

TRIANGLES OF BUSINESS ETHICS: MODELS AND EMPIRICAL ILLUSTRATIONS

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Abstract: The objective is to describe a conceptual framework consisting of business ethics triangles. Models are used to describe and analyse the background and recent incidents in Systembolaget and Skandia, two large corporate organisations in Sweden. One is owned by the state and the other is privately owned. On the other hand, the conceptual framework provides a frame of reference for further research in the field of business ethics focusing on the ethical values and principles in the marketplace and in the society. Suggestions that may improve the best practise and the theory development of ethical values and principles in business ethics are presented at the end of this paper.

Key-words: Business ethic, Triangle Model, ethical values.

1 INTRODUCTION

Business ethics may be seen as an umbrella concept for an organisations' ethical values and principles in the internal and external business environments. Various parameters affect the success or failure of business ethics in these business practices. For example, Svensson and Wood (2003 and 2004) identify five parameters that may contribute to enhance descriptions of business ethics. These parameters are: time, context, gap, outcome and consequence. We contend that the underlying ethical values and principles of business ethics in the marketplace and society are dependent upon these parameters.

In the first place, the success or failure of business ethics may be seen as a function of time. The time parameter in the business and societal environment affects what are considered to be acceptable and unacceptable business practices. The ethical values and principles of business ethics may be seen as a function of time even if it is not usually spelled out explicitly in literature (ORWIG, 2002; KILCULLEN and KOOISTRA, 1999; FELDMAN, 1998; PAVA, 1998; GIACALONE and KNOUSE, 1997; YAMAJI, 1997; MCDONALD and ZEPP, 1989).

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In the second place, the success or failure of business ethics may also be seen as a function of context. The current contextual situation and the contextual evolution in business and societal environments also affect what are considered to be acceptable and unacceptable business practices in the marketplace and in the society. In literature, various studies across countries have been performed and have stressed the context of the situation (JAKUBOWSKI et al., 2002; HOOD and LOGSDON, 2002; BUCAR; GLAS; HISRICH, 2002; FISHER; SHIROLÉ ; BHUPATKAR, 2001; SEITZ, 2001; PEPPAS and PEPPAS, 2000; SINGHAPAKDI et al., 1999; FERNANDEZ-FERNANDEZ, 1999; VINTEN, 1998; SEN, 1997).

In the third place, the evaluation of ethical values and principles of business ethics may be seen as a function of gap, outcome and consequences. Svensson and Wood (2004) address these parameters, where the gap between societal and market expectations and the actual decisions made by the corporation may underpin the success or failure of business ethics (outcome) that in turn leads to consequences (i.e. either positive or negative ones) for the corporation in the marketplace and in the society. In conjunction, these parameters create a fundament for a conceptual framework, and also contribute to describe the dynamics of business ethics in business practices in the marketplace and in the society.

A set of ethics triangles of business ethics may be distinguished based upon these parameters. Our objective is to describe a conceptual framework consisting of business ethics triangles. The conceptual framework is underpinned by two case descriptions to illustrate the applicability and the universality of the ideas when it comes to structuring the complex reality of prosperous business ethics in the marketplace and in the society. In sum, as time moves on, contexts evolve and as a consequence the ethical values and principles that denote successful business ethics change.

When one tries to understand decisions and actions from a business ethics point of view, it is done many times with ethical values and principles valid for the moment, and with knowledge about only some aspects of the situation. To make a better judgement we need a more holistic and interactive view, and also we need to consider other factors. We use ethics triangles of business ethics to understand two recent and much discussed scandals in Scandinavia. This analysis will at the same time illustrate the conceptual framework of business ethics triangles that are introduced.

1.1 TRIANGLES OF BUSINESS ETHICS

The fundamentals and essentials of an organisation's business ethics in the business environment might be conceptualised through a selection of triangular models, therefore a conceptual framework of business ethics triangles is introduced in this section, which consists of three principal parts, namely:

- a) a continuous model;
- b) a corporate view model, and
- c) proactive and reactive models.

1.1.1 A Continuous Model of Business Ethics

Business ethics requires a continuous reconnection at different levels of an organisation with reality. This means that strategic, tactical and operational business

activities in the business environment are mutually interdependent in the context of the ethical values and principles that are expected in the marketplace and in the society.

