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12. Matching Ethical Demands – or not: That is the Question

LISE-LOTTE HELLÖRE

Introduction

Businesses must have a license to operate, not only legally, but also morally. Any firm must care for their legitimacy of operations, meaning to make sure that the surrounding society approves of their business idea and ways to achieve the business goals. Network researchers (the so-called IMP-school) call this the social embeddedness of firms (for instance Mainela 2002, Törnroos 1997). However, there seems to be a real problem in this outset: my initial claim in this paper is that firms will never reach a full approval from society. I argue that firms are bound to be in imbalance with society, as they constantly aim for balance with the same. This paradox constitutes the problem setting, which gives rise to a number of subsequent questions. How can we understand the concept of corporate citizenship, having this paradox in mind? Is there a real possibility for firms to act as a member of society, i.e. by the same norms as other citizens? And if such a possibility would exist, what would be the implications of this? Let us briefly explore the thought that firms really behaved ethically in every way, meaning that there would be no conflicts between the surrounding environment (including people, local institutions, government etc.) and the business market. What kind of society would this create? Kristensson Uggla (2002:368) draws upon this thought, arguing that society would be absurd. Where does this leave us? It seems that we have a setting in which the firm is stuck: the quest for legitimacy implies that firms must aim for harmony with society – yet, the true vision of such a goal is ridiculous.

By exploring this problem setting, the research question of the paper reads: *Can one expect business and society to be in balance, what do corporate citizenship and corporate social responsibility imply?* The paper starts by focusing on a conceptual discussion on different ways to approach the morally loaded tension between business and society. A model on the interrelatedness of corporate social responsibility and corporate citizenship is proposed. This more abstract theoretizising is brought to a more concrete level in discussing Normann's (2001) concept of prime movers and analyzing the role of a networking firm aiming for a business ethics profile. A synthesizing discussion then deals with issues of power, shift of responsibility and integration of diverse interests in the ethical strategy of a firm. The paper constitutes a typical theoretical discussion, with interpretation and analysis leading to the proposition of conceptual clarifications and managerial implications.

The main contribution lies in a conceptual discussion of ethics as a means of identity construction in a glocal firm, and is consequently theoretical. Managerially, the paper contributes with a clarification business ethics concepts, especially the terms corporate social responsibility and corporate citizenship. It is argued that managers needs to reflect over the identity of the company when engaging in activities linked to the business ethics profile of the company. The main issue is accordingly to address the unavoidable question of how to legitimize the firm in a situation where one accepts that it will never be accomplished in fully. Integrated diversity is finally suggested as a theoretical and managerial term which could be used to transfer abstract ethical thoughts to real business life.

Key Definitions

Studies on the morally loaded relationship between business and society have brought a plethora of terms (e.g. Arrow 1973/1979, Bowie 1978/1979, Dienhart & Curnutt 1998, Fleckstein & Huebsch 1999, Gordon & Miyake 2001, Sen 1995, Nijhof & Rietdijk 1999, Chonko 1995, Laczniak & Murphy 1993). Johnson and Smith (1999) write that over 300 different definitions on *business ethics* have been found in the literature. Brytting and Egels (2004) make a definition of business ethics as either moral philosophy or a form of applied research of the ethical management or sustainability artefacts in a company. This paper defines business ethics according to the latter definition: discussing and understanding of ethics for strategic purposes in the market. Here, also other terms could be used. *Corporate citizenship* (CC) is a concept which seems to be one of the newest additions to the smorgasbord of terms dealing with ethical consciousness in business (Juholin 2004, also Jeurissen 2004, Waddock 2004). Garriga and Melé (2004) propose CC to be a political theory, while *sustainable development* (SD) is a value-based concept that belongs to ethical theories. Other terms that will be addressed are *corporate social responsibility* (CSR), *corporate responsibility* (CR) and *sustainability.*

