number of PR and lobby strategies. According to Ritcher (2001, p. 153, 169), there is a noticeable trend within corporate giving towards “strategic philanthropy”. The problem is that many companies turn away from the real ethical issues or the pressure from public opinion, by simply and short-sighted allocate an amount of money to an aid organisation, for instance. This aid organisation, in turn, may risk loosing confidence by association with a particular company. Even though there are a huge difference between a profit-organisation and a non-profit-organisation, the development of criteria for evaluating the intentions and legitimacy of actions concerns any societal institution, no matter if it is a government, the UN, a corporation or an aid organisation (p. 181).

The Corporate Identity and Image Aspects of the Ethical Commitment

In the theory framework of corporate communication we discovered that corporate identity and corporate image are central aspects in the perspective of ethical external communication, an argument that is supported by researchers (e.g. Apèria, 2001; Bradfoord and Garrett 1995; Hoogheimstra, 2000; Kapherer, 2000). Therefore we found it inevitable not to discuss these aspects of corporate social reporting and communication.

Disclosure with regard to the social business practise affects the image consumers’ hold of a company, i.e. the corporate image and its reputation. Actually, it is the corporate image, not actual corporate activity that counts (Ritcher, 2001, p. 153). This implicates that company conduct, or rather the communicated and perceived conduct, is essential for moulding the
image. From a company perspective, an investment in reputation is successful, when it renders not only tangible financial revenue, but also an intangible shield of trust for prospective crisis.

Are social reporting a result of both public pressure and increased media attention? Companies are to a large extent employing strategies of increased social revealing to influence peoples perception about the legitimacy of the business. (Hooghiemstra, 2000, p.55) The framework taken by the author stresses that the increased social disclosure attempts to answer the expanded attention derived from the pressure groups, consumers and society. Legitimacy theory emphasise the fact that companies are performing within the bounds and norms of society. The idea of the social contract is pivotal. As a result of alterations in time, the societal norms and constraints shifts, by corporate social report the company can confirm its business practise legitimacy, its position as a good citizen. (Hooghiemstra. 2000, p. 56.)

Furthermore, research by Bradford & Garrett (1995) and Hoogheimstra (2000) indicate that social disclosure increase in situations exposure of human rights and exploitation of resources. Companies facing predicaments answer negative media attention in order to decrease the exposure of the corporate business practise in the social environment. In this respect, the “feel-good image building” concept becomes relevant. Corporate reporting and communication of social disclosure aims particularly to enhance people’s awareness and perception about the company. (Hooghiemstra, 2000, p. 57.)

Ferrell et al. (2000, p. 6) pointed that values and judgements play a determine factor in the marketing of ethical decisions. The values and principles held by individuals in organisations and stakeholders colours the action taken by companies. Norms and values of top managers tend to influence the ethical considerations made by the organisation.

Moreover, more and more people have to take responsibility at work for decisions involving moral problems. “Ethical problems are not a matter of costs, image or job contentment, they are a matter of what is right and wrong” (Brytting and de Geer, 1992, p. 112). Moral discourses are not primarily discourses about facts, but about individual values and feelings. It is therefore important to establish moral standards in the organisation that is general. Ethical and moral competence has to be developed within corporations.

Brytting and de Geer (1992, p. 109) state that moral attitudes in a company are shaped when people within the organisation constantly act in the same way. “Attitudes about what may and may not be done are created and confirmed in discussions at the workplace where everyone meets” (ibid). Without an open discussion on ethical issues, the company will have a problem to hold shared moral values. Therefore the communication within the company is essential for an ethical corporate culture. Moral competence, the individual employees’ conviction of right and wrong expressed in action, are also an important strategic asset, from a company’s perspective, according to Brytting and de Geer.

The corporate identity, which emanates from the corporate culture, concerns the self-presentation of a company. Thus, how the company desire to be presented and perceived by the consumers. A statement in by Dowling and Pfeffer (1975) quoted in “Corporate Communication and Impression Management” (2000, p.58) outlines that” the organisation can attempt, through communication, to become identified with symbols, values, or institutions which have a strong base of social legitimacy”. Three terms are central; behaviour, communication and symbolism. Hence, the actions taken by the company can
promote or harm the corporate identity. Both communication and symbolism are self-presentationational mechanisms. Though, corporate communication is a flexible tool that can be used tactically in order to shape the external perceptions of the company. Symbolism, the function taken by corporate executives presents a symbolic act. Because executives present information, explanations and legitimatise the business practise in order to gain a legitimate corporate image. (Hooghiemstra, 2000, p. 57-58)

Thus, the main reason for corporate social reporting and disclosures is to prove that company’s activities are legitimate and in congruence with values hold by the public. Noteworthy is that social disclosure are in many cases self-laudatory. In many cases, companies complement the self-governed practise in order to enhance the corporate image and reputation. The corporate image is largely based on what people think and feel about a company. (Hooghiemstra, 2000, p. 58) Media possess a strong influence on people’s perception of corporate image. To counteract the effects of the media research have proved increased social disclosure of companies. (Mason, 2000; Hoogheimstra, 2000)

Finally, a business can put forward a semblance of itself as socially responsible. It becomes even more meaningful if it found the values and perceptions hold by its customers pushing towards a humanitarian concern. De George (1996, p. 24) articulate that a business can promote its favourable side in favour for other sides of the company. Thereby distracting attention from negative actions into the background. Many researchers have articulated the significance of corporate reputation (e.g. Apéra, 2001; Hoogheinstra, 2000; Bradford and Garrett, 1995; Kapherer, 2000). Basically, all of them stress the competitive advantage of a favourable and strong reputation. The corporate reputation is influenced by a number of factors, e.g. financial resources, quality of products, services, management etc. but most interesting, its presentation of the social concerns, in order to portray an image of a social responsible company.

The Role of Business in Society

In this section we will review some of the important points in the field of business ethics and address the theoretical framework of social responsibility. Though, we found it applicable to investigate the fundamental relationship between society and the firm. Researchers claim that society expects companies to make its contribution. Companies are considered major players in the society with large obligations to accomplish, especially their contribution in supporting and improving human life through its fundamental functions. (Campbell and Kitson, 1996, p. 143) In this perspective the external communication of the ethical commitment are significant in order to inform about the corporate contribution and business practise.

Much research encompasses corporate social responsibility. Though the research has discussed and investigated the relevance and significance of corporate responsibility (e.g. De George, 1982, 1996; Cannon, 1994; Carroll 1981, 1991; Donaldson and Werhane, 1999; Fagerfjäll et al., 2001; Ferell et al., 2000; Jackson, 1996; Kitson and Campbell, 1996; Ritcher, 2001). Researchers have focused on social and ethical responsibilities of business and its role in society. The major findings indicated by the authors are that businesses possess responsibilities to society in terms of providing desirable goods and services and taking legal and moral/ethical accountability for its actions. (De George, p. 19, 1996) Laws are an efficient
tool for society to claim for its requirements and making explicit the responsibilities of business.

Cannon (1994, p. 32) explains that companies exist in the first place to produce goods and services that society wants and needs. Achieving this aim is their primary and foremost responsibility. But according to him (p.34) “the society expects business to make its contribution”. Companies are expected to assure a beneficial production, dispersal, sales of products, services and take responsibility for its actions. Stated differently companies are part of the society and have to behave responsibly. Companies have to take into account the behaviour and contributions of their employees and producers. But what is unethical business behaviour? Bradford & Garrett (1995, p. 876) defines unethical business behaviour as “actions that seek profit without regard to the moral principles and standards established in the society”. Stated differently, a profit maximisation actor with no moral or ethical boundaries connected to its business behaviours.

In the framework of social responsibility, a conceptualisation is made in four categories. When discussing business ethics (De George 1996; Carroll 1981, 1991; Ferrell et al. 2000; Campbell & Kitson 1996), four different aspects are discerned economic, legal, ethical and voluntary/philanthropic. The economic perspective is explicit, though companies are required to produce goods and services that society expects at a price that satisfy both profitability objectives and objectives of shareholders. Legal responsibilities are distinctively stated and are governed by law. Business liabilities are according to the theorists to increase its positive impact on society and minimise the negative one. Companies are anticipated to follow local and federal laws as a minimum requirement. Campbell and Kitson (1996, p. 141-143) explain that companies hold a great economic and social power over stakeholders in terms of economic, social and political. To protect individuals from exploitation laws, regulations and different inventions are established.

The ethical perspective of social responsibility is more implicit stated. Actually, society expects companies to take actions beyond stated requirements in law. To integrate an ethical strategy that is characterised by directions of rights, just and fair judgements in the business operations. The voluntary/philanthropic dimension of social responsibility consigns to companies’ contribution to society. Companies are anticipated to contribute to the welfare of society, in terms of quality of live and standard of living. In other words, contributions society expects from companies.

Thus, both legal and implicit rules are constructed and addressed by society in order to guide companies in their exertion to acquire profitability in a manner that do not conflict with human rights or society as a whole. Business ethics embraces principles and standards that influence business behaviours. Stakeholders often make the determination of ethical versus unethical behaviour. The researchers found that these groups’ appraisal and values bias society’s acceptance or oppose of a business activity even though their judgement might not be morally “right”. (Ferrell et al., 2000, p. 6) Changes in corporate business practice can be due to many factors: they can reflect a response to outside pressure, be it from social groups, regulators, ethical shareholders or customers, or general public opinion; and they can reflect internal company factors, such as the personal conviction of managers or a strategic focus on ethics, as well as the attitude among employees. Maybe corporate codes of conducts should be seen rather as companies comply with their moral and legal obligations, than in term of increasing corporate responsibility (Ritcher, 2001, p. 118).
Is a company said to be a good citizen and recognised as socially responsible if it operates according to the law? Probably yes according to one aspect, because social responsibility is recognised to contain legal responsibility. Certain standards are morally and ethically required by society and can be articulated and requested. De George (1996, p.23) stresses that the focus on corporate social responsibility, captures and exposes a part of society. Though companies constitute a part of society and are expected to take accountability for its operations.

Campbell and Kitson (1996, p. 146) stress that self-regulation can take the shape of companies intentional/voluntary established ethical codes of conduct or in the form of any else industry based self-regulatory directions. As Campbell and Kitson (p. 146) asserts; "Self-governance can certainly contribute to promoting "good" economic behaviour, discharging business’s social obligations and avoiding conflicts of interest among different economic parts. Businesses are moral-, socio-political and economic institutions. A fact is those companies’ interests, power and values may collide with those of society or public. Government regulations may therefore not only establish guideline and interventions on the market, but also array the role as a mediator and settle any conflict facing the general interest of society.

Does being social responsible implies to respond to ethical issues identified by others or by adapting an interrelated business strategy that makes ethical aspects an apparent ingredient in the business practise? We would assert that a business emphasising on the first alternative has embraced a form of relativism that make the corporate management passive in relation to an organisation that have implemented an clear ethical strategy in business. A corporate business strategy settles how financial and human resources are adjusted to accomplish the business objectives. Ferrell et al. (2000) stress that value systems found at organisations have a pronounced effect on the corporate business strategy. As Ferrell et al. concludes even established ethical codes of conduct are not itself an indication of a company characterised by a management and a corporate culture that endeavour an ethically business behaviour. The researchers especially points out that the role of management is significant in encouraging ethical business behaviour in the organisation.

The focus on corporate social responsibility captures a part of reality but often does not express sufficiently the corporate ethical responsibility. Maybe due to obscure points of what sort of actions defines a business as socially responsible. A fact is though that companies possess responsibilities beyond the legal requirements. Authors on social responsibility and business ethics claim business has ethical duties (e.g. Carroll 1981, 1991; De George 1990, 1996; Cannon 1994; Ferrell et al. 2000; Campbell & Kitson 1996) De George (1996, p. 25) proceeds that a company’s ethical obligations should parallel their profit making. They can thereby advice about the resources the company have undertaken to make its profits. Despite accepted local social and working customs, businesses are morally required to respect human rights of their employees.

De George (1996, p. 29) articulates, ”A firm with integrity cannot simply say that using child labour is the way business is done locally and close its eyes to the practices of its suppliers”. Companies are not obligated to follow local practise. To engage in unethical business behaviours are by researchers considered more serious than not being social responsible. Furthermore, the significance of putting forward an image of an ethical organisation constitutes an efficient tool if businesses desire to engage competitive suppliers from low-cost countries, who may ignore laws of exploration of resources. Examples found in the literature
(De George, 1996, p. 29) suggest donations to ethically accepted projects like education of adults, schools for children and investigations in plants.

Moreover, an additional perspective on the idea of corporate social responsibility stresses that it accomplish the function that many consumers strives to impose control on international business, in terms of assessing and measuring companies practices. (De George, 1996, p. 33.) Interest groups articulate and address requirements for corporate social responsibility. Methods performed by interest groups are commonly awareness building, communication of information and direct actions. (Cannon, 1994, p. 48) These groups can be very efficient in highlighting, building awareness and distributing information about ethical dilemmas or effects of unethical business practise. Even though the creation of awareness is not enough, highlighting these issues increase the pressure on companies to find ethical accepted working operations. As Mason (2000, p. 28) asserts “ethics won’t become big business until big business becomes ethical”. When larger customer segments demand ethical responsibility from organisations, the ethical aspects will transfer into the light of strategic planning and polices.


A crucial questions concerning globalisation is how to influence the actions of international corporations that conflicts with human rights and environmental concerns, according to Ritcher (2001). Henderson (1992) states that we cannot determine what is ethical behaviour intuitively, it is also impossible to put an overall ethics down on one document (who would write it? who could criticise it?). To face the requirements of social responsibility, corporations therefore have to discuss internally and communicate externally, what ethics and moral mean to them.

There is a human tendency to label our own perspective as ethical and the behaviour of others as unethical in itself (Henderson, 1992). As the economy is turning global, as an effect of the economical and political changes over the past 30 years that come under the headline of “globalisation”, the importance of a common definition of what ethics means is increasing.

Ethical codes of conduct, which are proceeded from UN:s Universal Declaration of Human Rights, the Rights of the Child and UN:s labour organisation ILO:s conventions (for further explanation see appendix 4), is an instrument for the company to communicate its ethical statement, both within the organisation and to the outside world. Human rights are basic principles allowing the individual freedom to live a worthy life, freedom from violence and freedom of speech. Human rights are based on ethical rules of human behaviour common across diverse cultures to achieve fair, peaceful and stable societies (Fagerfjäll et al., 2001,p 13).

Advantage to business and society of making ethical statements to human rights into business practice are for example that it improves employee recruitment and motivation, shareholder relations and competitive advantage over other companies that has not yet adopted human rights policies and that it can enhance corporate reputation and brand image. Advantages for society are for example that it can strengthening the rule of law through application of international human rights standards, strengthening capacity of civil society organisations through dialogue and partnership, encouraging other companies in the industry to follow example of responsible business practice and corporate leadership and a greater potential for
sustainable socio-economic development. (Fagerfjäll et al., 2001, p 16)

Friedman (1970) argues that only people can be social responsible in a moral sense, not artificial entities like corporations. The only social responsibility a corporation has got is to increase shareholder profit (p. 154). In Freedman’s perspective, managers who pursue general social goals, for example by establishing codes of conduct that goes beyond what is required by the law, or by donating company funds to charity, are simply spending other people’s money. To claim social responsibility on corporations is accepting “the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources” (ibid, p. 156). Companies that are run by the ambition of social responsibility will have higher costs than those run by managers whose goal is to solely maximise shareholder wealth. According to microeconomic theory on competitive markets, the profit-maximising corporation will be more competitive by attracting more capital.

But it can be both shortsighted and too one-sided to think of ethics in business only in terms of cost. Frank (1996) criticise Friedman, and argue that self-interest (i.e. profit-maximisation) is not all what is needed for long-term profitability. An interesting result in Frank’s study is that the huge gap in salaries between for-profit organisations and non-profit organisations, is not due to differences in employees productivity, though employees in non-profit organisations in fact had higher grade point averages and more science courses than them in for-profit organisations (p. 169). According to Frank, socially responsible corporations can survive in a competitive environment, in spite of higher costs, due to advantages in avoiding commitment problems from stakeholders, customers’ willingness to pay more for a responsible company’s products and attracting potential employees. The conclusion is that advantages for a company to act socially responsible offset the higher costs (p. 171).

5 DISCUSSION ON VOLUNTARY ETHICAL CODES OF CONDUCT

This second part of the literature review aims at giving further insights to interesting and appropriate theories contributing to fulfil our research purpose. We have demonstrated a theoretical comprehension of reasons for establishing corporate codes, codes as an instrument to assure ethical standards and finally the communication of the ethical codes of conduct.

Reasons for Establishing Corporate Codes

In the end of the 1990s a lot of companies, in particular the ones with operations in the Third World that had been criticised for abuses to human rights established their own ethical codes of conduct (Fagerfjäll et al., 2001, p 99). With the codes followed a program for internally implementation and monitoring as well as external communication.

There have been three phases in the debate on international economic regulation of big, international corporations. In the 1970s there was a powerful debate for public regulation, in the 1980s came the conservative backlash and in the 1990s started corporations to regulate themselves parallel with growing consumer activism. We will give a background to the establishment of ethical codes of conduct and shed light on some of the problems with self-
regulation according to Fagerfjäll et al. (2001) and Ritcher (2001).

