Business Ethics and Stakeholder-Management:
Developing a Structured Approach for
Small Business’ Owner-Managers

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Abstract

Business ethics is a matter of increasing importance and public awareness. Recent scandals and the financial crisis have suggested that the standard of business ethics is not high and that corporate behaviour should not solely be oriented to profit goals. Rather, a firm’s ethical conduct should be part of its focus. While discussions of ethical questions in a market economy are mainly related to large firms, this thesis specifically aims at revealing potential problem issues and solutions for small firms. These firms are often ignored when moral concerns in business are addressed. This is in contrast to their importance for the economy and society of almost every country of the OECD, as they constitute the majority of all companies, and provide a major share of jobs.

The majority of the studies examining business ethics are focused on large corporations, using quantitative strategies. Few studies related to small business have been undertaken. The question of how these firms and their owner-managers could systematically engage in business ethics and ethical stakeholder management remain unanswered. The thesis develops a tool which explicitly addresses this topic: the Ethics Integration Guideline. On the basis of a research paradigm of constructivism, a study was designed which was intended to elicit, and then to guide, small business owner-managers’ ethical attitudes, perceptions and experiences. It aimed to develop a structured guideline which can help small firm owners to integrate ethical considerations into their business activities. Taking owner-managers’ perspectives into account assures a high level of acceptability of the approach by its target group. It also provides insight into the small firms’ context. Thus, practical applicability of the guideline is provided.
The results of the research suggested the framework for an ‘Ethics Integration Guideline’, developing the instrument in two parts and four components, with various sub-components. Part one of the Guideline consists of diagnostic questions, while part two contains behavioural instructions. The components in both parts are (1) an ethical guidance instrument for the firm, (2) an ethics enforcement system, (3) a stakeholder management system, and (4) an ethical dilemma management system. These component headings were devised to organize the results of the interview data into a useful instrument. The questions and imperatives are derived from the interview statements gained in the research for this thesis. It turns out that the approach differs considerably from approaches applied in large firms. The Ethics Integration Guideline developed in this research provides a unique tool which connects research results with user’s individual perspectives and experiences in his firm. The guideline is flexible, applicable and adaptable to the needs of the firm in question. It bridges the gap between ethics theory and business conduct. Thus, it contributes to professional practice in small firms – a sector which is commonly underestimated in its crucial importance to the welfare of a society.
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Developing and conducting this research and writing this thesis I received considerable support and guidance!

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I would like to acknowledge Dr. Paul Amman (Berne University of Applied Science) and Professor Denise Jarrat (Charles Sturt University) and the staff at Berne University of Applied Science for their passion and enthusiasm in organizing the doctoral workshops twice a year. The information gained was extremely valuable for critically reflecting on the progress of the thesis.

I would like to thank Claudia for the discussions, the criticism and the helpful comments throughout this project. Finally, I thank my children Anne-Katrin and Jan-Peter for their patience during the years of this project. The thesis is dedicated to them.
Certification of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgment is made in the thesis. Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged.

(Juergen-M. Seeler)
Confidentiality

This thesis contains confidential material from firms and their representatives included in interview sessions of the research. The thesis shall not be given to anyone who is not directly involved in the examination of the thesis.

(Juergen-M. Seeler)
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1. Introduction

“Ethics should play a major role and in my opinion in our small firms ethics is an important topic. Big companies are mainly driven by numbers and hard facts. In small business many things are dependent on personal contacts. I know my business partners and most of them even on a private basis. Without moral behaviour you would threaten your business relationships. Therefore, you can’t go without ethics in small firms.” (Cited from interview statement of participant S.N. on interview question no. 7)

This thesis focuses on small firms and their ethical behaviour. Small firms differ considerably from large corporations. The influence of various stakeholders on corporate decision making is a key factor in differentiating small and large firms’ behaviour. Stakeholders such as employees, shareholders and institutional investors, lenders, non-executive directors, and managers play a part in the determination of ethical standards of big companies. This is in sharp contrast to small firms which are mainly led and controlled by owner-managers (Ryan & Schneider 2002).

Large corporations are marked by agency problems which result from separation of ownership and management. The profit expectations of shareholders have led to a short term focus of managers. Large scandals such as the Enron case have been, to some extent, caused by this phenomenon (Arnold & de Lange 2004). In small firms ownership and management are in the hand of the owner-manager (Ryan & Schneider 2002). This makes the situation completely different from that of managers in large firms. Revealing the implications of this distinguishing mark on small business ethics is the core aim of the investigation in this thesis.
The results of this research have enabled the development of an Ethics Integration Guideline for implementing ethical behaviour in small business. The research methodology selected is based on previous research and writings on business ethics, and on an investigation into small firm owner – managers’ ethical attitudes, perceptions and experiences. The objective of the guideline, derived from this research, is to provide a practical approach to systematically integrating moral concern into small business activities.

The introduction will explain and justify the underlying business problem, then establish the research question and related sub-questions. Basic definitions and ethical presumptions will be provided. Finally, the primary focus on the ethics of owners and managers of small firms will be justified. The structure of the introduction is displayed in Figure 1:

![Diagram of the structure of chapter 1 – Introduction](image-url)
The thesis will then continue with section 2 which will describe the contextual framework in which the research is set. This part will move from the general to the particular. It begins with general aspects of philosophy, describes the context of ethical decision making in Western societies, and then explains moral issues inside and outside the corporation. Lastly, it explains different theoretical approaches for integrating unassailable ethics in business. The following literature review – section 3 – reflects a range of scholarly studies which deal with issues similar to those in this thesis. Thus, recent findings in business ethics research are displayed and existing gaps in scholarly research are identified.

The outcome of the literature review is the basis for the research approach developed in section 4 on methodology. Underlying research paradigms are explained, methodological aspects are considered, and the research strategy is described in detail. Aspects of research quality as well as limitations and boundaries of this approach are also discussed. The investigation is conducted according to this research strategy, and the procedures of data collection and data analysis are described in section 5. The findings of this investigation are used to answer the research questions and to develop a systematic approach of implementing high moral standards in small firm business activities: the Ethics Integration Guideline. It will be explained and described in section 6. Finally, section 7 summarizes the findings in this thesis and describes potential areas of future research.

The overall structure of this thesis is displayed in the Figure 2:
Figure 2: Structure of this thesis

1.1 The Business Ethics Problem

The role of ethics in business conduct is widely discussed today. The question of how, and to what degree, a business should behave responsibly is not easy to answer as there are many different facets to consider. In many industrialized countries, organizations now have to justify their behaviour in ethical terms while engaged in market competition and in their efforts to boost profits. Examples such as the BP oil
spill in the Gulf of Mexico, the corruption cases of Siemens and Daimler-Benz, and the Deutsche Bank layoffs in years of record profits have resulted in distrust by the public in the moral intentions of business leaders.

While public awareness is mainly focused on big businesses, small firms appear to have been forgotten. This is despite the importance of the small business for economic and social development. Small businesses constitute the majority of organizations in industrialized countries and contribute a major share of jobs.

Large, international firms frequently try to implement corporate social responsibility by providing codes of conduct, training and implementing other standards of moral behaviour such as environmental or fair trade labels (Webley & Werner 2008). This is in sharp contrast to small firms, which lack a structured approach to ethical business practices. They seem to behave differently when it comes to moral questions and at the same time they don’t strategically employ corporate communication of their moral standards (Nielsen & Thomsen 2009). These firms frequently have little power in interactions with their stakeholders. Small businesses are socially embedded in and are pillars of local communities; therefore, a planned methodology for ethical business practice is required.

Recent corporate scandals clearly demonstrate a lack of application of moral standards in large corporate business. Changes to several aspects of corporate policy have been recommended in order to improve firms’ behaviour (Boogle 2005). Some hold that executives should be held accountable for corporate misconduct and stock option programmes should be replaced with company financial performance. Focus
and execution of long-term strategic objectives coupled with more transparent accounting practices also support a higher moral business standard. Furthermore, cooperation within the board of directors should be improved. These recommendations are doubtlessly related to big companies. However, it is obvious that small firms – by their very nature – inherently embody some of these characteristics. They can be regarded as a stabilizing element for the economic sector of a country. Consequently, an investigation into small firms’ ethical approaches in business might illuminate strengths and weaknesses of this type of company; thus providing valuable information for business and society in general.

The objective of this investigation of small firm owners and managers is to improve understanding of their business practices and attitudes with respect to moral concern in daily business activities. From these findings a guideline for small business owners and managers will be derived, which will enable them to consciously structure and reform their behaviour towards stakeholders. To date, perspectives of small business practitioners have not been sufficiently reflected in research (Fassin 2008). This thesis aims to fill in this gap. Therefore, the target audience of this report is small firm owner-managers.

1.2 Research Questions

Based on the business ethics problem as described above and the narrowing focus to small business, the main question (MQ) to be answered by the investigation is as follows:
**MQ:** How can small business’ owner-managers consciously organize their ethical behaviour towards their companies’ stakeholders?

From this main research question the following sub-questions (SQ) are derived:

- **SQ-1:** How do owner-managers perceive business ethics practice in general?
- **SQ-2:** How do owner-managers experience ethical dilemma situations?
- **SQ-3:** How do owner-managers identify and rank different stakeholders?
- **SQ-4:** How do owner-managers try to cope with stakeholders’ interests?
- **SQ-5:** In what ways can a structured approach to ethical behaviour be derived from these findings?

These research questions will be directly addressed by this thesis.

### 1.3 Basic Definitions

In order to ground this paper on a similar basic understanding, two terms will be defined and discussed in advance. The dissertation deals with questions of ‘business’ and ‘ethics’. It aims at investigating ethical attitudes, perceptions and experiences of small firm owners and managers. Consequently, the terms ‘ethics’ and ‘business ethics’ will be given working definitions in this introductory chapter, and the obstacles in ethical decision making will be briefly discussed.

Briefly expressed, in this context a person’s “ethics” can be defined as their idea of what is right or wrong in dealing with other persons (Remenyi, Williams, Money, & Swartz 1998, p. 282). Ethics as an abstract discipline – moral philosophy – is the study of answers to the question of how to live one’s own life with others. The
answer to this question leads directly to explaining the distinction between behaving in a morally right manner and behaving in a wrong manner. Individuals have to decide whether or not to obey moral rules, duties and obligations, and how to behave responsibly (Shaw & Barry 2006, pp. 4). Consequently business ethics can be described as dealing with good or bad human conduct in business. In this respect the thesis must take a position on how moral standards are established and maintained in this context. A special problem of ethical concern in business is that individual moral convictions might be violated by a company’s organizational structure and norms, or by informal group commitments. In such cases maintaining personal integrity appears to be problematic (Shaw & Barry 2006). Business ethics can provide guidance for good ethical behaviour in situations in which economic and moral goals of persons contradict each other (De Cremer, Mayer, & Schminke 2010).

For a moral philosopher, ethical rules must be grounded on solid arguments. It is also important to distinguish ethics from etiquette, law and professional codes (Shaw & Barry 2006). Particular ethical standards are frequently, but not necessarily, derived from religion. Ethical judgements ultimately depend on the individual’s perspective, but encapsulate an objective view of ‘the human good’ at some level of abstraction (Poller 2005).

The question of how to judge an action to be morally good or bad, or right or wrong has never been easy. The various answers are dependent on time and circumstances in which reflection took place. Moral Philosophy suggests that there is a common human nature at an abstract level. Moral concern can never be solely regarded as particular, idiosyncratic or circumstantial. Also, some general concepts, principles,
rules, and interdependencies between philosophy, religion, as well as type and order of state and business, have to be taken into account. The content of ethics is to some degree universal and objective. There is abstractly a common human nature which leads to convictions which are shared among cultures and throughout the centuries (e.g. ‘killing others’ is generally seen as bad behaviour). But the circumstances alter cases. These considerations show how difficult it is to arrive at final judgements on ethical questions. It illuminates the problems of ethical decision making.

1.4 Basic Ethical Presumptions

Ethics has been subject to intensive reflections and discussions throughout more than 2,500 years. Some different approaches to moral considerations will now be outlined briefly in order to illuminate the diversity of ethical reflections. This is important because the research approach in this thesis is based on several assumptions regarding the way ethical judgements are made.

Absolutism and Relativism

Frequently ethical absolutism and ethical relativism are distinguished (Frederick 2006). There is a longstanding academic debate dealing with these concepts which will not be rehearsed here. Ethical Absolutism assumes some moral beliefs to be universally true (Frederick 2006). Ethical relativism emphasizes relativity to some individual, group, or context. Grace and Cohen (2010, p.24) state that “Moral relativism is a view according to which moral values are relative to a particular environment”. Moral diversity disallows universally true ethical principles. As a consequence, a meaningful discussion of moral claims would be impossible (Rossouw 2010).
More specifically, one could ask whether moral judgements represent a “subsumption of particular cases under general rules” (Velasquez 2002, p. 114) or whether they should be carried out without reference to general rules. The former procedure requires that behaviour has to follow one or various explicit rules while the latter demands moral considerations without following general principles (Velasquez 2002).

My position presupposes neither of these accounts is acceptable. I take for granted: some role for common human wants, needs and values; general principles of morality; like act justly and reasonably; some precepts/rules governing truth-telling, theft, and murder; associated virtues of honesty, fair dealing, and non-violence, all of which can be outweighed in exceptional circumstances (are “defeasible”); and the process of ‘reflective equilibrium’ (Rawls 1970) or some parallel account involving casuistry. The latter procedures guide us when rules/precepts conflict in real cases and the rules themselves cannot settle the issues at hand.

**Consequentialism and Nonconsequentialism**

Another broad classification of schools of ethics distinguishes between consequentialism and nonconsequentialism (Shaw & Barry 2006). Consequentialism is grounded on the idea that the answer to the question whether an action is right or wrong depends on the good or bad result and consequences of this type of action. In contrast to this, nonconsequentialism takes aspects like motive, intent and the act itself into account (Shaw & Barry 2006).
Again my position is neither completely consequentialist nor nonconsequentialist. Immediate results of actions clearly always matter in ethics, and form the nucleus of rules and precepts, as killing is a nucleus in murder. But probable/foreseeable, foreseen, intended, desired, and very long–term consequences of the nuclear act sometimes do not. Moral rules can be in conflict and then further circumstances also sometimes come into play, including sometimes some kind of consequences.

These aspects are closely related to the question of moral reasoning (Velasquez 2002, Grace & Cohen 2010). Grace & Cohen (2010) describe what ethical reasoning generally entails. They state key characteristics would be impartiality, universality, justifiability, overridingness, and action-guidance. Ethical judgements and opinions have to go beyond self-interest (impartiality), they should apply to everyone in similar circumstances (universality), they must be defendable in a reasoned way (justifiability), they are non-negotiable in that they are not determined by support of a majority (overridingness), and they aim at guiding people’s behaviour (action-guidance).

Similarly, Grace and Cohen (2010) distinguish between top-down and bottom-up approaches in moral reasoning. Top-down means that overarching principles (e.g. don’t lie) need to be applied in a particular situation. In other words, a general moral principle or precept needs to be adapted to a specific situation. Bottom-up means that an individual is guided by intuitions or feelings when making moral decisions but might develop more general moral principles based on the experiences made in specific situations. These approaches are quite one-sided; consequently, “a third approach regards neither particular judgements nor general principles as first
principles” (Grace & Cohen 2010, p. 12). Grace and Cohen (2010) adopt the ‘reflective equilibrium’ from Rawls’ (1970) who used the term with regards to justice. Applied to moral reasoning ‘reflective equilibrium’ means that general moral principles and particular moral judgements of a person are in harmony. Unlike the top-down and the bottom-up approaches which describe processes, the ‘reflective equilibrium’ aims at an end state to be achieved in a dialectical process (Grace & Cohen 2010).

Which of the general ethical perspectives would be preferable as between defeasible ‘rule-deontology’ of Ross’s prima facie duties or standard ‘rule utilitarianism’ will not be discussed, but the relevance and importance of rules and case judgements made via ethical decision procedures like reflective equilibrium are taken for granted.

The deeper academic discourse is clearly beyond the scope of this report. However, what is important for this thesis is that there are moral rules, but there are also rule conflicts in certain circumstances, and there is not one general principle or perspective which would automatically lead to the ‘right’ ethical judgement in particular situations. Rather, for the purpose of the research undertaken it is necessary to acknowledge that there is a relation between some general accepted moral principles and precepts on the one hand and moral judgements in particular situations on the other. In other words, making ethical decisions requires dealing with different levels of abstraction – from more general principles to very specific characteristics of a situation. One also needs to accept that ethical decisions are subject to rational discourse (Habermas 1993). Given these multi-facetted influences
on the way decisions are made, the difficulties to judge an act to be morally right or wrong are not insurmountable.

1.5 Justification of the Focus on Small Firm Owner-Managers

Small firms will be defined and described in detail in a later section. As a working definition, small firms have no more than 19 employees and are not exceeding an annual turnover of 10 million Euro (Mugler, 1998; Australian Bureau of Statistics 2001). The importance of small businesses for both a country’s economic welfare and its societal stability can’t be overemphasized. Small firms constitute a share of approximately 96 % of the total number of companies in Australia and are contributing almost 49 % to the total numbers of jobs provided by private Australian firms (ABS 2007). Other countries of the OECD are marked by similar statistics. In Germany, for example, approximately 98 % of all companies are small-sized, offering a share of nearly 42 % of the total number of jobs (Institut fuer Mittelstandsstatistik 2007). The research in this thesis is deliberately related to this important sector.

In sharp contrast to the importance of small firms, the sector is widely ignored. Even the United Nations is no exception in this respect. They propose ‘UN Global Compact’ (2008) – a set of ten principles of good behaviour in business. These principles deal with questions of human rights, labour standards, environmental issues, and avoidance of corruption and bribery. Businesses are encouraged to participate in a network of listed organizations, which should support these standards in day to day work. However, micro businesses with less than 10 employees are excluded from joining this community. In other words: knowledge and experiences
from one of the most important parts of the private business sector is kept out of
global reflections. This suggests that even a powerful organization like the UN is
obviously not aware of the great importance of small firms.

Another example might illustrate how underestimated small firms are in business
ethics research. Clark and dela Rama edited an impressive work on ‘Fundamentals in
Corporate Governance’ (2008) comprised of 70 articles mainly from scholarly
journals. Only one of these papers is distinctly related to family owned small firms.
Few of the other articles deal with issues which can be directly referred to small firm
preconditions and procedures as the majority of papers are focused on context and
circumstances of big companies.

Focus on small firms as a distinct research approach might cause some doubts about
whether it is justifiable to exclude firms which deviate only to a small degree from
the definition of small firms. Obviously there is negligible difference between a
business with 21 employees or with an annual turnover of 11 million Euro compared
to firms completely fulfilling the ‘small business’ definition requirements.
Nevertheless, the strict definition makes sense in the way that it is reasonable to
assume owner-managers are the primary decision makers in these firms. With so few
employees, situations of shared responsibilities are uncommon, and the decision
making process is largely confined to one individual.

The ownership structure in the different organizations is an important aspect as well.
It can be seen as a ‘sociological and organizational variable’ (Kang & Sorensen 1999,
p. 144) which contributes considerably to financial and ethical firm performance.
Table 1 illustrates the differences between public and private companies and allocates small firms to the private sector:

**Public Companies:**
- Shares held widely by financial institutions and individual investors, no dominant holding.
- A majority of the shares with financial institutions and individual investors, one or more institutional or individual investor dominant.
- A majority of the shares with financial institutions and individual investors; but with another company holding sufficient voting equity to dominate. The company is treated as an associate of that group.
- A minority of the shares with the public; the dominant interest in the hand of one or more institutions or individual investors.
- A minority of the shares with the public; the dominant interest in the hand of another company, who treats the company as a subsidiary.

**Private and Proprietary Companies:**
- Wholly or partly owned by government or a quasi-governmental body, which exercises corporate governance.
- Wholly or partly owned by another company, which treats it as a subsidiary.
- Joint venture owned by a number of companies.
- Private company with shareholders not involved in management.
- Owner-dominated company but with some shares in the hand of shareholders not involved in management.
- Owner-directed and -managed (family firm, mainly small firms)

= Focus of the research underlying this thesis

Table 1: Ownership structures in public and private companies according to Tricker (1994, p. 517)

The study of the different kinds of firms in Table 1 shows that only the last mentioned owner-directed and -managed companies are owned and responsibly led by the same person. These firms – and their owner-managers in particular – are the focus of this research. It must be considered that today, owner-managers aren’t
regarded only positively by the public, despite their image as a ‘winner’. They are frequently perceived as ‘aggressors’, ‘outsiders’ and ‘victims’ (Anderson, Dodd, & Jack 2009). This emphasizes the claim that small firms have to justify their behaviour towards stakeholders.

The research is limited to small firms because it is assumed that an increasing size of the organization is accompanied by a higher level of shared responsibilities. The investigation is focused on those firms, in which decision making primarily depends on one person. Again, it should be emphasized that out of the range of different types of public and private companies, the owner directed and managed firms constitute a considerable share of all companies. All other kinds of firms mentioned are – to different degrees – based on separation of ownership from management. Experiences from business practice indicate that ownership structure and the level to which the firm is socially embedded, lead to conditions in decision making processes which differentiate small firms from big companies (Seeler 2007). To date, research on business ethics has been mainly related to large firms. Consequently, an approach distinctly focused on small firms’ owner-managers appears to be necessary and important.

The reflection of ownership characteristics is supported by Moore and Spence (2006). They suggest considering owner-managers rather than regarding small- and medium-sized firms. On the one hand, owner-managers are fully responsible for their business’ activities. On the other hand, they have to deal with a high level of complexity in their day to day business. A major problem in research is that responsible practices of small firms are frequently not visible from outside the firm;
however, ethical behaviour of these organizations exists, and it is seen to be particularly typical for businesses which have close relationships with their local communities. But in contrast to large companies, many small firms do not codify their moral standards, making it even more difficult to identify their ethical activities.

Frequently a moral attitude is evolved from the firm’s real network. This is due to the fact that the business is socially embedded. This can be seen as an advantage of small firms, but at the same time, it should be stated that a more systematic approach to all stakeholder-groups might be more suitable and desirable for a moral understanding. Provided the focus is on small firms, there are different aspects which have an impact on social responsibility of small business (Lepoutre & Heene 2006). Four major factors should be mentioned:

a) Situational issues and characteristics of the matter
   - Possible extent of consequences
   - Closeness to those who are affected by an action
   - Expected level of social agreement with respect to an action

b) Personal attitudes on the basis of personal values and competencies
   - Entrepreneurial attitude of owner-managers
   - Lack of time in day to day business
   - Knowledge and skills with respect to complexity of owner-managers tasks

c) Characteristics of the organization’s structure and resources
   - Lack of resources like time, knowledge and financial means
   - Limited power in negotiations due to lack of resources
d) Aspects of contextual influences

- Higher level of dependence on external stakeholder influences
- Socio-economic influences
- Environmental influences

This structure of ethical factors highlights the framework within which decision making takes place. If one aims at developing a systematic approach of integrating ethics in small business, obviously b) and c) should be focused on. Situational and contextual influences can hardly be affected by the firm. In contrast, personal attitudes of owner-managers and their employees as well as organizational structures and resources can and should be targets for improvement, if it is intended to sustain moral standards in business conduct.

As the author experienced in his day-to-day business activities as a small firm owner-manager, firms of this sector normally do not systematically engage in reflections on ethical questions. They lack the time and resources needed to establish a structured approach to moral concern. For example, there is hardly any small firm that applies ethical codes, codes of conduct or other self constraints. The investigation on ethical attitudes, perceptions and experiences in this research aims to clarify how to consciously apply these in the small firm context. If one were to consider this kind of firm as the ‘nucleus’ of the market economy, conclusions might be even transferable to the big companies’ sector.

Given the range of prior research on ethics in business, one might ask why only a relatively small number of investigations were distinctly related to small business
owner-managers. One answer might be that getting access to small firms’ owner-managers and their business ethics practices may be difficult for University scholars. The author, who has been an owner-manager for over 16 years, understandably has an advantage in this respect, as obtaining a sample of small firm owner-managers is rather easy given that contact with the target group is daily business routine.

While moral concern is abstractly ‘what ought to be’, at the same time, it is seemingly necessary to uncover what decision makers perceive to be realistic in ethical dilemma situations given business needs. The intended research is placed exactly in this context to fill the gap between theory and practice. Therefore, the research aims to extend business ethics theory to the small firms sector. The objective is also to contribute to the professional practice of managers by providing a guideline on how to systematically engage small firms’ moral concerns.
2. Contextual Setting

This section aims to establish the context of the research topic. It is intended to ground the research approach in a framework constituted by the key topics related to the research question. The contextual setting will also prepare for the following literature review as it explains the background for the studies discussed in the review. Moving from the general to more particular aspects, the report initially describes fundamental philosophical understandings and historical developments and perspectives of ethical reflection. After this, it reflects the economic framework of business ethics in Western societies and discusses the contexts in which ethical questions in business occur. Ethical issues are later outlined in order to illustrate some of the moral concerns or questions with which business is confronted. In
addition, two main concepts of business ethics are described. In reflecting the contextual setting, the basis for the more explorative literature will be established.

2.1 History and Perspectives of Philosophy

Ethics has been subject to intensive reflections and discussions throughout the history of humanity. Out of the uncountable versions of ethical understandings three key concepts will be outlined here. They have been developed over the centuries:

- Teleology
- Social Contract Theory
- Deontology

Each of these concepts consists of different versions which were developed by various authors and over time. Therefore, the understandings were influenced by the individuals as well as by the social and societal context in which they were developed.

2.1.1 Teleology

The *teleological* approach to ethics generally assumes that man’s life is guided by a certain goal for which to aim; therefore, human wellbeing or happiness is seen to be the key concept of this understanding. Teleology assumes the existence of a final goal in human nature. Consequently, individual behaviour is judged according to its contribution to the achievement of this aim (Reiman 1990; Der Brockhaus Philosophie 2004).
The teleological understandings of Plato and Aristotle mainly focused on the individual character (Der Brockhaus Philosophie 2004; Solomon 2006). A fulfilled life can be achieved if a person behaves according to moral virtues. These virtues are character traits (e.g. honesty). But a person who always behaves honestly might in fact act unethical in certain instances. Therefore, if one aims at leading a morally meritorious life, one needs what is called practical wisdom to help a virtuous individual developing to ethical perfection. Practical wisdom requires experience in life and the capacity to weight situational aspects and to identify the most important ones. In other words, practical wisdom is necessary to appreciate characteristics of a situation (Hursthouse 2010). The relationship between ethics and virtue must be reflected in business (Solomon 2006). Virtue ethics focuses on the person who performs an act. Even non-relative virtues such as courage, honesty, generosity, trustworthiness, cooperation, and congeniality have to be weighted individually. Actions might be ethically good or bad dependent on the context of their occurrence (Solomon 2006).

In the medieval period, teleology focused on religious virtues (Der Brockhaus Philosophie 2004). Augustine and Thomas Aquinas are two philosophers representing this approach, where God and the church are seen as a guide to a worthwhile life. Consequently, some virtues are theological in nature. Happiness cannot only be achieved in life, but in eternity as well. Living one’s own life by being pleasing in the sight of God is seen to be the most virtuous behaviour of all. This perspective assumes that the judgement of an action to be right or wrong is dependent not only on reason and intellect, but on supernatural rules as well. Limitations of sensory perceptions of human beings are regarded to be evidence for
the existence of a supernatural institution (Poller 2005). In other words, this perspective concludes that there must be a divine law because individuals are not able to come to valid judgements in all instances.

It must be acknowledged that there are many different versions of Utilitarianism, and I will not claim to have the definitive account. I will rely on that of Snoeyenbos and Humber (2006). In the 18th and 19th centuries, there developed Utilitarianism as a teleological understanding. It is based on works by Jeremy Bentham and John Stuart Mill, among others. It takes no position in theology; rather it emphasizes utility of an act (Der Brockhaus Philosophie 2004). In this view, “we should merely calculate which of our alternatives for action would result in the greatest amount of happiness for the greatest number of people” (Rossouw & van Vuuren 2010, p. 76). Mill’s theory clearly demands social arrangements to assure interests of all members of a society to be taken into account (Mill 1965). Utilitarianism can be seen as a consequentialistic perspective (Snoeyenbos & Humber 2006). The question whether an action is judged right or wrong depends on its consequences for happiness (Snoeyenbos & Humber 2006). Utilitarianism in its original version doesn’t aim for maximization of benefit, but for equitable distribution of long-term utility for all relevant parties (Rossouw & van Vuuren 2010). This means the outcome for the society is a key determinant for ethically right behaviour. However, in the field of business utilitarianism has been interpreted as aiming for total benefit maximization because decisions are usually made upon cost-benefit analysis (Rossouw & van Vuuren 2010).
A key challenge of Mill’s theory is how to measure utility, distribute benefit equality and how to deal with immoral preferences (Snoeyenbos & Humber 2006). A proposed procedure to overcome these challenges is to firstly determine which rule maximizes utility, and to secondly establish more specific codes or regulations in order to determine what should be done in specific circumstances (Snoeyenbos & Humber 2006).

2.1.2 Social Contract Theory

The second philosophical key concept is called Social Contract Theory. This approach generally assumes that ethics relies on implicitly agreed social norms within a political society. In broad terms the understandings of Thomas Hobbes and John Rawls can be distinguished (Der Brockhaus Philosophie 2004) as examples. They propose that people would agree on a societal contract to minimize or avoid negative consequences of violent acts among each other. A society establishes distinct social norms which are enforced by the state. The question whether an act is judged to be right or wrong is determined by its compliance with these social norms enforced by a strong central government or state (Hampton 1988).

The understanding of Hobbes (1588 – 1679) is based on a pessimistic view of the character of man, who is seen to be egoistic by nature. Individuals don’t have innate ethical convictions but a natural wish to gain power and might. A necessity of basic moral beliefs is only perceived to avoid constant war acts among human beings (Poller 2005). Hobbes’ negative perspective is no surprise, given the fact that he lived in times of ongoing wars.
Rawls (1971) provides a contemporary understanding of contractualism which is different from Hobbes and also from utilitarianism. He proposes that it would be ethical to provide maximum liberty to individuals as long as it is not limiting freedom of others. Social mobility and equal opportunity are seen to be essential preconditions. Every individual should be provided with a basic set of liberties. At the same time, social justice requires that in distribution of benefits, the least advantaged should benefit from any just regime, and every individual should have the same chances to suffer or benefit from inequalities. The guiding principle to achieving societal justice is fairness (Poller 2005).

Authors such as Donaldson and Dunfee (2000) base their understanding of business ethics on contractualism. In their view a framework of hierarchically structured norms - microsocial norms, authentic norms and hypernorms – is existent. Hypernorms are fundamental principles which everyone would agree to. Authentic norms are mainly represented by laws. Microsocial norms are rules of local communities. Donaldson and Dunfee (2000) believe that the rightness of behaviour depends on the norms affected and is therefore dependent on the social context.

2.1.3 Deontology

The third philosophical concept is deontology. Deontological understandings generally deny the goodness of an act would be dependent on its consequences. Rather, deontology argues for the existence of generally right moral principles which must never or rarely be violated (Gaus 2001; Der Brockhaus Philosophie 2004).
The most influential writer on deontology was Immanuel Kant. He proposed the ‘categorical imperative’ (1993) which assumes an action to be good under the provision that the underlying principle of the action or ‘maxim’ can be capable of ‘universalisation’ in practice without informal, pragmatic inconsistency. This includes the question whether one would still perform an act, if everyone would behave in the same way in like circumstances. Deontology demands individuals to morally weigh their behaviour by following the categorical imperative; therefore, consequences for well-being of an action alone should not be judged as definite. Rather, intentions and motives must be considered, and the rational self-consistency of the principle.

To take an example in business ethics, companies have moral obligations to contribute to the benefit of a society because society provides the infrastructure for business conduct. Employees should be seen as self-motivated and keen on taking responsibility (Bowie 2006). As a consequence, a company shouldn’t solely comply with regulations and constraints. Rather, it has an obligation to develop employees’ expertise and personal skills it relies on to survive. The conflict between economic success and ethically good behaviour must be accepted and corporate structures to deal with this conflict must be rethought. Profits of a company can be regarded as a contingent consequence of ethically good business practice (Bowie 2006); however, this raises the question why some firms benefited over decades from moral misconduct (Warren 2002).

A different deontological perspective is represented by William David Ross (2002). He denies the existence of one master rule to be followed, but lists a specific set of
prima facie duties. In ethical dilemma situations, individuals frequently must take these different ethical duties into account. Every action has a certain moral quality on its first appearance. For example, killing is generally regarded to be wrong; however, there might be circumstances in which such an action can be justified. This is the case, if in the particular circumstances (e.g. war) a morally bad action can help to avoid a comparatively greater evil. It is the individual who has to ethically weigh the alternatives in order to rate each one right or wrong (Timmons 2003).

2.1.4 Concluding Comments on History and Perspectives of Philosophy

This section discussed different philosophical approaches. The question whether an action should be judged based on its outcome alone or according to the underlying maxim, including the motives of the individual, arises because the two procedures lead to completely different results. Consequently the basic philosophical understanding of a person determines the valuation of behaviour.

The Ethics Integration Guideline proposed at the end of this report will be based on the application of a virtue-ethics teleology understanding of the Aristotelian type, which focuses on the individual’s character and on moral virtues. This does not mean that religious virtues should be excluded, nor should their influences be underestimated. However, Western societies are – more or less – marked by separation of state and religion. These countries base governmental and legal structures on secular values. Although this secular perspective is adopted in this report, it has to be emphasized that every individual applies a mix of the different approaches; and the main emphasis varies.
The Neo-Aristotelian virtue-ethics position adopted here strikes to balance between two different perspectives. On the one hand, it reflects the need to recognise generality in ethics, as shown in principles and rules or precepts reflecting and preserving common human values like life, property, and truth; such as precepts against murder (life), theft (property) and deceit (truth). On the other hand, it considers the need to recognise the fact that people are individuals, in individual circumstances, which when added to the description of these types of action, can sometimes ‘outweigh’ the badness of the type of action when reference is made to individual intent, knowledge, and other circumstances in the particular case.

It is not a ‘consequentialist’ version of teleology like utilitarianism in its common ‘Act Utilitarianism’ form, because it takes consequences to be dependent entities, consequences of acts or feelings. These types of entity have some inherent tendencies to advance or retard human well being, which cannot be ignored. Even when they are ‘outweighed’ by particular circumstances, they continue to have an inherent weight apart from their freeable, foreseen, desired or long-term consequences. In Ross’ terms, they have ‘prima facie’ moral import.

Also, the idea of compounding an act-type with its known, foreseeable, or foreseen, desired, intended, probable consequences raises too many questions, and opens up the danger that one will mistakenly describe what one is doing here and now as merely doing something, X, to effect a future possible or probable good, when X is in fact evil. All the questions about ‘double effect’ being abused come in here. I may say I am only intending future good which I foresee as probable but in fact what I am doing – perhaps even unknowingly – is present evil.
Much depends on what we mean by ‘circumstance’. If ‘circumstance’ includes long-term de facto probable consequences, it makes moral judgement very uncertain, as the long-term consequences of an act-type are difficult or impossible to know at the time an act is performed. The badness of the nuclear act of killing in ‘knowingly and deliberately killing an innocent person’ is badness now with respect to human wellbeing, in this case death. But the rule, murder is wrong, is not necessarily the sole definitive consideration in all cases, allowing a conducive and irreversible judgement in all cases. This is partly so because: 1. ‘killing’, ‘person’, and ‘innocent’ are not completely unambiguous terms, e.g. some hold that human embryos are not persons, that ‘innocence’ can be compromised by inaction or omission to step in and oppose evils done in a collective manner; and 2. further circumstances can be added to the description of the circumstances, such as in the case of euthanasia of a person who asks one to kill them for a limited range of reasons e.g. terminally injured war ‘buddy’ or painful terminal health conditions. In complying with the request, I deliberately kill an innocent person which is murder but I do not necessarily do a morally wrong action.

My purpose here is not to solve these problems, but indicate that I hold a position on the large ethics question which is not a standard ‘off the shelf’ character, but an amalgam or eclectic Neo-Aristotelian virtue-ethics’ one, open to the possibility of theological addenda, agreeing with some elements of later rule-utilitarian and Ross’s deontology, and Rawls’ social contract approach, but basically teleological, secular, and socio-political.
Happily, in business one is very seldom faced with life and death issues of the sort which the major ethical theories reviewed above are designed to address, and by presupposing this moderate stance, I believe I was able to ask questions about small business ethics of my respondents without ‘spooking the horses’ by going into more controversial issues which arise at the level of more detailed descriptions, such as the euthanasia issue; or from suspending ethics only from religious faith.

2.1.5 Contribution of this Section to the Research Topic

The philosophical perspectives described in this section contribute to the research on small firms’ owner-managers’ ethical experiences, attitudes and perceptions. It will be a useful taxonomy of ethical responses to examine owner-managers’ responses in order to detect differences in their ethical perspectives. The differentiation among the various philosophical understandings might appear artificial. However, it receives more practical relevance, if one reflects that for example in terms of Kant’s version of deontology, one would never regard a lie to be acceptable, while from a perspective of utilitarianism or virtue-ethics a lie might be acceptable, if its consequences are to the benefit of the one who is deceived (Rutherford, Buller, & Stebbins 2009), or other circumstances are added. The research in this thesis is based on a Neo-Aristotelian virtue-ethics perspective that accepts the existence of some general moral principles but also considers individual and contextual characteristics.

The investigation developed in this report includes questions which intend to explore the values and basic beliefs of owner-managers about these more specific differences in attitude to exceptions in individual cases. Though it might appear impossible to arrive at exact results in this respect, it can be anticipated that at least trends become
obvious. The final outcome of this thesis – a proposed guideline to integrate ethics in small business – will be designed to take owner-managers’ perspectives into account. It must be seen in the light of the Neo-Aristotelian virtue-ethics approach described above. It focuses on the individual’s character and considers generally accepted moral precepts which can be overridden in conflict cases as well as personal moral judgements in particular situations. The research setting and its results can only be accepted, if the reader agrees to this philosophical perspective.

2.2 Economic Framework of Business Ethics in Western Societies

Ethical questions in business are settled in the economic system which provides the surrounding of business activities. Economics and ethics are different disciplines and their findings are not interdependent. But it can be assumed that both fields intersect and overlap in decision making situations. Consequently, it appears to be necessary to reflect the economic framework of business ethics in Western societies. Six aspects will be outlined in order to constitute a framework of business ethics:

- Capitalism and state welfare capitalism
- Justice and equality
- The existence of companies
- Characteristics of small firms
- Laws and legal constraints
- Professions and professional practice
2.2.1 Capitalism and State Welfare Capitalism

In industrialized countries capitalism predominates. It is primarily marked by private business activities in a market system, existence of companies, private property, profit motivation and competition among market participants (Shaw & Barry 2006). However, it does not exist in pure theoretical form, but in a structure where it is balanced by considerations of equal welfare of all players. Shaw and Barry call this structure “State Welfare Capitalism” (2006, p. 153), in which the government plays an active role in regulating economic activities. Capitalism is seen to be most effective in supplying a majority of people with goods and services they need and want. It demands a large extent of positive and negative freedom (Berlin 1978) in order to enable individual and societal welfare. The state has to take actions which help to enable a just distribution of wealth.

Effectiveness of capitalism is mainly related to economic results. In contrast to this, it is not helpful in reducing inequality and poverty or in improving social or environmental concern. The fields of ethics and economics exist in constant tensions (Swanson 2006). They are based on different value systems. Ethics includes consideration of inner moral character of individuals, whereas economics emphasizes outer values such as gain and material goods. Ethics also requires anticipation of an action’s impact on other individuals. In contrast, the field of economics is mainly interested in financial consequences of an action. Therefore, decision making in business is difficult because managers have to balance contradicting requirements. The tension becomes obvious where the issues of justice and equality arise regarding distribution of the economically generated profit (Swanson 2006).
Capitalism is sometimes criticised as serving mainly the needs of the capital providers of a corporation, e.g. shareholders and banks (Freeman, Harrison, & Wicks 2007). This view excludes the important small firm sector. These businesses normally don’t have shareholders and dependency on banks varies according to firm structure and industry field.

### 2.2.2 Justice and Equality

As Shaw and Barry’s (2006) discussions indicate, another important issue is the question of justice and equality. Yet in almost every capitalistic country a minority of people own the majority of private wealth. Despite the rhetoric of equal welfare, in Australia the richest 20% of the population own more than 72% of private wealth (Shaw & Barry 2006). At the same time it must be recognized that a relatively small number of financial high-performers are paying a major part of the income taxes in these countries. For example, in Germany 20% of the highest paid individuals pay more than 64% of total income taxes (Statistisches Bundesamt, 2003). The contrast between distribution of wealth and contribution to public revenue highlights the tensions which occur in discussions on social justice.

Clearly different understandings of justice exist (Shaw & Barry 2006). Utilitarianism regards justice to be achieved, if an action serves the greatest good of all. Contractarians emphasize that justice rests upon consent and requires all individuals to be provided with equal opportunities. Inequality is seen to be acceptable, if it increases the benefits of even the least advantaged people. Libertarians regard justice to be achieved, if people are allowed to make their own choices without violating the liberties of others. These different understandings considerably influence the role of...
state. Again the tensions between pure economic requirements and ethical concern become obvious. Balancing these conflicting demands is one of the most difficult problems politicians have to face.

2.2.3 The Existence of Companies

The existence of companies is a key factor of capitalism (Shaw & Barry, 2006). Companies can be seen as legal entities with rights and duties, and in this respect, their position is similar to that of individuals. Firms frequently enjoy limited liability and potential immortality of their quasi-personhood. They exist because legislation favoured their existence as they are seen as the most effective way of creating wealth (Cragg 2002). If political institutions establish a legal framework which enables corporate activities, Cragg (2002) holds it can be regarded as an implicit moral obligation of an organization to take stakeholder interests into account. This is emphasized further as globalization reduces possible influences of politics on multinational companies.

2.2.4 Characteristics of Small Firms

The distinct orientation of the research to small firms’ owner-managers requires explanations and justifications. According to definitions of the Australian Bureau of Statistics (2001) and Mugler (1998) small businesses are those organizations which

- do not have more than 19 employees
- do not exceed an annual turnover of 10 million Euro
- are led by owner-managers. This means that one person is owner, manager, employer and frequently the firm’s primary financier
- are closely controlled by owners
- are marked by independence in operations and control
- are characterized by owners being responsible for decisions of the firm

There are additional characteristics of small firms to be outlined here. As small firms are normally owner managed, they consequently are independent in decision making. They are socially embedded in local communities. Owner-managers are responsible for many different functions. This multi-tasking prevents them from concentrating on only management-issues; therefore, ethical concern is frequently of minor interest due to a lack of time to dedicate to such matters (Spence 1999).

Small firms are frequently family owned. Value creation and competitive advantages of these organizations – to a large extent – depend on size and managerial structure. The social capital of these firms – to be understood as the level to which they are embedded in local communities – determines their market position. The difference between big and small firms is that the latter are marked by personalized authority and particularism. These aspects provide advantages in creating social capital relative to professional managers (Carney 2005). Social capital expresses the personal ability to achieve advantages from membership in social communities (Portes 1998). Close personal relationships between the owner and corporate stakeholders are marked by informal communication rather than more bureaucratically controlled contacts in big organizations (Spence 1999).

There are some gaps in business ethics research on all levels. Spence (1999) argues that qualitative research methods should be applied, if ethical questions in small
business are to be addressed; furthermore, she recommends focusing research on both individual behaviour and organizational conduct. The research displayed in this thesis is distinctly related to these aspects.

2.2.5 Laws and Legal Constraints

Questions of ethical concern in business are closely related to aspects of legal constraints. Laws constitute the boundaries of what a society regards to be a moral minimum (Paine 2006). Is it ethically sufficient to just obey the laws? Or are there moral obligations apart from these legal standards. These questions have to be discussed.

Legal constraints are mainly orientated to what a society regards as wrong behaviour. The scope of ethical reflection goes far beyond this limitation. It deals with wrong behaviour but additionally emphasizes what appears to be morally right. Furthermore, it isn’t limited to judgements based on legal rules, but reflects widely accepted principles of a society, such as freedom, truth, responsibility and justice. Consequently moral convictions can support the legal system of a society. Laws are an important but insufficient guideline for behaviour. Small firms often fail in establishing self-regulations. Consequently, small firms need clear legal constraints (Lynch-Wood, Williamson, & Jenkins 2009). Ethical concern contributes to stability of a society; thus, it is beneficial at least in the long run.

2.2.6 Professions and Professional Practice

Professions play an important role in questions of ethics in business, especially in large corporations. Professional conduct frequently requires facing ethical dilemma
situations in which individuals’ moral convictions contradict with professional requirements. Professions are marked by several characteristics (Ardagh 2010) such as “extensive multi-year training” (Ardagh 2010, p. 41), orientation to clients’ needs, application of “required knowledge and associated norms” (Ardagh 2010, p. 41), and an “authoritative professional body… which self-administers a grant of authority / licence / right to practitioners” (Ardagh 2010, p. 42). In other words, they are characterized by special knowledge, a licence for the profession, a promise of the professionals to contribute to society’s benefit, and the privilege of a professional organization to self-regulate its members (Armstrong 2002). Managers will be regarded as professionals here, though formally they don’t fulfil all characteristics described above. For example, they have not necessarily obtained a degree, and their entry into profession is normally not controlled by a professional body. However, in practice many managing positions today require a university study as prerequisite for entry. In addition, specifically in Germany entry in many trade businesses (e.g. bakery, electrician, carpenter, and many more) is regulated by respective professional bodies and only possible with an advanced degree of vocational education. Small business owner-managers many times belong to these professions.

Management professionals frequently face problematic situations where ethics is called into question or involved with respects to

- employees: questions of performance, standing, employment security, and working conditions
- superiors and peers: questions of trust, loyalty, and support
- clients: fair treatment, truth-telling, fair practices
- suppliers: fair treatment, balancing the different interests, unfair pressure, truth-telling
- other stakeholders: obeying the laws, trustworthiness towards the public, respecting the interests of the stockholders (Carroll, 2006).

Trust is seemingly an important factor in establishing sufficient relationships. It can be regarded as the belief that one’s counterpart will most probably behave in a way which is expected (Gambetta 1988). Personal and institutional trust can be differentiated (Williamson 1993). In small business, relations are heavily dependent on personal trust while in large corporations institutional trust is still in the focus.

Management behaviour can be categorized as immoral, moral and amoral behaviour (Carroll 2006). Immoral management means that managers intentionally behave against what is seen as ethically right. Moral management is marked by behaviour according to ethical values. Amoral management means that either managers aren’t aware of the ethical impacts of their companies’ activities on stakeholders or they regard business as moral free space and therefore deny the necessity of aligning business activities with ethical concern (Carroll 2006).

Moral behaviour can be seen as a key component of corporate social responsibility. One of a manager’s main obligations is creating an ethical climate. This requires leadership, establishing codes of conduct, providing ethics training, building realistic objectives, including moral concern in decision making, creating clear procedures in cases of violations of ethical rules, ethics audits, and guidelines which enable whistle blowing. However, the requirements for successful leaders have changed over time
(Darcy 2006). Today leadership doesn’t only demand structuring and planning future behaviour, it also requires dealing with situational and contextual complexities and ambiguities.

Managers should be honest, competent, intelligent, fair, and experienced in order to mobilize the resources of a firm. Consequently the interrelations between leaders and their followers should be transformational in character. This means that cooperation between leader and employee guides both to a higher level of motivation and understanding. Superiors must support their followers in their personal development. Assisting them in their personal growth is a major characteristic of today’s successful leaders. Companies are required to prepare their managers accordingly. Furthermore, a fit between corporate strategy and corporate culture is necessary. Shared values and a common set of beliefs have to be established (Darcy 2006). In addition, globalization provides new challenges. Leadership in the future must be connective (Ciulla 2002). It demands managers to deal with cultural differences. In this respect, it is a major task to bridge the gaps between these differences; therefore, the ability of leaders to build-up and maintain relationships based on mutual trust is paramount.

In accountancy, ethical problems arise in internal and external functions (Armstrong 2002). Internal problems are related to budgeting, internal auditing and financial reporting. They mainly result from information asymmetries and from unbalanced power between managers and employees. The latter tend to protect their positions by using the flexibility of accountancy rules; thus, they attempt to make financial results seem better or establish less ambitious goals than possible. External financial reporting frequently causes ethical problems due to the pressure of stock markets and
financiers. Frequently, real profits are creatively altered in order to improve the appearance of corporate success (Armstrong 2002).

Similar to the field of accountancy, employees face moral problems in finance. These are closely related to financial markets, financial services, and financial management (Boatright 2006). In financial markets, trading practices, trade conditions and financial contracting must be considered. Fraud, manipulation, information asymmetries and unequal negotiation powers should be avoided. Financial services frequently suffer from agency problems and unfair sales practices. In financial management moral concern is related to balancing competing interests. Finding a way to equally fulfil the expectations of both shareholders and stakeholders is a major challenge in financial management (Boatright 2006).

In marketing, ethical concern deals with aspects related to product safety, liability, truthfulness in advertising, fair pricing, power in relation to distributors, and forthright selling procedures (Murphy 2002). The development of e-marketing requires new answers to questions of trust, trustworthiness, confidentiality and privacy; furthermore, today’s global competition leads to challenges and threats which have to do with cultural differences (Brenkert 2006). In selling and advertising, two main problems exist with respects to ethical issues: deception and withholding information. Deception means the intention to cause someone to have false beliefs whereas withholding information provides someone with incomplete facts about a matter (Carson 2002).
Ethical challenges which occur in professional practice demand a set of means to provide managers and employees with standards for behaviour. Legal constraints, explicit codes of conduct, an ethical climate, leadership, and ethical training are regarded to be most supportive in this respect (Carroll 2006). In this regard, the role of the CEO is subject to controversial debates. On the one hand, the CEO’s role has become extremely powerful due to result-based payments. Irresponsible behaviour might result from this which can be a threat to the company’s existence (Englander & Kaufmann 2004; Frey & Osterloh 2005). On the other hand, the position of a CEO is justifiable as it turned out to be a workable and successful system in today’s complex business environment (Boatright 2009). Given these contradicting perspectives, small firm owner-managers seem to cover an intermediate position. Their income is determined by business profit. But unlike CEOs of large firms, small business owners are also held responsible for corporate losses. Even if they own and manage companies with limited liabilities, their financers normally require personal liability of the owner when lending money to small firms.

2.2.7 Concluding Comments on the Economic Framework of Western Societies

In Western societies the degree of freedom in decision making is relatively high. Consequently, politicians and managers must weigh the alternatives before acting as each may have different ethical outcomes. Capitalistic systems provide space for decision makers to consider the financial and ethical implications of their choices. Basic philosophical perspectives are closely interconnected with these considerations. They determine whether the consequences of an action or the underlying motivations of the decision maker are regarded as most important to judge an action. Within the framework described, there are constant tensions between contradicting claims. It is
the individual who finally must weigh the consequences of alternative actions. This is particularly true for small business owner managers who are normally fully responsible for their firm’s actions and who are socially embedded in local communities.

2.2.8 Contribution of this Section to the Research Topic

Why is the economic framework of business ethics in Western societies important to the research on owner-managers of small firms and their ethical experiences, attitudes and perceptions? It must be taken into account that capitalism is based on various preconditions which clash with some of those of the ethical theories. One of them is individual’s self-interest which is one of the motivating forces for business activities. The existence of companies is directly related to this topic. They exist due to their effectiveness in solving certain business tasks. However, firms and owner-managers frequently face business requirements on the one hand and moral necessities on the other. The question of how small firm owner-managers deal with these tensions has so far not been in the focus of research. Legal constraints establish the moral minimum set by the society. Professions and professional practices have influences on ethical concern as well. Consequently, if the aim is to clarify owner-managers’ moral convictions, an investigation must be grounded on the underlying circumstances.

2.3 Moral Problems Inside and Outside of Corporations

This part aims to provide a description of different ethical problems which frequently occur in the regular course of business. First, general dimensions of these problems will be explained followed by a discussion of a variety of ethical dilemma situations.
2.3.1 General Dimensions of Moral Problems

What are the questions which require ethical consideration in business? It is seemingly impossible to describe the full variety of moral decision situations. As a starting point for this section, a general description of ethical problems will be provided. Ethical dilemmas can be described by two dimensions: moral judgements and motivation. Figure 4 categorizes the various ethical problems:

![Figure 4: Types of ethical problems according to Geva (2006, p. 135)]

As Figure 4 indicates judgements can be determinate or indeterminate depending on whether or not clear recommendations can be generated. Motivation might be low or high depending on assumed external benefits or on individual moral convictions (Geva 2006). The categories of moral dilemmas resulting from these dimensions require different means to address them. Generally it can be assumed that high moral motivation allows establishing self constraints while low ethical motivation requires explicit legal regulations. Furthermore, determinate moral judgements are more related to individual decisions. In contrast, indeterminate moral judgements demand explicit rules such as laws or codes of conduct.

2.3.2 Particular Ethical Issues in Business

In this section a variety of ethical issues in business will be outlined. These can be categorized according to whether they occur primarily inside or outside the
corporation; furthermore, they differ in whether they are related to employees or to managers and owners of a company (Shaw & Barry 2006).

Table 2: Overview on ethical issues according to Shaw and Barry (2006)

<table>
<thead>
<tr>
<th>Inside Corporation</th>
<th>Outside Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
</tr>
<tr>
<td>Obligations to the firm</td>
<td>Self interest and moral obligations</td>
</tr>
<tr>
<td>Bribes / corruption</td>
<td>Bribes</td>
</tr>
<tr>
<td>Whistle blowing</td>
<td>Abuse of official position</td>
</tr>
<tr>
<td>Self interest and moral obligations</td>
<td></td>
</tr>
<tr>
<td>Abuse of official position</td>
<td></td>
</tr>
<tr>
<td>Conflicts of interest</td>
<td></td>
</tr>
<tr>
<td>Owners / Managers</td>
<td></td>
</tr>
<tr>
<td>Workplace conditions</td>
<td>Product quality, price, labelling, packaging</td>
</tr>
<tr>
<td>Company’s influence in employees lives</td>
<td>Product safety</td>
</tr>
<tr>
<td>Use/storage of information on employees</td>
<td>Unfairness in advertising</td>
</tr>
<tr>
<td>Discrimination</td>
<td>Environmental considerations</td>
</tr>
<tr>
<td>Sexual harassment</td>
<td></td>
</tr>
<tr>
<td>Bribes / corruption</td>
<td></td>
</tr>
<tr>
<td>Conflicts of interest</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 displays various ethical issues which occur in business. Many of these issues are due to tensions between corporate requirements and the needs of employees. Questions of fair wages, strategies of promotion such as by seniority or by qualification, privacy, workplace conditions, professional development, parental leave, and the provision of civil liberties must be considered. Additionally, unethical conduct related to interviews including discrimination based on gender, race, religion or age must be avoided. Union membership should be permitted without sanctions by the employer. Many employees and job seekers typically do not oppose legal or moral offences given their weaker position and desire to gain a job offer, maintain their position, or be promoted (Shaw & Barry 2006).
Ethical problems are caused by conflicts of interests. For example, employees might use confidential data of a company when they plan to move to another, competing firm. Insider trading is a negative moral topic related to stock markets. It is the case, if people from inside a company are using their knowledge in order to buy or sell stocks of the company before the information is publicly released. In addition, corruption and bribery have to be dealt with. Employees, owners and managers must face these threats. The phenomenon of whistle blowing has to be taken into account as well. It is marked by employees informing about morally problematic organizational behaviour. The dilemma is that whistle blowing violates employee loyalty towards the firm but it is frequently justifiable as it helps to prevent others from harmful corporate behaviour (Shaw & Barry 2006).