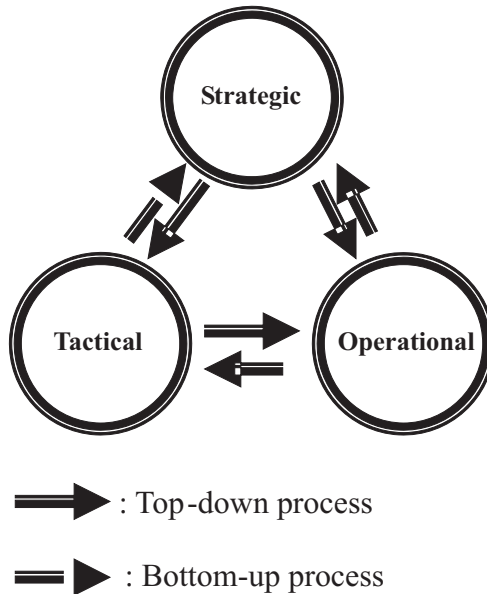


Figure 1: A Continuous Model of Business ethics.

The interactivity and interdependence of ethics values and principles between strategic, tactical and operational levels of an organisation's business ethics are illustrated in figure 1. An organisation's business ethics consists of two principal processes, namely a top-down process and a bottom-up process. On the one hand, there should be a top-down planning and implementation of ethics guidelines and ethics policies by an ethically sensitive and dedicated leadership of an organisation. On the other hand, there should also be a bottom-up control and follow-up of ethics behaviours and ethics procedures by the leadership in the same organisation. On all levels (i.e. strategic, tactical and operational), there should be a continuous reconnection with the reality in the marketplace and in the society in order to be ethically successful in business ethics and to achieve an ethically sound and supportive word-of-mouth advocacy in the business environment.

1.1.2 A Corporate View Model of Business ethics

Business ethics has also a corporate view that requires the continuous reconnection with reality in different areas of an organisation. This means that internal, external and interactive issues are interdependent in terms of the organisation's ethical status and its status in the marketplace and in the society. A corporate view of the business ethics triangle consists of various fundamental and essential areas. Wood's (2002) partnership model of corporate ethics underpins the philosophy of the triangle of business ethics introduced in Figure 2.

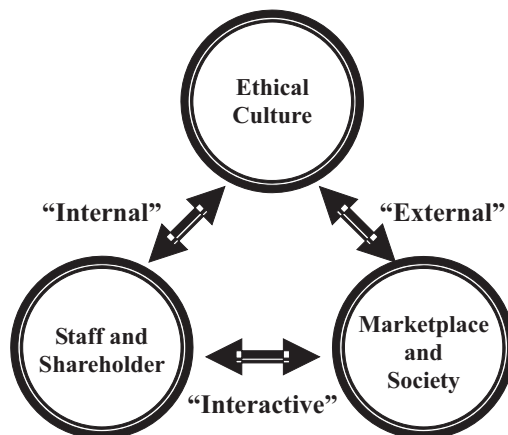


Figure 2: A Corporate View Model of Business ethics.

In figure 2, three areas of importance to the success of an organisation's business ethics in the business environment are pinpointed. One area of importance in the business environment is the commitment to an *ethical culture* within the organisation (ibid.). This culture should reflect the core values, the norms and the beliefs that frame the atmosphere of the organisation's business ethics. Another area of importance is the commitment to business ethics to and from *staff and shareholders* (ibid.). This includes the efforts of the CEO, the board of directors, the shareholders, senior managers, and other staff members. There has to be a mutual understanding and a shared sentiment among these organisational actors for the ethical culture within the organisation to be successful (ibid.). A third area of importance is the commitment to business ethics in the *marketplace and in the society*. Principal actors in this area are customers, suppliers, authorities, competitors, external stakeholders and different publics of concern to the organisation's business ethics in the business environment. The company must interact in an ethical manner with all of these groups.

The commitment to an ethical culture and to/from staff/shareholders concerns the *internal interface* of an organisation, while the commitment to the ethical culture and the ethical situation in the marketplace/society concerns the *external interface* of an organisation. These two interfaces reflect different contexts. The actual *interactive interface* of an organisation is between the commitment of staff/shareholder and their involvement with the marketplace/society. Actually, this is a time-interface. The three interfaces are supported by an organisation's ethical considerations and dedication towards ensuring a business ethics culture exists. Organisations need to consider their use of such processes as an ethics ombudsman, ethics education, staff induction, ethics audits, code of ethics, ethics committee, and whistle blowing protection (WOOD, 2002).

