# Analysing moral issues in stakeholder relations

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## Introduction

Empirical research on business ethics has traditionally concentrated on examining managers' attitudes toward unethical behaviour (e.g. Izraeli 1988, Preble & Reichel 1988, Small 1992) or toward moral dilemmas presented in scenarios (e.g. Cohen et al. 1993, Cruz et al. 2000, Kujala 2000, Reidenbach et al. 1991). A lot of attention has also been given to case studies describing life-threatening or demanding situations, corporate tragedies or human catastrophes (e.g. Beauchamp 1993, Hoffman 1984, Post 1986, Sethi & Stedlmeier 1991, Shrivastava 1987, and Velasquez 1992). Although all these issues are of utmost importance, they more or less deal with unusual situations and unexpected behaviour, and they can be argued to be beyond the scope of issues on which the managers feel they can exert influence (Waters et al. 1986). It seems that empirical research on ethics in business should be more interested in how managers see the "ordinary life"; the everyday managing situations where they have to face many issues that are moral in their nature (Hosmer 1996: 1, Stark 1993).

In the context of studying moral issues in business, the stakeholder approach has gained increasing support in recent years (Van Luijk 2000). It has been found to be a suitable tool for analysing a company's relations with its environment and for dealing with moral issues raised in these relations (Näsi 1995, Waters et al. 1986). To answer the demand for the research of moral issues in everyday business life, this paper is targeted at developing a framework for analysing moral issues in stakeholder relations. Further-

more, the aim is to operationalise the developed framework by developing itemised statements to be used as empirical measures in a survey research. The research question is: *how can moral issues in business be examined with the stakeholder approach?* The paper is part of a larger research project studying the change in managers' attitudes toward business morality, and the empirical measures developed in this paper are used in this research project to analyse real life managers' perceptions of moral issues in stakeholder relations. In order to validate the framework developed and the empirical measures which resulted, this paper describes the development process in detail.

The paper combines theoretical sources of information, meaning the stakeholder literature and the business ethics literature, with empirical data gathered by personal interviews. The research process starts by the definition of the stakeholder concept and by discussing the stakeholder approach based on the stakeholder literature. In addition, the generic stakeholders of a company are identified by combining the analysis of the stakeholder literature and five top manager interviews. As the itemised statements developed in this paper are planned to be used in a survey targeted at Finnish top managers, and there are very few publications on stakeholder issues or on business ethics written in Finland, it was thought to be important to 'take in' the Finnish viewpoint when generic stakeholders are defined.

The managers interviewed represented the chemical, forest, food, metal and manufacturing as well as the textile industries. The turnover of the companies varied from FIM 100 million to FIM 1,000 million and the number of employees from

170 to 1,600 persons. Each manager was interviewed once. The interviews took between one hour and two and a half hours each. All the interviews were tape-recorded and later written down verbatim: this yielded 71 pages of written discussion. The interviews were quite informal and spontaneous, and the managers did not know the topics to be handled in the interviews beforehand. In the interviews, stakeholder issues were discussed under the following themes: is the concept of a stakeholder relevant to managers when considering their decision-making? What are the important stakeholder relations? What kind of responsibility is there in these relations? (For a more detailed description of these interviews, see Laurila 1995.)

As the second step in the framework development process, the paper identifies the moral issues related to the eight stakeholder relations. This is done by going through business ethics literature and finding out the important moral issues in each stakeholder relation discussed there, and combining these issues with the moral issues discussed in the interviews. In the third step of the research process, the moral issues in stakeholder relations are operationalised by developing itemised statements to be used as empirical measures in a survey research. Instead of developing the measures based purely on theory or literature, the framework is developed and operationalised as a mixture of literature review and top manager interviews. Figure 1 summarises the most important elements of the process of developing and operationalising a framework for analysing moral issues in stakeholder relations.