The European Commission has made CSR the official term for a sustainable interaction between business and society. In the Green Paper*: Promoting a European framework for corporate social responsibility* (2001:10) CSR is defined as: 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.' Being socially responsible means going beyond compliance and not merely fulfilling legal expectations. Investing 'more' into human capital, the environment and the relations with stakeholders, implies that the company's competitiveness increases. Brytting and Egels (2004:19) discuss the implications of why the Commission chose CSR as the European official concept. They see that CSR refers to a more theoretical and normative discussion with an external perspective on business. The company is, accordingly, perceived to be an outside actor, an opposing part to society. Such a perception of the firm can also be noted in the academic discussion on globalization. Opposed to this, CC as a concept rather integrates the company into society. Brytting and Egels define CC in a more descriptive manner, finding that it is used mainly in empirical studies that focus on social projects or other types of charity by businesses. CC then rather determines the effect of business operations from a management perspective. In addition, it seems that CC is more common in the USA and CSR more common in Europe. Sustainability, in turn, has become frequently used by firms themselves when referring to actions taken towards a SD. Stora Enso, for instance, developed its ethical framework by starting out with CSR in 2001. Then, it decided to leave out the word 'social' and apply the more general term CR. In 2004 Stora Enso adopted the overall framework 'Code of Ethics', which included a model of sustainability, which was identical to the former CR (Lindfelt 2006). The current model has been used since then and is visualized in Figure 1.

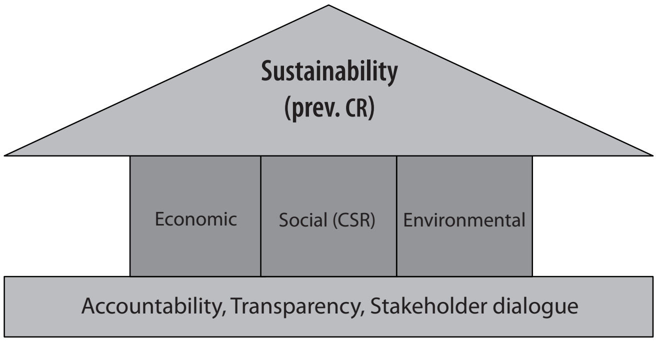

Figure 1: Stora Enso's definition of sustainability and related terms. Source: Stora Enso Sustainability (2004:7).

Sustainability is closely related to the concept of SD, which was first mentioned in the so-called Brundtland Report (*Our Common Future* 1987). Accordingly, development is sustainable when it meets the needs of the present without compromising future generations' ability to meet their own needs. This definition has been used in broad scope, both in natural and social sciences. In business literature, it seems that sustainability includes a wider aim, leaving CSR to deal with the business-oriented efficiency perspective. So is the case also in a is a study by the Finnish Ministry of Commerce, which examines how SMEs in Finland made CSR a competitive advantage. The study finishes by stating the aim of CSR: 'The all-pervading principle is the competitiveness of enterprises in relation to sustainable development' (Taipalinen & Toivio 2004: 68). What we see is that CSR not only functions as a strategy for competitive advantage, but also contributes to SD. In line with this lies also the definition by Dow Jones upon sustainability: 'Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments' (*Dow Jones Sustainability Indexes* 2003). Here should be noted that CSR extensively is defined to include the same three issues, i.e. economic, environmental and social dimensions. A brief reference back to Figure 1, shows how Stora Enso avoided the plethora of definitions by simply naming their ethical framework 'Sustainability'. The last concept I want to discuss is the first one mentioned in the paper, CC. Juholin (2004) wrote a book with the Finnish title *Cosmopolis – Yhteiskuntavastuusta yrityskansalaisuuteen*, which translates into: Cosmopolis - From CSR to CC. She claims that social responsibility as a term entered the everyday (Finnish) language of business and politics at the turn of the millennium.[1] Environmental issues had been on the agenda for a decade, when social issues turned up as additional responsibilities, argues Juholin, and this forms the *raîson d'être* for CC. She represents an exception to the Finnish mainstream research, which likes to use the concept CSR (for instance Donner-Amnell 2004, Takala 2000, Rytteri 2002, Vehkaperä 2003). Juholin defends her choice of terminology by stating that CC is a natural consequence when businesses accept their role in society and fulfill responsibility in all functions, on all levels of the company (Juholin 2004: 13). Juholin thus takes a standpoint that seems to oppose Kristensson Ugglas (2002: 368) view: that reality becomes absurd if there is no opposing tension between a firm and surrounding society. On one hand here, it seems that Juholin takes an utopistic stance, which leads one to question whether also the term CC is utopistic. Or does CC benevolently serve (only) as an ideal goal? On the other hand, one may also argue that Kristensson Uggla's example is not so absurd at all, but in fact even constitutes a valuable aim. Before going into these opposing views in more detail, I will return to how I understand business ethics. Here, *business ethics* fathoms the whole issue discussed above, meaning that it becomes inclusive of CSR, CC, CR, SD and sustainability. Business ethics is a phenomenon which occurs when the firm strives for something good and desirable from a moral point of view. This is, in consequence, a broad conceptual definition of business ethics. Gaumnitz