1.1.3 Proactive versus Reactive Models of Business ethics

Business ethics within an organisation that lacks the continuous reconnection with reality might be considered as rather deficient and hazardous from a business or environmental point of view, than the one that keeps a continuous reconnection with reality. Business ethics has to follow the evolutionary and contextual issues in the

marketplace and in the society (SVENSSON and WOOD, 2003). The former scenario of a continuous reconnection with reality represents reactive business ethics of an organisation, while the latter scenario of a discontinuous reconnection with reality represents proactive business ethics.

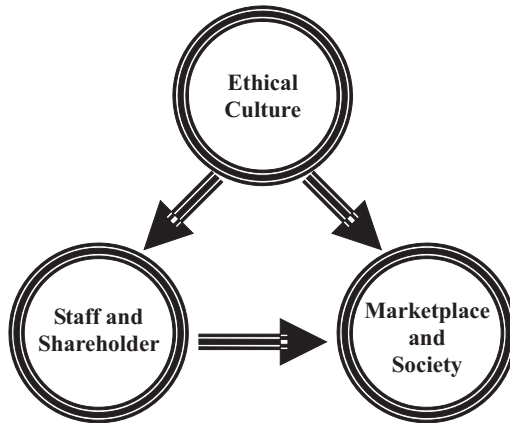


Figure 3: A Proactive Triangle of Business ethics.

Proactive business ethics might be described as depending upon a triangular phenomenon (see figure 3). A proactive triangle of business ethics is characterised by the organisation's commitment to an ethical culture that is ahead of the prevailing ethical situations and accepted norms in the marketplace as well as in the society. It is also characterised by the need for the organisation's commitment to an ethical culture, in terms of its top-down planning and implementation of ethics guidelines and ethics policies, to be directed to support the staff and the stakeholders appropriately at the strategic, tactical and operational levels of the business. Furthermore, it requires that the control and the follow-up of bottom-up control and the follow-up of corporate behaviours and corporate procedures are in accordance with the reigning ethical values and principles in the current business environment.

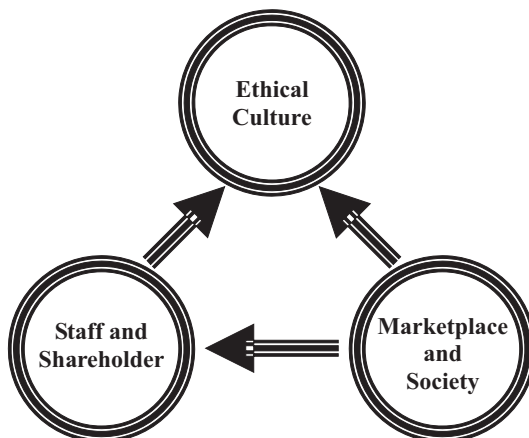


Figure 4: A Reactive Triangle of Business ethics.

Reactive business ethics might also be described as depending upon a triangular phenomenon (see figure 4). A reactive triangle of business ethics is characterised by the organisation's commitment to an ethical culture that lags behind the prevailing ethical situation in the marketplace as well as in the society. It is also characterised by the fact that the organisation's commitment to an ethical culture in terms of its top-down planning and implementation of ethics guidelines and ethics policies fail to support the staff and the stakeholders appropriately on a strategic, tactical and operational level of business activities. Furthermore, the ethics control and the ethics follow-up of bottom-up control and follow-up of corporate behaviours and corporate procedures are inappropriate according to the reigning ethical values and principles expected and accepted in the business environment.

The reactive ethics control and ethics follow-up of behaviours and procedures in the area of business ethics forces the organisation into a process of the re-planning and the re-implementation of ethics guidelines and ethics policies to support the staff and the stakeholders in the marketplace and in the society. If organisations do not do this task then they will suffer severe negative consequences that will impact the organisation's business ethics in the business environment. If there is a combination of proactive and reactive business ethics, in terms of either a top-down planning and implementation of ethics guidelines and ethics policies or a bottom-up control and follow-up of ethics behaviours and ethics procedures by the organisation, then this represents a somewhat confusing scenario of a business ethics triangle. This business ethics triangle indicates the ambiguity and vagueness of an organisation's values and principles in the business environment from an ethical point of view. It is not favourable, although it is more convenient than a pure scenario of a reactive triangle characterising an organisation's business ethics. At the end of the day, the fundamentals and essentials of an organisation's business ethics should preferably strive towards the scenario of a proactive triangle to avoid unfortunate happenings in the marketplace and in the society. These happenings might have a severe impact on the organisation's word-of-mouth advocacy and future prosperity in the business environment.