The above-presented process is organised in five sections in this article. The first section introduces the research topic, defines the research task, and describes the research process. The second section discusses the stakeholder approach for analysing moral issues in business. The stakeholder concept is introduced and the generic stakeholders of a company are defined. The main focus of the paper is contained in the third section, which concentrates on developing the framework by describing how the important moral issues in stakeholder relations are identified, and then operationalises the framework by defining the itemised state-
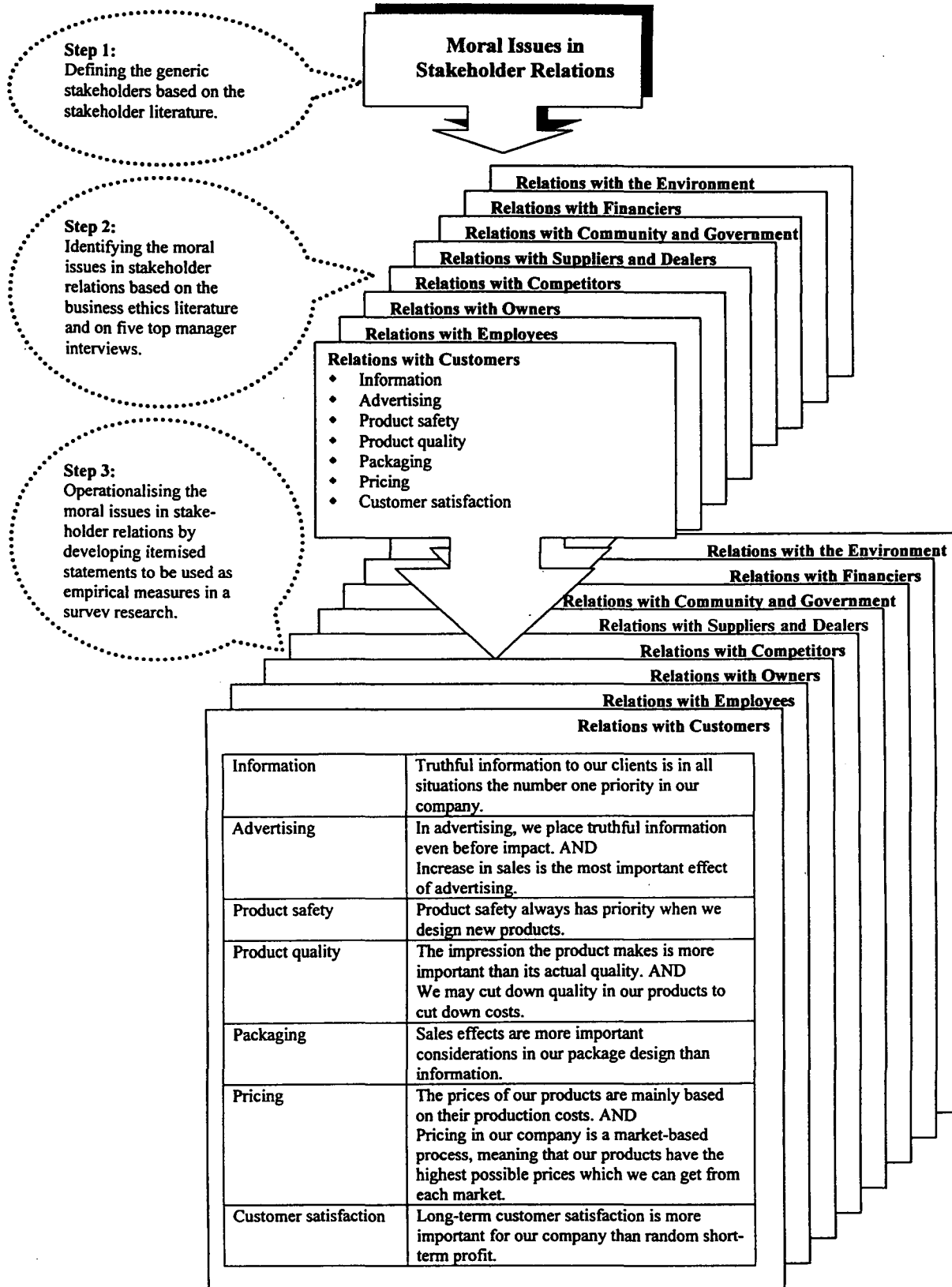
ments. The reliability and validity of the measures developed are discussed in section four. Section five discusses the results of the research process and concludes the paper.

## Stakeholder Approach

The basic idea of analysing stakeholder relations gives us a new way of looking at business life. Companies do not exist just to satisfy the needs of their owners or stockholders: they have a much wider range of important stakeholders who ought to be taken into account when making decisions. (Argandoña 1998, Wheeler & Sillanpää 1997). In understanding the company in its environment, the stakeholder approach intends to broaden management's vision of its roles and responsibilities beyond the profit maximisation function to include interests and claims of non-stockholding groups (Mitchell et al. 1997). According to Freeman (1984: 46), the stakeholder approach is about groups and individuals that can affect the organisation, and it is about managerial action undertaken in response to those groups and individuals.

In this paper, the stakeholder approach is used as a tool for analysing moral issues in business. The argument is that analysing the moral issues in business from the stakeholder viewpoint helps us to get nearer to the level of everyday managing situations, the "real life" of business managers. It will also help us to identify the situations that might be considered as "minor issues", but that may affect the lives of many people in and around a company. These "minor issues" may also be happening frequently, even daily, and, hence they must be considered as important issues when we are aspiring towards more ethical management practices. In addition, as the stakeholder approach enables managers to integrate the ethical dimension into business practice (Carroll & Näsi 1997), the moral issues in business can be made visible by analysing stakeholder relations. According to moral reasoning, each person is accountable to those whom his or her actions affect. As managers' actions affect different stakeholders, it is important to develop ways of analysing managers' views of accountability and responsibility in

**Figure 1. The process of developing and operationalising a framework for analysing moral issues in stakeholder relations**

**Step 1:**
Defining the generic stakeholders based on the stakeholder literature.

**Moral Issues in Stakeholder Relations**

**Step 2:**
Identifying the moral issues in stakeholder relations based on the business ethics literature and on five top manager interviews.