Many companies claim that it is sufficient for them to hold on to rules and regulations in the countries in which they operate, even if these standards are not acceptable where the parent company is registered. Fagerfjäll et al. (2001) argue that this is morally wrong, because managers are aware of human rights are not protected in some countries. Therefore many leading corporations today use the same guidelines of conduct wherever their operations take place.

As more and more corporations have extended their activity across national borders, it becomes much more complicated for a single nation to hold corporations accountable for their activities and to protect common interest through national regulation alone. Therefore, civil action groups and developing countries have requested effective international regulation holding firms accountable for their actions, wherever they operate in the world (Ritcher, 2001, p. 6). But still, there are no effective and consistent setting of binding laws and regulations at the international level. According to Ritcher, this is due to several changes over the past three decades in international economic and political circles.

The discussion today on the international regulation of international corporations, has its origin in the late 1960s and early 1970s, an era marked by calls from within the United Nations (UN) not only for international regulations, but also for a radical re-allocation of resources over the world. In the book “Holding Corporations Accountable” (2001) Ritcher describes the growing debate in the UN on the need of corporate regulation in the 1970s. This was a time when many ex-colonies had recently achieved independence and were considering how best to enhance national economic development.

In 1972, the first request for international codes of conduct for international corporations was made at the UN Conference on Trade and Development (UNCTAD) in Santiago. But before any regulations were established, the opposition to a regulated market grow strong in the 1980s. By the early 1980s the United States became the leading opponent of efforts to control corporations. The United States argued that outcomes of international trade and investment generally need to be market driven in order to maximise welfare and that interventionist policies in trade and investment would reduce global welfare instead of increasing it. Consequently the very merit of an international code of conduct for companies was questioned. (Ritcher, 2001, p. 9, 79)

In the early 1990s, the responsibility for establishing regulations shifted from the UN to the business and non-government organisations (NGOs). And finally, by the turn of the century the debate was back where it started, with pressure from the member states of UN for universal standards governing corporate conduct. Opinions differ, however, as to how these standards might best be implemented. It is interesting how Ritcher draws parallels between a growing concern for international corporate code of conducts and economic crises in the world. “The 1994 collapse of the Mexican economy and the 1997 financial crises in a number of Asian countries illustrated clearly that a wholly unregulated “global” market was not good for the majority of the world’s people or for the international corporations. Many transnational corporations began to worry about the impact of unstable financial and social environments on their operations” (p. 13).

According to Ritcher (p. 31) the trend towards industry self-regulation or co-regulation by corporations and other societal actors has been supported by two beliefs. The first belief is
that the growing number of corporate codes demonstrates an increased sense of corporate responsibility and that, as a result, society no longer needs to insist on externally formulated binding international regulation. The second belief is that international corporations have gained so much power (if regulated they can threaten to relocate their activity somewhere else) in recent decades, that it is now impossible to regulate companies who transgress national borders by externally defined rules. The beliefs support the idea that codes of conduct, which are formulated on voluntary basis is seen as more “pragmatic” than the alternative to enforce companies with binding regulations.

The essence of Ritchers’ “Holding Corporations Accountable” is the analysis of how to limit the negative effects of big, international corporations activities for citizens over the world, in particular the violence against UN:s Universal Declaration of Human Rights and the Rights of the Child, ratified by the member states of UN (where Somalia and the United States have not yet ratified a legally binding agreement on human rights). There are three major rule setters to regulate international corporations activities in the world: public regulation, co-regulation and industry self-regulation (p. 39).

Public regulation is the rules set by the government or the parliament (ibid.). Public regulation usually contains the establishment of monitoring, enforcement and repression if the rules are violated. The corporations have to ensure their compliance with public laws by internal guidelines, implementation and monitoring. At the international level public regulations are usually established by negotiations between governments. Co-regulation is the regulation between corporations and one or more other parties like governments, UN institutions, labour unions or civil society organisations (p. 40). Self-regulation is where corporations or industry establish their own codes of conduct. Ritcher uses a working definition of regulation as the establishment of rules and measures to influence effectively corporate practice in the public interest. The term “rules” is understood broadly as including legal, administrative and ethical principles, norms and rules as well as scientific standards.

Ritcher claims that industry organisations, for example in the US, have lobbied their government and pressed UN institutions to intentionally delaying regulation of companies, making corporate codes of conduct as general and non-applicable as possible, shifting the agenda from public regulation of corporate conduct towards industry self-regulation as well as tying to weaken the codes from “regulation” to “recommendation” (p. 63-66). Nationally and internationally, decisions over the past two decades on issues of human rights have often been overruled by policies supporting the “free” market (p. 76). Even so, Ritcher argues that the trend from external, binding regulation of corporations towards industry self-regulation or co-regulation is based on the assumption that companies are now behaving in a more socially responsible way, an assumption, which Ritcher herself is very critical to: “Indeed, it is a common and widespread mistake to credit changes in industry practice automatically to increased “corporate responsibility” (p. 117).

Without an evaluation of corporations actually do as they says and whether formulate ethical guidelines for themselves for increased social responsibility or purely self-interest, Ritcher states that a policy shift away from public regulation in favour for self-regulation in establishing ethical codes of conduct could be harmful to society at large. From society perspective, there is a need for laws and other regulations on corporate conduct that are binding on all corporations (p. 120).

Ritcher is concerned with that self-regulation may not, in fact, be the most appropriate term.
for arrangements, because “the part to be regulated sets its own standards and whose effectiveness in protecting public interests depends entirely on a corporation’s sense of moral obligation” (p. 41). Also co-regulation is problematic. For example will potential polluters or corporation that violate human rights not make regulations and order penalties that are against company self-interest. Can the weakening of the policy-making process by corporate lobbying be prevented? One way is to ensure that the corporations being regulated do not have unjustified influence over measures and monitoring of the law (p. 136).

Codes as an Instrument in Assuring Ethical Standards

Cannon (1994); Ferell (2000); Campbell and Kitson (1996) argue that the establishment of ethical codes of conduct is an initial step in building an ethical organisation. Ethical codes of conduct are illustrated due to the fact that they are in many cases communicated externally, in order to demonstrate companies’ focus and work with ethical aspects to assure an ethical standard in the production chain. Thus, the codes become a communication instruments in gaining confidence in the business activities. Researches point out that the responsibility of implementing ethical codes and ensuring their application is entirely on the organisations themselves. Official bodies like The European Commission, The ILO and United Nations are playing a determine role in the process. (European Workshop on Monitoring of Codes of Conduct, 1999, p. 19) The institutions encourage corporations to reach particular working conditions, human rights and environmental principles in their production chain. (Mason, 2000, p.27)

Much of the ethical concerns stems from disclosure of unethical behaviours taken by companies or its subcontractors, such as exploitative practice with resources and human labour. It is relatively facile to audit in areas of high visibility and high impact, whereas engaging suppliers and subcontractors in low-cost countries involves less visibility and less impact. One way to overcome the dilemma is the establishment of ethical codes of conduct. More specifically, ethical codes constitute a clear guide to the ethical business practise.

Ethical codes of conduct are defined as “instruments based on the voluntary commitment of enterprises to achieve improvements in working conditions” (European Workshop on Monitoring of Codes of Conduct, 1999, p. 18) The purpose of ethical codes of conduct is to set out a fundament for ethical behaviour in business to the own employees, the suppliers’ and employees all over the world. The ethical codes make the performance of the company consistent and are also a tool to maintain reputation for trustworthiness, which is crucial for the earning capacity in the long run. The ethical codes can help making it clear what a company’s responsibilities are, both ethical and legal, when the national rules and regulations are not enough. (Fagerfjäll et al., 200, p. 114)

More specifically, the ethical codes specify what a company expects from its producers in terms of responsibility and behaviour. They serve as a foundation, like a visible guideline. The implemented codes are formulated to regulate the working environment and conditions at the work place. But do the ethical codes of conduct result in more ethical behaviour on the part of the companies’ suppliers?

The role of the ethical codes is to ensure an ethical standard. What is an ethical standard? A fact is that ethical standards differ around the world. What is considered immoral and unethical in many cases are perceived differently in another parts of the world. Different socio-
economic variables, ethical standards and cultures determine different perceptions. In this respect Campbell and Kitson (1996, p. 151), assert "The simplistic view that richer countries have intrinsically better moral values and standards than poorer countries seems weak and untenable". Thus, the authors are critical to the assumption that individual cultures/countries have moral superior over another.

Ethical standards must be constructed in coherence with legislation, human rights and reasonable requirements facing the producers if they are to have a significant influence on working environment and the rights of the employees. Noteworthy is that Campbell and Kitson (1996) stress the fact that the existence of ethical codes of conduct in itself does not guarantee ethical behaviour. Since it is the actual work and means that are allocated to the project that are significant.

Corporate Communication of the Ethical Codes

This section addresses the theoretical framework on corporate communication. We have chosen to examine the corporate communication from the perspective of corporate social reporting. Communicating the ethical commitment to the external environment is widely discussed (e.g. Hooghiemstra 2000, Mason 2000, Bradford et.al 1995). The main reason for corporate social reporting and disclosures is to prove that company’s activities are legitimate and in congruence with values hold by the external environment. More specifically, to gain credibility in the corporate production practise. The communication is also vital due to its influence on the perceived reality. Corporate reporting and communication of social disclosure aims particularly to enhance people’s awareness and perception about the company. (Hooghiemstra, 2000, p. 57.)

Van Riel quoted in Hoomhiemstra (2000, p. 57) defines corporate communication as “an instruments of management by means of which all consciously used forms of internal and external communication are harmonised as effectively as possible, so as to create a favourable basis for relationships with groups upon which the company is dependent.” Corporate social reporting is used as a corporate communication instruments.

European Workshop on Monitoring of Codes of Conduct and Social Labels (1999, p 6) outlines “consumers are poorly informed on the content of codes, since codes and labels are not yet recognised as tools to communicate about production and trade practice”. Thus, consumers’ awareness and knowledge of the ethical codes of conduct are questioned. Furthermore, the article from the European Commission explains that the ethical codes are advantageous instruments if they are visible and credible. In order worlds, the ethical codes needs to be communicated and explained. Mason (2000) and Hooghiemstra (2000) also argue that demonstrating and distributing empirical evidence derived from the business operations are essential. The credibility increases by the actions taken by the companies, e.g. investments and founds in developing countries.

Mason (2000, p.28) certifies “companies cannot just pretend to be ethical, because people will see straight through that. If your company is genuinely ethical, people will find something to believe in.” The public are in other words quite rapid to do their own individual assessment and perception of a company’s business practise. A genuinely ethical company is Body Shop or at least it is what the company communicate. But how can the consumer be sure that Body Shop does as they tell?
Furthermore, an article in “Strategic Communication Management” (2001) discusses the significance of closing the credibility gap between what a company communicates and what it really does. In the long run even the most “credible” message will found difficulties to survive. Companies have a tendency to put forward a positive image of themselves, an image of really being caring. The positive communicative image shadows in many cases the negative side. The article (p. 7) also stresses, “The temptation to create an image, as in advertising, rather than to create a shared picture of reality, is often too strong to resist”. Closing the credibility gap may therefore be strategically important in the long run. A report distributed by the European Commission (1999, p. 9) outlines the fact that the communication is crucial due to its influence on the perceived reality. The article (p. 9) also pronounce the differences between a company practising a preventive communication strategy to stakeholders contrasting a company only responding to allegations displayed to the public mindfulness by external actors as the media.

Human rights, fair trade organisations and consumer groups are using the Internet to communicate information about the behaviour of companies over the world. The Internet and the satellite transmission also make it possible for the media to supply immediate information concerning companies, organisations or governments operations. All together the consequence is greater transparency of organised activities in the world. The increased amount of information channels supply immediate information regarding companies’ business activities. Therefore the companies have to prove their ethical concerns, its not enough establishing ethical codes of conduct, they also have to be communicated internally and externally as well as implemented and monitored.

Do consumers actively search for information or are they just passive receivers of information? Bradford & Garrett (1995, p. 877) explains that consumers evaluate the information source in terms of its credibility or the improbability of the accusations. Consumers are targeted groups for executives to communicate the inappropriateness of the allegation or explain motive for taken business actions, though the facts behind behaviour or incident often fades into the background. On one hand, the authors (classical attribution theory) outlines that individuals actively search for information in order to decide the reasons of an accused behaviour. On the other hand, impression management theory argues that individuals create an image and evaluate the involved actors wholly on the information made available to him. This assumption may not be free from bias because of lack of information. (Bradford & Garrett, 1995, p. 877)

Bradford & Garrett (1995) continues the discussion of the effectiveness of business communicative responses to accusation of unethical behaviour. The authors (p. 875) explain executives representing the accused company normally step forward to protect the company’s image and reputation. Furthermore, Bradford & Garrett intention was to find an optimal communicative answer to preserve the corporate image and public opinion. The research concludes that if the company on one hand takes no action, the third part’s perception on the corporate image will be affected negatively. On the other hand, if a denial, concession or excuse is made the affect on the third part’s perception on the corporate image will be less affected. Excuses are effective if they serve as a trustworthy explanation for the problem. There are factors questioning these results, e.g. to regain confidence and values associated with the company, both time and resources are required. A conscious position is that an unethical behaviour has the potential to harm the company’s reputation and its long-term profitability.
Nevertheless, there are multiple ways of distributing and communication corporate standpoint in ethical issues. A company communicates its ethical standpoint, its codes, regulations and policies in various fashions. The brand has to emphasise two dialogues. One imaginative and advertising dialogue with consumers and another more serious, socially responsible dialogue directed to consumer, press and different interest groups. It may be of critical concern to promote responsibility and credibility for the corporate image. It can be mentioned that the two levels are often integrated in the market communication. (Kapferer, 2000)
CASE STUDIES

IKEA AB

The information founding the case study is based on interviews with Kent-Åke Ahlgren, General Manager, IKEA Trading AB and Marianne Barner, Information Manager and Children’s Ombudsman, IKEA International. We have also extracted information from store visits, IKEA’s ethical codes of conduct, the annual report, the homepage, the catalogue and booklets.

Company Information

IKEA’s business concept is “to create a better everyday life for the many people” by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. Their main target groups are young people moving to their first home and families with children. The IKEA Group have almost 70 000 employees and 143 stores in 22 countries. IKEA have also got 2 000 suppliers in more than 50 countries. The turnover for the financial year 2000/2001 was approximately 13 800 MSEK.

According to IKEA, the basis for the activities is and remains the unique IKEA culture, i.e. a corporate culture, which is firmly founded on values such as simplicity, respect, development, responsibility, innovative thinking, diversity and humility.

Corporate Identity and Image

IKEA want their customers to perceive IKEA as a brand with low priced home-furnishing products with “good” quality. IKEA also want the customers to expect that suppliers that care for the environment manufacture IKEA’s products under acceptable conditions. There are different dimensions to IKEA’s communication. The basic one has to do with the business concept, which was formulated 25 years ago, which implies that IKEA want the market to perceive them as a company which offer as many people as possible functional and designed home-furnishing products. Other dimensions are added to the communication of the brand during the last years. Ethical and moral dimensions, i.e. how IKEA can offer the products, are today essential for the external communication. “We want people to be aware of IKEA’s ethical statement. That the brand IKEA signalises a company, which, among other things, take ethical issues seriously and act according to this”, says Marianne Barner.

On the one hand IKEA want to be the “good company” within its industry. On the other hand they want to make IKEA the natural choice for people, who want to re-decorate their homes. "It sounds presumptuous to say that IKEA have no competitors on the Swedish market, but for us it is more important to compete with people’s attitudes of spending money on their home environment, instead of buying a car, vacation or wide-screen TV, than with competitors in our own industry”, states Kent-Åke Ahlgren.

How do IKEA believe consumers and other stakeholders perceive their brand? IKEA perform market research on customers and non-customers regularly and IKEA claim to know that they
have succeeded quite well with communicating their business concept and IKEA are perceived as offering good value for money. Ahlgren argues that IKEA have a lot of remarks on trifles. The most severe criticism IKEA have to face concerns the quality of the products, as well as the goods are not always on stock.

Ethical Codes of Conduct

IKEA’s codes of conduct are 2,5 pages long and very broad defined, including IKEA’s business concept, requirements on the suppliers for implementation of the codes and IKEA’s own obligation for support and monitoring of the codes. The codes constitute a tool for IKEA and their suppliers, which purpose is to form a framework and a minimum standard. As a tool, the codes are only the starting point, IKEA also have got a checklist of 56 questions for the suppliers to answer and sign. It is important not to forget that the ethical codes also are part of the internal and external communication of IKEA. The requirements on the suppliers deal with fundamental human rights, child labour and the environment. The reason for excluding internal policy in the current codes was a practical question, according to Barner. On the issue of working conditions at the suppliers, IKEA already had documents to lean on. For further information see The IKEA Way of Purchasing Home Furnishing Products in appendix I.