2.CASE DESCRIPTIONS

This section provides two independent case descriptions based upon the conceptual framework of business ethics triangles outlined in the previous section.

2.1 INTRODUCTION – CASE 1

There is a state monopoly to sell wine and other alcohol beverages in Sweden. The organisation in charge is called "Systembolaget". It is the only retail outlet allowed to sell alcohol to consumers (except for light beer and cider). Restaurants and bars/pubs need a permit from the local authorities.

Systembolaget's monopolistic position makes it particularly responsible to comply with ethical values and principles in the Swedish marketplace and society (i.e. proactive business ethics) however, it is interesting to examine how Systembolaget failed to maintain appropriate and timely business ethics. It has been rather reactive – i.e. absolutely opposite to the outcome that one would have expected.

This case description is based upon facts retrieved from Systembolaget's own "white book" (Systembolaget, 2005). The case description follows a chronological order of the happenings that took place in the organisation.

2.1.1 Systembolaget

In 1994, in order to prevent the company from having future ethical problems (i.e. proactive business ethics) a document was produced that outlined guidelines on how the contacts between producers/agents (i.e. suppliers of spirits) and the staff of Systembolaget should be handled. All employees (including managers) in Systembolaget had to sign the document (i.e. a top-down process). It was a response to previous misbehaviours in the organisation, so, in actual fact, it may be seen as reactive business ethics. Gifts of product and other favours were forbidden to be either given or to be received in the business relationships with suppliers. The value of the gift per se was not important, but all offers were to be refused (i.e. proactive business ethics).

In 1996, a supplier was denounced to the Swedish police authority for attempted bribery (i.e. the interactive interface). At the same time, Systembolaget ran a campaign to influence the market (i.e. the interactive interface) to not buy the products of this company (Resumé, 1996). Soon after, it was revealed that eight store managers from Systembolaget had been invited by this company and went to the Czech Republic. They were denounced to the police and dismissed from the organisation or they left the organisation (TIDNINGARNAS TELEGRAMBYRÅ, 1997).

In 1998, the management of Systembolaget attempted again to make their store managers aware of and to understand how important it is to be neutral when choosing brands (i.e. a top-down process). It can be seen as an attempt to influence the interactive interface through the internal process, however, the problems continued in the organisation. Since the problems did not vanish, there was an attempt from the management of Systembolaget to create proactive business ethics situation by reorganizing the purchase function. They tried to engineer the store managers out of the process.

In 2000, the purchases of beverages were centralized to prevent undue influence from producers/agents upon the store managers. At the same time, this policy change resulted in criticism from the EU, since they believed that it would influence the competitive situation in the marketplace. Systembolaget wanted to start a central national warehouse, but the Swedish Competition Authority declined the proposal (i.e. the interactive interface).

In 2001, a whistle blower told the management team that bribes and corruption still existed in Systembolaget (i.e. the interior interface). It led to the establishment of a number of control- and warning-systems (i.e. a top-down process and reactive business ethics). Anonymous e-mails reported that the problem continued on regardless of the changes put in place to thwart it (i.e. the interactive interface). Accordingly, some staff in the organisation seemed to maintain ethical values and principles of conduct (i.e. a bottom-up process and the interior interface), but others may not have maintained such standards.

In 2002, the Swedish press wrote about a manager at the head office who had his vacation in Estonia paid for by a beer company (i.e. the external interface). It was also revealed that he exchanged his rather cheap watch for a 10 000-dollar one, and for several days he also had a limousine provided to him to transport him between night clubs and sex clubs (SVENSKA DAGBLADET, 2002).

In 2002, the Swedish Competition Authority claimed that Systembolaget was too slow to accept new products into its product assortment (i.e. the interactive interface).

Such a situation could have led to the demand from the EU that Systembolaget's monopoly was detrimental to competition in the EU (FOODWIRE, 2002). In other words, the organisation strove to secure the internal interface, while problems emerged instead in the interactive interface. There was a risk that the monopoly may have been stopped by the EU. Systembolaget decided to force the market to embrace ethical behaviour. The rules for contacts with suppliers became a part of the purchase conditions (i.e. proactive business ethics) of the agreement, however, it did not stop the attempts to bribe the staff in the organisation (i.e. the external interface).