Relations with the Environment
Relations with Financiers
Relations with Community and Government
Relations with Suppliers and Dealers
Relations with Competitors
Relations with Owners
Relations with Employees

**Relations with Customers**
- Information
- Advertising
- Product safety
- Product quality
- Packaging
- Pricing
- Customer satisfaction

**Step 3:**
Operationalising the moral issues in stake-holder relations by developing itemised statements to be used as empirical measures in a survey research.

Relations with the Environment
Relations with Financiers
Relations with Community and Government
Relations with Suppliers and Dealers
Relations with Competitors
Relations with Owners
Relations with Employees

**Relations with Customers**

| Information | Truthful information to our clients is in all situations the number one priority in our company. |
|---|---|
| Advertising | In advertising, we place truthful information even before impact. AND Increase in sales is the most important effect of advertising. |
| Product safety | Product safety always has priority when we design new products. |
| Product quality | The impression the product makes is more important than its actual quality. AND We may cut down quality in our products to cut down costs. |
| Packaging | Sales effects are more important considerations in our package design than information. |
| Pricing | The prices of our products are mainly based on their production costs. AND Pricing in our company is a market-based process, meaning that our products have the highest possible prices which we can get from each market. |
| Customer satisfaction | Long-term customer satisfaction is more important for our company than random short-term profit. |

stakeholder relations (Laurila 1995, van Luijk 2000).

The concept of a stakeholder first appeared in 1963 in an internal memorandum at the Stanford Research Institute (SRI). The concept was originally defined as those groups without whose support an organisation would cease to exist, and the list of stakeholders included shareowners, employees, customers, suppliers, lenders and society. SRI researchers argued that unless executives understood the needs and concerns of these stakeholder groups, they could not formulate corporate objectives that would receive the necessary support for the continued survival of the firm (Freeman 1984, Wang & Dewhirst 1992). In the 1960s, Scandinavian management literature addressed itself to stakeholders or interest groups in organisations, too (Rhenman 1964, 1968, Rhenman & Stymne 1965). Although the concept and even the framework of the stakeholder world already existed in the 1960s, it did not become popular until the 1980s (Näsi 1995). A stakeholder of a company was then defined as any group or individual that can affect or is affected by the achievement of the firm's objectives (Freeman 1984, Mitroff 1989).

Examples of stakeholders can frequently be found in literature. For example, Carroll (1989, 1991) includes in the company's set of stakeholders customers or consumers, employees, owners or stockholders, community and local communities, government, and society-at-large. Garret and Klonoski (1986) have analysed the company's responsibilities in relations with the following stakeholders: customers, employees, stockholders, competitors, dealers, suppliers, unions, local communities and the environment. Donaldson and Gini (1990) have edited a case study book of business ethics which deals with the following stakeholders: customers, employees, stockholders, government, community and the environment. Dalton and Daily (1991) argue that the following corporate constituencies should be included in stakeholder categorisation: customers, clients and consumers, employees, owners, debtors, government, managers, organised labour, suppliers, and the public-at-large. Freeman and Liedtka (1991) maintain that the concept of a stakeholder should

be defined to include customers, employees, suppliers, financiers, and community, and Goodpaster (1993) mentions customers, employees, competitors, suppliers, communities, and countries as examples of business stakeholders. Pearson (1995) includes employees, suppliers, shareholders, directors, community, and the environment in organisational stakeholders, and Clarkson (1995) mentions customers, employees, shareholders, suppliers, and public stakeholders, including issues like public policy, community relations, and environmental assessment.

Based on the literature, it seems that at least customers, employees, owners or shareholders, community and government, and suppliers are considered to be important stakeholders, and should therefore be included in the framework of this study. In addition, relations with competitors, financiers or debtors, dealers, unions, organised labour, public-at-large and the environment are discussed in the literature. Although competitor relations are not as widely discussed as relations with customers, employees, or owners, they are of utmost importance as without fair play and honourable competitive methods, the struggle could denigrate to where treachery and strength count for more than decency and quality performance (Watson 1991: 107, van Luijk 2000). Relations with financiers are also important as the morality of the financial community has come under increased scrutiny as a result of the great recession of the late 1980's and early 1990s (De George 1990: 265). Relations with unions or organised labour can be included in relations with employees, as is done in this study, and relations with the public-at-large are included in community issues. It could be argued that the environment is not a stakeholder at all (Phillips & Reichart 2000), as it is non-human and cannot speak for itself. Nevertheless, environmental issues have been under increasing discussion in the business ethics literature and in the stakeholder literature (De George 1990, DesJardins 1998, Velasquez 1992, Watson 1991).

