School of Business and Engineering
Master Dissertation in International Marketing

Ethics Affecting Business
- Improving Ethical Performance

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Halmstad, 2010.

Gustav Isidorsson
Abstract

Ethics as a subject is investigated in this paper and in particular how ethics can be analyzed in different organizations. The paper investigates how the generic ethical performance (EPE) evaluation model can help organizations to evaluate their ethical performance.

The base for the empirical material is collected through qualitative interviews with staff on four different international organizations.

The results proclaim that the EPE model can help organizations to narrow down focus and to categorize results, which help organizations to analyze ethical behavior. If the EPE model is complemented with an improvement model (the Deming cycle) an ethical improvement model is created.

Conclusions are that evaluating ethical performance is not simple and the results can be ambiguous. The EPE model should be seen as a tool in generic cases and not as the only way of evaluating ethics. If ethics is processed according to the Deming cycle small steps of continuous improvement should help organizations to improve ethical performance.

The more you study something the more you realize the complexity of it. Opening doors to new knowledge is like finding yourself in a labyrinth. Some ways are leading to dead ends and sometime you get lost. But when you have been walking in the labyrinth for a while you tend to recognize how the different paths are connected and a web is revealed. This study reveals a gap between theoretical knowledge and knowledge about how to implement and use theories of ethics in “real life” situations.

The paper ends with ideas for future possible research, the Ethical Improvement Model (EIM) created in this paper is brought forward as a suggestion.

Keywords:

Ethics, ethical performance evaluation (EPE), business ethics, image, window dressing, ethical strategy, deming cycle.
“We have to choose between a global market driven only by calculations of short-term profit, and one which has a human face. Between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity, in a healthy environment. Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership.

*I am sure you will make the right choice.*

- Kofi Annan General-Secretary, speech Davos 1999 launching the UNGC
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1 INTRODUCTION

-This section introduces the reader to the subject of the paper, starting with a background to explain steps leading to the core; the problem, aim and purpose. To sum up the introduction part important delimitations and definitions will be given at the end.

The president of the European Council 2009 Fredrik Reinfeldt said “…enough is enough we need to move away from the current culture of compensation based on short-term performance…” (http://svtplay.se/v/1694928/eu_enades_om_bankbonusar)

The initial motivation for the author was a curiosity to investigate ethics on a global scale looking at injustices from an international perspective. In November 2008 the financial crisis was on the news constantly in Sweden. This influenced when choosing subject for this paper. At first studies where focusing more on a social and visional level concerning inhabitant flaws in the structure of the monetary system. Later in the process a focus towards factors behind the economical crises and its implications on the society today were looked at.

It is quite common to shift focus while writing a paper. This paper was no exception. The final focus for the paper came to be improvement of ethical performances in organizations.

The domain of ethics is as old as society itself, and has throughout history been connected to the socialization between individuals. Dependent on different variables such as time and context, the domain constantly develops and changes (Svensson & Wood, 2009). Changes are not always easy to predict and to act ethical is not always an easy task. There is a consensus among scientists that there can be advantages of being perceived as ethical, although what is seen as ethical does not have to be ethical in reality.

In the 1970s the famous economist Milton Friedman among others argued that the business of business is business. Friedman meant that the only right thing for a company to do was to secure profit and maximize the financial gain for its stakeholders (Friedman, 1970). According to Friedman ethical issues and trade barriers were unnecessary and only limiting. As Friedman saw it, the market and its intrinsic self-regulation would lead to a natural law of ethics which would help the world to prosper and would take care of poverty and starvation. Ethics was not a question for companies even to consider (Friedman, 1970). Friedman’s neo-
A liberalistic view of the self-regulating market as the way of creating wealth was shared by many.

In the late 1980s the fall of the Soviet Union with its planned economy was a fact and the economic counterpart to the capitalistic market economy was largely decreased. The stronger awareness of how environmental and social issues affected people in different ways grew in society. On a global level a demand for more businesses taking ethical responsibilities led to the founding of the world’s biggest corporate citizenship initiative; the United Nations Global Compact (UNGC). The initiative was set up by the secretary general Kofi Annan in 1999 and approved in the year of 2000 on the UN summit. (www.ungc.org)

UNGC was founded on principles of the human rights declaration from 1944. The compact is self policing and meant to work as a tool and a forum in which new knowledge can be accumulated. Today over 5000 companies have signed the compact. (ibid).

Corporate social responsibility (CSR) closely linked to corporate citizenship is a field of ethics where businesses are to monitor themselves. This paper will not look thoroughly into all the different parts of CSR but has a different aim. Today’s economic crisis has turned focus towards ethics in business and particular towards companies that do not take ethical responsibilities. Some companies are more genuine in their efforts to be ethical while others make it look like they are behaving ethical when in fact they are not. This phenomenon is called “window dressing”. Organizations that use window dressing are not honest but deceiving. (Kofi Annan, 1999; Svensson & Wood, 2009)

1.2 Problem/Question

Ethics is on the agenda for many big companies on the market and the importance of having a way to deal with ethics is acknowledged to become more and more important (Svensson & Wood, 2009). This paper will address ethics and test an ethical performance evaluation (EPE) model to see if the EPE model can contribute to organizational ethical performance.

Taking a stand on the previously discussed parameters, this paper tries to answer the research question:

How can the ethical performance evaluation model of Svensson and Wood (2009) contribute to improvement of organizational ethical performance?
1.3 Aim and purpose

The aim is to examine how the EPE model can be used by organizations to evaluate and categorize ethical actions.

The purpose of this thesis is to examine how the EPE model can be used to categorize and analyze generic case situations and to link the EPE-model with the Deming cycle.

The purpose can be reflected in a speech of the General-Secretary Kofi Annan on page one of this paper. The speech reflects a trend that there is more to business than only financial gain. There ought to be a human side to business that reflects that organizations have to think ethical.

1.4 Delimitations

This section is aiming to limit the scope of the thesis. The limitations are set up because the thesis otherwise would have been too extensive and not give answers to the research question. The thesis is limited by various factors, which are:

- The first limitation to this thesis is that ethics have been examined by using the EPE-model.
- The second limitation is that four organizations have been used in the case studies and that 5 interviews have been undertaken.
- The third limitation is that only case studies have been used to examine ethical behavior.
- The fourth limitation is that isolated cases have been used to test if the EPE-model can be applied.

1.5 Definitions

**CSR:** Corporate social responsibility: Discusses a conscience or a citizenship for businesses to follow. A self regulating mechanism where business monitors itself, following ethical standards and laws. (www.ungc.org, 2009)

**Ethics:** “Ethics are a collection of principles of right conduct that shape the decisions people or organizations make. Practicing ethics in marketing means deliberately applying standards
of fairness, or moral rights and wrongs, to marketing decision making, behavior, and practice in the organization.”(Encyclopedia of business and finance, 2009)

**Planned economy:** A socio-economic system characterized by the allocation of resources primarily coordinated within a state by a central authority. Also the opposite to *market economy*. (Nationalencyklopedin, 2009)

**Secretary-General United Nations:** The head of the secretariat, leader and spokesperson for the United Nations (current Ban Ki-moon of South Korea). (Berg et al., 2000)

**United Nations (UN):** An organization with the commitment of maintaining peace and security. UN is working for the improvement of social values and better lives for the people on earth and has 192 member states around the world. (Official homepage, UN, 2009)

**United Nation’s Global Compact (UNGC):** “…a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.” (www.ungc.org, 2009)

**Cause related marketing:** is often used to promote companies ethical consideration and is based on the principle that a part of the price for a goods or services goes to a good cause. (Svensson & Wood, 2009)

**Image:** “Image is the sum total of all the perceptions others have about an individual and that individual's capabilities.”( Fatt, J. & Poon T., 1997).
1.6 Outline

This thesis includes six chapters. To make it easier for the reader to navigate in the paper an introduction of the basic content is presented here.

1 Introduction: This section introduces the reader to the subject of the paper, starting with a background to explain steps leading to the core; the problem, aim and purpose. To sum up the introduction part important delimitations and definitions will be given at the end.