Regarding a company’s external stakeholders ethical problems occur, for example, with respects to product safety. Legislation in many countries has progressed more towards corporate liability. Aspects like product quality, warranties, fair prices and true product information are important for morally acceptable business conduct. Certain advertising practices, such as psychological influences and – in particular – direct advertisements to children, are ethically questionable and must be considered as well (Shaw & Barry 2006).

A field of increasing importance is environmental concern. This field is problematic because in many cases environmentally harmful behaviour of a company doesn’t cause direct financial consequences for the firm, but results in externalities charged to the society. Key areas of environmental concern are “wastes and pollution, use of natural resources, preservation of environmentally sensitive areas and preservation of
biodiversity” (DesJardins 2002, p. 250). Under the conditions of capitalism companies are frequently challenged because many times ethical practices lead to increasing costs and a possibly weaker position in market competition; therefore, legislation has to provide a framework by which clear standards for all firms are established.

It should be emphasized that decision makers are facing constant tensions between what is morally desirable and what is economically affordable in the daily course of business. Profit maximization requires managers to optimize resource allocation. As a consequence, resources are distributed unequally among stakeholders (Garcia, Bazerman, Kopelman, Tor, & Miller 2010). This inequality clashes with the claim that one must take legitimate interests of the various stakeholders into account equally – a claim which is hold by Ulrich (2001). These conflicting demands must be considered. For example, what constitutes fair wages is a matter of debate. Companies are working under competitive market conditions where a price hike may be impossible, hence, disallowing pay increases. This means that competing interests have to be balanced. Another question to be answered is to what degree a company should provide privacy at workplaces, if – at the same time – a necessity to be informed about relevant characteristics and behaviours of employees exists (Koehn 2002)? These questions help to illustrate the problems managers face in dealing with competing interests and expectations.

2.3.3 Conclusions on Moral Problems Inside and Outside of Corporations

This section has outlined the vast range of possible ethical problem situations which occur more specifically in business. It has explained general dimensions of these
dilemmas and describes different issues inside and outside the corporation. An emphasis is placed on ethical and moral issues faced by small firm owner-managers as they are the subject of this thesis and the subsequent research; therefore, a selection of moral problems described above is used particularly for the design of the interview guideline. This section is closely related to the research strategy, which will be discussed below.

2.3.4 Contribution of this Section to the Research Topic

This section has reviewed a range of moral problems inside and outside the company which are relevant to employees and to owners and managers of a firm. A variety of issues addressed is selected for the research in this report. Those aspects which appear to be of importance for small firm owner-managers’ ethical experiences, attitudes and perceptions were selected. It was also considered whether and to what degree interview questions might be answered honestly and appropriately. In a subsequent section recent studies will be dealt with. The findings will influence the choice of aspects included in the interview guideline.

2.4 Concepts of Ethics in Business

Two core expressions of business ethics relevant to small business will now be described: ‘Corporate social responsibility’ (CSR) and ‘stakeholder theory’. CSR can be seen as an overall approach to moral concerns in business (Murphy 2002; Windsor 2006), while stakeholder theory can be regarded as a practical means to orientate a company’s behaviour towards expectations and needs of its internal and external stakeholders (Jones, Wicks, & Freemann 2002). Stakeholder theory is
sometimes understood as a component of CSR which contributes to the more comprehensive concept of CSR (Buchholz & Rosenthal 2006).

2.4.1 Corporate Social Responsibility

Corporate social responsibility (CSR) describes the idea that a company is not only obliged to reward the expectations and needs of its owners, but must serve the society in which the firm is embedded as well (Jones 1980). It demands corporate leaders to equally reflect social, environmental and financial responsibilities. The manner in which these different aims are balanced differentiates a company from its competitors (Cadbury 2006). This understanding not only requires obeying laws, regulations and contracts but to anticipate the interests of external stakeholders (Jones 1980). An external orientation of CSR is assumed because it is mainly directed to the firm’s relationship with the community (Murphy 2006).

CSR is closely related to corporate governance as they are complementary means by which to establish corporate objectives. They describe corporate conduct as well as the constraints of corporate activities. Integration of both aspects enables a stringent aim for corporate profit under the provision of socially responsible behaviour (Beltratti 2005). Questions of CSR must be seen in the light of different theories of the firm. In particular the finance perspective, the stewardship model, the stakeholder theory and the political model are worth considering (Turnbull 2000). Dependent on the perspective of CSR different categorizations are suggested. Reflecting the theoretical backgrounds of different understandings of CSR, four different approaches are distinguished:
1. Instrumental CSR: CSR as a means for more economic success
2. Political CSR: Social duties of a firm in return for politics that enable corporate existence
3. Integrative CSR: Social duties of a firm towards society which provides preconditions for corporate existence and success.
4. Ethical CSR: Duty to ethical consciousness and to behave morally right in order to contribute to societal welfare (Garriga & Melé 2004).

If one focuses on ethical motivations of decision makers, three different perspectives can be distinguished (Windsor 2006):

1. Ethical CSR, which is based on shared moral principles rather than on distinct rules. It demands self-restraint and altruism by the company.
2. Economic CSR, which emphasizes clear rules for managers in order to match business requirements with customary ethics.
3. An intermediate conception, which regards the firm as a corporate citizen. It consists of elements of the former understandings.

It is important to note that corporate behaviour occurs in circumstantial contexts which influence the way decision-makers act. Corporate activities take place in constant tensions between positive and negative impacts. On the other hand, it occurs in a range between public policy compliance and corporate discretion (Windsor 2006). Managers have to deal with these tensions in the daily course of business. Figure 5 outlines these tensions:
There are three drivers to corporate social responsibility: the need to comply with the laws, the desire for corporate philanthropy, and the aim to increase shareholder value (Redmond 2006). These drivers underpin the notion that CSR is mainly externally focussed (Murphy 2006). The ambiguity of CSR is obvious. If one considers that the concept focuses external on stakeholders (Murphy 2006), and generally demands a firm to do more than the minimum legally required in terms of its social responsibility (Jones 1980; Beltratti 2005), one wonders: does this also include an internal perspective? CSR also is focused on questions such as fair wages and comfortable and safe workplace conditions. If CSR is understood as a corporate governance issue, it gives moral concern an appearance of being purely ‘managerial’. In other words, following a set of governance rules would assure fulfilment of a firm’s social responsibilities. In contrast, CSR can also demand to prioritize ethics in decision making (Windsor 2006). This means, social responsibility is not limited to obeying laws, governance rules, or to only external stakeholders, but to normatively base all corporate decisions on moral considerations (Ulrich 2001).

A comprehensive approach to corporate social responsibility requires integrating corporate mission, organizational culture, and decision makers’ approach to leadership (Whetstone 2005). The mission represents the overarching aim of a
company. The culture determines the relationships inside a company as well as between a firm and its external stakeholders. Effective leadership requires honesty, integrity, cooperation and a sense of mission.

Small firms frequently lack a formalized CSR approach. However, this doesn’t necessarily mean they wouldn’t behave in a socially responsible manner. Obviously, the approach of large companies to CSR can’t be directly transposed to small firms. Rather, these firms seem to follow other ways to assure moral standards in business (Fassin 2008). Regardless the firm size a contemporary understanding of CSR requires a firm to consider its social responsibilities pro-actively, rather than seeing it only as a negative liability. This is important to match business activities with the requirements of an increasingly interdependent environment (Wettstein 2010).

2.4.2 Stakeholder Theory

Stakeholder theory is a more recent concept which has been applied to business ethics and which is closely related to the strategic management of a firm (Freeman 1984). It is a relatively new development in business ethics. In Freeman’s (1984) original version stakeholder theory was descriptive in that it helped identifying those groups related to a business. It contributes to a more comprehensive understanding of corporate social responsibility in that it helps to practically integrate ethics in business activities (Garriga & Melé 2004; Buchholz & Rosenthal 2006). It is understood in some later versions as a key component of Stakeholder Management Theory, seen as a means to manage corporate relations with its stakeholders according to the overriding goals established in CSR policies (Buchholz & Rosenthal 2006). Conceptualizing a firm’s stakeholder management can be carried out
reflecting two dimensions: an instrumental level on the one hand and a normative level on the other. Table 3 shows these dimensions and their main perspective on stakeholder orientation:

<table>
<thead>
<tr>
<th>Instrumental level</th>
<th>Normative level</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Pragmatic</td>
</tr>
<tr>
<td>Low</td>
<td>Sceptical</td>
</tr>
<tr>
<td></td>
<td>Idealistic</td>
</tr>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>High</td>
</tr>
</tbody>
</table>

Table 3: Stakeholder orientation framework (O’Higgins 2009)

The defining characteristics of stakeholder theory will be explained below. Furthermore, criticism of stakeholder theory and boundaries and limitations will be reflected; thus providing an overview of the instrumental approach to business ethics.

2.4.2.1 Introduction

In the original concept of R. E. Freeman, “a stakeholder in an organization is (by its definition) any group or individual who can affect or is affected by the achievement of the organization’s objective as a company” (Freeman 1984, p. 25). These groups are, for example, financiers, suppliers, employees, communities, customers and other groups. Stakeholder theory is based on the allegation that traditional approaches to business sciences have oversimplified the complexity, which managers face in business conduct. It has its origins in corporate planning, systems theory and organization theory (Jones, Wicks & Freeman 2002). The view that a firm has simply to generate profit (Friedmann 1970) is seen to be insufficient to describe and explain motivation, attitudes and perceptions which influence behaviour in business.
Frequently, shareholder-value orientation and stakeholder theory are understood as conflicting approaches. However, it can be argued that, if capitalism is held to be a means to create value for stakeholders, then this contributes to shareholders’ profit as well (Freeman, Wicks & Bidhan 2004). Leading a company by reference to only one objective function – shareholder profit – has been proven to be unsuccessful; rather, decision makers in business deal with diversity and complexity. Stakeholder theory can be regarded as a means to recognize and face these challenges.

Table 4 displays a suggested taxonomy of the main characteristics of different stakeholder cultures (Jones, Felps, & Bigley 2007). The culture categories – somewhat arbitrarily labelled as agency, corporate egoist, instrumentalist, moralist, and altruist – vary from amoral to broadly moral behaviour. The Table suggests relations between stakeholder cultures, behaviour and underlying philosophical assumptions:

<table>
<thead>
<tr>
<th>Stakeholder culture type</th>
<th>Amoral</th>
<th>Limited Morality</th>
<th>Broadly Moralist</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agency</td>
<td>Moral Stewardship</td>
<td></td>
</tr>
<tr>
<td>Alternative descriptors</td>
<td></td>
<td></td>
<td>Altruist</td>
</tr>
<tr>
<td>Amoral management</td>
<td>Short term profit orientation</td>
<td>Enlightened self-interest</td>
<td>Intrinsic morality tempered with pragmatic genuine concern for welfare of normative stakeholders</td>
</tr>
<tr>
<td>Managerial egoism</td>
<td>Short term self-interest at corporate level</td>
<td>Corporate self-interest</td>
<td>Moral pragmatism</td>
</tr>
<tr>
<td></td>
<td>Short term stewardship</td>
<td>Instrumental or strategic morality; Moral impression management</td>
<td>Morally based regard for derivative stakeholders</td>
</tr>
<tr>
<td>Pure egoism</td>
<td>Enlightened stewardship</td>
<td>Enlightened stewardship</td>
<td>Morally based regard for normative stakeholders only</td>
</tr>
<tr>
<td>Purely self-regarding</td>
<td>Regard for others extends to shareholders; belief in efficiency of market; honour contract with shareholders</td>
<td>Same as corporate egoist</td>
<td></td>
</tr>
<tr>
<td>Egoistic at corporate level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relevant stakeholders</td>
<td>None</td>
<td>Shareholders only</td>
<td>Shareholders only, but other stakeholders as means to shareholders ends; instrumentally useful stakeholders</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------</td>
<td>-------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Possibly relevant moral foundations (below)</td>
<td>Psychologic al egoism Ethical egoism</td>
<td>See below</td>
<td>See below</td>
</tr>
<tr>
<td>Utilitarianism</td>
<td>Not relevant</td>
<td>Rule utilitarian market efficiency</td>
<td>Rule utilitarian market efficiency</td>
</tr>
<tr>
<td>Kantian principles</td>
<td>Not relevant</td>
<td>Honour the widely accepted contract with shareholders only</td>
<td>Honour the widely accepted contract with shareholders only; adherence to principles when instrumentally advantageous</td>
</tr>
<tr>
<td>Rawlsian fairness</td>
<td>Not relevant</td>
<td>Not relevant</td>
<td>Not relevant</td>
</tr>
<tr>
<td>Rights</td>
<td>Not relevant</td>
<td>Shareholder rights only</td>
<td>Shareholder rights only; respect rights of other stakeholders when instrumentally advantageous</td>
</tr>
<tr>
<td>Ethics of care</td>
<td>Not relevant</td>
<td>Care for shareholders</td>
<td>Care for shareholders; instrumental care for other stakeholders</td>
</tr>
<tr>
<td>Virtue ethics</td>
<td>Instrumental virtues only (persistence, alertness, carefulness, prudence, cool-headedness)</td>
<td>Some moral virtues (loyalty, reliability, diligence, and dependability)</td>
<td>Virtues of corporate egoist plus additional instrumental virtues (cooperativeness and practical wisdom)</td>
</tr>
<tr>
<td>ISCT</td>
<td>Selective adherence to local norms</td>
<td>General adherence to local norms</td>
<td>General adherence to local norms; instrumental concern for the authenticity and legitimacy of norms</td>
</tr>
</tbody>
</table>

Table 4: Different stakeholder cultures, adopted from Jones, Felps and Bigley (2007)
2.4.2.2 Justifications of Stakeholder Theory

This section examines various justifications of stakeholder theory in order to illuminate its multi-faceted characteristics and understandings.

The pluralist nature of ethics theory is reflected in stakeholder theory. Philosophical understandings based on deontology presuppose the fundamental obligation to act morally in business regardless of possible financial outcome (Gibson 2000). Therefore, from a deontological view, stakeholder interests must be taken into account by companies because the latter implicitly or explicitly have the duty to behave ethically. In this respect, firms are seen as quasi persons with rights and duties similar to real persons. Teleology provides a different justification of stakeholder theory (Argandona 1998). If the theory of the common good is assumed, then the various interrelations between a company and its internal and external stakeholders must be reflected in order to identify actions which contribute to the societal common good. Normative ideas of Aristotle suggest that the final end in human life is to optimally realize an individual’s capabilities (Wijnberg 2000). Consequently, companies can be regarded as means for managers to become good men or women in their professional roles. As a precondition, companies are required to provide managers with codes of conduct and with ethics trainings.

From a libertarian perspective, stakeholder theory is justifiable, if it benefits the firm and its shareholders. Libertarianism emphasizes freedom as a fundamental principle and fairness and decency as key virtues. If a firm pro-actively takes stakeholder interests into account, this voluntary approach must pay for the firm at least in the
long term (Freeman & Phillips 2002). Otherwise, it wouldn’t be cost effective to do so.

Stakeholder theory also adds to a comprehensive business approach. Traditionally, thinking in business is based on an understanding of atomic individualism (Buchholz & Rosenthal 2005). Stakeholder theory contributes to management sciences, as it advises considering the multiple interrelations between corporations and stakeholders. This clearly makes a relational perspective mandatory (Esty 2007). As a consequence, firms should pro-actively internalize interests of other parties in their corporate strategy. Nowadays, this is crucial due to increasing public awareness of ethics in business, pressure of non-governmental organizations on firms, and the potentially positive influence on corporate appearance in the public (Esty 2007).

2.4.2.3 Criticism of Stakeholder Theory

Stakeholder theory is widely discussed among researchers and business practitioners. Therefore, it is no surprise that it is criticised for different reasons. To understand the main characteristics, limitations and boundaries of stakeholder theory, these critical notions must be considered.

Stakeholder theory is said to be descriptive and instrumental; however its normative basis is so far not sufficiently established (Donaldson & Preston 1995). It is frequently criticised for a lack of scientific rigour and statistical data or empirical foundation to stringently underpin the approach (Gioia 1999; Antonacopoula & Meric 2005). Thus, it is assumed that stakeholder theory mainly expresses ideological assumptions of researchers and is driven by political aspects of its
proponents (Antonacopoula & Meric 2005). It is also criticised for its limitation to the interests of human participants in the interactions between the firm and its stakeholders. Therefore, it is seen to be an incomplete ethical concept (Orts & Strudler 2002).

The argument that a company should take all stakeholder interests equally into account is seen to be far too idealistic (Gioia 1999). If this were an obligation of managers, then the question remains how can they sufficiently fulfil their professional duties towards the firm’s shareholders or owners (Hendry 2001a)? In other words, considering all stakeholder interests contradicts with managers’ moral and contractual obligations to fulfil their fiduciary duties towards shareholders. In contrast to shareholders, stakeholders do not have any morally justifiable claim in relation to managers’ activities (Marcoux 2003). This argument brings the rationale behind stakeholder theory into doubt. If shareholders have a moral claim on managers to fulfil fiduciary duties and at the same time managers should behave as fiduciaries to stakeholders, then stakeholder theory must answer the question of how to deal with these competing interests.

Managers’ contradictory duties towards shareholder and other stakeholders are also seen to be impractical. Is a company accountable to all stakeholders at all? If so, one has to consider how a firm would ever be able to put this into practice given the uncountable number of potential stakeholders (Sternberg 1999). Furthermore, a firm then has to clarify the varying stakeholder influences, from pure recognition of interests to the acceptance of stakeholder participation in decision making. It can be doubted, if managers would be able to sufficiently deal with this complexity (Hendry...
2001a). Similarly one has to consider the different roles of stakeholders as they often belong to more than one group. Employees, for example, can also be shareholders and part of the local community (Hendry 2001b). This again increases the complexity managers would be exposed to, if stakeholder theory is applied in the daily course of business.

Stakeholder theory is also said to conflict with corporate governance and with private property rights (Sternberg 1999). In particular, it must be considered how stakeholder theory could be incorporated in the firm’s goal to generate profit (Jensen 2002). This is particularly important because the assumption that stakeholder theory employed in business is leading to higher profits is denied (Donaldson & Preston 1995). Rather, critics of stakeholder theory emphasize the competitive disadvantages companies would face when taking stakeholder interests into account (Jensen 2002).

2.4.2.4 Different Understandings of Stakeholder Theory

The understandings of stakeholder theory differ tremendously according to different underlying basic assumptions. As already discussed, the philosophical approach to ethical questions is of major importance. Other understandings and characteristics must be reflected as well.

One of the most important questions to be dealt with in stakeholder theory is the problem of sufficiently defining stakeholders (Jones, Wicks, & Freemann 2002). The statement that “all groups or individuals which can affect a firm or which are affected by a firm” should be seen as stakeholders can be doubted (Freemann 1984). In this understanding even terrorists could be considered stakeholders. Furthermore,
the claim that future generations should be regarded as stakeholders raises some questions. It is without doubt that a company has an obligation to consider and take responsibility for the effects of its activities on the environment. But how far are future developments foreseeable? For example, anticipation of a severe collapse of the world’s climate in the future might lead to the conclusion that using cars is unacceptable. If a company which is dependent on using cars or trucks in day to day business would behave accordingly, it would cause the immediate breakdown of the firm. This is an unrealistic moral obligation.

This aspect relates to the question of how to rank stakeholders. Some authors require taking all stakeholder interests equally into account (Ulrich 2001). In this understanding, legitimate interests of all stakeholder groups should be treated in the same way. Companies are obliged to anticipate these interests and to balance them in discourse. This perspective is based on Kant’s ‘categorical imperative’. It is commonly applied as an underlying principle in European literature on business ethics. However, this approach is impractical and unrealistic. How should a company balance all stakeholder interests – even those of future generations? How should a manager discuss different viewpoints with all stakeholders of the company in real life? Clearly this approach is an ideal vision of corporate behaviour, rather than a realistic guideline of how to act in business. Other theoretical understandings pragmatically advise to mix an ‘inside-out’ and ‘outside-in’ orientation in applying stakeholder management (Pater & van Lierop 2006). The inside-out perspective considers the firm’s ethical convictions while the outside-in view demands taking the interests of the firm’s stakeholders into account. Incorporating both perspectives
requires matching the firm’s ethical convictions with stakeholder interests (Pater & van Lierop 2006).

Other influencing aspects on stakeholder theory are related to the concepts of ownership and governmental structure. They considerably impact the way corporate reference groups are dealt with (Janson 2005). Ownership rules differ from country to country. This influences the manner in which stakeholders could be involved in property and decision rights. In Continental Europe – especially Germany – ownership structure is mainly bank orientated. It is marked by mighty stakeholders who control manager behaviour. Consequently cooperation between companies and stakeholders is mainly based on mutual trust. In countries such as the USA or Great Britain, ownership is mainly market orientated; therefore, managers are controlled by financial markets. In these countries the legal system must protect stakeholder rights.

How can stakeholders be categorized? One approach is through differentiating between primary and secondary stakeholders (Clarkson 1995; Kahler 2009). Primary stakeholders are those a company is continuously dependent on, while secondary stakeholders are in a weaker position. Similarly, the relationships between a firm and its stakeholders can be described in two different dimensions (Friedman & Miles 2002). They can be characterized as necessary or contingent on the one hand, and compatible or incompatible on the other. Dependent on the characteristics of stakeholder relations, the firm’s approach towards stakeholders may be defensive, opportunistic, orientated to compromise, or terminated.
Another understanding differentiates between stakeholders, stakewatchers and stakekeepers (Fassin 2009). While stakewatchers are pressure groups, stakekeepers are understood as regulators. Some authors focus the relations of the firm to the stakeholders. They distinguish between inevitable, necessary, and desirable relationships (Podnar & Jancic 2006). In this understanding, a company is inevitably connected to shareholders, employees, customers, suppliers, competitors and regulations. Necessary relations are those with local communities, schools and universities, media, unions and the environment. Desirable are relations with opinion leaders, cultural organizations, families of employees, political parties, and other groups. But this differentiation appears to be questionable and requires further clarification as some necessary relations might be inevitable as well (Podnar & Jancic 2006).

A further understanding categorized stakeholders according to power, interest, legitimacy and necessity of their claims (Mitchell, Agle, & Wood 1997). Corporate relations towards stakeholders can also be described by drawing an analogy to the human person (Ardagh 2007a). In this understanding ranking of stakeholders is carried out in accord with their position and influence on the company. Three circles are distinguished: The inner core consists of internal stakeholders who can be compared to rank-ordered human capacities. For example, directors (e.g. top managers, boards, CEOs) are seen to be similar to human intellect with its directive powers. Middle managers, employees and workers are compared with limbs and perceptual organs. They are doing the work. Shareholders, investors and suppliers are considered to be like blood circulation as they directly enable the work. The middle-circle is comprised of immediate external stakeholders, such as customers,
clients and consumers. These are compared with interlocutors of human beings. The outer circle is marked by remote stakeholders: state government, wider community, legal structure. These stakeholders “provide the necessary conditions” (Ardagh 2007a, p. 20) for ethically rational distributive justice interactions between internal stakeholders and the other stakeholders and constitute the framework for the existence of companies. The latter are deriving their authority to practice from the state which provides market institutions and contract enforcement.

2.4.3 Concluding Comments on Concepts of Ethics in Business

The research topic of this thesis is related to business ethics and stakeholder management. Therefore, this section has tried to define and describe corporate social responsibility (CSR) and stakeholder theory as a means to CSR. Stakeholder management can be seen as a practical approach to dealing with corporate reference groups. It advises ‘what ought to be’, but from the perspective of business ethics theory. It is consequently the foundation for the research approach underlying this thesis.

The criticism on stakeholder theory is undoubtedly useful in understanding the limitations of the concept. It shows that further discourse is required to overcome the conceptual shortcomings. However, this does not mean stakeholder theory wouldn’t be helpful in guiding a firm’s activities. Rather, stakeholder theory appears to be a useful practical concept to manage a firm successfully by taking legitimate stakeholder interests pro-actively into account. Or, as Phillips, Freeman and Wicks put it: “Stakeholder theory is a theory about organizational management and ethics” (2003, p. 480). It deliberately brings together managerial guidance with ethical
considerations which differentiates stakeholder theory from other management concepts.

2.4.4 Contribution of this Section to the Research Topic

The main issues discussed in this section will be addressed in the interview guideline of the research. If one intends to explore ethical experiences, attitudes and perceptions of owner-managers, it is important to find out what they consider to be ethically and socially responsible without adopting an inflexible view of CSR and stakeholder theory. These notions have been introduced with their ambiguities clarified as far as necessary. Furthermore, the way stakeholders are identified and ranked will be subject to investigation. The intent of the questions asked in the interviews is to uncover the tendencies related to ethical concern of small firm owner-managers.

2.5 Summary of the Contextual Setting

This section aimed at describing the context in which the thesis is placed. It moved from general aspects of philosophy to particular professional characteristics. Initially different philosophical understandings and historical developments and perspectives in ethical reflections were considered. A Neo-Aristotelian virtue ethics approach was regarded to be a sufficient basis for the intended investigation in small business ethics. The chapter dealt with the economic framework of moral concern in business like capitalism which influences questions of justice and equality, the existence of companies, the particularities of small firms, laws and legal constraints, and the role of professions and professional practices. After that an overview of ethical issues in business was provided. General dimensions of moral problems were outlined and
particular ethical issues which employees and managers have to face were described. Aspects like workplace conditions, discrimination, privacy, conflicts of interest, bribery, corruption, and environmental problems were canvassed. It turned out that these aspects are closely related to the role of managerial professional practices.

Then the report described two related concepts of relevance to ethics in business: corporate social responsibility and stakeholder management. The former was described as an approach which generally requires organizations to become aware of their social responsibilities. The latter turned out to be a way of expressing corporate social responsibility. In this respect stakeholder management appeared to be a possible instrumental and practical approach to implementing ethical standards in decision making, if supplemented with a distributive justice decision procedure from collective action ethical theory. Different stakeholder management understandings were outlined. In addition, justifications and critical comments on stakeholder theory were discussed.
3. Literature Review

This chapter summarizes previous research on ethics in business. The aim is threefold: It is designed to provide an overview of the current state of the art in business ethics research. At the same time, it aims at setting the stage for the investigation carried out in this thesis. Finally, it tries to show the context of existing research and gaps in current research approaches; thus providing the reasons for the particular research approach chosen for this thesis. Compared to the number of investigations in big companies’ ethics, only limited research has been conducted on small firms (Fassin 2008). Therefore, papers referred to in this chapter cover a wider range of topics related to business ethics. This is necessary in order to sufficiently outline the range of ethical questions in business. The research approach in this thesis aimed to develop a comprehensive strategy to implement moral standards in small
firms. It deals with various ethical issues. In order to discuss the issues addressed in the papers in a comprehensive way, the studies are thematically categorized as follows:

- Studies related to ethical motivations and underlying philosophical understandings
- Studies focused on instruments to enforce moral concern
- Studies related to perceptions of ethical issues and moral behaviours in business
- Studies related to environmental concern

This categorization was subjectively conducted by the author upon review of the research literature.

The following Table 5 summarizes the studies included in this literature review. It displays the study characteristics including the research questions and methodological aspects as well as the findings gained. Thus, the Table provides an overview on the studies. It also serves as a basis for the justification of the distinct research approach in this thesis which will be discussed and explained in section 4 on methodology.
### Table 5 (1/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research Questions Aim of Investigation</th>
<th>Data Collection Res. Paradigm Research Strategy</th>
<th>Data Analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bowen</td>
<td>2002</td>
<td>Three top management executives of two multinational organizations.</td>
<td>Ethical attitudes of top management executives. Relation between companies’ behaviour and underlying philosophical understandings (materialism, utilitarianism and deontology)</td>
<td>Half structured interviews. Observation of meetings Critical/Interpretive Qualitative</td>
<td>Interpretation</td>
<td>Structured approach to ethics required in order to assure effective management of moral problems. Ethical concern to be included in strategic goals and in codes of conduct. Deontology is seen to be most appropriate for integration of ethics in business.</td>
</tr>
<tr>
<td>Sommer Welsh Gubman</td>
<td>2000</td>
<td>194 Russian entrepreneurs and a small group of US professionals and MBA students</td>
<td>Differences in ethical orientation (idealist or relativist or Machiavellian view) between entrepreneurs from Russia and the US.</td>
<td>Standardized questionnaires Positivist Quantitative</td>
<td>Not exactly mentioned</td>
<td>Russians tend to idealistic perspective while US participants prefer relativistic view. Fundamental set of ethical beliefs might exist. Behaviour depends on cultural background.</td>
</tr>
<tr>
<td>Beekum Stedham Yamamura Barghouti</td>
<td>2005</td>
<td>165 MBA students and professionals from Russia and the US</td>
<td>Comparative study on differences in ethical perceptions of participants of both countries. Examination of fundamental beliefs of justice and utilitarianism</td>
<td>Structured interview, rating of ethical problem scenarios on Likert scale Positivist Quantitative</td>
<td>ANOVA MANOVA</td>
<td>No clear findings: Ethical judgements depend on cultural backgrounds but as well on individual and situational factors.</td>
</tr>
<tr>
<td>Keating Martin Resick Dickson</td>
<td>2007</td>
<td>554 middle-managers from Ireland and the US</td>
<td>Middle-managers’ beliefs about ethical leadership. Investigation of integrity, altruism, motivation and encouragement</td>
<td>Structured interviews Positivist Quantitative</td>
<td>ANOVA MANOVA</td>
<td>Altruism, motivation, encouragement is seen similarly by managers of both countries. Integrity is rated higher by US-participants.</td>
</tr>
<tr>
<td>Vitelli Paolillo</td>
<td>2004</td>
<td>626 marketing executives from GB, US, Turkey, Spain</td>
<td>Investigation on perceived role of ethics and social responsibility in business</td>
<td>Structured interviews Positivist Quantitative</td>
<td>ANOVA</td>
<td>Managers’ ethical viewpoints and corporate ethical culture are rated most important, followed by organizational commitment to ethics and enforcement of ethical codes of conduct</td>
</tr>
<tr>
<td>Quinn</td>
<td>1997</td>
<td>41 owner managers of small businesses from printing and computer services companies</td>
<td>Ethical attitudes of small firms’ owner managers with respects to different groups (religious, community, business related)</td>
<td>Structured questionnaires in personal interviews Positivist Quantitative</td>
<td>Means, correlation analysis</td>
<td>Owner managers from the religious group show higher ethical attitudes than others.</td>
</tr>
</tbody>
</table>
### Table 5 (2/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research Questions Aim of Investigation</th>
<th>Data Collection Res. Paradigm Research Strategy</th>
<th>Data Analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dawson, Breen, Satyen</td>
<td>2002</td>
<td>5000 managers in three decades</td>
<td>Changes in ethical concern of managers over three decades. Differences in ethical attitudes and perception between managers from small and big firms.</td>
<td>Structured questionnaires Positivist Quantitative</td>
<td>Means</td>
<td>No dominant view, but idealistic view more used than religious or spiritual. Self-interest important when businesses are started up. Participants under 50 prefer regulations while those over 50 emphasize personal moral values.</td>
</tr>
<tr>
<td>Longenecker, Moore, Petty, Palich, McKinney</td>
<td>2006</td>
<td>Directors and owner managers from business champions in the UK’s small and medium sized companies sector in the UK.</td>
<td>Investigating CSR of firms by considering social responsibility terminology, influences of managerial values, nature of social responsibility activities, motivation for and benefits from social responsible behaviour, and challenges faced by the companies.</td>
<td>Half structured interviews Critical / Interpretive Qualitative</td>
<td>Means, Correlation analysis</td>
<td>Managers’ ethical awareness has increased. No significant differences in ethical perceptions between participants of small and big companies (except 1993)</td>
</tr>
<tr>
<td>Cai, Wheale</td>
<td>2004</td>
<td>45 managers from Chinese security companies</td>
<td>Investigation on relationship between stakeholder fairness trust, commitment and sustainable value.</td>
<td>Questionnaire with questions related to each of the components Positivist Quantitative</td>
<td>Multiple regression analysis, Pearson’s correlation analysis</td>
<td>Companies should learn from each other (ethical benchmarking). Support organizations should provide ethical tools. Diversity of the SME sector hinders generalization of ethical understandings. Stakeholder approach should be aligned with special preconditions and needs of the SME sector. Social responsibility is regarded to be financially beneficial for the firm.</td>
</tr>
<tr>
<td>Marta Singhapakdi, Kraft</td>
<td>2008</td>
<td>226 employees from companies with less than 500 employees</td>
<td>Are personal ethical attitudes predicting ethical behaviour? Does firm size predict ethical behaviour?</td>
<td>Standardized questionnaire with different scenarios to evaluate Positivist Mainly quantitative</td>
<td>Means Regression Analysis Correlation analysis</td>
<td>Personal ethical attitudes aren’t a significant predictor for ethical intensions. Smaller firms have less ethical intentions in ethical dilemma situations than larger ones.</td>
</tr>
</tbody>
</table>
Table 5 (3/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research questions</th>
<th>Data collection and Research strategy</th>
<th>Data analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waldman Siegel Javida</td>
<td>2006</td>
<td>125 managers from 56 companies</td>
<td>Relationship between different leadership approaches and company's engagement in social responsibility</td>
<td>Structured questionnaires, data from a specialized agency</td>
<td>Correlation analysis</td>
<td>Positive correlation between intellectually stimulating leadership of managers and corporate social responsibility</td>
</tr>
<tr>
<td>Parent Deephouse</td>
<td>2007</td>
<td>22 Managers and Employees on three different hierarchical levels from two large scale sporting events organizing committees in Canada and the US. Furthermore 15 stakeholders of these organizations.</td>
<td>How do managers identify and prioritize stakeholders of their organizations</td>
<td>Semi-structured interviews, personal and by phone, archival materials like manuals, websites, newspapers Positivist / critical/ interpretive Quantitative and Qualitative</td>
<td>Qualitative: Interpretation Categorization of interview statements according to Mitchell, Agle and Wood (1997). Quantitative: Regression analysis</td>
<td>Positive relationship between number of attributes (power, legitimacy, urgency) mentioned and perceived stakeholder importance. Limited number of stakeholder categories. Stakeholder importance depends mainly on power followed by urgency and legitimacy.</td>
</tr>
<tr>
<td>Valentine Barnett</td>
<td>2003</td>
<td>181 sales managers from the US</td>
<td>Relationship between ethics code awareness, perceived ethical values and organizational commitment</td>
<td>Standardized questionnaires Positivist Quantitative</td>
<td>Regression analysis, correlation analysis</td>
<td>Ethical code awareness positively correlates with perceived organizational values and with degree of commitment to the company (mediated by perceived values). Establishment of explicit ethical codes and ethical trainings is recommended.</td>
</tr>
<tr>
<td>Wu</td>
<td>1999</td>
<td>700 business people from 59 Chinese companies for the quantitative part of the study, 42 personal half structured, in-depth interviews for the qualitative part</td>
<td>Quantitative: Investigation of agreement to different statements on ethical issues. Qualitative: Questions concerning ethical codes, ethical concern in business decisions, and whether market economy is good/bad for ethical behaviour</td>
<td>Standardized questionnaires Half structured, in-depth interviews Positivist and critical/interpretive Quantitative and Qualitative</td>
<td>Quantitative: Obviously means Qualitative: Obviously interpretatio n</td>
<td>Difference between ethical awareness of participants and ethical climate in their companies. Business ethics is important and ethical standards and ethical climate should be improved. Market economy is seen to be supportive for establishing moral concern in business.</td>
</tr>
</tbody>
</table>
Table 5 (4/8): Summary of studies included in this literature review

| Authors            | Year | Sample                                                                 | Research questions Aim of investigation                                                                 | Data collection Res. Paradigm Research strategy                                                                 | Data analysis                                                                                       | Findings                                                                                           |
|--------------------|------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Fisher             | 2001 | Not indicated in the paper                                            | How do managers perceive ethical codes?                                                               | Ethical codes of companies Half structured interviews critical/interpretive Qualitative                     | Interpretation and categorization                                                                | 2 types of codes: codes of ethics (general guidelines) and codes of conduct (distinct rules of behaviour). Ethical codes limit personal integrity. Codes of conduct undermine managers’ + employees’ loyalty towards the firm. |
| Stohl Stohl Popova | 2009 | 157 global corporations from the 2006 ‘Fortune 500’-list              | Does the content of transnational corporations’ code of ethics embody a new generation of global ethics | Ethics codes of companies Post-positivist Qualitative (in creating code dimensions) Quantitative             | Interpretation Non-parametric and parametric analyses                                           | Large firms are still mainly concerned with shareholder interests and profit orientation. Ethical considerations are mainly construed around existing legal constraints |
| Jones              | 2009 | 190 business students (114 treatment, 76 control group)               | To what degree does participants’ ethical judgement change after ethics training | Standardized questionnaire Positivist Quantitative                                                        | ANCOVA (Analysis of covariance)                                                                 | Moral judgement can be improved by a relatively short training program on business ethics          |
| Weber Glypts       | 2000 | 129 business students (96 treatment, 33 control group)                | Does ethics training impact ethical awareness and moral reasoning?                                     | Standardized questionnaire Positivist Quantitative                                                        | Students Opinion and Value Survey (SOVS)                                                        | Ethics education significantly improves ethical orientation                                         |
| Ardichvili Mitchell Jondle | 2009 | 67 participants (54 business executives, 13 academics)                | Which characteristics are attributed to ethical business cultures                                     | Half structured interviews Constructivist Qualitative                                                    | Grounded Theory Interpretation Clustering                                                        | Main characteristics: - Mission and Vision-driven - Stakeholder balance - Leadership effectiveness - Process integrity - Long-term perspective |
| Avram Kuehne       | 2008 | Food-production firm from Austria’s SME sector                         | How can social and environmental concern be implemented in strategies which aim at achieving competitive advantages? | Case study Half structured interviews Observations Document review Constructivist Qualitative                | Interpretation Value Chain Analysis                                                            | Due to limited resources, SMEs have to concentrate on those issues which are important to them and which they can tackle. Implementation of ethical concern requires market and resource based perspectives. |
Table 5 (5/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research questions</th>
<th>Data collection</th>
<th>Data analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russo Tencati</td>
<td>2009</td>
<td>3626 Italian firms of different sizes and from different fields of business</td>
<td>Does SME’s approach to CSR differ from those of large corporations? Investigation of application of formal and informal CSR strategies</td>
<td>Structured interviews Positivist Quantitative</td>
<td>Means Factor analysis</td>
<td>Small firms tend to employ informal CSR strategies. They engage in those ethical questions which are most important in their local communities. They limit their efforts on those issues, which are most important to sustain their business.</td>
</tr>
<tr>
<td>Perrini Minoja</td>
<td>2008</td>
<td>1 Italian firm (case study)</td>
<td>What does strategizing CSR mean? How does a medium-sized, family-owned firm incorporate CSR into its strategy?</td>
<td>Half-structured interviews Document analysis Field observations Constructivist Qualitative</td>
<td>Interpretation Grounded theory</td>
<td>Determinants of CSR: First level: - Owner’s beliefs and values, - Owners experience Second level: -Firms vision, mission and values -corporate governance (separation ownership/management) Consequence: -CSR integrated in strategy Result: -trust (precondition to) -social performance -financial performance</td>
</tr>
<tr>
<td>Hammann Habisch Pechlaner</td>
<td>2009</td>
<td>261 SME Managers from a German catholic network of entrepreneurs.</td>
<td>Which stakeholders are most important and which personal values of SME leaders guiding stakeholder relations create value for the firm?</td>
<td>(Interviews and standardized questionnaire Positivist Mainly quantitative, partly qualitative</td>
<td>Interpretation Means Analysis of variance</td>
<td>Employees, clients and society most important stakeholders. Value-orientation of the firm to the three stakeholder groups led to higher employee satisfaction/motivation, customer satisfaction, public reputation.</td>
</tr>
<tr>
<td>Morsing Schultz</td>
<td>2006</td>
<td>Large scale online survey of citizens in Denmark, Sweden and Norway (Number of participants not mentioned)</td>
<td>How do participants expect companies to communicate their social responsibility? How do top five ranked companies communicate their stakeholder approach</td>
<td>Structured interview, online-survey (collection of information by top five ranked firms) Positivist (partly critical/interpretive) Quantitative (partly qualitative)</td>
<td>Means, Correlation analysis (partly interpretatio n of information)</td>
<td>Companies with highest social reputation tend to consciously involve stakeholders in their communication strategies</td>
</tr>
</tbody>
</table>
Table 5 (6/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research questions</th>
<th>Data collection</th>
<th>Data analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaptein Huberts Avelino Lasthuizen</td>
<td>2005</td>
<td>Nearly 2400 employees from different public and private organizations in the US</td>
<td>Investigation on components of corporate ethical behaviour, Rating of unethical conduct, consequences, ethics instruments and programs, ethical climate, and ethical leadership</td>
<td>Structured interviews / Positivist Quantitative</td>
<td>Means</td>
<td>Working conditions, privacy, misleading promises to stake-holders are perceived as most important elements in moral climate. Organizational structure and climate avoid reports on misconduct.</td>
</tr>
<tr>
<td>Kaptein Dalen</td>
<td>2000</td>
<td>Employees of 3 business units of a European multinational company from the financial sector</td>
<td>Investigation on aspects of ethical behaviour of the company on the basis of an ‘ethics qualities model’</td>
<td>Questionnaire with 200 propositions to be rated on a 5-point agreement scale / Positivist Quantitative</td>
<td>Means</td>
<td>MANOVA</td>
</tr>
<tr>
<td>Vitell Dickerson Festervand</td>
<td>2000</td>
<td>153 small business professionals in the US</td>
<td>How do small business professionals behave in ethically problematic situations?</td>
<td>Standardized questionnaires / Positivist Quantitative</td>
<td>Means</td>
<td></td>
</tr>
<tr>
<td>Robinson Davidson Mesch Court</td>
<td>2007</td>
<td>7 entrepreneurs</td>
<td>How do entrepreneurs deal with ethical problems?</td>
<td>Half structured interviews. 26 dilemma situations to be reflected by participants / Critical / interpretive</td>
<td>Synergy Star Technique (Robinson 2002) in order to separate ethical content from economic necessities. Stepwise reduction of interview statements</td>
<td>Synergy Star Technique is suitable to identify ethical content of dilemma situations. Clear goals, dynamic attitude and contributions to society are characteristics of entrepreneurs’ success. Key motivators of entrepreneurs are goal orientation, personal excitement, conviction and autonomy. Ethical behaviour is based on orientation towards virtues, community orientation and the avoidance of frictions.</td>
</tr>
</tbody>
</table>
Table 5 (7/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research questions</th>
<th>Data collection</th>
<th>Data analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cacioppe Forster Fox</td>
<td>2007</td>
<td>350 MBA students from Western Australia management education programmes</td>
<td>Managers’ perceptions of corporate ethics and social responsibility. Actions which may affect company’s success.</td>
<td>Standardized questionnaires mailed to participants</td>
<td>Means Analysis of variance</td>
<td>Corporate social responsibility is related to macro context, ethical behaviour to micro context. Interviewees wouldn’t buy product, wouldn’t apply for jobs, and wouldn’t buy stocks in cases of unethical conduct.</td>
</tr>
<tr>
<td>Hanson Tranter</td>
<td>2006</td>
<td>More than 2000 shareholders in Australia</td>
<td>How would shareholders behave if they would become aware of unethical conduct of companies they hold stocks in?</td>
<td>Standardized questionnaires</td>
<td>Means</td>
<td>Ethics is important for shareholders. Child labour causes greatest moral concerns. Females are generally more concerned than males.</td>
</tr>
<tr>
<td>Warren</td>
<td>2002</td>
<td>‘Turner &amp; Newall’, big internationally working company, producing asbestos</td>
<td>Investigation on social responsibility of shareholders of a big company.</td>
<td>Reports and accounts, newspaper articles, journal articles, customer information, notes of a pr-agency, books, reports on a legal case</td>
<td>Qualitative: Interpretation</td>
<td>Shareholders are responsible for company’s activities to other stakeholders (employees, customers, future shareholders). State has to intervene in order to support social responsibility. Legal constraints and more influences by unions and governments are required.</td>
</tr>
<tr>
<td>Jamali Zanhour Keshishian</td>
<td>2009</td>
<td>6 representatives of SME firms and 4 representatives from large corporations</td>
<td>How do SMEs in a developing country try to integrate CSR in business relative to large corporations?</td>
<td>Half-structured, in-depth interviews</td>
<td>Grounded theory</td>
<td>While big firms integrate CSR and business goals, SMEs tend to regard CSR as a part separate from business goals. CSR is frequently seen as additional philanthropy</td>
</tr>
<tr>
<td>Dyer Jr. Whetten</td>
<td>2006</td>
<td>261 firms from the Fortune-500-list (202 non-family and 59 family led firms)</td>
<td>How to family owned firms behave in terms of social responsibility compared to non-family firms?</td>
<td>Secondary data</td>
<td>Means Regression analysis</td>
<td>Family and non-family businesses behave similarly in regard to positive social initiatives; however, family firms are more active in avoiding negative social concerns.</td>
</tr>
</tbody>
</table>
Table 5 (8/8): Summary of studies included in this literature review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Sample</th>
<th>Research questions</th>
<th>Data collection</th>
<th>Data analysis</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tilley</td>
<td>2000</td>
<td>60 owner managers of small firms (less than 50 employees).</td>
<td>Owner managers environmental concern in business activities</td>
<td>Half structured</td>
<td>Interpretation</td>
<td>Environmental concern should be improved. Voluntary self regulation can only be expected if it pays financially. Stronger legal constraints are necessary. Owner managers experience disadvantages in market competition if doing more than the legal minimum</td>
</tr>
<tr>
<td>Spence Jeurissen</td>
<td>2000</td>
<td>40 owner managers of small firms in UK, + Representatives from local authorities, business support organizations and environmental groups.</td>
<td>Comparing environmental concern of small firms’ owner managers in both countries.</td>
<td>Half structured</td>
<td>Interpretation</td>
<td>UK owner managers regard ecology as a matter of government, rather than a business issue. In the Netherlands, laws provide the frame but individuals and firms are responsible for their actions. Corporate environmental concern has to be improved by active stakeholder cooperation (especially: mutual accountability and cooperative exchange)</td>
</tr>
<tr>
<td>Rutherford</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gadenne Kennedy McKeiver</td>
<td>2009</td>
<td>166 small firms’ owners and managers</td>
<td>Relationship between various internal and external influences, awareness and attitudes of SME owners and their actions towards ecological management.</td>
<td>Standardized questionnaire Post-positivist Quantitative</td>
<td>MANCOVA Analyses of variances</td>
<td>SME owners are aware of supplier influences, mandatory compliance and potential benefits of ecological practices. However, due to limited financial resources they still lack of ecological actions.</td>
</tr>
</tbody>
</table>
3.1 Studies Related to Ethical Motivations and Underlying Philosophical Understandings

Ethical decision making depends to a large extent on ethical motivations and on underlying philosophical understandings which are influenced by individual, cultural, and contextual factors. If one aims to understand ethical behaviour, these aspects have to be reflected upon. This is particularly important for the research in this thesis, since a contribution to professional managerial practice is the main focus, rather than a contribution to theory. It is not merely the aim to state ‘what ought to be’. In contrast, the question which is taken to be requiring an answer is: ‘what appears to be possible and acceptable?’ in the light of preconditions and circumstances of small business. If small firm owners have to be convinced to apply a concept, it must be acceptable. This will be achieved only if their individual perspectives are considered.

A general question to consider is: are there underlying philosophical understandings shared by most business people? Recent studies provide a mixed impression. There is some evidence that deontology would be seen by the majority as appropriate as a basic philosophical understanding, if one intends to integrate ethics in big companies (Bowen 2002). At the same time, this approach appears to be most demanding for managers (Bowen 2002). The question arises whether this is empirically true as an attribution to managers from all cultures; regardless of their backgrounds. A general set of abstractly describable ethical beliefs apparently exists throughout the world. But behaviour seems to be mainly driven by an individual’s cultural background (Sommer, Welsh, & Gubman 2000). Situational and individual factors play an important role as well (Beekun, Stedham, Yamamura, & Barghouti 2003). For example, there is some evidence that Russian entrepreneurs tend to an idealistic
perspective, while Americans seemingly apply a more relativistic view (Sommer, Welsh, & Gubman 2000), although these are huge sweeping generalisations with little evidential rationale or practical utility. Given there are universally accepted norms on the one hand and rules which are established by local communities on the other (Donaldson & Dunfee 2000), it is clear that the latter have a major impact on small firms as their business is mainly marked by local embeddedness. The level of abstractness or specification presumed in the context will suggest different judgements as a result.

Regarding the individual drivers of ethical decision making, motivation and encouragement are seemingly important. These aspects are rated similar by two groups from Ireland and the US. However, the broader concept of integrity is regarded as more important by American managers (Keating, Martin, Resick, & Dickson 2007). The question of religious beliefs has to be considered as well. Religions always had an impact on philosophical perspectives. Seemingly, small firm managers with religious beliefs show higher ethical attitudes in decision making than others (Quinn 1997); however, compared to other characteristics and perspectives there is evidence that an idealistic view is even more decisive than religious beliefs (Dawson, Breen, & Satyen 2002).

In the daily course of business, individual factors and structural measures of the organization are driving ethical decision making to different degrees. There is evidence that ethical viewpoints are central, followed by organizational culture. Organizational commitment and enforcement of ethical codes and similar regulations appear to be less important (Vitell & Paolillo 2004). Given that these findings came
out of an investigation of managers from large firms, it is likely that personal viewpoints and characteristics are at least as important for ethical decision making in small firms. This does not mean that general ethical perceptions differ between managers from small and from large firms (Longenecker, Moore, Petty, Palich, & McKinney 2006), nor can it generally be assumed small firms would always behave more ethically than large one. Rather, there is evidence that there are less explicitly stated moral intentions in small firms (Marta, Singhapakdi, & Kraft 2008).

Apart from individual factors and structural means, firm structure and size are determinants of corporate ethics. In addition, the age of a manager determines personal values and perceptions of ethical regulations as well. Young decision makers mainly prefer written rules and codes while older executives put an emphasis on personal ethical attitudes. Maturity of a firm also plays an important role. Start-ups and young firms are frequently driven by a strong self-interest of the entrepreneur, while ethical behaviour is of minor importance (Dawson, Breen, & Satyen 2002). This appears to be understandable because new business normally has to undertake tremendous efforts to stabilize its existence.

Ethical decision making is also influenced by the time at which it takes place. Changing perspectives over time seemingly lead to altered ethical perceptions. This is important because a concept to be developed has to consider potential changes in ethical understandings. There is evidence that ethical awareness considerably increased during the last 20 years (Longenecker, Moore, Petty, Palich, & McKinney 2006). However, an important question remains unanswered: Did ethical behaviour change accordingly? This is even more important, as personal ethical attitudes can
not be used as predictors for ethical intentions of managers in small and medium-sized firms (Marta, Singhapakdi, & Kraft 2008).

Assuming small and medium firms’ managers have a tendency to privilege personal values over structural means such as codes and similar regulations, the question remains open how to best establish and maintain moral standards in daily business. A structured approach is generally seen as useful by some researchers in order to assure an effective management of moral issues. This requires integrating ethics into corporate strategy. The overriding guidelines of a firm must contain both, business and moral aims (Bowen 2002).

With respects to small business, the diversity of this sector hinders generalization of ethical understandings. Social responsibility has to pay financially for these firms. Limited resources of small business do not allow spending on social responsibility issues without financial return (Jenkins 2006). As a consequence stakeholder management must be aligned with the special needs of the particular firm. Support organizations, such as chambers of commerce, should provide ethics tools for these firms. It would also be an option to establish forums in which corporate representatives could learn from each other (Jenkins 2006).

Given the diversity problem in the small firm sector, some researchers suggest it is important to clarify key characteristics of an appropriate stakeholder management system. Obviously fairness in behaviour and open communication are most important in order to establish sustainable, mutually trustful relationships. Trust seems to be a precondition of commitment to the firm. It contributes to long-term benefit of the
firm (Cai & Wheale 2004); however, the question remains which strategies small firms should apply when establishing and maintaining moral standards. The limited resources of these businesses require focusing on the most important issues and stakeholders. For many small firms, ethics must pay financially for small firms and frequently they apply a short-term perspective when evaluating their achievements in this field. The lack of resources disallows a more persistent approach: consequently, ethical motivation often decreases within a relatively short period of time, if results don’t become visible (Tilley 2000; Lepoutre & Heene 2006; Russo & Tencati 2009).

3.2 Studies Focused on Instruments to Enforce Moral Concern

Managers have to balance business requirements and ethical concern. Instruments to facilitate conformity to moral standards are widely discussed. To date, there isn’t a commonly accepted way to achieve this aim. This might be due to the fact that the various instruments differ in their practicality from more theoretical to directly applicable. A corporate strategy incorporating ethics is frequently regarded as a precondition to trusting stakeholder relationships and to social and economic performance of the firm. At the same time, diversity of the small firm sector so far hindered development of a generally accepted set of tools (Jenkins 2006).