Even so, IKEA’s codes of conduct were not established until 2001. Marianne Barner argues that the establishment of the codes in the first place was due to an increasing interest for ethical issues in society, combined with a growing internal pressure. Marianne Barner also mentions the TV-film “The Carpet” in 1994, have contributed to awakening IKEA to their social responsibilities. The film revealed a brutal production structure based on bonded labour and large number of child labour at IKEA’s, among many other West World companies, carpet suppliers in Pakistan. “We did not find child labour acceptable before, but we, and many with us, were not really aware of the considerable proportions of the problem. We simply had too little knowledge”. At the same time Marianne Barner emphasises that the reason for establishing the codes is not for competitive advantage, but rather for an understanding of and a sense of responsibility for these ethical issues. “You should not underestimate the pressure within a corporation like ours, with a 65 000-70 000 employees. We want to work in a company that take our questions seriously”, says Marianne Barner.

The codes mean structure and following-up in the ethical work. Thanks to the codes the transparency of the company increasing. The codes most important object is to create a good working method and to communicate, “IKEA intend to be ethical and moral”. Since 1,5 year ago and until the 31 of August 2002, IKEA are working intensively to make all of IKEA’s 2 000 suppliers to comply with IKEA’s minimum requirements. IKEA use the same, standardised questionnaire to all suppliers over the world. They do not contract a new supplier, before they know that the supplier comply with IKEA´se minimum requirements. To work in a structured way, together with their suppliers, IKEA have developed a “staircase model” in four steps, which deal with social and working conditions and outside environment. Step one constitutes of deciding upon an action plan to achieve level two. In step two IKEA´s minimum demands, that is their codes of conduct, are already fulfilled and it is from now on that deliveries to IKEA are supposed to start. For many of IKEA’se suppliers it is not difficult to live up to the codes, but for some it is a great challenge. Until September this year IKEA’s focus is to secure that suppliers fulfil minimum requirements. After that they will work
towards increasing the number of suppliers on level 3 and 4 in the staircase. These two levels both concern the affects on the environment due to the suppliers operations.

IKEA have also got independent audits (KPMG, PriceWaterhouse Coopers/Öhrlings and Ethical Trading Initiative). IKEA claim that they trust the supervision of their ethical codes of conduct. Even if the suppliers did not behave unmoral before, the codes will not leave room for an individual contractor to abuse Human Rights, for example. The suppliers that do not meet with the codes, and have no commitment to do so, in the end of August this year will be liquidated, according to Kent-Åke Ahlgren.

The Communication of Ethical Codes

IKEA (barely) mentions their codes of conduct on their web site and do not write anything about it in their catalogue. “If IKEA get a question on the codes, from students or an inquiry to hold a lecture on a conference, then we do so”, says Marianne Barner. The amount of inquiries has grown rapidly the last two years. The new version of the homepage and the catalogue is under preparations with more communication of the ethical codes to the public.

How do IKEA respond to prospective accusation of unethical behaviour? IKEA respond by, if it deals with a specific case, trying to find out as much objective information on the actual conditions as possible. If the accusation has a more general character, IKEA claim to have accomplished great progress and simply communicate what they have done.

IKEA get a lot of proposals to support different projects. The strategy is to sieve among them and support just a few, where they really can do some good. “Så ett frö” (an organisation for plantation of rain forest) is chosen because the forest is a prerequisite for IKEA’s business, though 75-80 per cent of all products in IKEA’s stores originate from the forest. BRIS is chosen, because IKEA make a position for the children and work actively against child labour. The engagements for “Så ett för och BRIS” are communicated on the web site.

IKEA do not have any information on the working conditions for the production of the goods in their stores and they direct customers to the telephone customer service. At the customer service though, they do not know that IKEA have an ethical code of conduct in the first place, what it consists of or which department’s responsibility this is.

INDISKA MAGASINET AB

The information founding the case study is based on interviews with Erika Ström, Advertising Manager, Indiska Magasinet AB and Maria Veerasamy, Purchase Manager, Indiska Magasinet AB. We have also extracted information from store visits, Indiska´s ethical codes of conduct, the homepage and a booklet.

Company Information

India is the source of inspires and impressions for the clothing company Indiska Magasinet. The company operates and is own by the family Thambert. Indiska are employing around 450 persons, most of the employees are engaged in the stores. The numbers of stores are today 54, with two of them in Copenhagen and three in Helsinki. The company’s proper organisation in
India employs 30 persons, mostly Indians, divided on four regional offices. The annual turnover are at the present approximately 500 MSEK. The home furnishing product mix stands for half of Indiska’s turnover. With an inspiration from India and the Orient through own stores Indiska are offering an up-to-date assortment of clothes for women and children, accessories, home furnishing and utility goods. In the production assortment Indiska emphasise an ecological guarantee and utilise no chemicals in the production process in their strive towards clean cloths.

Corporate Identity and Corporate Image

Central to Indiska are to be perceived as an extraordinary small department store that brings unpredictable surprises. A new positioning strategy for Indiska is to reach a broader target group, one of the corner stones is that Indiska will be perceived as fashionable and attractive. Erika Ström says, “We want people to enjoy our commercials and visit our stores, that consumers find something unexpected and something they like”. Indiska also strive to be associated with values as inspiring, price advantage and unique, presented in a warm and considerate environment. The brand requires commitment, attendance and continuos enhancements of the brand constructing.

How do Indiska believe consumers and other stakeholders perceive their brand? Indiska have started one of many journeys with their brand. A year ago Indiska performed a large marketing research to find out what customers of Indiska and non-customers associated with the brand of Indiska. The results made from focus group discussions formed a base for a re-positioning strategy of the brand. Most of the respondents considered Indiska as a “different” company, loaded with values as “spaced-out” and “Bohemian”.

According to marketing research the company Indiska are associated with India. Which goes in line with Indiska’s mission statement and India as their source of inspire. According to Erika Ström, Indiska had high values in issues of ethics and moral concern: humanism, social responsibility, environmental concern and again, Bohemian. The respondents that were non-customers to Indiska had a lot of preconceived associations like “hippie” to Indiska.

Ethical Codes of Conduct

Indiska do business with India and thereby focusing on social aspects in India. A main thought in the business policy is to do business in an accurate way. Thus, a social responsibility thought is integrated in the business field. Indiska’s objective is to make their manufacturing ethically and environmental acceptable. In 1998, Indiska in response to the increased prevailing ethical awareness internally, instituted ethical codes of conduct as a minimum standard in the production chain. Suppliers of Indiska have to undertake certain instructions regarding human rights and working environments. Maria Veerasamy asserts that some of the directions (codes) are unconditional whereas some other directions in respect to individual circumstances and abilities have a longer time horizon for fulfilment. What are the main motivations of the ethical codes? Indiska’s codes of conduct are two pages long and entail 10 quite detailed codes with the ambition to make Indiska’s production ethically and environmentally acceptable.
The general agreement that suppliers have to accept (the codes) involves instructions in regard to e.g. safety of working conditions in plants, prohibit of child labour, freedom and rights of associations, working conditions regulating minimum wages, working hours, employment, discrimination etc. More specifically, the codes instruct that workers shall have access to clean toilets and potable water, have at least one day off a week and child labour under the age of 14 is not accepted. A further embrace of Indiska Magasinet’s ethical codes of conduct is given in appendix 2.

85-90 per cent of Indiska’s production is manufactured in India. In order to guarantee an ethically manufacturing process, Indiska are following up suppliers’ work to achieve insights and a good picture of their operations. What kind of organised monitoring of suppliers’ operations is practised? Unannounced audits are performed by Indiska’s own representatives in India and by both parties accepted and endorsed, independent organisations to gain an independent evaluation. In Bombay a full-time employee are occupied with the codes. The controllers are educated in the codes and follow a pre-determined questionnaire in their work of evaluation. The audits may be conducted at any open hour and the suppliers/producers are bound by the general agreement to leave access to inspections. Maria Veerasamy articulates that deviations from the codes/directions are not uncommon. Deviations are found in the areas of working hours and compensations. Noteworthy, Indiska point out that ethical codes of conduct are no guarantee for an 100 per cent ethically production process, instead the ethical codes put forward an ethically standard for an positive and ethically accepted working process in the production chain.

If any audit performed according to certain criteria turnout unsatisfactory. Which procedures and sanctions should take effect in the event of non-compliance? The codes argue that (Indiska’s Codes of Conduct, appendix. 2) ”repeated failure to meet any part of this term can cause cancellation of pending order and interrupted business actions”. Maria Veerasamy certifies that Indiska cannot work with supplies that are lacking the intention to collaborate, i.e. suppliers/producers with a negative attitude, ”cannot afford it” or unwillingness to alternations in significant issues. Maria Veerasamy proceeds indicating that Indiska do not demand an alternation on one day, though Indiska emphasise an action plan compiled in co-operation with the supplier/producer. In periods of high capacity, a common scenario within plants are due to lack of storage, cardboard boxes placed in front of fire entrance, with an decreased safety as a result. Indiska are in these cases pushing suppliers to invest in larger extent in storage or warehouses. The supplier in turn places the requirements in relation to the seasonal high production capacity.

Which steps have Indiska taken in its ethical commitment? Both Maria Veerasamy and Erika Ström explain that Indiska’s ethical commitment is displayed in the support of several aid-programme in India. Most of them are governed from the perspective of help to help-one-self projects. The objective by the motto help to help-one-self is to construct individual long-term and financial independent programme. By teaching non-educational women a traditional handcraft, these women will gain a role in society and a chance to livelihood for their families. Further outcomes are an increased positive outlook, pride and self-confidence for the women and the creation of additional openings in underprivileged areas. Indiska are supporting several programmes within the theme help to help-one-self. Indiska are contributing mainly by professional advice, product design and as a sale channel through their stores. By placing seasonal commands in the programmes Indiska are stimulating the growth and progress of the help to help-one-self programmes, according to Maria Veerasamy. Furthermore, Indiska are also committed in additional projects in India, e.g. education,
developing projects for women, health projects, support to families in prevention of child labour etc.

Communication of the Ethical Commitment

For external communication of Indiska’s ethical commitment the homepage are used. Erika Ström certifies that the homepage is the solely communication channel, in which Indiska promote information about their aid-programmes. It has to be mentioned; in stores a booklet is distributed regarding Indiska’s apprehension on child labour. Furthermore, the help to help-one-self products are in Indiska’s stores identified by labels and signs. The adopted communication devices are frequently used in the communication to the consumers.

In contrast to large corporations, Indiska as a family-company possess an advantage in the internal communication of the ethical concern. Internally, “very much goes without saying”. The owner family, Thamberts, is very committed in all issues, which colours the atmosphere. All employees have their own godchild in a charity project outside Bombay.

Erika Ström says, “We have a good answering policy, though we all know well how we work with these issues. It is especially important that the purchasers know.” If Indiska are accused for behaving unethical, the General Manager comments it as honest as possible, after facts have been gathered. The on-going project with the DressCode as a control authority is a way for Indiska to both put pressure on its suppliers and communicates a social and ethical responsibility.

LINDEX AB

The information founding the case study is based on interview with Malin Helde, Purchase Development Manager, AB. We have also extracted information from store visits, Lindex ethical code of conduct, the annual report, the homepage and a booklet.

Company Information

With 350 stores and nearly 4000 employees in four countries Lindex count as one of the main players in the Swedish clothing industry. The chain is operating in Norway, Finland and Germany even though Sweden is the largest market. The business statement is to offer women and children a price advantage, fashionable and large assortment of clothes in good quality. Lindex target groups are not defined according to variables as demographic variables, though lifestyle segmentation and interest are far more meaningful factors. The main customer group at Lindex are the characteristic awareness woman with a leisure lifestyle.

The annual turnover in Sweden for the period of 2000/2001 was 2 682 MSEK. With buying offices in Bucharest, Hong Kong, Istanbul, Rumanian, Shanghai, New Delhi, and Dhaka Lindex strengthen its ability to govern the purchase process.
Corporate Identity and Corporate Image

What are the core values Lindex want the brand to be associated with? Lindex’s brand is positioned to be associated with values as femininity, pleasurably, naturalness and pleasure. The latter attribute is important though Lindex emphasise customers should buy clothes because of the pleasure of it, not because they ought to. Malin Helde argues that the brand is also intended to communicate attributes as service, quality and price advantage. Lindex are striving to be a “good citizen”, i.e. to take responsibilities for its actions. Environmental awareness, social responsibility and ethics are central in the future progress. The responsibility taken by Lindex embraces both stakeholders and suppliers. The external responsibility is regulated through the ethical codes of conduct.

Market researches both quantitative and qualitative have been executed. Especially research on attitude has proven that customers are associating the brand Lindex with satisfied service, price advantage and quality. Malin Helde, proceeds that Lindex have observed a requirement to articulate and reposition the brand. The brand strategy aims at strengthen Lindex’s brand and diminish “the goodness-image”.

The Way of Working with Ethical Codes

In 1993 the use of child labour was prohibited and it was the staring point for inspection of working conditions at the suppliers. Internal and external pressure accelerated the development of the ethical codes of conduct, instituted in 1997. “ We consider it as a vision, an objective to work with ethical issues in the supplier lines”, says Malin Helde. It is also an obligation in doing business with Lindex for suppliers/producers to comply with the directions raised by Lindex. Malin Helde continues by assuring that building relationships on trust and maintain close collaborations to suppliers’ constructs the platform for further enhancements.

In order to gain control and ability to monitor the manufacturing process ethical codes of conduct have been implemented. The priority of suppliers with own plants and few subcontractors are in line with Lindex’s strategy towards an enhanced control function of the production process. The ethical codes of conduct consider seven areas within the ethical framework, e.g. general principles, discriminations, forced labour, child labour, wages and working hours, working conditions and freedom of associations. Further developments of Lindex’ ethical codes of conduct are presented in appendix 3.

Characteristic of Lindex’s ethical framework are the classifications of suppliers/producers in order to evaluate them. The classification model is divided into four steps and was established in 2000. Progress in terms of working conditions and working environment in accordance to the ethical codes will affect suppliers’ advancement in the scale. On the first level suppliers are found that due to some considerations do not fulfil the basic directions all plants have to meet whilst doing business with Lindex. New suppliers that are not yet evaluated are also found on this level. Furthermore, suppliers that fulfil the basic requirements are the characteristic of level two. Those suppliers that meet all the directions are recorded in the following step. Finally, those who in an audit, conducted by an independent inspection organisation pass without any marks respecting the ethical codes.
Which control mechanisms are central in the organised monitoring of the fulfilment of the codes? Full-time employees are occupied with inspections. Internal audits are also performed from Lindex’s buying offices in Asia. To a great extend the inspections are executed unadvised. Lindex approximately 300 suppliers are to a large extent from India, Hong Kong, China and Turkey are assessed in their ability to meet the requirements set by Lindex. "Noteworthy in the work of inspections are the appraisement of suppliers’ interest in co-operation and willingness to alteration,” declares Malin Helde. Worth mention is Lindex are continuously working to find new efficient monitoring systems for evaluation and insurance of adaptation of the codes. Are the monitoring systems trustworthy? An important issue is if suppliers really implement Lindex’s requirements. 100 per cent assurances of fulfilment of the directions are unattainable. Instead focus is on the initial step in the collaboration process. Thus, before the establishment of a co-operation relation with a new supplier/producer Lindex have made thoroughly inspections of non-occurring exploit of child labour. Once again Malin Helde asserts most significant are to be compliant to innovations.

Which procedures and sanctions should take effect in the event of non-compliance? In cases of non-compliance of the codes a corrective action plan for further improvements are compiled in accordance with the supplier/producer. Repeated failure to meet and fulfil the ethical codes may lead to interrupted business relationships and thereby interrupted placement of future commands. Nevertheless, to give the supplier/producer a possibility to meet the directions is crucial in the ethical direction taken by Lindex. In situations in need for improvements, an action plan is developed together with the supplier with support from Lindex in terms of advice and practical instructions.

Lindex’s ethical commitment and ethical codes of conduct have turn out in improvements in working conditions, compensations, employment, safety etc. Especially much corrective action plans results positively. A more narrative and detailed description of individual cases are outlined on the home page, www.lindex.se.

Communication of the Ethical Commitment

Internally the ethical codes are communicated through the homepage and the annual report. Employees at Lindex are also informed about the ethical codes by internal newspaper and a booklet concerning Lindex’s environmental policy and ethical codes of conduct. Malin Helde points out that employees in the purchasing department are mainly targeted and affected by the codes and therefore educated in those issues.

Lindex hold a low profile in the framework of external communication of the ethical codes, i.e. not an offensive communication. The external communication of the ethical codes and Lindex ethical commitment are displayed on the homepage and in the annual report. According to Malin Helde a prospective communication strategy for the ethical commitment will probably turn out in a booklet near the cashier in the stores. At our visits in the stores of Lindex, we already could receive a booklet with a short description easy to read on Lindex’ ethical codes of conduct.

What attitude is Lindex to take in cases of accusation of unethical behaviour? Lindex meet the allegations with objective and comprehensive information. Malin Helde argues that in same case it may be relevant to visit plants in order to investigate the dilemma more precisely.
However, in cases of inaccurate information, Lindex meet the confrontation and outline an accurate description of the situation.

7 ANALYSIS

In this part we have highlighted certain phenomena particularly interesting to the research. The questions raised are found to be determining in companies’ way of working with ethical codes of conduct. The analysis emanates from interviews with managers at IKEA, Indiska and Lindex.