In January 2003, an employee came forward with proof that there were shops buying non-demanded products, and some products were exposed in an unfair way (i.e. the internal and external interfaces). All of the managers involved were dismissed and the suppliers reported to the police authority (i.e. reactive business ethics). Systembolaget informed the media themselves (i.e. the interactive interface) before it became public knowledge. An investigation found that a number of suppliers had been buying their own products which gave them a better ranking in Systembolaget's assortment list and in this way they sold their products in many more shops than otherwise would have been the case. It is possible that Systembolaget (i.e. the internal interface) and the suppliers (i.e. the external interface) all thought they had behaved in a correct way, but the two value systems did not match – and this created a conflict (i.e. the interactive interface).

In June 2003, the management of Systembolaget took a decision that all purchase contacts with producers/agents should go through the head office. If someone attempted to influence a shop manager it had to be reported to the head office. Anyone not following the policy for contacts could be reported to the police authority and fired from his/her job. All employees had to sign a document saying that they knew about the new rules and that they accepted them. In other words, it appeared to be a top-down process and proactive business ethics, but it was rather the outcome of a bottom-up process and reactive business ethics. Obviously, the control systems and the warning systems did not work properly in Systembolaget, even though the management had tried to affect them in a positive manner.

In July 2003, it was furthermore revealed that Systembolaget sold test-wines only to fulfil the demand of the EU to let in new products, but these were not listed anywhere for sale (TIDNINGARNAS TELEGRAMBYRÅ, 2003). This deception can be described as an unethical behaviour to appear ethical (i.e. the internal and interactive interfaces) and reflects poorly on the organisation, when it knowingly tried to deceive the EU.

In October 2003, a list from a supplier revealed that about 70 employees in Systembolaget had taken bribes (FOODWIRE, 2003a/b, DAGENS NYHETER, 2003a). The media speculated that there could be up to 250 persons involved. The CEO said: "I have heard rumours about this" (TIDNINGARNAS TELEGRAMBYRÅ, 2003c). Some suppliers were reported to the police authority (DAGENS NYHETER, 2003b). The media was once again important for the external and interactive interfaces of the relationship.

There have been evident differences between the ethical values and principles among the staff in Systembolaget's shops and the management staff in the company headquarters (i.e. the internal, external and interactive interfaces). Systembolaget has been exposed to the risk of bribery since:

- a) the monopoly forces suppliers to use all possible tricks to gain sales in the Swedish marketplace;
- b) the suppliers are often international companies with large resources;

- c) what has been offered to employees may not be interpreted as bribes in other countries;
- d) the employees in Systembolaget are not so well paid, and
- e) the employees believe that gifts are acceptable in one's private business life.

Almost at the same time it was revealed that another state company, Vin & Sprit (WINE & SPIRITS), presumably had bribed managers in Systembolaget. Systembolaget used a lawyer to investigate the accusations, but he did not find much support for the accusations. This situation indicates how the interactive interface can be influenced if the internal interface is exposed in an unfavourable way and if a top-down process and a proactive business ethics approach misses or overlooks any detail – situations may be abused and opportunities may be taken by less than ethical members of staff.

In December 2003, it was decided that all employees (i.e. 1,200) in Systembolaget should be investigated (TIDNINGARNAS TELEGRAMBYRÅ, 2003e, SYSTEMBOLAGET, 2005), and an ethical council was established (TIDNINGARNAS TELEGRAMBYRÅ, 2003f; SYSTEMBOLAGET, 2005). In other words, it appears to be a more top-down process and reactive business ethics to solve ethical problems in the internal, external and interactive interfaces. At the time, many thought that this level of corruption should not be treated as such a big deal as compared to other industries (i.e. the exterior interface). For example, it was written in a medical magazine that the Systembolaget “ethical problems” have been normal practices for the medical profession for many years (DAGENS MEDICIN, 2003).

In March 2004, it was found – after investigating all of the top managers – that at least 20% of the CEO's closest executives knew about the bribery culture in Systembolaget (i.e. the internal interface), but no one informed the CEO (DAGENS NYHETER, 2004a). In September of the same year the largest investigation about bribery in Swedish history focused on Systembolaget finished. The report was 5,300 pages, and concluded that at least 77 employees in Systembolaget, and 15 persons in supplier companies, should be prosecuted (Dagens Nyheter, 2004b). More suspects were added later in the year (TIDNINGARNAS TELEGRAMBYRÅ, 2004a). The latest figure says that 99 of the 425 shop managers (23.3%) (i.e. the interior interface) in Systembolaget were involved (DAGENS NYHETER, 2005). It is of interest to know that Sweden is recognised as a country with one of the lowest “bribery-indexes” in the world (i.e. the external interface).