1 Donner-Amnell (2004: 233), in turn, suggests that 2003 is the year when 'yhteiskuntavastuu' (Finnish for CSR) entered the everyday language in Finland, as a result of major lay-offs in business.

and Lere (2002:35), rather similarly, sees business ethics as the part of ethics that is applicable on business. Yet other researchers have used additional concepts for approximately the same purpose, like Pearson's (1995) *business integrity*. However, this paper is limited to the concepts introduced and defined above. The only addition is *integrated diversity*, which will be proposed as an alternative to business ethics as the paper reaches its conclusions.

The Business-Society Tension: A Conceptual Proposition

So far, it has been argued that CSR often stands for a view on business ethics, where competitive advantage is emphasized. We saw this in the EU official approach and the study by the Finnish Ministry of Commerce. CSR thus becomes a strategic instrument for addressing issues of business ethics. In other words, CSR enables firms to be ethical in a business context. This approach accepts the moral agency of firms, but takes into account that the firm strategically operates in a business market. An deviant view would be to say that business is amoral, and need not take any responsibility whatsoever for ethical or moral matters. Thus, we see that this CSR-perspective opens up the possibility of strategic business ethics. In its ontology, this concept also deviates from how CC is used and defined. CC is not only more idealistic, but actually takes its foundation in an assumption that the firm strives to fulfill all its responsibilities - on all levels, in relation to all of society(Juholin 2004: 13). This resembles a theoretical standpoint, where one sees the firm as embracing the same set of morality as do all individuals, or citizens (c.f. Steiner & Steiner 1997). CC thus ontologically assumes that the firm shares a moral unity with the rest of society. Such a perspective comes close to an institutional theory of the firm and its ethics approach (see e.g. Halme 1997). It seems that these two terms – CC and CSR – actually incorporate the paradox which formed the problem setting of this paper (see above). Figure 2 models how CSR and CC are incompatible, because of ontological differences. Theoretically, these concepts stand apart. Managerially this implies that a firm should not make use of both concepts at a time, since this will include conflicting aims and set-outs for business ethics activities. The theoretical and managerial contribution at this stage is, accordingly, that concepts must be chosen with care as these are implemented in the ethical profiling of a firm. This means that both perspectives on business ethics cannot be taken at the same time. As one concept takes the winning position – the other goes in the opposite direction, according to the physical laws of scales. Juholin's (2004) idea that we are moving from CSR to CC is one way of understanding the business ethics development. However, it may be argued that this is rather unrealistic in a world, where post (post)industrialist values rather develops towards larger entities and quarter capitalism (Kristensson Uggla 2002). Such a development clearly favours the use of CSR as a strategic instrument for businesses in efficient ethics profiling of a competitive advantage in a tough market context. Hand-in-hand with this development, we see ethical indexing, sustainable investing and the moral argument of Milton Friedman's stockholder approach. Friedman actually proposed, but has often been misunderstood, that by doing business as well as possible, also society will benefit in the most favourable way (Friedman 1982/1962). In favour of Juholin's (2004) view and the concept of CC, however, we concurrently also experience strong winds of vivid anti-capitalist and anti-globalist movements.