Values and experiences are decisive for a structured CSR approach for small and medium sized firms (Perrini & Minoja 2008). On an overriding level a company should establish a corporate vision and mission and should state its core values. Thus, the ethical understanding will become visible inside and outside the corporation (Perrini & Minoja 2008). More practically, an orientation to stakeholder interests, leadership and appropriate procedures is recommended in order to further moral
standards (Ardichvili, Mitchell, & Jondle 2009). But small firms are often said to lack the necessary resources for a comprehensive ethics approach. They need to limit their moral activities to those fields which are most important for their business (Avram & Kuehne 2008). It can also be recognized that many firms of this sector give preference to informal strategies of CSR (Russo & Tencati 2009); rather than formalizing their ethics approaches. The main reason for this might be that small firm owner–managers avail only limited time and financial resources (Lepoutre & Heene 2006). This keeps them focused on business issues, rather than on ethical questions.

According to Goodijk (2000) the emphasis on informal CSR strategies and the limited resources on small firms lead to a prominent role of leadership in enforcing ethical standards. This influences the behaviour of owner-managers towards employees and other stakeholders. Today a transformational leadership approach (Burns 1978) is associated with a firm’s propensity for ethical concern. The quest for transformational leadership is based on the recognition that involvement of employees in strategic decision making positively contributes to the development of a firm. It reduces conflicts, improves motivation and helps the company to use the specific competencies of its workforces (Goodijk 2000).

Provided this understanding, leadership means mutual empowerment of leaders and followers, and a two way communication in decision making. It is perceived to be intellectually stimulating (Waldmann, Siegel, & Javida 2006). This leadership style also benefits managers, as employees are seemingly better informed about ethically relevant issues (Kaptein & van Dalen 2000). Leaders have to be approachable by
followers, thus supporting ethical awareness and the acceptance of moral standards (Brown, Trevino, & Harrison 2005; Trevino, Brown, & Hartman 2003; Trevino & Brown 2006). But ethical awareness alone doesn’t necessarily lead to more ethical behaviour (Wu 1999). Instead, behavioural approaches such as stakeholder management theory, if supplemented with a theory of collective action, can be a key to putting ethical intentions into practice.

Enforcement of ethical standards in an environment marked by limited resources requires optimizing allocation of efforts which focus on those stakeholder groups most important to the firm. The determinants for perceived importance of stakeholders are power of stakeholders followed by legitimacy and urgency of their claims (Mitchell, Agle, & Wood 1997; Parent & Deephouse 2007). On the basis of these characteristics employees, clients, and the society are mentioned as most important stakeholders of small and medium-sized firms (Hammann, Habisch, & Pechlaner 2009).

Once the focal stakeholder groups have been determined, the instruments to address ethical issues have to be chosen. Among the various tools to integrate moral concern into business practice, codes and similar self-constraints are frequently mentioned. They are mainly used in large firms which tend to formalize structures and procedures. Obviously, these codes are mainly construed around laws and legal regulations (Stohl, Stohl, & Popova 2009). They are not only applied in order to avoid corporate scandals, but protect managers from being held responsible in case of misbehaviour by their followers (Enrione, Mazza, & Zerbioni 2006). Codes can be regarded as ‘any set of rules of behaviour that allow a distinctive governance
structure to be put into practice and held accountable’ (Afreda 2005, p. 2). They are a means of corporate governance (Bozec 2005). Codes are applied in order to provide decision makers with clear guidance in moral dilemma situations. Firms must promote their codes in order to achieve an impact on awareness in the firm. They increase employees’ commitment to the organization and build a perception of shared values (Valentine & Barnett 2003). At the same time, possible disadvantages of codes have to be considered. They have the potential to limit personal integrity and to undermine loyalty by discouraging individuals’ ethical reflections (Fisher 2001; Stansbury & Barry 2007).

The exclusive application of ethics codes is a mainly reactive strategy. Small firms with their limited resources frequently lack structured instruments like codes; but tend to apply more pro-active strategies. Their CSR approach emphasizes as most important personal attitudes and skills. Given the emphasis on these characteristics and skills, training is an important means in that it contributes to individuals’ leadership skills and moral concern. There is evidence that moral orientation and ethical judgement can be improved by appropriate training (Weber & Glyptis 2000; Jones 2009). Training has to be an ongoing process of joint reflections of owners, employees and other peer groups (Politis 2005). Regular meetings, presentations and other forms can contribute to learning in small firms (Kotey & Folker 2007; Hutchinson & Quintas 2008). Keeping small firms’ limited resources in mind, one has to ask which kind of training might be sufficient with regards to both its impact on ethical awareness as well as its practicality in small firm context.

The application of corporate codes must also be seen in the context the business is operating in. A firm’s activities are determined by the individuals involved, the
organizational setting, and the societal environment (Brown & Uhr 2004). Transparency International proposes a multiple pillar strategy to enforce integrity (Pope 2000). Private business is one important part but needs support by governmental actions, civil society activities including watchdog agencies, public sector organizations and the media. Codes are certainly necessary but not sufficient to guide good corporate conduct. Training, effective laws and law enforcement are also needed (OECD 2000).

Recent developments in the field of Corporate Governance support the understanding of an integrated approach. For example, the King III report on Corporate Governance (Institute of Directors in South Africa 2009) incorporates organizational rules, individual guidance and legal compliance. More important, it puts the aspect “Ethical Leadership and Corporate Citizenship” (Institute of Directors in South Africa 2009, p. 19) in the first place of the governance code. The code claims to be applicable to firms of all sizes and sectors. This however can be doubted. One has to ask whether it is realistic to assume a small business owner would apply a code framework of more than 30 pages in the daily course of business. In addition, many of the code regulations are directly related to large shareholder companies and their board structure. Many of the rules established are of minor relevance for small businesses. Despite the rhetoric, codes such as the King III report still lack an understanding of the many times informal character of operations in small firms (Spence 1999).
3.3 Studies Related to Perceptions of Ethical Issues and Moral Behaviours in Businesses

Managers have to deal with a vast range of ethical issues in their daily course of business. What are the main problems and dilemma situations executives face when leading a firm? What is their perspective on moral questions? Which aspects do they regard as most important and by which means do they address them? To date, only limited research is deliberately focused on small business ethics (Fassin 2008). Some researchers focus on the small and medium-sized sector. In terms of shared responsibilities, many medium-sized companies have certainly more in common with large firms than with small business. The research in this thesis deliberately focuses on the latter. Given the limited amount of research in this field, this section will include studies related to medium and large corporations; thus aiming at a comprehensive picture of current business ethics research.

Ethical problems are mainly reported on relationships with employees and customers (Vitell, Dickerson, & Festervand 2000). This is no surprise because these two groups are frequently seen as the most important stakeholders of private business (Hammann, Habisch, & Pechlaner 2009). With regards to employees, aspects like working condition and securing individual’s privacy often appear. Clients and other external stakeholders are concerned with misleading promises of the firm (Kaptein, Huberts, Avelino, & Lasthuizen 2005), be they intentional or unintentional.

Managers must be aware that employees are often better informed about ethical issues in their firms than themselves. It can be assumed that unethical behaviour occurs similarly in firms of all sizes (Kaptein & van Dalen 2000). In this respect
small firms are no exception; however, the impact of immoral actions is frequently less disastrous than in the case of large corporations behaving badly. This is due to the fact, that small business activities normally influence fewer people. Small firms seem to be more active in avoiding negative reputations in their social communities (Dyer jr. & Whetten 2006). This supports the viewpoint that small firms could engage more easily in a pro-active approach to business ethics due to the major importance of owner-managers’ personality on corporate decisions (Donaldson 2008).

If one considers owner-managers’ tendency to seek to prevent negative reputation, it becomes clear that corporate reputation is a good indicator for the firm’s ethical standards. Companies with high moral reputation tend to involve stakeholders in their communication strategies (Morsing & Schultz 2006). If the firm’s reputation is damaged, severe consequences might follow, which possibly even threaten corporate existence. Misconduct distracts clients from buying the company’s products, qualified workforces from applying for jobs, and investors from buying or holding shares in the firm (Cacioppe, Forster, & Fox 2007).

Shareholders’ moral concern is particularly important for large companies. Today, this group distinctly assesses corporate activities in order to get an impression of the moral standards applied. Issues such as child labour raise considerable concern (Hanson & Tranter 2006). The claim to hold shareholders responsible is gaining ground and so is the call for the state to establish legal constraints enforcing socially responsible behaviour (Warren 2002). Consequently, managers should seek a stakeholder orientation, optimized structures and procedures, and an ethical climate
for their companies (Kaptein, Huberts, Avelino, & Lasthuizen 2005). A structural means frequently proposed is establishing codes of ethics, while an ethical climate mainly depends on ethical attitude and behaviour of a manager (Vitell, Dickerson, & Festervand 2000).

Structural means and individual behaviour need an overriding guidance system. Large firms tend to integrate business goals with moral aims (Jamali, Zanhour, & Keshishian 2009). This becomes visible in corporate vision and corporate mission, in which the two elements are intentionally included (Perrini & Minoja 2008; Ardichvili, Mitchell, & Jondle 2009). In small firms social responsibility is still seen differently. Externally focussed CSR is considered to be an additional add-on which follows business activities. It is seemingly an issue separate to the business side and used as occasional philanthropy, rather than as a systematic approach to moral concern in business (Jamali, Zanhour, & Keshishian 2009). This might be due to limited resources or caused by the strong influence of owner-manager’s personality on the way business is conducted.

The previous separation of business and ethics goals is seemingly no longer sufficient. Today, small firms have to stay competitive in markets in which internal and external stakeholders increasingly demand socially responsible behaviour. An owner-manager’s intrinsic wish to act morally is not the only determinant for the firm’s ethics; rather its embeddedness in local communities and the aim to avoid frictions make ethical considerations mandatory (Robinson, Davidson, Mesch & Court 2007). A possible way forward for small firms is to develop a structured concept of ethics integration, which consciously integrates moral and business goals.
As Rossouw and van Vuuren (2010, pp. 63) put it:”…all members of the organization recognize that ethical behaviour is not an optional extra, but is at the core of the very nature and purpose of the organization, entrenched in corporate discourse and decision making.”

3.4 Studies Related to Environmental Concern

Environmental concern is one of the most important ethical issues companies nowadays face. It is of special interest due to its particularities. Business conduct on ecology causes ethical dilemmas which companies can hardly deal with in a convincing way (DesJardins 2002). This results from laws which in many cases contain only limited restrictions. As a majority of them enforce only quite low standards, decision-making in business takes place within corporate discretion (DesJardins 2002; Shaw & Barry 2006; Windsor 2006).

Corporate actions to protect the environment frequently lead to increasing costs and consequently to disadvantages in market competition; while ecological misconduct frequently results in externalities. Costs for the latter are charged to society; rather than to the company which caused the pollution (Erlei, Leschke, & Sauerland 2007). This characteristic is the reason why environmental concern is covered in a separate chapter in this thesis. It requires insights which go far beyond direct discussions on ecology. Conclusions drawn are applicable for other moral problems with similar characteristics of externalities caused by misbehaviour. This is true in relation to corruption and bribery, as well as tax evasion. Behaving unethically in these cases pays financially for the firm. The costs of misconduct have to be covered by an
invisible third party like society, or the environment (Erlei, Leschke, & Sauerland 2007).

Voluntary actions of the firm cannot be expected to sufficiently cover the ecological necessities. The resulting competitive disadvantages would harm corporate market position. According to Tilley (2000), a company will only take such actions, if it pays financially. This shows the importance of strong legal constraints. They constitute the minimum required by society. If moral misconduct is the way to avoid business disadvantages, laws are required to enforce ethics. They provide equal market conditions in fields, in which otherwise the least ethical behaviour would pay most (Tilley 2000).

The degree to which a firm is ready to take voluntary ethical actions might vary due to cultural backgrounds. The particular context in which business takes place is doubtlessly a key determinant of behaviour. Owner-managers’ willingness to pro-actively do more than required by legal constraints differs from country to country (Spence, Jeurissen, & Rutherford 2000). On the one hand, the strength of existing laws is important, whilst on the other, the financial ability of the firm to adopt voluntarily established ecological self-constraints must be considered. These aspects influence managers’ motivation to stress environmental concern. Given the lack of resources of small firms, it can not be expected that they spend as much money as desirable to the benefit of the environment (Gadenne, Kennedy, & McKeiver 2009).

Considering the difficulty convincing owner-managers of taking pro-active actions, the aspect of stakeholder relationships becomes important. Active stakeholder
cooperation helps management to learn from the firms’ reference groups how to link the different efforts on ecology. This contributes to keeping standards high throughout the entire supply chain. Thus, mutual accountability and cooperative exchange is improved (Spence, Jeurissen, & Rutherford 2000). The aim of high ecological standards can be achieved best by strong legal constraints, pressure by important stakeholders and – within the limitations described above – by voluntary actions of the firm (Gadenne, Kennedy, & McKeiver 2009).

3.5 Contribution of this Section to the Research Topic

This section is crucial for the development of the research design in general and the interview guideline in particular. In it various aspects of owner-managers’ ethical concerns are addressed. The selection of aspects will be explained and justified in the following section on methodology. The interview guideline derived from the literature review contains both general questions on ethics as well particular questions on moral behaviour, attitudes and perceptions. It seeks a rating of corporate stakeholders, the main conflicts of interest which arose and how owner-managers dealt with them. Furthermore, the importance of corruption, bribery, deception, withholding information from clients, environmental problems, fulfilment of contracts, and tax evasion for participants’ firms is investigated. In addition, the way respondents face these problems and which means they regard to be sufficient in order to face them are included in the interview guideline. Finally questions on interviewees’ opinion of ethics in business and the means owner-managers employ in order to integrate ethics in business are examined.
More generally, this section contributed to identifying relevant gaps in scholarly research. It became obvious that only limited research has been undertaken on small firms (Fassin 2008). It also revealed that researchers to date mainly preferred quantitative research methods. The methodology section will address these findings in relation to the use of a qualitative investigation on small firms and how this can add value to existing scholarly research.

### 3.6 Summary of the Literature Review

The literature review aimed at providing an overview on recent scholarly research in the field business ethics. It was also intended to show where there are some gaps to be filled, which the thesis can address, concerning ethics in small firms. In particular, the review was designed to establish a framework for the research on small firm owner-managers’ ethical perceptions, attitudes and experiences. For this, previous research approaches have been examined. It became obvious that to date, small firm business ethics has not been in the focus of scholarly research. Consequently, studies conducted in large corporations and various countries have been included in the review in order to get an understanding of the topics so far researched. The studies included were thematically categorized and dealt with underlying philosophical understandings, ethics enforcement instruments, perceptions of ethical issues in business, and environmental concern.

Findings on underlying philosophical understandings varied. It turned out that a basic set of beliefs can be assumed to be shared in all cultures. For example, ‘do not kill’ and ‘do not steal’ are convictions which are common among the various cultures. Behaviour is based on these general values, but also depends on cultural background.
Religious beliefs and individual virtues are further influencing factors on behaviour. Characteristics like mutual trust, commitment, and accountability were mentioned. Obviously transformational leadership – an approach emphasizing personal development of leaders and followers – is required in order to establish an ethical climate. Codes of conduct are said to be essential as well. It also came out that stakeholder management is dependent on characteristics of stakeholder relations. Stakeholder power was identified as the most important factor. Findings also indicated that ethical concern should be related to aspects of workplace conditions, privacy, misleading promises to stakeholders, environmental misconduct and illegal practices such as child labour. Environmental concern turned out to be particularly problematic because misconduct leads to external costs charged to the society.

To date few researchers have conducted investigations which distinctly focus on the moral concerns of small firms and their owners and managers (Fassin 2008). Most of the studies published dealt with big companies which are marked by separation of ownership from management and by shared responsibilities. Furthermore, it turned out that the major share of the studies conducted applied quantitative research methods. As a consequence of the findings in the literature review, an investigation on owner-managers’ ethical experiences, attitudes and perceptions is expected to considerably contribute to business ethics theory on the one hand and to improving professional practice in small firms on the other. It will provide findings on a group which so far has been widely unconsidered.
4. Methodology

This section describes how the research method for this thesis was developed. It consists of two major parts: a general description of research approaches, and a more specific description and justification of the investigation conducted. It is intended to provide a well reasoned strategy which serves the requirements of validity and reliability and which sufficiently addresses the research questions stated above.

![Figure 7: The structure of chapter 4 - Methodology](image)

4.1 General Methodological Aspects

This part of the thesis provides a general overview on different research strategies, their underlying paradigms and further characteristics. These relate to methodology and consequently to various methods, their advantages and disadvantages. Explaining these general aspects will provide the basis for an informed decision on the chosen research approach in this report.
4.1.1 General Characteristics of Different Research Approaches

The way research is conducted depends on underlying research paradigms. A research paradigm can be defined as a set of basic assumptions and beliefs in a discipline from which the kind of problems in a science or discipline and their types of solution arise (Veal 2005). It guides the researcher in how to analyse data (Strauss 1987). Guba and Lincoln (1994) distinguish four types of research paradigms. They list positivism, postpositivism, critical theory and constructivism.

Positivism is focused on causal relationships and generalization. Mainly quantitative methods are applied (Silverman 2006). In this respect practices of natural sciences are used in social sciences and objectivity is seen as a major precondition for research. Postpositivism regards reality as existent independent of what is known. It accepts that researchers cannot be value free (Halfpenny 1979; Guba & Lincoln 1994; Flick, von Kardorff, & Steinke 2007). For this approach, objectivity is an ideal to be aimed for; although, it is regarded as incomplete. Critical theory ‘critically’ approaches reality and is mainly related to social questions (Glaser & Strauss 1967; Charmaz 2006). It denies the possibility of objectivity. In contrast, it takes the impact of personal values on thinking and doing into consideration. Constructivism regards reality as being constructed by socially influenced individuals with distinct values. As a consequence perception of reality is subjective in character and objectivity is denied. Therefore, mainly qualitative research methods are applied.

These research paradigms are “based on ontological, epistemological and methodological assumptions” (Guba & Lincoln 1994, p. 107). Ontology refers to “the form and nature of reality” (Guba & Lincoln 1994, p. 108). The epistemological
assumption is directed to “the nature of the relationship between the knower or would be-knower and what can be known” (Guba & Lincoln 1994, p. 108). Finally, the methodological assumption states how the researcher could examine “whatever he or she believes can be known” (Guba & Lincoln 1994, p. 108). Table 6 displays different research paradigms and their main assumptions and beliefs.

<table>
<thead>
<tr>
<th>Item</th>
<th>Positivism</th>
<th>Postpositivism</th>
<th>Critical Theory</th>
<th>Constructivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology</td>
<td>naive realism ‘real’ reality but apprehendable</td>
<td>critical realism ‘real’ reality but only imperfectly and probabilistically apprehendable</td>
<td>historical realism virtual reality shaped by social, political, cultural, economic, ethnic, and gender values; crystallized over time</td>
<td>relativism local and specified constructed realities</td>
</tr>
<tr>
<td>Epistemology</td>
<td>dualist/objectivist, findings true</td>
<td>modified dualist/objectivist; critical tradition/community; findings probably true</td>
<td>transactional/subjectivist; value-mediated findings</td>
<td>transactional/subjectivist; created findings</td>
</tr>
<tr>
<td>Methodology</td>
<td>experimental/manipulative; verification of hypotheses; chiefly quantitative methods</td>
<td>modified experimental/manipulative; critical multiplicity; falsification of hypotheses; may include qualitative methods</td>
<td>dialogical/dialectical</td>
<td>hermeneutical/dialectical</td>
</tr>
</tbody>
</table>


4.1.2 General Characteristics of Different Research Methods

The general basic beliefs of a researcher determine the research methods selected for a research problem. The methodological characteristics outlined in Tables 6 relate to different research methods. Generally quantitative and qualitative methods are distinguished. Case study method is a third approach which frequently mixes parts of qualitative and quantitative methods (Yin 1994).
Quantitative research is often said to be ‘hard’, fixed, objective, value-free, and abstract (Halfpenny 1979). It mainly deals with numbers (Dey 1993). Its research methods are mainly based on underlying belief systems which tend to positivism and postpositivism (Guba & Lincoln 1994). The researcher can be seen as independent of the investigation which he is carrying out (Veal 2005). Quantitative methods are applied in order to gain and analyse numerical data. A focal aim is generalization of the results. For this, a sample representative of the whole population is necessary.

Quantitative research is known for its rigour (Guba & Lincoln 1994). The research quality is assessed in terms of its validity and reliability (Hammersley 1990; Kirk & Miller 1986). Quantitative research allows mathematical evaluation of objectivity, internal and external validity as well as reliability (Yin 1994).

Qualitative research is usually characterized as ‘soft’, flexible, subjective, political, speculative, grounded (Halfpenny 1997), and deals with meanings (Dey 1993). It is based on a description which includes information on contexts, intentions, social conditions, and consequences (Denzin 1978; Sayer 1992; Hamel, Dufour, & Fortin 1993; Kitzinger 2004). Qualitative research is mainly applied, if the research paradigm tends to constructivism (Guba & Lincoln 1994). This means reality is dependent on the individual’s perspective and findings are based on interpersonal transactions (Holstein & Gubrium 1997). As qualitative research seeks to understand reality as it is seen by the participants, it focuses on credibility of the research, rather than on statistically ‘true’ results (Seale 2004). Sample design in qualitative investigations is frequently purposive. Generalization in terms of statistical means is not aimed for (Gobo 2004; Flyvbjerg 2004).
4.2 Description of the Research Design

The research strategy adopted in this study will be subsequently explained in detail. It takes account of the general descriptions of different research approaches outlined above, and aims to justify the approach taken to address the research questions. It describes the general methodological approach and considers and justifies the sample design. Furthermore, the procedure of data collection and data analysis will be described and how it fits what is usually called a ‘quality’ research paradigm. Finally, potential limitations of this specific research setting will be discussed.

4.2.1 Research Paradigms

Regarding the research questions, it has to be stated which underlying basic beliefs can be assumed. The research questions to be asked mainly begin with the word ‘how’. If research questions begin with ‘how’, the investigation usually seeks understanding of a phenomenon rather than investigating statistical inferences (Guba & Lincoln 1994; Seale 2004). Theory-generating is obviously the focus of this research. In contrast, theory testing wouldn’t be appropriate in a field of investigation in which – so far – little is known about the phenomenon of ethical concern in small business. These assumptions are consistent with constructivism (Dey 1993; Guba & Lincoln 1994).

Constructivism regards reality as being created by socially influenced individuals with distinct values. Therefore, its ontology emphasizes relativism. With respects to epistemology, subjective perspectives of an individual are presupposed (Guba & Lincoln 1994). Given these are the key aspects of the basic approach in this research, it will tend to constructivism. Constructivist concepts have a major influence on
subsequently presented details of the proposed research approach. This research paradigm also matches with the basic philosophical perspective underlying the thesis. The Neo-Aristotelian virtue ethics viewpoint accepts a person’s character and practical wisdom to be important, in order to achieve leading a morally meritorious life. If the relationship between individual virtues and ethics needs to be taken into account (Salomon 2006), then constructivism – the understanding that reality is created by socially influenced individuals – is appropriate. It allows investigating owner-managers’ ethical attitudes, perceptions, and experiences and using it as a valid source for the research.

4.2.2 Methodology

If a research paradigm of constructivism is underlying a research project, methodology is described as being hermeneutical and dialectical (Guba & Lincoln 1994, Thompson, Pollio & Locander 1994). Hermeneutic means that the investigation is based on interpretation; however in a comprehensible way guided by clear methods and procedures. It accepts the researcher’s subjectivity in the interpretive process (Soeffner 2007). Dialectic can be understood as a method of argument in which two or more people try to find the truth in dialogue (Veal 2005; Woerterbuch der Paedagogik 2004).

Inquiry mainly focuses on understanding and reconstructing subjective perspectives of respondents. The research subjects, not the researcher, define ‘concepts, terms and critical issues’ (Veal 2005). If such an understanding is presupposed, qualitative research methods are seen to be appropriate. They are applied, if theory building is aimed for, and if the research seeks for understanding of attitudes and perceptions.
Qualitative research aims at analysing words and images rather than numbers. It is a circular process of describing, connecting and classifying data (Dey 1993). Qualitative methodology preferably focuses on naturally occurring data and tries to understand the world from the people’s point of view. These perspectives can hardly be explained by natural sciences (Hammersley 1992).

Qualitative research can be conducted in a variety of ways (Tesch 1990). In broad terms in-depth interviews, focus group interviews, observations, ethnography and bibliographic research can be distinguished (Veal 2005). With respects to the research questions in this thesis, in-depth interviews with owner-managers of small firms have been undertaken in order to identify respondents’ ethical attitudes, perceptions and experiences. The intent is to gain insight in the multi-facetted understandings of moral concern in business. Interviews can be categorized as structured interviews, semi-structured interviews, open-ended interviews, and focus group interviews (Noaks & Wincup 2004). As this research distinctly aims at identifying small firms’ owner-managers’ ethical attitudes, perceptions, and experiences, semi-structured interviews have been chosen. This technique allows the focus to be on those issues seemingly important when investigating moral concern. At the same time, it provides space for interviewees’ explanations and understandings. Thus, insight into participants’ ethical perspectives can be gained.

Qualitative research is marked by a low level of standardization compared to quantitative research. However, it has to be rule-guided and requires codifying techniques and documenting procedures applied in order to provide maximum comprehensibility (Steinke 2007). Thus, the reader of a research report should be
able to understand a survey and its outcome. These requirements are served by semi-structured interviews. In addition, they will be addressed throughout the research design. Qualitative research shouldn’t solely explicate meanings from its investigation; rather, it is required to put the data gained together again (Conveney & Highfield 1991). This means that the information obtained has to be classified and categorized in order to provide a useful research outcome. To cope with this requirement, the thesis will suggest a guideline to implement ethics in small businesses based on the findings in the survey.

4.2.3 Sample Design

Qualitative research is often alleged to be anecdotal (Bryman 1988; Silvermann 1989). One reason for this viewpoint is the frequent use of relatively small samples including subjectively selected and biased research subjects which happen to fit the researcher’s argument (ten Have 1998). But given that qualitative research aims at understanding a phenomenon rather than finding out statistical inferences, a purposive sample of interviewees is appropriate (Veal 2005). Participants have to be carefully selected in that they have the potential to contribute rich information. Purposeful sampling can be categorized into 15 different strategies (Patton 1990). With respects to this research a ‘maximum variation sampling’ is applied. This means that participants are included in order to ‘purposefully (pick) a wide range of variation on dimensions of interest’ (Patton 1990, p. 182). Given the distinct focus of the research was on small firm owner-managers’ ethical attitudes, perceptions and experiences, potential participants in this investigation had to meet some threshold criteria in order to be included:
- Participants must be owner-managers of small firms
- Small firm is defined as follows: (Mugler 1998; Australian Bureau of Statistics 2001)
  - Firm does not have more than 19 employees
  - Firm does not exceed an annual turnover of 10 million Euro
  - Firm is led by the owner or the owners.
  - Firm is closely controlled by owners
  - Firm is marked by independence in operations and control
  - Owner or owners are responsible for decisions of the firm
- When the interview takes place the business must have existed for at least one year
- Interviewee must own a major share of the business, at least 20%

Purposeful sampling also means that some potential participants were not taken into account though they are small firm owner-managers by definition. For example, firms with only limited stakeholder interactions have not been considered though meeting the minimum requirements. This was the case with respects to freelancers, which have only one client, and almost any suppliers, financiers, and other related stakeholder groups. It was assumed that these potential interviewees do not have a sufficient degree of stakeholder contacts. Therefore, selection of respondents was focused on those small firms’ owner-managers who have to deal with extensive stakeholder relations in business conduct.

Another sampling strategy in qualitative research is described as ‘theoretical sampling’ (Silverman 2006), which has three major requirements. Participants should
be included in terms of researchers’ theory. Furthermore, ‘deviant’ cases should be included. This means, participants with characteristics different to the main sample are deliberately taken into account in order to identify the boundaries of the phenomenon under investigation (Silverman 2006). Finally, sample size should be changed during the research. This strategy isn’t applied in full in this study because the aim of this research was generating theory. The approach didn’t allow following all features of theoretical sampling; however, as a strategy to increase research quality, two deviant interviewees have been included in the sample. It was intended to evaluate owner-managers’ statements and to clarify the boundaries of small firms’ ethical concern.

The investigation was carried out in Germany. In order to cope with time constraints and practicality aspects participants were mainly based in close distance to the author’s professional location. Most of the firms are located in or around the city of Heidelberg in the South-West of Germany. Participants were carefully selected from different business sectors. By this, it was aimed to gain insight into firms with different key stakeholders. Due to corporate size, many small firms have only limited contact with stakeholders like state and society or the general public. Therefore, small businesses which have this special feature have been consciously included in the survey.

Gender aspects have been considered as far as this is possible in the context of this study. Female owner-managers are included to a sufficient degree, given that females constitute a minor share of all owner-managers in Germany. Therefore, it was difficult to include as many female participants as desirable in order to reflect gender
distribution in society. A further aspect to be paid attention to was the number of owner-managers leading a firm. It obviously makes a difference whether someone owns and manages a business alone or whether he or she shares ownership and management of the firm. Out of the 25 small firm owners included in the study 13 were single owner managers, while 12 had at least one business partner.

A key question addressed in sample design is the determination of a sufficient number of participants. Guba and Lincoln (1985) suggest that an appropriate number of respondents depends on consideration of expected information. If in the investigation a point of redundancy is reached – this means, that it is expected that further respondents won’t contribute new information – sampling should be terminated. Consequently, a fixed sample size wasn’t anticipated. When conducting the interview session it turned out that after 20 participants, information redundancy increased; consequently, interviews were terminated after having interviewed 25 respondents. In addition to this number of interviews, two ‘deviant participants’ were included as a contribution to research validity. This will be explained in detail in section 4.2.7 below.

In the following Table 7 a brief description of the interviewees and their firms is provided. For confidentiality reasons the names and the firms aren’t fully displayed. Detailed information on respondents is safely stored in the author’s office and can be accessed at any time:
### Table 7: Brief description of participants included in the study

<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Field of business</th>
<th>Annual turnover (Euro)</th>
<th>Number of employees</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>Real Estate Agency</td>
<td>&lt;10 million</td>
<td>6</td>
<td>M</td>
</tr>
<tr>
<td>F. S.</td>
<td>Architect</td>
<td>&lt;2 million</td>
<td>12</td>
<td>M</td>
</tr>
<tr>
<td>A. H.</td>
<td>Plumber / Heating /</td>
<td>&lt;10 million</td>
<td>5</td>
<td>M</td>
</tr>
<tr>
<td>M. S.</td>
<td>Project developer</td>
<td>About 5 million</td>
<td>2</td>
<td>M</td>
</tr>
<tr>
<td>J. K.</td>
<td>Lawyers office</td>
<td>&lt;2 million</td>
<td>10</td>
<td>M</td>
</tr>
<tr>
<td>K. P.</td>
<td>Medical doctor</td>
<td>&lt;0.3 million</td>
<td>4</td>
<td>F</td>
</tr>
<tr>
<td>A. K.</td>
<td>Men’s outfitter</td>
<td>&lt;1 million</td>
<td>5</td>
<td>M</td>
</tr>
<tr>
<td>G. M.</td>
<td>Trading company (chemicals)</td>
<td>&lt;2 million</td>
<td>11</td>
<td>M</td>
</tr>
<tr>
<td>H. S.</td>
<td>Tax Advisory</td>
<td>&lt;10 million</td>
<td>20</td>
<td>M</td>
</tr>
<tr>
<td>E. V.</td>
<td>Painter</td>
<td>&lt;0.4 million</td>
<td>8</td>
<td>M</td>
</tr>
<tr>
<td>I. L.</td>
<td>Pharmacy</td>
<td>&lt;1 million</td>
<td>5</td>
<td>F</td>
</tr>
<tr>
<td>S. H.</td>
<td>Restaurant / Bar</td>
<td>&lt;0.5 million</td>
<td>8</td>
<td>M</td>
</tr>
<tr>
<td>B. S.</td>
<td>Dental laboratory</td>
<td>&lt;10 million</td>
<td>14</td>
<td>M</td>
</tr>
<tr>
<td>A. N.</td>
<td>Landscape gardener</td>
<td>&lt;0.25 million</td>
<td>3</td>
<td>M</td>
</tr>
<tr>
<td>A. M.</td>
<td>Interior decorator</td>
<td>&lt;0.2 million</td>
<td>1</td>
<td>M</td>
</tr>
<tr>
<td>A. G.</td>
<td>Engineer’s office</td>
<td>&lt;0.5 million</td>
<td>6</td>
<td>F</td>
</tr>
<tr>
<td>G. D.-P.</td>
<td>Hairdresser</td>
<td>&lt;1 million</td>
<td>19</td>
<td>M</td>
</tr>
<tr>
<td>M. Sc.</td>
<td>Event agency</td>
<td>&lt;2 million</td>
<td>18</td>
<td>M</td>
</tr>
<tr>
<td>M. T.</td>
<td>Electrician</td>
<td>&lt;300,000</td>
<td>3</td>
<td>M</td>
</tr>
<tr>
<td>S. N.</td>
<td>Construction firm</td>
<td>&lt;3 million</td>
<td>12</td>
<td>M</td>
</tr>
<tr>
<td>H. H.</td>
<td>Farmer</td>
<td>&lt;1 million</td>
<td>3</td>
<td>M</td>
</tr>
<tr>
<td>X. U.</td>
<td>Floor services</td>
<td>&lt;1 million</td>
<td>8</td>
<td>M</td>
</tr>
<tr>
<td>C. W.</td>
<td>Import firm (food)</td>
<td>&lt;10 million</td>
<td>3</td>
<td>M</td>
</tr>
<tr>
<td>G. E.</td>
<td>Flower shop and farm</td>
<td>&lt;250,000</td>
<td>6</td>
<td>F</td>
</tr>
<tr>
<td>N. S.</td>
<td>Advertising products</td>
<td>&lt;2 million</td>
<td>12</td>
<td>M</td>
</tr>
</tbody>
</table>

#### Deviant interviewees:

- **A.E.**
  - Financial services (Paypal (EBAY company))
  - >100 million
  - Not exactly mentioned, but internationally operating big company
  - F

- **H.H.**
  - Regional Bank (Heidelberger Volksbank)
  - >50 million
  - Approximately 100
  - M

---

### 4.2.4 Data Collection

As already explained, semi-structured in-depth interviews were selected as the data collection strategy. They are regarded as appropriate in order to gain rich information (Byrne 2004) on small firms’ owner-managers’ ethical attitudes, perceptions and
experiences. This approach aims at receiving primary data. Semi-structured interviews limit the researcher’s approach to presenting the questions in an interview situation. However, respondents’ answers are open-ended in character. Interviewees should talk about an issue. They are encouraged to ascribe meanings. This helps to gain rich data and requires active listening by the interviewer (Noaks & Wincup 2004). Thus, the researcher has to understand the language and culture of participants. He should establish a climate of mutual trust in order to build rapport with the interviewees. This enables the researcher to see the world from the participants’ perspective (Fontana & Frey 2000).

Are interviews sufficient as a data collection method with respect to the research questions? Silverman (2006) suggests answering three questions in order to verify the appropriateness of this data collection strategy:

1) What status is attached to the data gained?
2) Is the analytical position appropriate to the researchers’ practical concerns?
3) Will the interview data sufficiently address the research issues?

The answers to these questions are doubtlessly subjective. However, answering these questions gives an impression of whether this data collection procedure is sufficient to meet the expectations of the research process. The questions stated can be answered as follows:

1) The first question asks whether interviewees attach a single meaning to their experiences. It advises taking into account that interviewees might
answer the same question differently, if researchers and / or situations vary. Generally attributing different meanings can never be completely excluded in qualitative research. However, all interviews have been conducted in similar circumstances and followed the same procedures guided by the questionnaire. Furthermore, data collection and data analysis have been carried out solely by the author. It was a central aim to conduct the entire investigation process as similar as possible.

2) The second question asks whether the interviews fit with the researchers’ analytic viewpoint. As already stated, in-depth interviews are seen to be best in order to discover owner-managers’ experiences, attitudes and perceptions. For this, it is essential to comprehend respondents’ ethical understandings. Interviews appear to be most appropriate to gain insight in owner-managers’ thinking; however, interviews have disadvantages like every other method of data collection. In this case, in-depth interviews proved to be the most effective strategy of data collection.

3) The third question asks whether the research issue is sufficiently addressed by interview data. Since the special focus of the research was on owner-managers’ ethical experiences, attitudes and perceptions, interview data appeared to be appropriate. Interview data was seen to be sufficient to inform ethical questions related to firms of this sector. It was assumed that interview statements illuminate what small firms’ owner-managers do in this respect and in how far there is potential for further development in moral concern. Thus, the final aim of this report – developing a document which provides advice on how to consciously
integrate ethical concern in small firms’ business activities – can be achieved by the research strategy described.

Another advantage of interviews is that they aren’t only about the topic raised by the researcher but they also reveal social interactions between interviewer and interviewee and cultural contexts (Miller & Glassner 2004). Furthermore, interview talk is influenced by the cultural context in which the interview takes place. Thus, one of the main targets of qualitative research – generating rich data – can be achieved (Rapley 2004).

Interviews – like every other data analysis technique – have strengths and weaknesses which have to be considered in advance (Yin 1994). One advantage of personal interviews is that they can be distinctly focused on the inquiry aim. They provide insight into the thoughts of the participants and their understanding of the phenomenon under investigation. Interviews allow an impression of the depth and breadth of the respondents’ opinions to be gained. Furthermore, the researcher’s influence can positively contribute to the research outcome in that he might adapt or explain interview questions in cases of misunderstandings.

Disadvantages of interviews must also be taken into account (Yin 1994). Researchers’ bias might influence respondents’ answers. Consequently, results would become questionable. In particular, socially desirable answers appear problematic. Honest statements on critical matters, for example corruption and bribery, can only be expected if participants trust in the confidentiality of the
research process. In a subsequent section on research quality, these issues are addressed.

The approach of conducting semi-structured interviews required the development of a questionnaire which served as a guideline for the researcher. The issues addressed in the questionnaire were derived from the literature review. At the same time, each of the interview questions was related to at least one of the research questions. Thus it was aimed to ensure that the data collection strategy sufficiently addresses the research questions. The relation between questionnaire questions and research questions is displayed in Table 9.

All interviews have been carried out by the author. Getting access is described to be a major problem in conducting personal interviews (Buchanan, Boddy, & McCalman 1988). Research is said to be the more rewarding, the harder it is to get access to interviewees (Delamont 2004). Scholars have frequently struggled in accessing small business owners. However, the author of this thesis obtained contact relatively easily. He wasn’t perceived as a scientist, but as an owner-manager being familiar with the problems of the respondents. Potential interviewees showed only limited reservations about participating in the investigation.

The questionnaire moved from particular issues to more general topics. This procedure was chosen in order to avoid any predetermination of participants which might have resulted from initial discussions on general ethical aspects. Participants were asked all questions from the questionnaire in exactly the same order using exactly the same words. A maximum level of comprehension and research quality was the objective. This approach will be discussed in a subsequent section below.
Interview records are fully transcribed. Participants received a transcript for approval as a precondition for being included in data analysis.

4.2.5 Justification of the Aspects Addressed in the Interview Guideline

As in other qualitative research approaches, establishing the interview guideline and selecting the topics addressed is a highly subjective procedure. It is mainly based on the author’s understanding of the problem in question and his convictions concerning sufficient aspects to be dealt with in order to appropriately answer the research questions.

In this research it was intended to discuss small firm owner-managers’ ethical experiences, attitudes and perceptions in order to develop a document which guides small firms’ owner-managers’ implementation of moral concern in their business activities. The reason for this procedure is that a convincing and acceptable approach had to view owner-managers’ perspectives as a starting point for advising appropriate ethical means.

The selection of issues addressed in the questionnaire was guided by the findings generated in the literature review. There is evidence that business owners have to engage in ethical decision making with respect to general value related issues, employee-related questions, customer satisfaction, and external accountability (Payne & Joyner 2006). Table 2 displayed a range of ethical issues relevant to employees and owners or managers of firms (Shaw & Barry 2006). At the same time, it is clearly impossible to describe all possible ethical issues. As a consequence, the approach in the questionnaire is twofold:
1. Some questions deliberately address ethical issues which have been dealt with in the literature review. This is true for interview questions 5, 7 and 9 which address the issues corruption, withholding information from clients, environmental problems, fulfilment of contractual obligations towards suppliers, tax evasion, the general attitude towards ethics in business, and the usage of codes and similar self constraints.

2. Questions 1, 2, 3 and 4 examined the perspective of interview participants with regards to the importance of their firms’ stakeholders and the experienced problem issues. Questions 6 and 8 asked participants to describe ethical means which they already apply in their firms or which they think would be appropriate to apply. These interview questions aim at considering those issues, experiences and means most relevant to small firm owner managers. This is necessary in order to detect the most important ones thus helping to overcome the limited time and financial resources of small business owner managers (Lepoutre & Heene 2006).

As a consequence, the questionnaire consists of deliberately selected ethical dilemmas on the one hand, and potential or experienced problems with the various stakeholders on the other. Thus, a wide range of potential ethical problems is covered. The reason for separating ethical dilemmas from stakeholder conflicts needs to be explained. Generally, each ethical dilemma can be related to some stakeholder under an inclusive definition of stakeholder, one encompassing internal and external groups. I have chosen here to stick to the older usage and excluded owner managers. Dilemmas can arise for individuals who are not stakeholders or not qua stakeholders. Further, some dilemmas are referred to stakeholders which wouldn’t be easily identified: e.g. the taxpayers, the environment etc. Therefore, if one would only ask
for stakeholder related problems, these ethical dilemmas might not be addressed. As a consequence, the questionnaire deliberately refers to both, stakeholder conflicts and ethical dilemmas.

Following, the research questions are displayed again. Then, Table 8 displays the relation between the research questions and the interview questions. Each of the interview questions has been designed in order to inform at least one of the research questions.

**Research questions:**

**Main question:**

MQ: How can small business’ owner-managers consciously organize their ethical behaviour towards their companies’ stakeholders?

**Sub-questions:**

SQ-1: How do owner-managers perceive business ethics practice in general?

SQ-2: How do owner-managers experience ethical dilemma situations?

SQ-3: How do owner-managers identify and rank different stakeholders?

SQ-4: How do owner-managers try to cope with stakeholders’ interests?

SQ-5: In what ways can a structured approach to ethical behaviour be derived from these findings?
<table>
<thead>
<tr>
<th>Questionnaire questions</th>
<th>Research questions addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Which three stakeholders are the most important to your company?</td>
<td>SQ-3</td>
</tr>
<tr>
<td>2. What are the main conflicts of interest which occur in relationships between your company and the stakeholders mentioned?</td>
<td>SQ-2, SQ-4</td>
</tr>
<tr>
<td>3. Can you recall a recent conflict that has arisen between your company and one of these stakeholders and describe the process that you followed to address the conflict?</td>
<td>SQ-2, SQ-4</td>
</tr>
<tr>
<td>4. Can you now identify a different conflict and describe how you addressed that situation?</td>
<td>SQ-2, SQ-4</td>
</tr>
<tr>
<td>5. What would you do respectively what did you do in ethical dilemma situations (not described above), such as: - corruption / bribery - deception / withholding information from customers - environmental problems - fulfillment of contracts (delayed payments of suppliers) - tax evasion?</td>
<td>SQ-2, SQ-4, SQ-5</td>
</tr>
<tr>
<td>6. Which means do you think would be appropriate in order to deal with these conflicts?</td>
<td>SQ-4, SQ-5</td>
</tr>
<tr>
<td>7. What role do you believe ethics should play in business generally?</td>
<td>SQ-1</td>
</tr>
<tr>
<td>8. Do you consciously apply ethical means in your day-to-day business? Can you please give an example?</td>
<td>SQ-2, SQ-4, SQ-5</td>
</tr>
<tr>
<td>9. Do you or your company apply a code of ethics or similar self constraint? Would it be possible for me to have copy of this document?</td>
<td>SQ-4, SQ-5</td>
</tr>
</tbody>
</table>

Table 8: Interview questions and related research questions

The first question aims at clarifying which stakeholder groups are rated most important by respondents. It was also anticipated that interviewees might give reasons for the selection. Consequently, participant statements could also indicate how the ranking of stakeholders is done. The second question intends to elicit discussion of conflicts which owner-managers generally regard as important in relation to the most important stakeholders. The term ‘conflict of interest’ in this question is used in a different meaning to the common understanding. It is not limited to inner conflicts an individual might perceive but also includes conflicting interests two or more people might have. This wider usage of the term results from the German word ‘Interessenkonflikt’ which was used in the German questionnaire.
It means conflicts between two or more persons but can also be used in order to describe inner conflicts which might come up due to two or more conflicting responsibilities an individual may have.

Questions 3 and 4 have two goals: to demonstrate which conflicts owner-managers experience with their most important reference groups, and to show the actions chosen in order to address these problem situations. Question 5 refers to several ethical problems which were derived from the literature review. The issues addressed were selected because of their assumed importance for corporate moral behaviour. Question 6 asked for owner-managers ideas about the moral problems described above.

Question 7 aims at illustrating owner-managers’ general attitude to ethics in business. Question 8 asks for ethical means already being employed by owner-managers. This aspect was designed to receive information on what interviewees regard as appropriate in order to behave morally. Finally, question 9 asks for codes of ethics or similar rules or self constraints used by participants. The goal of this aspect was to discover to what degree moral behaviour is rule guided in small firms. It was also hoped to gain insight into how to create a guideline for small firm’s ethical concern in business conduct.

4.2.6 Data Analysis
Methodology in general and data analysis in particular are mainly hermeneutical and dialectical given an underlying research paradigm of constructivism (Guba & Lincoln 1994). A hermeneutical approach appeared to be appropriate in order to analyse the
interviews because the research aimed at interpreting respondents’ statements and understanding their perspective on ethics (Thompson, Pollio, & Locander 1994). The dialectical element of the research (Veal 2005; Woerterbuch der Paedagogik 2004) was addressed by inclusion of two other researchers who were asked to evaluate the interpretations conducted by the author. The aim of this procedure was to come to a shared understanding of participants’ statements in a dialogue.

Interpretation of respondents’ statements was carried out in several steps which can be described as follows:

a) All interviews with the exception of one session have been conducted in the German language and so are the transcriptions. In depth interviews resulted in a large quantity of data. Therefore, the interview statements are summarized by condensing the main themes. These summaries are then translated and written down in English using the words and expressions of the interviewees. They represent participants’ subjective perspective. The translations are included in the data analysis sheet as a starting point for data analysis. The data analysis can be seen in Appendix 9.3 of this thesis.

b) In the next step, key issues addressed in participants’ statements are outlined. This procedure serves as a precondition to comparing and summarizing the statements of all participants. At the same time categorization of distinct answer types is enabled by this process. In this step the issues addressed are described from a more neutral perspective.

c) Subsequently the aspects addressed by the participants are structured, summarized and categorized where appropriate. Qualitative research provides
this flexibility, as it accepts the researcher’s subjectivity (Silverman 2006). The established categories allow counting frequencies of issues mentioned; thus, quantitative elements of data analysis are included to a minor degree.

d) The interpretation of the summarized results, developed categories, structured contents and counted frequencies are summarized in the results section of the thesis.

e) On the basis of the results gained the research sub-questions are answered. This step is marked by a reasoned selection of categories and sub-categories which then build the framework for the guideline developed as the final outcome of the research.

f) The main research question is answered using the findings of the research sub-questions. This final step will use the categories and sub-categories established in answering the research sub-questions and will fill them with questions and imperatives. The source for these questions and imperatives is the data analysis sheet. The outcome is a document which provides the small firm owner with a guideline to integrate moral concern in their business activities.

The interpretive procedures are marked by several elements of qualitative data analysis. Qualitative research is frequently seen as a flexible means to gain insight in a phenomenon; however, its procedures have to be rule guided in order to keep research comprehensible. Data analysis was conducted in accordance with the thoughts of Mayring (2007). He suggests application of different methods:

- summarizing content analysis
- inductive development of categories
Content analysis in qualitative research enables simplifying and reducing large amounts of data in a structured way (Marvesti 2004). Summarizing content analysis (Mayring 2007) aims at reducing the extent of data but to maintain the main content. Thus, an easily understandable, short text is the result. This interpretive strategy was applied in steps 1 and 2 mentioned above. This procedure proved to be very important due to the vast amount of data raised in the 27 interviews (25 small firm owner-managers and 2 deviant participants). Without a meaningful reduction – which maintains the key content of interviewees’ statements – it would have been nearly impossible to reasonably deal with the information gained.

In step 3 a mix of inductive development of categories, structuring content analysis and explicating content analysis was applied. On the basis of summarizing content analysis, categories have been developed stepwise (Mayring 1996). The data gained guided the development of categories which have been refined during the ongoing process of data analysis. Structuring content analysis has also been applied in order to systematically sort out the different interview statements; thus, enabling summarizing interpretations.

To a minor degree explicating content analysis was included in data analysis. This was particularly the case in interview question 9. It asked respondents about the existence of a written ethics code. The statements (written codes, brochures, internet
homepages etc.) provided an impression on firms’ involvement in developing a written code guiding their moral concern (Mayring 1997).

The steps of data analysis must be comprehensible for other researchers; therefore, every argument of the interviewees was labelled with a number which then has been used in subsequent steps of interpretations. Likewise, establishment of the categories and development of the questions and imperatives in the guideline were made comprehensible and traceable by clear codes which facilitate tracing the origin of each argument within the data analysis sheet. Comprehensibility of the research procedure should be assured as far as possible in this research approach. Data analysis steps 1, 2 and 3 represent the core of the interpretive procedures and are displayed in the following Table. The headings of the Table are shown in order to explain the format of the data analysis sheet:

<table>
<thead>
<tr>
<th>Name of Interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DATA ANALYSIS STEP 1 (interviewees’ perspective)</td>
<td>DATA ANALYSIS STEP 2 (neutral perspective)</td>
</tr>
</tbody>
</table>

**Summarized findings**

DATA ANALYSIS STEP 3 (structuring, summarizing, categorizing statements of all participants)

Table 9: Headings of data analysis sheet used for data analysis steps 1, 2 and 3

Data analysis steps 1, 2 and 3 are included in the more comprehensive description of the interpretation steps a) to f) described at the beginning of this section. Data analysis step 1 is included in a), data analysis step 2 is included in b), and data analysis step 3 is included in c).
Aspects of research quality will be discussed in a subsequent section. However, at this point it should be emphasized that the author included two other scientists in data analysis. They were asked to evaluate the steps described above. The approach to data analysis by interpretation is seen to be suitable for two different reasons:

1. The qualitative investigation of owner-managers’ attitudes, perceptions and experiences can be seen as relatively unique and new. There have been only a few similar research attempts so far. Consequently, a hermeneutical approach is suitable for generating theory.

2. The hermeneutical approach to data analysis can be described as an “iterative spiral” (Dey 1993, p. 53). This allows necessary adaptations of the research strategy, if this appears useful throughout the ongoing process of data collection.

A hermeneutical approach based on interpretation might be criticized due to its subjectivity. However, if understanding of a phenomenon is aimed for, this strategy is seen to be appropriate (Guba & Lincoln, 1994). It focuses on trustworthiness and authenticity. Values of both the researcher and participants are consciously included in the investigation. The scientist can be seen as a passionate participant. Data analysis depends primarily on the researcher interpretation. As the research aimed at generating theory, the procedures described were considered appropriate.
4.2.7 Research Quality

As stated above, quality characteristics in qualitative research vary considerably from those in quantitative investigations. It lacks the rigour which quantitative research is known for. Nevertheless, qualitative approaches have to comply with relevant goodness criteria. These are mainly based on aspects like trustworthiness and authenticity (Guba & Lincoln 1994).

The research in this thesis cannot provide internal validity in a way it would be expected in a quantitative survey. The existence of causal relationships can hardly be achieved by qualitative approaches. The research questions don’t seek such relationships, rather they aim for understanding. External validity appears to be problematic in this investigation as well. Generalization of the results was not a distinct goal of this research approach. The interviews mainly depended on particular interactions between the respondents and the researcher. It would be hardly possible to exactly repeat these interactions.

Furthermore, a purposive sample design was chosen. This appeared suitable in order to select those subjects which were expected to contribute rich data. Representativeness of the sample can’t be assumed in a purposive sample. It wasn’t even a goal in this qualitative approach. However, if a different perspective on validity is accepted in qualitative research, there are three means by which validity of the investigation can be assured to a certain degree:

- an approach to comprehensive data treatment (Mehan 1979)
- appropriate tabulations (Hepburn & Potter 2004; Silverman 2006)
- deviant cases analysis (Steinke 2007, in: Qualitative Forschung, p. 330)
The first aspect which will be discussed is reliability. The second aspect means that measuring quantities of certain aspects in respondents’ statements should influence interpretations. Regarding qualitative research pragmatically, it can be seen as an additional advantage to integrate quantitative methods (Kirk & Miller 1986). This appears to be a sufficient procedure because the frequency of distinct answers in participants’ statements is seemingly of high relevance for the interpretations derived.

The third aspect – deviant cases analysis – is a means of identifying the extent as well as the boundaries of the phenomenon in question. Therefore, this strategy searches for exceptions in order to determine the frame of the research (Silverman 2006, p. 142). In the investigation two ‘deviant cases’ were included. Two participants have been selected whose characteristics varied distinctly from those demanded for the sample. One of them worked in a big, internationally active company. She was employed as a risk manager, thus being concerned with ethics and compliance issues in her day to day business. The other deviant participant was working for a local bank. His responsibility was to advise small firm clients in all kinds of banking services. Including the risk manager aimed at gaining insight into big firms’ perspective on business ethics. The banker was expected to provide the possibility to learn from his experiences with various small firms from different fields of business.

The aspect of reliability is problematic in qualitative research. The possibility of gaining the same results, if the research procedure is carried out several times in exactly the same way (Yin 1994) can’t be fully assured. The interrelations
between participants and researcher are hardly to be repeated by other persons because they depend on individual and situational characteristics. However, reliability can be provided to a certain level. For this, it is most important to exactly describe and record the whole research procedure. Thus the investigation should be as comprehensible as possible. In order to secure high research quality of interviews, several means are suggested (Miles & Huberman 1984; Silverman 2006):

- a pre-test should be conducted in order to identify potential weaknesses of the approach
- training of the interviewer(s) should prepare for appropriate conduct of the sessions
- interview sessions should be tape recorded
- interviews should be carefully transcribed, preferably by the researcher
- in the research report long extracts of interview data should be included in order to provide readers with an impression of the data gained

In the investigation underlying this thesis the following measures have been applied in order to comply with the various requirements:

- The interview guideline was written down
- The interviews have been conducted in exactly the same way
- The interviews have been conducted according to the interview guideline
- All interviews have been conducted by only one person - the author of this report
- Interviewees have been provided with an information sheet and consent form prior to the interview sessions
- Interviewees have been provided with a set of basic definitions which were written down
- Interviews have been tape recorded
- Interviews were fully transcribed
- Interviewees received an interview transcript for approval.
- The whole process of data analysis was carried out by the author of this report
- In the report, the results gained were described by providing quotations of interviewees’ statements.
- The whole process of data analysis was evaluated by two experts from different fields of science:
  1. A Professor (female) at a Department of Business Administration Healthcare Management at a German University.
  2. A senior manager from a large German company of the information technology sector, who studied English and Spanish business language, gained a Master of Business Administration degree of a reputable Business School.