2.2 INTRODUCTION – CASE 2

A totally different story is revealed in the Swedish insurance company Skandia. During 1997-2002, the company paid almost 600 million USD in bonuses to managers. This action was taken partly because of the market situation, but there is much more to the story. 200 persons were involved, but a very small group in the top management, received most of bonuses.

This case description relates to the conceptual framework of business ethics presented. Note that the facts in this case, if not stated differently, have been retrieved from Nachemson-Ekwall and Carlsson (2004).

2.2.1 Skandia

Skandia was founded 1855 and is the oldest insurance company in Sweden. The first owner had commissions on sales, and not on the net profit. He became wealthy, but had to go when trade conditions deteriorated (i.e. the interactive interface). The next CEO mixed up the economy of the business and his own finances and finished in prison (i.e. the interior and interactive interfaces).

After more than one hundred years of expansion for Skandia, in the 1970s it fell on hard times. The base for international expansion - Skandia America Reinsurance Corporation (SARC) - worked well, but it was totally independent, and no one in Stockholm dared to ask or require anything from the American CEO (i.e. the internal interface). At the same time the parent company's CEO, PG Gyllenhammar, had learnt about "autonomous working groups" from the USA. He wanted to implement them in Skandia. (i.e. the interactive interface). This move (i.e. proactive business ethics) will later be a reason for ethical problems and as such this structure forced decisions to be made (i.e. reactive business ethics). One way this situation created ethical problems was that the board had only a marginal influence on the daily operational decisions of the business. The independence of managers created a situation without information feedback and control. Both top-down and bottom-up processes become impossible to monitor properly.

In 1986, Skandia went public on the stock exchange. Before doing it, a new financial account was created. It was for "incurred but not reported" damages. Some billions of dollars that would be paid many years later were discounted to present value, and liabilities disappeared from the balance sheet. The question of what is creative accounting (i.e. the internal, external and interactive interfaces) could be discussed, however, in the same year there was an improvement in the world economy and the need for the new account disappeared (i.e. the exterior interface). The executive board decided to buy back Skandia International. The fact that they personally bought shares in the company some weeks before and became wealthy started a debate in the media about ethical values and principles (i.e. the external and interactive interfaces). The board members were not convicted in court, but would today in Sweden most likely lose their jobs if they were caught doing the same activity (i.e. interactive interface). In other jurisdictions around the world, this practice would be known as insider trading and criminal penalties would apply.

One of the owners of Skandia Life wanted in 1988 to sell his shares. When taking this action the London-invented method of "embedded value" was used (i.e. the external interface). This method calculated future revenues to present values. The reason for doing it this way is that for life insurance the costs will be immediate, but the revenues will continue years into the future. This method is said to be good for financial control or when selling a company, but not so good in a profit and loss account. This method of calculation would be the main reason for the forthcoming ethical problems.

In 1989, Skandia International was bought back. A mix of financial risks that included hurricanes, fires, and present value responsibilities made it impossible for the parent company board to calculate the risks or to understand what was happening. Management needs information to maintain proactive business ethics and appropriate top-down processes. In other words, the bottom-up processes become important as a basis for the top-down processes.

Skandia have always used bonuses (even if other names have been used). In an attempt to reinvigorate American Skandia the company introduced a profit-sharing system and local bonuses (i.e. L-tips). It was the way Skandia had always worked (i.e. the internal interface), and it was also expected to make the management stay for a longer

period of time in the company (i.e. top-down process and proactive business ethics). When the original decision of the calculations of bonuses disappeared, it was suddenly possible to end up with incredibly large sums in bonuses. A similar incentive program started in 1991. Skandia started to use the embedded value method in their accounts (i.e. the internal interface). It was small amounts that were paid out in the beginning.

The financial crisis in 1992 made it necessary for Skandia to borrow money to pay salaries. For the first time in 137 years there was no share dividend. Two acquired companies in Italy had a combined loss of almost 100 million USD. One Italian accountant vanished into Switzerland with a mistress and some millions of dollars (i.e. the internal interface). The parent company Skandia got a lowered rating of credit worthiness (i.e. the exterior interface) At the same time the business in American Skandia was prosperous, and they had to borrow money to keep on expanding and gaining market shares. Future revenues were used as bankable guarantees: a highly suspect practice and one fraught with danger.