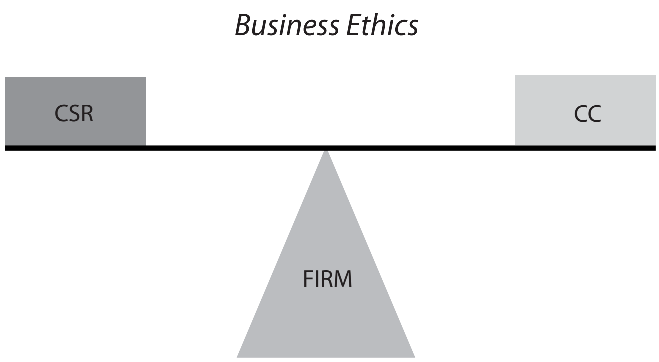

Figure 2: CSR *and* CC *as opposing perspectives of business ethics.*

Ethics Codes – A Way to Deal With the Tension Between Business and Society

Ethics codes have been used extensively by firms to balance on the paradox outlined above. Quite like the term of business ethics, an ethical code of conduct does not necessarily need to be named *code of ethics*. Gaumnitz and Lere (2002), for instance, include all official statements that contain comprehensive behavioural guidance in their study of ethics codes. Dienhart and Curnutt (1998) use a similarly wide approach in taking Johnson & Johnson's *credo* as an example of an ethics code. Gasparski (2000) also include differently named codes in his study. He writes about of *codes of values, codes of practice, codes of conduct* and *codes of compliance*. Brytting (1998:196) suggests that an ethics code should be embraced both locally and centrally, express good practice and ideals and that it needs relevance in practical issues and has general applicability. One way to identify an ethics code is to quite straightforwardly ask the firm in question of their perception of their own statement. This procedure is weak in comparative studies, but if one wants to study a particular case firm, essential is indeed what the firm *itself* perceives as its ethics code. Studies show that the ethical consciousness increases in firms that have codified ethical values, values that may have existed also prior to the construction of the formal code (Berenbeim 2000). Table 1 shows a brief overview of various studies on ethics codes in business firms.

Table 1: An overview of the research of ethics codes in business firms.

AUTHOR(S)	PURPOSE OF STUDY
Arrow (1973/1979)	To discuss the economic efficiency of having an ethics code in business. Argues that it is efficient to have a code only in areas of imperfect knowledge or misunderstanding.
Berenbeim (2000)	To discuss why ethics codes have limited success, despite the growing seriousness of such codes.
Bowie (1978/1979)	To discuss if codes of ethics are a good alternative to government regulation or if it is only for public relations related reasons that codes are used.

Breshanan (1999)	To explore how ethical codes give competitive advantage in attracting customers, employers and investors in a few case studies.
Brytting (1998)	To explain the function of the ethics code in the business firm. Subordinates the ethics code to a function of moral support in the firm.
Dienhart and Curnutt (1998)	To explain the reasons behind ethical codes. Explanation of what characterizes detailed codes and general codes of ethical conduct.
Fleckstein and Huebsch (1999)	To ask whether also firms in the service sector, with the example of tourism, find it relevant to develop codes of ethics.
Gasparski (2000)	To report on the design, implementation and adoption of codes of ethics in Poland.
Gaumnitz and Lere (2002)	To identify common ethical dilemmas among business professionals. Researching ethics codes of professional business organizations in the USA.
Gordon and Miyake (2001)	To analyze corporate approaches to anti-bribery commitment and compliance management by a large quantitative study.
Huang (2001)	To argue for the necessity of ethical codes in business.
Nijhof and Rietdijk (1999)	To analyze whether an ethical code raises the ethical behaviour in organizations.
Schwartz (2000)	To argue against the use of ethical codes in business firm. Codes are a way of the management's control system, Schwartz argues.
Sen (1995)	To argue for the need for morality in business and the problematic area of ethics codes, written and unwritten.
Somers (2001)	To study the connection between corporate and professional codes of ethics and employee attitudes and behaviours.
Stevens (1999)	To learn how employees understand what ethical behaviour means in an organization. Ethics codes do not suffice alone for this understanding, Stevens argue.
Tucker et al. (1999)	To compare ethical codes of professional associations.
Wilson (2000)	To report on how ethics codes elevate the ethics performance in business firms. To explain the codification of ethics
Wotruba et al. (2001)	To propose that the focus should shift from ethics codes themselves to the persons who are expected to behave accordingly to the code.

Other than the appearance of ethics codes, there are studies investigating the influence of codes of ethics, the role such codes play, comparison of professional codes of ethics vs. corporate codes of ethics, and various other comparative studies on ethics codes (Gaumnitz & Lere 2002, Somers 2001). Tucker et al. (1999) categorize the research in the area of ethics codes into two groups:

the more external approach of institutionalization of ethics codes and the more internal approach of the nature and composition of ethics codes (Gordon & Miyake 2001, Stevens 1999). The external approach has been primarily descriptive and lacks conceptual development (Tucker et al. 1999:290). Furthermore, studies show that ethics codes are used with different motives. Fleckstein and Huebsch (1999) for instance, characterize three types; codes of *regulatory types* with specific guidelines on behaviour and conduct, *short broad codes* with statements of value or mission and finally *elaborate codes* with carefully defined social responsibilities to different stakeholders. Brytting (1998), in turn, also define three types of codes, which, in fact, overlap the ones by Fleckstein and Huebsch on two categories. (See Table 2) Brytting sees the following main types of codes; the *commission type*, which proposes the function of the good firm in society, the *stakeholder type*, which aims at pointing out responsibilities to stakeholders and finally the *professional type,* which focuses on different divisions and professionals in the firm. When combining the two contributions in the field (Brytting's 1998 and Fleckstein & Huebsch's 1999), four types of ethics codes appear. I suggest these may be referred to as 1) mission and vision focused, 2) responsibility focused, 3) profession focused and 4) rule focused. This categorization is relevant for our understanding of the proposed model of CSR and CC by suggesting that ethics codes may be used in both approaches, but then these are with different focus. The profession focused pertain to a specific working group and is not relevant in this context. Mission and vision focused codes link closest to the identity formation of a firm and is the type which most closely links to the CC-concept. Responsibility focused codes are likely to appear in CSR-statements, where various responsibilities to the stakeholders are listed. Rule focused codes are similar to these, but may also be used for controlling purposes in internal management. With this theoretical background of CSR and CC on one hand, and research of ethics codes on the other, I will discuss the existence of prime movers and ethics codes in managing on the business market.

Table 2: A typology of ethics codes.

	MISSION AND VISION FOCUSED	RESPONSIBILITY FOCUSED	PROFESSION FOCUSED	RULE FOCUSED
Brytting (1998)	Commission type	Stakeholder type	Professional type	-
Fleckstein & Huebsch (1999)	Short broad codes	Elaborate codes	-	Regulatory type
Relation to CC/CSR	CC	CSR	-	(CSR)

Kristensson Uggla's position emphasizes a view, where failure lies close to success. The ideal is all at once the absurdity. He argues (2002: 96) that there is a fundamental duality that cannot be avoided; society is bound to balance on a sharp edge. This is further characterized by the opposition between business and society. Although seemingly dejected, this state is in fact what drives also ethics development forward. He gives environmental damage as example (p. 368), contending that the damage, in turn, gives rise to moral development in society. In a study on Stora Enso (Lindfelt 2006) similar processes can be observed. Labor accidents, child labor in suppliers' operations and environmental scandals are in fact important drivers in the process of developing the Stora Enso ethics framework. As the large business actors, including Stora Enso, launch ethics principles and implement corporate values, the ethics practice spreads along the supply chain, to competitors, to customers etc. (c.f. Berembeim 2000). Lindfelt (2006) also found that the first years of the new millennium has seen Finnish business practice rapidly developing in a direction where more and more firms feel pressure to launch sets of ethics principles. Not only is this because of scandals, but also American business practice bears influence, as do anti-globalization movements and an increasing ethical consciousness among citizens and NGO movements. In this rapid development lies a risk. A high pace does not give time for contemplation. Without contemplation, I argue there is no time for maturation and implementation of values. And without implementation of values, the scandal of not matching words to deeds unequivocally lies around the corner. In consequence, the ethics code may become a simple ritual without real effects, other than being a high-risk document. Thus, a necessary question for the firm in this process may be whether to make use of CSR or CC in ethical profiling or strategy.

Several researchers are in fact critical to use of ethics codes, claiming these are problematic from various points of view. Granovetter's notes that generalized morality or institutional arrangements not necessarily creates trustworthiness (1985: 491). Others critics are e.g. Stevens (1999), Sinclair (1993), Schwartz (2000) and Huang (2001). Husted and Allen (2000) even asks if it is ethical to use ethics as strategy (c.f. Gustafsson 1990). Thus, it is clear that the tension between business and society is complex and includes several aspects that can be problematized. Below, three issues are discussed. Common for these is that all depart from the same source, i.e. Normann (2001), being the father of the concept of prime movers. First follows an exemplification of how ethics become a way of managing a 'glocal' business network. Second follows thoughts on power and responsibilities. Third, integrated diversity poses to be an alternative solution for the paradox of business ethics as balancing between business and society.