2 Previous studies/Theoretical framework: This chapter presents the theoretical framework used in this thesis and the previous studies that are referred to. Theories have been selected to give the reader a better understanding of the empirical and analytical part. The main focus of this section is to describe five parameters discussed in particular by Svensson and Wood’s (2009) concerning Ethical Performance Evaluation (EPE).

3 Methodology: The methodology part reflects the research question and the purpose of the research. This section of the paper will present strategies that have been chosen and arguments for the choices made. The section gives the reader better insight into the author’s choices and tells about the authors priorities. The section further intends to give readers a better chance to evaluate the work that has been done.

4 Empirical data: Empirical data is presented here. The chapter presents the investigated companies. Interviews are the main source of this chapter.

5 Analysis: The purpose for this chapter is to compare the theory with the empirical data. The EPE model is tested upon its ability to improve organizational ethics according to its classification system. Firstly, the empirical data is classified to use the model as it is intended, with help of teleological and deontological approach. The second step is to analyze if the model really helps to improve an organizational ethical performance. The last phase of the analysis is to reflect upon the EPE model to give an understanding upon what it can and can not be used for.
Conclusion: In this chapter the answer to the research question is presented. Suggestions are also made for how the EPE model could be used in a combination with a proactive quality improvement model. The chapter also gives suggestions for future research and managerial implications.

6 References: Sources to empirical and theoretical data is presented here.

Appendices: Extra material, for example the interview guide is shown here.

2 PREVIOUS STUDIES/THEORETICAL FRAMEWORK
- This chapter presents the theoretical framework used in this thesis and the previous studies that are referred to. Theories have been selected to give the reader a better understanding of the empirical and analytical part. The main focus of this section is to describe five parameters discussed in particular by Svensson and Wood’s (2009) concerning Ethical Performance Evaluation (EPE).

2.1 Previous studies
Business ethics is a concept that can be hard to define (Connor, 2006; Svensson & Wood, 2009). Business ethics are closely linked to ethics and the socialization of humanity. Early tracks of business ethics can be found in the Magna Carta document of 1215 and more recent documents can be traced to what is believed to be the first class in business ethics in 1913 at the university of Wisconsin (ibid; Holme, C., 2008). Corporate social responsibility is a large field within ethics today, this area is not discussed thoroughly in this paper, since focus has been towards an evaluation of ethics.

Chambers English Dictionary (2009) defines ethics as: "A system of morals" and "rules of behavior". Connock and Johns (1995) argues that; “Ethics is about fairness, and deciding what is right or wrong, about defining the practices and rules which underpin responsible conduct between individuals and groups. There are also arguments about ethics being part of a process and practiced in day to day situations. (Orme & Ashton, 2003)

Svensson & Wood’s (2009) follows a line of definitions that see ethics as an ever-changing process. They distinguish ethics as being dependent on two principal parameters; time and culture. The two principal parameters time and culture are thus seen as the two factors that
change the perception of acceptable ethical behavior. In other words, an isolated on the spot observation is necessary to examine if actions are ethical or not. The perception of what is acceptable ethical behavior is changed over time and dependent on the culture. When reflecting upon this theory, an intrinsic unpredictability is revealed since the principal parameters with which to research ethical behavior change continuously.

The perception of what is seen as ethical differs. Blomkvist (2006) brings forward the importance of having business ethics that is justified and agreed by employees in the organization. It is argued that organizational ethics are somewhat connected to the employees’ personal ethics. Blomkvist (2006) claims that a strong ethical awareness has been proved to be positively correlated to success in many ways. Not only for sales but internally it is also believed to be correlated to a low level of employees reporting absence for the reason of illness (ibid).

Lack of acceptable ethical performance in organizations has in recent years been highlighted on a regular basis. There seems to be problems with following ethical standards implemented by companies (i.e. code of conducts) (Holme, 2008; Ljong & Martin, 2009; Orme & Ashton 2003). The reflection that can be given to the previous authors’ writings is that it probably is hard for organizations to successfully apply standards that promote a positive ethical behavior within the organization.

An important influence on organizations is management. Management’s actions are reflected in the whole organization. The management decisions are therefore an important factor for organizations to behave ethically acceptable, and also an important factor that influence the staffs’ ethical conduct (ibid).

The connection between management and employee satisfaction is one of the factors with potential of moving an organizations economical performance in a positive way. This satisfaction is often connected with a sense of fairness associated to the organization. Hunt (1984) links ethics to the fair concept and explains that ethics reflects values with the aim of something more than following a legal ethical minimum. Ethics thus goes beyond what is legally written and towards what employees perceive to be ethically righteous. This also implies that when employees and management have similar ethical values the more likely it will be that society perceives the organization as ethically acceptable.
How and when ethical performances are being perceived and judged upon can be read in the next chapter, where the evaluation of ethical performances is shown.

### 2.2.1 Explaining ethics

Ethics can be seen as a two way line. The ends represent unacceptable (unethical) and acceptable (ethical) practices. Since the two counterparts are not always easy to separate there are also a middle way (ambiguous) where actions which are hard to place on the scale end up (Svensson & Wood, 2009).

![Figure 1: The zones of EPE in Business Practices. (p. 55 Svensson & Wood 2009)](image)

If organizations suffer from bad ethical performance it is often connected to the ethical code of conduct (Ljong & Martin, 2009). The way a code of conduct is implemented in companies, is of major importance.

The way the code of conduct is communicated and spread by top management and that they are being dedicated into doing a good job is directly connected to the success of the code (McDonald, 2000; Higgs-Kleyn & Kapelianis, 1999; Ljong & Martin 2009).

### 2.3 Teleological and deontological view

Ethical decision for managers includes a deontological (“right and good”) and teleological evaluation (consequences to others) (p.81, Svensson & Wood, 2009). A deontological view focuses on duty and obligations whilst the teleological consider value fulfillment towards others. In the latter a focus towards consequences of acting right is greater. It is crucial to be able to understand both theories to judge ethical behavior by managers.

> “An ethical action does not depend on its consequence alone. Similarly, an ethical action cannot be judged on the basis of obligations or principles alone (...) (ibid, p.81)
Reflecting upon deontological and teleological views, a manager has to think of what is right or good in terms of the organizational view on ethical behavior (deontological) as well as on what is ethically favorable to the employees and society (teleological) in order to gain preferable ethical behavior. In other words, ethics are reflected from the impact of time and culture (previous theory) as well as the impact on company’s, employee’s and societies’ value of ethics.

2.4 Ethical implications

Although previous research show that ethics is an on the spot observation (Svensson & Wood, 2009) organizations need to work with a long term view and have a plan to become successful. In order for a company to be acting ethically preferable values should be understood by employees. In order to be ethically sound means that the ethical code of conduct is clear to the employees. The employees have to be trained according to the conduct. It is also important that people outside of the organization can “see” the values in the image of the organization. Organizations that operate in countries that do not have sufficient laws to conduct preferable ethical behavior can use an ethical code of conduct to help them in terms of ethical behavior (i.e. third world countries). (Svensson & Wood, 2009; Holme, 2008; Blomkvist, 2006)

Blomkvist (2006) claims that ethics in organizations can lead to staff being more satisfied, being more productive, having a sense of pride about work, gaining competitive advantage and a will to stay in the organization longer. If a bad ethical conduct is performed in the company the opposite can occur.

2.5 Ethical performance evaluation (EPE)

Svensson and Wood (2009) introduce a model for evaluation of ethics. They distinguish five different functions of ethics that should be considered in order to rightfully evaluate if ethics have been acceptable or not.

*The following table illustrates the five different functions of ethics that is highlighted in the managerial framework of EPE*
### Table 1.