7.1 Low Price - Less Ethics?

Are companies offering low priced products less ethical than other companies or is it just a cliché? Given a small exploration on homepages for companies in retail trading, we found that low-price brands to a greater extent than more expensive brands communicate their ethical commitment on web sites, in Annual Reports, brochures and stores. But the issue is complicated and therefore we examine which factors are contributing to the allowance of competitive prices. More specifically, we discuss question 9)How the case companies manage to offer low prices on their products? and question 10)Is there a greater amount of pressure from the market on low-price segment companies with middle quality products to behave ethically?, which are taken from our conceptual framework.

IKEA

How can IKEA offer home-furnishing products to such a low prices? A relevant factor is that IKEA have large volumes and work with price, quality, environmental factors and flat package. “We have a rational product development and we see the general picture. We produce and sell goods at low prices - but not at any price.” IKEA have a focus on effective production and no material waste in their business concept. Their dimensions are the optimal requirement for big volumes, production capacity and the stinginess with material, all of which give reduction of costs as result. IKEA claim to be incredibly cost efficient internally, but even so their greatest expenditure in a class of its own is the supplier invoice.

There is always at risk that people draw the conclusion that corporations who work with low price countries, to a greater extent exploit resources. Remembering this, it becomes more important to communicate the ethical work and to be as clear as possible, according to IKEA. “But there is no sign of equality between low price and behaving non-ethical, on the contrary, thanks to cost efficiency and material stinginess, we can make more use of our resources with less environmental influence as a result. It is important for IKEA to communicate that”.

The question at issue is interesting, if there is stronger pressure from the market on low-price segment companies with mid-quality products to behave ethically? IKEA state that: “It is natural that the ethical requirements are higher on companies selling low price products, because these are often international and have strong brands of their own. Many people also think that “low price means exploitation” and that is why IKEA are more exposed to external pressure than companies with more expensive products. But there is nothing saying that more
expensive home-furnishing products are better, only because the price is higher. Instead, this is probably due to more middlemen, better quality and more expensive marketing”. IKEA also state that many times corporations with low-price products conduct better and they hope strong, ethical corporations can take others with them.

**Indiska**

Indiska can offer clothes and home-furnishing products to low prices, because they trade without intermediaries, i.e. trade directly with suppliers, use container dispatches on boat, emphasise high turnover rates thanks to right products, at the right store and large purchasing orders. All together contribute positively on purchasing prices in order to minimise output prices.

"It is always low-price companies that are attacked in media”, argue Indiska. Nevertheless, Indiska manufacture clothes in the same factory in India as Paul & Friends, and Diesels trousers for 599 SEK are produced in the same plant in China, as are Indiska’s trousers for 299 SEK. Remarkable is the fact that two similar products have the same production cost. Consumers in the case of Diesel are paying for marketing expenses.

The question is why customers are prepared to pay so much more? “Few companies can take a position in ethics and moral, for us, ethic is at the same time a competitive tool. But still, why are media more interested in Indiska?” There is a debate on what the customers’ “require”. But when it comes to it, the consumers choose the cheapest product, according to Indiska. Price is the determine factor for the mass market. Indiska find it really interesting to do a market research and investigate if a company’s ethical standpoint matters at all when it comes to customers purchase decision.

**Lindex**

How can Lindex offer clothes to relatively low price? Lindex’ size make it possible to work directly with the producers and cost demanding intermediaries are thereby avoided. Lindex are also reaching cost advantage form larger purchasing volumes. The buying office with local knowledge contributes in finding price advantage products.

"We do not believe in the correlation price advantage and poor ethics”, argue Lindex. Even if the prices are higher on branded clothes in relation to clothes from Lindex, the production cost may be the same. Marketing and brand contributes to higher prices. Lindex believe there is a greater interest to inspect them, because they are market leader. People recognise Lindex and are expecting a lot from them. “We become the faces of the industry and therefore we have to respond for the whole business.”

**Summary**

*In the summary we are thoroughly analysing the issues above in a more general perspective, in congruence with previous theories and with a critical reflection. In this section we also*
have intended to present an external voice, respondents from Amnesty Business Group (ABG) and Fair Trade Center (FTC) are fulfilling our approach.

One reason for higher ethical requirements on companies selling low price products is that those often are international with strong brands of their own and have suppliers in low-cost countries far away. Companies with strong brands to defend are also the first to establish ethical codes of conduct. At the same time they do not reduce the price pressure on their suppliers. “There is definitely a connection between low price to the suppliers and the risk of abuses to human rights and bad working conditions” states FTC. Because implementing ethical codes cost, and the risk is that it is the workers that have to pay for the codes, though the suppliers charge them for increased production cost. FTC at the same time states, that low-price companies often have control and contact in the whole product chain. Inversely, there is no correlation between a high price to consumers and an ethical conduct, instead this can be due to many middlemen, marketing costs, well-known brand, product quality and defective knowledge of the production process. “All strong consumer brands including IKEA, Indiska and Lindex are affected of stakeholders’ image of them. But for anonymous low-price stores like Gekås with many middlemen, no one cares about the connection between low-price products and ethics”, asserts FTC.

The immediate correlation between price to consumer and moral conduct is problematic. The first objection is that there often -but not always - is a quality aspect of low price goods (which IKEA remarks), in the best case a less good quality means less resource stinginess and do not in itself increase wasteful consumption, because the products are worn-out faster. But as our case companies also pointed out, often their products are produced at the same factories and with exactly the same quality as more expensive competing brands. The second objection is that it instead may be less ethical to charge the consumer for a higher price, due to more middlemen and more expensive marketing, without additional input of resources in the physical product.

IKEA, Indiska and Lindex state that many people associate low price with exploitation of other people as well as environmental resources and that is why they are more exposed to external pressure, including highlighted media attention to their business – in contrast to companies with more expensive products. But is there anything that says that more expensive products are better, only because the price is higher? The case companies state that the hypothesis is a misleading conclusion, in fact they consider it more ethical with material stinginess, than to charge the consumers for additional marketing costs.

Our case companies assert that their ethical codes of conducts are established due to internal interest in ethical issues, Fagerfjäll et al. (2001) and Kaler (2000) are sceptical. According to Fagerfjäll et al. and Kaler the increased concern for ethical issues and the establishment of corporate codes of conduct in international companies is instead an answer to negative external pressure, like accusations of abuses to human rights. In some ways the accusations of child labour made IKEA, Indiska and Lindex aware of these issues and made them take action against child labour and bad working conditions, at least by establishing ethical codes of conduct and start co-operating with external organisations like Ethical Trading Initiative (ETI), ABG and FTC for independent monitoring. Also FTC argues that the establishment of codes often is due to external pressure of some kind. Either the company have been subject to media attention, criticism from NGOs or questions from investors in ethical funds. FTC states that it is also a pressure from so called ethical advisers, who ask companies if they want help
in ethical issues. The whole issue has grown and therefore the companies feel the pressure to do something. The ethical code of conduct is only one tool for dealing with ethical issues.

Concluding the Communicative Aspect of Low-Price

Finally, the communication aspect for companies offering low- to mid-price goods, is obviously to put a lot of emphasis on convincing the stakeholders that they act socially responsible. But maybe, as in the beginning of this section, it has more to do with a strong, international brand than with low price, because brands like Nike and Reebok are also highlighted, without selling low-price commodities. This perspective is not crucial for Indiska, which are relatively small and only have stores in the Nordic countries. Instead, Indiska get media attention, because they are intimately connected with their suppliers’ production in India and the brand has profiled itself as socially responsible for a long time.

According to De George (1996), it is more dangerous for the corporate image to be revealed as conducting unethical (e.g., using child labour), than not behaving socially responsible in general. If you put it the other way around, media has an important influence of the consumers’ image of a brand (Hoogheimstra, 2000). In order to answer external pressure for ethical behaviour, the ethical standard in companies is often improved. Consequently negative pressure is the main reason for companies to establish ethical guidelines, like corporate codes of conduct (Kaler, 2000). Company increased social responsibility even raises the expectations from society and so on, the companies find themselves in what Kaler calls a “virtuous spiral”.

7.2 Do Corporations Have a Social Responsibility?

Researchers have frequently quoted Friedman’s assertion that companies seek only profit maximisation. Research after him has complemented his theory by adding the social responsibility expectation from society. We asked the case companies if they believe they hold a social responsibility. More specifically, we discuss question 11) Does the company believe it has a social responsibility?, question 12) What characterises moral and ethical behaviour for the company? and question 13) For whom is the code established and whom does it protect?, which are taken from our conceptual framework. Companies’ standpoints in the field of social responsibility raise the question of whether or not a company communicates its ethical commitment.

IKEA

In IKEA’s opinion, “definitely” have an ethical and social responsibility, not at least due to their size. IKEA states that they have learned much on environmental issues since the 1980s. But have just started on issues regarding the rights of the child. The work the last three years, on constructing a code of conduct, have implied working actively with ethical issues.

What characterise social responsibility for IKEA? “Social responsibility for us, means that we have a huge responsibility in relation to all our stakeholders. We have a responsibility for the employees work environment, both within the organisation and at our suppliers and we also have a responsibility for the external environment and how this is affected by their production.
and use of IKEA’s products”. Moral and ethical behaviour for IKEA is to work for and with respect to human beings and the environment. IKEA state that they apply to UN:s Universal Declarations and also assist their suppliers to follow the UN Conventions on human rights, the rights of the child, labour rights and environmental issues.

Furthermore, for IKEA, moral and ethical behaviour is to do the things they communicate. IKEA work together with their contractors and their approach is to lift all their suppliers, in order to comply with IKEA’s minimum requirements. IKEA want to record improvements at their suppliers and this means, after an identification and description of what they want to do, that they have to be tremendously active. “We do not run away only because the contractors cannot meet our requirements or because a team from television are present, instead we stay and ensure that our requirements are accomplished, in order to reach the end of our journey”.

For whom are the codes established? The codes of conduct do not live a life of their own. IKEA already have a vision and an internal policy, and the requirements are restricted to be valid for IKEA’s work at their suppliers. “The codes of conduct were established, because we are of the opinion that we have a social responsibility, not because the market or the customers required that from us. But in the future, we are convinced that the customers will expect us to act in an ethically justifiable way. We have our own responsibility, we do not wait to protect people, neither our own fellow workers nor the fellow workers at our suppliers, and we are not satisfied until our products are safe for children to play with”. Thus, IKEA’s responsibility includes all their stakeholders.

**Indiska**

Indiska also believe they have a social responsibility. The consciousness is displayed in the entire organisation. Indiska describe themselves as the small committed and caring company. Indiska hold an advantage in this context due to its close relations and associations with India. “Small buyers like us means security for the suppliers, because we stay and come back irrespective of what happens in India”.

What does the social responsibility entails for the case companies? For Indiska it imply to combine commercial objectives with a social concern in terms of deliberately care about the environment, and people that are affected by Indiska’s operations. A standpoint in the ethical policy is that no commercial interest shall lead to exploitation of resources. Interrupted business relations on no grounds and cancelling of an agreement with a supplier that do not fulfil the requirements without putting efforts on trying to help them to improve the situation are considered unethical. Bad conducts are depending on many things. If a buyer changes an order without consider the effects, unpaid working hours may be a result to mane the order or imply other inconvenient restrictions. In a scenario with a large corporation moving its production away from a supplier who face large investment, the economic dilemma in difficulties in paying debts are pronounced. Thus, Indiska consider it important to invest resources in the workplace.

Social responsibility means many things for Indiska, e.g. how they treat and work with their suppliers. Indiska have established much long-term collaboration with the suppliers to improve the working conditions, especially in the South of India. Moreover, moral behaviour for the company is, for example, that Indiska do not change contractor to gain a better price, instead they invest in long-term relationships. “If we discover child labour, we do not run
away, instead we will try to settle the problem. We try to avoid break off supplier contract, though a bankruptcy can turn out in negative consequences for the supplier’s employees”.

Good relations with the suppliers are consistent, though Indiska are looking for a good long-term working standard at their suppliers. For example all of Indiska’s employees have got a sponsored child at a handicapped children’s school. Thanks to the fact that Indiska are associated with social responsibility, Indiska assert that journalists are more observant to their behaviour and that is why Indiska are generally well prepared to answer inquiries about ethical behaviour.

Prohibiting child labour do also embrace the responsibility to take care of children forced from the plants, i.e. to fill-in the missing financial compensation in order to prevent even worse living conditions. Indiska find it hard to measure its ethical engagements in term of financial figures. Child labour must come to an end, to make it possible Indiska sometimes allocate money to the families during a short period, for their survival. Who are the ethical codes protecting? To protect people in the Third world (working conditions) and make sure that Indiska take a social responsibility. Indiska proceed by stressing that it is also an instrument in order to communicate their standpoints in ethical questions.

A prevailing problem in India is the fact that technology (machines) replaces human workers. In order to decrease the dilemma and maintain old traditions Indiska are placing orders in old traditional handcraft projects and thereby creating occasions for occupations. Designers from Indiska are annually on place to mediate what their consumers demand. The help to help-oneself projects enable non-educational women a chance for maintenance. The aid-programme is designed after the principle; “If you give a human a fish then she will have food for the day. If you educate her to fish she will have food for her whole life.” In other words, Indiska are focusing on maintaining a continuously production operation.

**Lindex**

”Yes, we do have a social responsibility. We believe that we have certain ground criteria’s regarding moral and ethical behaviour in the organisation and they are reflected in our codes of conduct.” Moral to Lindex are to have articulated ethical and moral policies for the employees. Furthermore, moral and ethical conducts to Lindex are in concurrent with the producers/suppliers discovering improving conditions, establish action plans (developing plans) and collaborations. Thus, emphasise is to take responsibility in the production chain.

“Lindex are today operating more directly with the producers”. Previously Lindex worked with agents, which contributed to a minimal amount of information regarding subcontractors contracted by the agents. Unsatisfactory insights in the production process were the results. The establishment of buying offices in Hong Kong, Istanbul, and Shanghai have contributed largely to an increased control and advantage of the production process. As a consequence of the established buying offices, the access to work directly with the producers and observe progress of the products have accelerated. The control mechanism on the suppliers’ operations increase, in combination with media’s inspections on production and the fact that many employees at Lindex feel a personal responsibility have contributed to Lindex’ ethical statement.
However, with an articulated environmental policy and ethical codes of conduct, Lindex want to be perceived as a "good citizen". But at the same time Lindex are a profit operating company who strives to find optimal solutions in order to minimise productions cost through a low-cost production. "Lindex are striving to find an optimal level, which balance the social responsibilities and the business interest of Lindex. We want to be a fair company". According to Lindex the development are in the right direction in a long-term perspective.

"The codes are protecting the ones who produce our clothes". The code itself, a written paper, does not solely contribute to alter the production process. The introduction of the codes itself creates trust and confidence against customers, but it requires a lot more efforts than some drafting on a piece of paper, to fill the codes with substance." The code itself does not disclose anything that Lindex really do, it is rather an instrument to express what Lindex want and stand for. Lindex explain that the work with the codes is a quality assurance and a methodology to reach the goal.

Furthermore, if Lindex had determined to only produce in Sweden the production cost would have been costly. Therefore, the production have been outsourced to low-cost countries, to face a better-cost level, i.e. reach a higher profit. If Lindex only focused on the ethical codes of conduct, then Lindex would probably only produce in Sweden in an attempt to grasp the correct working conditions. Even in Norway you will find working conditions different from those in Sweden. Lindex state, in Sweden the public opinion on ethical issues is stronger in relation to many Scandinavian countries, at least in the clothing industry.

An ethical issue is often largely displayed in the media. Media’s picture is often black-white, and the information asymmetry is in many cases evident to companies. Noteworthy is that Lindex found it positive that media are focusing on ethical aspects in their operations. Because it makes Lindex more alert in ethical issues due the fact that customers are becoming more aware in these issues. "If our customers emphasise the significance of ethical codes of conduct, then it becomes important for Lindex too."

**Summary**

In the summary we are thoroughly analysing the issues above in a more general perspective, in congruence with previous theories and with a critical reflection. In this section we also have intended to present an external voice, respondents from Amnesty Business Group (ABG) and Fair Trade Center (FTC) are fulfilling our approach.

In accordance with research in the field of business ethics (e.g. De George, 1982, 1996; Cannon, 1994; Carroll 1981, 1991; Donaldson and Werhane, 1999; Fagerfjäll et al., 2001; Ferell et al., 2000; Jackson, 1996; Kitson and Campbell, 1996; Ritcher, 2001), the targeted companies of the research clearly stated the social and ethical requirements of business. As part of the society, moral and ethical issues become even more critical. To take responsibility for its business practise is a prerequisite in the contemporary society. Though, business and morality are related in many ways. Morality specifies moral and immoral actions made by people and companies. Ethical codes in business are inevitable to be able to respond to moral demands set by the society and shareholders, consumers etc.

FTC claims that companies have a social responsibility. In terms of following current regulations but even follow UN’s declaration regarding human rights, ILO’s standard of
regulating workplace conditions. In an ethical perspective, all companies should follow the directions, the better if the companies take the initiative. However, social sponsorship is not a corporate assignment. It is rather an assignment of society to make sure that medical service and school function satisfactory.