Evaluation of the data analysis process contained discussions of the way, translation and meaningful reduction of the data was carried out. In addition, the procedure of counting, grouping, and categorizing the data was reviewed. Due to the huge amount of data checks were only made on a random basis. They accounted for approximately 30 % of the information contained in the data analysis sheet (Appendix 9.3). In cases
of different interpretations a shared understanding was developed in discourse. This dialectical means was used to come to middle ground accepted by the two experts and the author. The discussions also helped improving those translations and interpretations which have not been addressed by the experts in that data analysis became more systematic.

- Contact details of the two persons mentioned above will be provided on request.

One key aspect in order to enable a sufficient degree of research quality is to carry out a pre-test in order to identify potential weaknesses (Mauch & Birch 1989). The author carried out a pre-test with a similar questionnaire interviewing 5 small firm owners during a previous stage of the doctorate. The test was marked with a high level of achievement and provided valuable advice for further improvement.

The pre-test indicated participants’ willingness to provide extensive information about their experiences with and attitudes towards ethical concern. It was also discovered that the questionnaire applied suffered from a lack of questions distinctly related to critical moral problems such as bribery, corruption, discrimination and others. The questionnaire presented in this paper was adapted accordingly. It became obvious that the hermeneutical approach of data analysis proved to be appropriate for answering the research questions. However, recommendations have been made in order to minimize effects resulting from subjectivity in questionnaire design. Efforts to improve reliability were made in that the questionnaire moved from more general aspects to more particular issues. Furthermore, inclusion of two researchers with
expertise in data analysis has been agreed to. This served the aim of providing a high level of comprehensibility of the interpretations drawn from respondents’ statements.

The author is aware that qualitative research based on hermeneutical and dialectical methods accepts and in some respects even demands the researcher’s subjectivity in order to achieve an understanding of the phenomenon in question. The intent is to provide a maximum of comprehensibility of the procedures. It was the aim to achieve the highest possible level of research quality in this qualitative approach.

4.2.8 Considerations on Research Ethics

Research ethics is an important issue which has to be reflected prior to any investigation. The research in this thesis has been conducted in full accordance with all mandatory requirements of Charles Sturt University and its policies. Apart from these regulations, research ethics is an obvious necessity for every researcher whose scientific interest is related to moral questions.

The research procedures have been carried out according to ethics requirements which are established by the ‘Centre for Research and Graduate Training’ of Charles Sturt University (Charles Sturt University 2007). Some aspects of major importance will be outlined here. Most important prior to every interview informed consent was ascertained. Therefore, potential respondents have been initially contacted by phone and have been briefly informed about the topic of the interviews. If individuals agreed to participate they received an information-sheet and the consent-form well in advance to the interview. The information sheet briefly informed participants about the aim and purpose of the intended investigation (Kelly & Ali 2004). Given that
interviews took place in Germany, potential respondents have been provided with both, English and German versions of information-sheet and consent form.

Before starting the interview the details of the information-sheet have been repeated. Interviewees were encouraged to ask questions about the aim, purpose and procedure of the investigation. After that interviewees had to sign the consent-form as a requirement of participation. The sessions were recorded, after which transcription was completed. Interviewees then received a transcript. Some issues addressed in the consent form should be outlined here:

- Participation in the survey is absolutely voluntary and can be withdrawn at any time and without any penalty
- Only adults are included in the study.
- Interviewees are encouraged to ask questions at any time of the research procedure.
- Confidentiality and privacy of data is assured to participants.
- Information given is safely stored in the office of the author. This office is owned by the author so that access by others than the researcher is impossible.

Consent form and information-sheet in English and German versions are attached to this thesis in Appendices 9.1 and 9.2.

4.2.9 Limitations of this Research Approach

Like every other research approach the research strategy in this thesis has its weaknesses and limitations which need to be considered in order to regard the results
in the light of the boundaries which are inherently related to distinct assumptions and procedures of this investigation.

Most important, subjectivity of the whole research design should be mentioned. To date, most of the business ethics research approaches have been based on a paradigm of positivism (Brand 2009). Consequently, objectivity was assured to a large degree. If a paradigm of constructivism is assumed, objectivity is no goal to be aimed for. The research questions are directed at understanding individual perspectives and opinions of participants. The questionnaire was designed on the basis of the researcher’s assumptions and beliefs. Participants’ statements as well as data analysis by the author of this report are highly subjective, which means that this research approach does not assume one ‘true’ reality to be existent. Rather findings are created on the basis of individual understandings.

Closely related to these characteristics sample design has to be considered. Qualitative approaches frequently apply purposive samples in order to examine those research subjects which potentially provide rich data. However, representativeness can’t be expected and as a consequence generalization of the results can be doubted. In this research small firm owner-managers from a distinct region of Germany have been included and selection was carried out according to the researcher’s assumptions and expectations. Furthermore, the definition of small firms could be questioned. For example, it could be doubted whether the circumstances of a company having 21 employees or exceeding annual turnover by only one million euro would be different to those firms being small by definition. The restrictions expressed in the definition have already been justified in the literature review.
Nevertheless, it should be emphasized that these regulations are based on subjective perspectives of the researcher.

Similarly research quality has to be considered. In contrast to quantitative research with its rigorous tests on validity and reliability, quality criteria of qualitative approaches are mainly based on trustworthiness and authenticity. Again it becomes obvious that evaluation of research quality depends on subjective judgements of those individuals who assess the investigation. The results gained can only be regarded as valid and reliable, if one agrees to the quality criteria applied in this research.

Finally, it should be mentioned that the interviews have mainly been conducted in the German language. This was easier for almost every participant as they are native Germans. However, data analysis is carried out in English. This means that the step from data collection to data analysis was marked by a translation which has been conducted by the author. Though being a German fluent in English, it has to be taken into account that translation of transcripts already incorporated subjectivity. The capacity of the author to correctly translate interviewees’ statements into English had doubtlessly a major impact on the findings gained. This problem was addressed by the evaluation of the whole process of data analysis by two external experts who were fluent in English and familiar with interpretive procedures on an academic level. One of these experts even gained a degree in English Business Language.

It may be stated that the limitations and weaknesses of the research design are based on subjectivity as a key characteristic of this particular research. However,
subjectivity is also a precondition to the capacity to discover meanings and understandings. The results of the research can only be seen as true as far as the reader agrees to the underlying basic assumptions, definitions, understandings and interpretations.

4.3 Summary of Methodology

This section describes the research plan of this thesis. It is based on the research questions and the literature review. General characteristics of different research approaches were explained. The research design for the investigation on small firm owner-managers’ ethical experiences, attitudes and perceptions is then described. Based on a paradigm of constructivism, methodology was mainly related to qualitative methods. In particular, half-standardized, in-depth interviews were regarded to be suitable as data collection strategy. The intent is to gain an understanding of small firm owner-managers’ ethical attitudes, perceptions and experiences.

A purposive sample was applied due to expected richness of data. Participants had to cope with basic requirements with respects to stakeholder interactions. Furthermore, a definition for small business was used which participants’ firms had to comply with. Due to basic beliefs of constructivism data analysis was hermeneutical and dialectical. Data analysis mainly depended on interpretations of the respondents’ statements. Thus, it was intended to establish a guideline for implementation of moral concern in small firms’ business activities. It was anticipated that this document would be most accepted by owner-managers, if it was based on their attitudes, perceptions and experiences.
Valid and reliable research required considerations of research quality and research ethics. Qualitative methods lack the rigour of quantitative research. To compensate for this disadvantage, it was aimed to optimize comprehensibility of the whole approach. Including other researchers in data analysis was one important means for improving research quality among others. The investigation served to gain an understanding of the perspectives of respondents. With regards to research ethics the investigation has been aligned with regulations and requirements of Charles Sturt University and related faculties. Figure 8 provides an overview on the major steps of the research conducted for this thesis:
Figure 8: Steps of research process
5. Results

5.1 Interview Guideline Question 1:
"Which three stakeholders are the most important to your company?"

5.2 Interview Guideline Question 2:
"What are the main conflicts of interest which occur in relationships between your company and the stakeholders mentioned?"

5.3 Interview Guideline Questions 3 and 4:
(3): ‘Can you recall a recent conflict that has been arisen between your company and one of these stakeholders and describe the process that you followed to address the conflict?’ (4): ‘Can you now identify a different conflict and describe how you addressed that situation?’

5.4 Interview Guideline Question 5:
"What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfillment of contracts (delayed payments of suppliers), tax evasion?"

5.5 Interview Guideline Question 6:
"Which means do you think would be appropriate in order to deal with these conflicts?"

5.6 Interview Guideline Question 7:
"What role do you believe ethics should play in business generally?"

5.7 Interview Guideline Question 8:
‘Do you consciously apply ethical means in your day-to-day business? Can you please give an example?’

5.8 Interview Guideline Question 9:
‘Do you or your company apply a code of ethics or similar self constraint? Would it be possible for me to have copy of this document?’

5.9 Summary of the Results

Figure 9: The structure of chapter 5 - Results
This section deals with the answering of the interview questions by respondents. It will summarize participants’ answers, counting, grouping, and categorizing them. Through this, a comprehensive view of owner-managers’ perspectives on ethical questions can be revealed. In addition, the results of each interview question are underpinned by the findings from deviant interviewees’ statements. This aims to clarify the boundaries of small firms’ owner-managers’ statements. Furthermore, varying perspectives which might result from different firm sizes can be recognized. In order to underpin the summarized results of the interviews, citation boxes are included which are labelled with the character ‘C’ and a consecutive number. This procedure is used for providing evidence for the interpretations directly from interview statements. In the report the interpretations made are referenced accordingly.

5.1 Interview Guideline Question 1: ‘Which three stakeholders are the most important to your company?’

This interview question aimed at uncovering which stakeholders are most important to small firms’ owner-managers. In addition, respondents also gave information on how they conducted their ranking. It made obvious the perspective owner-managers take when rating the importance of their firms’ stakeholders.

5.1.1 Findings on Question 1

First of all it can be stated that clients (customers and other end-users) are most frequently rated no. 1, 2 or 3 by participants (22 times). According to the respondents, employees (19 times) are second in importance followed by owner-managers (9 times). Next, suppliers / subcontractors received 8 and banks got 7 entries. State and
society (2 times), colleagues and the public (each mentioned once) are obviously of minor importance for owner-managers. Two participants rated all stakeholder groups as equally important. Subsequently a breakdown of participants’ responses is displayed.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>11</td>
<td>9</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Employees</td>
<td>7</td>
<td>9</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Owner-Managers</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Supplier / Sub-Contractors</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Banks</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>State and Society</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Colleagues</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Public</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Taking a closer look at the distribution of the different ranks it turns out that rank-one stakeholders are - without exception – either clients, or employees or owner-managers. Again clients received the most entries followed by employees and owner-managers. Obviously, only these stakeholders are regarded as most important by participants. Therefore, it can be assumed that these groups are seen to be essential for the firms, regardless of the fact that other stakeholders might be of importance as
well (C2). The ranking of owner-managers requires a deeper consideration. 12 out of 25 participants led their firms together with at least one other owner-manager while 13 were active as single owner-managers. Although only the former group has to consider the relationship between owner-managers, this stakeholder group still received 5 entries as rank one and 9 entries in total. This emphasizes the crucial importance of this stakeholder group for small firms.

Suppliers / subcontractors and banks were mentioned nearly as much as owner-managers. However, they received by far the most of their entries on rank three, whereas the major share of owner-managers’ entries were on rank one. Consequently it can be stated that respondents put an emphasis on clients, employees, and owner-managers. These three stakeholders are seemingly crucial for the firms. Suppliers / subcontractors and banks are seen to be important as well but according to respondents’ rankings they appear to be not essential for the firms. Groups like state and society, colleagues and the public are regarded as less important. In addition, two respondents refused to rank their firms’ stakeholders. Rather, they argued they would try to treat all stakeholder groups equally.

<table>
<thead>
<tr>
<th>C2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations outlining crucial importance of clients, employees and owner-managers:</td>
</tr>
<tr>
<td>G.M. (Trading Company):</td>
</tr>
<tr>
<td>Employees (because of the variety of tasks in small firms), owner-managers (should reinvest profits rather than benefit from gaining dividends), suppliers (3 – 4 main suppliers). Clients are nearly as important as suppliers, however without suppliers my business model wouldn’t work.</td>
</tr>
</tbody>
</table>
M.Sc. (Event Agency):

Owner-managers because of crucial decisions he has to make. Clients as precondition for business success. Employees for processing the orders – however it would be possible to do the works with other employees as well.

Source: Citations from interview sessions conducted for this thesis

Participants’ statements and the way they conducted stakeholder ranking also reveal two different perspectives on stakeholders’ importance for the firm. One group obviously applied a market view, regarding clients to be most important for the firm. Participants of the other group mainly considered corporate resources. They regarded either employees or owner-managers to be most important. This finding supports the claim to make use of both perspectives in order to establish an appropriate ethical approach in small firms (Avram & Kuehne 2008). In the literature, the theories are known as the ‘market-based’ view (Porter 1980) of organizations and strategies (C3) on the one hand, and the ‘resource-based’ view (Barney 1991) on the other (C4). The perspective of owners on either markets or internal resources identifies which stakeholders potentially contribute most to corporate success.

C3

Citations underpinning market based view by participants:

A.H. (Plumber):

Clients are a precondition, employees are necessary to provide service to clients; banks are needed in order to maintain the ability of offering our services.

H.S. (Tax Advisor):

Clients (they determine our business and the potential growth).

Source: Citations from interview sessions conducted for this thesis
Citations underpinning resource based view by participants:

<table>
<thead>
<tr>
<th>F.S. (Architect):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation of partners most important as a precondition for corporate success, clients and employees equally important. Owner-managers have to constantly manage expectations of clients and employees.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.G. (Engineer):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Like in many other firms I think employees are most important. With the expertise of the employees we can offer attractive services towards clients.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

5.1.2 Deviant Participants’ Statements on Question 1

Stakeholder ranking seemingly varies between small and big companies. In big companies one important stakeholder group has to be considered which small firms normally are not concerned with: the shareholders. Shareholders have an important influence on their company; however they are normally not involved in daily business. Opposed to this, owner-managers of small firms fill in both roles – those of the owner as well as those of the manager. It also becomes obvious that shareholders of big companies might sometimes fill in different roles like e.g. shareholding employees, client firms, or partner companies owning a major share of the firm, parent organizations etc.

The bank managers’ perspective supports the idea of employees and clients as being most important. The interviewee of the bank regarded banking institutions to be third in importance for small firms. This clashes with owner managers rankings. They
didn’t see banks in such a crucial position. The bank manager’s view was also different with regards to owner managers’ importance. He didn’t regard owner managers to be important stakeholders at all. However, in a statement on another interview question he emphasized the central role of the owner manager for the bank’s decisions with regards to financing the firm. In this respect, the statements of the banker appear to be inconsistent. No further attempt was made however, to explain this prima facie inconsistency in the participant’s response.

5.2 Interview Guideline Question 2: ‘What are the main conflicts of interest which occur in relationships between your company and the stakeholders mentioned?’

Interviewees’ answers on this question provided rich information on anticipated conflicts of interests between the firms and their different stakeholders. Participants’ statements mainly contained generally perceived stakeholder conflicts, rather than examples and detailed descriptions.

5.2.1 Findings on Interview Question 2

Clients:

With regards to clients there are seemingly two main areas of conflicts which small firms’ owner-managers have to deal with. On the one hand there are problems with payment practices and payment abilities of clients (C5). In this respect clients are reported to frequently ask for low prices which don’t sufficiently cover the costs of products and services. On the other hand, conditions are demanded which bear considerable disadvantages for the firms. In addition, it is seemingly important for firms to check clients’ ability to pay prior to confirming an order.
C5
Citations underpinning potential conflicts resulting from clients’ payment practices:

J.K. (Lawyer):

Clients: they sometimes expect us to do things which are against the laws, or immoral behaviour or practices. We refuse to do so, which might lead to a cancellation of the contract. Some clients don’t want to pay our bills, or expect more than we can offer.

N.S. (Advertising Agency):

Customers’ complain of quality defects of sold items and demand for low costs, which would lead to insufficient profit margin.

Source: Citations from interview sessions conducted for this thesis

On the other hand a range of conflicts with clients results from different understandings of contractual agreements (C6). Obviously this aspect is considerably important to owner-managers. They frequently suffer from excessive expectations of clients. These are sometimes caused by imprecise contractual agreements or simply by different understandings of how orders should be conducted. In this respect the firms face difficulties as they are dependent on clients’ readiness to pay their bills. Consequently, their power to convince clients to accept the products and services and to pay according to the contract is low.

C6
Citations underpinning potential conflicts with clients resulting from different understandings of contractual agreements:

S.H. (Restaurant / Bar):

Main conflict is the expected service quality. We have some quite difficult clients who complain about everything. Furthermore, we have to deal with
clients who try to leave without paying their bill. A problem which I am concerned with is how to deal appropriately with clients’ complaints. This is sometimes managed successful and sometimes it is just the opposite.

I.L. (Pharmacy):

One client was unsatisfied that she is obliged to pay an additional fee for some medicines. She informed the press. I was interviewed and this put me under severe pressure because I’m working in a small town. Furthermore, pressure on prices sometimes leads to problems as clients try to bargain with us (which is not common in Germany’s health system).

Source: Citations from interview sessions conducted for this thesis

**Employees:**

Interviewees’ statements on potential conflicts between small firms and employees showed three general answer categories: conflicts related to remuneration packages, work quality, and general misunderstandings. With regards to remuneration packages the main problem obviously results from varying interests of the firm and its staff (C7). Firms frequently have to provide flexibility in order to cope with clients’ expectations. Therefore, they expect employees to behave accordingly. On the contrary, employees have different expectations and commitments. They demand reliability with respects to work time, free time and salary. Payments are an aspect of particular importance in this respect. Employees wish to receive high wages sometimes exceeds small firms’ affordability. This is even more problematic, if employees’ work motivation is low.
Citations underpinning potential conflicts with employees related to remuneration packages:

H.-J.K. (Real Estate Agency):
…aim for high salary contradicts with financial capabilities of the firm.

X.U. (Floor Services):
With employees the main conflict is related to questions of payments on the one hand and required workload on the other.

Source: Citations from interview sessions conducted for this thesis

Another important category of potential conflicts is related to employees’ work quality (C8). Obviously, many owner-managers face problems in aligning their expectations in work quality with those of their employees. This might result from different expectations and commitments, motivation, work attitude and service orientation. Furthermore, employees’ flexibility in accepting structural changes can’t generally be presumed.

Citations underpinning potential conflicts with employees related work quality:

K.P. (Medical Doctor):
My expectations in their quality of work sometimes contradict with their expectations and their commitments.

E.V. (Painter):
…quality of work. Problems arise in particular with my younger staff as they are not committed enough to quality as I expect them to be.

Source: Citations from interview sessions conducted for this thesis
Potential conflicts with employees also result from a range of general misunderstandings (C9). Cooperation between owner-managers and staff frequently suffers from mutual misunderstandings. In particular, employees’ economic knowledge often seems to be inappropriate with regard to their comprehension of the firms’ necessities. Sometimes weaknesses in communication contribute to this conflict. In this respect, there is lack of alignment of employees’ goals with corporate aims. Sometimes these conflicts even result in abusing owner-managers’ trust. Nevertheless, it appears that small firms provide potential to minimize conflicts with employees. One respondent even expressed the view that small firms’ structure would be ideal for aligning employees’ and corporate aims.

**C9**

Citations underpinning potential conflicts with employees related to general misunderstandings:

<table>
<thead>
<tr>
<th>M.Sc. (Event Agency):</th>
</tr>
</thead>
<tbody>
<tr>
<td>With regards to employees many conflicts result from leadership problems. Sometimes interactions are too casual and that’s my fault. Our field of business requires a high level of flexibility. Frequently employees make use of it to their advantage. Most of them lack an economic understanding and therefore have no idea, how hard it is to process an order with a positive economic result.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>S.H. (Restaurant / Bar):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees: contradicting opinions between employees in the kitchen and service staff. We constantly have to deal with these conflicts. Cooks regard their work as art and they have only a limited understanding for the needs of service staff. And service employees don’t see the problems which cooks have to face in order to prepare the meals on time.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
Owner-Managers:

Owner-managers frequently reported on conflicts resulting from their role as the firm’s leader. Two general answer types can be identified in respondents’ statements. On the one hand owner-managers mentioned conflicts with other stakeholders. On the other hand conflicts among business partners who jointly own and manage a firm were described. Generally owner-managers perceive the problem of filling different roles at the same time in their firms. They are owners of a firm; but they also have to operatively work as leading managers. Consequently they have to deal with sometimes contradicting aims. For example, conflicts between strategic goals and necessities of day-to-day business might occur. As such, it might happen that a change in the firm’s structure appears to be strategically reasonable, whereas time pressure of daily business potentially restrains the firm from executing such changes. In big companies these problems have to be negotiated between shareholders and managers. However, in small business these problems frequently arise as inner conflicts of the owner (C10).

Citations underpinning potential inner conflicts of owner-managers:

<table>
<thead>
<tr>
<th>M.Sc. (Event Agency):</th>
</tr>
</thead>
<tbody>
<tr>
<td>As an owner one frequently reflects possible changes in structure and activities of the firm. However, as the firm’s manager one often doesn’t realize it due to time constraints in daily business.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>X.U. (Floor Services):</th>
</tr>
</thead>
<tbody>
<tr>
<td>As an owner-manager I think conflicts are mainly in me. That means that whenever a conflict occurs, it is a conflict between me as the owner and me as the leading manager of the firm.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
Furthermore, conflicts arise between owner-managers who jointly run a firm (C11). In particular, different aims and expectations have the potential of contradicting interests among owner-managers. This can be related to time commitment, financial goals, expected private income and reinvestment of corporate profits. If the contribution to corporate success differs considerably between owner-managers, problems are seemingly more likely to occur. Different convictions with regards to work quality and varying educational backgrounds are reported to lead to contradicting interests as well. For this, owner-managers expressed the alignment of business partners’ aims to be important. Owner-managers’ relationship is obviously crucial for corporate existence. Therefore, cooperation between them is a key factor.

### C11

Citations underpinning potential conflicts between owner-managers who jointly run their business:

**G.M. (Trading Company):**

Conflicts arise from the wish to increase private income and reinvestment of profits in order to provide future activities with financial means. Furthermore, conflicts arise from different backgrounds (educational – engineers vs. sales persons) of owner-managers or from different understandings and beliefs of how to manage the firm.

**H.S. (Tax Advisor):**

Conflicts can often be explained by financially different aims. However, these reasons are frequently pretended because the underlying problems can hardly be expressed (mainly problematic personal relations). Therefore, financial conflicts frequently become obvious but under the surface there are covered and unspoken problems.

Source: Citations from interview sessions conducted for this thesis
Banks:

Conflicts with banks mainly result from contradictory expectations between the firm and the bank (C12). In particular, the increasing demand for securities is regarded as limiting corporate financial flexibility. In this respect participants complained about unequal power in negotiations. As a consequence owner-managers claimed it would be increasingly difficult to gain credit from banks. However, it has to be emphasized that this statement might have been influenced by the current financial crisis. In addition, owner-managers also mentioned banks’ increasing demand for corporate information. This is seemingly a requirement of the Basel-II-rules (Swiss Financial Market Supervisory Authority 2010) which – beside other aspects – oblige banks to only grant credit under the precondition that firms continuously report their results in detail to the bank.

C12

Citations underpinning potential conflicts with banks resulting from contradicting expectations:

A.K. (Men’s Outfitter):

There is increasing demand for securities. We are dependent on our bank and that makes it sometimes hard to maintain a cooperative and trusting relationship. However, we don’t have any alternative than trying to cope with the bank’s requirements. This also relates to negotiations of conditions in which we actually don’t have the power to negotiate better conditions. We just have to pay the interest the bank charges us.
A.H. (Plumber):

Cooperation is mainly dependent on personal relationship. However, in big banks, staff increasingly changed during the last 10 years. Increasing amount of information required by banks.

Source: Citations from interview sessions conducted for this thesis

**Suppliers / Subcontractors:**

Conflicts with suppliers and subcontractors are summarized within this research although they have different functions for small firms. Nevertheless, it can be argued that both are cooperating similarly with the firms. Therefore, in order to provide practicability, the expression ‘supplier’ is subsequently used, meaning both types of stakeholders. With regards to potential conflicts between small firms and suppliers three different answer types can be identified. Owner-managers expressed basic problems which caused conflicts. Furthermore, they reported problems resulting from poor execution of orders. In addition, respondents mentioned unfair behaviour of their suppliers.

Similar to problems which occur in relation to clients, basic conflicts with suppliers frequently result from imprecise contractual agreements (C13). Different cultural backgrounds obviously increase the problem. An important aspect is alignment of regulations in suppliers’ and clients’ contracts. Otherwise contractual ‘gaps’ arise which might lead to severe problems for the firm in case of inaccurate execution of the suppliers’ works. In order to avoid this, owner-managers reported the necessity to check suppliers’ general capacity to fulfil the contract.
Citations underpinning potential basic conflicts with suppliers / subcontractors due to imprecise contractual agreements:

<table>
<thead>
<tr>
<th>Source</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.N. (Construction Firm):</td>
<td>Conflicts with suppliers result from misunderstandings in placing orders and if supplies are carried out incorrectly. It then has to be negotiated who has to pay for it.</td>
</tr>
<tr>
<td>A.G. (Engineer):</td>
<td>With subcontractors problems sometimes appear because some contractual details which are included in the client’s contract can’t be demanded from subcontractors. They frequently don’t have the financial means e.g. to gain necessary insurance cover. Consequently contracts with clients and those with subcontractors are frequently not in accordance which leads to risks for the firm.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Poor execution of orders often leads to remarkable conflict (C14). There are two kinds of failure which are reported. On the one hand orders are simply wrongly executed. This relates to aspects like quality and quantity of the goods or services. On the other hand delayed deliveries are seemingly an important problem. Participants’ statements indicate that different interpretation of contracts contributes to this conflict. The firms and their suppliers sometimes have different understandings of conditions and prices agreed in the contract.
C14
Citations underpinning potential conflicts resulting from suppliers’ / subcontractors’ wrong execution of orders:

N.S. (Advertising Agency):

Suppliers sometimes extend the agreed delivery times.

A.M. (Interior Decorator):

Frequently mistakes in processing my orders occur. They lead to additional works by me and are sometimes extremely difficult to be correct.

Source: Citations from interview sessions conducted for this thesis

Some suppliers are even perceived to behave in an unfair manner (C15). Participants explained that sometimes invoices are wrong to the disadvantage of the firm. In addition, some suppliers obviously demanded payments though the order wasn’t yet fully executed. Furthermore, agents faced the problem that some clients try to get around intermediate dealer in order to avoid paying commissions.

C15
Citations underpinning potential conflicts resulting from suppliers’ / subcontractors’ unfair behaviour:

I.L. (Pharmacy):

...daily struggle with respects to conditions of their supply. They just try to deceive me. This issue is crucial for my success...

C.W. (Import Firm):

...and then some of the suppliers ask themselves whether they should deliver their goods directly to the discounters.

Source: Citations from interview sessions conducted for this thesis
State and Society, Colleagues and the General Public:

Finally, this section gives an overview of minor conflicts (C16). Though their relevance appears to be limited, they are nevertheless included in order to provide an impression of less frequently reported conflicts. Firms which are in an intermediary position – e.g. lawyers – have to balance expectations in legal cases. They have to find compromises with the court. At the same time, they have to comply with their clients’ expectations how to deal with the law case. Other owner-managers reported problems in receiving subventions from public offices. Governmental procedures and controls are reported to hinder firms’ in getting access to financial means. Relations to colleagues have been mentioned in the medical sector. They sometimes result from different understandings of who should responsibly treat a patient. Finally a conflict with the general public is described. An unsatisfied client publicly blamed the firm for poor service and product quality, thus putting the firms’ reputation at risk.

<table>
<thead>
<tr>
<th>C16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Citations underpinning potential conflicts with state and society, colleagues and the general public:</strong></td>
</tr>
<tr>
<td><strong>J.K. (Lawyer):</strong></td>
</tr>
<tr>
<td>Problems sometimes occur with judges at court. Sometimes they appoint us as counsel for the defence paid by the state. I then couldn’t afford to object to them on the grounds of suspected bias. In such situations judges might expect cooperation whereas my major obligation is towards my client.</td>
</tr>
<tr>
<td><strong>K.P. (Medical Doctor):</strong></td>
</tr>
<tr>
<td>Colleagues sometimes complain about patients treated by me although they think their treatment would belong to their special field.</td>
</tr>
</tbody>
</table>
A.M. (Interior Decorator):

There is a danger of public smear campaigns, if a client isn’t satisfied with my services and then complains publicly about it, especially in my personal surrounding. Quite often small problems are exaggerated by some clients.

Source: Citations from interview sessions conducted for this thesis

5.2.2 Deviant Participants’ Statements on Question 2

Big companies obviously put an emphasis on corporate shareholders. The respondent included in this research reported the necessity to balance quite different aims than the other interviewees. This results from the varying status of shareholders. They might be pure stockholders, shareholding employees, or financially engaged parent companies. In particular, alignment of short term profit goals with long term interests is said to be necessary. Otherwise investments in future development could be hindered. This might threaten corporate market position. Interestingly customers are reported to be not as focussed as they should be.

The bank’s employee regarded a lack of economic understanding by small firms’ employees to be a major reason for potential conflicts between them and the firm. The different perspectives of owner-managers and employees have been confirmed. This matches with the above findings indicating the requirement of cooperation based on mutual understanding. With regards to clients, the bank manager emphasized clients’ high expectations in products and services on the one hand and their low willingness to pay accordingly on the other. Reflecting potential problems between small firms and banks, it appears that small firms frequently fail in sufficiently reporting on corporate cash, accounting, and reporting. In this respect, the bank manager experienced a lack of expertise and transparency in small business.
5.3 Interview Guideline Questions 3 and 4: (3): ‘Can you recall a recent conflict that has been arisen between your company and one of these stakeholders and describe the process that you followed to address the conflict?’ (4): ‘Can you now identify a different conflict and describe how you addressed that situation?’

This section jointly displays the results of statements on interview questions 3 and 4. Both questions asked interviewees to describe a conflict between the firm and its stakeholders as well as the way the conflict has been addressed. Again interviewees’ statements are summarized according to the various stakeholder groups.

5.3.1 Findings on Interview Questions 3 and 4

Though a statistic distribution of statement-issues is not aimed for, it can be stated that owner-managers are mainly concerned with problems with clients (19 conflicts described) and employees (16 entries). Some participants are obviously dependent on stable relations with their suppliers and therefore reflected issues related to this stakeholder group (8 entries). Conflicts with banks (3 conflicts mentioned) and with state and society (2 entries) played only a minor role in interviewees’ reflections upon stakeholder problems.

The results widely support the findings from interviewees’ statements on interview questions 1 and 2. The only exception is the group of owner-managers. In interview questions 1 and 2 participants rated owner-managers to be the third important stakeholder group. Five of them rated owner-managers as rank 1. However, in interview questions 3 and 4 participants didn’t report on any conflict between owner-managers and the firm. A possible explanation could be that participants have
already dealt with and resolved conflicts with owner-managers in the past. Consequently, it is possible that they didn’t reflect conflicts with this stakeholder group anymore. However, they appreciated its importance in the more general interview questions 1 and 2. Furthermore, it could have been the case that owner-managers don’t distinguish between their roles as the business leaders and their firms as organizational entities. Though these explanations appear to be possible, the answer to these contradicting results remains speculative.

Clients:

Interviewees’ statements show that conflicts with clients mainly result from clients’ perceived unfair behaviour, contradictory understandings of contractual agreements, and problems arising during cooperation between the firm and its clients. Owner-managers described it to be unfair, if clients are not willing to pay on time or at all (C17). Furthermore, some of them seem to constantly complain about everything without good reasons. Due to the fact that payment is due only after the firm has conducted its services or delivered the goods, clients are in the powerful position to put pressure on the firms.

Citations underpinning conflicts due to clients’ unfair behaviour:

<table>
<thead>
<tr>
<th>Citation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>K.P. (Medical Doctor):</td>
<td>A patient continuously complained about costs of a medical check-up which she had to pay on her own. She refused to pay the bill saying that she would pay high rates for her health insurance.</td>
</tr>
</tbody>
</table>
A.N. (Landscape Gardener):

A client for whom we worked expressed dissatisfaction with our work. We tried to settle the things according to his demands but he refused to pay and we got the impression that it was his aim to reduce payment. We tried to get our money by involvement of a lawyer…

Source: Citations from interview sessions conducted for this thesis

In a lot of cases conflicts with clients just occurred due to contradictory understandings of contractual agreements (C18). Obviously firms have problems in clearly communicating what clients can and cannot expect. Therefore, customers ask for more services than previewed by the firm. This is also an issue, if clients use the firm for extended expert consultation which remains unpaid, as they place the order with a cheaper competitor’s firm. An additional issue mentioned is delayed payment and frequent complaints by clients. Sometimes even mistrust in owner-managers’ intentions occurs. This seemingly results from unbalanced – and sometimes contradictory – expectations of clients in owner-manager’s professional expertise on the one hand and the aim for personal relationships on the other.

F.S. (Architect):

We recently had a conflict with a client who expected many additional services but wasn’t ready to pay accordingly. The problem was to communicate the extent of additional work. We didn’t succeed in explaining this to our client and finally accepted a lower payment.
A regular client who was extremely satisfied with former works of me asked for extensive advice. After hours of consultation we verbally agreed upon the order. However, some days later I ask for a written confirmation of the order but she then told me that she used my offer in order to negotiate with a competitor who then offered a lower price and received the order. So I had all the preparing works but no realistic chance to get the order. The competitor obviously offered cheaper materials but didn’t mention this to the client.

A third category of conflicts results from problems which are caused by poor cooperation between the firm and its customers (C19). In particular, this relates to the question of how to deal with regular clients who are either dissatisfied or offer conditions which are extremely disadvantageous for the firm. The question how to appropriately address justified complaints of regular clients is seemingly central for owner-managers. In such situations owner-managers fear the threat of not being fully paid or losing a good client.

C19

Citations underpinning conflicts due to problematic cooperation with clients:

S.H. (Restaurant / Bar):

Two regular clients, both attorneys at law, complained about salads they had ordered because the meat wasn’t well done. I apologized for that and invited them to have an espresso for free. However, these two people didn’t return so far. So we might have lost them and I suppose they have been unsatisfied before as well.
M.Sc. (Event Agency):

With clients we frequently face problems, if mistakes occur. For the fact that events are always ‘live’ mistakes can hardly be corrected once occurred. Therefore, misconduct has to be avoided by any means. Otherwise clients would reduce payments. This would instantly threaten our expected project gain.

Source: Citations from interview sessions conducted for this thesis

Owner-managers applied different strategies in order to address conflicts with clients. There are four approaches used to cope with such problems. Respondents suggested means related to the firm as well as to the owner-manager himself. Furthermore, corporate procedures and the legal position of the firm are addressed.

Owner-managers’ personal skills are described as being quite important in dealing with problematic clients (C20). A focal aspect is seemingly the ability to establish and maintain good personal relationships towards customers. This requires good negotiation skills and the ability to openly communicate even uncomfortable information. Anticipating clients’ interests, revealing uncovered reasons for dissatisfaction, keeping down negative emotions and the capacity to find sufficient compromises enable the firm to attract and maintain regular clients.

C20
Citations underpinning possible solutions on conflicts with clients related to owner-managers’ personal skills:

X.U. (Floor Services):

But first of all I try to solve conflicts personally. Sometimes you have to make a compromise though you are convinced that your client’s view is
wrong. Keeping calm and making compromises is better than having a legal case.

A.H. (Plumber):

We faced the problem that it would have been inefficient to put this issue to court. Therefore, we had to discuss the topic with the client and to convince him to pay. Finally we lost a part of the amount…

Source: Citations from interview sessions conducted for this thesis

Some owner-managers clearly thought that clients have to align with the firm (C21). This includes the suggestion that relations with unfair clients should be cancelled, if an agreement on mutually accepted procedures can’t be achieved. By this the firm as well as its staff can be protected from ongoing stress caused by dissatisfying customer relations. This matches with the claim that not only firms, but stakeholders as well, have responsibilities, if sustainable, mutually beneficial relationships are sought (Goodstein & Wicks 2007).

C21

Citations underpinning possible solutions on conflicts with clients aiming for a fit between clients with the firm:

S.H. (Restaurant / Bar):

Normally I try to behave customer-friendly but in this case I had to protect my employees because there was absolutely no reason to complain. It might be that we have lost a regular client here but I felt it was the only way to act in this situation…
J.K. (Lawyer):

…actually I only tried to calm down the situation due to the fact that both parties have got personal. I explained my client that he will either accept my procedure or I would cancel the mandate.

Source: Citations from interview sessions conducted for this thesis

Another way of addressing conflicts with clients is seemingly adjusting the firm’s procedures (C22). Participants advised to demand for payment in advance in order to reduce dependency on clients. This can also be applied, if potential clients ask for extensive consultation prior to signing a contract. Furthermore, owner-managers proposed to put an emphasis on product and service quality. Thus, customers’ discontent can be minimized. In cases of justified complaints small firms should be prepared to react immediately and to settle the things as soon as possible.

Citations underpinning possible solutions on conflicts with clients related to the firm’s procedures:

A.M. (Interior Decorator):

…This case made it clear that I should charge extensive consultations on a fee per hour basis. This would give me an impression whether or not a potential client is willing to pay for my works.

X.U. (Floor Services):

If problems with our clients occur, it is most important getting in personal contact with our client and trying to solve the problem. If their complaints are just I really try everything to settle the things…

Source: Citations from interview sessions conducted for this thesis
Finally the firms’ legal position in cases of conflicts with customers has to be taken into account (C23). Apart from clearly unjustified complaints legal actions are reported to be not useful. However, firms should be aware of their own legal position in order to choose the right actions. Most importantly, firms should try establishing exact, clear and unambiguous contractual agreements in order to avoid upcoming misunderstandings.

**C23**

Citations underpinning possible solutions on conflicts with clients related to the firm’s legal position:

| F.S. (Architect): | In the future we have to clearly communicate what we can offer and what we expect in return. Otherwise we would have to lower service quality. |
| I.L. (Pharmacy): | I was convinced that my behaviour was morally and legally ok, therefore I kept on my viewpoint… |

Source: Citations from interview sessions conducted for this thesis

**Employees:**

The reported conflicts with employees reveal two general causes for their occurrence. First, problems frequently result from the way owner-managers guide their staff in day to day business. Second, employees’ sometimes low level of general education and vocational training frequently leads to conflicts with the firm.

There are various problem-issues caused by owner-managers’ insufficient guidance of their employees (C24). Seemingly the most important aspect is how to align the
firm’s financial or other necessities with employees’ personal commitments and expectations. Different perspectives on work quality, flexibility of work time, and service orientation have to be reflected in this respect. Though small firms’ owner-managers are unable to pay as high salaries as big firms they felt the necessity to maintain motivation and commitment of their workforces. In addition, owner-managers have to deal with conflicts between employees which might result from existing informal hierarchy, or from different opinions about how to distribute unpopular work. Sometimes even a breach of trust by employees has to be addressed by the firm’s leader.

C24

Citations underpinning conflicts with employees caused by owner-managers’ leadership:

A.H. (Plumber):

We recently changed the supplier of working clothes and employees had to pay a higher supplementary payment. Employees complained about it. We had to discuss this issue.

S.N. (Construction Firm):

With respects to employees there are sometimes works which nobody really wants to do – especially canal constructions and renovations. Employees then try to avoid doing these jobs.

Source: Citations from interview sessions conducted for this thesis

The preconditions of employees in terms of their general education and vocational training have an impact on the relationship towards the firm as well (C25). Conflicts arise when new employees have to be integrated into the firm and adopt new expectations of punctuality, work quality and reliability. Frequently employees’ performance is not as good as required, sometimes even far from acceptable. This
proved to be particularly important in cases in which employees’ achievements didn’t even cover the costs of the workforces.

<table>
<thead>
<tr>
<th>Citation underpinning conflicts with employees caused by employees’ general education and vocational training:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B.S. (Dental Laboratory):</strong></td>
</tr>
<tr>
<td>I hired an employee who was recommended to me as a very good expert. And I knew him and his family for years. After a while it appeared that he was not as capable as indicated. And he didn’t fit personally in the group of employees.</td>
</tr>
<tr>
<td><strong>G.D.-P. (Hairdresser):</strong></td>
</tr>
<tr>
<td>In the past we had a very competent hairdresser who was long time employed in our firm. However, once we changed our company structure, the relationship worsened, though we even tried to accompany the process of change by an external mediator. But we felt that she remained unable to cope with the new circumstances.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

The interviews revealed different ways to resolve conflicts with employees. Participants suggested means related to owner-managers’ attitude and behaviour on the one hand and with respects to the firm’s procedures on the other (C26). The former mainly requires leadership of owner-managers. This includes aspects like exemplary and consistent behaviour, open communication and tact, and sensitivity with regards to employees’ private commitments. Thus, an ethical climate should be established in which employees’ motivation can be maintained on a high level. Apart from these personal skills owner-managers should also have at least a basic
understanding of human resource management. By this it would be more likely to sufficiently address problems in guiding their workforces.

C26

<table>
<thead>
<tr>
<th>Citations underpinning possible solutions of conflicts with employees by owner-managers’ attitude and behaviour:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F.S. (Architect):</strong></td>
</tr>
<tr>
<td>Leadership, open communication of the reasons for overtime work and exemplary behaviour of owner-managers.</td>
</tr>
<tr>
<td><strong>E.V. (Painter):</strong></td>
</tr>
<tr>
<td>… I provide staff with a wide range of freedom; however, he and two other younger employees just try to take advantage from the freedom provided. Two of them recently just stop at work half an hour earlier than agreed. My older staff would never behave like this; they are doing what their task requires them to do. I need reliable staff and with three of my employees this doesn’t work appropriately.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Interview statements also suggest the alignment of the firm’s procedures in order to address conflicts with employees. Participants proposed establishing clear rules and close controls of employees’ work and behaviour (C27). Furthermore, the selection of new employees who fit into the firm and an appropriate induction phase should be adopted. Staff should also be provided with the option of further education. In addition, social activities with all employees would aid the team building processes. If possible the firm should also try to provide more than the minimum salaries, flexibility of work time, and additional holidays in order to maintain commitment towards the firm.
In cases of severe misbehaviour of employees they should generally obtain a second chance. However, if a severe breach of trust occurs, it is recommended that managers react immediately. The employee in question should be fired. In order to assure sufficient reactions in such situations it is described to be useful to involve an external expert, e.g. a mediator. Thus, the firm is able to search for solutions in a professional manner excluding or at least reducing negative emotions.

### C27

**Citations underpinning possible solutions of conflicts with employees by the firm’s procedures:**

**M.Sc. (Event Agency):**

> Currently I’ve some problems with the structure of my company. I’m just determining tasks, responsibilities, job descriptions. …He is a long-term employed, very competent and experienced worker. He’s very dominant towards others. I try to control him quite closely in order to show him that I don’t accept any deviant behaviour…

**N.S. (Advertising Agency):**

> Reaction: we defined sales goal for every customer / implemented a result-based salary-structure.

Source: Citations from interview sessions conducted for this thesis

### Suppliers / Subcontractors:

With regards to conflicts with suppliers and subcontractors (subsequently subsumed as ‘suppliers’) two main reasons become obvious. On the one hand conflicts seemingly result from structures in suppliers’ firms. On the other hand the sometimes powerful position of suppliers might cause problems between them and small firms. Structures of suppliers’ firms are sometimes not appropriate for the market (C28).
Therefore, small firms’ owner-managers have to deal with representatives of suppliers who suffer from a lack of understanding of market particularities. This is especially the case, if foreign companies are concerned. In addition, problems can arise if suppliers are actually not in the position to fulfil contractual requirements due to missing personal expertise or financial resources. This could lead to ‘contractual gaps’ which put small firms at the risk of not being able to fulfil their own obligations towards clients.

C28

Citations underpinning conflicts with suppliers (subcontractors) resulting from inappropriate structures in the suppliers’ firms:

G.M. (Trading Company):

We solved a problem with one of our main suppliers (Lanxess) by constantly discussing the issue with them (establishing sales regions according to business requirements)... However, with an American company it would have been more problematic due to cultural differences and different aims and understandings (short term profit vs. long term success).

A.G. (Engineer):

As stated above the problem with our client was caused by problems with our subcontractor. On the one hand there have been gaps in the contract with the subcontractor. On the other hand the subcontractor was simply not able to provide certain securities (insurance policy) which in turn our client demanded from us…

Source: Citations from interview sessions conducted for this thesis

Other conflicts are caused by suppliers who try to make use of their powerful position (C29). Sometimes such firms simply don’t fulfil their warranty obligations. In other cases they deceive small firms by billing higher amounts than justified.
Small firms frequently face the problem that they are dependent on certain suppliers and consequently don’t dare to complain strongly about those suppliers’ misconduct.

<table>
<thead>
<tr>
<th>C29</th>
<th>Citations underpinning conflicts with suppliers (subcontractors) resulting from supplier’s powerful position:</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.L. (Pharmacy):</td>
<td>Although we established our purchasing cooperation suppliers tried to deceive us by charging higher prices for medicine than fixed in the contract.</td>
</tr>
<tr>
<td>A.M. (Interior Decorator):</td>
<td>…in my shop I installed lights of a certain manufacturer which however were not working properly. I complained about this as I still was in the warranty period. The producer told me that these lights generally are problematic and therefore they would send me another type which is more expensive…I complained about this but didn’t receive any reaction…. But in this case I really felt the arrogance of a mighty manufacturer towards a comparatively small client.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Interviewees suggested various solutions useful in dealing with conflicts with suppliers. Firstly, they mentioned means which directly focus on the relationship of the firm towards its suppliers. In this respect actions by the firm are described. Secondly, strategies of how to deal with powerful suppliers are reflected. Owner-managers stated they would be working actively on good relationships towards their suppliers (C30). Therefore, intensive and sustained personal contacts, discussions and consultations are required. These activities even include private meetings. Furthermore, they advised managers to establish clear behavioural guidelines which
suppliers can rely on. In particular, payment policies should assure on time payments of suppliers. Reciprocity is an important aspect as well. This means that small firms’ owners should reflect whether they can provide their suppliers with additional benefits. In some cases it appears to be necessary to improve suppliers’ understandings of market particularities. Thus, the relationship between the firm and its supplier can be strengthened to the benefit of both parties.

**C30**

Citations underpinning possible solutions of conflicts with suppliers by directly improving the relationship:

G.M. (Trading Company):

> We solved a problem with one of our main suppliers (Lanxess) by constantly discussing the issue with them… We achieved our aim by communicating mutual benefits of these changes. At the same time we reduced potential conflicts with this supplier…

M.T. (Electrician):

> Therefore, it is important to establish good personal relations to the specialists. You can achieve this if you try to get in personal contact. You have to break the ice, just to drink a coffee together and to talk – even about private things. ... Consequently you have to establish a relationship in which the specialist in the suppliers gives preference to serve you. Meanwhile I even meet some of these specialists for sports activities. And if an order allows installing material with a higher profit it is important to give the supplier the chance to benefit as well.

Source: Citations from interview sessions conducted for this thesis
Small firms’ owners also advised on how to deal with difficult and/or powerful suppliers (C31). A possible solution is establishing a ‘purchasing cooperation’ in which competitors of a certain field of business jointly approach suppliers. This strengthens their position in negotiations and seemingly results in better conditions and lower costs. Furthermore, small firms should improve their selection processes when choosing suppliers. In this respect financial means, expertise and possible securities should be subject to preliminary evaluation. Another important aspect reported is small firms’ focus on sufficient, comprehensive contractual agreements. Consequently, small firms’ owners should be aware of their legal position. A key aspect mentioned in this respect is to assure alignment of contractual obligations towards suppliers on the one hand and clients on the other.

Citations underpinning possible solutions of conflicts with suppliers by improving their approach towards difficult or powerful suppliers:

I.L. (Pharmacy):

Although we established our purchasing cooperation, suppliers tried to deceive us by charging higher prices for medicine than fixed in the contract. Our purchasing cooperation provided us with the power to complain about such practices. If I would purchase the stuff on my own in many cases I wouldn’t have power and time enough to constantly complain and negotiate dubious invoices. And it wouldn’t be possible to achieve terms of conditions like in our purchasing cooperation.
A.G. (Engineer):

On the one hand there have been gaps in the contract with the subcontractor. On the other hand the subcontractor was simply not able to provide certain securities (insurance policy) which in turn our client demanded from us. During the works of the subcontractor the construction site caught fire. The subcontractor is not able to repair the defects whereas our client requires us to finish our works according to the contract. Meanwhile we face severe financial problems and we have to take the subcontractor to court.

Source: Citations from interview sessions conducted for this thesis

Bank:

Conflicts between small firms and banks are mainly based on the powerful and mighty position of banks (C32). Small firms’ owners expressed their discomfort with the dependency on banks. They have to rely on the banks’ decisions towards or against cooperation with small firms. This is seemingly of particular importance for firms which have an ongoing need of credit. Consequently, banks can make decisions to the disadvantage of small firms. These conflicts even escalate into economically problematic situations and frequently in the start-up phase of small firms.

C32

Citations underpinning possible conflicts with banks resulting from their powerful and mighty position:

M.S. (Project Developer):

A former partner bank (a big, international player) of our company cancelled our business relationship in 2002 because they intended to concentrate on investment banking and on big real estate projects (above € 20 million).
A.K. (Men’s Outfitter):

Main problem is the power and might which the bank has in our relationship.
In my business loans are essential to run my firm. And in times like this we even have an increasing need of financial means in order to assure state-of-the-art fashionwear.

Source: Citations from interview sessions conducted for this thesis

Small firms’ owner-managers described different actions in order to face conflicts with banks. First of all, it is recommended to carefully select a bank which serves the special needs of the firm. Participants expressed the view that it would an advantage to cooperate with regional banks rather than working together with one of the major banks in the market. Secondly, respondents showed an awareness of the potential risks which credit is generally accompanied by. Consequently, reducing dependency on banks is described as an important goal (C33). Thus, loans are decreased and the firm can operate more freely in financial respects.

C33
Citations underpinning possible solutions of conflicts with banks by addressing their mighty position:

A.K. (Men’s Outfitter):

The might they have and the pressure they put on me is sometimes hard to stand. I’m really looking forward to the day when I have paid all my loans. This will put an end to the bondage I perceive in relation to my bank.
G.D.- P. (Hairdresser):

Consequently we reduced this dependency and today we are almost completely independent from banks. This makes our business much more comfortable. Like in other respects in my life it is very important to me to be independent.

Source: Citations from interview sessions conducted for this thesis

State and Society:

Some interviewees described recently faced conflicts with state and society. The main question in this respect is seemingly how to deal with state and society’s discretion in decision making (C34) which occurs, if criteria are assessed qualitatively. For example, for certain urban housing areas appropriate building materials have to be determined and ‘appropriateness’ then opens a wide space for discussions. In such situations finding compromises is a recommended behaviour. Owner-managers regarded it as important to balance viewpoints, even if civil servants’ perspectives aren’t in full accordance with the laws. In addition, it was reported that public authorities sometimes refuse to pay subventions which are actually guaranteed by law. Though small firms’ owners are in a legally strong position in such a situation, they should nevertheless consider whether insisting on their viewpoint would be helpful in the long run.
As in conflicts with other stakeholders, participants advised two different types of solutions. On the one hand their suggestions focus on personal skills of the owner-manager (C35). Highly developed communication skills are required in order to establish and maintain personal relationships which enable successful discussions with public officers. This includes the ability to find sufficient compromises which all parties involved can agree to.

C34
Citations underpinning possible conflicts with state and society resulting from state and society’s discretion:

<table>
<thead>
<tr>
<th>H.H. (Farmer):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, I once had a problem with local government. I participated in a program in which you had to renovate your farm and in turn, local administration granted a 30 %-contribution on the costs. However, without reasons local government refused to pay.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>J.K. (Lawyer):</th>
</tr>
</thead>
<tbody>
<tr>
<td>In court I frequently have to look for compromises which the judge and the opponents agree to… It means that existing laws are not enforced.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

C35
Citations underpinning possible solutions of conflicts with state and society by developing owner-manager’s personal skills:

<table>
<thead>
<tr>
<th>J.K. (Lawyer):</th>
</tr>
</thead>
<tbody>
<tr>
<td>In court I frequently have to look for compromises which the judge and the opponents agree to. This is pure communication… Nevertheless this procedure frequently leads to quite satisfying results for both parties.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
On the other hand, owner-managers should be aware of how to go through official channels in order to address their requests to the right offices and persons (C36). Therefore, knowledge of public administration structures and procedures should be available to small firms’ owner-managers.

C36

Citations underpinning possible solutions of conflicts with state and society by owner-managers’ awareness of legal structures and procedures:

H.H. (Farmer):

I then demanded county administration and they told me I should put the case to court. Finally, I didn’t receive the grant but I also didn’t legally charge local government. I didn’t feel comfortable with the thought of having a legal case in our community. Today I sometimes think it was a mistake because I had the right to get that grant. But you can never be sure whether you win the case or not.

Source: Citations from interview sessions conducted for this thesis

5.3.2 Deviant Participants’ Statements on Questions 3 and 4

The risk manager of the big international company mentioned various conflicts with different stakeholders. One important aspect is balancing shareholders’ short term profit targets with the company’s long term risk considerations. Furthermore, there are seemingly immanent tensions between business management and risk management which managers have to face. With regards to clients, different claims have been reported as well. There is a strong obligation of firms to protect clients’ privacy. At the same time the firm is legally obliged to check private data of clients. In order to resolve this problem the respondent expressed the desire to provide clients
with less information about private data checks. Thus, firms’ access to private data could be less obvious.