<table>
<thead>
<tr>
<th>Function:</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
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Table 1. Redesigned table from Svensson and Wood (2009) p. 61

#### 2.5.1 Time

Time is a parameter that underpins all of the other categories. The impact is continuous and has a changing nature connected to it. It is difficult to predict how practices of today will be evaluated tomorrow. Ethical values and principles of the moment are often used when evaluating past practices. In order to more rightfully judge whether an action is ethically acceptable or not history needs to be considered. The historical values of the dominating society where the organization is situated should be taken into account. (Svensson & Wood, 2009)

#### 2.5.2 Context

Context is dependent on timing. Svensson and Wood (2009) argue that the context in which actions take place affects what is seen as acceptable from an ethical perspective. For example: In times of war it is acceptable to use deadly force in a way that is not acceptable in a society in peace (Svensson & Wood, 2009). Different contexts are normal when acting on different markets. If organizations are working in different environments it has to be taken into consideration that values, ethics and social responsibilities interact within the organization (Holme, 2008).

#### 2.5.3 Gap

A way of promoting preferable ethical values can be to support these particular values by leaders of the organization. If there is a difference between how internal and external forces perceive the organization a gap will occur (Svensson & Wood, 2009).

Having a gap between what is considered as internal and external ethical ‘righteousness’ presents a risk because actual ethical practice can then be considered to be negative
externally, while being conceived positive internally. Having a long-term focus on ethic is thus a major reason for not having a negative gap between internal and external groups. (Holmeb, 2008; Power, 2009)

2.5.4 Outcome

The outcome parameter is in the same sense as gap depending on the earlier parameters. The outcome of ethical performance is dependent on how the gap between internal and external perception of business practice is being handled. There are two different ways of handling and affecting the perception of the outcome and Svensson and Wood (2009) label them as proactive or reactive performance. Proactive means that the company is trying to stay ahead of the market and society in terms of ethical performance whilst reactive represent a conduct which follows demands (pushing vs. following ethical standards). Both reactive and proactive practices are taking place in an interaction with society. The choice between them is dependent on how they interact with each other under certain circumstances. If companies are not following norms, values and beliefs situations can become very troublesome. The outcome of internal ethical weaknesses can lead to threats and expose the company to risks when integrated with external groups. Internal strength can on the other hand lead to external opportunity. (ibid)

An organization can plan ethical contingency and try to affect the outcome of ethical performance. By evaluating the ethical context, the internal perception of business performance and external perceptions, a company has the choice to react either proactive or reactive. (Svensson & Wood, 2009)

Since proactive and reactive work is taking place simultaneously in an interaction with society it is often hard to determine if a reaction is proactive or reactive. On one hand an organization can react proactive to improve ethical standards. On the other hand it is possible to argue that an organization always act reactive due to the fact that problems always exist. The problems are triggers to respond and therefore every action can be seen as reactive. In this thesis, the main argument for calling an action proactive is when an organization search and finds problems on forehand and tries to solve them, instead of dealing with the result after the problem has occurred. Therefore a proactive way of working implies actively working with
ethics continuously. A reactive way of working can thus be perceived as passively standing by until a situation has occurred.

**2.5.5 Consequence**

Consequence as the last parameter explains the importance of understanding how action will affect organizational ethical performance. By internally performing well on ethics a company can gain long-term business credibility consequently, poor internal ethical performance can lead to risk. A reactive ethical approach is stronger correlated to high risk than a proactive performance.

Internal actions prevent risks from external environment. Internal analysis of ethical behavior can together with external analysis be used to better understand opportunities and threats and how to act upon these. (Svensson & Wood, 2009; Holme, 2008)

A consequence of being transparent and working in line with ethics internally can result in better understanding, less misinterpretation and improved collaboration (Connor, 2006).

> "Business ethics can be applied successfully in the marketplace for the betterment of all stakeholders but on the downside the misapplication of business ethics principles can lead to disaster." (Svensson & Wood, 2009, p. 413)

This citation strengthens the previous statement by Connor (Svensson & Wood, 2009, p. 413; Connor, 2006)

The classification in the EPE-model is judged by evaluating strength weaknesses opportunities and threats. The situation can also be judged as ambiguous.

**2.6 Window dressing**

Throughout history there has been a constant review over what companies should or should not do. Ethics have not always been as of great importance as it is today. Among other the famous economist Milton Friedman (1970) argued that companies that took a social responsibility would harm the very foundations of a free society. Friedman (ibid) named these companies “hypocritical window-dressing” organizations.

Cynicism against whether intentions are honest, true or just for show can be seen. The discussion is about if ethics are used solely to attract customers or if they serve a higher cause.
(Orme & Ashton, 2003) Connor (2006) argues that there need to be a change within organizations if they wish to be taken seriously in their efforts to act ethically correct. Connor (ibid) claims that organizations in general are not as ethically correct as they claim to be.

The importance of a good image in an organization has been argued by many. Unethical decisions can be very expensive for companies. It can destroy a positive image built over a longer period of time and cause a loss of trust (Svensson & Wood 2009; Fatt & Poon, 1997).

Connected to ethics is also credibility, sprung from the word “credo” that can be translated as trust. Credibility is the single most valued asset for companies according to Crosbie (2008).

Connor (2006) argues that a company vision and what is strived for in reality does not have to be the same. Managers are seldom clear in their way of communicating their vision to the rest of the organization. Poor efforts to produce official “vision statements” can often be easily exposed. There is a risk for managers to be myopic if believing that the managements’ and staffs’ vision is the same. What employees say they value and what they actually value does not have to correlate with each other. (ibid)

Cause related marketing is often used to promote companies’ ethical consideration and is based on the principle that a part of the price for goods or services goes to a good cause. The economic profit with a campaign is often substantially higher for the organization launching the campaign than for the good cause it was raised for.

The primary purpose of cause related marketing is to gain financial assets to the organization. The secondary purpose is raising funds for the cause. In one occasion, as much as 20 million US-dollars were spent to promote the raising of 1 million dollar (Svensson & Wood, 2009, p. 200). Risks connected to cause related marketing can be seen as a window-dressing for involved companies to act ethical while profiting on the good intentions of others. To avoid that risk, Cause related marketing should not be driven by financial motives. There should be a clear and conscientious connection between organizational commitment and the cause they are involved in as well. (ibid)

A more global market has developed where organizations act side by side. In some markets there has been little to no regulation for organizations and their powers have not been questioned. This has led to an unhealthy balance and preferable ethical behaviors have not
been supported good enough. A growth of communication tools has created risks and opportunities for businesses both on local and global markets. The will of media to carry on stories of misdeeds is one of the reasons for companies to show a good image. (Burk, Wood, 2007)

Summarizing this chapter:

*Previous studies shows that the subject is hard to define but also closely linked to the socialization between people. In order for a model to be able to evaluate if actions are ethical or not a clear approach is needed. This paper examines a combination of a deontological and teleological approach to classify if actions should be seen as ethically unacceptable or acceptable. This chapter also explores a difference between management and employees relation towards ethics. Tools to affect ethics are brought forward and different ways a code of conduct can affect ethics is shown. Pros and cons with ethics are shown to highlight why organizations should work with ethics. Further on the chapter focuses on the EPE model and the different functions within it to display and explain how different functions of the model should be considered. To further show the complexity of the subject the chapter is being summed up by highlighting different ways of looking at ethical responsibilities for companies. Change parameter represented by global markets and communication tools are also displayed in the end as a reminder of the ever-changing reality of ethics.*
3 METHODOLOGY

- The methodology part reflects the research question and the purpose of the research. This section of the paper will present strategies that have been chosen and arguments for the choices made. The section gives the reader better insight into the author’s choices and tells about the authors priorities. The section further intends to give readers a better chance to evaluate the work that has been done.

3.1 Case study approach

There are often two basic ways of doing research, either by using a qualitative or a quantitative approach. The method of doing research is dependent on research questions. Both qualitative and qualitative research has advantages and disadvantages which the researcher should be aware of. In this paper a qualitative approach for analyzing complex cases and information has been used. The quantitative method analyses more data and has the advantage that results more easily can be generalized in a broader context.