Ethically Driven Prime Movers

Normann (2001), quite like many recent researchers, discusses how value creation all the more takes place in networks.[2] Networks are characterized by horizontal structures and boundless existence, why these largely move freely over physical territories. As local and global perspectives gain strength over national perspectives, we see a *glocal* dimension (Normann 2001: 68-69, c.f. Kristensson Uggla 2002). In this new glocal space, there is a group of actors who benefit from globalization by overriding the juridical (national) boundaries that traditionally limited organizational entities. This is possible by managing a network of actors, all of which are connected to a focal firm in various links. Through network management, value

2 The last decades have also brought an extensive focus on business network research, such as in eco-industrial networking (Hasler, Sterr & Jacobson 2005), the industrial network approach (Håkansson & Ford 2002), actor-network theory (Nylén 1996) etc.

is co-created within the set of actors in the network (c.f. Ulaga 2001, Walter, Ritter & Gemünden 2001, Ramírez 1999). The network thus functions in another way than in traditional horizontal logic. Networks provide an interesting perspective when aiming to understand ethics code use. A business network takes into consideration not only society, but also other business partner's interaction and their role in relation to a focal firm. Normann (2001) proposes that the focal managing firm is in fact a first mover, why he calls such firms *Prime Movers*. Researchers (for example Jarillo 1988, Håkansson & Ford 2002, Möller & Svahn 2003) argue over whether networks can be managed or not. However, if accepting the existence of prime movers, I propose that there are *ethical* prime movers, who first influence and manage the ethical level of the network - for instance by demanding that their partners follow the same set of social and environmental responsibilities. This exact procedure is found in Stora Enso and also in Metso, the latter even aimed to have supplier firms legally state in a document that the responsibilities were in line with Metso's (Lindfelt 2006). I suggest these are ethically driven prime movers. Accordingly, a business network's ethical prime mover pro-actively shapes the ethical dimension. This actor believes that ethics creates value. Therefore, I see that ethics codes form part of the financial co-creation of value among actors in the business network. Ethics management also becomes part of strategically managing the network. Even if the initiative originates with the prime mover, such as for instance with Stora Enso or Metso, the prime mover is dependant on reciprocity over values implementation. This meaning that only by knowing that ethical values are expressed in return, is it possible to maintain a certain ethical level in networking production with suppliers and sub-suppliers.

On the basis of empirical data in Lindfelt (2006), I pose that ethically driven prime movers exist in the cases of Stora Enso and Metso. This proposition leads further to ask what happens to the locus of responsibility when power shifts from national to glocal. This perspective is omitted in the otherwise rather detailed launch of Normann (2001) on the concept of prime movers. In an important sense, leadership is power – and power always implies responsibility. When gaining glocal power on behalf of national responsibility, who is then to care for national environment, culture, people and traditions? Yet, another dimension of the globalization process is the turbulence which follows the change of locus of responsibility and power. Researchers claim that society is in a more or less static turbulent state (Normann 2001, Hadjikhani 1996, Kristensson Uggla 2002). I propose that with the shift of power, business and society encounter new ethical problems, such as resource exploitation, layoffs and closedowns, larger rift between rich and poor etc. New ethical problems imply an uncertainty within firms; what is the role of the firm in a new glocal situation? Except of taking all the strategic advantage it can – of course. However, power is un-mistakenly connected to responsibility, a perspective perhaps overlooked by business. When taken into account, such responsibility may form instrumental CSR-approaches and create competitive advantage. A more defensive approach is to create risk management strategies. Least favourable would be to follow in the line of others, not taking time to consider the ontological differences in different strategies, as discussed above. If however taking time to ponder the *raison d'être* of ethics codes, giving management time for contemplating and maturing into business ethics, what really is at stake is the identity of the firm. This is typically expressed in documents of values, mission statements on or visionary goals. These can even be ethics codes, as of Table 2. According to Normann (2001) mission is contemporary and expresses the firm's value creating role in a larger system. Vision, in turn, is projected on the future and includes issues of efficiency, competence and ways to power. Organizational values need to be meaningful in a larger context, argues Selznick (1957/1984) if the firm is to survive competition. Issues of mission, vision and values are central in the business ethics of any contemporary firms. Lindfelt (2006) concluded that the Stora Enso case showed ethics to form part of the identity process of the firm. Its competitors and partners used risk management for avoiding problems, e.g. Metso and UPM. In order to manage in this turbulence, common understandings of values and ethics are essential. In sum, contemporary society sees ethically driven prime movers managing networks. Ethical maturity influences the identity formation of a firm – and vice versa: the identity formation invokes contemplation on issues of CSR- or CC-approaches. It seems that, as the world becomes more and more turbulent, business managers are forced to aim for cognitive stability (c.f. Kristensson Uggla 2002).