In 1996, the CEO in American Skandia was almost declared a guru. The company's establishment was used as a business case at Harvard University. By describing the CEO as "a magician, adored by his employees", the external interface was influenced by descriptions from the internal and interactive interfaces. The parent company got a new CEO. In the company, he was called "the peach" because of a soft outside, but a very tough inside. Attitudes about managers became a part of the company culture (i.e. the internal interface).

In 1997, prosperous times returned and a new general manager of finance was anointed and everyone forgot that you "can't eat or give shareholders embedded values" (said by the former general manager of finance). A part of the interactive interface is depending on a changing market situation, and internal changes. To make all managers work in the same direction the bonus system, "Sharetracker", was started (i.e. a top-down process). It was limited to a pool of up to 40 million USD, but this limit disappeared in a mysterious way some weeks later. Today, everybody involved tells a different story (i.e. the internal interface). The decision to not involve more than the top management, and trying to keep everything very secret, created a distance between the senior managers and everyone else employed by Skandia (i.e. the internal interface). No Swedes were involved since the home opinion was strongly against bonuses (i.e. the internal and external interfaces), but it had to be done since managers in the US and England said they would change companies if they did not become better paid. Americans called this "negotiation", and the Swedes called it "blackmail".

In 2000, it was revealed that during the CEO's 3.5 years in charge that the share price had increased more than 1,000%! The company was valued in about the same way as the IT-businesses at the time (i.e. based upon future expectations and dividends) however, a newspaper found out that the CEO got 10 million dollars from "Sharetracker" between 1997-1999. The situation was confused and the program was extended for a few months, but this gave him another 15 million dollars because of the extreme share market returns during these months.

"Sharetracker" ended a few weeks before the share market more or less collapsed. The 9/11 terrorist attack (2001) in New York made all financial markets in the world insecure. No one could know that this situation would occur, but it is a different story when we look at the attempts made to hide the bonuses as pensions, moving amounts to the next accounting year, not to mention the general manager of finance's purchase of a flat on the French Riviera for more than a million dollars (without the tax authorities' knowledge). The internal interface seemed to be totally different for the employees and the top management (i.e. the internal interface).

2002 was a difficult year for Skandia with share price ratings falling. American Skandia was sold with almost a billion dollars loss (and very expensive golden parachutes to the top management). The only reason the managers were not sued was that Skandia did not want ill will when selling the company (i.e. the internal and interactive interfaces).

1.2 million customers became very upset when Skandia Asset Management was sold, and they could not change to another company (i.e. the external interface). The newspapers talked about the suspicion that the customers were swindled. Later one could see that the new owner was as good as the old one, but distrust had started to grow (i.e. the external interface).

The media found out that the CEO and the others in the top management let business contacts, sons/daughters, and friends use extremely luxurious apartments in London and Stockholm. These dwellings had also been renovated for very large sums. It is still unclear under Swedish law if this can be seen as fraud (i.e. the external and interactive interfaces). The most upset of the employees in Skandia were those who never got the chance to use the apartments (i.e. the internal interface). The employees expressed that the most serious problem was the lack of open communication and dialogue (i.e. a bottom-up process).

After an investigation in 2003, it was found that the bonuses for 1997-2001 were more than 100 million USD. In fact, they were higher than the financial results of the company during the same period (if embedded value was excluded). The lawyer who did the investigation supposed it was because of the "greedy culture" in the top management (i.e. the internal and external interfaces). Those managers involved said they never thought it should be such large amounts, but they still fought for every million dollars that they could get in the end (i.e. the internal interface).

At the general meeting of shareholders in April 2003, the CEO offered to work the rest of the year for 1 krona (ca 15 cent) and wanted to signal that he was not doing it for the money (i.e. the internal and interactive interfaces). He was maybe the only one who never observed the approaching change of CEO. He was fired the next day, but did not get the normal three years of salaries, but only two years plus 1 krona "as he wanted" (i.e. the internal, external and interactive interfaces).

The new executive board found out that there was almost no planning in Skandia, and that management knew hardly anything about what was happening (i.e. bottom-up processes). The new executive board created a new strategy (i.e. the interactive interface) based on "thriftiness, long-range planning, and responsibility" (TIDNINGARNAS TELEGRAMBYRÅ, 2003b).

In August 2003, a newly started association sued Skandia because of the selling of Skandia Asset Management. After one week the association had 10,000 members (i.e. the external interface). Also the apartments' cases went to court. The new CEO of Skandia, Liv, was the former governor of the Swedish central bank. The public trusted him (i.e. the external interface). A lot of new rules for how to do business were created (i.e. top-down processes).