In the interviews, the managers seemed to be familiar with the concept of a stakeholder and understand the meaning of stakeholders for the company. Discussions with the managers about

stakeholder issues began with the question "who are your company's stakeholders?" Three out of five managers mentioned the owners and two managers mentioned the customers as being the most important stakeholders of their company. In general, customers, employees and owners were seen as the three most important stakeholders. In addition, suppliers, community and government, financiers, and the environment were considered important stakeholders. As all the managers interviewed represented companies that sell their products to other companies, the managers saw dealers as their customers, and not as a separate stakeholder group. Also it is interesting to note that none of the managers spontaneously identified competitors as their stakeholder. Nevertheless, several moral issues concerning competitor relations occurred in the discussions. Environmental issues were also emphasised in the interviews. As a result of the literature review and the interviews of top managers, the following stakeholders are included in the framework of this study: *customers, employees, owners, competitors, suppliers and dealers, community and government, financiers, and the environment.*

## Developing and Operationalising the Framework

As described in the beginning of this article (see Fig. 1), the identification and operationalisation of the framework is based both on business ethics literature and on the top manager interviews. To identify the moral issues in stakeholder relations, the interviews were analysed using a qualitative method (following Carroll's model of corporate responsibilities) by dividing the issues discussed during the interviews into economic, legal, moral and voluntary responsibilities (Carroll 1989). According to Carroll, moral responsibilities are expected of business by society, and include things like avoiding questionable practices, responding to the spirit of the law, assuming that law is a floor of behaviour and operating above the minimum required by law, and asserting ethical leadership (Carroll 1989, 1991). In the following, the framework is developed by going through the moral

issues in each stakeholder relation based on the interviews and the literature review. The moral issues discussed in the business ethics literature are combined with the moral issues found in the analysis of the interviews. (This process is also presented in Appendix A.)

Relations with *customers* is a widely recognised area in business ethics literature, where the issues deal with advertising and information, product safety and quality, packaging, pricing and customer satisfaction (Beauchamp & Bowie 1983, Carroll 1989, 1991, Dalton & Daily 1991, De George 1990, Garret & Klonoski 1986, Velasquez 1992, Watson 1991). In the interviews, the managers often stressed economic issues which they considered important in relations with customers. This is understandable since the managers represented industries that sell their products to other companies and hence are responsible to their customers for the company's ability to create profits and for competitiveness of their products. The moral issues mentioned in the interviews were product quality, honesty, and customer satisfaction. As a result of this analysis, the following seven issues concerning a company's relations with customers were defined as morally important and selected for the framework of this study: advertising, information, product safety, product quality, packaging, pricing and customer satisfaction. Honesty was included both in the information statement and the advertising statement as a moral dimension.

In relations with *employees*, the following ten issues were defined as morally important as a result of the literature review: right to just wage, to privacy, to participate and to organise, hiring and firing policies, employees' duties, discrimination, working conditions, conflicts of interest, and safety (Beauchamp & Bowie 1983, Carroll 1991, Dalton & Daily 1991, Donaldson, J. 1989, Donaldson, T. 1982, De George 1990, Garret & Klonoski 1986, Hordijk 1978, Macklin 1982, Olian & Guthrie 1990, Velasquez 1992, Watson 1991). Employees' duties and conflicts of interest were excluded from the framework, because they represent the responsibilities of the stakeholder rather than the responsibility of the company. In the interviews, relations with employees included

several moral issues such as good working conditions, stability and security of the workplace, personal development possibilities, honesty and education. Some of these issues could also be categorised as voluntary, but as employees give their work to the company, it can be argued that they have the moral right to expect these things from the company. When the issues handled in the business ethics literature were combined with the moral issues discussed in the interviews, a total of 13 issues were defined as morally important and selected for the final framework concerning relations with employees. These issues were right to just wage, right to privacy, right to participate, right to organise, hiring policies, firing policies, discrimination, working conditions, stability, security, development possibilities, honesty and education.

Three issues were selected for the framework based on the literature review concerning relations with *owners:* dividends, reporting and retained earnings (Donaldson, T. 1982, Garret & Klonoski 1986, Pearson 1995). In the interviews, a company's relations with its owners were strongly emphasised as economic issues. One mentioned issue was categorised as a moral issue (giving the owners adequate information about the company's financial situation), but this issue was thought to mean more or less the same as reporting, and therefore no separate statement was presented concerning this issue.