In the quest for a mature identity of a business, managers need to address society. A glocal business approach consequently also invokes local and global adjustments. This is a challenging task for any corporation with one single identity. How can it adapt to a diversity of cultures, people, business traditions, market structures, national characteristics etc.? The ethics code of a global company, be it in any of the forms above, must be composed in a way of integrating diverse characteristics into a common identity, which can then be implemented into a common operational strategy. The term *integrated diversity* is a term adapted from Normann (2001), and conceptually provides a way of gaining legitimacy across diverse nations and cultures. Diversity, however, necessarily also creates tension, which is useful for innovativeness and the growth in ethical consciousness. However, research prove this not unproblematic. Again, let me take the example of Stora Enso, which is a Finnish-Swedish company and consequently bound by the labour standards of the International Labour Organization (ILO), in which the nation states are members. Although stating in the company's ethics code that it complies with ILO standards, which provide workers the right to come together in labor unions, Stora Enso had to deviate from these principles in China - simply because labor unions are forbidden by Chinese law. However, Stora Enso negotiated with Chinese governing institutions and found a legal form of gathering which is applied in Chinese locations (Lindfelt 2006). This exemplifies how integrated diversity transfers from a theoretical concept to a managerial praxis. Normann claims that this approach creates synergy, which is born out of the integration of diversity. The synergy leads to a principle-lead culture with norms of conduct that are in discourse with the environment and society, he contends, clearly showing how he lines up with the responsibility and rule focused ethics codes and the CSR-ontology. Integrated diversity, nevertheless, becomes a way to deal with the tension between business and society. All the same, sometimes firms tend to go beyond the idea of legitimacy by engaging in activities that clearly fall outside of the firm's operational environment, for instance donating money to research on cancer or digging wells in Africa. Such 'overlegitimacy' can be argued to constitute a form of repressive tolerance, where management aims to control new ways of thinking and keep ethical considerations in tight control: Normann (2001) likes to envision it as management's putting the new thinking in a black box. Integrated diversity can in that case be a way of matching the relation between business and society. In sum, I propose that integrated diversity provides an excellent way of handling ethical issues, and thereby avoiding the choice between CC and CSR – or even CR, SD or other similar concepts in the plethora of business ethics terminology. This possibility may have been much under-evaluated in business ethics approaches.

Concluding Discussion on the Balance Between Business and Society

In summary, the paper started of asking whether business and society can be in balance. A simple answer would be no. A rather more nuanced is brought forward in the paper. A conceptual discussion claimed it may be utopistic to embrace the understanding of CC as proposed by Juholin (2004). Rather, the idea behind CSR, which is inclusive of strategic and competitive aspects, seems feasible. In the paper, however, the overall conceptual term business ethics has been used, which is broadly defined and inclusive of CC, CSR, CR, SD and sustainability. The theoretizising discussion was brought down to a market level by exemplifying Stora Enso as an ethically driven prime mover. The company makes use of an ethics code in the business aim towards a consensus with ethical expectations both in society and in its business market. In this change process where ethical issues all the more appear as part of the business' legitimacy (see def of CC) and competitive advantage (see def of CSR), several things happen. The paper discussed a few of these:

- The power of the nation state diminishes in favour of local and global interests, referred to as *glocalization*. The glocal operating environment opens up new arenas for ethics issues, instruments, identity issues and management challenges.
- As power shifts, also responsibility shifts. Management presupposes power, power means responsibility, consequently

management includes responsibility. Responsibility can be tackled proactively through ethics codes or risk management strategies.

- The glocal business market demands an integration of diverse values into the identity of the firm. Integrated diversity is a way to manage ethics issues around various production plants and facilities around the globe – a proposed alternative to CC or CSR choices for ethics strategy and profiling.

Finally, as a set out for further research issues, I want to use a matrix first launched by Normann (2001), but which here is developed further. The model addresses how internal and external cultures affect business. In both cases various interest groups (stakeholders) influence the firm through intrigues or by principles such as ethics codes. Intrigues are typically leading to conflict, while a responsibility or rule focused ethics code would could be either a formal document or constitute tacit values. See Table 3. The matrix shows the following characteristics:

Table 3: The firm's own culture (internal stakeholders) and society's culture (external stakeholders) influences the ethics process in the firm (c.f Normann 2001: 337).