Disadvantages with the quantitative research method are that it can not analyze in-depth and therefore it can not explain why the answers are given by the sample. It tends to just scrap on the surface and not really dig in and investigate under the surface. A qualitative research method goes more in-depth and can therefore give a good explanation to why things are as they are. The lack that the qualitative research method has is that it can be hard to generalize data and creditability can therefore sometimes be questioned (Bryman & Bell, 2007; Jacobsen, 2002).

This paper is built upon four case studies. Each of the organizations has been chosen to test if ethical performance can be evaluated using the frame of the EPE model. Three of the organizations are more similar to each other with a purpose to generalize data and to test if the EPE model can be applied although there are large differences between organizations.

3.2 Primary and secondary data

Primary data is information collected first-hand for the purpose of helping with a particular research. Primary data is often collected through different types of interviews or observations. Secondary data is information collected with the original intention of answering to another purpose. When analyzing secondary data it is particularly important to be critical towards the
data used for the reason that information was not firstly intended for the ongoing research (Jacobsen 2002). Both primary and secondary data has been used in this paper.

3.3 Literature study

Literature has mostly been located in the city library of Halmstad (Sweden) and at the University library in Halmstad. Articles have been located in databases such as ABI Inform, Libris, Emerald and Google Scholar. Internet has been a major help to support the author with material. Official homepages of the researched case studies organizations, World Economic forum, and search engines like Google have been used regularly. Literature used has mostly been written in the late twentieth and the early twenty-first century. Articles used have almost exclusively been written the last decade.

3.4 Interviews

A prewritten interview guide for conducting qualitative semi-structured interviews has been used. This gives a frame to the interview which helps the interviewer to gain knowledge; it also gives opportunities for flexibility where the interviewer might learn new unexpected facts (Kvale, 1997). Telephone interviews were made for this paper and the interviews were recorded with approval of the interviewee to make it easier to cope with the extensive data. According to Jacobsen (2002) consideration needs to be taken whether taping an interview will affect the interviewee. No one of the interviewees saw taping as a problem. The interviews made in the study lasted approximately one hour each and were held in Swedish. To complement the study, empirical data also has been collected through email communication. An interview guide that was not too pre-structured was used which according to Kvale (1997) gives a chance for the results to be more unexpected and spontaneous.

Phone interviews have pros and cons like any research method. One of the clear advantages is being able to talk to people separated from oneself by large geographical distance. Telephone interviews also have a possibility to reduce the affect of the interviewers’ presence. This affect is likely to occur in a face-to-face encounter.

Disadvantages with telephone interviews can be the lack of face to face interaction. Because of this it is hard to evaluate if facial expressions and body language reveal something that the voice does not tell. (Jacobsen, 2002; Kvale, 1997)
3.5 Method for analysis

To reach the goal and to answer the research question that represents the heart of the paper there are many different approaches. Kvale (1997) discusses how an author can combine different methods to interpret the results in a good manner. He names this methodology triangulation. When triangulating the author can both categorize and concentrate information to create meaning. The approach has been implemented in the paper by a structuring of titles and by a clear outline of the paper. With this structure the reader can easier compare and create understanding of the content. (Ibid)

In the analyze part of the paper empirical data’s similarities and differences is brought forward. Preselected theories are used to compare data between the investigated organizations.

3.6 Reliability and validity

Reliability and validity are demanded to give a paper a righteousness to exist. If the results are not valid and reliable the paper will be unusable. By having a clear structure and method Kvale (ibid) argues that it is easier to get a higher reliability and likewise credibility. The reliability and validity can be tested if the same results would be generated when research is repeated on a new population. If the results would be the same one could argue that the reliability is high (Kvale, 1997). Validity is about if one is measuring what one should to come to the right conclusions. Causality needs to exist and be arranged right in order to get a higher validity. By clearly showing steps taken during the process of writing the paper and clearly give up sources the author can justify his/her decisions. Validation is about questioning and controlling, by critically analyzing results (ibid).

Validity can further be separated into internal and external validity. Internal validity is kept high if the author is successful in measuring what he/she want to measure. External validity is on the other hand high when the findings can be generalized to a wider perspective (Jacobsen, 2002; Kvale, 1997). In order to get a high internal and external validity the author chose to research empirical material in isolated case situations in the same way as Svensson and Wood (2009) expresses that the EPE-model should be used. The function parameters of the EPE model (time, context, gap, outcome and consequence) can be found both in the empirical part
and the theoretical part of this paper. This structure is used to assist the author in the analytical part of the paper and in the end to get a better validity.

- **Choosing the EPE model as a basis for the ethical research:**

The reason for choosing the EPE model as a foundation for this paper was that the EPE model gives a thorough analysis which could help a researcher to categorize ethical behavior. This categorization narrows down the results into a particular problem area which is more manageable. As the purpose was to see if the EPE model actively could help to make ethical improvements in organizations, choosing the EPE model to narrow down the problem areas was a necessary first step. As the EPE model proved not to be sufficient to actually improve organizations’ ethical performance, the necessity for an active improvement model was evident. This resulted in choosing the Deming cycle, since it was a proven improvement model that could be used actively and continuously in organizations. By narrowing down the results and providing specific problem areas using the EPE model a first step towards a continuous improvement model has been initiated. The two models complement each other. If used separately, they either are only categorizing (EPE model) or changing something without a purpose (Deming-cycle). As the EPE model does not provide a tool for actively improving results and the Deming-cycle is useless without a narrowed down focus to strive for, these models complement each other as an active ethical improvement model.

In the end it is up to the reader of the paper to decide if the validity and reliability is kept on a satisfying level (Jacobsen, 2002; Kvale, 1997).
4 EMPIRICAL DATA

- Empirical data is presented here. The chapter presents the investigated companies. Interviews are the main source of this chapter.

4.1 Posten Norden AB

With about 50 000 employees and a turnover of about 45 billion Swedish crones (SEK) Posten Norden (Posten) is according to themselves one of the largest organizations in the Nordic countries. The company’s main function is to deliver communication and logistic services. The organization is owned by the Swedish (60%) and Danish government (40%). Customers are both within the private and the business sector. (www.posten.se, [2009-11-09])

Anders Svensson was interviewed to represent the organization. Svensson is a person who has been working in the organization from time to time. Svenssons’ family has also been connected to the organization for over two decades. Employed in the organization, he has been delivering mail and taking care of everyday work tasks of a normal post-employee in Sweden.

4.1.1 Approaching ethics

Svensson (ibid) say that employees in Posten face ethical dilemmas like any other organization. For the postal service employees it shows especially when it comes to handling confidential information. Since the employees are sometimes handling sensitive material, they work under secrecy rules that forbid them to speak about material they come across in working situations. Svensson expresses that a normal post employee could have had the opportunity to misuse information if the postal services did not have rules to counter that. (Interview Svensson, 2009)

4.1.2 The Posten Case

Guiding rules for employees was seen as the answer on how to solve ethical dilemmas of the organization. In order to get this clarity Svensson describes how the employees had guidelines on how to act and behave to best represent the organization in “every” situation (over two thousand and two hundred pages described this). Svensson (ibid) claimed that these
guidelines did not help the ethical behavior. Many of the employees felt as though they were being overlooked because of all the rules that had to be followed. They felt constrained rather then helped by the new guidelines. (Interview Svensson, 2009; www.posten.se, [2009-11-09])

4.1.3 Special aspects

Posten as an organization recognized that the work specificities that their employees were dealing with demanded something special of the organization. They reacted to this and created, as Svensson (interview 2009) said, very elaborate and extensive code of conducts. These code of conducts existed until 2005.

The actual creation of the extensive code of conduct did not solve the organizational problems. The guidelines became a problem for the organization according to Svensson (ibid). To solve the problems a new code of conduct was created to grasp the demanding conditions.

Svensson (ibid) describes some substantial difference between the old (ending in 2005) and the new code of conduct. First of all he claims that the new one is on sixteen pages instead of two thousand and two hundred, and secondly, the new one embraced and recognized the importance of employees in another way. Svensson (ibid) expresses that the new code gives people in the organization a chance to think for themselves and develop within the company.