De George (1996) argues that despite local accepted business practise, businesses are morally required to consider human rights. Companies have to take responsibilities beyond their organisational boundaries, i.e. a responsibility for employees working environment and business conduct both internally in the organisation and externally for their suppliers. IKEA state; “We have not chosen the easy way in relation to our suppliers. When we sign a contract, we choose not to disappear even if they do not manage to fulfil our requirements”. Acting as you say and to come back to the same supplier to place orders, means safety.

A common attitude is “only we are operating in developing countries, it is good for the them”. According to FTC the attitude brings a high risk for exploitation. Though there is noting that says that investments made by companies always contributes to improved human rights and conditions. ”Companies who do not take sufficiently social responsibility are not ready to pay the cost for an ethical behaviour”, says FTC. Thus, what it cost to behave ethically.

Why are companies right now implementing ethical codes of conduct? The interest for ethical questions goes slowly. In 1997-1998 the interest accelerated due to media attention. FTC says, ”Ethical issues are enormously ruled by the media”. Price and quality variables do not in the same extent govern companies priorities, the focus on environmental issues have open-up for value issues in companies’ priorities. Increased information to the public and pressure on companies from NGOs, mean higher requirements on companies.

The ethical codes aims at the workers, says FTC. But in reality, many companies are driven by PR motives in implementing the codes, i.e. they want to communicate that they are focusing on ethical aspect. From FTC perspective, the codes are for the employees at the producing suppliers, the codes are also valuable internally in the company to promote good ethical and moral considerations. FTC claims that the working methods at the suppliers are most important in relation to what actually states on the document.

In order to create business relations and co-operate, Indiska especially pointed out the significance of a business dialogue between the principle and the supplier. Without a working dialogue a platform could not be constructed for further improvements of the company’s requirements. Companies have to understand the opposite side’s knowledge (suppliers), insights and problems and examine available possibilities and factors governing the market, to considerate the supplier relations “under the surface” to really understand the implications and interests facing the suppliers. IKEA state, “The suppliers are as important for us as we are to them” For an action plan to work, both parties must be dedicated to put time and means into a long-term business relation. More specifically, a relation built on trust and close business relation possesses the possibilities to succeed. But do not forget, work with the ethical codes of conduct is a never-ending process.

ABG argues that Swedish companies are not sufficiently taking their responsibilities. ABG proceeds by explaining that some companies have initiated the process, but they are still heading much work to be done. At the same time, the problem is huge, new and complex. Companies initiating the process are pioneers, which entails searching for a suitable system
that works organisational, technical and economical. Unfortunately, many times companies have established ethical codes of conduct after disclosures or scandals in the media, which constitute the starting point to a responsibility.

FTC also believes that Swedish companies are not taking social responsibility sufficiently, even though the ethical codes of conduct are a step in the right direction. FTC estimates that approximately 10 per cent of the Swedish companies have established ethical codes of conduct. It is commonly found within industries, which are exposed to external pressure, as clothing companies and home-furnishing companies. It is even noticeable at engineering companies like ABB, who have faced much criticism for their dam constructions. Ericsson have accelerated their awareness of the corporate social responsibility and have implemented ethical codes of conduct. FTC explains that ABB and Ericsson are facing similar structure characterising clothing and home-furnishing companies with outsourced production. Thus, they are starting to meet the same requirements.

Furthermore, an ethical committed business practice enhances the brand image. To stand up and take responsibilities for the business practise fills the brand with positive values as a social responsible citizen. It is also valuable for business due to many consumers want to be convinced that they are doing business with a company that are operating according to their values and norms. The case companies and researchers (e.g. Cannon 1996, De George 1999), point out that companies are expected to take a social responsibility.

Should external, public regulations decide how to act or should it be up to the companies to decide what an ethical manner is and regulate themselves? “Laws in most countries are displaying what is ”ethical”. The problem is that they are not followed in practice”, says ABG. Ritcher (2001) points at the trend of company’s self-regulation. Who decide what the codes of conduct should entail? IKEA have formulated their requirements and so have Lindex and Indiska. Ritcher asserts that companies have gained such power that it is difficult for an external authority to regulate companies’ business activities. As powerful companies, IKEA, Lindex and Indiska fit into this perspective, though they have all formulated their own directions.

Ferrell et.al. assert that companies should record and adopt prevailing legal standards in the production countries, but the researchers particularly stress that those companies should implement an ”best practise” approach and standard. As the research disclose IKEA, Indiska and Lindex are emphasising an approach that will result in compliance with their basic requirements. The ethical codes are an initial step to reach human and working acceptable conditions.

Concluding the Communicative Aspects of Social Responsibility

On one hand, the business operating company endeavouring profit maximisation with a supply of products that are satisfying consumers in terms of both quality and price. On the other hand, the caring social responsible company taking accountability for its actions in order to categorise its business practise ethically. The combination of the two cases could be classified as a ”contradictory relation”. Indiska argue that H&M, Kappahl and Lindex possess advantage in larger organisations while small companies do not possess the capacity necessary. Therefore they have lot to fight against. “Smaller companies are way back in the development of the ethical work. Largely depending on their lack of required resources. A
large company possesses resources to employ full-time persons within the ethical work. The
fact that focus is on large companies and their ethical work implies that small companies can
avoid the demanding requirements.”

“It is remarkable that powerful organisations even care about social responsibility, because
their sales figures are not affected by scandals, but in a longer perspective the brand will be
hurt and employees may push business activities in one direction. It is not true that the codes
are originating from the internal organisation, that is rather a modification of the truth”,
concludes FTC. In other worlds external pressure and requirement for social responsibility are
decisive factors in the determination of forming an ethical organisation. Even though ethical
business considerations depends on the organisations values, traditions and personal attitudes.
Pressure and requirements from the external environment are conclusive.

Finally, we found it clear that companies do not possess all the means necessary to answer all
ethical problems, but companies can develop a solid framework of explicit values and action
plans that are consistently practised when conducting business. In our research IKEA, Lindex
and Indiska have raised ethical policies and put forward an ethical code of conduct document,
which is integrated in their daily operations. Ethical codes of conduct are established to guide
the business activities, to govern human conduct and fulfil the company’s obligations. It can
also be evaluated in terms of showing responsibility and importantly to communicate the
ethical statement in order to gain trustworthiness in the business practise and displaying a
corporate good-citizen image. In the cases of non-communication externally of the ethical
commitment, the public may question the business practise taken by the company, its
responsibility in society and its consideration of human rights.

7.3  Effects of Working with the Codes

Companies like IKEA, Indiska and Lindex have implemented directions to regulate the
business trade in relations to suppliers, particularly in low-cost countries. More specifically,
we discuss question 14)Are the monitoring systems reliable and do suppliers really implement
the company’s requirements?, question 15)Which procedures and sanctions should take
effect in the event of non-compliance?, question 16)Have the company observed any effects
from the establishment of the codes of conduct? and question 17) What kind of problems and
challenges does the company’s work with the codes of conduct entail?, which are taken from
our conceptual framework. Reasons for establishing codes are to extend the responsibility
beyond the organisational boundaries and the operating market, as well as communicating
social concern for improved brand image.

IKEA

“Our work with codes of conduct is not much about monitoring as about education. We
started this project by educating 1 000 people, because if you do not know what the codes are
there for, you do not know how to implement them”, state IKEA. IKEA call the education
“adult educational activities”. IKEA find it interesting that they have had much unprecedented
positive response from the suppliers, though it is they who did the job in the final analysis.
For example, Chinese and Romanian co-workers expressed their satisfaction of being part of
the progress in their own countries.
The interest for IKEA has increased, as authors like Fagerfjäll (2001) had paid attention to IKEA’s work. “This definitely strengthens our brand. Our opinion is that it is important not to try to communicate more than you can stand for. Our 2 000 contractors are not experts on everything”. IKEA finds it too early, to draw far-reaching effects from their codes to the brand. But IKEA admit that they have become more professional in their purchasing organisation and internally, it is not only money that counts other values are also important.

At the contractors, IKEA are treated in a positive way and IKEA’s suppliers have the greatest understanding for the reasons behind the codes and IKEA’s demands, assert IKEA. The issue of codes of conduct have the suppliers’ full comprehension and suppliers even consider it good that IKEA make demands on social responsibility. “There is no one, that are against issues of improved work environment, if you put it in the right way”, according to IKEA.

Is there a problem that purchasers have their own corporate codes? “It is not a problem for us, but it is definitely for the suppliers. Companies all begin from the ILO Conventions, but then it depends on how companies work, which business they are in, because the codes always have to be adjusted to the companies’ prerequisites. But the more a like these codes are, the less confusion”, in IKEA’s opinion. IKEA do not believe in that the European Union (EU) formulates a general code, it has to come naturally. Though the application is depending on what business the company belongs to. According to IKEA, voluntary codes, on the contrary, engender a genuine commitment, without rules and regulations. IKEA need one code of conduct, ABB another.

”A problem with the ethical work is, that we are here with our Western perspective and forget that we actually have done a journey”. For example, no one used hearing protector in the 1950s, progress has happened fast. IKEA define their role to be catalyst. “Education is more important than control, though we are not the police. If the suppliers do not understands why the codes are there, there are crucial risks they will go back to where they were before”. Consideration and respect are a necessity for the requirements to hold.

IKEA have a contract with their suppliers, which asserts if child labour are found, the supplier is responsible for accomplishing an alternation, so that the situation of the children are improved. It might involve that the children attend school, maybe working a couple of hours a day. “IKEA do not assist the children or their families, but we have a responsibility to follow up that our contractors do as they tell. The contractors have a responsibility to do something about child labour. - IKEA have not. It is their suppliers’ responsibility and environment. It has turned out very well”. The challenge for IKEA is to ensure that no one takes a break after the 31 of August, i.e. that the work continues. ”We are very proud that IKEA handle these issues in a tremendously serious way. We want the created consciousness which we have come a long way with, to be a popular movement”.

Indiska

The suppliers’ implementation of ethical codes has increased. Indiska have observed individual progress of working conditions, working environment and positive results from diverse aid-programme, i.e. the help to help-oneself projects. Furthermore, emphasise on ethical codes have raised an awareness of ethical issues.
The work with ethical codes does not only imply positive outcomes. The work embraces also negative aspects. One of them is to secure the whole production chain. Both Indiska and Lindex argue that it is nearly impossible to guarantee 100 per cent fulfilment of the codes. Even the use of child labour is difficult to fully eliminate. Indiska question the debate regarding child labour in the clothing industry. They believe that sometimes logical arguments are missing. In manufacturing an education is needed, children can only perform unskilled occupations like cutting cotton-treads etc.

Indiska are amazed of media’s attention on ethical issues relating to the clothing business. Are ethical aspects related questions to the clothing industry? Why media are not examine how companies like B&W can sell toys to low prices, or focusing on the computer manufacturing industry etc? Do people really believe that no bad conditions exist? Maybe this is due to the fact, that a majority of Indiska’s customers are women. Women are sometimes more concerned and aware about social issues in relation to men.

A main dilemma raised in the interviews is the control of subcontractors, i.e. subcontractors to the contracted suppliers applied by the Swedish companies. What happened before the cloth reached the contracted supplier? The regulation difficulties for Swedish companies complicate the ambition to govern the whole production process.

However, in some cases even the national law brings forward dilemmas. Indiska explain that in Delhi three different legislation are practised. Every federal state has its individual labour legislation. Which entails different levels of wages, i.e. some suppliers face higher payroll expenses than suppliers in other areas due to less competition. A buyer has to consider these facts, in order not to press buying prices in areas, which will result in lower worker payments. Indiska have also noted a problem due to the seasonal buying process. (Indiska try to minimise stocks). The irregular production process implies that only a minority of the staff possess a contract of employment, the majority are on time-limited contracts. The insecure financial situation contributes to unstable and unpredictable living conditions.

The working hours-question is the toughest one. During high labour capacity, workers are often forced to work in excess to hours (overtime). In scarceness of losing employment many workers are strained to overtime. A contrasting perspective is the fact that many workers employed at Indiska’s suppliers are characteristically of living on the countryside and in short periods living in town to work hard. Thus, the workers want to work hard and earn money in a short time period. However, Indiska are working in order to find a balance in the working hour dilemma. Additional workplace problems addressed by Indiska are the unallowable to drink sufficient and to few bathroom visits which creates kidney troubles for employees.

Moreover, Indiska emphasise other problems in the field of ethical codes. Suppliers in manufacturing countries are in the hands of the buyers of the west world countries. “We are exporting our requirements and our codes are made from standards of the Western world”. In other worlds, the requirements set by Indiska and other companies are very European. It is important to state that for example 50-70 years ago, we did not either have a bathroom for twenty workers. Indiska proceed by asserting that Indiska expect suppliers to fulfil their general directions, the basic codes. Nevertheless, most significant for Indiska are that workers are compensated for their engagement and have clean water available.
Lindex

Lindex argue that their work with codes of conduct helps to perform a lot of improvements. The establishment of the codes have turned out positively. It had contributed to an increased monitoring. Furthermore, Lindex have recorded that the work with ethical codes and continuous exchanges with the producers turns out in ameliorated working conditions at the plants. More specifically, the enhancements are achieved on fundamental conditions at the producers. Lindex emphasise that it is often in new supplier relation problem arise.

Lindex are in relation with other clothing companies in the business, the DressCode project, operating in the direction of improving working conditions in low-cost countries. The assembled strength gives the companies power and an effect on the producers/ suppliers working environment. Lindex’ size, contributes in a large extent to the ethical pressures on suppliers. Thereby become aspects significant to Lindex, even significant to the supplier. An interrupted business relation or a cancellation of pending orders could imply considerable economical consequences for the producer. The interrupted business action can turn out in negative effects for the employees in terms of lost employment, inability to maintenance etc., something Lindex want to elude.

Summary

In the summary we are thoroughly analysing the issues above in a more general perspective, in congruence with previous theories and with a critical reflection. In this section we also have intended to present an external voice, respondents from Amnesty Business Group (ABG) and Fair Trade Center (FTC) are fulfilling our approach.

We discerned two positive main effects of companies established and communicated ethical codes of conduct, first globally improved working conditions and second improved brand image. But do these two effects contradict each other?

IKEA claim that their work with codes of conduct are not so much about control as about education, because if the employees and the suppliers do not know what the codes are, they do not know how to implement them. The case companies all point at fundamental improvements at their contractors, thanks to establishment of the codes. The work with ethical codes does also include negative aspects. One of them is the difficulty for the case companies to secure the whole production chain. IKEA, Indiska and Lindex argue that it is nearly impossible to guarantee 100 per cent fulfilment of the codes.

One of the toughest basic codes to fulfil turned out to be the one regulating working hours. The toughest in terms of finding a balance between the desires of the employees, that emphasise working hard in short periods for financial advantage contrasting employees forced to unpaid overtime. The dilemma is in focus for the ethical codes of conduct and thereby in the hands of the case companies. The critical issue is to find a balance between the two opponents, a tough question that favour some employees and harm others. Indiska had the most concrete examples on violations to their codes, like the lack of clean potable water and too few toilet visits, which can damage the kidneys. The most important for the case companies are that child labour do not occur, that employees are paid for their work and have clean water available.
Nevertheless, there are differences, between the companies’ indulgence towards the suppliers, probably due to size and ability to personal relation with the supplier. IKEA, the largest corporation in our study, with 70,000 employees consider abuses against their codes as the contractors problem. Therefore IKEA emphasise to educate the suppliers. Indiska, the smallest company in our study, with 450 employees, take part of suppliers’ conduct and stress to support the whole family of child workers and educate the mothers of the children. The third company, Lindex, state that they will stop co-operating after a short respite.

An interesting point when implementing ethical codes of conduct is the fact that Western companies are exporting European requirements. They are gaining power in their transactions, in terms of control and requirements. It is evident that developing countries do not have the same working standards as the Western world. It becomes even more diverse due to different cultures, living habits, norms and attitudes etc.

Indiska and Lindex raise the question why ethical aspects in the clothing industry get more attention in media than similar issues in other industries? According to them, one reason can be that a majority of their customers are women, though they only sell clothes for women and children. Indiska remark that female consumers may be more concerned about social issues than male.

It is still at risk that the companies maintain that “the codes concerns our suppliers and subcontractors”, instead of taking the responsibility themselves. ABG and FTC perceive a large difference in the purchase of goods, after the introduction of the codes, companies cannot blame the supplier and say, “they do as they want to”. The most important is that the companies now have to take responsibility for the working conditions at the contractors and cannot put all the blame on the contractor, instead it is in company interest to support the supplier to improve working environment and fulfil the codes.

The most important effect of companies introduction of ethical codes of conduct for their activities is that they have all started to monitor and take responsibility for their own and the suppliers’ conduct wherever it take place in the world. Other positive effects of the codes are improved working conditions at the suppliers, especially lightning and ventilation. FTC puts forward that IKEA have made a global agreement with the labour union Byggnads and Lindex are professional in monitoring their codes.

Indiska have a more personal relationship with their suppliers: “We trust them”. But the fact that suppliers’ promise to follow the codes does not mean that suppliers put forward an incorrect image or hide something, which is a problem for Indiska in the monitoring of the codes. Because Indiska’s relation to their suppliers, does not necessarily imply that the workers get it better. Indiska are otherwise the company with the greatest potential, though they proceed from a social ambition and commitment, unlike IKEA and Lindex. Indiska actively seek for poor villages to place their production in, but as FTC put it “without a better strategy, exploitation of humans are at risk in their operations”.