In relations with *competitors*, the business ethics literature dealt with the following issues: denigration, price cutting, foreign competition, co-operation, tacit agreements and bribery (De George 1990, Garret & Klonoski 1986, Freeman 1984, Jacoby et al. 1977, Velasquez 1992, Watson 1991). None of the interviewed managers spontaneously mentioned competitors as one of the company's stakeholders, and when asked, they often stated that even if competitors can be seen as a stakeholder group, the company does not have any strict responsibilities towards them. Although this was what managers stated, several issues concerning competitor relations occurred in the discussions. Most of these issues can be described as moral, since they are not required but expected from a company by competitors. Such issues included fair marketing and pricing practices,

consistency and stability, and playing the game by its rules. As a result of the analysis, ten issues were altogether defined to be morally important in relations with competitors: fair play, honourable competitive methods, denigration, price cutting, foreign competition, co-operation, tacit-agreements, bribery, consistency and stability, and healthy marketing practices.

Four issues dealing with relations with *suppliers and dealers* were selected for the framework of the study. Three of the issues deal with supplier relations (fair business practices, co-operation, and paying the bills) and one with dealer relations (bidding). All these issues were selected based on the business ethics literature review (De George 1990, Garret & Klonoski 1986, Watson 1991). In addition, interests of consumers were mentioned in the business ethics literature (Garret & Klonoski 1986), but this issue was excluded, as it does not directly deal with a company's relations with suppliers and dealers but takes into consideration interests of a third party. In the interviews, economic issues were important concerning relations with suppliers. According to the managers interviewed, suppliers require volumes and profit from a company. Suppliers also expect honesty from the company, which was classified as a moral issue but was thought to be included in the fair business practices issue.

Four issues concerning relations with *community and government* were selected to be morally important (compliance with laws, good citizenship, co-operation and tax base). All of these issues were based on the literature review (Freeman 1984, Garret & Klonoski 1986, Robin & Reidenbach 1989, Watson 1991). In the interviews, relations with community and government included all four types of responsibilities. Behaving with integrity was categorised as a moral responsibility, but good citizenship and co-operation together were seen to form the same concept, and consequently, no separate statement was formed concerning this issue.

Based on the literature, the following five issues concerning relations with *financiers* were selected: long-term relations, information, returns, co-operation and risk evaluation (see Dalton & Daily 1991, Tuominen 1994). In the interviews, relations

with financiers were described as somewhat similar to relations with owners. Economic issues were emphasised also in these relations, and the only moral issue mentioned was that of giving adequate information.

Four issues concerning relations with *the environment* were selected to be morally important: pollution, interest in nature's health and survival, extinction of species, and product recycling. Pollution was mentioned both in the business ethics literature (Garret & Klonoski 1986) and in the interviews. Interest in nature's health and survival was found in the literature review (De George 1990, Garret & Klonoski 1986), but similar issues, such as environmentally friendly ways of doing business and protecting the environment, were also present in the interviews. In addition, recycling the products was mentioned in the interviews. On the legal level, following environmental regulations was seen as an important issue and one manager was ready to take voluntary responsibility by thinking about environmental issues in advance. Extinction of species was selected based on the literature review (Singer 1983, Velasquez 1982).

As a result of the above described process of identifying moral issues in business, a total of 50

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**Table 1. Framework for analysing moral issues in stakeholder relations**

| Stakeholders | Moral Issues | |
|---|---|---|
| Customers | ■ Information<br>■ Advertising<br>■ Product safety<br>■ Product quality | ■ Packaging<br>■ Pricing<br>■ Customer satisfaction |
| Employees | ■ Right to just wage<br>■ Right to privacy<br>■ Right to participate<br>■ Right to organise<br>■ Hiring policies<br>■ Firing policies<br>■ Discrimination | ■ Working conditions<br>■ Stability<br>■ Security<br>■ Development possibilities<br>■ Honesty<br>■ Education |
| Owners | ■ Dividends<br>■ Reporting | ■ Retained earnings |
| Competitors | ■ Fair play<br>■ Honourable competitive methods<br>■ Denigration<br>■ Price cutting<br>■ Foreign competition | ■ Co-operation<br>■ Tacit agreements<br>■ Bribery<br>■ Consistency and stability<br>■ Healthy marketing practices |
| Suppliers and Dealers | ■ Fair business practices<br>■ Bidding | ■ Paying the bills<br>■ Co-operation |
| Community and Government | ■ Compliance with laws<br>■ Co-operation | ■ Tax-base<br>■ Good citizenship |
| Financiers | ■ Co-operation<br>■ Long-term relations<br>■ Returns | ■ Risk evaluation<br>■ Information |
| The Environment | ■ Pollution<br>■ Interest in nature's health and survival | ■ Extinction of species<br>■ Product recycling |

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issues in eight stakeholder relations were defined to be morally important. Based on this, a final framework for analysing moral issues in stakeholder relations is presented in Table 1.