The banker nominated two fields to be important as areas in which small firms face conflicts with stakeholders. Small firms frequently suffer from bad payment practices of big and powerful clients. These lead to further problems in small firms’ procedures, e.g. cash problems. Immediate actions are recommended, and strict reminding procedures and follow-ups are advised. In addition, small firms should prepare for cash problems resulting from delayed payments. Building appropriate assets and negotiating sufficient credits with banks are proposed means to anticipate these problems.

With regards to employees, small firms should be aware of their social responsibility. The bank manager described an owner-manager who actively cared about an employee with private problems. He suggested a long term plan to resolve the private problems first and promised re-entry in the firm once the employee had solved the problems. Thus, the firm kept an experienced and valuable employee but had to accept short-term disadvantages due to employee’s costly absence from the workplace. This example underpinned the crucial importance of reliable workforces for small firms.
5.4 Interview Guideline Question 5: ‘What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfilment of contracts (delayed payments of suppliers), tax evasion?’

This section summarizes the results of interview question 5, which aimed at revealing owner-managers’ behaviour in different ethically problematic situations. Similar to interview questions 3 and 4 this part of the interviews focused on participants’ experiences in moral dilemmas. Subsequently the results are explained for each of the aspects addressed.

5.4.1 Findings on Interview Question 5

Corruption / bribery

14 out of 25 participants said corruption and bribery would not occur in their firms’ operations while 11 respondents reported to be concerned with corrupt acts in various ways. As the interview question asked for experienced or potential response to corrupt practices, a range of further information was provided by respondents. Some said they would be aware of such misconduct in competitors’ firms. 7 interviewees stated they would generally refuse such behaviour. Reasons for rejecting any corrupt attempt are given as: the danger of being blackmailed and the fact that it wouldn’t pay for the firms. It also becomes clear that sufficient legal regulations help reduce temptations of acting corruptly. An important point was raised by 6 participants: they said the boundary between legal means of acquisition and illegal corruption would be hard to define.
Respondents’ statements revealed different reasons for acting corruptly. External and internal factors are mentioned. An external factor is that corruption is seemingly quite common in certain fields of business (C37). Consequently, it is hardly possible to keep away from such practices without experiencing competitive disadvantages. This is obviously the case in some Eastern European countries where corruption is reported to be widespread. Therefore, activities in these markets are said to be impossible without misconduct.

<table>
<thead>
<tr>
<th>C37</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations on external factors furthering corruption / bribery:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>G.M. (Trading Company):</th>
</tr>
</thead>
<tbody>
<tr>
<td>It plays a role in our relationship to companies from Eastern Europe. Though our behaviour is in accordance with existing laws in Germany we actually know that we sometimes have to pay commissions for people who are likely to evade taxes in their countries. On the other hand without these people we wouldn’t have success in these markets. We are highly dependent on these sales…</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>X.U. (Floor Services):</th>
</tr>
</thead>
<tbody>
<tr>
<td>It occurs especially in cooperation with architects who in the end decide which firm receives the contract. Economically, it is bad but for the firm. You can’t keep away from such practices if you want to have success in our field of business.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

The pressure on owner-managers in acquisition appears to be an important internal factor supporting tendencies of corrupt behaviour (C38). Participants faced the necessity to constantly attract new clients. Corruption and bribery is therefore
applied in order to achieve this aim. Not surprisingly some owner-managers rated business success more important than moral concern. This is obviously even more the case, if the amounts of payments in certain fields of business are comparatively high. Bribes are sometimes labelled as payments for ‘improving the firm’s relationship with clients’, as this expression has a less illegal appearance.

<table>
<thead>
<tr>
<th>C38</th>
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</thead>
<tbody>
<tr>
<td><strong>Citations on internal factors furthering corruption / bribery:</strong></td>
</tr>
</tbody>
</table>

**M.T. (Electrician):**

Of course my suppliers and I help each other. They sometimes help me to get in contact with clients and the other way around I sometimes advise clients to buy at my suppliers. Is that already corruption? Sometimes you even pay a little bit if you receive an order by recommendations of partner businesses.

**N.S. (Advertising Agency):**

When bribery starts with an invitation to the VIP-lounge at a soccer game (worth: approx. € 200,-) or to a 1-week ski-holiday trip, the honest answer should be: we take / took advantage of it…

Source: Citations from interview sessions conducted for this thesis

Participants also gave advice on how to reduce corruption. The recommendations are focused on owner-managers’ attitudes and behaviours (C39). Business partners and employees have to be selected carefully. They must be reliable. Transparency among partners and employees is an important aspect as well. Respondents regarded personal values of the owner-manager to be decisive for the firm’s behaviour. These values should simply exclude corrupt practices. Furthermore, owner-managers
emphasized the obligation to tightly control procedures in their firms. Thus, misbehaviour by their followers can be prevented.

<table>
<thead>
<tr>
<th>C39</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations recommending means to reduce corruption / bribery focusing on the owner-manager:</td>
</tr>
</tbody>
</table>

| H.S. (Tax Advisor): |
| …Transparency is an important issue in order to control procedures of all partners. May be we should install means of control but even more important is obviously the selection of suitable business partners. |

| G.E. (Flower Shop and Farm): |
| … Owner-managers always have to keep an eye on all processes in the firm. |

Source: Citations from interview sessions conducted for this thesis

Dilemma situation: deception / withholding information towards customers

Out of 25 participants 21 mentioned they wouldn’t be concerned with deception and withholding information towards clients while 4 expressed such practices would be an issue in their daily business. Respondents who judged these behaviours to be not relevant in their business found that deceptive behaviours wouldn’t pay for their firms (C40). Rather, it would harm their firms’ reputation and even put corporate existence at risk. Laws, standardized products and services and clearly fixed contractual terms obviously reduce temptation to deceive customers. It seems to be better to provide high quality services and products. In some fields of business customers are highly qualified experts in the field of the firms’ business. Consequently, deception and withholding information is hardly possible as comprehensive information is available to these clients.
### C40

Citations explaining why owner-managers regard deception / withholding information towards clients to be not relevant for their firms:

<table>
<thead>
<tr>
<th>A.H. (Plumber):</th>
<th>Deception and withholding information doesn’t pay in the long run. Today’s clients are very well informed or accompanied by lawyers or technical experts.</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.M. (Trading Company):</td>
<td>We once faced the problem that a product held health risks. We immediately withdrew the product. In my experience it is better to go without profit in such situations. Otherwise the later consequences might be costly if not even threatening the existence of our company.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Some respondents faced problems clearly defining the boundaries between morally acceptable behaviour in acquisition and unethically deceptive conduct. Furthermore, there are seemingly fields of business – e.g. German health system and gastronomy – which inherently include temptations to deceive in billing practices (C41). In sales, employee misbehaviour is reported in that they sometimes try to increase their results by deception. In addition, owner-managers said misconduct of their competitors would increase temptation for behaving accordingly. Thus, their firms would maintain competitiveness in the market.
C41

Citations describing temptations to deception / withholding information towards clients:

G.D.-P. (Hairdresser):

This can be an issue and I think our employees are sometimes tempted to make his work seem better if something went wrong. I think this might occur from time to time.

N.S. (Advertising Agency):

But there have been situations where we twisted the truth a bit to save trouble and avoided the risk of ruining the relationship.

Source: Citations from interview sessions conducted for this thesis

Owner-managers also provided advice on how to reduce temptations for deception and withholding information. The means proposed focused on structural characteristics and personal skills. Structural suggestions (C42) include exact definitions of moral and immoral behaviour. These are necessary as the question at which point sales activities become deceptive and when information is withheld is not easy to identify and depends on various contextual factors as well as business and industry characteristics. Furthermore, services and prices should be exactly stated in contractual agreements. Standardization of products and services prevent deception as well. In this respect, self-selling products in discount markets are a good example. Firms should provide transparent procedures and effective controls. Legal constraints are reported to be helpful as well. In addition, firms should be closely controlled by external institutions. They should be driven by providing value for money to customers. This is regarded as a strategy for maintaining corporate existence and avoiding costly conflicts with clients.
C42

Citations proposing structural means in order to reduce temptations for deception / withholding information towards clients:

E.V. (Painter):

Very often problems just occur in situations in which the price is not determined prior to our service. Clients sometimes assume we would charge too much but I don’t do this in order to avoid such problems.

K.P. (Medical Doctor):

… Avoidance of deception would only be possible by transparency in calculation and effective control by health insurances.

Source: Citations from interview sessions conducted for this thesis

Many interviewees described interpersonal skills in order to prevent deception and withholding information from clients. Respondents recommended training and further education of owner-managers and employees (C43). Long-term employment of reliable staff and internal and external relations based on mutual trust are important as well. This includes respectful behaviour, open communication, and honesty in cooperation. Thus, a corporate culture which accepts mistakes and failure is enabled. This is likely to reduce pressure on employees to achieve goals by questionable means. At the same time owner-managers are advised to tightly control procedures in their firms.

C43

Citations proposing improvement of personal skills of owner-managers and employees in order to reduce temptations for deception / withholding information towards clients:

G.D.-P. (Hairdresser):

What we can do against it: training of our employees. We spend a lot of time and efforts on trainings and workshops.
M.Sc. (Event Agency):

I intend to provide transparency and honesty towards clients and therefore it is my intention to avoid such practices. Openness even in case of mistakes is essential in our business. And mistakes become obvious immediately.

Source: Citations from interview sessions conducted for this thesis

**Environmental problems**

Participants’ statements on ecology revealed a mixed impression. 11 out of 25 respondents regarded ecology to be not important or only of minor importance to their business. In turn 14 owner-managers considered environmental concern to be important for their firms. 8 owner-managers emphasized that doing more than required by laws wouldn’t be affordable for their firms (C44). Therefore, it can be assumed that many participants think ecological means wouldn’t pay. The costs outweigh possible benefits. Thus, it is no surprise that only two participants said environmental concern would pay for the firm with respect to its market position.

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**C44**

Citations of owner-managers’ statements on ecology to be not beneficial for their business:

G.D.-P. (Hairdresser):

Of course I would like to work without chemical substances and to avoid releasing them into the eco-system. However, doing that on our own would decrease our profits. I think it wouldn’t be affordable; therefore, we would do it only if the laws would require it.
M.T. (Electrician):

With regards to the services provided by me I could put an emphasis on renewable energies, especially with solar energy. However, so far these products don’t pay for clients. Therefore, it is hard to convince them from the long-term advantages.

Source: Citations from interview sessions conducted for this thesis

Those participants who actively engage in ecology provided a wide range of different means in this field. Generally two different dimensions appear. Some means are mainly related to the firm, its employees and owner-manager. Other suggestions focus on external stakeholders of the business. One internally orientated ecological means is the change to smaller cars with less fuel consumption (C45). In many producing firms, switching to healthier materials is an option regardless of the possibly higher costs. Avoiding application of dangerous materials and providing employees with sufficient protection in order to protect them from potentially harmful materials are further means reported by participants. If firms don’t have the expertise to deal reasonably with dangerous goods, involvement of specialized firms is recommended.

C45

Citations of owner-managers’ suggestions on ecology related to internal structures of the firm:

H.-J.K. (Real Estate Agency):

… however, we switched to small cars (Smart) which are more convenient in the city and which are marked by low consumption of fuel.
G.M. (Trading Company):

We don’t store any products that might be risky for the environment (e.g., acids…). I wouldn’t do this because the risks are too high for a small company.

Source: Citations from interview sessions conducted for this thesis

Owner-managers suggested several procedures related to the firm’s external stakeholders. First of all, owner-managers should generally offer safe and ecological materials to their clients. They should also advise their clients to choose such goods (C46). Participants advised to apply materials exactly in accordance to the producers’ guidelines. Furthermore, small firms should find out whether there are certain ecological standards in their fields of business which they could apply. Thus, they would make their environmental concern visible to external people. In farming this could be the ‘Demeter’ standard (an ecological farming standard in Germany), while in health care there are different standards which could be followed in order to anticipate legal requirements to come. These voluntarily obeyed standards would also comply with the demand to make clear what the firm stands for.

C46

Citations of owner-managers’ suggestions on ecology related external stakeholders:

N.S. (Advertising Agency):

…This argument is another selling point for our service to the customer. So by advising our customers properly regarding their interests, we can usually convince the customer to not buy environmentally harmful product.
B.S. (Dental Laboratory):

… I faced this problem by certifying my company and our daily conduct. I think we have been the first laboratory in Germany that has done this. I strictly insist on obeying the rules and regulations which have been required for the certificate. I think in 2010 it will become a law to being certified. I use our certificate as a means of our advertisement.

Source: Citations from interview sessions conducted for this thesis

Fulfilment of contracts (delayed payments of suppliers)

Owner-managers’ statements on fulfilment of contractual obligations towards suppliers display two general perspectives. 11 respondents out of 25 didn’t perceive it as an important issue in their business while 14 expressed it to be a matter of importance. The majority of the former group said they would generally pay on time and therefore didn’t face this issue. In the latter group, 6 participants explicitly mentioned dependency on their customers’ payment practices. They seemingly have problems in obeying contractual agreement, if clients don’t pay on time or at all.

Interviewees gave various recommendations on how to systematically assure on-time payments of their suppliers’ bills. Three categories of means can be established. Respondents gave advice related to financial, personal and procedural aspects. With respect to financial structures, small firms’ owner-managers should regularly anticipate their need for financial means in order to assure fulfilment of their obligations (C47). Maintaining liquidity of the firm helps owner-managers to gain advantageous conditions and discounts which – in turn – contribute to the financial stability of the firm. Consequently, one of the major tasks is holding sufficient assets on the firm’s account. Given the fact that small firms frequently lack liquidity, it is...
quite important to restrict orders. Orders of materials and services should only be placed to the amount the firm is definitely able to pay. Due to owner-managers’ personal responsibility for their firms’ obligations, they should hold private assets to a certain level as well. Thus – in cases of temporary illiquidity – they can financially support their firms.

<table>
<thead>
<tr>
<th>C47</th>
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<tbody>
<tr>
<td><strong>Citations of owner-managers recommending financial aspects in order to assure on-time payments of suppliers:</strong></td>
</tr>
</tbody>
</table>

**S.N. (Construction Firm):**

It is just a matter of financial means. In our field of business you have to finance huge amounts and you have to wait for the payments of your clients. This requires having sufficient assets on your account and anticipating the money needed during a project. In my firm I don’t receive a regular income, rather spend my living costs on private withdrawals. And if there is only little money on our accounts I have cut down cost; in particular my private withdrawals.

**M.T. (Electrician):**

In case of a big order which requires to purchase a lot of materials I try to negotiate a longer period allowed for payment. Otherwise it must be possible to overdraw my bank account. If not, I have to pay the purchases from my private money which is the least option - but sometimes necessary in order to assure delivery of material. And this is a precondition to maintain my business.

Source: Citations from interview sessions conducted for this thesis
Interview participants also made some suggestions distinctly focused on the owner-managers. Some respondents emphasized the principle of reciprocity as a general guideline. Owner-managers should behave towards their suppliers the way they want to be treated by their clients (C48). Consequently, small firms are strongly advised to establish self constraints which bind them to always paying on time.

For firms which depend on payment practices of their clients, it is obviously important to select reliable customers. In this respect owner-managers should generally try to establish mutually beneficial relations towards clients, suppliers and banks. This is not only a precondition to enable fulfilment of contractual obligations. Rather, it is helpful in problematic situations in which the firm can’t pay according to the contract. These situations require personal and open communication of the problems. Solutions which fit the needs of the firm as well as the expectations of the supplier should be searched for in cooperation.

<table>
<thead>
<tr>
<th>C48</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations of owner-managers recommending personal aspects in order to assure on-time payments of suppliers:</td>
</tr>
<tr>
<td>A.K. (Men’s Outfitter):</td>
</tr>
<tr>
<td>One of my most important aims as an entrepreneur is to pay all bills on time in order to use cash discounts. So far I have been in the position to fulfil all obligations on time and for this it has priority. I want to be paid on time by my clients. And I behave the same way in my firm as well as in my private life. If I would ever face problems in fulfilling obligations, I would immediately communicate the problem and discuss a procedure to solve it.</td>
</tr>
</tbody>
</table>
A.M. (Interior Decorator):

Concerning my obligations to suppliers I try to pay all my bills on time. It really makes me angry, if my clients pay with delay or even don’t pay at all. Consequently I try to behave towards my suppliers like I would like to be treated by my clients.

Source: Citations from interview sessions conducted for this thesis

Participants also indicated procedural aspects which would be likely to assure the firms’ compliance with their contractual regulations (C49). This helps avoiding problems with clients. First of all, a commitment to high quality work and keeping promised deadlines is recommended for achieving customers’ satisfaction. Thus, the risk of payments being kept back by clients could be reduced. It is also necessary to align contracts with clients and with suppliers. Similarly, billing practices towards clients should be in accordance with small firms’ obligations towards suppliers. In order to prevent temporary illiquidity firms should charge relatively small amounts in several steps. Thus, clients with delayed or bad payment practices become visible sooner and risks can be minimized. In addition, small firms should take immediate actions in case of delayed payments. Customers should become aware that the firm is not ready to accept such behaviours. Finally, contracts with suppliers should contain clear and unambiguous terms and conditions. In this respect, participants also emphasized negotiated contractual agreements which the firm will definitely be able to fulfil.
C49

Citations of owner-managers recommending procedural aspects in order to assure on-time payments of suppliers:

X.U. (Floor Services):
Then we negotiated a very long period of payment with our suppliers – approximately 9 weeks. In contrast I charge my clients directly after the works are finished …. We also use cash discounts in order to minimize costs. In cases of big orders we charge part payments. You then gain an impression of the payment practices of your client.

M.T. (Electrician):
Since January I improved our billing procedures. Clients have to pay a first instalment quite early in order to enable us to pay for the materials. With our suppliers I negotiated a longer period of cash discount. If you can’t pay your suppliers, you really have sleepless nights because it might harm my corporate existence.

Source: Citations from interview sessions conducted for this thesis

Tax evasion

Out of 25 interviewees 9 claimed not to be concerned with any tax evading practices in their daily business. In contrast, 16 said they have to deal with different kinds of tax evasion. 8 interviewees mentioned evasion of value added taxes. This kind of misconduct mainly occurs, if firms have to deal with private clients. Another practice of tax evasion is illicit work which is reported to happen in certain fields of business like e.g. gastronomy.

Interview statements revealed different reasons for accepting or refusing tax evasion. Those participants who admitted to taking part in tax evading procedures outlined
societal, market related and personal reasons for doing so. With respect to society such misconduct is obviously accepted to a certain degree (C50). In addition, legal regulations might further tax evasion in some respects. Raising value added taxes in Germany in 2006 made it even more attractive to private customers to ask for ‘payment without a bill’. Furthermore, many people are seemingly aware of the fact that evading small amounts isn’t likely to be detected and wouldn’t be subject to severe punishment. Thus, acceptance of misconduct is apparently fostered.

| C50 |
| Citation of owner-managers on societal aspects which furthers acceptance of tax evasion: |

<table>
<thead>
<tr>
<th>A.M. (Interior Decorator):</th>
</tr>
</thead>
<tbody>
<tr>
<td>However, I think there is hardly any small business which – from time to time – would never accept a payment without bill by some clients. But these are only very small amounts.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>S.N. (Construction Firm):</th>
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</thead>
<tbody>
<tr>
<td>Tax evasion is problem which meanwhile occurs in almost every client-relationship. It has increased since the government raised value added taxes up to 19%. I think we could do half of our orders without bills and value added taxes...</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

The interviews suggested that market conditions provide temptations to evade taxes as well (C51). Some participants described the problem that clients might cancel the business relationship, if an owner-manager refused to engage in evading value added taxes. Private clients seem to benefit most from such actions. Therefore, respondents felt they could hardly refuse to take part in it.
C51
Citations of owner-managers on market characteristics which further acceptance of tax evasion:

| A.H. (Plumber): | 
|----------------|---|
| Clients frequently offer payment without bill in order to avoid value added taxes. It is sometimes hard to strictly obey the laws because it sometimes leads to a win-win-situation. And of course I’m dependent on clients. |  

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<thead>
<tr>
<th>M.S. (Project Developer):</th>
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<tbody>
<tr>
<td>Tax evasion is sometimes an issue, if clients want to pay a part of the amount with illegal earnings (beside the contract). In these cases we don’t have big advantages but commit an offence. However, if we would refuse it the client might withdraw interest in buying the property.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Personal reasons for tax evasion have also been mentioned (C52). On the one, hand the feeling of having behaved badly is seemingly missing. Paying relatively high income taxes, some respondents regarded themselves to be right in illegally avoiding tax payments. Furthermore, it is described to be quite tempting to have the money directly in the pocket, rather than legally paying taxes and contributions to social systems on earnings.

C52
Citations of owner-managers on personal reasons which further acceptance of tax evasion:

<table>
<thead>
<tr>
<th>A.N. (Landscape Gardener):</th>
</tr>
</thead>
<tbody>
<tr>
<td>I think we are paying so many taxes and in a way we are the engine of this society. Therefore, I think it’s ok to sometimes behave like this.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
Various reasons were mentioned for refusing tax evasion at all. Participants gave two different categories of arguments. Firstly, potential external risks have been cited (C53). Secondly, risks inside the firm were outlined. One important external risk in cases of tax evasion is that the tax offices might detect the firm’s misconduct sooner or later. Consequently the firm’s reputation and its existence are put at risk. In addition, such practices make owner-managers susceptible to blackmail.

**C53**

Citations of owner-managers on external risks which lead to refusal tax evasion:

<table>
<thead>
<tr>
<th><strong>K.P. (Medical Doctor):</strong></th>
</tr>
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<tbody>
<tr>
<td>Too risky for me. The potential amounts are low; the risk of being detected is relatively high. Furthermore, I would be susceptible for blackmail because it would be impossible to hide such practices from employees.</td>
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</tbody>
</table>

<table>
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<tr>
<th><strong>I.L. (Pharmacy):</strong></th>
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<tbody>
<tr>
<td>…However, after some years my pharmacy went quite well and I considered whether it really pays to deceive in this respect and – by this – to be caught. I decided that I wouldn’t want to face the risk of being sentenced as that would surely be the end of my firm.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Inside the corporation, tax evasion potentially harms the relationship between the firm’s owners (C54). This is particularly the case, if this behaviour is only to the benefit of one of the business partners without knowledge of the other. If such misconduct becomes obvious, ongoing mistrust between owner-managers would be the consequence. Respondents mentioned another reason for staying away from such tax evasion. Firms face the necessity to receive the customer’s money on its bank account, rather than in the pocket of the owner-managers. They have to sustain their
financial liquidity and to generate and demonstrate profit. This proved to be particularly true as banks today closely monitor the firm’s financial capacity.

<table>
<thead>
<tr>
<th><strong>C54</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Citations of owner-managers on internal risks which lead to refusal of tax evasion:</strong></td>
</tr>
<tr>
<td><strong>A.H. (Plumber):</strong></td>
</tr>
<tr>
<td>However, in cases of big amounts, I couldn’t afford to not receive the money openly in the company…</td>
</tr>
<tr>
<td><strong>J.K. (Lawyer):</strong></td>
</tr>
<tr>
<td>It’s quite tempting as it seemingly pays for the client and me. But it is a legal offence and it threatens the partnership between the business partners of my office.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Participants also revealed internally and externally focussed means to reduce tax evasion. Inside a corporation, which is jointly led by more than one owner-manager, each of them should crosscheck all bills and amounts (C55). Thus, transparency can be increased. Owner-managers are also advised to control procedures in their firms. If misconduct of employees is possible, a motivation system which is based on turnover targets potentially reduces temptations to deceive. With regards to negotiations with clients, owner-managers recommended to openly explain the disadvantages and dangers of illegal conduct. Furthermore, small firms should consider involving external tax advisors for bookkeeping activities. This procedure increases transparency and consequently contributes to a general climate of legal behaviour.
C55

Citations of owner-managers on internally orientated means to reduce or avoid tax evasion:

S.H. (Restaurant / Bar):

We had this situation some years ago. What you can do against it is strictly register all orders. … We try to crosscheck accounts by at least two of our three partners.

M.Sc. (Event Agency):

The whole bookkeeping is conducted by a tax advisor’s office therefore I’m dependent on its competency.

Source: Citations from interview sessions conducted for this thesis

Obviously external means are also necessary in order to lower temptation of tax evasion (C56). Three aspects have been mentioned. Definite laws are seen to be a precondition in order to clearly express the point at which illegal behaviour begins. These legal constraints should be closely controlled by official authorities. Finally, severe punishments in cases of tax evasion are said to be necessary. Owner-managers, who feel tempted by illegal behaviour, should be aware of the negative consequences. In this respect the fines to be expected should be far more dangerous to the firm than the potential benefit from tax evasion.

C56

Citations of owner-managers on externally orientated means to reduce or avoid tax evasion:

H.S. (Tax Advisor):

Definite laws and regulations are helpful for us in this respect as they reduce potential discussions with clients or employees.
X.U. (Floor Services):

One aspect is that in cooperation with other firms legal constraints are so strict that you normally can’t evade value added taxes. All these laws are actually helpful because they help the good firms which really intend to provide good work.

Source: Citations from interview sessions conducted for this thesis

5.4.2 Deviant Participants’ Statements on Question 5

Corruption / bribery

Deviant participants reported on corruption and bribery in their business context. The risk manager of an international company regarded corruption and bribery to be potentially threatening, if the firm intends to access new foreign markets. In these cases, foreign officials frequently demand bribes in order to accelerate the permission process. Therefore, the respondent suggested actively applying means to detect corrupt acts.

The bank manager thought corruption to be generally of minor importance in small firms. He stated owner-managers would fear legal punishments. However, he confirmed bribery to be potentially used in acquisitions. The importance of owner-managers’ personal attitudes was supported by the bank manager.

Deception / withholding information towards customers

The deviant interviewees revealed different perspectives on the aspects in question. The risk manager employed in a big international company emphasized deception and withholding information from clients wouldn’t be an issue due to highly standardized services which would hardly provide any space for misconduct.
The bank manager stated such misbehaviour would sometimes occur in small firms. However, small firms are mainly dealing with regular clients. Relationship to these customers is based on mutual trust. Deceptive conduct would severely harm the client-relationship. Consequently, small firms can hardly afford to misbehave like this as they would immediately put corporate existence at risk.

**Environmental problems**

The deviant interviewees added some interesting views on environmental concern. In the big international company from the financial sector, ecology is generally seen to be a subject of minor concern. This is due to the characteristics of the services provided. Nevertheless, the firm already engaged in actions which aimed at improving employees’ ecological awareness. In this respect the company is active in ecology without direct benefit. The risk manager stated it would be desirable to do even more in this field.

The bank manager who advises small firms emphasized the responsibility for enforcing environmental concern. This can be reached by strict legal constraints which firms have to obey. As ecology is regarded to be costly, voluntary actions of firms in this field are seen to be less likely. Competition would hinder small firms’ ability to do more, than required by laws.

**Fulfilment of contracts (delayed payments of suppliers)**

With respect to fulfilment of contracts, deviant interviewees reported different experiences. Big firms obviously comply with their contractual obligations, however
as late as possible. They use their power and might for their own financial benefit paying suppliers very late. Partly this is also due to big firms’ procedures which frequently require several approvals prior to payments.

The banker stated small firms would generally fulfil their obligations. He expressed this behaviour would be based on owner-managers’ application of the reciprocity principle. The problem of small firms’ dependency on clients’ payments is supported. It is seemingly an important reason for small firms’ failure in paying suppliers’ bills on time.

**Tax evasion**

The interviews with large firms’ representatives suggested that ethical dilemmas related to tax evasion appear in a different way in these companies. Big companies obviously try to make use of all possibilities to reduce tax payments. In this respect international branches and the selection of locations with lowest tax rates are means to achieve this aim. Corporate behaviour is described to be legal, however morally questionable and extremely close to the boundaries of international tax laws.

The bank manager emphasized small firms to be mainly concerned with evading value added taxes. This shows the importance of this illegal behaviour which mainly occurs in relationships between a firm and private clients.
5.5 Interview Guideline Question 6: ‘Which means do you think would be appropriate in order to deal with these conflicts?’

This interview question aimed to reveal what owner-managers regard as desirable in order to sufficiently address ethical conflicts in business. Respondents’ statements revealed a broad range of different answers which will be subsequently analysed.

5.5.1 Findings on Interview Question 6

Interviewees’ statements can be summarized in two categories: recommendations on owner-managers’ personal characteristics and hints on structural means of small firms. In addition, external regulations by legislation are outlined, but can’t be directly influenced by small firms’ owners.

With regards to owner-managers’ characteristics the leadership approach appears to be quite important (C57). Exemplary behaviour, open communication, trustworthiness, reliability, transparency and mutual trust are important aspects. Shared values inside the firm are seen to be decisive and it is apparent that owner-managers’ attitudes, virtues and moral values are regarded as most important. Respondents indicated they should work quite hard and should even do the little things in daily business. A sense of responsibility is also required in order to contribute to their own family as well as to the needs of the employees and their families. Respect is a key issue and owner-managers should base their relationship towards employees on the reciprocity principle. Otherwise it wouldn’t be possible to demand flexibility from the workforce. Owner-managers also have to be experienced experts in their fields of business and have to establish and maintain contacts with external stakeholders.
C57

Citations of respondents on owner-managers’ personal characteristics necessary in order to deal with stakeholder conflicts:

<table>
<thead>
<tr>
<th>G.M. (Trading Company):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership and exemplary behaviour… are crucial. I can’t expect moral behaviour of employees if I wouldn’t behave accordingly. And I think behaving 100% correctly in the small and simple things is important in order to show that moral behaviour is generally required. E.g. cash payments even for coffee or similar staff are charged exactly and the books are kept in this way as well. …transparency in our procedures.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>G.D.-P. (Hairdresser):</th>
</tr>
</thead>
<tbody>
<tr>
<td>…Then, exemplary behaviour is a key factor. I can only expect certain behaviours by employees if I live the underlying values. Employees need guidance by exemplary behaviour ….</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

A variety of structural means were suggested in order to deal with conflicts with corporate stakeholders. Participants recommended establishing self constraints and written guidelines which clearly regulate the firm’s behaviour (C58). In addition, close control of employees’ and owner-managers’ conduct is important. Thus, enforcement of self constraints can be monitored. Another important aspect is seemingly to make clear what the firm stands for. This point is mentioned with regards to other interview questions as well. It appears that small firms frequently fear their clients are not fully aware of what they can and cannot expect from the firm.
Furthermore, small firms are encouraged to provide employees and owner-managers with training. Thus, they should be enabled to deeply consider moral content of decision making processes. In this respect it is recommended that managers should learn from the experiences of other owner-managers. Dealing adequately with stakeholder conflicts also requires appropriate procedures of the business. Findings of the above sections on interview statements already indicated various means to align procedures with ethical requirements. Therefore, here are only mentioned aspects like payment in advance, providing high quality products and services and – in case it turns out to be necessary – involvement of external experts.

<table>
<thead>
<tr>
<th>C58</th>
</tr>
</thead>
</table>

Citations of respondents on structural means of the firms necessary in order to deal with stakeholder conflicts:

A.G. (Engineer):

Employees need guidance …and control as well.

M.S. (Project Developer):

Fulfilment of contracts: Self constraints helpful as a means to differentiate the firm from its competitors. Deception / withholding information: self constraints would be reasonable but with respects to clients there are already legal constraints which prevent clients from unethical behaviour. However, firms should make clear what they want to offer and what they won’t. IKEA as an example!

Source: Citations from interview sessions conducted for this thesis

Respondents’ statements also revealed the necessity of a consistent legal framework in order to avoid corporate misconduct (C59). Laws and severe punishments are regarded to be crucial in order to clearly outline the boundaries within which firms
should behave. Apart from voluntary actions taken by the firms, owner-managers obviously rely on enforcement of moral behaviour by laws and regulations. These are regarded as a mandatory framework whereas voluntary means are subject to corporate discretion.

**C59**

<table>
<thead>
<tr>
<th>Citations of respondents on legal means necessary to enforce corporate moral behaviour in dealing with stakeholder conflicts:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I.L. (Pharmacy):</strong></td>
</tr>
<tr>
<td>I would avoid illicit work by permitting jobless people to earn money in addition to jobseekers allowance. Furthermore, I think if tax rates would be lower, tax evasion and other unethical behaviours would be reduced. The multi-faceted levels of taxes and contributions lead to practices which are frequently illegal. In my firm I try to avoid any illegal behaviour just because of the dangers which I would face. But many entrepreneurs are not able to go without unethical practices. Reducing complexity of our tax system and overall lower taxes would decrease advantages of immoral conduct. This system even prevents me from granting extra payments for my employees as it would only limitedly contribute to their net income.</td>
</tr>
<tr>
<td><strong>A.H. (Plumber):</strong></td>
</tr>
<tr>
<td>Prevention of corruption and bribery and tax evasion only possible by close control and severe punishments. Ecological conduct to be enforced by legal constraints and norms.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
5.5.2 Deviant Participants’ Statements on Question 6

Deviant interviewees contributed little additional information on this issue. The participant from an international company emphasized the importance of increasing risk awareness in the firm. This also shows that professional risk management is required. Companies should balance business opportunities and risk aspects. Thus, conflicts can be avoided even before they come up. The bank manager reported on his experiences with small firms saying that these businesses should base their behaviour mainly on the principle of reciprocity. He argued following this guideline would reduce potential conflicts to a minimum.

5.6 Interview Guideline Question 7: ‘What role do you believe ethics should play in business generally?’

This question was designed to reveal participants’ general view on ethics in business. Owner-managers’ current perspective was seen to be quite important in order to design a structured approach to integrate moral concern in small business activities. Thus, a basis for the concept would be provided. As it takes participants’ viewpoints into account, a high level of acceptability can be assumed.

5.6.1 Findings on Interview Question 7

Not surprisingly all respondents expressed the importance of moral concern in business. However, while the majority described ethics to be important in their daily business conduct others emphasized ethics should be even more important than it is. It can be assumed that owner-managers generally agree that moral concerns should be important. But the way they argued identified what they regarded to be essential in this respect. Four different categories can be summarized from interviewees’
statements. Reasons for ethical behaviour are given which provide a view of motivations underlying ethical behaviour. Then personal characteristics of owner-managers are described which support ethical behaviour. Furthermore, ethics is described as a means to contribute to corporate goals and achievements. Finally, participants provide their perspective on societal factors of business ethics.

Regarding motivations as a basis for moral concern participants’ statements showed three different views (C60). Nearly one third of the respondents said they simply intend to lead a good life. One third of the participants expressed ethics to be a means for maintaining and increasing corporate success. In contrast, four participants emphasized ethics to be mainly related to the principle of reciprocity.

<table>
<thead>
<tr>
<th>C60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations of respondents on underlying motivations of ethical behaviour in business:</td>
</tr>
</tbody>
</table>
| **A.H. (Plumber):**  
If I expect ethical behaviour towards me, I have to behave in the same way towards corporate stakeholders.  
**S.H. (Restaurant / Bar):**  
Ethics is most important because men can only exist if they try to lead a good life. If one wants to be successful he has to feel good. And if you want to feel good ethical behaviour is a precondition to that.  
**H.-J.K. (Real Estate Agency):**  
In the long run ethical behaviour pays for the company. |

Source: Citations from interview sessions conducted for this thesis

Interviewees also mentioned owner-managers’ personal characteristics which determine moral behaviour of small firms (C61) Owner-managers frequently have to
deal with tensions between business goals and ethical concern. Therefore, characteristics like respect, personality, honesty, trustworthiness, straightness, authenticity, exemplary behaviour, fairness and openness are mentioned as necessary preconditions.

Citations of respondents on owner-managers’ personal characteristics necessary for ethical behaviour in business:

G.M. (Trading Company):

And my experiences also indicate that aspects like moral behaviour, honesty, straightness and trustworthiness pay in the long run. A wide range of tasks in business can only be dealt with successfully if one has a high reputation. And you can only gain this by sustained reliable behaviour.

I.L. (Pharmacy):

I have to rely on my employees because due to my parental commitments I am only every second week in my pharmacy… Respect for my followers is very important, too.

Source: Citations from interview sessions conducted for this thesis

Owner-managers also described ethics to be supportive for firms achieving their business aims (C62). More than half of the participants regarded ethics to be a precondition for internal and external cooperation. Ethics is seemingly important in order to establish mutual trust between the firm and its stakeholders. It also contributes to corporate reputation. This is particularly important because small firms are embedded in local communities.
C62
Citations of respondents on advantages of ethical behaviour for achieving business goals:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Agency/Profession</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.-J.K.</td>
<td>Real Estate Agency</td>
<td>Firms’ ethical behaviour necessary due to its social embeddedness in local communities. Individuals inside and outside the company cooperate if they share similar moral attitudes.</td>
</tr>
<tr>
<td>K.P.</td>
<td>Medical Doctor</td>
<td>My business depends on trusting relationships; therefore ethical behaviour is fundamental for my practice.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

Respondents also provided insight to their societal view on ethics in business (C63). They stressed that legal constraints are necessary in order to enforce moral convictions. The current financial crisis is regarded as a result of a lack in moral concern and legal regulations. Owner-managers regard the occurrence of ethical problems in small firms to be less likely than in big companies. Ethics is also seen as a means to reduce the gap between the poor and the rich in a society.

C63
Citations of respondents on societal perspectives on ethical behaviour in business:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Agency/Profession</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.-J.K.</td>
<td>Real Estate Agency</td>
<td>Ethics is particularly important in legal issues as many laws are established in order to enforce ethical convictions in human interactions.</td>
</tr>
<tr>
<td>N.S.</td>
<td>Advertising Agency</td>
<td>… society-wise: good ethics avoids lobbyism and the widening of the gap between the rich and the poor.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
5.6.2 Deviant Participants’ Statements on Question 7

Deviant interviewees provide a deeper view on this issue. Both respondents agreed on ethics to be important. In big companies managers should behave exemplarily. This could be achieved, if managers’ performance wouldn’t only be evaluated in terms of profits. Rather, their ethical performance should matter as well. From the bank manager’s perspective small firms’ ethical concern is mainly based on fairness in behaviour on the one hand and on obeying given rules on the other.

5.7 Interview Guideline Question 8: ‘Do you consciously apply ethical means in your day-to-day business? Can you please give an example?’

This question aimed to investigate whether small firms’ owner-managers already apply ethical means. In particular, it was intended to find out to what extent participants perceive ethical content in their interactions with stakeholders.

5.7.1 Findings on Interview Question 8

Generally it can be stated that five participants favoured as a strategy not to consciously apply ethical means, while 20 respondents provided a variety of different means they regarded to be ethical. In the latter group, two different dimensions can be identified. A part of the owner-manager group again named personal attitudes and behaviours which they believed would guide their moral concern. Other interviewees gave direct hints on structural instruments inside the firm. They are seen to be useful in order to integrate ethical behaviour in business. As in the case of other interview questions, interviewees’ statements show that owner-managers obviously focus on the two major stakeholder groups mentioned in interview question 1: employees and clients.
Owner-managers, who favoured personal attitudes and behaviours rather than structural means, focused their perspective on interaction with employees (C64). In this respect leadership and guidance of staff is seen to be the most important aspect. Interviewees emphasized exemplary behaviour, openness, trustworthiness and honesty, authenticity and respect towards employees. They try to learn from them, anticipate the perspectives and private commitments of their followers, integrate them in decision making and put an emphasis on cooperation. Furthermore, interviewees argued they would try to further motivate their workforce, which positively contributes to their commitment to the firm’s goals.

<table>
<thead>
<tr>
<th>C64</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations of respondents describing personal attitudes and behaviours as consciously applied ethical means:</td>
</tr>
</tbody>
</table>

F.S. (Architect):

Leadership, open communication, integrating employees in decision making (kaizen-meetings) – has to be improved. Owner-managers try to understand the different perspectives of employees.

A.N. (Landscape Gardener):

Establishing a good climate of cooperation in the firm is important. Employees should be treated as individuals not just as means for achieving corporate goals. … and their needs and commitments like e.g. family and so on should be taken into account. In all respecting fundamental human rights at workplaces should be normal. We also consider employee’s holiday requests whenever we can make it possible.

Source: Citations from interview sessions conducted for this thesis
Respondents described several structural means as well (C65). The suggestions are related to different stakeholders of the firm. Regarding employees two aspects are seemingly most important. Firstly, regular private meetings and activities with the firm’s staff and their families are mentioned. Secondly, providing secure long term employment is of major importance.

Owner-managers should carefully select employees who fit into the firm. Providing them with training and encouraging further education is essential. Establishing a friendly and comfortable work atmosphere and supporting their private commitments – e.g. by providing parental leaves – are aspects to be reflected in practice as well.

C65

<table>
<thead>
<tr>
<th>Citations of respondents on structural ethical means applied in their companies:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B.S. (Dental Laboratory):</strong></td>
</tr>
<tr>
<td>I try to motivate employees for example by activities outside the firm.</td>
</tr>
<tr>
<td>Recently we’ve been walking together in the forest nearby.</td>
</tr>
<tr>
<td><strong>A.K. (Men’s Outfitter):</strong></td>
</tr>
<tr>
<td>I try to provide job-safety to employees. May be I’m not typical for entrepreneurs because employees’ wellbeing is absolutely central for me. Therefore, it is one of my most important aims to maintain the jobs of the staff regardless the problems which sometimes result from this attitude. I think it is essential to maintain an understanding of how employees’ life might be. Providing staff with understanding and job safety contributes to corporate success, because employees then are more efficient in their daily work.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis
Respondents also stressed their commitment to the highest possible quality of products and services (C66). Constant improvements are mentioned as an aim for the firm. This requires technical expertise and knowledge particularly of the owner-manager. Thus the firm is able to provide fair value for money, which is seen to be a moral obligation of the business.

<table>
<thead>
<tr>
<th>C66</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citations of respondents on consciously applied means focussing on the firms’ products and services:</td>
</tr>
<tr>
<td>A.M. (Interior Decorator):</td>
</tr>
<tr>
<td>I try … fair value for money. …If you regard my shop and the materials used it becomes obvious that those who are constantly seeking for the biggest discount are definitely not in the focus.</td>
</tr>
<tr>
<td>G.E. (Flower Shop and Farm):</td>
</tr>
<tr>
<td>I think there is a relation between professional qualification, moral concern of the owner-manager and economic success of the firm. Your company will be very successful if you are really qualified and if you take ethical aspects honestly into account.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

These efforts directly relate to means which are focused on the firms’ most important external stakeholder group: the clients (C67). Owner-managers emphasized reliability and fairness in behaviour towards clients. In this respect, procedures like e.g. billing practices have to be carried out exactly according to the contracts. They said it would be important to make clear what the firm stands for. Furthermore, they regarded it as important to anticipate the expectations and needs of their customers.
C67

Citations of respondents on ethical means focussing on the firms’ customers:

M.S. (Project Developer):

Everyone should know what can be expected by our company… We have some principles (on-time-payment, solving problems and disputes in cooperative dialogues…).

M.T. (Electrician):

I try to offer fair value and to bill my services accordingly.

Source: Citations from interview sessions conducted for this thesis

Only one interviewee named environmental issues in the statement on this interview question (C68). Nevertheless, the statement is taken into account because it reveals possibilities of how to apply ecological means in business. The participant obeyed regulations requiring a distinct standard in farming. Furthermore, he used subventions granted for ecological investments. Both means have an ethical content; though their application provided financial benefits to the respondent.

C68

Citations of respondents on means focussing on environmental concern:

H.H. (Farmer):

When I started to work as a farmer I always used a mask when I applied chemicals on the fields. I felt that chemicals can’t be a solution in the future. The fields are temporarily handed over by my ancestors and consequently I switched to ecological farming. And then I even installed solar panels. But this was more an investment than a result of moral concern. Governmental contributions make solar energy quite beneficial.

Source: Citations from interview sessions conducted for this thesis
5.7.2 Deviant Participants’ Statements on Question 8

Deviant interviewees contributed information about consciously applied ethical means as well. In big companies interest is obviously focussed on structural means emphasizing moral concern with respects to employees. This relates to keeping to standards for safe and healthy workplace conditions, protecting employees from harmful materials, providing them with extra free time and sabbaticals and investing in their further education. In addition, big companies which frequently employ workforces around the world take equal opportunities of people from different gender and culture into account and respect the rights of minorities. These standards are codified and consequently the company’s conduct can be checked against its policies.

The bank manager reported his client firms would mainly focus their moral concern on mutually trustful relations. This is achieved by reliable behaviour of owner-managers. The banker also expressed owner-managers’ attitude and education to be decisive for establishing such relationships.

5.8 Interview Guideline Question 9: ‘Do you or your company apply a code of ethics or similar self constraint? Would it be possible for me to have copy of this document?’

In big companies written codes of ethics are frequently applied. This question was designed to investigate the degree to which written codes are established in small firms. It deliberately asked for codes or similar self constraints because it was assumed that small firms might not have developed a code but might have similar documents with guiding principles for their behaviour. At the same time it was
assumed that statements would also give insight to reasons for support or denial of usage of written self constraints. Finally examination of already applied codes was aimed for.

5.8.1 Findings on Interview Question 9

Participants’ statements on this interview question provide a mixed impression. 13 out of the 25 interviewees denied having any written codes or similar self constraints while 12 expressed applying codes or at least some principles written down in brochures, homepages, flyers or handbooks in quality management processes. Five respondents described written codes to be not necessary or helpful at all (C69). In addition, nine participants expressed ‘living’ certain ethical values would be most important in small firms’ business conduct.

<table>
<thead>
<tr>
<th>Citations of respondents denying importance or usefulness of written codes or similar self constraints and emphasizing the importance of ‘living’ ethical values:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.H. (Plumber):</td>
</tr>
<tr>
<td>I think it is not necessary to write it down – we just live these rules.</td>
</tr>
<tr>
<td>A.G. (Engineer):</td>
</tr>
<tr>
<td>We don’t have any written code. I presume that my employees – who are highly educated – know how to behave ethically. May be I would even limit them with a written code.</td>
</tr>
</tbody>
</table>

Source: Citations from interview sessions conducted for this thesis

In contrast, five of the owner-managers considered written codes to be necessary and important in their business (C70).
Citations of respondents expressing the importance of written codes or similar self constraints:

F.S. (Architect):

Only in broad terms in our internet homepage. We should clearly express corporate mission and corporate ethics. This would also improve our leadership approach.

I.L. (Pharmacy):

As a part of a quality management system I had to establish a guideline about what we want to work. My employees and I had to sign this sort of vision and I think this enforces the commitment towards established goals. I think it is quite helpful to write down what one intends to be in business.

Source: Citations from interview sessions conducted for this thesis

However, asking respondents to hand over a hardcopy of these documents it turned out that only few availed a code or a similar self constraint. In fact, only five participants provided a document containing at least basic information on what is understood as a code. One out of these was the deviant interviewee from a big international company. Not surprisingly, only five of the owner-managers distinctly supported written codes to be necessary and important. Those who expressed having some statements in their handbooks of quality management – with one exception – couldn’t even say where they stored this information. Some respondents emphasized their internet homepage would contain at least some similar ideas. However, in reality the internet homepages investigated didn’t provide much more than some promoting statements on the firms’ quality products and services and similar
information. The findings generated from questionnaire question 9 on code application (C 69 and C 79) show that a considerable share of respondents regards codes to be inadequate to improve ethical behaviour in business; a view which is congruent with the findings of Webley and Werner (2008). Obviously, other measures are necessary in order to achieve this aim and respondents’ statements provided a lot of suggestions in this respect.

An example for a comprehensive framework of a written guideline was provided by the deviant interviewee from the big international company. This overriding code consisted of statements on corporate purpose, corporate values and behavioural guidelines. From these general guidelines the company derived policies which exactly define the boundaries between acceptable and unacceptable behaviour and conduct.

Out of the four small firms’ owner-managers who presented a written guideline two regarded their firm’s brochure to be a sufficient means. However, these documents provide hardly more than promoting statements on products and services. Both put an emphasis on their quality strategy. One of them, Interviewee A.K., distinctly mentions a corporate philosophy in which the clients’ needs are in the focus. The firm intends to address these needs by regular relationships, honesty, friendliness and expertise. The other firm, (interview H.S., tax advisor) used its brochure solely for describing the partners and employees of the firm as well as the scope of its services. Therefore, both firms failed in establishing any written self constraints which bind them with regards to different stakeholders.
A more advanced approach was attempted by a small electrician firm (interviewee M.K.). It established a document consisting of corporate philosophy, products and services, service philosophy and a CV of the owner-manager. Though it has to be stated that corporate philosophy and service philosophy mix some elements and are only directed to one stakeholder group – the customers – it is nevertheless interesting that the owner-manager tried to establish a structured approach.

A remarkable approach to establishing an ethical code was provided by the respondent I.L. She established a guideline during quality management process but developed it into a comprehensive code for her staff. All employees entering the firm have to sign this code. Though it is not structured by any headings it nevertheless clearly outlines what behaviour is expected from the employees. It states how the pharmacy has to be presented and how future developments in the market should be addressed. As all employees have to sign this document, binding effects and a higher commitment with regards to corporate goals ensues.

5.8.2 Deviant Participants’ Statements on Question 9

Statements of deviant interviewees support the findings gained on this interview question. The risk manager from an international company simply mentioned that the firm would apply a comprehensive written guideline. This is in fact no surprise as big firms are known for having established written codes of conduct which frequently can be found on their internet homepages. The bank manager from a regional bank added that his employer would have established a written code as well while his client firms from the small business sector wouldn’t have such codes.
5.9 Summary of the Results

This section presented the results gained during data analysis. For providing comprehensibility of the outcome, core statements have been highlighted by quotations of interview participants. Thus, it was intended to explain how the descriptions of the results are understood.

The motivation for ethical behaviour in small business is mainly based on owner-managers’ wish to lead a good life and on the reciprocity principle. It is also important that ethics has to pay for the firms. Enforcement of ethics depends on the personality of the owner-manager. The leadership approach is most important, while structural means are less emphasized than they are in large firms. Respondents regarded exemplary behaviour, openness, trustworthiness, reliability, transparency, responsibility and respect to be key aspects of leadership. With regard to participants perception of stakeholder importance it became obvious that clients, employees and owner-managers are crucial for their business, while all other stakeholders are seen to be not crucial for the firms.

Main problems and conflicts have to do with clients’ payment practices and with different understandings of contracts. In relation to employees, conflicts regarding remuneration, work quality and service understanding occur. Problems among owner-managers frequently deal with different aims and strategic understandings. There are many means suggested by respondents to deal with the described stakeholder conflicts and problems. Apparently, solutions emphasize personal interactions of owner-managers. Getting in direct personal contact with stakeholders appeared to be a key advantage of small firms, compared to large firms. This is
similarly true in ethical dilemma situations. Corrupt practices, environmental problems, fulfilment of contractual agreements and tax evading practices are issues which matter for many of the owner-managers included in the study. An ethically sufficient response is many times hard to achieve for small firm owner-managers, given the economic pressure they experience. Consequently, laws and stringent law enforcement are suggested.

While respondents stressed the importance of the personality of an owner-manager, structural means to integrate ethics in business are less common in small business. Codes or similar self constraints which are important means in large corporations are hardly applied in small ones. Some participants even stated codes wouldn’t be applicable in the small firm context, whereas others admitted the general importance of structural means. However, many respondents pointed out that ‘living certain values’ would be essential to integrate ethics in business.

In the study deviant interviewees were deliberately included in order to validate research results. This is an important quality criterion for qualitative research as it allows clarifying the boundaries of the research approach. Therefore, a bank manager who has to deal with small firms on a daily basis and a manager from an international company were included. The former provided experiences with a vast range of different small firms, while the latter revealed differences between small and big business. The results of this test are summarized in Table 10:
<p>| Interview question 1: | Difference to small business: big firms have to deal with shareholders as one of the most important stakeholder group! | Confirms the importance of clients and employees. However, banks are regarded as third important stakeholder group while interviewees rated owner-managers third important. |
| Interview question 2: | Difference to small firms: main emphasis is put on shareholders’ expectations which have to be aligned with long-term corporate goals. | The findings of the interviews are widely supported by the bank managers’ experiences. |
| Interview question 3: | Differences to small firms: conflicting interests between shareholders and corporate management. Immanent conflicts between corporate management and risk management. With regards to clients protecting their privacy but complying with current laws causes conflicts. | Confirmed interview findings to a wide extent. Addresses bad payment practices of clients and puts an emphasis on a firms’ social responsibility towards its employees. |
| Interview question 4: | See answers on question 3 | See answers on questions 3 |
| Interview question 5: | Differences: Corruption / bribery: happens especially in international business if foreign markets are accessed. Deception / withholding information: hardly occurs due to highly standardized services Environmental problems: voluntary internal actions to raise awareness. Fulfilment of contracts: compliance with contracts, but payments as late as possible due to mighty position of a big firm. Tax evasion: compliance with the laws, however using all possibilities of an international firm by allocating head quarters at low tax countries. | Corruption / bribery: confirms findings in interview statements. Deception / withholding information: emphasises dependence of small firms on regular clients. Environmental problems: regards laws to be crucial for enforcement of ecology as voluntary actions wouldn’t be affordable for small firms. Fulfilment of contracts: supports findings from the interviews. Emphasizes the problems delayed payments of clients cause in fulfilment of the firms obligations towards suppliers. Tax evasion: supports the evasion of value added taxes in business with private clients. |
| Interview question 6: | Differences: balancing business opportunities and risk aspects required. | Expresses the principle of reciprocity to be the guideline for small firms’ behaviour. |
| Interview question 7: | Difference: recommends managers shouldn’t be paid solely due to profit results but as well according to ethical performance. | Emphasizes fairness and compliance with the laws to be most important. |</p>
<table>
<thead>
<tr>
<th>Interview question 8:</th>
<th>Difference: big firms mainly apply structural means and codes and policies for ethics enforcement. Equal opportunity policy of all employees in all countries is emphasized.</th>
<th>Main focus on mutually trustful relations, reliability. Owner-managers’ attitude decisive for ethical concern in small business.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview question 9:</td>
<td>Difference: big firms emphasize comprehensive written codes and policies for behavioural guidance.</td>
<td>Confirms owner-managers’ attitude towards codes. Almost any small firm applies written codes or similar self constraints.</td>
</tr>
</tbody>
</table>

Table 10: Check of findings against deviant participants statements

The results of this research will subsequently inform answers on the sub-questions and consequently the main research question. The final outcome will be a document advising small firms’ owner-managers on how to integrate ethical concern in their business activities.
6. Answering the Research Questions

This section will answer the research sub-questions and the main research question.