A reaction to the recognition of an ethical problem for the organization was to create rules and structure. When the organization looked back at the old code of conduct it recognized that the code needed change. To give the large organization a better structure but at the same time enrich the employees the new code hade far less rules. The rules were also clearer and more connected to the structure of the work that was being done.

Svensson (ibid) expresses that the organization changed from being governed by a lot of rules to become governed by common sense and less, but more obvious rules. Svensson (ibid) also expressed that a common vision about how to act in a certain situation guided employees in a new way. More individual freedom to act and think has become an outcome of the more narrowed down code of conduct. (ibid)
4.2 Nordea

The interview material is collected from two interviews with Nordea staff, one with the head of communication in Nordea Sweden (Helena Östman) and another with a private counselor at Nordea (Henrik Larsson). Nordea is according to their homepage one of the two largest companies on the stock market in Sweden and one of the five largest in the Nordic region. Nordea has a vision to be the leading bank in the Nordic countries, and is recognized for its employees, who creates substantial value for its customers and shareholders. (www.nordea.se, 2009)

Östman (interview, 2009) express that Nordea is a result oriented organization who sees risks, costs and capital as cornerstones of their organization. Sprung from this foundation are values that Nordea stands for.

Östman claims that the core of Nordea’s value is trust. She mentions corporate social responsibility (CSR) and argues that CSR is well integrated in the organization. According to Östman this can be seen in the way the organization takes action against child-labor and environmental pollution. Östman goes on to mention that trust is something you build and earn. (interview Östman, 2009 Nordea)

4.2.1 Approaching ethics

Nordea, being a big financial organization, has control over large assets. Both internal and external forces are sometimes tempted by these assets. Nordea tries to protect itself by setting up rules for how to act both internally and externally (Interview, Östman, 2009). The organization tries to promote conduct that is ethically preferable. Östman (ibid) claims that the organization sometimes has to make a choice between financial gain and ethical correctness. Östman argues that the organization help employees by having ethical codes to describe preferable ethical behavior. The ethical code was created in 2002 and it is the responsibility of people in charge to see to that the code is being followed. According to Östman, staff that is not following the code of conduct can be disciplinary punished. (ibid)

Other efforts closely related to ethics that Nordea support is the CSR initiative started by the United Nations (United Nations global compact, UNGC) and other CSR initiatives like CSR Europe which reflect their will to act ethically correct (CSR initiative for companies exchanging information and promoting cooperation in Europe). (www.nordea.se, 2009)
4.2.2 The Nordea case

Östman (ibid) argues that the code of conduct not only prevents the organization from working unethical but Nordea does also proactively work to prevent partners of Nordea to do so. By putting pressure, banning or by practicing “active ownership” (having a dialog with the intention of influencing the companies towards better practices) the organization can affect partners of them to act ethically. (ibid)

Nordea has a bonus system based on results, like many other actors in the financial sector. These results do not have to comply for the entire organization but can be for subdivisions within the organization. This year, a bonus in the three Swedish banks Nordea, Swedbank and Handelsbanken has been estimated to be about four billion Swedish crowns (SEK). Nordea is estimated to hand out 2.4 billion to executives (230 million Euros) but only one-fifth of this money concerns the Swedish operations. (www.nordea.se, 2009; Bonusfest trots förluster [2009-11-17], http://dagensps.se/artiklar/2009/10/16/28899278/index.xml)

Östman (ibid) argues that it is important for Nordea to be able to attract skilled staff because the competition is tough on the international markets. She argues that bonuses can be one way to attract staff. She expresses the organization as being no market leader when it comes to high wages and wants it to remain that way. Östman (ibid) continues to argue that incentives within the organization, besides high wages, should promote ethical behavior. (interview Östman, 2009)

As the financial crisis emerged concerns among Nordea’s customers were raised. These concerns were taken seriously by the organization (ibid).

4.2.3 Special aspects

Media coverage has been substantial when it comes to bonus systems in banks. Östman argues that people are getting angry on bank bonuses because of the ongoing financial crises. Bonuses are related to short-term profits (Motsägelsefullt om bankbonusar, 2009). The 2009 president of the European Council Fredrik Reinfeldt said “enough is enough we need to move away from the current culture of compensation based on short-term performance” (http://svtplay.se/v/1694928/eu_enades_om_bankbonusar, [2009-11-17]). And a system where bonuses are based on more long-term profit has been asked for
Östman (2009) expresses that Nordea has listened to the debate and that action has been taken. She claims that there is no self-interest for the company to pay extensive bonuses to executives, although bonuses in some cases are seen as an extra stimulant for executives to improve business. Executive bonuses for 2009 and 2010 which were approved and sanctioned by the organization were voluntarily given up by the CEO and the board of directors.

Bonuses can be good if they imply long-term prosperity. They do not have to be given as a standard procedure and have to be earned. (interview Östman, 2009; Beslik, 2009)

4.3 Skandia

Since 2006, Skandia is part of an international concern called Old Mutual and is according to themselves one of the biggest supporters of financial sustainable solutions in the world. The business idea is to provide innovative financial services of world-class. Their business idea is built upon a co-operation between individually independent distributors and fund managers. The business idea is connected to Skandia’s vision of having the most satisfied customers on the savings-market. (www.skandia.se, 2009) The interview taking place has been made with Robert Johansson, head of department/team leader in Gothenburg.

4.3.1 Approaching ethics

Johansson (interview, 2009) expresses that the organization is noticing the importance of ethics and that they take the threats which potential ethical wrongdoing may expose seriously. He argues that employees need to sign on a contract where they admit to follow ethical codes of the company. Johansson (ibid) expresses that substantial growth by takeovers on foreign markets have exposed a risk for fractions between branches of the organization.

4.3.2 The Skandia case

The interdependency of Skandia’s international takeovers was one of the reasons to one of the biggest scandals in the company history. The Swedish mother company had low or little insight into the American division of the company. The board of directors had also implemented a bonus system called “Sharetracker” (1997-1999) which supported a system based on bonuses being connected to the financial result of the company (correlating with share price). In the year of 2000 share prices had risen 1000% during the last 3.5 years and the company was valued in the same way as the IT-companies during the IT-bubble. During the
same period of great financial growth the company’s roof on bonuses suddenly disappeared. (interview Johansson, 2009; Svensson & Wood, 2009)

4.3.3 Special aspects

The organization was exposed to media when it became known for its large bonuses. The situation escalated further when it became known that the very generous bonus system (for a few) had been known and even was kept secret by some people in leading positions (Johansson interview, 2009). The whole situation led to a substantial internal investigation of the company’s internal practice and actions. The board of directors was sacked and legal actions were taken towards some of them. Everything that happened in Skandia during the years of the “Sharetracker” bonus system happened even though a code of conduct existed. (www.skandia.se, 2009; Svensson & Wood, 2009)

In 2009 Skandia’s board of directors decided to deny themselves bonuses to support shareholder and company value instead of serving their own interests. (Interview Johansson, 2009)

4.4 United Nations

“The United Nations (UN) is an international organization that was founded in 1945 after the Second World War. 51 countries committed themselves to create an organization with the objective to maintain international peace and security. Within this field of work the organization worked to develop friendly relations among nations by promoting social progress, better living standards and human rights. Due to its unique international character, and the powers vested in its founding Charter, the Organization can take action on a wide range of issue. UN tries to provide a forum for its presently 192 member states to express their views, through the General Assembly, Security Council, Economic and Social Council and other bodies and committees”. (UN at a glance,[2009-10-01] http://www.un.org/en/aboutun/index.shtml)

The interview is made with Adam Andersson (interview, 2009) employee from the United Nations Department of Public Information (UNDPI). This department is located in New York and the main role of this department is to distribute news and information for media around the world. This includes in particular providing 63 Information Centers (UNICs) of UN with
information about UN-campaigns (sending around UN-publications). New media such as Twitter, Facebook and Youtube are some of the communication tools being used. These new media are being used in coexistence with older more classical media such as radio and television. Andersson (ibid) expresses how the mix of media being used by the department gives a preferred flexibility when trying to reach the targeted audience. The department often works in project-teams towards deadlines. If someone in the department has special knowledge about a special task he or she is often brought forward to coordinate work tasks for UNDPI. Andersson (2009) has been coordinating groups and he has also been coordinated within groups. (Andersson interview, 2009)

4.4.1 Approaching ethics

Andersson (ibid) states that UN-employees are being ethically educated when signing on as employees of the UN. This education is going on continuously in the organization. Andersson brings forward the unique international character of the organization, how it is mixed with UN’s commitment to maintain international peace and how security often leads to UN-staff being regularly sent to places in the word that are unsafe. Sometimes the situations that the employees find themselves in are so bad that they hardly can perform their duties and intended work. Andersson (ibid) brings forward that these situations often occur in areas where the UN is needed the most. Some of the ethical dilemmas for the organization touch these problematic situations and questions arise for the organization on how they should act when UN staff is at risk, what is just internally towards employees and what is externally correct towards the people in the region?