The above-presented framework is operationalised by developing the stakeholder issues into explicit measures (Appendix B). In relations with *customers*, seven issues were defined to be morally important when the framework was developed. To meet some of the validation criteria explained later in this paper, two statements were developed from three issues, and some of the statements were expressed in positive form and some in negative form from the stakeholders' point of view. As a result, the seven issues concerning relations with customers were operationalised with ten statements. Two statements were developed about advertising, product quality and pricing, and one statement about the other issues. Four of the statements were presented in negative form when considered from the stakeholder's point of view (one advertising statement, both product quality statements and one pricing statement).

In relations with *employees*, the 13 moral issues were operationalised with 16 statements. Two statements were developed from development possibilities, honesty and education, and one from the other issues. Two of the statements (right to participate and discrimination) were presented in negative form from the stakeholder's point of view. Relations with *owners* were handled with three moral issues, and one itemised statement was developed for each of these issues. The retained earnings statement was presented in negative form from the stakeholder's point of view.

In relations with *competitors*, the ten moral issues were operationalised with 11 statements. Two itemised statements were developed for tacit agreements and one for the rest of the issues. Seven statements were presented in negative form from the stakeholder's point of view. Four statements dealing with relations with *suppliers and dealers* were developed for the questionnaire. Three of the statements deal with supplier relations (fair business practices, co-operation, and paying the bills) and one with dealer relations (bidding).

Four issues were defined as morally important in relations with *community and government*, and

one itemised statement was developed to measure each of these. One of the statements (tax base) is presented in negative form from the stakeholder's point of view. In relations with *financiers*, five issues were defined as morally important, and one statement was developed to measure each of these. Two of the statements (risk evaluation and information) were presented in negative form from the stakeholder's point of view.

Four issues were defined to be morally important in relations with *the environment*: pollution, interest in nature's health and survival, product recycling and extinction of species. Two itemised statements were developed concerning interest in nature's health and survival (protecting the environment and environmental friendliness), and one statement for all other issues. Altogether, the 50 moral issues in eight stakeholder relations were operationalised with 58 itemised statements.

## Validating the Operationalised Framework

The process of developing the measures plays an important role in validating survey research, but far too seldom do research reports show us how the operationalisation was done. Making the operationalisation process visible is part of validating the developed measures. Although the final examination of the reliability and validity of these measures cannot be made until the empirical survey research has been carried out, some additional insight to these questions can be given already.

Churchill (1979) has suggested a procedure to increase the reliability of the research by developing better measures. Following this procedure, a thorough literature search was conducted as the first part of the framework development process. The stakeholder approach was defined as the theoretical tool, the eight generic stakeholders were defined, and the important moral issues in relations with the generic stakeholders were identified based on the relevant literature. In addition to this, five top managers were interviewed to capture views on stakeholders and moral issues in stakeholder relations important to them. The results of these two phases were compared with each other and the generic stake-

holders and the moral issues in relations with these stakeholders were selected based on this comparison.

Near the end of the statement development stage, the focus should shift to item editing. Each statement should be reviewed so that its wording will be as precise as possible. In addition, some of the statements should be positively stated and others negatively stated to reduce the tendency to give yes-no answers (Churchill 1979). During the final operationalisation process of this study, the questionnaire and the items in it were tested on several occasions, and 17 itemised statements were presented in a negative form from the stakeholders' point of view and the rest in a positive form. Furthermore, the validity of the measurement was improved by elaborating two different measures for eight moral issues in the framework (Churchill 1979, Lastovicka 1982).

According to Churchill (1979), the researcher's attention should also be directed at refining those questions which contain an obvious "socially acceptable" response. Social desirability is broadly understood as the tendency of individuals to deny socially undesirable traits and behaviours and to admit to socially desirable ones (Fernandes & Randall 1992, McDonald 2000). Due to the sensitive nature of ethics research, the presence of a social desirability response bias may pose a particularly severe threat to the validity of findings. The tendency of subjects to respond in a manner that they believe to be socially desirable is commonly understood as a problem with business ethics research (Dawson 1997, Longenecker et al. 1989).

Following Fowler's (1988) procedure to minimise the influence of the social desirability bias, confidentiality and anonymity were promised to the interviewees. In addition, the sense of judgement was tried to be minimised in the interviews, and any remarks about the rightness or wrongness of the issues that came up during the discussions were avoided. During the interviews, the managers seemed to be very open and seemed to trust the interviewer for instance by telling some examples of behaviour that they felt was not morally right and had noticed or even conducted themselves during their business lives. To meet the social desirability validation criteria in the operational-

isation process, the words "ethical" and "moral" were not used in the statements.