The following Figure summarizes the structure of this chapter:

Figure 10: The structure of chapter 6 – Answering the research questions (SQ)
The section consists of two parts: a descriptive and a normative one. In the descriptive part of this section the outcome of this research is described and explained. For this, the research sub-questions are answered by drawing conclusions from the results-section. Within the methodology chapter a framework was established which related the questions in the interviews to distinct research sub-questions by clearly describing in which way each of the questionnaire questions was expected to inform the answers on the above research sub-questions. These relations were displayed in Table 8.

The answers to research sub-questions given in the respondent data led to the development of four components with various sub-components which emerged from the findings in the results section. This process was highly subjective in that the author drew conclusions how to best develop a model which would allow summarizing the findings of the result section thematically under four headings and several subheadings to provide a manageable order sufficient to the assumed application in business practice. In order to provide comprehensiveness and traceability of this interpretive procedure, all citation boxes in section 5 were labelled by the letter ‘C’ (= citation box) and a consecutive number. The answers to the research sub-questions clearly refer to these labels. Only in some cases the results did not provide enough information to fully develop a component. In these cases, references from scholarly literature are used to inform the component in question. It must be stated that the development of the four categories was based on the authors subjective decision on how to best summarize the findings in the result section in a thematic order. One could have chosen different or more or less categories. To assure quality criteria of qualitative research, the interpretive step is reasoned in the
following sections and it is made comprehensible by the references made to the result section (C-box and consecutive numbers).

The second part in this section is a normative response to the research findings. It aims at addressing the problems which were revealed in answering the sub-question. The elements described above are used to constitute the framework for a normative Ethics Integration Guideline. The prescriptive procedure in this part is to suggest diagnostic questions and imperatives for the Ethics Integration Guideline which is the final outcome of the research. For comprehensiveness and traceability, the interview data constituting the detailed evidence is placed in Appendix 9.3. Furthermore, to display all questions and imperatives emerging from the interview data, Appendix 9.4 provides a full Table with all themes developed from the research. They are labelled with the letters ‘DA’ (= data analysis sheet) and consecutive numbers in order to find the interpretative origin of each of the arguments included.

In order to assure a practicable instrument as final outcome of the thesis, a selection of themes included in the Ethics Integration Guideline was made.

The answer to the main research question is reflected in two tools: a diagnostic tool and a set of behavioural instructions; both developed as the final outcome of this research: The Ethics Integration Guideline. This instrument is designed to answer open questions related to small business ethics which were hardly addressed in previous research (Fassin 2008). The guideline aims at emphasizing those issues most important to small firm owner-managers. It intends to cope with the frequent lack of resources in small business (Spence 1999, Lepoutre & Heene 2006), where ethical questions are concerned. It also considers diversity of the small firm sector.
(Jenkins 2006). The Ethics Integration Guideline is designed to provide a flexible and applicable tool which utilizes both, research findings on small business ethics and the individual perspectives of small firm owner-managers who are willing to integrate ethics in their firm. The outcome is a unique approach proposed to serve the particular demands of small business ethics. However, it must be stated that the research did not include a test whether the Ethics Integration Guideline would be accepted by small firm owner-managers. This should be evaluated in the future.

6.1 Answering Research Sub-Question 1

This section provides an answer to the research sub-question:

“How do owner-managers perceive business ethics practice in general?”

It intended to find out owner-managers’ perspectives on ethics in business. It was expected interview question no. 7 would mainly contribute to the answer on this research sub-question; however, statements on other interview questions added valuable information as well.

6.1.1 Findings on Research Sub-Question 1

The research clearly shows that ethics in small firms is inseparably connected to the personality of the owner-manager(s). Personal values such as respect, honesty, trustworthiness, straightness, authenticity, and openness are regarded as most important. They determine the general guidance of the firm and, at the same time, influence the enforcement of ethics by the owner-manager. The leadership approach serves to put ethics into practice, which becomes visible, for example, in the level of exemplary and fair behaviour in business (C57, C61). This shows that any attempt at ethics integration requires overriding owner-manager guidance on the one hand, and
measures to enforce ethical behaviour on the other. Therefore, these two aspects have to be prominently included in the normative response to the research findings.

Why do owner-managers of small firms emphasize the person rather than the firm when it comes to dealing with ethical issues? Business experience of the author of this report indicates that small firms are normally not marked by sharp separation of ownership from management. Small firm owners normally fail in limiting personal liability even if their firm is constituted as an artificial person such as a ‘Limited’ or – in Germany – a ‘Gesellschaft mit beschraenkter Haftung’ (GmbH = Company with limited liability). Usually financiers require owner-managers to accept unlimited personal liability for corporate debts.

Furthermore, many laws hinder limitation of liability. This is particularly true for tax laws, product liability and in cases of corporate bankruptcy. As a consequence, the owner-manager’s personal welfare is normally inseparably connected to success of the firm. Conflicts between shareholders and the company can occur in large firms. In small business these conflicts arise as inner conflicts of the owner-manager or owner-manager group (C10). This is completely different from the situation of managers in large corporations. In most cases, managers’ misbehaviour is mainly charged to the expenses of the company’s shareholders and other stakeholders, while the managers are frequently not being held financially responsible.

Given the importance of small firm owners’ values and characteristics, it becomes understandable that ethical behaviour in small business is mainly based on informal strategies. This supports some findings in recent research (Hiss 2009, Russo &
Tencati 2009). Informal strategies become obvious through owners’ attitudes and behaviour, rather than by structured instruments established in the firm (C64). Owners tend to emphasize those stakeholder groups which appear most important to them. Leadership and exemplary behaviour are mainly emphasized (C57). As they frequently feel under pressure due to time constraints and a vast range of duties, they prefer an approach of mutually stimulating and empowering leadership (C26). Employees are integrated in decision making which helps to overcome the work overload many owners face in business.

The investigation also shows the importance of sharing owner-managers’ values inside and outside the firm (C39, C57, C69). Making clear what the firm stands for is seemingly of crucial importance for owners in order to minimize occurrence of stakeholder conflicts (C46, C58, C67). At the same time, small business owners lack a clear idea how to consciously establish a formalised, superordinated guidance for their firm (C70, Jenkins 2009). While the research reveals the desire for such an overriding rule set, interviewees gave no recommendations for how to sufficiently develop it. For this, scholarly literature is consulted in order to complement the overriding guideline of the firm; thus bridging the gap between the conviction that it is right to behave morally in business and the wish to conceptualize and describe this behaviour.

Scholarly literature recommends establishing a company’s vision and mission to be suitable means to good ethics practice. Vision and mission constitute the normative basis of a firm (Bleicher 2001). The former contains the guiding idea of the firm by briefly describing the ideal future state the company is seeking. The latter outlines
the road to achieving the vision. The mission should describe core values which guide the firm’s conduct. Given the importance of shared values inside and outside the firm (C39, C57, C69), it is important to define these values from the owner’s perspective. Corporate mission and vision should incorporate business and ethics goals of the firm (Bartkus, Glassman, & McAfee 2006; Chell 2007; Jamali, Zanhour, & Keshishian 2009).

6.1.2 Implications of the Findings on SQ-1 on the Ethics Integration Guideline

The findings gained suggested establishing an ethical guidance instrument that guides all activities of the firm, and an ethics enforcement system. The former can be described as follows:

Component 1: Ethical Guidance Instrument of the Firm:

- Corporate vision and corporate mission (General: C39, C46, C57, C58, C67, C69, C70. Particular: Bartkus, Glassman, & McAfee 2006; Chell 2007; Jamali, Zanhour, & Keshishian 2009)

- Value system (C39, C57, C61, C69)

While vision and mission are related to the company, the values can be seen as intermediaries between the firm and the individual owner-manager. Therefore, it is crucial to find out core values first, because they have direct impact on vision and mission of the firm.
The answer to research sub-question 1 also required considering how to put vision, mission and values into business practice. Given the importance of an owner-manager’s personality and behaviour, leadership will be one important aspect.

Component 2: Ethics Enforcement System

- Leadership (C10, C26, C57, C64)

Content of the ‘Ethics enforcement system’ will rely on additional elements from answers to the following research sub-questions. Consequently, the final formulation of this component will be subject to further discussion below.

6.2 Answering Research Sub-Question 2

This research sub-question asks:

“How do owner-managers experience ethical dilemma situations?”

The sub-question focused on conflicts small firms’ owner-managers have in relation to their stakeholders and a variety of ethical dilemma situations. It intended to find out the key conflicts with different stakeholder groups. The answer to this research sub-question is mainly informed by statements on those interview questions which asked for respondents’ experiences with conflict situations and morally problematic issues.

6.2.1 Findings on Research Sub-Question 2

The investigation reveals a rich picture of how owner-managers experience stakeholder conflicts and ethical dilemmas. Generally, owner-managers of small firms feel personally concerned with ethical conflicts. Consequently, statements
show that they have to respond to these issues personally as well. One reason for this might be that owner-managers are frequently financially harmed as individuals by the consequences of stakeholder conflicts and ethical dilemma situations (C9, C19, C20, C22, C30, C31, C47, C49, C64). This is completely different from large corporations. They are marked by managers normally not financially responsible for losses of their firms. Rather, the shareholders have to bear the financial consequences. This phenomenon can be explained by the ‘principal – agent – principle’ (Erlei, Leschke, & Sauerland 2007).

Owner-managers mainly experience conflicts with clients, employees, and owner-managers. Furthermore, they mention problems with suppliers, banks, and state and society (C2). The conflicts with these stakeholders frequently result from competing aims and expectations, a lack of clarity of the firm’s products and services, and confusing contractual agreements (C5 – C36). Given the limited resources of small firms (Lepoutre & Heene 2006), owner-managers must concentrate their efforts on those stakeholders they regard to be most important. This is justifiable because respondents describe the greatest variety of potential problems with those stakeholders they rated most important (C5, C6, C7, C8, C9, C11). If firms focus on these stakeholders, they will achieve a broad coverage of ethically relevant issues with limited resources. In other words, this approach optimizes resource allocation with regards to corporate moral behaviour.

In cases of ethical dilemmas, owner-managers are mainly concerned with unclear legal boundaries (C37, C50, C52), and with economic pressure which makes small business vulnerable to unethical conduct (C38, C44, C51). It becomes obvious that
behaviour in ethical dilemma situations is frequently driven by unclear boundaries between moral and immoral conduct (C38, C41), financial motivations (C40, C44, C51) and laws and legal constraints (C50, C52, C53, C56).

The differentiation between stakeholder conflicts and ethical dilemmas makes sense, although it is clear that dilemmas always occur in relation to certain stakeholders and stakeholder conflicts frequently come along with ethical dilemma situations. However, in many cases respondents are not aware of the stakeholders involved in ethical dilemmas. They know about the potential dilemmas but do not consider the stakeholders in these situations. The environment, future generations, the taxpayers and others aren’t mentioned as important stakeholders (C1). Similarly, respondents hardly described any experience related to one of these stakeholders (C5 – C36). This indicates the importance of including both, dilemma situations and stakeholder conflicts in the Ethics Integration Guideline.

6.2.2 Implications of the Findings on SQ-2 on the Ethics Integration Guideline

The findings suggest a twofold approach to address stakeholder conflicts and ethical dilemmas. Although the research carried out for this report already covered a broad range of stakeholders and dilemmas, the guideline to be developed in this research must address further stakeholder conflicts and ethical dilemmas. This is important because the small firm sector is quite diverse. It is doubtful that any approach would fit the needs of all firms (Jenkins 2006). If the Ethics Integration Guideline developed in this thesis intends to overcome the problem of diversity in this sector, it has to take varying perspectives and experiences into account. The guideline meets this requirement in that it encourages owner-managers to include stakeholders,
conflicts and dilemmas other than those addressed in the guideline. This procedure contributes to the flexibility and adaptability of the intended Ethics Integration Guideline for small business.

As a consequence, the next two components developed here are described as follows:

Component 3: Stakeholder Management System

- Addressing issues mentioned in participants statements (C2, C5 – C36).
  Prioritize efforts by perceived stakeholder importance (C5, C6, C7, C8, C9, C11).
- Asking for further stakeholders and stakeholder conflicts anticipated or experienced in the course of daily business.

Component 4: Ethical Dilemma Management System

- Addressing dilemma situations included in the research. Prioritize by perceived dilemma importance (C37, C38, C40, C41, C44, C50, C51, C52, C53, C56).
- Asking for further ethical dilemmas anticipated or experienced in the course of daily business (C1, C5 – C36).

These two components will be complemented and enriched by the answers on the following research sub-questions.
6.3 Answering Research Sub-Question 3

The research sub-question to be answered here is:

“How do owner-managers identify and rank different stakeholders?”

This research sub-question intended to find out which stakeholders are regarded as most important by small firm owners. In addition, it tried to illuminate the perspective of owner-managers when identifying the most important reference groups of their business. Identification of relevant stakeholders is crucial to establishing mutually beneficial relationships (Russo & Perrini 2009) – a key claim in stakeholder theory.

The ranking enabled one to focus owner-managers’ efforts on the most important groups. Given small business limited resources (Lepoutre & Heene 2006), it is necessary to identify the most important stakeholder problems (Avram & Kuehne 2008) in order to optimize resource allocation. The information gained in interview question 1 was central for answering this research sub-question. Statements on other questions in the questionnaire are partly taken into account as well.

6.3.1 Findings on Research Sub-Question 3

Owner-managers identify their firms’ stakeholders by perceived importance of business activities and influence on corporate success (C2). In broad terms there are two main perspectives: on the one hand owner-managers consider corporate resources to be most essential for the firm’s success (C4). These respondents put an emphasis on the importance of employees and owner-managers. This is in accordance with the resource based view on organizations (Barney 1991). On the other hand a group of participants focuses on external stakeholders (C3). In this
Perspective clients are marked to be most important. This view represents a market-based view of organizations (Porter 1980).

Moreover, the investigation suggests, that owner-managers differentiate essential stakeholders from stakeholders which lack this crucial importance (C1). Regarding the variety of stakeholders mentioned by respondents, only clients, employees and owner-managers received rank-one entries. Furthermore, out of the overall entries per stakeholder, these groups got the majority of rank 1 and rank 2 entries. Clients are mentioned most frequently followed by employees and – with considerably fewer entries – owner-managers (C1, C2). Apart from these essential stakeholders, suppliers and banks received nearly as many entries as owner-managers; however, they were never rated rank 1 and hardly ranked 2. The other reference groups named by respondents played only a minor role (C1). This outcome matches with the findings of Clarkson (1995) who distinguishes between primary and secondary stakeholders. While firms are constantly dependent on the former, the latter are not in such a strong position.

Owner-managers don’t regard state and society and the general public to be important stakeholders (C1). In contrast to many large corporations, small firms are hardly concerned with these groups. Big companies are frequently dependent on compliance issues and on public opinion, while small firm activities are rarely of general interest. Normally, their business does not affect many people or even the whole public. Nevertheless, the low ranking of state and society and the general public is a surprise. While they don’t play a role in the ranking, issues related to these stakeholders are frequently addressed in other interview statements. Laws,
rules, regulations and norms are seemingly always present in the daily course of business. Owner-managers mention tax laws, detection risks of corrupt actions, questions of contract design etc (C5, C16, C23, C34, C36, C46, C50, C52, C 53, C54, C56, C59, C63, C68).

Given the many times limited resources of small business, the findings suggest that the Ethics Integration Guideline should prioritize clients and employees followed by owner-managers, suppliers and banks in order to optimize effectiveness of the approach. This procedure reflects the particular circumstances of small firms. Large corporations are frequently said to apply a reactive approach to business ethics (Donaldson 2008). They mainly focus on establishing policies and codes in order to avoid misconduct and failure in compliance. The stakeholder management approach proposed above goes beyond this point. Anticipating stakeholder conflicts and addressing them proactively (Verbos, Gerard, Forshey, Harding, & Miller 2007) improves the firm’s internal and external relationships. It doesn’t solely consider avoiding misconduct, but seeks to be a good corporate citizen (Ulrich 2001). The way suggested here is based on the results of this research. At the same time, it leaves space for the particular perspectives and needs in an owner-manager’s firm, thus enhancing applicability and acceptability of the approach.

6.3.2 Implications of the Findings on SQ-3 on the Ethics Integration Guideline

The answer to research sub-question 3 recommends carrying out a stakeholder ranking as part of component 3, the stakeholder management system:

Component 3: Stakeholder Management System
• Carrying out a stakeholder ranking with reference to the stakeholder groups identified during the research (C1, C2, C3, C4). Emphasis on clients, employees and owner-managers (C1). Including banks and suppliers and – where appropriate – state and society and the public (C1, C5, C16, C23, C34, C36, C46, C50, C52, C53, C54, C56, C59, C63, C68).

• Addressing issues mentioned in participants statements (C2, C5 – C36). Prioritize efforts by perceived stakeholder importance (C5, C6, C7, C8, C9, C11).

• Asking for further stakeholders and stakeholder conflicts anticipated or experienced in the course of daily business.

The stakeholder ranking complements the component on stakeholder management by helping to concentrate business resources on those stakeholder groups regarded to be most important by research participants. It also contributes to the specific needs of small firms. It is based on the outcome of the investigation in this report. At the same time, it asks owner-managers to add their views and their experiences; thus optimizing the efforts on integrating ethics in small firms’ business activities.

6.4 Answering Research Sub-Question 4

This research sub-question asked:

“How do owner-managers try to cope with stakeholders’ interests?”

The question aimed at finding solutions which are currently applied or at least suggested by owner-managers in order to cope with stakeholder conflicts and ethical dilemma situations. This thesis intends to develop an Ethics Integration Guideline helping small firm owners to systematically apply ethical means in their business
activities, and using the suggestions made by participants of the investigation helps to increase the acceptability of the entire approach.

Adopting owners’ specific expectations contributes to designing a guideline which serves the needs of this very group. It doesn’t simply emphasize ‘what ought to be’, but intends to develop a practical instrument based on the particularities of small firms. The answer to this research sub-question is informed by statements on interview question no. 6, but will be complemented by findings from other interview questions as well.

### 6.4.1 Findings on Research Sub-Question 4

The research suggested a wide range of measures to cope with stakeholder conflicts and ethical dilemma situations. The findings gained complement the categories already established above. They contain individual and instrumental measures.

Many of the means proposed contribute to Component 2, the ethics enforcement system. The leadership aspect, which was already established above is again emphasized (C9, C57, C64). It is directly connected with the values which drive corporate behaviour and which have been explicated in component 1. These values must be explained in order to establish a widely accepted understanding of its meanings. For this, the values must be translated to the business practice of the particular firm; thus clearly explaining what the firm will do in critical situations (C57, C64, C69, C70).
The findings also suggested a range of behaviours in different stakeholder conflicts and ethical dilemma situations. In order to provide guidance for all individuals in the firm, these expected behaviours must be clearly described so that everyone knows what he or she is supposed to do (C27, C39, C42, C43, C55, C57, C58, C59). It is important to note that this guidance relates to those stakeholder conflicts and ethical issues described as being most important in small business. Clearly, it is not intended – and also not possible – to develop a complete list of behaviours for all possible problem or dilemma situations. Rather, it aims at focussing on the most occurring ethical issues and to establish a congruent response by the firms which is shared by owner-managers and employees. For this, training and awareness building are crucial to build an ethical climate. Training is internally orientated while awareness building is directed to internal and external stakeholders of the firm. Both aspects are important in order to fulfil the claim of ‘shared values inside and outside the firm’ (C25, C43, C58, C65, C70). These values help to develop a basic understanding of how to respond to stakeholder conflicts and ethical dilemmas.

With regards to stakeholder conflicts the findings suggest one should check whether the solutions described (C20, C21, C22, C23, C26, C27, C30, C31, C33, C35, C36) in interview statements are usefully applicable in the firm. This procedure enables owners to learn from experiences of other owner-managers without limiting their creativity in finding their own solutions. Based on the core values identified during development of the overriding guideline, small firms can easily check whether or not the measures taken in stakeholder management comply with the firm’s values (C57, C69). In other words, each action planned in order to address potential or current stakeholder conflicts should be assessed against the values determined. This
contributes to the claim of ‘living certain values’ which was frequently mentioned to be most important in small firm ethics. Stakeholder conflict management is not only focused on solutions, but on solutions which are guided by the core values of a firm (C64, C70).

The measures to deal with ethical dilemmas proposed in the interviews (C39, C42, C43, C46, C48, C49, C53, C54, C55, C56) must be checked against useful applicability as well. Frequently, owner-managers aren’t aware of the legal boundaries which differentiate legal from illegal behaviour. This relates to the compliance aspect of corporate behaviour. In addition, owners must develop a clear understanding of the boundary between moral and immoral behaviour. Again, checking every means established against the core values of the firm contributes to this aim. It should lead to a stringent, value driven corporate behaviour which is visible inside and outside the firm (C25, C43, C58, C65, C70). If the actions are to comply with corporate values, small firm owner-managers must consider developing corporate codes or behavioural guidelines (C70) which advise management and staff how to address ethical dilemma situations.

6.4.2 Implications of the Findings on SQ-4 on the Ethics Integration Guideline

The findings gained suggest complementing component 2 on ethics enforcement, component 3 on stakeholder management and component 4 on ethical dilemma management as follows:

Component 2: Ethics Enforcement System

• Leadership (C9, C10, C26, C57, C64)
• Explaining the meaning of values determined in component 1 (C57, C64, C69, C70)

• Behavioural guidance (C27, C39, C42, C43, C55, C57, C58, C59)

• Training and awareness building (C25, C43, C58, C65, C70)

Component 3: Stakeholder Management System

• Carrying out a stakeholder ranking after identifying stakeholder groups mentioned during the research (C1, C2, C3, C4). Emphasis on clients, employees and owner-managers (C1). Including state and society and the public (C1, C5, C16, C23, C34, C36, C46, C50, C52, C53, C54, C56, C59, C63, C68).

• Asking if there are further stakeholders of the firm.

• Addressing issues mentioned in participants’ statements (C2, C5 – C36). Prioritize efforts by perceived stakeholder importance (C5, C6, C7, C8, C9, C11).

• Asking for further stakeholder conflicts.

• Checking solutions proposed during the interviews (C20, C21, C22, C23, C26, C27, C30, C31, C33, C35, C36) for useful applicability.

• Raising potential solutions by the owner-manager.

• Checking proposed solutions against core values of the firm (C57, C69).

Component 4: Ethical Dilemma Management System

• Addressing dilemma situations included in the research. Prioritize by perceived dilemma importance (C37, C38, C40, C41, C44, C50, C51, C52, C53, C56).
• Asking for further ethical dilemmas anticipated or experienced in the course of daily business (C1, C5 – C36).

• Checking solutions proposed during the interviews (C39, C42, C43, C46, C48, C49, C53, C54, C55, C56) for useful applicability.

• Checking corporate behaviour against legal boundaries. Differentiating moral from immoral behaviour within the range of legal behaviour (C5, C59).

• Checking intended behaviour against core values of the firm (C57, C69).

• Establishing codes or similar self-constraints to address ethical dilemmas where appropriate (C70).

6.5 Answering Research Sub-Question 5

This section prepares the ground for the normative response to research findings which will be developed in section 6.6, the answer to the main research question. It does so in answering the research sub-question 5:

“In what ways can a structured approach to ethical behaviour be derived from these findings?”

The answer to this sub-question suggests a possible way to set up an Ethics Integration Guideline which overcomes the obstacle of diversity of the small firm sector. To date diversity has hindered the establishment of generally accepted ethics standards and procedures (Jenkins 2006). This requires designing a tool which fits the needs of the many different firms in this sector: the Ethics Integration Guideline. The guideline employs the research findings on the one hand and leaves space for individual perspectives and experiences of the owners on the other. Due to this procedure, acceptability of the tool by the target group and a considerable contribution to professional practice can be expected. This section describes the
interconnections between the components developed above. At the same time it explains the norms applied in developing the guideline; thus complying with quality standards of qualitative research.

6.5.1 Findings on Research Sub-Question 5

The Ethics Integration Guideline which will be developed on the basis of the research findings must be set up with clear criteria. So far, four components of the Ethics Integration Guideline have been developed. These components and its sub-components are interconnected. These relations clearly show that each of the components influences all others and – in return – receives influence from all other components. If one examines the different connections between the components, it becomes obvious that ethics integration is an iterative and continuous process, rather than a top–down or a bottom–up procedure conducted only once.

Figure 11 displays the components and its interrelations.

Figure 11: The four components of the Ethics Integration Guideline
The interrelations between the four components are symbolized by the thin black arrows in the centre of Figure 11. Component 1 is connected with all other components by providing general guidance. It influences each of the other components. This becomes obvious with regards to values. They are established and defined in Component 1 and have to be translated into business practice of the firm in question in Component 2. Components 3 and 4 are connected in that they both deal with stakeholders and conflict situations; however, from different perspectives. Component 2 adds enforcement procedures to Component 3 and 4 which help enforcing ethical behaviour. The statements of interviewees in the survey are a fruitful resource in order to build sub-components. They are useful to further structure the Ethics Integration Guideline.

In the data analysis sheet attached in Appendix 9.3 to this report, the statements are summarized in a multi-step procedure. The findings are condensed in a section ‘Analysis: counting, grouping / categorization’. It constitutes the source for issues to be included into the guideline. Only if participant statements don’t provide enough information to adequately inform the guideline, findings from scholarly research are used as a complementary source for the respective component. This was the case in component 1 where participants stated firms would need an overriding ethics guideline or rule set but didn’t elaborate on how this could be designed. To fill this gap and to help develop a workable Ethics Integration Guideline, literature sources were used to provide respective content. This led to the three sub-components vision, mission and value system. Clearly, these subcomponents didn’t result from the research but are a supplement to the more general statements of respondents.
The sub-components emerging from interview statements are summarized in Table 11:

<table>
<thead>
<tr>
<th>ETHICS INTEGRATION GUIDELINE</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
<th>Component 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Vision</td>
<td></td>
<td>Leadership</td>
<td>Carrying out a stakeholder ranking. Proposing stakeholder groups identified during the research. Emphasis on clients, employees and owner managers. Including state and society and the public. Asking for further stakeholders of the firm. Addressing issues mentioned in participants’ statements.</td>
<td>Addressing dilemma situations included in the research. Prioritize by perceived dilemma importance. Asking for further ethical dilemmas anticipated or experienced in the daily course of business. Checking solutions proposed during the interviews for useful applicability. Checking corporate behaviour against legal boundaries. Differentiating moral from immoral behaviour within the range of legal behaviour. Checking intended behaviour against core values of the firm. Establishing codes and similar self-constraints to address ethical dilemmas where appropriate.</td>
</tr>
<tr>
<td>Corporate Mission</td>
<td></td>
<td>Explaining the meaning of values determined in component 1 Behavioural guidance Training and awareness building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value System</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 11: Sub-components of the proposed Ethics Integration Guideline

In order to cope with the frequent lack of resources in small firms the aspects included in the guideline are prioritized according to their occurrence in interview statements. However, where appropriate, aspects are thematically ordered; thus
improving applicability of the guideline. Scholarly research as well as findings of this investigation clearly shows diversity of the small firm sector (Jenkins 2006). There is obviously no ‘one size fits all’ approach to ethics. For this, the Ethics Integration Guideline has to separate behavioural instructions from diagnostic questions.

Diagnostic questions are applicable where owner managers’ statements indicate that answers might vary according to structure and field of industry of a firm. In these cases questions are preferred in order to adapt owner-managers’ responses to ethical issues related to the context of their business. This aims at raising the user’s own solutions, rather than strictly asking for compliance with fixed regulations. However, in some cases respondents’ statements clearly indicate imperatives for how to behave in a certain situation regardless of the various contexts of the different firms. If so, the guideline will provide a set of behavioural instructions. Behavioural instructions are also developed where the research findings allow no other action than stated in the interviews.

The issues addressed in the guideline are based upon analysis of the data collected for this thesis. This procedure has to comply with the research quality standards established in the section on methodology. In accordance with these standards, Appendix 9.4 contains a full Table with all questions and instructions derived from the research and. It includes consecutive numbers for traceability of each of the arguments.
Is there an ideal order in which the guideline should be followed in terms of the components established? Logically, it appears to be appropriate to start with Component 1, the overriding guideline of the firm. Component 2 should follow as it requires translating the values established in Component 1 into business practice. The values are then used in Components 3 and 4 to check actions taken and to evaluate whether the firm’s decisions on stakeholder management and ethical dilemma management comply with these values.

The outer white arrows in Figure 11 represent the recommended course of action. Components 3 and 4 could also be dealt with simultaneously because they both deal with stakeholder conflicts and ethical dilemmas, though regarded from different perspectives. Though the procedure is described in a consecutive order, the interrelations between the Components have to be considered. While working on one Component, the influences on all other Components have to be taken into account. This underpins the notion that ethics integration is an ongoing, iterative process.

6.5.2 Implications of the Findings on SQ-5 on the Ethics Integration Guideline

Based on the argument above, the following criteria were applied in establishing the Ethics Integration Guideline:

- Consider the interconnections between the four components
- Include issues in the guideline which have been addressed in interview statements
- Consult with scholarly research where interview statements raised an issue but failed to sufficiently inform the topic
• Prioritize those issues most frequently addressed in the interviews but group issues thematically where appropriate

• Encourage users of the guideline to consider stakeholders and ethical dilemma situations relevant to their business (if not already included in the guideline)

• Separate diagnostic questions from behavioural instructions. Use diagnostic questions to find solutions applicable in the particular situation of their firms

• If interview statements only allow one possible procedure to address an issue, behavioural instructions, rather than questions, may be appropriate. This is particularly true for the solutions proposed by interview participants

• Encourage users to develop their own solutions for issues addressed so that the particular needs of their firms are covered best

• Label all questions and imperatives included in the guideline for traceability and comprehensiveness of each of the issues (see Appendix 9.4)

• When applying the Ethics Integration Guideline start with component 1 followed by component 2. Component 3 and 4 can follow either consecutively or simultaneously
6.6 A Normative Response to Research Findings: Answering the Main Research Question

This research was designed to answer the main research question:

“How can small business’ owner-managers consciously organize their ethical behaviour towards their companies’ stakeholders?”

It was the explicit aim of this research to examine small firm owner-managers’ ethical attitudes, perceptions, and experiences. The intention was to use the results of this investigation to develop a tool for small business to help them systematically integrate ethics. This chapter will provide a normative answer based on the outcome of the research in this thesis. It does so in that it translates the findings of the investigation into sets of diagnostic questions and behavioural instructions. This procedure can be seen as adequate, if one adopts the Neo-Aristotelian virtue-ethics perspective and a research paradigm of constructivism. On this basis a document will be developed, which guides small firm owner-managers in the ethics integration process: the Ethics Integration Guideline.

The themes and issues included in the document below have been selected due to the frequency with which they appeared in the interviews. As the purpose of the Ethics Integration Guideline is to be a practicable tool for small firm owner managers, it is displayed below without references. However, in Appendix 9.4 the full Table is attached to this thesis. In it, all issues and themes addressed during interview sessions are included. Furthermore, all aspects displayed are referenced; thus providing traceability of each argument to its origins in interview statements.
According to Ardichvili, Mitchell, and Jondle (2009) it requires 5 clusters to develop an ethical business culture:

- Mission and Vision driven
- Stakeholder Balance
- Leadership Effectiveness
- Long-term Perspective
- Process Integrity

The Ethics Integration Guideline aims to put these aspects into small business practice. While using the data gained in the research for general guidance, it still leaves space for small business owners to develop their individual approaches. This procedure is based on the conviction that diversity of the small firm sector doesn’t allow a ‘one size fits all’ approach (Jenkins 2006). As a consequence, the Ethics Integration Guideline is split into two parts: part 1 contains diagnostic questions while part two provides behavioural instructions. The diagnostic questions help to overcome the diversity problem in small business as it requires owner-managers to find solutions for ethical issues which fit to the context of their firms. The behavioural instructions provide advice to respond to ethical issues in a certain manner where the research findings allow no alternative other than the described action.

The answer to the research sub-questions clearly show four components which have to be dealt with in order to establish a comprehensive approach to ethics in small business. Each of the components is comprised of various sub-components. The
components and their sub-components were displayed in Table 11. They were primarily developed from the results section of this report. This chapter aims to fill each component with diagnostic questions and behavioural instructions which will guide the process of ethics implementation. They are mostly derived from the data analysis sheet attached in Appendix 9.3 to this thesis. In some instances interviewees mentioned important aspects, but did not describe details. In these cases, additional information from scholarly literature is included and is marked by references in Appendix 9.4.

6.6.1 Ethics Integration Guideline Part 1: Diagnostic Questions

The first part of the Ethics Integration Guideline consists of the diagnostic questions. It is a series of prompt questions which can be used in two ways. The main purpose is to support the use of the Guideline by directing considerations of users and helping them to develop solutions appropriate to their specific needs. The diagnostic questions also help the user identify ethical issues relevant to their business not covered by the study and arrive at appropriate solutions. This purpose aims to overcome the diversity problem in small business (Jenkins 2006) ethics which so far have hindered development of a ‘one size fits all’ approach.

The diagnostic questions require considerable more time to answer. At the same time they are crucial for a comprehensive approach to ethics integration. The full impact of the Ethics Integration Guideline will only be achieved, if small firm owner-managers apply both, the diagnostic questions and the behavioural instructions. Table 12 displays part 1 of the Ethics Integration Guideline with the diagnostic questions for each of the four components:
## ETHICS INTEGRATION GUIDELINE PART 1

### Component 1: Ethical Guidance Instrument of the Firm

#### Diagnostic Questions

Establish corporate vision and corporate mission and corporate values

- **Vision:** Do you have a vision statement? What do you regard to be the ideal future state of your firm?
- **Mission:** Do you have a mission statement? What do you regard to be the ideal way to achieve the vision?
- **Values:** Do you have a value statement? What are the most important values underpinning your daily course of business (respect, honesty, trustworthiness, straightness, authenticity, openness etc.)?

### Component 2: Ethics Enforcement System

#### Diagnostic Questions

Explanation of the values, determined in component 1

- How are the values identified displayed in your business?
- Do you behave according to the values stated?

**Leadership**

- Do you set the example for your employees?
- Is your behaviour driven by the values raised in component 1? Reflect on recent situations and check your responses.
- Do you regularly communicate the values to your firm’s stakeholders and your employees?
- Do you openly show your sense of responsibility towards your employees and their family / private commitments?
- Do you always behave respectfully towards stakeholders of your firm? Consider critical situations and reflect on your behaviour?
- Do you integrate your employees in decision making?

**Behavioural guidance**

- Which behaviours and critical issues have to be regulated?
- Could you appropriately include employees and / or external stakeholders in developing guidelines / codes?
- How could you best communicate guidelines and codes?
- How can you control compliance with guidelines and codes?

**Training and awareness building**

**Training (internally orientated)**

- How could you make sure you and your employees are trained in all relevant issues of your ethics program?
- How can owner managers and employees learn from each other?

**Awareness building (internally and externally orientated)**
• How do you assure all internal and external stakeholders understand all ethical perspectives and means you develop in components 1, 2 and 3 of both parts of the guideline?

### Component 3: Stakeholder Management System

#### Diagnostic Questions

Carry out a stakeholder ranking.

- Which stakeholders do you have to deal with most in your business?

Address frequent stakeholder conflicts mentioned by small firm owner managers. Prioritize efforts by perceived stakeholder importance.

#### Clients

- How do you manage conflicts with clients in the following situations:
  - Clients demand unacceptable prices and terms
  - Clients do not pay their bills
  - Clients have excessive expectations but only low readiness to pay accordingly
  - Clients behave in an unfair manner (reduction of payments without good reasons, putting your firm under pressure)?
  - Dependency on your suppliers (e.g. on time delivery) when executing clients’ orders.
    How to make sure you can fulfil your obligations towards your clients?
  - Clients complain about products or services (be it justified or just created)?

#### Employees

- How do you presently design a remuneration package which satisfies your employees and serves their private needs and commitments (salary, flexible work time, holiday leave, compensation of overtime work)?
- How do you share your understanding of service orientation towards clients with your employees?
- How do you convince your employees of uncomfortable but necessary changes in your business?
- How do you attempt to provide mutual understanding between you and your employees?
- How do you align the goals of your firm and your employees?

#### Owner managers

Questions to be answered by all owner managers:

- How could you balance strategic aims (e.g. necessary changes in the structure of your firm) with requirements of your day to day business?

Questions to be answered by owner managers who run their firm jointly with other owner managers:

- How do you deal with different aims, expectations and contributions of the different owner managers to corporate success (e.g. commitment, private financial goals, reinvestment of profits, sharing profits equally or according to achievements)
- How do you try to ensure conflicts between owner managers are always solved cooperatively?
### Banks
- How do you address conflicting expectations of your bank(s) and your firm (e.g. financial flexibility of the firm vs. increasing demand for securities by the bank)?
- What do you do in order to prepare your firm in the long term perspective (strong position of the bank, increasing problem of small firms to gain credit)?
- Does your bank meet the needs of your firm and is it an appropriate banking partner for your business?

### Suppliers / subcontractors
- How do you generally deal with suppliers who behave unfairly towards you (charging higher prices than agreed on, trying to get around your firm to sell directly to customers, violating oral agreements, not covering contractual warranty)?
- How do you react if delivery isn’t executed on time?
- How do you deal with contradicting expectations of you and your supplier regarding prices and conditions?
- How do you assure your contractual agreements are clear, precise and unambiguous?
- How do you make sure your supplier avails the resources necessary for execution of your order?

### State and Society
- Do you find compromises in lawsuits regardless of your perception that your perspective is right and should be appreciated by the court (e.g. try to incorporate the perspectives and expectations of the other parties involved)?
- Do you sufficiently deal with public administration in cases of subventions you want to get? Consider there is sometimes administrative discretion.

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In case you identified further stakeholders to be important for your business, run the following procedure for each of the stakeholders:

- Name the stakeholder
- Outline the conflicts experienced or anticipated to be important.
- Formulate guiding questions which address the conflicts.
- Develop a general response to the conflict
- Check whether the response is in line with vision, mission and values of your firm (Component 1)
- Develop enforcement instruments necessary for your response (Component 2)

- Identify further conflicts experienced or anticipated with the stakeholders mentioned above.

### Component 4: Ethical Dilemma Management System

#### Diagnostic Questions

Addressing dilemma situations included in the research. Prioritize by perceived dilemma importance
### Corruption / Bribery
- Are corruption and bribery issues a concern in your business?
- Is the boundary between corrupt practices and legally and ethically justifiable means of acquisitions absolutely clear in your business? If not, how could you define the exact boundary?
- What do you do in case you become aware of competitors behaving corruptly?
- How do you keep the temptations of your employees to take part in corruption / bribery low? Think of fields in which temptation is quite high (e.g. if high amounts of money are concerned, in acquisition, in fields of business commonly known to be spoilt by corruption).

### Deception / Withholding information towards clients:
- Is deception / withholding information from clients generally an issue of importance in your field of business?
- If there are temptations to deceive your clients / withhold information, who is mainly concerned: you, your employees or your competitors?
- How do you respond to temptations to deceive / withhold information in order to avoid such behaviours?
- If you critically reflect on your acquisitions, do you regard deception / withholding information to be means for obtaining client’s orders?
- Are you fully aware of legal and professional regulations which set the boundaries between legal acquisition and marketing actions and illegal deception / withholding information?
- Have you ever considered the negative effects deception / withholding information will have for your firm in the long run (reputation damages, costly lawsuits etc.)?
- How could you alter your program of products and services as well as your terms of conditions so that temptations to deceive or withhold information are minimized (standardization)?
- Have you clearly defined the boundary between acceptable behaviour in acquisition and marketing and immoral deception and withholding information?

### Environmental problems
- Do you feel concerned with ecological questions in your business? Try to identify the fields in which your business affects the environment.
- Do you do anything in addition to the minimum required by law with regard to ecology? What more might be considered?
- Which requirements (by law or by your customers) might come up in the future? Try to identify important fields and consider strategies to address these issues.

### Fulfilment of contracts (delayed payments of your suppliers bills)
- Is your field of business marked by highly regulated payment procedures enforced by laws or standards of public authorities?
- Is your ability to fulfil your contractual obligations towards suppliers directly dependent on payment practices of your clients? If so, consider carefully why your clients’ payments are delayed.
- Are there potential advantages of on-time payment for your firm (advantageous...
conditions by suppliers, discounts etc.)?
• Do you establish self-regulations, which clearly state the period within which you always pay your bills?
• Are your suppliers aware of this self-regulation?
• How could you prepare yourself in order to contribute private means in case your firm is temporarily unable to pay on time?

**Tax evasion**
• Is tax evasion an important issue in your business? Which are the fields and practices you are mainly concerned with?
• Are you concerned with evading value added taxes? If so, how could you reduce the demand of client’s to pay ‘without bill’?
• Clients’ frequently ask for reducing value added taxes because it pays financially for them. Do you communicate potential disadvantages for the client and possible problems for you and your business (e.g. clients: missing warranty; firm: lack of liquidity).
• Do you respond to clients who demand for evasion of value added taxes without losing the client?
• What could be the legal consequences which would result if tax evasion would be detected in your firm (reputational risks, financial risks, personal risks)?

**Are there further ethical dilemma situations which you have to face in your business?**
If so, clearly describe them and run the following procedure for each of the dilemmas identified:
• Name the dilemma experienced or anticipated to be important.
• Formulate guiding questions which address the dilemma.
• Develop a general response to the dilemma.
• Check whether the response is in line with vision, mission and values of your firm (Component 1)
• Develop enforcement instruments necessary for your response (Component 2)

Table 12: Diagnostic Questions for the four components of the Ethics Integration Guideline

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**6.6.2 Ethics Integration Guideline Part 2: Behavioural Instructions**

In this section the second part of the Ethics Integration Guideline is displayed: the behavioural instructions or prescriptions. For each of the four components of the guideline clear imperatives are established which guide the ethics integration process. The imperatives are developed from the findings of the research for this thesis. They are established where respondents’ statements do not allow various actions but suggest a certain behaviour in response to an ethical issue.
This part of the guideline can be used in two different ways. These behavioural instructions are generally developed to complement the diagnostic questions established in part one of the Ethics Integration Guideline. In addition to those questions and the responses, the behavioural instructions clearly state how owner-managers should behave in certain situations. The combination of the diagnostic questions and the behavioural instructions contribute to the uniqueness of the Ethics Integration Guideline. It provides clear guidance in situations where no other action is ethically justifiable, while it requires the user’s input on diagnostic questions where an ethical issue should be responded to according to the firm’s context.

The behavioural instructions can also be used in a second way. Owner-managers who lack the resources to spend more time reflecting on ethical issues particularly relevant to their firm can apply this part of the Ethics Integration Guideline by itself. Admittedly, this procedure would reduce the impact of the ethics integration process as it would not consider owner-managers’ perspectives and experiences in their particular business context. On the other hand, the behavioural instructions provide users with a practical and applicable tool based on the collected attitudes, perceptions and experiences of a small group of small firm owners. The purpose is to address those ethical issues which are deemed to be most important by the research participants. If only using this part of the Ethics Integration Guideline, small firm owners are able to achieve immediate results in their efforts to integrate ethics in their business without spending as much time as application of both parts would require. Table 13 shows part 2 of the Ethics Integration Guideline with the behavioural instructions for each of the four components:
**ETHICS INTEGRATION GUIDELINE PART 2**

**Component 1: Ethical Guidance Instrument of the Firm**

**Behavioural Instructions**

Establish corporate vision, mission and values

- **Develop a vision** (ideal future state of the firm, in one sentence) for your company. Consider both, economic and ethical goals.
- **Develop a mission** (the ‘road’ to the ideal state, one sentence) for your firm.
- **State the values you want to be underlying your business activities** Please give a definition for each of the values mentioned.

**Component 2: Ethics Enforcement System**

**Behavioural Instructions**

Explanation of the values, determined in component 1

- Translate the values mentioned in component 1 into business practice (respect, honesty, trustworthiness, straightness, authenticity, openness, and those values, additionally mentioned by you). Communicate explanations to internal and external stakeholders.
- Consider your behaviour in relation to the stated values. Consult with your employees and – if possible – with outside stakeholders.

**Leadership**

- Behave exemplarily
- Learn from employees
- Integrate employees in decision making
- Respect the values raised in component 1
- Behave responsibly towards your employees
- Behave respectfully towards stakeholders

**Behavioural guidance**

- Develop clear guidelines / codes of conduct which describe the expected behaviour of all firm representatives in dilemma situations
- Communicate guidelines / codes to internal and external stakeholders
- Comply with the guidelines / codes. Control procedures and behaviours within your firm.

**Training and awareness building**

**Training (internally orientated)**

- Provide ethics training for your employees and (owner) managers
- Organize workshops in which employees and (owner) managers can learn from each other
- Encourage employees to participate in further education

**Awareness building (internally and externally orientated)**

- Clearly and regularly communicate your corporate vision, mission, values and standards.
- Clearly state what your stakeholders can and cannot expect from your company.
- Make sure your behaviour shows stakeholders that they can rely on your firm.

### Component 3: Stakeholder Management System

#### Behavioural Instructions

**Carry out a stakeholder ranking**
- Rank the stakeholders from most to least important.
- If not already mentioned, please include the following stakeholders: clients, employees, owner managers, suppliers, banks, state and society and the public.

**Address frequent stakeholder conflicts. Prioritize efforts by perceived stakeholder importance.**

**Clients**
- Make sure your clients fit into your firm.
- Openly communicate with your clients in all cases of complaints, distrust, defects and mistakes, delays, additional required work and payments, and other conflicts etc.
- Always try to get in personal contact in order to solve problems and to find sufficient compromises and agreements with clients.
- Make sure you always react immediately on clients’ complaints.
- Establish exact contractual agreements.

**Employees**
- Integrate your employees in decision making. Emphasize cooperation in your relationship to your employees. Show your willingness to learn from your employees.
- Emphasize open, personal, cooperative communication. Show tact and respect.
- Try to maintain jobs as long as reasonably possible; thus showing your commitment to your employees (providing long term employment).
- Consider measures to increase or maintain employees’ motivation (e.g. friendly and comfortable work atmosphere, praising employees’ achievements).
- Encourage and provide further education for employees.
- Plan regular social activities with your employees and their families.
- Improve remuneration where appropriately possible (salaries, pension schemes, flexible work-time models, additional holidays, workplace conditions, bonuses, additional free time, parental leaves).

**Owner managers**
- Align strategic and operational goals as well as different expectations of owner managers (if they jointly run the firm)

**Banks**
- Carefully select a bank which fits the needs of small firms (e.g. a regional bank that understands your business).

**Suppliers / subcontractors**
- Establish good, sustained personal relationships to suppliers (e.g. professional and private activities, personal discussions, meetings, workshops).
- Try to design procedures which help maintaining a good relationship with your supplier.
- Establish and promote a guideline clearly outlining your firm’s behaviour towards suppliers (e.g. clearly fixed dates of payments which suppliers can rely on)
- Improve selection of suppliers (consider prices, financial means, expertise, security and experience of the supplier).

**State and Society**

- Generally prefer to search for appropriate compromises, rather than for legal actions.
- In cases of problems with public administration, try to address the problem to a superior authority, rather than directly considering a lawsuit.

- Develop strategies and procedures to address all stakeholder conflicts important to your business. Consider the proposed solutions above and check against applicability in your firm.
- Check all solutions to avoid or minimize conflicts with the stakeholders mentioned above against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.

### Component 4: Ethical Dilemma Management System

#### Behavioural Instructions

Address the following dilemma situations. Prioritize by perceived dilemma importance.

**Corruption / Bribery**

- Raise awareness of the potential harm of corrupt practices for the firm?
- Ensure transparency internally and externally. This is particularly important among business partners and owner managers and employees.
- Tightly control procedures in the firm. This relates to business partners and employees.
- Make sure your values stated in part 1 of the questionnaire guide your behaviour in tempting situations. Make sure your employees share these values and act accordingly.

**Deception / Withholding information towards clients**

- Exactly define services, prices and conditions in contracts with clients.
- Seek for transparent procedures in sales. Openly communicate details of your products, services and conditions.
- Closely control sales activities in your firm. Consider external control-institutions where appropriate.
- Provide training and further education for owner managers and employees.
- Select reliable and committed employees. Establish a respectful, trustful work atmosphere which allows the occurrence of mistakes.
- Openly communicate mistakes to your clients. Advise your employees accordingly so that honest and transparent behaviour becomes a characteristic of your firm.

**Environmental problems**

- Consider the whole supply chain of your firm in terms of ecological concern.
- Consider application of healthier materials in your business (even if they are more
expensive).
• Try to fully understand the legal requirements regarding workplace conditions of your employees. Provide your employees with sufficient means to protect them from harmful materials or conditions.
• Change your firm’s product program with an eye towards ecological materials. Always recommend ecological materials to your clients.
• Anticipate future requirements by laws, clients or public opinion and try to comply with such requirements as early as possible in order to gain competitive advantages.

**Fulfilment of contracts (delayed payments of your suppliers bills)**

- Prepare your firm to pay on time in order to negotiate better prices and conditions with suppliers.
- Consider which conditions (in particular: which period of time) you can agree to in contracts. Make sure you negotiate conditions which you can be sure to fulfil afterwards.
- Make sure your contracts with clients and with suppliers fit and you are able to fulfil your obligations on time.
- Establish payment procedures in your firm which enforce on time payments at any time.
- Align your billing procedures towards clients accordingly. Consider requesting instalments to maintain a steady flow of liquidity on your accounts. React immediately to non-payments of accounts.
- Establish mutually beneficial, trustful relationships to suppliers, clients and banks.
- In cases of temporary illiquidity proactive, open and personal communication of the problems with the suppliers’ management. Try to find a sufficient solution which serves the needs of your firm as well as those of your supplier.

**Tax evasion**

- Double check all bills and payments in your firm by owner managers (or, in case there is only one owner manager: by owner manager and one employee). Apply the ‘four eyes principle’.
- Raise awareness (you, your employees and your clients) of the legal constraints, the expected fines in case of tax evasion and control procedures. Communicate the consequences for employees, if they engage in tax evading practices.

Table 13: Behavioural Instructions for the four components of the Ethics Integration Guideline

### 6.7 Comparison of the Guideline to Large Companies’ Ethics

In the introduction, it was explained in detail that ethical concerns in small firms have not been comprehensively reflected in scholarly research. The outcome of the investigation in this report and the statements of one of the deviant interviewees show some of the differences between ethical behaviour in small and large firms. These differences also underline the importance and uniqueness of the Ethics
Integration Guideline in this thesis. In the investigation, two deviant interviewees have been included, one of which answered the questionnaire from a large corporation’s perspective. This research wasn’t deliberately designed as a comparative study. Statements of only one large firm participant can’t be regarded as representative for this sector. However, some conclusions can be drawn which outline where the main differences occur. The following Table compares the statements of the deviant participant from a large corporation to the measures taken in the Ethics Integration Guideline. The varying aspects in small business ethics are displayed in Table 14:

<table>
<thead>
<tr>
<th>Interview question 1:</th>
<th>Results of statements of deviant interviewee A. B. from an international big company</th>
<th>Procedures in the Ethics Integration Guideline in this research</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Big firms have to deal with shareholders as one of the most important stakeholder groups.</td>
<td>No separation of ownership from management. Owners are not regarded to be the most important stakeholder group of the firm; rather, clients and employees are rated most important for small firms.</td>
</tr>
</tbody>
</table>

| Interview question 2: | Main emphasis is put on shareholders’ expectations which have to be aligned with long-term corporate goals. | Emphasis on clients and employees. Owner-managers third important, but no current conflict is described. Potential conflicts occur mainly as inner conflicts of owner-managers and, to some degree, as conflicts between owners, if they jointly manage the firm. |

| Interview question 3 and 4 | Conflicting interests between shareholders and corporate management. Immanent conflicts between corporate management and risk management with regards to clients protecting their privacy. Complying with current laws causes conflicts. | Dealing with inner conflicts of owner-managers necessary. Furthermore, relations between owners who jointly run a firm, have to be clarified. Risk management is an inherent task of owner-managers, not of a separate department of the firm. Clients’ privacy is not an issue addressed in small firms. |

<p>| Interview question 5: | Corruption / bribery: happens especially in international business if foreign markets are accessed. | Corruption / bribery: occurs in some firms who are vulnerable to it; however, foreign markets hardly concerned. |</p>
<table>
<thead>
<tr>
<th>Interview question 6:</th>
<th>Balancing business opportunities and risk aspects required.</th>
<th>Balancing business and ethics goals required. Comprehensive and applicable tool provided in this thesis.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview question 7:</td>
<td>Recommends managers shouldn’t be paid solely due to profit results but as well according to ethical performance.</td>
<td>Ethics is highly appreciated; however, lack of practical tool to integrate ethics exists. Work-overload of owner-managers has so far hindered intensively taking care of ethics in business.</td>
</tr>
<tr>
<td>Interview question 8:</td>
<td>Big firms mainly apply structural means and codes and policies for ethics enforcement. Equal opportunity policy of all employees in all countries is emphasized.</td>
<td>Owner-managers struggle in applying (only) structural means. Twofold approach of pro-active stakeholder management and re-active ethical dilemma management. Leadership is crucial</td>
</tr>
<tr>
<td>Interview question 9:</td>
<td>Big firms emphasize comprehensive written codes and policies for behavioural guidance.</td>
<td>Owner-managers are provided with a tool which allows developing codes but gives opportunity to find different solutions and procedures. Codes are only one part in a comprehensive component on ethics enforcement which comprises of leadership, value translation to business practice, behavioural guidelines, training, and awareness building</td>
</tr>
</tbody>
</table>

Table 14: Check of the Ethics Integration Guideline against main characteristics of ethics in large firms (described by deviant participant A. B.)
6.8 Summary of Answers to the Research Questions

The previous section answered the research sub-questions and the main research question. Based on the findings in the results section, it firstly addressed research sub-questions. As the outcome of this process four components of an Ethics Integration Guideline have been generated, which comprised of several sub-components. In this chapter, distinct regulations have been established which rule the way the guideline has to be filled with questions and imperatives. The normative answer to the main research question consequently suggested a process in which two main parts of the Ethics Integration Guideline have been developed: the diagnostic questions (part 1) and the behavioural instructions (part 2). Thus, the guideline helps to overcome two obstacles of developing a generally applicable tool to integrate ethics in small business: the diversity of the small firms sector (Jenkins 2006) and the frequent lack of resources of small firms (Lepoutre & Heene 2006). At the same time the Ethics Integration Guideline is adaptable to small firm owner-managers’ time constraints. Users may start with only the behavioural instructions or limit their activities to those stakeholders and ethical dilemmas most important to their business. It is also possible to work along the guideline’s content over a longer period of time; thus emphasizing the process character of ethics integration.