The researcher and head of project for Thai Labour Campaign, Junya Yimprasert (TT, 2000), see no positive effects of the establishment of corporate codes. “The problems are at several levels. The international corporations, for example within the sport clothes industry, demand their suppliers to fulfil the codes of conduct. But at the same time they threaten to move production to another country, if they cannot hold production costs down. The producers, on the other hand, use the extra cost the codes implies for the production, as an argument for
keeping workers salary low and not paying any overtime compensation”. The companies often use the establishment of the codes as an argument for “no need for” labour union activity. The codes are supposed to guarantee fairly acceptable working conditions. ABG agrees: “The freedom to join labour unions is the toughest problem.

There are no Swedish company that pursue trade with developing countries that can tell, “This is not the way it is at our suppliers”. Someone has to pay the rent for improved working conditions, the contractors claim that they cannot afford higher salary, after investing in better working environment. FTC warns that Western companies have shallow insights and poor monitoring: “Ventilation and lighting are easy to see. It is harder to investigate how salaries are paid and if the workers are threatened if they try to organise in labour unions”. There is no need for new codes, but they should be better followed and include added costs. Right now it transmits double signals: notwithstanding price and time of delivery are of higher priority for the purchasers than working conditions in the production.

The most important part of the codes is the right for the employees to organise themselves in labour unions. The companies in the Western world have to be pronounced to their suppliers and show that they want the employees to be able to organise themselves. Today, there are at risk that many countries in the Third World assume that international investors do not care at all about working conditions; the competition is only about price, quality and time of delivery. “Globally international investors can have a tremendously impact of living conditions into the countries where the suppliers are”, argues Fair Trade Center and take China as an example, where foreign companies signal: “We want labour unions and reasonable working conditions”. This also implies that the prices from the producers have to be adjusted according to these requests.

Another relevant issue is, if there is a problem that every purchaser has its own ethical codes of conduct? The case companies state that it is not a problem for them, but it definitely is for suppliers. The solution could be an international corporate code, governed by the European Union (EU) or the UN, as were meant to be in the 1970s. But IKEA, for example, does not believe in that the EU can establish a general code for all industries, without consideration for what business the company belongs to. According to IKEA, “Voluntary codes, on the contrary, engender a genuine commitment, without rules and regulations”.

FTC discerns two problems with companies’ voluntary codes. First, it is not trustworthy in the right way. Second, it is harder to know about the truth if the companies perform internal control, instead of an external labour union. Except for these two problems and that the codes may not improve working conditions at the suppliers in reality, another negative effect of corporate codes of conduct like IKEA’s, Indiska’s and Lindex’, that we learned in reading Ritcher (2001), is that, rather than improving standards of practice, the codes may actually contribute to reduce social responsible behaviour. A corporate code of conduct may be established to avoid public regulations on an industry. Thus, by pretending to have high moral practice, legal constraints are sought to be avoided, by misleading people about the real intentions of the company.

Communicating Effects of the Codes

The companies enlarge the requests on the suppliers more and more, the question is who is going to pay for it? According to FTC companies like IKEA, Indiska and Lindex can gain PR
by establishing codes of conduct and communicate them, but it depends on how they communicate. Many companies in the frontline of ethical regulations draw attention to themselves - and also a lot of critics. “The best thing is to be honest and admit what you have not done, it is more serious to tell when you are going to do it”. According to ABG, the effect of working seriously with an ethical commitment, always gain the employees perception of the corporate culture and the external company image.

The question is why companies have started to regulate themselves, on behalf of public regulation, by establishing ethical codes of conduct to a greater extent the last years. Do the growing number of corporate codes of conduct indicate a growing social responsibility among companies, that external regulation no longer is needed, or is it a consequence of international companies have gained much influence the last decades, that it is impossible to regulate them with national laws (Ritcher, 2001)? Ritcher is critical to the assumption that companies establish ethical codes of conduct, because they are becoming more social responsible. But she all the same draws parallels between a growing concern for corporate codes and economic crises in the world, where corporations with activity abroad, especially in countries where human rights are not protected, have to act social responsible (improve working conditions etc), to minimise risk on investment.

Consequently, companies also have to promote a “corporate-citizen” image of themselves to the public. Would it be morally wrong if codes were established and communicated for company self-interest (reduce risk on stockholders money and increased sales by enhance brand image) if the outcome is consistent social responsible behaviour?

7.4 Do the Consumers Care?

Do codes of conduct possess any importance for the corporate identity and brand image and do business ethics have any significance for consumers purchase behaviour? In what way can consumers interpret and care for the ethical statement and the way the case companies work and communicate these aspects? Therefore, we discuss question 18) In what way do the company believes that the customers interpret and care for the company’s ethical statement and the way the company work with these aspects?, question 19) Do business ethics have any significance for consumers purchase behaviour? and question 20) Do codes of conduct possess any significance for the corporate identity and brand image?, which are taken from our conceptual framework.

IKEA

IKEA are convinced that their customers expect the raw material IKEA use to be taken from nature in a good way. The consumers expect the products to be ethically manufactured, i.e. in a human working environment, without child labour or pollution of the environment. “Today the ethical concern among consumers is rather limited”. Even so, IKEA claim that there is an increased interest for these issues and the media play a big part. IKEA try to capture ethical questions in consumer research, as part of their market capital.

Do companies ethical commitment have any importance for consumers purchase behaviour? Are some consumers more concerned than others? In IKEA´s opinion there is very few consumers that ask about ethical issues. “We are not directly heaped by questions from
consumers, the ones who ask are students, some journalists, labour unions and NGOs. It is still a very small group, but it is where all changes starts. Our opinion today is, unfortunately, that ethics have only a limited influence on the customers purchase decision, but we think in due course it will. You need to respect, that for a lot of people it is only the price that drives the purchase decision”. The company want tremendously many people to shop at IKEA and they also want the customers to be assured that the commodities they buy are produced according to acceptable working conditions.

IKEA state that ethical and environmental concern are partly a question of generation, though younger people are more conscious, but still IKEA do not know if this has any significance on purchase behaviour. IKEA´s main customers groups are young adults, the ones that move to their first home and families with children. But IKEA confess that they do not have any methods for following consumers purchase behaviours. IKEA do not know exactly what effects a change in attitude could have and IKEA do not know if customers increased consciousness will change their buying habits when they are at IKEA´s department stores.

IKEA have chosen not to have some ecological products, instead IKEA have the same requirements for all their products. “Everything we offer is okay, all products and all suppliers shall fulfil our minimum requirements. We have made an ethical statement and we take the consequences of this statement in our product mix. The dividing in “ecological” and “non-ecological” products tells the consumer that their are only one small part of the whole product mix that are okay, while the most of it are not”, argue IKEA. IKEA believe ethical factors will have an increased importance in the future, but to accomplish this, ethical production should not entail higher price. IKEA take groceries as an example, where ecological products are more expensive and therefore fewer consumers by them. For large quantities consumers prefer buying non-ecological goods. Thus, the secret is to behave socially responsible and to communicate the ethical message without added cost.

Indiska

Ethically concern companies who emphasise good practise for desirable goods may face contradiction in their strategies. How aware are consumers of ethical issues? To conduct independent audits are costly and are consumers really willing to pay. Indiska argue that a company has to take its position in these situations, i.e. it becomes a cost adjusting. But do consumers really care about the corporate ethical concern? Indiska believe most important to consumers are financial questions, i.e. to get as much as possible for a restricted budget.

Indiska have tried to sell an assortment of natural labelled clothes. But it did not workout well, because many consumers were not prepared and the interested ones were too few. Indiska assert, “We would like to believe that our customers care about our ethical statement, if they have to choose between a brand that takes social responsibility or not. If consumers like the brand and what it stands for, they will come to us. But we believe consumers subconsciously accept what we stand for”.

"Our work with ethical issues is very important for the brand, it is not only the codes that counts, but everything we do“. Indiska are sure that some customer groups are more sensitive to social engagements than others, but this is nothing that Indiska have observed in any market research. The most important is that the product is “right”. Because even if a product comes from a help to help one-self project it has to attract the customers and be commercially
marketable. Indiska have had goods from the women collective help to help-oneself, which were not saleable at all. It is essential for Indiska to be part of the design process, where Indiska can communicate what their customers in Sweden, Finland and Denmark demand. In the first place, customers by the product because they like it. If two bags are similar, and one of them comes from a self to help-one-self project, then consumers may buy it.

Lindex

"Lindex believe that codes of conduct are really important to the corporate brand and its core values.” It is important to relate values to the brand, it is a more long term process than focus on separate purchase. Because consumers are not doing a concrete choose in separate purchase. “We think codes contribute positively to brand image, not as an active choose, like “here I am doing a good purchase”, instead as an unconscious feeling that “it feels good for me to purchase at Lindex”. Thus, it is not a question of doing an ethical purchase though the consumers are focusing in a greater perspective. It could be a combination of; the store playing good music, nice employees in the stores or that Lindex do a satisfactory ethical work.

Do codes of conduct possess any significance for the corporate brand image? Lindex have no documented information about the codes influence on the corporate image. But Lindex do believe that it have and are contributing positively to the brand image.

Do business ethics have any significance for consumers purchase behaviour? Lindex state, “We believe that products and brands are more significant than our ethical and social standpoint. A minority of the customers make an active choose. We think that most consumers unfortunately do not care about the ethical statement”. Whereas some consumers believe Lindex are working with ethical concerns. Nevertheless, Lindex think that they are perceived satisfactory in those issues, regardless of any concrete proofs.

”A favourable price is superior to the ethical implication.” Regarding clothes, Lindex believe that many consumers are passive in the ethical aspect. Contrasting purchasing of detergent, where consumers are more conscious and deliberately consume eco-labelled products. Lindex believe that environmental labelled clothes are only interested to a minority, because people are not buying clothes for that reason. “To purchase clothes are more personal, less rational and more feeling. It should be fun to buy clothes. People are buying clothes on emotional reasons, they strive for achieving a favourable price or a new trademark. The customer wants to consume something especially for her. There are few consumers that want to think about something unpleasantly in the background.” Consumers with restricted budgets are more often concerned of the price. Moreover, there are consumers and pressure groups contacting Lindex to call attention to the importance of focusing and working with ethical issues.

According to Lindex, there are three characteristics of consumers the ones that are active and largely influenced by information in their purchasing. Others that are conscious, but are on the same time not caring that much, thus the consciousness do not influence their choice of consumption. Then there are consumers consuming without any information in their purchasing decisions.” We believe that most of the consumers do not make the correlation between how the garment is made, i.e. that someone actually have made it when they purchase it.” Thus, consumers do not often consider the connections. How clothes have been manufactured is often too abstract and too far away.
Summary

In the summary we are thoroughly analysing the issues above in a more general perspective, in congruence with previous theories and with a critical reflection. In this section we also have intended to present an external voice, respondents from Amnesty Business Group (ABG) and Fair Trade Center (FTC) are fulfilling our approach.

It is of good ethical standard to say that you do care about companies following ethical standards in their practise. But do consumers really care about ethical aspects? On one hand, there are consumers solely interested in consuming goods at low prices. In fact they are satisfied with obtaining mid-quality goods at a low price. Price sensitive or not, many consumers are attracted to low-price companies due to financial aspects, more for less etc. On the other hand, are ethical aspects decisive in consumers’ choice of brands? Do low-price companies capture consumers that do emphasise the significance of ethical concern?

Fagerfjäll et al. (2001) argue that consumers’ consciousness of ethical issues have increased the last few years. Creyer and Ross (1997) and Mason (2000) claim that consumers do really care about business ethics, in so far it affect their purchase behaviour significantly. Attalla and Carrigan (2001) though, question the “ethical consumer” and assert that corporations can do any ethical abuses, without any significant negative impact on consumers’ purchase decision. The problem is that most stakeholders do not have enough information to determine the corporation’s motives of social commitments (Allen and Husted, 2000).

We found out that IKEA argue that it should be profitable, not be more expensive, to operate in an environmental friendly and ethical way. Also Lindex consider their ethical commitment and work with their codes to contribute positively to brand image, “not as an active choice, like “here I am doing a good purchase”, instead as an unconscious feeling that “it feels good for me to purchase at Lindex”. Indiska are certain that some customer groups are more sensitive to their social commitment than others, but this is nothing they have observed in any market research.

Nevertheless, the case companies all state that for most consumers, not at least their customers, price is the determine factor, and they believe that ethical concern is marginal in purchase decisions - provided that the consumer already find the brand and the products “right”. Lindex and Indiska remark that there are few consumers that want to think about something unpleasantly in the background, when they buy clothes. Only IKEA claim that they are convinced that ethics will affect consumers’ behaviour in the future. But as asserted before, the companies have no market research to rely on concerning the ethical aspect of the consumers’ subconscious image of the brand. The information is derived from their personal experiences.

FTC experiences that consumers in general believe that the working conditions at the producers are worse than it is, “that children are chained to the loom”. Therefore many people feel guilty when they go shopping. FTC argues that the companies are aware of these general feelings, because even if few of the consumers ask about the production in the stores, many young people and students call the companies and ask them about their ethical work. Some of them choose to buy second-hand instead of new products, because of solidarity and environmental concern. In spite of this, changes in purchase behaviour are almost not discernible at all, not even after scandals where it is revealed that a particular company’s suppliers use child labour. Even so, ABG and FTC do not recommend consumers to purchase
less or stop buying goods produced in the Third World. “In the developing countries workers do not want us to stop purchasing, because then they would loose their jobs”. But we lack a discussion, not at least from ABG and FTC, on how to make global consumption responsible for a sustainable world. Even though Western companies reserve more money for taking care of pollution that their activity have brought about, they damage cannot be made undone.

**Consumer Interpretations Affecting Communication of Ethics**

Consumers can mould an image of a company in three different ways (Creyer and Ross, 1997). First, out of actual experience, e.g. they have received the company’s external communication. Second, out of information from external sources, like word-of-mouth or the media. The third way of moulding an image is when the individual consumer have the ability to go beyond their own experience or perceived information about a company, e.g. interpret the communication and evaluate: What is not communicated? Is it something that the company wants to hide? According to IKEA, the secret is to conduct socially responsibility and to communicate this consistent without added cost, then ethics is undoubtedly a competitive tool.

Finally, our case companies have chosen to display more of their operations that in past have been invisible for the consumers. Kapherer (2001) asserts that the increased transparency of companies’ operations is an advantage for the consumers, in terms of better-informed consumers with a power to affect corporate business activities. Thus, consumers can more easily gain information about the company’s ethical dimensions. The crucial issue is how consumers interpret the ethical commitment that IKEA, Indiska and Lindex want to communicate?

**7.5 Are Ethics and Social Responsibility Profitable?**

*To what extend should social responsibility drive corporate activity? The profitability statement of ethics and social responsibility is sometimes interrogated. Therefore we let our case companies articulate their point of views of ethically profitability, in order to gain insights in their statements. More specifically, question 21) Are ethics and social responsibility profitable?, question 22)To what extent should social responsibility drive corporate activity?, and question 23) Proportion of the turnover to ethical and social engagements?, which are taken from our conceptual framework. The communication aspects within this context will also be determined.*

**IKEA**

IKEA´s opinion is that social responsibility is profitable for them and for their suppliers, because it turns out in a more efficient company. “In the short run the costs are increasing for us, the suppliers and the customers, but not in a long term perspective”, states Marianne Barner. Kent-Åke Ahlgren, claims differently that it is no cost that falls upon the consumer, at all. “No one says social responsibility and profits can not go hand in hand. On the contrary, it is profitable to do “good” business, both in short and long term”. Kent-Åke Ahlgren means in IKEA’s approach, going out to a supplier and requiring investments, for example in Russia, do not call additional cost because investments are moved earlier in time. “For us an ethical
statement is profitable today and a condition tomorrow”.

IKEA are first within the home-furnishing business and it is a great advantage. The suppliers use IKEA as a description of quality: “we fulfil IKEA’s requirements”. This would entail that IKEA makes the job for others. “Body Shop and American retailers have as well taken decision on ethical conduct. But what many other companies do is to sign a paper, which they force their suppliers to sign on. This cover their own backs, but they run away from their responsibility without achieving anything. Accordingly there are large differences in activities between companies”, claims Ahlgren. But Ahlgren sees no conflict between IKEA’s requirements and the ones that other companies claim on the suppliers. IKEA consider itself as standing up for coming to an end with the problems and give every supplier the equal rights to fulfil their requirements. Especially in developing countries IKEA assert that they have all right to be proud, because there they have achieved most. “We have the same requirements for all our suppliers, but developing countries have a longer journey to go, but even there we have contributed to a positive progress”.

The social commitment is more considerable in IKEA today, levelled through the whole organisation, than three years ago. According to IKEA they put final touches on their ethical statement every day, even though they may not change the general stroke of the brush, which must be concrete and continuous, otherwise the energy will get lost.

To what extent should social responsibility drive corporate activity? “We are a business firm and we are of the opinion that social issues shall not drive a profit organisation. Our purpose is to sell home-furnishing products and our vision is to reach as many as possible that wants to furnish their homes with our products. For us the products comes first, the social issues are integrated in our business operations, but they are always secondary”, Barner’s answer is clear. Barner asserts that this is a difference between IKEA and Body Shop, where the social concern comes first.