When the new CEO for the parent company Skandia after ten days had to admit that he got about 2 million USD in bonuses some years earlier, then even the international press became interested (i.e. the external interface).

At the general meeting of shareholders in 2004, they did not approve the financial reports and accounts (TIDNINGARNAS TELEGRAMBYRÅ, 2004b). This is very unusual even in smaller companies. That it should happen to a large company like Skandia was seen as more or less impossible to have happened (i.e. the external interface). Later during the same year the Stockholm stock exchange decided that Skandia had given

deceptive information concerning the incentive program (i.e. the external and interactive interfaces).

In 2005, a former chairman of the board offered to pay back 2.3 million SEK (i.e. 1-2 % of what he got by bonuses). The sum is what he got as guaranteed payments as chairman. At the general meeting of shareholders in 2005 this was accepted. Many shareowners were maybe more worried about the share price than ethics? (i.e. the external and interactive interfaces). Many newspapers wanted it to go to court, only to show that "ethics and morals will generate money in the end" (SYDSVENSKA DAGBLADET, 2005). Maybe one can see that the issue is: is it the stock market moving money around to what is popular at the moment, which is immoral? (i.e. the external interface).

3 CONCLUDING THOUGHTS

We contend that the introduced triangles of business ethics can be used when describing and trying to understand what has happened (from an ethical point of view) in a company, and sometimes why it did happen. It can be a part of a "language" needed to discuss and analyze the situation. When used to describe and analyze the two cases, a few concluding thoughts are in evidence.

What is a top-down process in one perspective can be a bottom-up one in another. It all depends on what is used as the point of reference. In other words there is in reality an ongoing process with information from the bottom and strategic control activities from the top. If a specific act should be seen as a top-down process or a bottom-up process, it will depend upon when the initial observation occurred.

In the triangles of business ethics used there will many times be subgroups involved. As an example will "Ethical Culture" either be a part of internal or external interfaces. This means that there can be conflicts also inside each component of the triangles of business ethics.

With a well-implemented ethical culture, control and follow-up activities should be minimised, however, with a failing ethical culture it will be almost impossible to do it. This is especially true when it is parts of the management culture that create the ethical problem.

It is many times more difficult to conclude whether there have been reactive or proactive processes. One thing leads to another and it will be the same type of problem as the famous "the chicken and the egg" situation. A reaction can many times lead to decisions that are meant to be proactive against further problems in the future. In this way it can sometimes lead to decisions that are both reactive and proactive. It can maybe be argued that the most common in reality is a "re-proactive" process, however, the division of re- and proactive is useful when discussing why decisions were made and the reasons for them.

If a top-down process and proactive management forgets any detail, it can be used and abused by staff and/or other stakeholders with a different view on ethical values and principles. Even if many managers would like to be proactive with top-down control, this can be very troublesome to achieve, and reactive decisions are often needed to correct mistakes and/or unforeseen events. This will be a part of what results from the interactive interface.

An ethical dilemma is if you know what will be the correct/accepted values and

principles of “tomorrow”. If today you already change to what will be right in the future, you may violate the rules of today and behave in a way that is unethical today. On the other hand, if no one starts the process of change, there will never be any evolution of ethical values and principles. Also – what if you make a mistake and change to something that will be unethical both today and tomorrow?

Consequently, we believe that the conceptual framework of business ethics and the case descriptions contribute to enhance our understanding of successes or failures in business practices. Nevertheless, the conceptual framework provides a frame of reference for further research in the field of business ethics focusing on the ethical values and principles in the marketplace and in the society.

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TRIÂNGULOS DA ÉTICA DE NEGÓCIOS: MODELOS E ILUSTRAÇÕES EMPÍRICAS

Resumo: O objetivo do presente trabalho é descrever um quadro conceitual que compreende triângulos das éticas de negócios. Os modelos são utilizados para descrever e analisar o fundamento e as incidências recentes sobre duas das maiores empresas na Suécia, Systembolaget que é uma empresa estatal, e a Skandia, uma empresa privada. Por outro lado, o marco teórico proposto fornece um quadro de referência para futuras pesquisas no ramo da ética de negócios, enfatizando os valores éticos e os princípios de funcionamento dos mercados e da sociedade. Sugestões são apresentadas, no final do trabalho, sobre como melhorar as melhores práticas e o desenvolvimento teórico dos valores éticos e os princípios da ética de negócio.

Palavras-chave: Ética de negócios, Modelo Triangle, Valores éticos.

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