The Ethics Integration Guideline helps owner-managers in situations where business interests and moral concern are conflicting or might be conflicting. It does so in applying the attitudes, perceptions and experiences of owner-managers who were included in the research. The section finally checked the content of the Ethics Integration Guideline against the large companies’ ethics as it was described by one of the deviant interviewees.
7. Conclusions and Hints for Future Research

This thesis developed a tool for small firm owner-managers: the Ethics Integration Guideline. It is designed to help small business owners to systematically implement ethical standards in their business activities and is based on the investigation of owners’ ethical attitudes, perceptions and experiences. The thesis proposes a practicable and applicable procedure which combines research results with perspectives and experiences of the guideline users. Thus, the Ethics Integration Guideline is flexible and can be adapted to the particular needs of small firms.

The thesis started with a description of the business problem, and noted the comparative lack of work on small firm business ethics and stakeholder management. The contextual setting explained the background of decision-making in business and its relation to ethics. Then, the literature review discussed the parameters of business ethics. It reflected recent research findings and argued for a method to investigate small firms’ ethical orientation. The review placed the research question of this thesis in the existing body of scholarly research on business ethics; thus explaining the relevant gap in small firm ethics. Based on the findings in the literature review, the methodological approach was developed. Grounded on a research paradigm of constructivism a qualitative research strategy was developed. In-depth, half standardized interviews were conducted on a purposefully designed sample. Data analysis applied hermeneutical and dialectical procedures. Based on the thoughts of Mayering a stepwise reduction of the information gained was carried out. Thus, grouping, categorizing and counting of the results became possible. Aspects of research quality and research ethics have been taken into account as well.
The first and descriptive response to the result of the research was the establishment of four components with several sub-components which were derived from interviewees’ statements. These components turned out to be the framework for the Ethics Integration Guideline for small business. The four components are:

- Ethical Guidance Instrument of the Firm
- Ethics Enforcement System
- Stakeholder Management System
- Ethical Dilemma Management System

In a second and normative step, the framework for the Ethics Integration Guideline was separated in two parts: the diagnostic questions and the behavioural imperatives for each of the components. The questions and imperatives were established on the basis of the data analysis sheet. Inclusion of each aspect in the guideline followed the rules which had been established before. The development of the Ethics Integration Guideline followed a structured process, which was aligned with the research quality requirements established in the methodology section of the thesis.

The Ethics Integration Guideline is a practical, flexible and unique tool. It addresses small business ethics, a field so far not in the focus of scholarly research. It overcomes diversity of the small firm sector which to date hindered the development of an approach applicable to small business from all fields of industry. The guideline is based on perspectives and experiences of a sufficient number of small business owners; thus representing insights from many different firms. At the same time, the guideline is flexible. It encourages users to find their own solutions for stakeholder
conflicts and ethical problems addressed in the set of diagnostic questions. The response is checked against certain core values which have been identified during the research (respect, honesty, trustworthiness, straightness, authenticity, openness, and those values, added by the user of the guideline). Furthermore, it asks users to add stakeholders and conflict issues relevant to their firm, if they are not already addressed in the guideline.

The Ethics Integration Guideline takes small firms’ frequent lack of resources into account. It allows applicants to focus their efforts on the most important stakeholders and conflict issues. This helps to optimize the allocation of resources. The Ethics Integration Guideline bridges the gap between ‘what ought to be’ and ‘what is possible and affordable’ in small business. It does so in that it assumes a teleological, Neo-Aristotelian virtue ethics perspective. Thus, it presumes through virtue that defeasible rules can be educed from example and focuses on owner-managers’ character and regards their perspectives on business ethics and their experiences as a valid source for the development of diagnostic questions and behavioural instructions to integrate moral concern in business activities. In short, the Ethics Integration Guideline combines ethics theory – what ought to be – with hands-on perspectives of owner-managers – what is possible and affordable –.

The particular design of the research and the Ethics Integration Guideline as the final outcome raise several questions. These will be mentioned here as they lead to potential future research. A key question is whether the guideline will be accepted and used by small firm owners. In addition, it would be interesting to know whether the guideline will change owner-managers’ ethical behaviour and whether it will help
developing an ethical culture in small business. Will ethics be more valued in the future, if the Ethics Integration Guideline is applied? Answers on these questions remain speculative and provisional at this point as this is beyond the scope of this thesis. However, owner-managers seemed to be open to ethical questions. They also showed interest in a more structured way of ethical behaviour. It can also be assumed that running through the process of the Ethics Integration Guideline might already be raising ethical awareness of its users. Therefore, the application of the guideline could also help developing an ethical culture.

The questions raised lead to three recommendations for future research. Firstly, it would be interesting to check the general acceptability of the Ethics Integration Guideline among small business owner-managers and whether this group would be willing to do the necessary efforts to go through the guideline. Secondly, it would be worth verifying the main findings on owner-managers’ attitudes, perceptions and experiences with a greater number of respondents. This would require concentrating on a limited number of aspects which can then be tested on a sample appropriate for this research approach. This relates to theory testing with mainly quantitative research methods. Thirdly, application of the guideline could be subject to future research. Case study method appears to be sufficient to reveal experiences with application of the guideline in business practice. This would support the further development of the tool.

The Ethics Integration Guideline is developed for owners and managers of small firms who so far do not systematically engage in ethical considerations. The tool helps to raise awareness and to develop a comprehensive strategy to integrate moral
standards. Owner managers can apply the Ethics Integration Guideline on their own following step by step the questions and instructions stipulated in the document. However, it would be even more powerful and rewarding in terms of the information gained, if owner managers would integrate employees of their firms and – where appropriately possible – external key stakeholders of their firms in the process. The Ethics Integration Guideline requires reflecting on the situation of the firm and on the relationship to its stakeholders. Given this particular design of the tool, inclusion of focal stakeholders will contribute considerably to the effectiveness of application of the Ethics Integration Guideline.

The Ethics Integration Guideline contributes a unique tool to professional practice which serves the particular needs of small firms in a research driven, flexible, adaptable and affordable manner.

“In my former company which was a bigger organization with about 100 employees we had a code of conduct: however, these regulations and self constraints are only as valuable as the principles included are lived by the managers. Our experiences have been negative. And I think procedures in a small firm like mine have to be so flexible that you wouldn’t be able to establish an appropriate ethics code. I think moral concern mainly depends on owner-managers’ behaviour in day to day business.” (Cited from interview statement of participant M. Sc. on interview question no. 9)
8. References


Poller, H., 2005, Die Philosophen und ihre Kerngedanken, Poller Verlag, Munich, Germany, pp. 72.


9. Appendix

Subsequently the following appendices are attached to the thesis:

- 9.1 Consent Form
- 9.2 Information Sheet
- 9.3 Data Analysis Sheet (on CD attached)
- 9.4 Ethics Integration Guideline (full Table with references, on CD attached)
9.1 Consent Form

Consent Form (English Version)

Name of Research Project: Business Ethics and Stakeholder-Management: Developing a Structured Approach for Small Business’ Owner-Managers

Name, Address and Phone No
Juergen-M. Seeler, Rohrbacher Strasse 82, 69115 Heidelberg, Germany, Phone: 01149-6221-6530446

Name, Address, and Company of Participant:

1. I understand that my participation in this survey is absolutely voluntary. I am free to withdraw my participation at any time. Withdrawal would be free of any penalty or discriminatory treatment.

2. I declare that there is no dependent relationship between the investigator and me, nor between the investigator’s and my company.

3. The purpose and the process of the survey have been explained to me. I have got an information sheet explaining purpose of the interview as well as its intended process. Furthermore, I was provided with the opportunity to ask questions about the research and received satisfactory answers.

4. I hereby agree to tape record my interview as part of the research. I also permit the tape record to be transcribed. I will get a copy of the interviews transcription which I will have to confirm before it is analysed in the research.

5. I understand that any information or personal details gathered in this research about me and my company are strictly confidential. Neither my name nor any identifying information will be used or published without my written permission.

6. Charles Sturt University’s Ethics in Human Research Committee has approved this study.

7. I understand that if I have any complaints or concerns about this research I can contact
NOTE: The School of Marketing and Management’s Ethics Committee has approved this project. If you have any complaints or reservations about the ethical conduct of this project, you may contact the Committee through the Executive Officer:

Dr Kerry Tilbrook  
School of Marketing and Management  
ktilbrook@csu.edu.au  
Tel: # 61(2) 63384252  
Fax: # 61(2) 63384769

Any issues you raise will be treated in confidence and investigated fully and you will be informed of the outcome.

(Date, Name of research participant)
Zustimmungserklärung (German Version)

Titel des Untersuchungsprojektes: Wirtschaftsethik und Stakeholder-Management: Entwicklung eines strukturierten Ansatzes für geschäftsführende Eigentümer kleiner Unternehmen

Name, Address and Phone No: Juergen-M. Seeler, Rohrbacher Strasse 82, 69115 Heidelberg, Germany, Phone: 01149-6221-6530446

Name, Address, and Company of Participant:


2. Ich versichere, dass es keine Abhängigkeitsverhältnisse zwischen dem Untersuchenden / Befragenden und mir oder seinem und meinem Unternehmen gibt.


5. Ich habe verstanden, dass alle Informationen und persönlichen Daten, die in der Untersuchung über mich und mein Unternehmen erhoben werden, strikt vertraulich behandelt werden. Weder mein Name noch andere identifizierenden Informationen werden ohne meine schriftliche Genehmigung genutzt oder veröffentlicht.

6. Das Ethics in Human Research Committee der Charles Sturt University, Australia hat diese Untersuchung bestätigt und zugelassen.

7. Ich habe verstanden, dass ich mich bei Beschwerden oder Befürchtungen über die Untersuchung an die unten genannte Stelle wenden kann.
Beachten Sie: Die Schule für Marketing und Management hat dieses Projekt genehmigt. Bei Beschwerden oder Vorbehalten gegenüber der moralisch einwandfreien Durchführung des Projektes, wenden Sie sich bitte direkt an das Committee:

*Dr Kerry Tilbrook*
School of Marketing and Management
ktilbrook@csu.edu.au
Tel: # 61(2) 63384252
Fax: # 61(2) 63384769

Jede Ihrer Fragen und Anregungen wird vertraulich behandelt und vollständig untersucht. Über das Ergebnis werden Sie informiert.

______________________________
(Datum, Name des Teilnehmers)
Information Statement for Research Participants (English Version)

Dear participant,

this information sheet is designed to get you familiar with the intended research. Please read it carefully. If any question occurs don’t hesitate to ask the principal investigator.

Principal Investigator: Juergen-M. Seeler, Rohrbacher Strasse 82, D-69115 Heidelberg, Tel. 06221 6530446, e-mail: jm.seeler@t-online.de

Host Institution: Faculty of Commerce, Charles Sturt University, Wagga-Wagga, Australia

Name of the Research Project: Business Ethics and Stakeholder-Management: Developing a Structured Approach for Small Business’ Owner-Managers

Purpose, Procedures, Methods: The survey aims to find out how to systematically integrate moral concern in small firms’ business activities. Therefore, it is intended to develop a guideline derived from small firms’ owner-managers’ ethical attitudes, perceptions and experiences. For this reason interviews with owner-managers of small firms are carried out. Data collection will be conducted by tape record of the interviews and transcription of the tape records. Analysis of information given by the interviewees will be carried out by interpretation and categorization.
Detailed Information on the survey:

I would like to emphasize that participation in this interview is absolutely voluntary. You might cancel it whenever you feel to do so. You are allowed to let questions unanswered as well. Furthermore, I assure your answers to be handled confidentially and anonymously.

In the interview you are asked to provide your thoughts and your ideas and perceptions to aspects of ethics in business. Please note, that there are no “right” or “wrong” answers. It is not the intention to make judgements on the information given by you. In contrast, it is the aim of this survey to find out what owner-managers think about moral in business. For this, please provide your honest thoughts. We appreciate these as a result of your knowledge and experience in leading a company.

The interview is divided in 3 parts. First you will be asked to give some demographic information. After that, some brief definitions are provided in order to make sure we both ground our thoughts on the same basic understandings. For this, some papers are handed to you containing fundamental definitions. Whenever you think it might be helpful, feel free to have a look on these papers.

The main part of the interview consists of a range of open-ended questions which I ask you to answer from your perspective as an owner-manager. I would like to encourage you to ask questions whenever you feel unsure about a question or an aspect mentioned by me.

Finally, if you agree, I would like to record the interview on a tape. I am going to transcribe the interview afterwards. You will receive a written transcript within two weeks. Your interview will be analysed in the research after you have approved the transcript by your signature.
NOTE: The School of Marketing and Management’s Ethics Committee has approved this project. If you have any complaints or reservations about the ethical conduct of this project, you may contact the Committee through the Executive Officer:

Dr Kerry Tilbrook
School of Marketing and Management
ktilbrook@csu.edu.au
Tel: # 61(2) 63384252
Fax: # 61(2) 63384769

Any issues you raise will be treated in confidence and investigated fully and you will be informed of the outcome.

Thank you for your cooperation.
Juergen-M. Seeler
Informations-Merkblatt für Untersuchungs-Teilnehmer (German Version)

Sehr geehrte Teilnehmerin, sehr geehrter Teilnehmer,

diese Information soll Sie mit der vorgesehenen Untersuchung vertraut machen. Bitte lesen Sie diese aufmerksam durch. Sollten Sie irgendwelche Frage haben, so zögern Sie nicht, den Untersuchenden zu fragen.

Untersuchender: Juergen-M. Seeler, Rohrbacher Strasse 82, D-69115 Heidelberg, Tel. 06221 6530446, e-mail: jm.seeler@t-online.de

Institution: School of Commerce, Charles Sturt University, Wagga-Wagga, Australia

Titel des Untersuchungsprojektes: Wirtschaftsethik und Stakeholder-Management: Entwicklung eines strukturierten Ansatzes für geschäftsführende Eigentümer kleiner Unternehmen

Detaillierte Informationen über die Untersuchung:

Ich betone ausdrücklich, dass die Teilnahme am Interview freiwillig ist. Sie können Ihre Teilnahme beenden, wann immer Sie dies wünschen. Ebenso können Sie jederzeit Fragen unbeantwortet lassen. Ich versichere Ihnen zudem, dass Ihre Antworten vertraulich und anonymisiert behandelt werden.


Das Interview ist in 3 Teile aufgeteilt. Zuerst werden Sie gebeten, einige demografische Angaben zu machen.


Der Hauptteil des Interviews besteht aus einer Reihe offener Fragen, die ich Sie bitte, aus Ihrer Perspektive als geschäftsführender Inhaber eines Kleinunternehmens zu beantworten.

Ich darf Sie ermutigen, Fragen zu stellen, wann immer Sie sich unsicher fühlen, ob Sie eine Frage oder einen Aspekt richtig verstanden haben.

Schliesslich würde ich unser Interview gerne aufzeichnen, wenn Sie dies genehmigen. Ich werde die Aufzeichnung hinterher transkribieren. Sie werden eine Abschrift innerhalb von zwei Wochen erhalten. Die Analyse des Interviews erfolgt erst, wenn Sie die Abschrift durch Ihre Unterschrift genehmigt haben.
Beachten Sie: Die Schule für Marketing und Management hat dieses Projekt genehmigt. Bei Beschwerden oder Vorbehalten gegenüber der moralisch einwandfreien Durchführung des Projektes, wenden Sie sich bitte direkt an das Committee:

Dr Kerry Tilbrook
School of Marketing and Management
ktilbrook@csu.edu.au
Tel: # 61(2) 63384252
Fax: # 61(2) 63384769

Jede Ihrer Fragen und Anregungen wird vertraulich behandelt und vollständig untersucht. Über das Ergebnis werden Sie informiert.

Vielen Dank für Ihre Zusammenarbeit

Juergen-M. Seeler
9.3 Data Analysis Sheet (on CD attached)

9.4 Ethics Integration Guideline (full Table with references, on CD attached)
### 9.3 Data Analysis Sheet

**Interview guideline question 1: Which three stakeholders are the most important to your company?**

<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H. J. K.</strong></td>
<td>Employees (1), clients (2) and banks (3). It is desirable to regard all stakeholders equally important (4)</td>
<td>Employees (1) Clients (2) Banks (3)</td>
</tr>
<tr>
<td><strong>F. S.</strong></td>
<td>Partners (owner-managers) (5), clients (6), employees (7) Cooperation of partners most important as a precondition for corporate success, clients and employees equally important. Owner-managers have to constantly manage expectations of clients and employees (8)</td>
<td>Owner-managers (partners) (5) Clients (6) Employees (7)</td>
</tr>
<tr>
<td><strong>A. H.</strong></td>
<td>Clients (9), employees (10) and banks (11). Clients are a precondition, employees are necessary to provide service to clients, banks are needed in order to maintain the ability of offering our services (12)</td>
<td>Clients (9) Employees (10) Banks (11)</td>
</tr>
<tr>
<td><strong>M. S.</strong></td>
<td>Owner-managers (as business partners) (13), clients (14), banks (15) as a necessary precondition for financing projects, (16)</td>
<td>Owner-managers (partners) (13) Clients (14) Banks (15)</td>
</tr>
<tr>
<td><strong>J. K.</strong></td>
<td>Clients crucial for our activities (17), business partners (owner-managers) (18) as equally important precondition for our business, state and society (19) provide laws and legal constraints and courts as ‘arena’ for our work (20)</td>
<td>Clients (17) Owner-managers (partners) (18) State and society (19)</td>
</tr>
<tr>
<td><strong>K. P.</strong></td>
<td>Clients/patient (21), employees (22) and colleagues (other medical specialists – understood as similar to suppliers) (23) who refer clients/patients to me (24)</td>
<td>Clients (patients) (21) Employees (22) Colleagues (referring patients) (23)</td>
</tr>
<tr>
<td><strong>A. K.</strong></td>
<td>Clients (25), employees (26) and banks (27) (especially in economically problematic situations), (28)</td>
<td>Clients (25) Employees (26) Banks (27)</td>
</tr>
<tr>
<td><strong>G. M.</strong></td>
<td>Employees (29) (variety of tasks in small companies), owner-managers (30) (should reinvest profits rather than benefit from gaining dividends), suppliers (31) (3 – 4 main suppliers). Clients are nearly as important as suppliers, however without suppliers my business model wouldn’t work (32)</td>
<td>Employees (29) Owner-managers (partners) (30) Suppliers (31)</td>
</tr>
<tr>
<td><strong>H. S.</strong></td>
<td>Clients (they determine our business and the potential growth) (33), employees (34) (they enable to work as a company), owner-managers (35) (36)</td>
<td>Clients (33) Employees (34) Owner-managers (partners) (35)</td>
</tr>
<tr>
<td><strong>E. V.</strong></td>
<td>Employees (37) (relationship based on mutual trust because we know each other from working together in a company we were all employed in some years ago), clients (38), banks (39) (more important than suppliers because there are more suppliers which I can work with) – (40)</td>
<td>Employees (37) Clients (38) Banks (39)</td>
</tr>
<tr>
<td>Name</td>
<td>Employees (41), clients (42), suppliers (43) (banks have been very important as long as I needed loans for my business) -- (44)</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>I. L.</td>
<td>Employees (45) (crucial for business success), clients (46), owner-managers (47) (three partners in my firm) -- (48)</td>
<td></td>
</tr>
<tr>
<td>S. H.</td>
<td>Employees (49), clients (50), banks (51) (the latter increasingly important for small firms), -- (52)</td>
<td></td>
</tr>
<tr>
<td>B. S.</td>
<td>Owner-managers (53) and employees (54) (because without both the firm wouldn’t exist), clients (55) -- (56)</td>
<td></td>
</tr>
<tr>
<td>A. N.</td>
<td>Clients (57), suppliers (58) and the public (understood as the persons around my firm) (59), -- (60)</td>
<td></td>
</tr>
<tr>
<td>A. M.</td>
<td>Like in many other firms I think employees (60) are most important. With the expertise of the employees we can offer (63) attractive services towards clients (61). Finally subcontractors (62) are important because they are crucial for assuring the firms potential to provide (64) products and services.</td>
<td></td>
</tr>
<tr>
<td>A. G.</td>
<td>Owner-managers because of crucial decisions he has to make (69). Clients as precondition for business success (70). Employees for processing the orders (71) -- however it would be possible to do the works with other employees as well (87).</td>
<td></td>
</tr>
<tr>
<td>G. D.-P.</td>
<td>Clients (72) are most important to the firm; employees (73) are nearly as important as clients. After those two groups suppliers (74) are essential as well (88).</td>
<td></td>
</tr>
<tr>
<td>M. Sc.</td>
<td>Clients (75) most important, then employees (76) and finally suppliers (77). (89)</td>
<td></td>
</tr>
<tr>
<td>M. T.</td>
<td>Most important are clients (78), for example EDEKA. Suppliers? Not so important, but banks (79), they are necessary for my business. And of course state and society (80) because we receive subventions and – in turn – have to comply with certain requirements and obligations in farming. (90)</td>
<td></td>
</tr>
<tr>
<td>S. N.</td>
<td>Clients (83) are important to my company. Then of course the owner-manager (81) as the core of a firm. I have to organize everything in my company. And the employees (82), especially the foremen. I think, the owner-manager is most important, then employees and finally the clients. (91)</td>
<td></td>
</tr>
<tr>
<td>C. W.</td>
<td>I think clients (84), employees (85) and suppliers (86) – in this order. (92)</td>
<td></td>
</tr>
<tr>
<td>Deviant interviewee: A. E.</td>
<td>The biggest stakeholders are the shareholders and then the customers, which can be either buyers or sellers, dependent on how they use paypal. Then the third stakeholder in my opinion is Ebay – because we belong to ebay and they determine a lot of procedures in our company. They are stockholders and clients – a very unusual position. By the way employees are important as well. However, all employees are shareholders in paypal.</td>
<td>Shareholders (including employees) Clients (buyers and sellers) Ebay (shareholder, client, partner company)</td>
</tr>
<tr>
<td>Deviant interviewee: H. H.</td>
<td>I think employees are most important for a firm. I would leave out owners in this reflection. Then clients are next important and finally the bank.</td>
<td>Employees Clients Banks</td>
</tr>
</tbody>
</table>

**Summarized findings**

- 22 participants regard clients to be important (2,6,9,14,17,21,25,33,38,42,46,50,55,57,61,66,70,72,75,78,83,84,94)
- 19 interviewees regard employees to be important (1,7,10,22,26,29,34,37,41,45,49,54,60,65,71,73,76,82,85,96)
- 9 respondents state that relations between business partners (owner-managers) are crucial for the firms (with one exception all participants who run their firm with at least one partner) (5,13,18,30,35,47,53,69,81)
- 8 participants emphasize the importance of banks (11,15,27,39,51,67,79)
- 8 interviewees rate suppliers / subcontractors to be important (23,31,43,58,62,74,77,86,95)
- Only two participant regards state and society to be important (19,80)
- Only one respondent rate the public to be important (59)
- Only two participant regard state and society to be important (19,80)
- Only one respondent rate the public to be important (59)

How is stakeholders’ importance rated by owner-managers:

- 13 participants indicate that the ranking of stakeholders is mainly dependent on their importance for and their contribution to the firm’s ability to provide goods and services. (12,24,32,36,40,44,48,52,56,63-64,87,91)
- 9 interviewees give reason that stakeholders’ potential to contribute to the firm’s success is most decisive for their ranking. (8,16,20,28,60,88,89,90,92)
- Two respondents state that they regard all stakeholders equally important (4,93)
- one respondent expresses that clients and employees are equally important for the firms’ existence. She says that both groups are interdependent (68)

What deviant interviewees express:

Big company’s perspective:
- shareholders are of major importance
- shareholders frequently share different roles (shareholder=employee, shareholder=client=partner company)
- clients are regarded to be important as well

Bank’s perspective:
- Employees are most important, followed by clients and banks.
- Owner-managers are left out of consideration

**DAI: Analysis: counting, grouping / categorization**

**Ranking: Entries of stakeholder-groups**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Clients</th>
<th>Employees</th>
<th>Owner-managers</th>
<th>Suppliers / Sub-Contractors</th>
<th>Banks</th>
<th>State and Society</th>
<th>Colleagues</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11</td>
<td>7</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>6</td>
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<td>1</td>
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<tr>
<td>Total</td>
<td>23</td>
<td>20</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td>1</td>
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</tbody>
</table>

Two respondents hesitated to mention a stakeholder ranking. They emphasized the importance of behaving equally to all stakeholder groups. Another participant regarded employees and clients to be interdependently connected and therefore as being equally important.

Rank-one stakeholders are - without exception – either clients, or employees or owner-managers. Within those participants which emphasize owner-managers to be most important, there are two
different understandings. Some firms are led by more than one owner-manager and consequently respondents express the importance of a good working relationship between these owner-managers. In cases of firms led by only one owner-manager, participants regard their distinct operations for the firm to be decisive.

The far most entries are related to clients (23) and employees (20). These are followed by owner-managers (9). Suppliers and Banks are both mentioned 8 times. However, opposed to clients, employees and owner-managers, suppliers and banks are never ranked most important. Rather they are mainly seen to be rank 3. In turn, those participants emphasizing the importance of clients, employees or owner-managers only seldom put them on rank 3. State and society, colleagues and the public are seemingly of minor importance for the respondents.

Out of the rankings two general perspectives on stakeholders become obvious. One group applies a market view, regarding clients to be most important for the firm. The other group of participants mainly views corporate resources. They regard either employees or owner-managers to be most important. Members of the further group.

What deviant interviewees express:

Big company’s perspective:
- shareholders are of major importance
- shareholders frequently share different roles (shareholder=employee, shareholder=client=partner company)
- clients are regarded to be important as well

Bank’s perspective:
- Employees are most important, followed by clients and banks.
- Owner-managers are left out of consideration

In big companies shareholders obviously have an important influence. It has to be taken into consideration that in these companies shareholders normally don’t take part in business operations whereas in small firms owner-managers fill in both roles – those of the owner as well as those of the managers. It also becomes obvious that shareholders of big companies might also be in different roles like e.g. employees, clients, partner companies, parent organizations etc.

The banks’ perspective supports the assumption of employees and clients to be most important. Banks are regarded third important which contradicts the interview statements. Furthermore from banks’ perspective the owner-manager is seemingly out of consideration with respects to stakeholder importance. This is interesting because in another interview-statement the banker emphasizes the central role of owner-managers for bank related decisions.

Interview guideline question 2: What are the main conflicts of interest which occur in relationships between your company and the stakeholders mentioned?
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
</table>
| H. J. K.           | Employees: aim for high salary contradicts with. Financial capabilities of the firm (1). Clients: as a real estate agent intermediate position between seller and buyer of property, aligning interests of both (2). Banks: demand for assets and requiring information upon business development by the banks vs. demand for financial flexibility by the firm (3) | Employees: salary vs. firm’s affordability (1)  
Clients: aligning interest of sellers and buyers (intermediate position of agent) (2)  
Banks: demand for securities vs. financial flexibility (3) |
| F. S.              | Partners (owner-managers): cooperation based on mutual trust, similar contribution to corporate success, dealing with different aims and expectations (time commitment, financial goals) (4). Clients: expectations in our service vs. willingness to pay an adequate price (5). Employees: Leadership problems in general: expecting too much from employees, demand to work overtime if necessary vs. employees’ family and other commitments and their wish to gain higher salaries (6) | Partners (owner-managers): different aims, expectations (time commitment, financial goals) and contributions to firms’ success (4)  
Employees: Necessities of the firm (work overtime) vs. employees’ expectations and commitments (free time, salaries) (5)  
Clients: high expectations in services vs. low readiness to pay appropriate prices (6). |
| A. H.              | Employees: changes inside the company lead to feelings of discontent. Equal distribution of privileges towards employees (7). Clients: delayed and / or reduced payment of bills, acceptance of charging additional service, attempt to reduce charged amounts by declaring supposed defects. (8) Banks: Cooperation is mainly dependent on personal relationship. However, in big banks staff increasingly changed during the last 10 years. Increasing amount of information required by banks (9) | Employees: Necessary decisions of the owner-managers vs. employees’ wish to maintain procedures (7).  
Clients: high expectations in services vs. low willingness to pay for it accordingly (8).  
Banks: Increasing amount of information on the firm required (9). |
| M. S.              | (Owner-managers / partners: don’t have any conflicts between partners due to identical goals. Would be problematic if aims would vary) (10). Clients: they want the best house for the lowest price. We aim for high profits (11). Banks: increasing demand for securities when financing our projects. Requiring comprehensive information on the status of our business. We are seeking for good financial conditions and fast decisions whether or not new projects will be financed (12). Sub-contractors: They want their money as early as possible. We only want to pay after they have correctly finished their works (13) | (Partners (owner-managers): relationship is crucial for corporate existence) (10).  
Clients: High expectations in services vs. low readiness to pay acceptable prices (11). |
### J. K.

| Clients | Clients: they sometimes expect us to do things which are against the laws, immoral behaviour or practices. We refuse to do so which might lead to a cancellation of the contract. Some clients don’t want to pay our bills, expect more than we can offer (14). Owner-managers / partners: currently no problems, but it would be problematic if the attitude to work would considerably differ. So far we equally share earnings and costs of our business. If one would work less than others or if he would continuously contribute less than the others to business profits problems might occur (15). State and society: Problems sometimes occur with judges at court. Sometimes they appoint us as counsel for the defence paid by the state. I then couldn’t afford to object them on the grounds of suspected bias. In such situations judges might expect cooperation whereas my major obligation is towards my client (16). |
| Partners | Partners (owner-managers): different attitudes to work but equally shared profits (14). Clients: readiness to pay our bills. Expecting us to behave illegally or to act immorally (15). State and society: Judges expectation of our cooperative behaviour vs. our obligation towards my clients aims (16). |

### K. P.

| Clients/patients | Clients/patients expect 100 % service and competence which however is not sufficiently payed health insurances. Patients don’t know this. Their treatments are payed on a basis of fixed rate per treatment (flat rate fee). Therefore I can’t spend as much time with them as expected. Furthermore it is sometimes problematic to explain patients that their health insurances don’t cover costs for particular treatments. This means that patients have to pay it on their own (17). Colleagues sometimes complain about patients treated by me although they think their treatment would belong to their special field (18). Employees: My expectations in their quality of work sometimes contradict with their expectations and their commitments (19). |
| Clients / patients | Clients / patients: clients’ expectations in medical treatment vs. health insurances’ payment policies (flat rate per treatment) (17) Colleagues (referring clients to me): Different opinion whether they or we should offer particular treatments to patients (18). Employees: expectations in employees’ quality of work vs. their personal expectations and commitments (19). |

### A. K.

<p>| Employees | Employees: cooperation between employees. Different perspectives and understandings of how to behave towards clients between employees and me. Problem of how to lead employees in a way that they treat clients according to my convictions of service orientation (20). Clients: Only few conflicts due to long term relations with clients who fit to our company (21). Bank: Increasing demand for securities. We are dependent on our bank and that makes it sometimes hard to maintain a cooperative and trusting relationship. However, we don’t have any alternative then trying to cope with the bank’s requirements. This also relates to negotiations of conditions in which we actually don’t have the power to negotiate better conditions. We just have to pay the interest the bank charges us (22). |
| Employees | Employees: different approach to deal with clients vs. owner-managers’ conviction of service orientation (20). Clients: they have to fit to the company, consequently long term relations are aimed for (21). |</p>
<table>
<thead>
<tr>
<th>Bank</th>
<th>Employee Groups</th>
<th>Issues</th>
<th>Notes</th>
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<tr>
<td><strong>G. M.</strong></td>
<td>Employees: Only few conflicts due to my appreciation of employees’ capabilities (relatively high salaries, extra payments, bonuses) (24). Owner-managers: Conflict between the wish to increase private income and reinvestment of profits in order to provide future activities with financial means. Furthermore conflicts arise from different backgrounds (educational – engineers vs. sales persons) of owner-managers. Different understandings and beliefs of how to manage the firm (23). Suppliers: Conflicts partly depend on different cultural backgrounds between suppliers and my firm. Extremely difficulty relationships with US-suppliers, easier with German companies like e.g. Bayer (25)</td>
<td></td>
<td>Banks: Increasing demand for securities. Unequal powers in negotiations (22). Partners (owner-managers): different aims concerning private income and reinvestment of profits. Different educational backgrounds (23). Employees: alignment of employees’ goals with corporate aims by over average packages (24). Suppliers: different cultural backgrounds in international business (especially with US firms) (25).</td>
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<tr>
<td><strong>H. S.</strong></td>
<td>Clients: expect best services at lowest costs (28). Employees: expects highest salary at lowest possible output (27). Owner-managers: expects highest profit possible. Conflicts can often be explained by financially different aims however, these reasons are frequently pretended because the underlying problems can hardly be expressed (mainly problematic personal relations). Therefore financial conflicts frequently become obvious but under the surface there are covered and unspoken problems (26).</td>
<td></td>
<td>Partners (owner-managers): different financial aims of partners (26). Employees: expectation of high salary vs. low motivation to work accordingly (27). Clients: high expectations in service vs. low willingness to pay for it accordingly (28).</td>
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<tr>
<td><strong>E. V.</strong></td>
<td>Employees: quality of work. Problems arise in particular with my younger staff as they are not committed enough to quality as I expect them to be (29). Clients: difficult clients who expect more than they are willing to pay for (30). Banks: Requirement for securities, willingness to provide us with financial means in times in which we are waiting for clients’ payments. (relationship improved due to that fact that we are currently working for our bank in one of their branches) (31)</td>
<td></td>
<td>Employees: low motivation to provide high quality works (29). Clients: high expectations in works vs. low readiness to pay accordingly (30). Banks: increasing demand for securities (31).</td>
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<td><strong>I. L.</strong></td>
<td>Employees: mistakes of employees are extremely important to my business as we have to deal with medicine. The biggest problems arise if employees’ cooperation is troubled. Two of them have problems to work together – I solved this by letting them work in different shifts. The other employees cooperate quite well. They are working since 15 years in my pharmacy. I had to try many employees until I reached my today’s team (32). Clients: One client was unsatisfied that she is obliged to pay an additional fee for some medicines. She informed the press. I was interviewed and this put me under severe pressure because I’m working in a small town. Furthermore, pressure on prices sometimes leads to problems as clients try to bargain with us (which is not common in Germany’s health system) (33). Suppliers: Daily struggle with respects to conditions of their supply. They just try to deceive me.</td>
<td></td>
<td>Employees: problematic cooperation between employees (32). Clients: excessive expectations. Unfair behaviour if they feel unhappy with our conduct (informing the press in order to put us under pressure) (33).</td>
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This issue is crucial for my success. Therefore, we built a cooperation of 50 pharmacies in order to increase our power in our negotiations with suppliers. I’m really happy with this cooperation because now I don’t have to lead these negotiations any longer on my own (34).

S. H.

Employees: contradicting opinions between employees in the kitchen and service staff. We constantly have to deal with these conflicts. Cooks regard their work as art and they have only a limited understanding for the needs of service staff. And service employees don’t see the problems which cooks have to face in order to prepare the meals on time (35). Owner-managers: Different understandings between partners about which part of our restaurant is contributing more to corporate success. The kitchen causes relatively high costs as we employ well trained cooks. In contrast service staff is relatively cheap. We mainly employ stand-in waitresses who cause low costs but contribute a high turnover. The question how many employees should be employed in each part of the restaurant is subject to continuing discussions between partners (36). Clients: Main conflict is the expected service quality. We have some quite difficult clients who complain about everything. Furthermore we have to deal with clients who try to leave without paying their bill. A problem which I am concerned with is how to deal appropriately with clients’ complaints. This is sometimes managed successful and sometimes it is just the opposite (37).

B. S.

Employees: Different attitude towards work – some work overtime whenever necessary while others always finish work on time regardless the firm’s needs (38). Clients: A tendency that clients who formerly only expected high quality today demand for high quality at low prices (39). Banks: They requirement for additional assets and securities. Today it is more and more impossible to meet their expectations in this respect when asking for credit (40).

A. N.

Owner-managers (as partners): They have to pull together and it is necessary to solve arising problems or conflicts cooperatively (41). Employees: If employees are only seen as a means to achieve corporate goals rather than an individual with own values, convictions and aims. Therefore, employees have to be involved in what is going on in the firm (42). Clients: aligning client’s and firm’s expectations. If the work is not exactly defined prior to signing the contract, problems in cooperation frequently come up, like for example reduced and / or delayed payments, dissatisfaction etc (43).

A. M.

Clients: high expectations concerning the service but low readiness to pay accordingly (44). Suppliers: Frequently mistakes in processing my orders occur. They lead to additional works by me and are sometimes extremely difficult to be correct (45). Public: There is the danger of public smear campaigns if a client isn’t satisfied with my services and then complains publicly about it, especially in my personal surrounding. Quite often small problems exaggerated by some clients (46).

Suppliers: attempt to deceive by charging higher prices than agreed (34).

Partners (owner-managers): varying opinions about which part of the business contribute most to corporate success (36).

Employees: conflicts between employees due to missing mutual understandings (35).

Clients: high expectations in service quality vs. low readiness to pay accordingly. Problems in dealing with clients’ complaints (37).

Employees: different attitude to work (38)

Clients: expectation of high quality and increasing demand for low prices (39).

Banks: increasing demand for securities. Gaining credit becomes more and more problematic (40).

Partners (owner-managers): different aims to be aligned. Necessity of solving problems cooperatively (41).

Employees: to be regarded as individuals rather not just a means (42).

Clients: different understandings of contractual agreements. Consequently low readiness to pay the bills (43).

Clients: high expectations vs. low readiness to pay accordingly (44)

Suppliers: additional work by wrong execution of orders (45).
<table>
<thead>
<tr>
<th><strong>A. G.</strong></th>
<th>We hardly have conflicts with our employees because I try to avoid such conflicts. But generally questions of working hours, salaries and unequal behaviours towards employees have to be considered (47). With respects to clients conflicts occur in the moment that clients have to pay for services. Especially big companies frequently ignore contractual regulations in order to pay delayed or to reduce the due amount (48). With subcontractors problems sometimes appear because some contractual details which are included in the client’s contract can’t be demanded from subcontractors. They frequently don’t have the financial means e.g. to gain necessary insurance cover. Consequently contracts with clients and those with subcontractors are frequently not in accordance which leads to risks for the firm (49).</th>
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<tr>
<td><strong>G. D.-P.</strong></td>
<td>Employees frequently have different aims than we as owner-managers. They are less result-driven than we are (50). Clients often have expectations which are different from what we can offer to them (51). The most important conflict with a bank which I can image is that a bank lets a firm down just in a situation in which a firm urgently needs loans (52).</td>
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<tr>
<td><strong>M. Sc.</strong></td>
<td>As an owner one frequently reflects possible changes in structure and activities of the firm. However as the firm’s manager one often doesn’t realize it due to time constraints in daily business (53). With regards to employees many conflicts result from leadership problems. Sometimes interactions are too casual and that’s my fault. Our field of business requires a high level of flexibility. Frequently employees make use of it to their advantage. Most of them lack of an economic understanding and therefore have no idea, how hard it is to process an order with a positive economic result (54). Clients often demand more services than they are willing to pay. Therefore negotiations are very hard and afterwards the pressure on me is high. It is really difficult to reach a sufficient gain with an order (55)</td>
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<th>Public: being blamed publicly by dissatisfied clients (46)</th>
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<tbody>
<tr>
<td>Employees: different expectations and necessities with regards to working-hours, salaries and owner-managers’ behaviour (sometimes perceived to be unequal by employees) (47)</td>
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<tr>
<td>Clients: low willingness to pay on time or at all. Lack of readiness to behave according to contracts (using powerful position) (48)</td>
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<tr>
<td>Subcontractors: firm’s wish to establish contracts in full accordance with its obligation towards clients vs. subcontractors limited abilities with regards to liability and financial resources (49).</td>
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<tr>
<td>Employees: aims which defer from those of the company as they are less result-driven (50)</td>
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<tr>
<td>Clients: expectations which defer from what the firm can provide (51).</td>
</tr>
<tr>
<td>Banks: firm’s wish to receive financial means vs. bank’s willingness to provide loans (52).</td>
</tr>
<tr>
<td>Owner-manager: conflict between strategic aims (changes in structure etc) and requirements of day-to-day business (time and resource constraints) (53)</td>
</tr>
<tr>
<td>Employees: firm’s demand for flexibility contradicts with employees’ private commitments and aims. Lack of economic understanding of employees (54)</td>
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</table>
| M. T. | Between the firm and suppliers the problem frequently occurs that the firm wishes a prompt delivery of material while the supplier needs a longer period of time (56). This conflict also affects the relation between the firm and its clients. The latter normally expect immediate execution of their orders (57). The main conflict with employees deals with the normal work time and the necessity of working overtime. In other words flexibility of employees is required but this frequently contradicts with employees’ private activities (58). Therefore one has to explain why the staff should work longer than normal. And of course you have to pay accordingly. | Clients: demand more services than they are willing to pay for (55)  
Suppliers: Demand for immediate delivery vs. long delivery periods (56).  
Clients: Expectation of prompt execution of order vs. firm’s dependency on delivery period of supplier (conflict is caused by problems with suppliers) (57).  
Employees: Firm’s need for flexibility in work time vs. employees’ private commitments (58). |
| S. N. | Main conflict with clients is that they frequently don’t want to pay for all services (59). With employees it is sometimes problematic that there are certain works which they don’t like but which are important for the firm and have to be carried out (60). Conflicts with suppliers result from misunderstandings in placing orders (61) and if supplies are carried out incorrectly. It then has to be negotiated who has to pay for it. | Clients: require more services than they are willing to pay for (59).  
Employees: Necessity of some uncomfortable works vs. employees’ wish to conduct only comfortable work (60).  
Suppliers: Misunderstandings which result from imprecise contractual agreements (61). |
| H. H. | With state and society it is clear that we are monitored as a farm because we receive money from the public (62). But with respects to the other groups I don’t see general conflicts. | State and society: firm’s demand for subvention vs. governmental monitoring of the farm’s procedures (62).  
No other conflicts reported. |
| X. U. | As an owner-manager I think conflicts are mainly in me (63). That means that whenever a conflict occurs, it is a conflict between me as the owner and me as the leading manager of the firm. With employees the main conflict is related to questions of payments on the one hand and required workload on the other (64). And of course which positions employees can achieve in your firm. Sometimes a breach of confidence occurs if employees try start an own business with my clients (65). Clients sometimes are not able to pay and I try to avoid cooperation with such clients (67). Another point is keeping deadline which we promised to clients. Finally imprecise contractual arrangements can lead to big problems (66). In case of complaints by clients it is very important to immediately react and to fully satisfy your client. | Owner-manager: Has to deal with inner conflicts between the roles of the owner on the one hand and the firm’s leading manager on the other (63).  
Employees: Demand for high wages vs. willingness to work accordingly (64).  
Misuse of trust by employees. (65)  
Clients: Imprecise contractual agreements (66). Avoiding cooperation with clients |
<table>
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<tr>
<th>Interviewee</th>
<th>Thoughts</th>
</tr>
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<tbody>
<tr>
<td>C. W.</td>
<td>Generally I see conflicts between company and clients. This is related to prices and terms of conditions (68). Flexibility and a readiness to talk. This is quite hard every year as we have to do with the buyers of discounter. It was always my aim to provide discounter with the possibility to generate profits with our products. With employees I can hardly see any noticeable conflicts of interest. We are only three persons, me included. I think the goals of the firm are equal to the aims of the employees (69). Suppliers – in my opinion it is similar to the clients’ conflicts. It is a question of prices and terms conditions (70). And then some of the suppliers ask themselves whether they should deliver their goods directly to the discounter (71). Clients: Demand for low prices and good terms of conditions vs. profitability of the client-relation (68). Employees: No conflicts because there aims are equal to the firm’s goals (only three persons employed including the owner-manager) (69). Suppliers: Price and terms of conditions (70). Suppliers’ wish to get around the intermediate dealer (71).</td>
</tr>
<tr>
<td>G. E.</td>
<td>There isn’t a single group which is more important than the others. Rather, it is important taking all stakeholders into consideration. However, temporarily it might be important to focus a certain group (72). Thinks, that all stakeholder groups are equally important. Only temporarily one group might be in the focus. However, doesn’t mention any general conflicts (72).</td>
</tr>
<tr>
<td>N. S.</td>
<td>Customers complain of quality defects of sold items and demand for low costs which would lead to insufficient profit margin [Company] (73). Suppliers sometimes extend the agreed delivery times (74) Sales team: Misunderstandings or fragmentary communication (in commercial process) (75) Clients: Quality defects. Different aims with respects to price (clients low, firm high) (73). Suppliers: delayed delivery (74) Employees (Sales Team): Misunderstandings, fragmentary communication (75)</td>
</tr>
<tr>
<td>Deviant Interviewee: A. E.</td>
<td>There are several. The biggest conflict we have is balancing the shareholders (owners and employees). So far we were too much focussed on quarterly earnings. We always tried to hit the numbers which was always short term focused. Even each employee had a quarterly review and you could even receive quarterly bonuses. Maybe as a start up that was ok, but for a big company it doesn’t make sense. We changed it recently to a six-month period. I think this is a problem to all publicly held companies, especially in the US. In the future we have to think in longer periods of time, otherwise you’ll never invest in the firm’s future. Our customers expect a certain level of service and capabilities and in order to achieve this level of service we have to do these investments which then leads to the problem that we can’t meet our numbers and won’t receive bonuses then. So the stakeholders who suffered the most have been our customers as we were driven by our Wall-Street numbers. But as I mentioned this is going to be improved. However it is not as client driven as it should be. With ebay there are a couple of conflicts because they own us and they are our biggest customer. The first thing is the question Shareholders: Balancing their interests. Shares are hold by a parent company, employees and private shareholders. They all expect short term profits on a quarterly basis which however reduces the readiness to invest in corporate future. Customers: Due to the aim for short term results investments in better services had been omitted. Consequently clients are not focused like they should be in order to maintain corporate market position.</td>
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</table>
where we invest money. Ebay sometimes wants us to invest in field which mainly contributes to the business with ebay. But there are many customers who use paypal without using ebay and this are our fastest growing market. And then it is difficult to be a regulated financial company if your parent company is not. Therefore we have to cope with a lack of understanding, appreciation and sensitivity by ebay and that sometimes leads to risk-positions which ebay forces us to take though for our business this is a danger.

**EBAY:** Quite a special stakeholder as it is the biggest client who in addition holds a major share in the company. Lack of understanding for risk management requirements of the company by Ebay causes dangers for the firm.

**Deviant interviewee:** H. H.

First of all I think the attitudes of employees are important and I think they have changed during the last years and especially due to the economic crisis. Staff had to learn that the performance of the firm is crucial for their jobs. And this refers to all aspects inside the firm. The question how the work is done, the commitment towards the firm. The understanding that employees have to contribute to the firms’ development has to be enhanced.

Main conflict between the firm and clients might be that clients demand for more services than they normally can expect. If they then are dissatisfied they reduce their payments or they don’t pay at all. Especially big companies behave like this. They are normally paying the bills but the procedure is frequently delayed. This is one of the main conflicts which our small firm clients have. Many of their clients are just bad payers.

With respects to the relationships between our small firm clients and our bank it is the information-behaviour which is often a problem. I have to admit that this aspect has improved due to the establishment of a rating system which today is even applied for small companies. Many of these firms are not able to establish a sufficient cash management system or an appropriate accounting. These firms are mainly dependent on their owners. They are experts in their field but frequently have only limited knowledge in business management. This is often a problem in relation to us as a bank.

**Summarized findings**

**Partners (owner-managers):**
- different aims, expectations (time commitment, financial goal, private income, reinvestment of profits) and contributions to firms’ success (4,23,26)
- different aims of partners to be aligned (26,41)
- relationship of partners is crucial for corporate existence (10)
- different attitudes to work but equally shared profits (14)
- different educational backgrounds (23)
- varying opinions about which part of the business contribute most to corporate success (35)
- necessity of solving problems cooperatively (41)
- conflict between strategic aims (changes in structure etc) and requirements of day-today business (time and resource constraints) (53)
- How to deal with inner conflicts caused by the different roles as owner and as leading manager (63).
Employees:
- salary vs. firm’s affordability (1,47)
- necessities of the firm (work overtime) vs. employees’ expectations and commitments (free time, salaries) (5,47,54,58)
- necessary decisions of the owner-managers vs. employees’ wish to maintain procedures (7)
- different desires with respects to uncomfortable works to be executed (60)
- different approach to deal with clients vs. owner-managers’ conviction of service orientation (20)
- alignment of employees’ goals with corporate aims by over average packages (24)
- expectation of high salary vs. low motivation to work accordingly (27,64)
- low motivation to provide high quality works (29)
- different attitude to work (38)
- problematic cooperation between employees due to missing mutual understandings (32,36,47)
- employees to be regarded as individuals rather than just a means (42)
- Lack of economic understanding of employees (54)
- Misuse of trust by employees (65)
- One expresses: No conflicts of interest due to equal aims of employees and firm in a small company (owner-manager plus two employees) (69)
- Misunderstandings, fragmentary communication (75)

Clients
- aligning interest of sellers and buyers (intermediate position of agent) (2)
- Demand for low prices and advantageous terms of conditions vs. profitability of the client-relation (68,73)
- high expectations in services vs. low readiness to pay appropriate prices (increasing demand for low prices) (6,8,11,28,30,37,39,44,48,51,55,59)
- imprecise contractual agreements (66)
- low readiness to pay our bills. Expecting us to behave illegally or to act immorally (15)
- clients’ expectations in medical treatment vs. health insurances’ payment policies (flat rate per treatment) (17)
- excessive expectations. Unfair behaviour if they feel unhappy with our conduct (informing the press in order to put us under pressure) (33)
- Difference between desired and possible execution of orders
- Dependency on suppliers delivery of material (57)
- Cooperation with clients which aren’t able to pay their bills (67)

Banks:
- increasing demand for securities vs. financial flexibility (3,12,22,31,40,52)
- increasing demand for corporate information (9,12)
- unequal powers in negotiations (22)
- gaining credit becomes more and more problematic (40)
Suppliers (similar to subcontractors):

- different cultural backgrounds in international business (especially with US firms) (25)
- attempt to deceive us by charging higher prices than agreed (34)
- wrong execution of orders (45)
- delayed delivery (74)
- difference between desired and possible delivery period (56)
- imprecise contractual agreements which lead to wrong execution of orders (61)
- different expectations concerning prices and terms of conditions (70)
- wish to get around the intermediate dealer threatens the supplier-relation (71)

Sub-contractors (similar to suppliers):

- wish of payment as early as possible vs. our expectation to finish the works correctly (13)
- Problem to establish the same regulations in a subcontractor’s contract as it has been agreed to in the client’s contract (due to subcontractor’s lack of resources). Consequence: ‘Contractual gaps’ leads to increasing risks of the firm (49)

State and society:

- Judges expectation of our cooperative behaviour vs. our obligation towards my clients aims (16)
- Firm’s demand for subventions vs. governmental control (62)

Colleagues:

- Different opinion whether they or we should offer particular treatments to patients (18)

Public:

- being blamed publicly by dissatisfied clients (46)

One respondent didn’t see general conflicts but emphasized that arising conflicts are always particular (72)

What deviant interviewees express:
Big company’s perspective:
- Shareholders’ interest have to be balanced
- Shareholders can be pure stockholders, employees or a parent company
- Balancing short term profit goals with long term necessities of investing in corporate future
- Customers aren’t focused enough due to short term profit goals which hinder investments in product/service quality. This threatens corporate market position.
- Parent companies might have different ideas of how to successfully run the firm. Lack of understanding with respects to potential risks might harm corporate existence

Bank’s perspective:
- Lack of economic understanding by employees. They don’t know about the company’s requirements. Consequently the view on work quality and commitment differs from corporate necessities.
- Clients expect high level services and products, however are not willing to pay accordingly (delayed, reduced payments)
- Different understandings and expectations concerning information on corporate cash situation, accounting and reporting. Lack of expertise and transparency by owner-managers in bank related information.

DA2: Analysis: counting, grouping / categorization

Clients:
Conflicts solely related to payment practices of clients
- Demand for low prices and advantageous terms of conditions vs. profitability of the client-relation (68,73)
- Low readiness to pay our bills. Expecting us to behave illegally or to act immorally (15)
- Cooperation with clients which aren’t able to pay their bills (67)

Conflicts resulting from different understandings of contractual agreements
- High expectations in services vs. low readiness to pay appropriate prices (increasing demand for low prices) (6,8,11,28,30,37,39,44,48,51,55,59)
- Excessive expectations. Unfair behaviour if they feel unhappy with our conduct (informing the press in order to put us under pressure) (33)
- Difference between desired and possible execution of orders
- Dependency on suppliers delivery of material (57)
- Imprecise contractual agreements (66)
- In special fields of business:
  - Aligning interest of sellers and buyers (intermediate position of agent) (2)
  - Clients’ expectations in medical treatment vs. health insurances’ payment policies (flat rate per treatment) (17)

Employees:
- **Remuneration package:**
  - salary vs. firm’s affordability (1,47)
  - expectation of high salary vs. low motivation to work accordingly (27,64)
  - necessities of the firm (work overtime) vs. employees’ expectations and commitments (free time, salaries) (5,47,54,58)
- **Work quality**
  - expectations in employees’ quality of work vs. their personal expectations and commitments (19,50)
  - low motivation to provide high quality works (29)
  - different attitude to work (38)
  - employees’ approach to deal with clients vs. owner-managers’ conviction of service orientation (20)
  - necessary decisions of the owner-managers vs. employees’ wish to maintain procedures (7)
  - different desires with respects to uncomfortable works to be executed (60)
- **Misunderstandings**
  - problematic cooperation between employees due to missing mutual understandings (32,36,47)
  - Lack of economic understanding of employees (54)
  - Misunderstandings, fragmentary communication (75)
  - alignment of employees’ goals with corporate aims (by over average packages) (24)
  - Misuse of trust by employees (65)

**Other statements:**
- employees to be regarded as individuals rather than just a means (42)
- No conflicts of interest due to equal aims of employees and firm in a small company (owner-manager plus two employees) (69)

**Partners (owner-managers):**

**Conflicts owner-managers generally have to deal with (regardless the number of owner-managers of a firm):**
- conflict between strategic aims (changes in structure etc) and requirements of day-to-day business (time and resource constraints) (53)
- How to deal with inner conflicts caused by the different roles as owner and as leading manager (63).

Generally owner-managers perceive the problem of filling different roles in their firms. On the one hand they are owners of a firm; on the other hand they operatively work as leading managers. They have to deal with sometimes contradicting aims. For example conflicts between strategic goals and necessities of day-to-day business might arise. For example, strategically a change in the firm’s structure might appear reasonable but time pressure of daily business potentially restrains from executing such changes. While in big companies these problems have to be negotiated between shareholders and managers in small business these problems frequently arise as inner conflicts of one person.