Indiska

Indiska certify that ethical concern is not a question about profitability; it is part of Indiska’s business statement. Indiska hold a strong corporate culture, coloured by the founder Åke Thambert. Some of the core values are humanism and consideration. The culture reflects the business practise, co-workers and the choice of suppliers. The informal decentralised organisation that characterise Indiska have influence positively on relationships with the suppliers.

Is ethics and social responsibility profitable? Yes, ethical and social responsibility is profitable. The products are more similar in character, and therefore it is getting even more important to fill a brand with social responsibility and ethics for long-term profitability. But it is also important to take responsibility in relation to their suppliers, then production results in an increased product quality and the output is getting better. ”Right now Indiska are doing very well, but it is hard to draw parallels to our enlarged ethical and social work."

To what degree should social responsibility regulate corporate operations? “Due to the fact that the products are our livelihood, social responsibility is a clear strategy, because the customers expect us to take responsibility”. The fact that Indiska’s operations are depending on their products, social responsibility becomes therefore naturally. Indiska state, ”As Indiska
are associated with social responsibility, we are always prepared to answer inquiries”. Indiska run these questions deliberately though they are found in the core values at Indiska. According to Indiska, it is a question of business statement and the resources undertaken to social activities in the proper organisation.

Lindex

“Yes, ethics are profitable, by the fact that Lindex are hiring employees with right values influence the result and the quality in work.” The brand is associated with values that affect the result. Furthermore, customers possessing a conscious or unconscious feeling of “it feels right for me to make my purchase at Lindex” will even in the future make their purchase at Lindex.

To what extent should social responsibility drive corporate activity? Lindex state, “Social responsibility can never exceed the commercial aspects, which are governed by profitability and market forces. If ethic and moral are supposed to work, which is extremely important, then it is because there is a connection to the reality”. Lindex hope that external pressure remains, so that companies will continue to focus on ethical issues.

Summary

In the summary we are thoroughly analysing the issues above in a more general perspective, in congruence with previous theories and with a critical reflection. In this section we also have intended to present an external voice, respondents from Amnesty Business Group (ABG) and Fair Trade Center (FTC) are fulfilling our approach.

Is it impossible to connect a commercial interest, i.e. to face the requirements from investors, shareholders, financial objectives etc. with an ethical framework on the business practise, i.e. to struggle for human working standards in the production process? In congruence with researchers e.g. Allen and Husted, (2000), a social responsibility strategy is beneficial for business, because ethic and moral are directly related to profitability. The profitability of a company’s social work is strategic. Though, it renders the company more efficient by making the company focusing on its business practise, i.e. its production chain.

Companies are deliberately focusing on their business actions to cut costs in the production process by lean production, enhancing working standards at the suppliers, inspiring employees, increasing product quality and quality in work. The approach turn out in positive effects on both cost and ethical objectives. Business objectives and social responsibility concern are working together to increase the corporate profitability in a long-term perspective. Our research indicates that “ethical business” is profitable in both a short and long-term perspective. A contrasting approach may stress that ethically concern companies may face a contradiction in their strategies. The very social and humanitarian concern they express may cause them to increase prices in the short run.

One of the largest problems facing companies in their ethical commitment is to find a balance between the business interest and social responsibility of the company, i.e. the needs and desires of society on one hand and stakeholders and pressure groups on the other hand.
Consumers are demanding quality and prise advantage products, whereas stakeholders and pressure groups are pushing business practise in another direction. The company itself face ethical implication in order to maintain human working conditions in the production process and maintain customer satisfaction. The critical part may be to maintain the business operation without executing compromises that challenge the output standard. The theory (Ferell et al., 2000) in compliance with the research indicate that powerful organisations possess the means necessary to project a good corporate-citizen approach. IKEA, Lindex and Indiska possess the resources to both focus on ethical aspects, customer satisfaction and most importantly to create trust and credibility in their external communication of the business practise. A positive correlation between corporate-citizenship and business performance can thereby be discerned.

Noteworthy is that both IKEA and Lindex assert that commercial objectives exceeded those of ethical concern, in congruence with researchers in the field of business role in society (e.g Cannon 1996, Friedman 1970, De George 1996). Thus, economic interest is driving corporate activities. The focus is on the companies’ core operations, in order to supply desirable products to stakeholders. Noteworthy is also that social aspects are not in prior to profit interest. Though business interest exceeds the ethical concern.

Indiska, as a profit operating company holds a lower profile, than IKEA and Lindex, indicate that the undertaken social responsibility is not an issue about profitability. Though, the social responsibility concern is integrated in the business practise as a consequence of the corporate values. Researchers (e.g. Brytting and DeGeer, 1992; Ferell et al. 2000; Kitson and Campbell, 1996) certify that the corporate culture plays an explicit role in the way companies are focusing on social responsibility. We have noticed that the corporate culture plays an articulated role in the way a company react and answer ethical dilemmas. Cannon (1994) explains that companies have to create a culture of ethical awareness.

ABG argues in response to what extent social responsibility should drive corporate activity that the social responsibility should permeate the purchasing policy and the management policy and the daily work within the business practise. According to FTC companies should follow ILO’s convention, UN’s declaration of human rights, care for their business operations in terms of social and environments responsibilities, take responsibilities in the production chain, perform independent audits etc. However, companies do not have to become public benefactors and sponsor the society in a larger extent, though that can turn out incorrectly.

Communicating the Profitability of Social Responsibility

IKEA, Indiska and Lindex clearly pointed out that there is no conflict between the ethical and the profitability approach. But it takes time, articulated objectives, strategies and an internal commitment to become profitable in social work, as asserted by Allan and Husted (2000). Ferrell et.al. (2000) assert in the literature; "Business Ethics” that there is a direct relationship between social responsibility and profitability. Social responsibility is also profitable in the perspective of contribution to employee commitment, strengthen of the corporate image and increased consumer loyalty. Important reasons for communication of the ethical statement externally.

Finally, to integrate business objectives with social responsibilities are a competitive strategy and a necessity for the future. “To structurally work with ethical issues are regarded as an
naturalness in the future”, as our research states. A combined profit maximisation and ethically business strategy may constitute a reason for external communication. Though to emphasise commercial interest and ethical concern are not an illogic equation. Actually, it is a valuable strategy to communicate to the external environment that social responsibility is profitable and part of the core business and therefore a prerequisite for business in the future.

7.6 Communication versus Non-Communication of Ethics

Companies’ activities are an integrated part of the society and companies’ behaviours are therefore subject to moral aspects. To communicate the ethical commitment may therefore be crucial. The reasons for communication the ethical statement are diverse. As a consequence we interrogated companies about their motives, by using question 24) Reasons for communicating the ethical commitment and the code externally?, question 25)What significance does the communication of the companies’ social engagement have for brand image? and question 26)How do the company communicate its social responsibility to the consumers, if they do not read the homepage thoroughly?, taken from our conceptual framework.

IKEA

How are IKEA´s ethical statement and the codes of conduct communicated externally? IKEA´s communication is not that active externally, except to certain groups, when answering inquiries also is included as a way of communicating. IKEA state that they have to do their homework first and be sure that their work with the codes are getting on as it is meant to be. “We consciously do not communicate our codes until we really do something useful”, state IKEA. On the homepage they communicate their environmental work. IKEA have come much further on the environmental work than on the ethical issues and have implemented their environmental policy since the late 1980s. Most important for IKEA today is to really start working with the codes and putting effort on communicating the codes to the staff in the department stores.

Why are the codes established? The codes of conduct are less of quality aspects for IKEA and more of constituting trust and confidence as well as protecting the fellow workers. But it is tremendously important that it is built on that IKEA do the same as they tell. IKEA explain, “By only formulate codes, without actively implement them, you can not constitute trust and confidence. It is only done, by showing what you mean.”

IKEA state that the communication of their social commitment is very important to the brand image. IKEA argue that consumers expect IKEA to purchase its products in an ethical way and consumers perceive IKEA’s working method as fair to an increasing extent. “Our customers shall not need to question IKEA´s working method. We have to support the expectations that the consumers have, for us it is important issues and we work actively to achieve these goals”. 
Indiska

The ethical statement is not part of the communication strategies, because they do not use it in their marketing. It is too complicated. It is more “in the walls”.

The only communication channel that Indiska have chosen for its ethical statements, e.g. engagement in charity project, and its codes of conduct, is the web site. Except for a booklet in the stores called “Child Labour” and labels on products, which are produced in help to help-one-self projects. “We do not want to use our social commitment or our ethical code of conduct in our marketing or for PR, because these issues are incredibly sensitive. We are all profitable retailers and we can never guarantee 100 per cent that our suppliers comply with our requirements.”

Thus, the homepage is a frequently used communication instrument. The research points out that it serves as an efficient device in order to inform and respond to external voices, i.e. the external requirements. “The information on the homepage is a service for customers. Even if we do not communicate our social commitment in any other communication channel, the information is right there”. Consumers’ perceptions of the information from Indiska are affecting the brand value. The brand image is also affected by how media, based on interviews, interpret Indiska.

Indiska strive for straight communication and openness towards customers and pressure groups like Attac, Amnesty and Fair Trade Center. Indiska pay attention to the opinions on the market and tries to be up-to-date in these questions and the development in India. Indiska’s communication strategy implies that they want to go beyond the earlier communication of the brand Indiska. “We are trying to capture the funny collision between the traditional and the hyper modern India. We want to deal with India in the contemporary way.”

Lindex

A low profile characterise Lindex external communication of ethical aspects. ”We are not asserting that we are the best in the world. But I think we have a good ground level. We have chosen not to be offensive in our external communication of ethical issues.”, says Lindex For people who are interested, information is available on the homepage, in the annual report and in a booklet. “The information is available, and we do not want to “force” the information on someone, instead it is up to the consumers to make an active choose”.

The reason for the low profile in external communication is that Lindex found it difficult to communicate ethical issues. The homepage, the chosen communication channel, is an efficient medium that can be grasped by everyone. Lindex have observed an interest in ethical aspects, and by the homepage consumers by themselves can extract information without contacting the company.

Lindex have never noticed a correlation between the ethical work, their codes of conduct and the trade rating. Neither have Lindex observed that consumers’ behaviour is affected by the ethical codes of conduct. However, in the staff recruitment relations have been observed. When people are applying for occupations, they often aim to work at a company they can
stand for. Thus, it is related to personal values. According to Lindex, they are well regarded in these issues.

Summary

In the summary we are thoroughly analysing the issues above in a more general perspective, in congruence with previous theories and with a critical reflection. In this section we also have intended to present an external voice, respondents from Amnesty Business Group (ABG) and Fair Trade Center (FTC) are fulfilling our approach.

The fact that ethic is related to reality makes it complex. Companies are in most cases judged by their business behaviours. The complexities within ethical questions have resulted in ambition for straight communication and openness towards consumers, pressure groups and other stakeholders. The open-dialogue strategy taken by Indiska reflects their attempt to openly communicate the ethical statement and increase the transparency of the business operations.

The external communication may be critical in order to portray an image of a social responsible company, i.e. that the company do care about unethical exploitation of resources, social unfairness, unethical living and working conditions. But at the same time to communicate the ethical concern externally implies contradictions. Kaler (2000) stresses the problem is that companies’ responding to requirements and reasons to ethical business activities increase the expectations from the public. Lindex found it difficult to externally communicate the ethical work, Indiska complicated and too sensitive questions whereas IKEA found it more suitable to communicate ethical issues after the work have been done, i.e. the ethical codes have been implemented and fulfilled by the suppliers. The case companies are all taken an inactive position in the external ethical communication. The major motive is the faced difficulties in assuring a 100 per cent compliance of the ethical codes of conduct. Indiska state; "It can be too dangerous to proclaim something that you cannot control entirely." In regard to the complex dilemma, large corporations like IKEA, Lindex and Indiska, are choosing not to communicate a framework that they neither can live up to nor stand for. More specifically, it is a consciously undertaken strategy to overcome incredibility in the business practice.

According to FTC companies are communicating their ethical commitment to reach credibility for the company, at the same time companies do not want to communicate something that they cannot stand for. FTC experiences the ethical communication of companies are often misleading, though companies communicate that they have ethical codes and then the external environment experience that codes are followed, but that is often not the case. It would be more serious and credible if companies communicated the following ”we are taking attention to these problems in order to fulfil our ethical codes” thus to communicate what they are doing to overcome the problems. FTC explains that there is one category of companies that is perceived to put more active work on the ethical codes that they actually do. On the other hand there is another corporate category that FTC believes could increase their ethical communication. "But many companies are afraid of that strategy”, says FTC. Stadium for example claims that they do not want to announce their ethical codes, because they do not want to use ethical codes in their marketing.
Basically, it is a question about trust and confidence between the company and customers, society and other stakeholders. As IKEA state; "We want to look people in the eyes and tell them; this is what we have done." That definitely constructs trustworthiness. Moreover, the media is by researchers perceived to possess the ability to change public’s perception about the importance of particular issues. To counteract the effects of the media both Lindex and Indiska are describing their ethical work on their web site.

Furthermore, the ethical commitment is normally communicated externally by the homepage. It is a frequently used communication channel. On the homepage, companies are focusing on humanitarian concerns, according to Hooghiemstra (2000) in a self-laudatory way. The homepage becomes a self-presentational device. We found that all three companies are portraying themselves in a positive picture, as a good corporate-citizen, with a conservative self-criticism of the companies’ ethical work. They are also endeavouring positive results from their ethical commitment. Noteworthy is though that the case companies consciously discussed the difficulties met in the production chain during the interviews. De George (1996) pointed out by promoting a favourable image of the corporate business practise the negative aspects are put in the background. It became visible during the research, especially during the analysis of the homepages, booklets and store visits, that the targeted companies put forward a positive image of themselves in their ethical work. Both Indiska and Lindex are thoroughly displaying their ethical commitment on the homepage, a deliberately selected communication strategy contrasting the one taken by IKEA, which holds a lower communication profile.

It is vital to investigate if there is a gap discernible between the targeted companies communication (what they say) and what they really do. Is there a credibility gap? Ritcher (2001) asserts that one problem is that many companies do not emphasise the real ethical issues, instead they are focusing on allocating money to aid-programmes in too short time horizon. Allan and Husted (2000) explain that stakeholders do not have enough resources in terms of information and time to assess companies’ motives and business practise. According to FTC there are absolute a discernible gap between Swedish companies’ ethical communication and behaviour. In the initial phase it is simple to adopt the ethical codes, but in the second phase companies do not always know how to implement the codes. However, Lindex, H&M, IKEA have started to practically implement the codes, even though not completely, according to FTC.

Communicating the Ethical Commitment Externally

According to ABG Indiska and Lindex are not communicating their ethical statement in everything they do, instead it is found in written information and on the homepage. Since they implemented their codes they have worked in order to find systems for internal follow-up/audits. ABG proceeds by Indiska and Lindex have learned a lot from the three year-old project regarding independent audit (DressCode). "Above all we have experienced how difficult it is to discover the whole truth about the situations at the plants”, says ABG . To accomplish that approach, an independent part is needed who take attention and listen to all stakeholders, especially the workers. Companies cannot manage this by themselves, but this does not collide with companies' responsibility to perform internal audits of their suppliers signed ethical codes of conduct. However, it is a matter of gradually improvements. ABG has during the DressCodes continuation found proofs on progressive enhancements concerning wealth- and security issues. Other aspects are more problematic like freedom for unions,
salaries and working hours. There are still many things to be done. ABG finally stresses, “I am convinced that these aspects are changeable, but it will take time.”

Finally, the purpose for business disclosures, i.e. to communicate the production practise, is according to Hooghiemstra (2000) to legitimate business practice and straighten the corporate image, (e.g. Bradford and Garrett, 1995; Mason 2000). In congruence with IKEA, Indiska and Lindex, which also emphasise the effect and role of communication on the corporate image. As IKEA state, “Our consumers shall not need to question IKEA’s working methods. We have to support the expectations that the consumers hold, though they are significant issues and we actively work to achieve those goals.” FTC believes that the communication of the companies ethical commitment have a major significance on the corporate image. Companies can differentiate themselves by communicating an image as a “caring-company”, i.e. a “good citizen” image. In relation to an opposite position; “An ”egocentric-label” affects negatively the corporate image in the long term.

8 CONCLUSIONS

The globalisation of business activities raises ethical and moral issues. Issues difficult to handle even for powerful organisations. Major ethical issues are unavoidable when companies operate in foreign countries characterised by different cultures, values, ethical standards and socio-economic variables. The main reason for communicating the ethical commitment for the retail trading companies IKEA, Indiska and Lindex, which offers low- to mid-price consumer goods, is to gain credibility in their business operations. Especially though these companies believe that they have a social responsibility. In generally, what are the positive respective negative effects for retail trading of communicating ethics explicit in the establishment of voluntary ethical codes of conduct?

Why are low- to mid-price retail trading companies communicating their ethical commitment to the outside world, for example by establishing ethical codes of conduct? Our initial hypothesis, that companies offering low-price products to consumers have to communicate their ethical commitment to a greater extent than companies selling more expensive consumer products, was confirmed by all the respondents in our study. Low-price retail trading companies presumably have implications for consumers perceptions of the brand as less ethical - or “how can they otherwise sell such relatively cheap products?” Importantly, the communicating aspect has as much to do with a strong consumer brand, as with low price. Therefore it is particularly pressing for low-price companies with strong brands to communicate their trustworthiness.