These are all dilemma’s for the UN to solve according to Andersson (interview, 2009).

4.4.2 The UN case

Andersson (ibid) describes how the UN was involved in Rwanda from October 1993 to March 1996. Their task was to help Rwanda with the signing of a peace agreement in 1993. In April 1994 the situation changed dramatically and conflicts between the Tutsi minority and the Hutus broke out. The escalations of the conflict led to one of the latest genocide killing about 800 000 of the Tutsi minority. All this happened while UN was present. (ibid; UN in Rwanda, [2009-10-11]www.unric.org/html/german/50jahre/dpi2004/afrika.pdf 2004)
4.4.3 Special aspects

When the peace agreement started to take place, a low involvement of military and observatory personnel seemed to be adequate at the time. There was a not much interest from media to cover the story. When the situation had escalated and the genocide was a fact things changed. The fact that genocide had taken place even though the UN was present led to massive criticism. Andersson (interview, 2009) thinks that the UN could not live up to the ethical expectation, both from them selves and from others’.

What really happened in the Rwanda conflict was that the UN mandate changed when the conflicts escalated. The original UN-force was reduced from 2 165 to 270. UN became a mediator between the two parties and tried to give humanitarian help to civilians. Andersson (ibid) argues that the organization was severely constrained by the unwillingness of the member states to respond properly to the changing circumstances in Rwanda. (Andersson interview, 2009; UN in Rwanda, 2004 [2009-10-11] www.unric.org/html/german/50jahre/dpi2004/afrika.pdf)

Internal and external critique led to major changes concerning how UN justified the way they were entitled to use their armed forces.

UN earlier suffered from their own rules limiting their possibilities to act because of how national sovereignty forbids external forces to intervene with armed forces. The genocide in Rwanda started a debate on how the UN should act and react to similar situations. This debate gave the UN new guidelines on what their responsibility should be. An organization with a ‘responsibility to protect’ became the answer. The change in guidelines was formally accepted by all member states to protect their own population and others from war crimes such as genocide and ethnic cleansing. Adam expresses that the formal acceptance of the responsibility had a major part in the later changed UN mandate. (Andersson interview, 2009 Lessons from Rwanda, [2009-11-19] http://secint50.un.org/preventgenocide/rwanda/responsibility.shtml)
5 ANALYSIS

The purpose for this chapter is to compare the theory with the empirical data. The EPE model is tested upon its ability to evaluate and categorize organizational ethics according to its classification system. Firstly, the empirical data is classified to use the model as it is intended, with help of teleological and deontological approach. The second step is to analyze how the model can contribute to improving organizational ethical performance. The last phase of the analysis is to reflect upon the EPE model to give an understanding upon what it can and can not be used for.

5.1 Classification of empirical data

5.1.1 Deontological and teleological analysis

According to the theories of Svensson and Wood ethical behavior can be determined by either deontological and/or the teleological view (Svensson & Wood, 2009). Both terminologies are to be carefully waged against each other when analyzing ethics in organization.

<table>
<thead>
<tr>
<th>Deontological:</th>
<th>Focus on right and good and on duty and obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teleological:</td>
<td>Focus on consequence to others and value fulfillment (ibid)</td>
</tr>
</tbody>
</table>

5.1.2 Posten Norden AB

Deontological and Teleological Evaluation

At Posten Norden AB the post offices were proactive in their way of wanting to develop ethics before market demanded it. This led to a focus on duty and obligations. Based on these results they were deontological correct (Svensson & Wood, 2009). Although they were deontological correct, the consequence of their actions could not fulfill their intended value. The basis for this argument is that the ethical code of conduct was way too elaborate and hard to follow for the average co-worker. The code of conduct was too elaborate to follow and the co-worker therefore often neglected it and was therefore a negative consequence (ibid). In
short, the deontological view was ethical acceptable but the organization could not could not
live up to the teleological side of ethics (unethical).

**EPE model**

**Time**
Posten Norden AB had a policy of acting on ethically before external pressure was evident. Ethical issues were dealt with before they became a big problem. Although the ethics maybe were not perfect when the postal offices started to improve them, the improvements did show that the postal offices worked with ethics continuously.

**Context**
In the given situation the organization acted to promote better standards for handling ethical issues, which can be seen as ethically acceptable. The main existence of Posten Norden is to work with logistics, although, it is right of Posten Norden to combine the main activity with ethics to create a better organization.

**Gap**
Even if ethics were worked with actively, there were problems concerning ethics at the postal offices internally. The management did its best to translate ethical code of conduct towards its staff, but made the code so extensive that the staff had problems to interpreting the given codes. This could be seen as a problem, since the gap between what the management perceived to be a good way of communicating ethics and how the coworkers perceived it to be was different. The outcome can be argued to be a negative gap in this case.

**Outcome**
Posten Norden actively tried to improve their ethical standards. The outcome was positive, since the postal offices saw and changed the code of conduct in a way that was easy to understand and work with for the staff. This way of conducting change is known as the proactive approach.
Consequence
At Posten Norden, the management saw and understood the problems of the code of conduct. The code was hard to work with for the employees and was therefore neglected. By improving the code of conduct, the staff was better able to understand and work with their day-to-day tasks. This can be seen as strength that provides future opportunities.

Result

The result of the categorization according to the EPE model in the Posten Norden case is shown below.

Table 2

<table>
<thead>
<tr>
<th>Function: Posten Norden AB</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ahead</td>
<td>Acceptable</td>
<td>Negative</td>
<td>Proactive</td>
<td>Strength, Opportunity</td>
</tr>
</tbody>
</table>

Table 2. Redesigned table from Svensson and Wood (2009) p.61

5.1.3 Nordea AB

Deontological and teleological evaluation

Nordea has an obligation to bring value in different forms to its stakeholders and shareholders. Value can be expressed in financial gain while considering ethical actions at the same time. Nordea has under a period of time used a bonus system that allowed executives to take out bonuses. This bonus systems aim was to attract skilled professionals to Nordea, since they did not want to compete with market leading wages. From a deontological perspective they focused on the obligation to attract the most qualified staff to their organization so that the company could be managed in the best way possible (Svensson & Wood, 2009). The consequence of this bonus system was that exorbitant bonuses were to be paid while an economical crisis was ongoing, which is unethical from a teleological point of view. It was unethical because the correlation between executives’ performances and the state of the
organization was unbalanced. It can therefore be argued that the bonus system proved itself to be unethical and did not fulfill its intended value.

**EPE model**

**Time**
Since the public opinion was critical to excessive bonuses during the financial crisis and the fact that Nordea initially was planning to give bonuses to their management the organization reacted behind the then prevailing ethical values.

**Context**
Although it is a difficult discussion, the management of Nordea was ambiguous in their way conducting ethics. On one hand they did not use their bonuses and listened to their environment. On the other hand their original plan was to have bonuses independent of existent market situation.

**Gap**
The gap was at first was negative between what the management of Nordea perceived as being ethical and what stakeholders saw as ethically acceptable behavior. The organization later on changed according to public opinion. Because it is hard to know if management refrained from the bonuses because of the public opinion or just because they got a better insight themselves, one can argue that it is hard to evaluate if the gap is positive of negative. Therefore the result of the EPE model in this case is valuated as ambiguous.