## Discussion and conclusion

The purpose of this paper was to develop a framework for analysing managers' attitudes toward moral issues in stakeholder relations and to operationalise this framework. The research question was: how can moral issues in business be examined with the stakeholder approach? This question was answered by paying attention to both theoretical and empirical viewpoints, and hence the paper reveals some implications at both the conceptual and practical levels.

The first argument based on this research is that the stakeholder approach can help us analyse and understand moral problems in business. The paper reveals that by analysing a company's stakeholder relations, we can uncover the important moral issues in business, and that analysing the moral issues in business from the stakeholder viewpoint helps us get nearer to the level of everyday managing situations. In addition, the paper proves that the stakeholder approach helps us make visible the moral responsibilities in business life. Identifying the moral issues in stakeholder relations makes the content of the moral responsibilities in business visible, and, furthermore, gives us both analytical instruments as well as practical tools in discussing and understanding different issues related to business and morality.

Based on a literature review and on five top manager interviews, the following stakeholders were defined as the generic stakeholders of a company in this paper: customers, employees, competitors, owners, suppliers and dealers, community and government, financiers, and the environment. According to the conducted research, all stakeholder relations included moral issues in managers' thinking. Although the interviewed managers did not always identify the issues discussed as moral issues, business ethics literature clearly considers them as such. It seems that managers sometimes lack the ability to discuss things in ethical terms, but this does not necessarily mean a lack in moral comprehension of these issues (Bird & Waters 1989).

The analysis of five top managers' interviews confirms that by dividing a company's responsibilities into economic, legal, moral and voluntary issues, we can find out the important moral issues in each of the stakeholder relations. It seems that although these issues are not necessarily separable in real life, they can be conceptually separated. This division can help managers as well as researchers develop their understanding of moral issues in business.

As a result of this research, a total of 50 moral issues in eight stakeholder relations were identified by examining the business ethics literature and by interviewing five top managers. The 50 moral issues were then operationalised with 58 itemised statements and the reliability and validity of this process was discussed. The final argument of this paper is that the operationalised framework is a suitable tool for measuring moral issues in business. This argument requires further research as it

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### Appendix A: The process of selecting moral issues for the framework

| Literature review issues | Interview research issues | Selected issues |
|---|---|---|
| **Relations with Customers** | | |
| Advertising | Product quality | Information (honesty) |
| Information | Honesty | Advertising (honesty) |
| Product safety | Customer satisfaction | Product safety |
| Product quality | | Product quality |
| Packaging | | Packaging |
| Pricing | | Pricing |
| Customer satisfaction | | Customer satisfaction |
| **Relations with Employees** | | |
| Right to just wage | Good working conditions | Right to just wage |
| Right to privacy | Stability and security | Right to privacy |
| Right to participate | Development possibilities | Right to participate |
| Right to organise | Honesty | Right to organise |
| Employees' duties | Education | Hiring policies |
| Hiring and firing policies | | Firing policies |
| Discrimination | | Discrimination |
| Working conditions | | Working conditions |
| Conflicts of interest | | Stability |
| Safety | | Security |
| | | Development possibilities |
| | | Honesty |
| | | Education |
| **Relations with Owners** | | |
| Dividends | Adequate information | Dividends |
| Reporting | | Reporting |
| Retained earnings | | Retained earnings |
| **Relations with Competitors** | | |
| Fair play | Fair marketing and pricing practices | Fair play |
| Honourable competitive methods | No use of questionable means | Honourable competitive methods |
| Denigration | Consistency and stability | Denigration |
| Price cutting | Playing the game by its rules | Price cutting |
| Foreign competition | | Foreign competition |
| Co-operation | | Co-operation |
| Tacit agreements | | Tacit agreements |

| | | |
|---|---|---|
| Bribery | | Bribery |
| | | Consistency and stability |
| | | Healthy marketing practices |

**Relations with Suppliers and Dealers**

| | | |
|---|---|---|
| Fair business practices | Honesty | Fair business practices |
| Bidding | | Bidding |
| Interests of consumers | | Paying the bills |
| Paying the bills | | Co-operation |
| Co-operation | | |

**Relations with Community and Government**

| | | |
|---|---|---|
| Compliance with laws | Behaving with integrity | Compliance with laws |
| Co-operation | | Co-operation |
| Tax-base | | Tax-base |
| Good citizenship | | Good citizenship |

**Relations with Financiers**

| | | |
|---|---|---|
| Co-operation | Adequate information | Co-operation |
| Long-term relations | | Long-term relations |
| Returns | | Returns |
| Risk evaluation | | Risk evaluation |
| Information | | Information |

**Relations with the Environment**

| | | |
|---|---|---|
| Pollution | Pollution | Pollution |
| Interest in nature's health | Environmental friendliness | Interest in nature's health |
| and survival | Protecting the environment | and survival |
| Extinction of species | Product recycling | Extinction of species |
| | | Product recycling |