In our research, however, retail trading companies with low-price to consumers do not necessarily implicate less ethical working methods. Instead, low-price chains like IKEA, Indiska and Lindex may have better insights to conditions at the suppliers and subcontractors, due to cost-efficiency, less waste of recourses and no middlemen. What our research explicitly points out, is that low-price to producers, unavoidable means low wages for the workers and in the worst case the use of child labour.

We observed two main tendencies in communication of ethics. On the one hand, retail trading companies’ desire to put forward a caring “corporate-citizen” image. It is a way to communicate the ethical commitment, to link social work to the business mission and to
differentiate the corporate message. In other worlds, to straighten the company’s “being” and corporate identity. Companies are not only offering a range of products, they are also taking responsibility for the production chain, by implementing and monitoring compliance of the companies ethical codes of conduct. IKEA, Indiska and Lindex have attempted to express their humanitarian and environmental commitments to their customers to overcome interpretations involving exploitation of human labour and Third World resources. Though they all have put forward a humanitarian-image in an attempt to display their effort and commitment in implementing ethical accepted working standards in the production countries in the Third World.

On the other hand, corporations in retail trading companies are cautious in their external communication of ethics. Companies are unwilling to face the dilemma of mediating more than they can assure. One reason is to avoid scandals, which could cause the public to loose confidence in them. An additional consequence could be that the public would require the companies to take even more responsibility (Kaler’s “virtuous spiral”) - and also that companies would have to stand for additional consequences (e.g. financially, humanitarian and environmental) of improved working conditions at the suppliers.

Trustworthiness, though, is not built by establishing the corporate codes alone, but by implementing, working with and communicating them. The respondents in our study emphasised, that in a foreseeable future it will be “obvious” to work with ethical aspects in business operations. One company remarked, “For us, an ethical statement is profitable today and a condition tomorrow”. From this point of view, starting to establish ethical guidelines today can still constitute a competitive advantage. On the other hand, the lack of communicated ethical commitment and codes of conduct can be a considerable competitive disadvantage in the future. But still, social responsibility may never replace profitability for profit-organisations. Our research indicates that the commercial interest of companies’ social responsibility and ethical work have a logical relation. IKEA, Indiska and Lindex assert that ethics is profitable in terms of differentiating the brand and strengthen the corporate identity.

Why should companies change communication strategies in these issues? Changes in corporate communication can be due to many factors: corporations may respond to external pressure; from pressure groups, government or public opinion, and they may respond to internal pressure, such as attitudes of employees, managers or shareholders. Even if the communication is consistent with company activity, is it relevant to call introduction and communication of ethical behaviour into profit organisations "social responsibility" – or is a company’s establishment of ethical codes of conduct only following its minimum of legal and moral restraints? Even so, an ethical communication strategy may avoid, prevent or mitigate negative publicity in public sources. It may also help to overcome prejudice like less price – less ethics and avoid misunderstandings.

Our case companies asserted that they have established their ethical codes of conduct, due to internal commitment for ethical issues, not because of external pressure. Notwithstanding, the introduction of the codes is congruent in time with revelations in media on child labour at the case companies’ suppliers not at least for IKEA, particularly in India and Pakistan, as well as pressure campaigns like CleanClothes (which emanated in the DressCode-project) for Indiska and Lindex.

Which strategic role are codes playing? The codes are strategic instruments to prevent incidences and efficient tools to control business activities and human conduct in the
production chain. The codes pronounce and disclose the corporate ethical policy and standpoint. More importantly the ethical codes of conduct are maintaining an ethical standard in the production chain. Thus, a clear guideline to the ethical and social norms that is undertaken in the business activities. It can also be assessed, as mentioned before, in terms of showing responsibility and to mediate the ethical statement to gain trustworthiness and gaining a “good-citizen image”.

However, the code itself does not disclose anything the company really do, it is rather an instrument to express what the company wants and stands for. As profit organisations, there is always at risk that critics will emphasise corporate codes of conduct is only matter of corporate image, that it is not actual conduct that counts in a company perspective. To come at the problem of child labour and poor working conditions in the world, and to increase the credibility among public for large companies, there is a need for more than voluntary corporate codes of conduct. Fundamental is, to improve independent monitoring (including e.g. labour unions) of the codes and signalling to countries with less stringent business practice, that Western consumers demand employees rights to organise themselves, decent working conditions and reasonable wages. But even so, in spite of the case companies’ work, effort and resources set aside for ethical codes of conduct, they are cautious not to communicate more than is demanded at minimum (that is, requested from public opinion, which is more stringent in these issues than public regulation). Even more disquieting, is that the largest case companies in our study, with the most resources on ethical conduct alone, are the most cautious one.

One of the major problems, in the case companies’ perspective, and the field of working with ethical codes of conduct, is that none of the case companies could 100 per cent guarantee that the business production did not contain unethical elements. One of the reasons for the dilemma is lack of resources to control suppliers and inadequate insights and information about subcontractors operations. Progress in the right direction, is through established buying offices with local knowledge and greater insight and engaging independent audits organisations. Consequently, the lack of total control over the implementation of the codes of conduct was the main reason for being so cautious with active communication to consumers, shareholders and other stakeholders.

Furthermore, the case companies found it difficult to communicate ethical related questions by labelling clothes, as is done with e.g. ecological food. The case companies argue that it raises more questions than it is useful and it also transmit signals that other parts of the companies product mix should not be considered ethically acceptable.

An important statement found in the research asserts that education of the suppliers and their employees is far more significant than control. Stated differently if suppliers do not accept and understand the external requirements (the ethical codes of conduct) the probability is high that they will never adapt and answer long-term obligations. They will simply go back to were they were before. Likewise, the workers have to be aware of their own rights and have the possibility to organise themselves, in labour unions for example. To respect and change attitudes for alteration for external requirements of the working environment are indispensable for the ethical codes to hold in a long-term perspective.

The examined companies in our investigation have astonishing little knowledge of how their communication of their ethical work is perceived among stakeholders and if it has any significance at all on consumers purchase behaviour. Discouraging, the case companies all
asserted that price was the determining factor for the mass market. An interesting point is though, that the most concrete effect of ethical communication that the companies observe, is that potential employees in the recruit process take the companies ethical commitment in consideration, when they apply for a job. It is indeed unsatisfying that retail trading companies offering high involvement products like clothes and home furnishing possess notably vague knowledge about their customers’ moral preference or their products effect on consumers’ perception of themselves.

What are the benefits for retail trading of communicating ethics explicit in the establishment of voluntary ethical codes of conduct? An increased external communication from retail trading companies can increase consumers’ trust and confidence for retail trading and accordingly consumer satisfaction may enhance. Even though every consumer does not care about ethical issues, will the increased information flow and corporate transparency turn out in more informed and enlightened consumers. Consequently, consumers are able to do an active consumption choice in accordance to personal preferences, i.e. price-sensitive, ethical aspects etc. Negative disclosure displayed in the media is easily manageable if consumers are aware of the difficulties and obstacles in the often complex production chain. An explicit communicated ethical policy influence the brand image with the right associations.

The industry will benefit from the implementation of ethical codes of conduct. Thus, the consumers observe retail trading companies working with ethical codes and consider ethical and social issues seriously. The efforts and investment made by retail trading companies in their work with ethical codes of conduct states a social responsibility for the future. Companies’ close collaborations with suppliers in developing countries constitute long-run enhancements in the production chain. Importantly, retail trading companies are able to assure that financial intentions are in congruence to ethical ones. In a retail trading perspective it is an advantage to voluntary anticipate or prevent public regulations, which probably would be a more financially burdensome. In a perspective of the national economy, the society could benefit more from strict government regulations. Which enforce all companies to follow the obligations.

The importance of studying the current shift in communication strategies in Swedish retail trading into an explicit communication of social responsibility and the establishment of ethical codes of conduct has two significant parts. First, the industry’s immediate relationship to its consumers, which makes it more sensitive for new trends and second, the fact that retail trading companies in the textile industry early outsourced, their production to suppliers in low-cost countries. On the Swedish market retail trading companies, e.g. IKEA, Indiska and Lindex, therefore can be seen as forerunners for other industries.

Furthermore, large corporations like IKEA and Lindex are positively influencing the retail trading by setting ethical standards, as guidelines for smaller companies. As our research states it is unavoidable for large corporations not take a social responsibility. They influence the industry beneficially by stating tested and well-implemented ethical codes of conduct and monitoring systems. An improved ethical standard in the production chain, as large corporations are intended to take a social responsibility, will enhance the reputation for retail trade companies.

What are the negative aspects for retail trading? One unmistakable negative fact is that audits carried out by the retail trading companies themselves have been criticised due to inability to satisfactory monitoring less discernible factors in the working environment in the production
chain. Moreover, consumers’ in the industry decreases from revelation of non-compliance of the ethical codes of conduct. The negative association can be hard to alter and affect the industry badly. Consumers may question the outcomes of the ethical codes of conduct.

Due to many cases of information asymmetry in the media question like; Are the enhancement in the production chain permanent or are they just temporary?, are raised. Therefore the retail trading companies have to emphasise and communicate long-run results of the efforts made in the production chain. Otherwise companies’ ethical commitment and work may be questioned. Thus, an inactive position in the external communication of ethics may raise questions about the business activities from the external environment. To overcome the cautious ethical communication strategies empirical evidence is needed and clear information about the problems met in the production chain.

Someone has to pay for the cost in relation with the implementation and monitoring of the ethical codes of conduct. Who are willing to pay? Due to sometimes heavy investments in respect to fulfil requirements for decent working conditions, suppliers in the production chain often are fighting against bad financial situations. Even in many cases not able to raise wages for employees. Are the retailing trade willing to pay or the consumers? IKEA proclaim that ethical enhancement do not have to cost. But is it really relevant, besides for a really long-term perspective?

The question is if Western consumers are prepared to pay more for ethical produced goods? A problem, both for retail trading and for human rights, is that most consumers do not have information enough to decide which motives companies have for communicating ethics. The consumers’ personal values and attitudes determine the purchase decision. According to our respondents, many consumers have difficulties in making any correlation at all between the purchased product and how it actually is produced. While other consumers believe the working conditions are worse than they are, and therefore feel guilty when shopping. These contradictory tendencies are both due to poorly informed consumers, which in turn is due to companies’ inability to target customers’ ethical set of values.

Finally, establishing codes of conduct, which entails minimum working conditions for employed at the suppliers, is for profit organisations not simply an act of charity - to help the poor people in less developed countries. The codes are of strategically use for international corporations with strong brands. The strategic use of communicating ethics is that it can both enhance company image/reputation and increase sales as well as reducing risk on investment in unstable economies in production countries in the Third World.

Essential for strengthen the brand identity by communicating ethics, is that consumers really care about fair working conditions. Essential for profits is though that the communication of ethics also affects consumers’ purchase behaviour positively. The efficiency of ethical codes of conduct as a strategy for communicating the brand identity depends on the consumers’ awareness and knowledge of what the codes entail. Therefore, “education” of consumers is a necessity for efficient ethical communication. The prerequisite is of course that there is no credibility gap between what a company communicates and what it really does. Thus, a consistent ethical code of conduct can constitute a strategy for mediating brand identity, embracing both company ethics and articulated company policy. In a societal perspective - including both company perspective as well as working conditions in the world - what matters is that the ethical communication is consistent with an actual and independently audited activity - not more or less. This is what strengthens brand identity, sustainable production and
human rights.

Suggested Improvements of Communicating Ethics

In our opinion, IKEA, Indiska and Lindex are too concerned not to be able to accomplish to the codes and therefore carefully cautious positions in communicating their ethical commitment are undertaken.

Being too cautious can also have implications for company image, though the external environment, without any knowledge of the ethical codes, may become suspicious and question the business practice. This could imply that the company image stand as the victim in the end. A more straight and explicit ethical communication strategy is required to overcome the dilemma of misleading ethical communication. Though our research has indicated the problem regarding consumers’ misinterpretation of the companies’ communication of ethical codes of conduct. Do consumers really understand what ethical code of conduct stands for and entail? You cannot communicate something that are not perceived and understood correct. The whole purpose for the ethical communication strategy will fail. Consumers have to understand the relationship, from the product in the store to the employee in the plant. Consumers’ awareness and knowledge have to be improved.

The communication has a significant effect on brand image. A more open and elucidatory communication should be practised, which increase consumers’ knowledge and insights to the complex ethical business environment. The corporate image will thereby be less affected if consumers (and other stakeholders) are aware of the cross-cultural difficulties and obstacles companies face in international trade. Noteworthy is to mediate the positive outcomes of the ethical commitment and the work with ethical codes of conduct, to fill the brand with positive values in this regard, to make consumers associate ethical attributes to the brand. To be trustworthy the companies need to encourage and participate in independent auditing organisations et cetera.

Thus, we believe that the IKEA, Indiska and Lindex in our study have to be more active in communicating their ethical commitment and what they are doing to improve working conditions in the Third World, including making the codes of conduct more detailed and easy to reach for consumers, shareholders and other stakeholders. Even though they certainly have large gaps in their ethical codes of conduct work. It is important that companies mediate externally what is done, what have to be done and what the company intends to do. Thus a proactive ethical communication strategy helps the company to protect the brand image from disclosure displayed in the media. Ethical issues should be on the board agenda, be included in the annual report and the catalogue and be available for consumers in the stores. It is important that corporations deliver the same messages internally and externally. Opportunities to demonstrate ethical commitments should be taken (e.g. public lectures, seminars, public debates) the company should also be active in social work (e.g. help to help-oneself projects for unemployed people) without exploitation.

Who are the codes protecting? Make sure that consumers are informed that it is the employees in the production lines who are protected, not retail trading companies brand or reputation, i.e. corporate self-interest. More specifically, ethical codes are not implemented in the first place to protect the industry from scandals. The codes are going beyond internal organisation’s
boundaries to protect exposed employees from inhuman working conditions and behind the corporate codes commitment and actions are concealed.

From an ethical point of view, companies, particularly those that ascribe social responsibility to themselves, have an obligation to communicate what they do and what they expect from others on these issues, to accelerate and improve human working conditions globally. Not at least in position as a powerful investor in countries with business practices and economical, social and political conditions that are very different from those we are familiar with in the Western World. Companies should be sure to communicate that decent working condition, no use of child labour and the freedom for the employees to organise themselves are a prerequisite. Strong ethical companies can take the others with them: enforcing all companies to conduct according to internationally accepted ethical guidelines/standards which minimise considerably variations and facilitate suppliers’ adaptation and implementation of external requirements.

Suggestions for Future Research

Ethics in business is a broad and multiple research area. Business ethics embrace internal restrictions as accounting principles, internal policies, and discrimination in the framework of the internal organisation. Business ethics concerning the social responsibility of business in international trade is complex and difficult to restrain. A further step in the direction of enhanced control of working conditions and human rights at the suppliers’ is the establishment of ethical codes of conduct. The way to fulfil the corporate codes of conduct are both curved and difficult to find and that is one of the major reasons to the strict and inactive communication profile taken by our case companies. Even though we have conducted a thoroughly research, we believe there are many interesting areas in the field of business ethics that need to be illuminated and illustrated more detailed. In this section, therefore we are suggesting a selection of subjects and research questions.

• Investigate what are to be done to overcome and improve the accomplishment of the addressed ethical codes of conduct.

• To examine if there is a gap discernible between Swedish companies ethical codes of conduct, the communication of the ethical commitment and the actual performance of the companies.

• A complex and interesting issues is if Swedish companies take a social responsibility in the international trade. Both in terms of size, capacity, line of business and profile.

• To focus on Swedish consumers’ knowledge of Swedish companies ethical business practise and ethical issues influence on consumers’ purchase process. In this framework consumer identity appears to be a significant factor. Theorists have argued that consumers create or construct their identities through the products, brands, and hence segments or segmentations, they consume. Will companies seek to target these consumers or the ones who, in their identity construction, do not seek to include concerns for global humanity and ecology? In this perspective it would be relevant with market research on consumer behavior related to company ethics and social responsibility. Are there really consumers
that consider ethical considerations in purchase decisions? If so, what characterize those?

- Profit-organizations always try to minimize cost and increase revenue, notwithstanding being purchaser or producer. Low-price chains in Sweden assert that they have to find cost-efficient suppliers in the first place and that the supplier tender already includes the cost of fulfilling the codes. But what if the low-price chains increased the price to consumers in the Western world and the consumers did not diminish their consumption of the products, would the working conditions and the wages at the suppliers in the Third World enhance? First would the Western companies take their responsibility and second, would the suppliers?

- A philosophical approach, to what constitute social responsibility for companies? If a company operate unethical, what responsibility lies on “the company” (what does it constitute of, the managers, the board of directors, the employees, the shareholders, the goodwill?), the individual employee (who do not quit the job or make a protest against the conduct of its employer), the customer (who buys the products, in spite of the knowledge of immoral conduct), the shareholder (who do not sell its shares, in spite of knowledge, because they are profitable) or society (which do not put legal restraints and punishments on companies)?
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