**Outcome**
Since the whole situation can be seen as a reaction to the bonuses that were to be paid, it is clear that the outcome was not generated from a proactive practice. The outcome can be seen as a reaction to either public opinion or a will for the management to change. Either way, the organization had a reactive way of changing.

**Consequence**
The first strength in the Nordea case is the fact that management of Nordea gave up their bonuses voluntarily. This can be seen as ethically correct. A critical note can also be given
though, because the management of Nordea acted voluntarily. This means that the organization itself did not have sufficient rules to address the ethical dilemma that occurred. Therefore one can see the consequence as ethically ambiguous.

Result

The result of the categorization according to the EPE model in the Nordea case is shown below.

Table 3

<table>
<thead>
<tr>
<th>Function:</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordea</td>
<td>Behind</td>
<td>Ambiguous</td>
<td>Ambiguous</td>
<td>Reactive</td>
<td>Ambiguous</td>
</tr>
</tbody>
</table>

Table 3. Redesigned table from Svensson and Wood (2009) p.61

5.1.4 Skandia AB

Deontological and teleological evaluation

Skandia had similar intentions as Nordea with their bonus system. The difference between the two cases is that Skandia did pay the bonuses while Nordea did not. Another difference was that the rules that limited bonuses suddenly disappeared in the case of Skandia. This was decided upon by management of Skandia. The deontological perspective upon Skandia is that it was seen as very unethical to take away a limitation on what an executive could earn from bonuses, since it was unclear how this could favor the organization (Svensson & Wood, 2009). The consequence was that the organization lost revenue and trust from their staff and stakeholders. The value fulfillment was very obvious for the executive taking part of the bonuses, but it did not favor the organization (ibid).
EPE model

Time
In the case of Skandia it was clear that the management was behind the public opinion concerning the bonus system. The management did not do anything to prevent the bonuses to leave the company.

Context
In this situation, one can understand that management originally had a bonus system which was ethically acceptable at the time. The fact that the management took away the bonus limits under very questionable circumstances affected the ethical behavior negatively. Under these conditions the actions were ethically unacceptable.

Gap
When it came out that the bonus system had changed to serve the interest of management rather than the organization, it was obvious to the stakeholders that the gap between what management and what stakeholders held to be ethical differed. With other words, the gap between the management and stakeholders view on ethics was considered negative.

Outcome
Skandia had in this case and time not changed their ethical routines. This caused a lot of angry reactions from stakeholders. Skandia has in recent years changed their policy towards the better, but did not change in this isolated case. The way Skandia handled the situation can be seen as reactive, due to the fact that the management took actions a long time after being exposed to media and stakeholders negative reactions on their ethical behavior.

Consequence
The consequence was a threat for the organization, because they lost substantial financial values both directly due to the bonus system and indirectly because they lost the trust of many of their stakeholders. As late as 2009 the organization decided to renounce bonuses.
Result

The result of the categorization according to the EPE model in the Skandia case is shown below.

Table 4

<table>
<thead>
<tr>
<th>Function: Skandia</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Behind</td>
<td>Unacceptable</td>
<td>Negative</td>
<td>Reactive</td>
<td>Weakness, Threat</td>
</tr>
</tbody>
</table>

Table 4. Redesigned table from Svensson and Wood (2009) p.61

5.1.5 United Nations

Deontological and teleological evaluation

In the case of UN and the Rwanda scenario the ethical performance were disastrous for the UN reputation. At first, the UN wanted to see to it that the civil war was prevented by use of military force to keep the two parties apart. This is reflected in the deontological view as right, because it prevented a war. Preventing a war was what the majority of Rwanda’s population wanted. When the genocide broke out and thousands of people were murdered, the UN drew back a part of their forces. Their involvement in protection the minority that was murdered became limited as a result of this. The consequence became that the UN could not live up to their obligations anymore. The teleological view upon this situation is that it was not righteous to leave the minority to be unprotected (Svensson & Wood, 2009). When reflecting the consequences and the value fulfillment towards the Rwandan population from the teleological point of view the results show that the UN’ ethical behavior was unacceptable. It was also obvious to see that the organization could not live up to their obligations from a deontological point of view (ibid).
EPE model:

Time
According to the EPE model the UN was behind with its reactions to the happenings that occurred in Rwanda. In the time being of the genocide UN could not react according to its standards, this because of the constrictions by the organizations member states.

Context
In Rwanda, the context changed fast. The situation changer rapidly when one group began to murder the other. The UN withdraw their forces and could do nothing more than stand and see it happening. They were simply not prepared to adapt to the changing situation in a sufficient way, and their way to withdraw their forces was clearly unacceptable.

Gap
At first the UN did go into Rwanda as a peacekeeping force because a peace agreement was to be signed between the Hutu’s and the Tutsi’s. The situation escalated when the genocide started. The UN did not live up to their standards as a peacekeeping organization, thereby not preventing the killing of around 800,000 civilians. The UN did clearly not live up to the expectations of the public opinion. The negative gap was therefore evident.

Outcome
It is hard to justify UNs actions when the results clearly did not help the organization to be the peacekeeping force they wanted to be. The mission in Rwanda was a proactive initiative to enforce a peace agreement. The fact that the UN was not prepared for the rapidly changing situation made the UN reactive instead of proactive when they were situated in Rwanda. This is clearly shown by that they did not foresee the upcoming genocide.

Consequence
When looking upon the isolated case, one can argue that UN showed weaknesses in their ethical behavior. The situation became a threat for the organization, because UN clearly did not do the right thing according to the public opinion.

Result
The result of the categorization according to the EPE model in the UN case is shown below.

Table 5

<table>
<thead>
<tr>
<th>Function:</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
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<tr>
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<td>Unacceptable</td>
<td>Negative</td>
<td>Reactive</td>
<td>Weakness, Threat</td>
</tr>
</tbody>
</table>

Table 5. Redesigned table from Svensson and Wood (2009) p.61
5.2 Combining the cases

A Combined EPE model illustrating all the cases

Below the similarities and differences between the cases are displayed according to the categorization that EPE gives to the cases.

Table 6

<table>
<thead>
<tr>
<th>Function:</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
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<tr>
<td>Posten Norden AB</td>
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<td>Proactive</td>
<td>Strength, Opportunity</td>
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</tr>
</tbody>
</table>

Table 6. Redesigned table from Svensson and Wood (2009) p.61

- **Reflection upon the EPE results**
  The outcomes from the EPE model show that the results can be classified in different segments. Although these results are important, one can argue if the results really help organizations to improve their ethical performances. Ethical performance needs to be changed and this model gives ethically change direction for an organization, by classifying result. The classification of the results makes it easier for companies to know what type of performance to improve. Maybe a combination of EPE with a model that help the organization to continuously strive and work towards a better ethical performance can help organizations who uses the EPE model to improve ethics on a day to day basis.
6 CONCLUSION

- In this chapter the answer to the research question is presented. Suggestions are also made for how the EPE model could be used in a combination with a proactive quality improvement model. The chapter also gives suggestions for future research and managerial implications.

6.1 Answering the research question

In the introduction chapter the following question was asked:

*How can the ethical performance evaluation model of Svensson and Wood (2009) contribute to improvement of organizational ethical performance?*

In this chapter the answer to the question is developed from the results that the analysis has shown. In the analysis chapter the reflection was given that the EPE model did classify and gave answers to what was ethical or unethical performance. The nature of the word evaluation demands that something has happened in order to be evaluated. One of the pros with the EPE-model is that it is not limited by time in that sense that a certain amount of time must have past before the model can evaluate ethical performance. One other advantage is that the method is generically applicable. It can be applied independently in different situations. This function helps when it comes to limiting the scope of the material to research and hence makes the evaluation more tangible.