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### Appendix B: Operationalised measures for moral issues in stakeholder relations

| Moral Issues | Operationalised measures |
|---|---|
| **Relations with Customers** | |
| Information | Truthful information to our clients is in all situations the number one priority in our company |
| Advertising | In advertising, we place truthful information even before impact. AND Increase in sales is the most important effect of advertising. |
| Product safety | Product safety always has priority when we design new products. |
| Product quality | The impression the product makes is more important than its actual quality. AND We may cut down quality in our products to cut down costs. |
| Packaging | Sales effects are more important considerations in our package design than information. |
| Pricing | The prices of our products are mainly based on their production costs. AND Pricing in our company is a market-based process, meaning that our products have the highest possible prices that we can get from each market. |
| Customer satisfaction | Long-term customer satisfaction is more important for our company than random short-term profit. |

| Moral Issues | Operationalised measures |
|---|---|
| **Relations with Employees** | |
| Right to just wage | We guarantee competitive salaries in our industry to our employees. |
| Right to privacy | We don't interfere with our employees' lives outside of work. |
| Right to participate | Employees are represented in decision making in our company only based on legitimate representation. |
| Right to organise | We motivate an active labour union in our company. |
| Hiring policies | When we hire new employees, age, sex, or any possible close relationships play no role. |
| Firing policies | In cases when we have to make people redundant, we always take into consideration the employee viewpoint. |
| Discrimination | We have sometimes had to make female employees redundant for example because of family reasons. |
| Working conditions | Special attention is paid to work safety and working conditions in our company. |
| Stability | As a business executive, I am personally responsible for the continuity of the employees' jobs. |
| Security | Our company takes into consideration each employee's overall life situation when making decisions regarding for example salaries and laying off people. |
| Development possibilities | Our company offers employees possibilities to develop themselves for example through work rotation and support of self-education. AND Our company supports the leisure time activities of its employees. |
| Honesty | Honest relationships with the employees is a very important principle in our company. AND We inform the employees of all matters concerning the operations of our company. |
| Education | We offer our employees opportunities for education to bring out their potential talents. AND Our company offers the employees training opportunities related especially to their own tasks. |
| **Relations with Owners** | |
| Dividends | We guarantee annual dividends for the owners. |
| Reporting | We report to the owners all the matters that influence the operation of the company. |
| Retained earnings | We invest most retained earnings in the future. |
| **Relations with Competitors** | |
| Fair play | We have always played by the rules of fair play in relations with our competitors. |
| Honourable competitive methods | Sometimes competitive situations force us to take even tough measures. |
| Denigration | In a competitive situation, we may tell even unpleasant things about our competitors to customers or in public. |
| Price cutting | In competitive situations, we sometimes must cut prices drastically. |
| Foreign competition | Our company tries to shield against foreign competition for example by influencing the standards of product approval. |
| Co-operation | We readily co-operate with our competitors. |
| Tacit agreements | Our industry has a tacit agreement to keep prices at a certain level. AND |

|  | We try to limit the entry of new companies into the industry in co-operation with our competitors. |
| Bribery | We are ready for bribery in countries where it is a common practice. |
| Consistency and stability | We strive towards logical consistency in relations with our competitors. |
| Healthy marketing practices | We try to avoid using too tough methods in marketing. |

**Relations with Suppliers and Dealers**

| Fair business practices | In relations with suppliers, we try to play by the rules of fair business practices. |
| Bidding | We always include all real and final costs into our offers. |
| Paying the bills | We always pay suppliers' bills in time and as agreed. |
| Co-operation | Our relationships with suppliers are based on co-operation and reliable long-term relations. |

**Relations with Community and Government**

| Compliance with laws | We always try to comply with the spirit of the law, not only its words. |
| Co-operation | Co-operation with public administration is an important part of our company's operations. |
| Tax-base | We try to minimise the taxes payable by our company. |
| Good citizenship | It belongs to our company's operating principles to pay respect to instructions from public administration and promote general welfare. |

**Relations with Financiers**

| Co-operation | Relations with our financiers are based on co-operation. |
| Long-term relations | To finance our operation, we try to create long-term relationships with different financial institutions. |
| Returns | Our financiers should get a good interest on the capital they have invested in our company. |
| Risk evaluation | Financiers are themselves responsible for the safety of their investments. |
| Information | We give the financiers only the favourable information about the company. |

**Relations with the Environment**

| Pollution | We pay special attention to the environmental effects of our operations. |
| Interest in nature's health and survival | Environmental friendliness is one of our basic principles. AND We promote protection of the environment also in our business practice. |
| Extinction of species | Protection of species under the threat of extinction is included in our operating principles. |
| Product recycling | We take care of the recycling of our products. |

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can only be verified by using the measures developed in a survey questionnaire to analyse real life managers' perceptions of moral issues in stakeholder relations.

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