<table>
<tr><td></td><td>Intrigues</td><td>Principles / Ethics code</td><td></td></tr>
<tr><td>Intrigues</td><td>1
Hopeless case?</td><td>2
Internal management looses its trustworthiness. Principles (e.g. in ethics codes) are not enough, action is needed.</td><td rowspan="2">Dominating culture of internal stakeholders, e.g. the firm</td></tr>
<tr><td>Principles/ Ethics code</td><td>3
Essential to defend/build legitimacy and organizational structure.
After intrigues from NGOs in mid 1990's, this was the position of Stora Enso.</td><td>4
Co-operation based on loyalty and trust together with solving of conflicts.
The ideal position when the ethics code reflects the actions of the firm and not only functions as an ethical document.</td></tr>
<tr><td colspan="4">Dominating culture of external stakeholders, e.g. society</td></tr>
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With both internal and external intrigues, the dominant form of societal stakeholder expectations and relations is problematic. This situation proposes a hopeless case and I can only suggest that this situation is impossible, because the business won't live long.

Where external ethics principles are present (such as e.g. ILO-standards, competitor's ethics codes, laws, ethical recommendations etc.), but internal intrigues take place, management looses its trustworthiness. Principles of external stakeholders may not sufficiently help internal management conflicts. In this case, management needs to carefully ponder the identity of the firm. Companies at risk in this group, are the ones that tend to over-legitimize themselves, in a desperate approach to show ethical maturity.

Where external intrigues are disturbing a company, it is of high importance to carefully consider and build the identity of the company. Only by contemplating the vision, mission and values (type of codes) can external legitimacy be achieved. Internal principles (such as an ethics code) need to be built and supported. Again, Stora Enso can exemplify this situation in the late 1990's. The company had been in heavy disputes with Greenpeace in the German market, leading to partner firms' demands for a more ethical production of paper. The conflict was directly leading to the creation and launch of a mission-vision-value statement at Stora Enso in 1999, a statement which later led the way to the ethical identity formation of the company. Today, Stora Enso is a forerunner in the forest industry on ethical matters. This is a good example of when the firm is in imbalance with society, and how such a tension is a driver for ethics maturity.

The fourth group shows on a situation where principles/ethics codes dominate both internally and externally. Characteristics for this situation are cooperation based on loyalty and solving of conflicts (Normann 2001). I suggest this as an ideal position, where ethics is fully adapted – on all levels of the firm. Accordingly, this represents a position of CC, following Juholin's (2004) definition of the term. Quite like in the first group, I pessimistically predict this fourth group to be impossible, here because it is a utopia.

This matrix and the role of ethics codes in different situations could preferably serve for further research. Empirical data that enrich the model would probably deepen the arguments and bring more understanding to the tension between internal and external pressures in societal relations, where the firm uses an ethics code. Such research could also provide more managerial contribution, which there seem to be need for (Lindfelt 2006).

The aim of the paper has been to contribute to the discussion on the tension and relationship between business and society, and how firms can manage in this paradoxical context. In addressing this issue, six main theoretical and managerial propositions summarize the key contributions of the paper:

Businesses can not be expected to meet society's demands in fully. Approaches that expect such a scenario are idealistic and utopistic. However, businesses must meet the demands in some way, in order to gain legitimacy of operations.

The paper proposes a model for understanding the interrelation of corporate citizenship (CC) and corporate social responsibility (CSR) as opposite ontological concepts of business ethics.

Ethics codes are useful documents, which may be used to reach for this legitimacy in both the CC- and CSR-approaches. The focus of an ethics code based on CC-ontology would be on the identity of the firm and include visions, mission and values. The focus of an ethics code based on CSR-ontology would be on responsibilities and other types of rules.

There are ethical prime movers who function pro-actively to shape the ethical dimension of a business network.

The most stimulating situation for ethical growth in a firm is a situation where the firm is engaged in conflict with society, but when it has contemplated the firm identity and manifested this is some kind of ethics code, which could be based on CSR-ontology (i.e. responsibility or rule focused) or even CC-ontology (mission-vision-values focused).

Integrated diversity is suggested to be an underestimated strategy which could be used to transfer abstract ethical thoughts to real business life.