The model is meant to evaluate ethical performance, it does not have any tools for improving ethical performance per se. Ethics is to be evaluated as an ever-changing concept. Organizations who want to keep up with these changes constantly need to question and evaluate ethical performance. From the previous analysis it can be concluded that the answer to the research question is:

*The EPE model gives feedback which can be used for ethical evaluation, the model contributes with a categorization and narrows down focus so that data are easier to handle. Evaluating ethics with help of the EPE model is not simple and the result can be ambiguous.*

The EPE model is not suitable on its own for actively improving ethical performance, but could a practical improvement model help the EPE model to achieve continuous ethical improvement?
6.2 A Combination of the EPE model and the Deming cycle for ethical analysis

- The Deming cycle was created by Dr. William Edvards Deming. The model is considered to be a forerunner to modern quality improvement theories. The principle of the model is that our knowledge is limited, but improving. Therefore, one should not think in terms of making a perfect process, product, service and etcetera the first time, but instead see perfection as something to strive for. The Deming cycle helps to continuously improve practice where it is applied.

The Deming cycle consists of four improvement steps that strive towards a higher goal. When the goal is reached, a new one is created. A goal can be so far away from practice that several Deming cycles have to be used before reaching the goal. The model favors systematic improvements and is striving for continuously perfecting organizational performance.

6.2.1 Connecting Deming Cycle to Ethics

Both ethics and the Deming cycle have in common that they are dependent of the parameters time and change. These two factors contribute to an ever-changing concept of ethical values over time and the Deming Cycle sees change as a preempting factor for its existence. The Deming Cycle sees perfection as something to strive for and also as something hypothetical. Therefore the Deming cycle is used over and over again to strive for perfection and come closer to it.

The Deming Cycle is used to actively help organizations improving their processes. It has been recognized as the basis for quality management all over the world. The assumption can be made that even the Lean production method is inspired by the Deming Cycle and that continuous improvement of an organization can be helped by the model.
Hereunder a description of the Deming cycle’s four steps is given.

**Plan**

Establish the objectives and processes necessary to deliver results in accordance with the expected output. By making the expected output the focus, it differs from other techniques in that the completeness and accuracy of the specification is also part of the improvement.

**Do**

Implement the new processes. Often on a small scale if possible.

**Study**

Measure the new processes and compare the results against the expected results to ascertain any differences.

**Act**

Analyze the differences to determine their cause. Each will be part of either one or more of the P-D-S-A steps. Determine where to apply changes that will include improvement. When a pass through these four steps does not result in the need to improve, refine the scope to which PDSA is applied until there is a plan that involves improvement. (Deming W. E., 1982)

How the model works is shown below.

**Figure 2**

![Figure 2: Redesigned figure. Deming/PDSA Cycle from Deming W. E., (1982)](image)

Since this model helps an organization to actively improve handling, one can argue that this model in combination with the EPE model can help organizations to improve their ethical performance. In the next section the models are therefore combined.
6.3 Combining the EPE model and Deming cycle

Figure 3

<table>
<thead>
<tr>
<th>Function:</th>
<th>Time</th>
<th>Context</th>
<th>Gap</th>
<th>Outcome</th>
<th>Consequence</th>
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<tbody>
<tr>
<td>Case illustration (Organization)</td>
<td>Ahead/</td>
<td>Acceptable/</td>
<td>Positive/</td>
<td>Proactive/</td>
<td>Strength, Opportunity/</td>
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</tbody>
</table>

Figure 3: Own model, Ethical Improvement Model (EIM), developed from: (Deming W. E., 1982; Svensson & Wood, 2009).
6.3.1 Explaining the figure
The first three steps are needed in order for the organization to classify their conduct according to the EPE model. During the first two steps, an organization can analyze if their ethical conduct can be justified using deontological and teleological considerations. During the third step the results are classified according to the five characteristics. This gives the organizations an idea of where to make improvements to their ethical performance. In the fourth and last step the results of the EPE process are made into an action plan to improve ethics continuously in the organization.

6.3.2 Managerial implications
For managers the possible use of the model and its implication is shown by its different sectors. The current situation is that managers have difficulties in how to display and improve ethical behavior, and this model combination might make it possible to measure and improve ethical performance.

The managerial implications will be issued with help of the UN case. During the case situation the Rwanda population was suffering while the UN was standing by. In this case the UN did not do anything until it was too late to help the population. The UN did act after the case by changing their rules, but it was too late to help the citizens of Rwanda. In theory, the combined model could have contributed to helping the UN to foresee different scenario’s and how they should improve their organization before it was too late. For instance, the signs were already there that the situation was tense. This could have given the UN the signs that they should have enough military force to keep the fighting forces apart if the situation would escalate and protect the Rwandese population. The EPE model could have given the UN the classification with which to focus its improvements on and the Deming Cycle would help them to actively improve their ethical performances and to follow and react to the ever-changing environment. All the cases described earlier could have been improved by using the EIM.
6.4 Possibilities for future research
This section aims to describe how the ethical improvement model (EIM) could be used in future research.

As the model has never been tested before, a lot of theoretical considerations have to be put into practice to see if the model works. By using the model actively in the future, theorists might come to interesting results that provide changes in the model or adding’s towards an improved model. All the categories that are expressed in the EPE model might have practical implications on the EIM that also can be studied in future research.

6.5 Final reflection
Kofi Annan (1999) encouraged a development driven by a “human face” in the beginning of this paper. It has clearly been expressed in both theory and practice that there should be more to business than just to live up to short-term goals. In the process of changes that need to take place ethics plays an important role. Knowing how to react towards ethics, how to work with it and that it matters will be important if organizations want to be proactive and lower risk taking.

According to me it is possible to see that a widening of perspectives and recognition is taking place amongst many when it comes to ethics. Let us hope that the organizations of the future will work with ethics continuously as its nature is ever-changing. Let us also not forget to bring the human face to our organizations.
REFERENCES

- Sources to empirical and theoretical data are presented here.


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Skandia


United Nations


United Nations Project Office on Governance (2009-10-26)


Interviews were made in September of 2009 four of the five interviewed wishes to stay anonomonys. Helena Östman is not a fiction name but the others are.
APPENDIX

Interview guide

- The purpose of this guide is to serve as a helping tool when conducting the interviews

Organization background, role of the employee and ethics within the organization:

Investigated organization:

Title and work description of the interview person:

What do you personally think of when you hear ethics?

How does your organization live up to “your” ethics?

How does your organization face ethical dilemmas?

- Describe a situation.
- What has happened/why
- Involving: products, persons…?
- How did this come out (i.e. where you exposed to media)?
- What was your reaction (public ban…)?
- What was the response, reaction (new developments…?)
- What was the outcome (in the end?)

Do you work with ethics in the past and the future…

Do you evaluate what has been, how? (perspectives…)

What does your organization do to prevent ethical misconduct?
Table of figures

Figure 1.

*Figure 1 is illustrating different zones that can be used when evaluating ethical performance.*

![Figure 1. Redesigned figure from Svensson and Wood (2009) p.55](image)

Table 1

The table illustrates the five different functions of ethics that is highlighted in the managerial framework of EPE.

<table>
<thead>
<tr>
<th>Function: Case illustration (Organization)</th>
<th>Time</th>
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<th>Gap</th>
<th>Outcome</th>
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*Table 1. Redesigned table from Svensson and Wood (2009) p.61*

Table 2

<table>
<thead>
<tr>
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*Table 2. Redesigned table from Svensson and Wood (2009) p.61*

Table 3

<table>
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</table>

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Table 4. Redesigned table from Svensson and Wood (2009) p.61

Table 5

<table>
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Table 6. Redesigned table from Svensson and Wood (2009) p.61

Figure 2

*Figure 2 is illustrating the Deming cycle.*
The figure is illustrating an Ethical Improvement Model (EMI.)

**Step 1**

Deontological and Teleological considerations

**Step 2**

<table>
<thead>
<tr>
<th>Function:</th>
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**Step 3**

**Step 4**

Figure 3: Own model, Ethical Improvement Model (EIM), developed from: (Deming W. E., 1982; Svensson & Wood, 2009).