In addition conflicts between several owner-managers of a firm might come up.
Conflicts between business partners, if the firm is led by more than one owner-manager:
- different aims, expectations (time commitment, financial goal, private income, reinvestment of profits) and contributions to firms’ success (4, 23, 26)
- varying opinions about which part of the business contribute most to corporate success (35)
- different attitudes to work but equally shared profits (14)
- different educational backgrounds (23)
- relationship of partners is crucial for corporate existence (10)
- necessity of solving problems cooperatively (41)
- different aims of partners to be aligned (26, 41)

Banks:
- contradicting expectations:
  - increasing demand for securities vs. financial flexibility (3, 12, 22, 31, 40, 52)
  - increasing demand for corporate information (9, 12)
  - gaining credit becomes more and more problematic (40)
  -
  - consequence
  - unequal powers in negotiations (22)

Suppliers / subcontractors (similar to subcontractors):

**Problems related unfair behaviour of suppliers / subcontractors**
- attempt to deceive us by charging higher prices than agreed (34)
- wish to get around the intermediate dealer threatens the supplier-relation (71)
- (subcontractor) wish of payment as early as possible vs. our expectation to finish the works correctly (13)

**Problems related to poor execution of orders**
- wrong execution of orders (45)
- delayed delivery (74)
- difference between desired and possible delivery period (56)
- different expectations concerning prices and terms of conditions (70)

**Basic problems which cause conflicts**
- imprecise contractual agreements which lead to wrong execution of orders (61)
- (subcontractor) Problem to establish the same regulations in a subcontractor’s contract as it has been agreed to in the client’s contract (due to subcontractor’s lack of resources).

  Consequence: ‘Contractual gaps’ lead to increasing risks of the firm (49)
- different cultural backgrounds in international business (especially with US firms) (25)
State and society:
- Judges expectation of our cooperative behaviour vs. our obligation towards my clients aims (16)
- Firm’s demand for subventions vs. governmental control (62)

Colleagues:
- Different opinion whether they or we should offer particular treatments to patients (18)

Public:
- being blamed publicly by dissatisfied clients (46)

One respondent didn’t see general conflicts but emphasized that arising conflicts are always particular (72)

What deviant interviewees express:

Big company’s perspective:
- Shareholders’ interest have to be balanced
- Shareholders can be pure stockholders, employees or a parent company
- Balancing short term profit goals with long term necessities of investing in corporate future
- Customers aren’t focused enough due to short term profit goals which hinder investments in product / service quality. This threatens corporate market position,
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Bank’s perspective:
- Lack of economic understanding by employees. They don’t know about the company’s requirements. Consequently the view on work quality and commitment differs from corporate necessities.
- Clients expect high level services and products, however are not willing to pay accordingly (delayed, reduced payments)
- Different understandings and expectations concerning information on corporate cash situation, accounting and reporting. Lack of expertise and transparency by owner-managers in bank related information.

Interview guideline question 3: Can you recall a recent conflict that has been arisen between your company and one of these stakeholders and describe the process that you followed to address the conflict?
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>Employees demand for higher commissions, which however is not affordable for my firm (1). Means to nevertheless enable high motivation and identification are leadership, social activities with employees, team building, and positive public appearance of the firm. I don’t expect and don’t accept moral misconduct of employees (2)</td>
<td>Problem: how to maintain employees’ motivation and identification if the firm can’t provide high salaries (1). Solution: leadership, social activities with employees, team building. Establishing a climate in which moral misconduct stigmatized as out of the question (2).</td>
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<tr>
<td>F. S.</td>
<td>Recent requirement to work overtime for a distinct order contradicted with employees other commitments (3). Leadership, open communication of the reasons for overtime work and exemplary behaviour of owner-managers (4)</td>
<td>Problem: how to convince employees of the necessity to temporarily working overtime (3). Solution: leadership, exemplary behaviour, open communication of the reasons (4).</td>
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<tr>
<td>A. H.</td>
<td>We recently changed the supplier of working clothes and employees had to pay a higher supplementary payment. Employees complained about it (5). We had to discuss this issue. Problems like this can only be solved in personal interactions and discussions. Cooperation between owner-manager and employees is essential (6).</td>
<td>Problem: how to communicate necessary changes in employers’ contributions to employees packages (5). Solution: personal discussions, cooperation of owners and staff essential (6).</td>
</tr>
<tr>
<td>M. S.</td>
<td>Banks: A former partner bank (a big, international player) of our company cancelled our business relationship in 2002 because they intended to concentrate on investment banking and on big real estate projects (above € 20 million) (7). Fortunately we already had close relations to a regional bank so that our business didn’t face severe problems. Regional banks are sometimes awkward in their procedures. However they are more reliable and we are working together with the same bank staff for almost 10 years (8).</td>
<td>Problem: in former bank crisis (2001) bank (global player) cancelled relationship which considerably threatens firm’s existence (7). Solution: establishing relationship to a smaller regional bank which fits better to a small firm and which isn’t driven by only financial markets (8).</td>
</tr>
<tr>
<td>J. K.</td>
<td>A client accused me of supporting arguments of his opponent (9). Actually I only tried to calm down the situation due to the fact that both parties have got personal. I explained my client that he will either accept my procedure or I would cancel the mandate (10).</td>
<td>Problem: client mistrusts firms’ commitment to clients’ goals (9). Solution: offering the client to either cancel the mandate or to follow the firms’ procedure (10).</td>
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<tr>
<td>K. P.</td>
<td>A patient continuously complained about costs of a medical check-up which she had to pay on her own. She refused to pay the bill saying that she would pay high rates for her health insurance (11). I marked her in our computer system. Last time I discussed the issue prior to the check-up and clearly pointed out that she definitely has to pay the treatment or to leave the practice. Since then she doesn’t complain anymore, pays her bill on time and emphasizes that she has never been treated so well before. It showed me that consequent behaviour and direct communication pays in difficult situations. This behaviour also includes the risk to lose some of your clients just because you won’t achieve a fit between your own and your clients’ expectations (12).</td>
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<tr>
<td>Problem: client (patient) is not willing to pay the bill because she insists on covering the costs by her health insurance (11). Solution: Prior to future treatments discussion with the client. Clear expression of the expectation that the whole treatment is to be paid by the client; otherwise she should consult another medical doctor. Clients have to fit to the firm (12).</td>
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<tr>
<th>A. K.</th>
<th>Employees: In situations of different opinions and understandings of service quality I have problems to fulfil leadership task in a sufficient manner (13). I’m obviously not tough enough to discuss and – if necessary – to force staff to behaving according to my convictions. I think that I let too much free space for employees because I rely on their sense of responsibility (14).</th>
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<tr>
<th>G. M.</th>
<th>We solved a problem with one of our main suppliers (Lanxess) by constantly discussing the issue with them (establishing sales regions according to business requirements) (15). We achieved our aim by communicating mutual benefits of these changes. At the same time we reduced potential conflicts with this supplier. However, with an American company it would have been more problematic due to cultural differences and different aims and understandings (short term profit vs. long term success) (16).</th>
</tr>
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<tr>
<td>Problem: supplier had an insufficient system of sales regions and should be convinced of a structure which serves the needs of the firm as well as of the supplier (15). Solution: ongoing personal discussions and consultations with the supplier. Explaining potential profits and reduced conflicts for both parties. Cooperation would be problematic with culturally different partners (16).</td>
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<tr>
<th>H. S.</th>
<th>There are actually no conflicts between the owner-managers of our practice. Employees: the biggest problems occur between the employees. There are some of them who feel superior to others however we don’t have a conscious hierarchy in our firm (17). Therefore we try to cope with such situations by discussing the issue with the persons involved. I would call it ‘appeasement’. In particular we try to make clear that no one should feel superior with others. The fact that this problem occurs from time to time shows that in this respect we are not very successful in our leadership. May be these problems between employees arise because our employees are mainly females. Sometimes we tried to separate employees by placing them in different rooms. May be our leadership approach is not ideal. We owner-managers regard ourselves firstly as tax-advisors rather than as leaders of a company. Even in our professional education leadership and human resource management doesn’t play any role (18).</th>
</tr>
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<tr>
<td>Problem: informal hierarchy leads to recurring problems among employees although there aren’t any formal differences between employees. Owner-manager perceives that leadership is not sufficiently developed (17). Solution: better education of owner-managers in human resource management and leadership. Establishing clear rules for...</td>
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<tr>
<td>Name</td>
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<tr>
<td>E. V.</td>
<td>One of our employees worked faulty at a site of a new client. I had considerable higher costs and needed a lot of extra time. He didn’t even see his mistake and didn’t even try to understand it (19). As he is working probationary for us and wants to be employed regularly in my company I reduced his salary for that day of bad work. More and more I have the feeling that he doesn’t fit to our firm. I provide staff with a wide range of freedom however he and two other younger employees just try to take advantage from the freedom provided. Two of them recently just stop at work half an hour earlier than agreed. My older staff would never behave like this; they are doing what their task requires them to do. I need reliable staff and with three of my employees this doesn’t work appropriately (20).</td>
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<tr>
<td>I. L.</td>
<td>Clients: The case with the client who informed the press in order to put me under pressure was a great problem for me (21). I could have just paid her money back but then I would have publicly admitted in an unethical behaviour which I hadn’t conducted. Insisting on my point of view was the right decision but it took a lot of power and confidence to do so. I was convinced that my behaviour was morally and legally ok, therefore I kept on my viewpoint. But the threat of being displayed and accused in popular press was really a challenge (22).</td>
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<tr>
<td>S. H.</td>
<td>Clients: A regular customer complained about a cappuccino she received. However, she frequently complained about everything, so I asked her what we are doing wrong (23). Normally I try to behave customer-friendly but in this case I had to protect my employees because there was absolutely no reason to complain. It might be that we have lost a regular client here but I felt it was the only way to act in this situation. Another client complained about a cocktail which didn’t meet his expectations. And we are really trying to provide the top-cocktails in our town. In this case I also asked him for the reasons and he clearly pointed out that he would have expected a taste of lemon. So it was quite easy to satisfy him by just bringing him a cocktail with a lemon taste. From our service understanding I have to deal personally with every complaint and that is sometimes hard (24)</td>
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<tr>
<td>B. S.</td>
<td>Employees: I hired an employee who was recommended to me as a very good expert. And I knew him and his family for years. After a while it appeared that he was not as capable as proposed. And he didn’t fit personally in the group of employees (25). Consequently I had to fire him and that was quite hard to do. However, in this respect I have to maintain group cooperation, even if that requires such hard decisions. I try to foster employees as much as possible, in particular providing them with further education. Sometimes you’ll be disappointed by people who just abuse your trust (26).</td>
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<tr>
<td>A. N.</td>
<td>Clients: a client for whom we worked expressed to be dissatisfied with our work (27). We tried to settle the things according to his demands but he refused to pay and we got the impression that it was his aim to reduce payment. We tried to get our money by involvement of a lawyer. After many discussions we settled out of court. We received less than we expected and had to pay the lawyer. So in all we learned from that case that it is better to aim for an agreement than trying to solve the problem by legal action. In the future we have to keep an eye on motivations of our clients. Since that problem we aligned our clearing procedure in that we now try to charge smaller amounts in regular intervals. If we have to buy expensive materials we ask for payment in advance in order to avoid problems like described. We try to behave more strictly now. If clients don’t pay on time we stop working (28).</td>
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<tr>
<td>A. M.</td>
<td>A regular client who was extremely satisfied with former works of me asked for extensive advice. After hours of consultation we verbally agreed upon the order. However, some days later I ask for a written confirmation of the order but she then told me that she used my offer in order to negotiate with a competitor who then offered a lower price and received the order (29). So I had all the preparing works but no realistic chance to get the order. The competitor obviously offered cheaper materials but didn’t mention this to the client. With my materials it would have been impossible to offer such a price. This case made it clear that I should charge extensive consultations on a fee per hour basis. This would give me an impression whether or not a potential client is willing to pay for my works (30).</td>
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<tr>
<td>A. G.</td>
<td>Recently we had a severe problem with a client (81) which was caused by a subcontractor who wasn’t able to finish his works on time. The firm of the client used its strong and powerful position and refused to fully pay the bills. Consequently we faced a</td>
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<td>Problem: How to deal with a client who demands for extensive consultations prior to the contract and then doesn’t confirm the contract but makes the order with a competitor (29). Solution: Consultations which exceed an initial discussion should be offered on a fee per hour basis in order to identify those clients who are really willing to come to an agreement with the firm rather than just exploiting the owner-manager’s competency (30).</td>
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<td></td>
<td>Problem: How to cope with client’s mighty position towards the firm in cases</td>
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<tr>
<td>Student-ID: 11381060</td>
<td>Juergen-M. Seeler</td>
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<tr>
<td>shortness in financial liquidity. We had no chance to get our money and at the same time it was quite difficult to hold our subcontractor liable (82).</td>
<td>of dispute (81). Solution: None directly mentioned, however it appears necessary to fix contracts with subcontractors in exact accordance with regulations which are agreed to in the client’s contract (82).</td>
</tr>
<tr>
<td>G. D.-P.</td>
<td>Problem: How to guide employees in order to maintain their motivation even in times of organizational changes (83). Solution: The firm failed with respect to a competent employee who was employed for a long time. Professional advice by mediator. If no sufficient solution can be found termination of the contract is required (84).</td>
</tr>
<tr>
<td>In the past we had a very competent hairdresser who was long time employed in our firm. However, once we changed our structure of the company the relationship worsens (83) though we even tried to accompany the process of change by an external mediator. But we felt that she remained unable to cope with the new circumstances. So finally we had to fire her although for many years we’ve been very satisfied with her work (84).</td>
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<tr>
<td>M. Sc.</td>
<td>Problem: How to deal with employees who don’t accept or even hinder changes of structures and procedures intended by the owner-manager (85). Solution: Establishing clear structures and rules. Close control of employees’ behaviour (however, nearly impossible to be maintained in daily business) (86).</td>
</tr>
<tr>
<td>Currently I’ve some problems with the structure of my company. I’m just determining tasks, responsibilities, job descriptions. The changes which result from these tasks are hard to be explained to and accepted by employees. I want to focus employees’ attention to their own tasks rather than to the activities of others. However some – one in particular – constantly tries to contradict it. He is a long-term employed, very competent and experienced worker. He’s very dominant towards others (85). I try to control him quite closely in order to show him that I don’t accept any deviant behaviour. However, in day to day business it’s hard to maintain (86).</td>
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<tr>
<td>M. T.</td>
<td>Problem: How to convince employees of necessary extra work on weekends (87). Solution: Personal explanation of the reason. Showing the economic consequences for the firm and the maintenance of jobs. Providing additional free-time and / or payments. Tact and sensitivity in behaviour towards employees. Improving employees motivation by providing them with freedom in their work (trust) (88).</td>
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<tr>
<td>Recently we had to replace the lights in a school. We had to fulfil the contract within the Easter-holidays. However the lights were delivered with a delay. Therefore we had to work on a Saturday which of course is quite hard for my employees (87). You have to explain employees that such an order is a precondition for further contracts with clients. And that we need such work in order to maintain the jobs. Of course you have to either provide employees with additional payments or with additional free-time. It is necessary to base cooperation on personal relationships. That means that you can’t behave like the big boss towards your staff. Rather one needs tact and sensitivity in guiding employees. Otherwise your employees just work from nine to five and that’s all. If things are going well employees should be as free as possible in their work (88).</td>
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<tr>
<td>Name</td>
<td>Scenario</td>
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<tr>
<td>S. N.</td>
<td>Generally conflicts have to be settled in personal discussions. In the final end you have to find solution. With regards to clients we sometimes have to conduct additional work and then it is hard to convince the clients that it is necessary and that they have to pay for it (89). I prefer to inform clients prior to beginning these additional works. However sometimes you just have to carry out necessary works and then to bill it (90).</td>
</tr>
<tr>
<td>H. H.</td>
<td>Yes, I once had a problem with local government. I participated in a program in which you have to renovate your farm and in turn, local administration granted a 30 % contribution on the costs. However, without reasons local government refused to pay (91). I then demanded county administration and they told me I should put the case to court. Finally I didn’t receive the grant but I also didn’t legally charge local government. I didn’t feel comfortable with the thought of having a legal case in our community. Today I sometimes think it was a mistake because I had the right to get that grant. But you can never be sure whether you win the case or not (92).</td>
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<tr>
<td>X. U.</td>
<td>I had a problem with one of my employees who belongs to my family. It is quite hard to distinguish between family relations and corporate requirements. My nephew left my company in order to establish his own firm. He tried to use our techniques and our clients’ relationships (93). I fired him because of this misuse of trust. However he failed in successfully start his business and got in severe financial problems. After one and a half year he came to me, admitted his mistake and asked me to give him a second chance. I did so because I think you have to forgive someone if he recognizes and admits his misbehaviour. Of course I’m more cautious in providing him with important corporate information. I can say that maintaining capable staff is quite demanding (94).</td>
</tr>
<tr>
<td>C. W.</td>
<td>A conflict with one of our clients came up when a discounter demanded for such a low price that the deal wouldn’t have been beneficial for us. We cancelled the negotiations and faced the danger of losing this important client (95). The buyer has to do a hard job because he has to realize what his CEO requires. Therefore he has only little space for helping us. However, you are dependent on good personal relations to the buyer. After the discussion I waited for some weeks. I pretended to talk with my supplier in order to possibly gain a further discount. After a while I met the buyer again and finally he agreed to the compromise suggested by me. But it was important to calm down emotions which arose during the first talk. So it’s important to be self-confident, but at the same time you must not forget that a discounter mainly has to generate profit with your goods (96).</td>
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</table>
Conflicts have to be seen from person to person and from case to case. They have to be considered and to be solved in personal discussions (97) and consultations or by exact orders and tasks (98). Everyone has to think in solutions (99).

Doesn’t provide any example. However states conflicts should be solved by:
- personal discussions (97)
- thinking in solutions (99)
- giving exact orders and tasks (98)

Conflict: We delivered the ordered bottles with miss-printed labels. Reaction: Since it was our fault we recalled the order and reproduced the labels (100). Reasons: the costs were much lower than the potential impact on customer relation of not reproducing (101)

Problem: false execution of a client’s order (100).
Solution: Reproducing products and renewed delivery. Reworking the order less expensive that potential break up of client relation (101).

To be honest, a fundamental problem is the short term focus on quarterly profits without taking risks aspects into account. In a way this has to do with objectives by ebay. Now, we are sitting opposite the business and that is normal for compliance in a company. It’s the natural tension between business and compliance. Frequently we are involved only very late when all things are already set by business. If it takes place early enough they ask me for all the risks which might be important. That not all that easy to do. Sometimes I just provide them with all those risks which I’m aware of and then they have to decide which of them are important. The financial crisis shows that the business people and those of the risk management aren’t equal in a company. And that is a problem in my job as well.

Problem: How to deal with shareholders expectation of quarterly achieved profits without sufficiently anticipating risk and compliance aspects. Natural tension between business people and risk managers of a company.
Solution: If possible providing managers with necessary risk information prior to their decision. If decision is already made, nevertheless informing managers about potential threats.

I have a current example which is typical: A small firm charged services conducted to its client which is a big international company. There was no evidence that the services had been faulty. Our client was dependent on on-time payment because in the first month of a year turnover is only limited. The client company delayed the payment providing different pretexts. Our client firm came into cash problems and had to negotiate a credit. This example makes clear that delay in client’s payment leads to problems in fulfilment of own contractual obligations. It took more than three month until our client sent a reminder because the owner feared to spoil the relationship to his client. However, I think it would be better to ask for reasons of delayed payments as early as possible. By this it could be possible to save one’s own money in cases in which a client firm might go bankrupt.

Problem: How should a small firm deal with big international companies (clients) which pay extremely delayed using pretexts. How to cope with resulting issues like cash problems or problems in fulfilment of own contractual obligations.
Solution: Prompt actions in cases of delayed payments. Reminders, strict reminding procedures, asking for reasons
**Summarized findings**

Summarizing interpretation of questions 3 and 4:

### 1. Though a statistic distribution of statement-issues is not aimed for it can be stated that owner-managers are mainly concerned with recent problems with clients (9,11,21,23,27,29,31,33,35,47,49,53,55,65,73,81,89,95,100) and employees (1,3,5,13,17,19,25,41,45,57,69,77,83,85,87,93). Some participants are obviously dependent on stable relations towards their suppliers and therefore reflect issues related to this stakeholder group (15,37,51,59,61,67,71,75). Conflicts with banks (7,43,63) and with state and society (39,91) only play a minor role in interviewees’ reflections upon stakeholder problems

### 2. Main problem issues with respects to clients:
- client mistrusts the goals of the firm (9)
- clients are not willing to pay on time, the whole amount or even at all, however expect high level of service / product quality (11,27,55)
- some clients even behave in an unfair manner (involving the press, trying to deceive the firm…) in order to put the owner-manager under pressure (21)
- some clients generally use their powerful position in order to put pressure on the firms (81)
- some clients constantly complain about everything (but without real reasons) (23,49)
- how to deal with clients’ complaints (justified or created) (73)
- some clients demand for consultation prior to the contract and then order competitors without paying anything for consultancy (29)
- some clients demand for more services than fixed in the contract. They refuse to pay for the works (33,89)
- sometimes problems occur from the intermediate position of the owner-manager as an agent between seller and buyer (31)
- delayed payments by clients (35)
- balancing clients’ expectations in expertise of the firm and in relationship to the owner-manager (47)
- problems occur in identifying dissatisfaction of regular clients as early as possible in order to maintain the business relationship to this important group (53)
- How to deal with clients in cases of mistakes which the firm is responsible for. (avoiding reduction of payments by clients in such cases) (65,100)
- How to deal with important regular clients’ demand for extremely bad conditions? (95)

### 3. It must be emphasized that none of the participants described a conflict among business partners. This appears surprising as in question 1 all interviewees that run their business with at least one partner expressed owner-managers to be one of the three most important stakeholder-groups.

### 4. Main problem issues with respects to employees:
- maintaining employees’ motivation, flexibility and identification though salaries can’t compete with those in big companies (1).
- aligning firm’s necessities with employees personal commitments (service orientation, flexibility vs. family expectations) (5,41)
- dealing with employees who hinder necessary changes of structures and procedures intended by owner-manager (85)
- convincing employees of the necessity to work overtime (3,87)
- dealing with employees’ understanding of service quality which differs from owner-managers’ conviction (13)
- dealing with conflicts among employees which result from informal hierarchy (17)
- guiding young employees in order to educate them punctuality, work quality, reliability (19)
- dealing with new employees which obviously don’t fit in the staff and which don’t work as good as expected (25,83)
- how to introduce a future manager (close guidance vs. freedom to develop own ideas) (45)
- how to deal with the breach of trust by an important employee which can’t be easily replaced (57,93)
- how to equally distribute unpopular works among employees (69)
- how to guide employees (sales team) in order to achieve sufficient turnovers (77).

Main problem issues with respects to suppliers / subcontractors:
- how to convince an important supplier of necessary changes in his supply structure (15)
- how to deal with foreign suppliers which don’t understand German market-particularities (75)
- dealing with mighty suppliers which try to deceive the firm or don’t fully cover their warranties using their powerful market position (37,51,59)
- how to deal with a supplier who refuses to execute works which had been orally agreed to (71)
- how to deal suppliers which a firm is dependent on due to the offer of specialized materials offer special materials (67)
- some subcontractors are not able to cope with the contractual obligations due to a lack of financial resources, expertise and necessary securities (61)

Main problem issues with respects to banks:
- dealing with big banks which make decisions to the disadvantage of the firm for reasons which haven’t to do anything with the relationship (7)
- how to deal with the mighty position of banks in firms which are considerably dependent on loans (43)
- how to deal with the firm’s dependency on banks due to its need of loans (especially in start-up phase and critical situations) (63)

Main problem issues with respects to state and society:
- lawsuits sometimes require compromises which are not in full accordance with the laws. How to weight requirements of the laws with expectations of the parties involved? (39)
- how to deal with a local administration which arbitrarily refuses to pay subventions which are guaranteed by law (91)

Solutions with regards to conflicts with employees:
- leadership (2,4,14,20,46)
- consistent behaviour (94)
- firing employees if a breach of trust occurred (94)
- providing employees with a second chance after severe misbehaviour (94)
- education of owner-managers in human resource management (18)
- further education of employees (20)
- focus on selection of new employees which fit to the firm’s team (20)
- social activities with employees for team building (2)
- establishing an ethical climate (2)
- exemplary behaviour (4, 70)
- owner-managers should take part in unpopular works (70)
- open communication (even in crisis of cooperation), personal discussions, cooperation (4,6,26,58,84,88)
- establishing clear rules for employees (18,86)
- integrating result based salary for sales employees (78)
- close control of employees’ behaviour (86)
- furthering employees’ motivation (20)
- offering more than required by laws to employees (higher salaries, flexible work-time, additional holidays) (42,88)
- taking employees private commitments into account (42)
- sufficient introduction of new employees (46)
- if necessary (persistent problems) usage of external experts (mediators etc.:) (84)
- Tact and sensitivity in behaviour towards employees (88)
- Explaining necessity of required extra work (88)

Solutions with regards to conflicts with clients:
- in cases of severe distrust or constant complaints without good reasons clear communication of either cancelling the contract or following the firms’ procedure (10,12)
- considering legal actions in cases of (purposefully) unjustified complaints (74)
- clients have to fit to the firm (12,28,48)
- being conscious of the own situation in legal and moral respects. (22)
- personal discussions in order to solve problems (90,74)
- open communication of the own viewpoint (22,34)
- open communication of own mistakes (86)
- establishing good personal relationships to buyers (96)
- immediate repairing in cases of just complaints (74,101)
- informing clients early if additional works are required (90)
- looking for compromises (74,90,96)
- Trying to reveal ‘uncovered’ reasons for clients’ dissatisfaction (24)
- Cancelling relations to unfair clients (in order to protect employees as well as the firm) (24)
- trying to achieve a sufficient agreement with the dissatisfied clients (28,36,50)
- avoidance of legal actions if possible (28,36)
- requiring payment in advance in order to minimize the risk of not being paid by clients (28,36)
- requiring payments for extensive consultations prior to the contract (30)
- anticipating clients’ interest (96)
- keeping down negative emotions (74,96)
- appropriate negotiation-skills (96)
- anticipation of clients’ expectations in order to establish lasting and mutually beneficial relations (32)
- Exact contractual agreements (34,82)
- building sustained personal relationships with clients (48,50,56) in order to attract and maintain regular clients (56)
- Providing highest possible level of service quality in order to avoid clients’ discontent (66).

Solutions with regards to conflicts with suppliers / subcontractors:
- sustained personal contacts, discussions and consultations in order to convince suppliers (16,60,72)
- Establishing good personal relationships by private and business activities (68,76)
- Providing suppliers with beneficial orders if possible (reciprocity) (68)
- Establishing behavioural guideline for firm’s behaviour which suppliers can rely on (e.g. clearly fixed dates of payment) (38)
- Building purchasing cooperation in order to cope with mighty suppliers (better conditions, achieving a more powerful position, reducing costs by centralising functions) (52)
- Improving the selection of suppliers (financial means, expertise, securities) (60,62)
- Considering legal actions if contractual agreements aren’t kept (72)
- Avoiding problems resulting from inaccurate contractual agreements and from gaps between regulations in the client’s and the subcontractor’s contract (62)
- causing an understanding for prevailing market conditions (76)

Solutions with regards to conflicts with banks:
- selecting a bank which fits to the needs of a small firm (presumably a smaller regional bank) (8)
- reduction of the firm’s dependency on banks by reducing loans (44, 64)

Solutions with regards to conflicts with state and society
- Direct contact with all parties involved (40)
- seeking for compromises rather than stubbornly insisting on legal claims (40)
- firm’s representatives must have high level of communication skills (40)
- trying to address the problem to the superior administration / authority (92)
- considering chances and risks of a legal case (92)

General recommendations on how to deal with conflicts:
- personal discussions (97)
- thinking in solutions (99)
- giving exact orders and tasks (98)

Deviant interviewees’ statements:
Big company’s perspective:
- Balancing shareholders short term profit expectations with long term risk considerations of the company. Tension between business and risk managers.
- Providing management with sufficient information on potential risks and threats.

- Balancing corporate legal obligation to check clients’ private data with clients’ expectation of their privacy being respected / protected.
- Providing clients with less information on corporate procedures.

Bank’s perspective:
- Dealing with delayed payments by big and powerful clients
- Dealing with resulting issues like cash problems etc.
- Immediate actions in case of delayed payments
- strict reminding procedures
- Preparing for potential cash problems (credits by banks, building up assets)
- Dealing with employees whose work quality decline due to private problems.
- Discussing possible means in order to clear up the basic problem.
- Providing a re-entry-plan if employee succeeds in solving private problems.

DA3: Analysis: counting, grouping / categorization

1. Though a statistic distribution of statement-issues is not aimed for it can be stated that owner-managers are mainly concerned with recent problems with clients (9,11,21,23,27,29,31,33,35,47,49,53,55,65,73,81,89,95,100) and employees (1,3,5,13,17,19,25,41,45,57,69,77,83,85,87,93). Some participants are obviously dependent on stable relations towards their suppliers and therefore reflect issues related to this stakeholder group (15,37,51,59,61,67,71,75). Conflicts with banks (7,43,63) and with state and society (39,91) only play a minor role in interviewees’ reflections upon stakeholder problems.

Stakeholder-Conflicts addressed with respects to (entries):

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>19</td>
</tr>
<tr>
<td>Employees</td>
<td>16</td>
</tr>
<tr>
<td>Suppliers</td>
<td>8</td>
</tr>
<tr>
<td>Banks</td>
<td>3</td>
</tr>
<tr>
<td>State and Society</td>
<td>2</td>
</tr>
</tbody>
</table>

Problem issues with clients:

Unfair behaviour of clients:
- clients are not willing to pay on time, the whole amount or even at all, however expect high level of service / product quality (11,27,55)
- clients even behave in an unfair manner (involving the press, trying to deceive the firm…) in order to put the owner-manager under pressure (21)
- clients generally use their powerful position in order to put pressure on the firms (81)
- clients constantly complain about everything (but without real reasons) (23,49)

Contradicting contractual understandings of clients and the firm:
- clients demand for more services than fixed in the contract. They refuse to pay for the works (33,89)
- how to deal with clients’ complaints (justified or created) (73)
- delayed payments by clients (35)
- client mistrusts the goals of the firm (9)
- some clients demand for consultation prior to the contract and then order competitors without paying anything for consultancy (29)
- balancing clients’ expectations in expertise of the firm and in relationship to the owner-manager (47)
Problems caused by cooperation between clients and the firm:
- sometimes problems occur from the intermediate position of the owner-manager as an agent between seller and buyer (31)
- problems occur in identifying dissatisfaction of regular clients as early as possible in order to maintain the business relationship to this important group (53)
- How to deal with important regular clients’ demand for extremely bad conditions? (95)
- How to deal with clients in cases of mistakes which the firm is responsible for. (avoiding reduction of payments by clients in such cases) (65,100)

Solutions with clients:

Suggestions with respects to the clients of the firm
- clients have to fit to the firm (12,28,48)
- Cancelling relations to unfair clients (in order to protect employees as well as the firm) (24)
- in cases of severe distrust or constant complaints without good reasons clear communication of either cancelling the contract or following the firms’ procedure (10,12)

Suggestions with respects to owner-managers’ personal skills:
- personal discussions in order to solve problems (90,74)
- open communication of the own viewpoint (22, 34)
- open communication of own mistakes (86)
- establishing good personal relationships to buyers (96)
- informing clients early if additional works are required (90)
- looking for compromises (74,90,96)
- Trying to reveal 'uncovered' reasons for clients’ dissatisfaction (24)
- trying to achieve a sufficient agreement with the dissatisfied clients (28,36,50)
- building sustained personal relationships with clients (48,50,56) in order to attract and maintain regular clients (56)
- anticipating clients’ interest (96)
- anticipation of clients’ expectations in order to establish lasting and mutually beneficial relations (32)
- keeping down negative emotions (74,96)
- appropriate negotiation-skills (96)

Suggestions with respects to the firm’s procedures:
- immediate repairing in cases of just complaints (74,101)
- Providing highest possible level of service quality in order to avoid clients’ discontent (66).
- requiring payment in advance in order to minimize the risk of not being paid by clients (28, 36)
- requiring payments for extensive consultations prior to the contract (30)

Suggestions with respects to the firm’s legal position:
- Exact contractual agreements (34,82)
- avoidance of legal actions if possible (28,36),
- being conscious of the own situation in legal and moral respects (22)
- considering legal actions in cases of (purposefully) unjustified complaints (74)

Problem issues with employees:

**Problem issues related to employees’ guidance by owner-managers:**
- maintaining employees’ motivation, flexibility and identification though salaries can’t compete with those in big companies (1).
- aligning firm’s necessities with employees personal commitments (service orientation, flexibility vs. family expectations) (5,41)
- dealing with employees who hinder necessary changes of structures and procedures intended by owner-manager (85)
- convincing employees of the necessity to work overtime (3,87)
- dealing with conflicts among employees which result from informal hierarchy (17)
- how to deal with the breach of trust by an important employee who can’t be easily replaced (57,93)
- how to equally distribute unpopular works among employees (69)

**Problem issues related to employees’ general education and vocational training:**
- dealing with employees’ understanding of service quality which differs from owner-managers’ conviction (13)
- guiding young employees in order to educate them punctuality, work quality, reliability (19)
- dealing with new employees which obviously don’t fit in the staff and which don’t work as good as expected (25,83)
- how to introduce a future manager (close guidance vs. freedom to develop own ideas) (45)
- how to guide employees (sales team) in order to achieve sufficient turnovers (77).

**Solutions with employees:**

**Solutions related to owner-managers’ attitude towards employees**
- leadership (2,4,14,20,46)
- consistent behaviour (94)
- education of owner-managers in human resource management (18)
- exemplary behaviour (4,70)
- owner-managers should take part in unpopular works (70)
- open communication (even in crisis of cooperation), personal discussions, cooperation (4,6,26,58,84,88)
- tact and sensitivity in behaviour towards employees (88)
- establishing an ethical climate (2)
- furthering employees’ motivation (20)
- taking employees private commitments into account (42)

**Solutions related to the firms’ procedures towards employees:**
- firing employees if a breach of trust occurred (94)
- providing employees with a second chance after severe misbehaviour (94)
- further education of employees (20)
- focus on selection of new employees which fit to the firm’s team (20)
- social activities with employees for team building (2)
- establishing clear rules for employees (18,86)
- integrating result based salary for sales employees (78)
- close control of employees’ behaviour (86)
- Offering more than required by laws to employees (higher salaries, flexible work-time, additional holidays) (42,88)
- sufficient introduction of new employees (46)
- if necessary (persistent problems) usage of external experts (mediators etc:) (84)
- Explaining necessity of required extra work (88)

**Owner-managers:**
Surprisingly none of the participants described a conflict related to the owner-manager himself (respectively between owner-managers of a firm). Though in interview questions 1 and 2 participants rated owner-managers to be the third important stakeholder group (5 of them rated owner-managers even rank 1), no conflict has been described in statements on interview questions 3 and 4. One possible explanation could be that participants included have already dealt with and resolved conflicts in the past. Consequently it would be possible that they are fully aware of the importance of this stakeholder group (therefore entries in interview questions 1 and 2 occurred). However, no current problems have or had recently to be dealt with and consequently no detailed conflict descriptions were made in interview questions 3 and 4.

**Problem issues with suppliers / subcontractors:**

**Conflicts caused by structures in the suppliers’ firm**
- how to convince an important supplier of necessary changes in his supply structure (15)
- how to deal with foreign suppliers which don’t understand German market-particularities (75)
- some subcontractors are not able to cope with the contractual obligations due to a lack of financial resources, expertise and necessary securities (61)

**Conflicts caused by suppliers’ powerful position**
- dealing with mighty suppliers which try to deceive the firm or don’t fully cover their warranties using their powerful market position (37,51,59)
- how to deal with a supplier who refuses to execute works which had been orally agreed to (71)
- how to deal suppliers which the firm is dependent on due to the offer of specialized materials offer special materials (67)
Solutions with respects to suppliers

Means distinctly related to the firm – supplier relationship (focus on actions generated by the firm):
- sustained personal contacts, discussions and consultations in order to convince suppliers (16,60,72)
- Establishing good personal relationships by private and business activities (68,76)

Means in order to improve market knowledge of the supplier’s firm
- Providing suppliers with beneficial orders if possible (reciprocity) (68)
- establishing behavioural guideline for firm’s behaviour which suppliers can rely on (e.g. clearly fixed dates of payment) (38)
- causing supplier’s understanding for prevailing market conditions (76)

Means preparing the firm in dealing with powerful position of suppliers
- Building purchasing cooperation in order to cope with mighty suppliers (better conditions, achieving a more powerful position, reducing costs by centralising functions) (52)
- Improving the selection of suppliers (financial means, expertise, securities) (60,62)
- Considering legal actions if contractual agreements aren’t kept (72)
- Avoiding problems resulting from inaccurate contractual agreements and from gaps between regulations in the client’s and the subcontractor’s contract (62)

Problem issues with banks:

Conflicts resulting from banks’ powerful position:
- dealing with big banks which make decisions to the disadvantage of the firm for reasons which haven’t to do anything with the relationship (7)
- how to deal with the mighty position of banks in firms which are considerably dependent on loans (43)
- how to deal with the firm’s dependency on banks due to its need of loans (especially in start-up phase and critical situations) (63)

Solutions with regards to banks:

Facing banks’ mighty position
- selecting a bank which fits to the needs of a small firm (presumably a smaller regional bank) (8)
- reduction of the firm’s dependency on banks by reducing loans (44, 64)

Main problem issues with respects to state and society:

Dealing with state and societies’ discretion:
- lawsuits sometimes require compromises which are not in full accordance with the laws. How to weight requirements of the laws with expectations of the parties involved? (39)
- how to deal with a local administration which arbitrarily refuses to pay subventions which are guaranteed by law (91)

Solutions with regards to state and society

Dealing with state and societies’ discretion by owner-manager’s personal skills:
- Direct contact with all parties involved (40)
- seeking for compromises rather than stubbornly insisting on legal claims (40)
- firm’s representatives must have high level of communication skills (40)

Dealing with state and societies’ discretion by reflecting how to go through the official channels
- trying to address the problem to the superior administration / authority (92)
- considering chances and risks of a legal case (92)

General recommendations on how to deal with conflicts:
- personal discussions (97)
- thinking in solutions (99)
- giving exact orders and tasks (98)

Deviant interviewees’ statements:

Big company’s perspective:
- Balancing shareholders short term profit expectations with long term risk considerations of the company. Tension between business and risk managers.
- Providing management with sufficient information on potential risks and threats.
- Balancing corporate legal obligation to check clients’ private data with clients’ expectation of their privacy being respected / protected.
- Providing clients with less information on corporate procedures.

Bank’s perspective:
- Dealing with delayed payments by big and powerful clients
- Dealing with resulting issues like cash problems etc.
- Immediate actions in case of delayed payments
- strict reminding procedures
- Preparing for potential cash problems (credits by banks, building up assets)
- Dealing with employees whose work quality decline due to private problems.
- Discussing possible means in order to clear up the basic problem.
- Providing a re-entry-plan if employee succeeds in solving private problems.

Interview guideline question 4: Can you now identify a different conflict and describe how you addressed that situation?
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>High selling prices contribute to our success as our commission depends on the price paid. On the other hand it is my obligation that the buyer pays a price in line with market requirements. In the long run it is most beneficial if both seller and buyer feel that I managed a fair deal. Therefore, it is necessary to seriously consider the fair price of a property.</td>
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<tr>
<td></td>
<td>Problem: how to deal with conflicts of interest with respects to clients (sellers and buyers of properties) which result from intermediate position as an agent.</td>
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<tr>
<td></td>
<td>Solution: long term perspective important. Reputation of the firm can only be maintained if sellers and buyers perceive that a fair price has been fixed.</td>
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<tr>
<td>F. S.</td>
<td>Recent conflict with a client who expected many additional services but wasn’t ready to pay accordingly. Problem to communicate the extent of additional work. We didn’t succeed in explaining this to our client and finally accepted a lower payment. In the future we have to clearly communicate what we can offer and what we expect in return. Otherwise we would have to lower service quality.</td>
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<td></td>
<td>Problem: how to deal with a client whose expectations considerably exceed the services fixed in the contract. Explanation of additional services after the works doesn’t convince the client who consequently refuses to pay accordingly.</td>
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<td></td>
<td>Solution: clear communication of additional works and the price which will be charged. Contractual agreement prior to carrying out additional works.</td>
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<tr>
<td>A. H.</td>
<td>Payment of our bills frequently occurs delayed. We recently had a lot of problems with a client how continuously refused to pay. We faced the problem that it would have been inefficient to put this issue to court. Therefore we had to discuss the topic with the client and to convince him to pay. Finally we lost a part of the amount. In the future we have to consider whether to demand payment in advance or at least to ask for cash payment at the day of the service.</td>
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<tr>
<td></td>
<td>Problem: how to deal with clients who refuse to pay the bills on time or even at all.</td>
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<td></td>
<td>Solution: cash payment in advance or at least payment on site at the day of service. Avoiding legal actions. They don’t lead to sufficient results but frequently cause high costs. Personal contact more efficient than legal actions.</td>
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</tr>
<tr>
<td>M. S.</td>
<td>Recently a metalworker asked for partly payment in advance. He promised to finish the works soon, but he didn’t. We trusted in his promises and that was a costly mistake. Nevertheless we established a self-constraint years ago which obliged us to pay all sub-contractors’ bills within 7 days. Apart from some rare bad experiences like described above, we established very reliable.</td>
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<td></td>
<td>Problem: Dealing with subcontractor’s (suppliers) demand for payment in advance for material purchase. Trust in this</td>
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<tr>
<td>Name</td>
<td>Case Study</td>
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<tr>
<td>J. K.</td>
<td>In court I frequently have to look for compromises which the judge and the opponents agree to (39). This is pure communication. It doesn’t mean that existing laws are enforced. Nevertheless this procedure frequently leads to quite satisfying results for both parties (40). Problem: <strong>State and society</strong> provide a comprehensive legal framework. How to weight interests of the client with the needs of efficient judicial procedures (39). Solution: Direct contact with all parties engaged in a lawsuit. Not insisting on own viewpoints even if they are in full accordance with the laws. Instead looking for compromises which are acceptable for all persons involved. High level of communication skills required (40).</td>
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<tr>
<td>K. P.</td>
<td>With employees I try provide and demand flexibility (41). This means that on the one hand I don’t pay for overtime work. On the other hand employees get more days of vacation than we established in our contract of employment. This serves their family commitments and the requirements of the practice and is therefore beneficial for both. I think in all I’m providing more to employees than I’m obliged to by contracts of employment (42). Problem: How to align necessities of the firm (flexibility, service orientation) with personal expectations and commitments of employees (41). Solution: Trying to offer more than contracts of employment and standards of pay agreement demand. Helping employees to cope with their private commitments and at the same time asking for more flexibility in order to increase the firm’s service quality (42).</td>
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<tr>
<td>A. K.</td>
<td>Banks: Main problem is the power and might which the bank has in our relationship. In my business loans are essential to run my firm (43). And in times like this we even have an increasing need of financial means in order to assure state-of-the-art fashionwear. Members of the bank’s board are frequently visiting my firm as clients. But at the same time they - consciously or unconsciously - evaluate procedure in my firm. The might they have and the pressure they put on me is sometimes hard to stand. I’m really looking forward to the day when I have payed all my loans. This will put an end to the bondage I perceive in relation to my bank (44). Problem: How to deal with the powerful and mighty position of the <strong>bank</strong> for a finance-dependent firm (43). Solution: not directly mentioned. However it is aimed to decrease dependency by reducing loans (44).</td>
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<td>Problem: how to guide a future manager (employee) of the firm in order to introduce him to his future tasks (45). Solution: balancing the tensions between integrating him in all important stakeholder interactions and accepting his own approaches to management. Sufficient way of leadership required (46).</td>
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<tr>
<td>G. M.</td>
<td>Guiding future manager of our company required to integrate him in all essential processes (45). This is a leadership task. It also demands to introduce him to all important stakeholders. Of course I try to prepare him for carrying on procedures the way I did. But I’m also aware that he has to find his own answers on questions which will arise in the future (46).</td>
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<tr>
<td>H. S.</td>
<td>Clients: Problems mainly arise in personal relationships rather than in the field of our expertise. Crisis in relationships to clients are difficult to deal with (47). The best means to cope with such problems is to do a very good job. However, if a client just doesn’t like me he’ll search for mistakes in order to cancel the contract. With such clients it is sometimes better to finish the business relationship (48).</td>
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<tr>
<td>E. V.</td>
<td>Clients: sometimes there are extremely difficult clients who can never be satisfied by our work. These clients produce considerable losses because we need a lot of extra time and we have no possibility to charge it (49). It would be the best to refuse working for them. However you can’t see such problems in advance. It is a matter of dependency. We can’t go without such contracts because I have to employ staff. There is hardly anything to do in order to cope with such clients apart from trying to satisfy them as early as possible (50).</td>
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<tr>
<td>I. L.</td>
<td>Suppliers: Although we established our purchasing cooperation suppliers tried to deceive us by charging higher prices for medicine than fixed in the contract (51). Our cooperation provided us with the power to complain about such practices. If I would purchase the stuff on my own in many cases I wouldn’t have power and time enough to constantly complain and negotiate dubious invoices. And it wouldn’t be possible to achieve terms of conditions like in our cooperation (52).</td>
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<td>Problem: balancing two levels of relationships to clients: field of expertise and personal relation. Problems occur mainly in the latter field (47). Solution: building sustained personal relationships if possible. Otherwise considering an end of the mandate (48).</td>
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<td>Problem: How to deal with unfair clients who constantly complain just in order to reduce payments (49). Solution: Hardly any means to cope with that problem. Trying to solve problems in direct contact. Whenever acceptable fulfilling clients’ expectations and insisting on full payment (50).</td>
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<td></td>
<td>Problem: Suppliers constantly try to deceive the firm by charging higher prices than fixed in the contract. Suppliers obviously seek to use their powerful position (51). Solution: Building a local purchasing cooperation. Gaining better conditions. Improving the own position (more powerful) by cooperating with similar firms. Centralising tasks (purchase of medicine) enables to reduce internal costs of the partners of the cooperation. Equal</td>
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<tr>
<td>S. H.</td>
<td>Two regular clients, both attorneys at law, complained about salads they had ordered because the meat wasn’t well done (53). I apologized for that and invited them to have an espresso for free. However, these two people didn’t return so far. So we might have lost them and I suppose they have been unsatisfied before as well. But I haven’t been aware of any dissatisfaction. Afterwards I discussed the problem with our kitchen staff; however these employees frequently don’t understand the clients’ needs. I already said that this is really a problem. The cooks are working under severe pressure to prepare the meals on time. They don’t see the problem of the service staff to satisfy the clients’ expectations (54).</td>
<td>Problem: How to avoid that regular clients are dissatisfied and the firm isn’t aware of the fact. How to identify regular clients’ dissatisfaction as early as possible. How should employees’ attention be directed to this issue? How can cooperation be improved between kitchen and service staff in order to sufficiently address this problem? (53)</td>
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<tr>
<td>B. S.</td>
<td>Clients tend to demand for lower prices but still expect high quality. This might be due to frequent news on the TV and in newspapers which express that dental services should be considerably cheaper than they are (55). I try to cope with that problem by establishing good personal relationships to clients and by providing an over-average service quality. My intention is that they become regular customers and thus I intend to avoid extensive discussions upon the price. However, providing high quality requires having quite good employees. I’m convinced that some of my employees are top-level experts in Germany (56).</td>
<td>Problem: Clients more and more expect lower prices but at the same time they insist on a high level of service quality. How to deal with this development (55).</td>
</tr>
<tr>
<td>A. N.</td>
<td>Employees: One employee once started his own business while being employed in our firm. So he was working for us and at the same time he was a hidden competitor. Normally this is a reason to fire him without notice (57). However, for some good reasons we wanted him to stay in our firm. You never know whether your next employee will be better and he was really good. Therefore, we had a personal discussion with him and we asked him to stop his activities beside our company. He did so and consequently he remained our employee. Of course, we are a little bit more mistrustful today than we were before. But in all I can say that we have maintained a good relationship (58).</td>
<td>Problem: How to sufficiently deal with employees; in particular in the case of a breach of trust (57).</td>
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<tr>
<td>A. M.</td>
<td>Suppliers: in my shop I installed lights of a certain manufacturer which however were not working properly (59). I complaint about this as I still was in the warranty period. The producer told me that these lights generally are problematic and therefore they would send me another type which is more expensive. Consequently I had additional costs for the new lights as well as for the electrician. I complaint about this but didn’t receive any reaction. If it would have been my mistake, I would understand that I have to be charged for it. But in this case I really felt the arrogance of a mighty manufacturer towards a comparatively small client (60).</td>
<td>Problem: how to deal with a powerful supplier which uses its strong market position and doesn’t fully pay for defects which it is actually responsible for due to its warranty (59). Solution: not mentioned in the statement. However, communication between the supplier and the owner-manager of the firm is seemingly insufficient. Furthermore it might be asked whether there are other suppliers delivering equal products (60).</td>
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<td>A. G.</td>
<td>As stated above the problem with our client was caused by problems with our subcontractor. On the one hand there have been gaps in the contract with the subcontractor. On the other hand the subcontractor was simply not able to provide certain securities (insurance policy) which in turn our client demanded from us. During the works of the subcontractor the construction site caught fire (61). The subcontractor is not able to repair the defects whereas our client requires us to finish our works according to the contract. Meanwhile we face severe financial problems and we have to take the subcontractor to court (62).</td>
<td>Problem: Subcontractors are sometimes not capable to meet the expectations of the firm. In particular they sometimes don’t have the financial means and the expertise to provide sufficient services. This leads to severe problems in relation to the firm’s clients (61). Solution: Not directly mentioned, however it comes out that selection of subcontractors, assessment of subcontractor’s financial means and expertise as well as its abilities to provide the securities required is crucial. More attention must be paid on the contract. It has to be in full accordance with the regulations established in the client’s contract (62).</td>
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<tr>
<td>G. D.-P.</td>
<td>When we started our business it was sometimes difficult to gain credit by our bank (63). In one situation we really perceived to be dependent on banks. Consequently we reduced this dependency and today we are almost completely independent from banks. This makes our business much more comfortable. Like in other respects in my life it is very important to me to be independent (64)</td>
<td>Problem: How to deal with banks’ requirements in order to gain credit especially in start-up phase and critical situations (63). Solution: Minimizing dependency on</td>
</tr>
<tr>
<td><strong>M. Sc.</strong></td>
<td>With clients we frequently face problems if mistakes occur. For the fact that events are always ‘live’ mistakes can hardly be corrected once occurred. Therefore, misconduct has to be avoided by any means. Otherwise clients would reduce payments. This would instantly threaten our expected project gain (65). Due to this we have to openly communicate towards clients and our employees have to maintain a high level of service quality (66).</td>
<td></td>
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<tr>
<td>Problem: How to deal with <strong>clients</strong> in cases of mistakes which the firm is responsible for. How to avoid reduced payments by clients in such cases (65).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solution: Providing highest possible level of service quality in order to avoid clients' discontent. Open communication towards clients in cases of occurring mistakes (66).</td>
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| **M. T.** | We had an order which required installing certain lights which are difficult to obtain. In such situations we are dependent on our suppliers (67). Therefore it is important to establish good personal relations to the specialists. You can achieve this if you try to get in personal contact. You have to break the ice, just to drink a coffee together and to talk – even about private things. Every client of these suppliers expects immediate delivery. Consequently you have to establish a relationship in which the specialist in the suppliers gives preference to serve you. Meanwhile I even meet some of these specialists for sports activities. And if an order allows installing material with a higher profit it is important to give the supplier the chance to benefit as well (68). |
| Problem: How to deal with dependency on **suppliers** if special materials have to be obtained (67). |
| Solution: Establishing good personal relationship to the supplier’s specialist by personal contacts with respects to business and private activities. Achieving a priority position in order to assure immediate delivery of materials. Enabling supplier to generate higher profits in case the order allows it. Establishing mutually beneficial relations (68). |

| **S. N.** | With respects to employees there are sometimes works which nobody really wants to do (69) – especially canal constructions and renovations. Employees then try to avoid doing these works. My strategy to convince them is to joining them and working with them on these tasks. I think, if they see that even the boss is doing such works it is harder for them to slip away (70). |
| How to deal with **employees** if works have to be conducted which no one likes to do. How to behave fairly towards employees (69). |
| Solution: Exemplary behaviour by owner-manager by taking part in these works (70). |

| **H. H.** | I had a supplier of wood who should work on and deliver a certain kind of wood. But when date of delivery approached he refused to work on the wood according to my order. The order wasn’t written, rather we just agreed orally in what to do (71). He then started to send me reminders and he even charged me with the costs for working on the material. I really tried to clarify the case with him and to find a sufficient solution. However he insisted on his point of view which was completely against our contractual agreement. Finally he put the case to court and I won the case. But that was really useless and a waste of time and money for him (72). |
| How to deal with a **supplier** who refuses to carry out certain works which had been agreed orally (71). |
| Solution: Trying to find a solution by discussing the misunderstanding with the
| **X. U.** | If problems with our clients occur it is most important to get in personal contact with our client and try to solve the problem. If their complaints are just I really try everything to settle the things. But in some cases clients try to deceive me by demanding things which I’m not obeyed to provide. Frequently they use such a pretext in order to not pay our bills (73). In those situations I immediately react by calling our layer in that case. But first of all I try to solve conflicts personally. Sometimes you have to make a compromise though you are convinced that your client’s view is wrong. Keeping calm and making compromises is better than having a legal case (74). |
| **Problem**: How to deal with clients’ complaints which might be either justified or just created in order to reduce payments (73). |
| **Solution**: Always personal contact and avoiding emotional reactions in order to solve the problem. In cases of just complaints immediate repairing. If complaints are questionable trying to find a compromise. If clients’ try to just reduce payments calling the lawyer in that case might be an option (74). |

| **C. W.** | It is similar to the clients – with our suppliers we mainly discuss aspects of prices and terms of conditions. If you want to have success as a dealer it is just a matter low price. Foreign producers frequently can’t understand that German consumers are not willing to pay much for quality food (75). Important is to be in personal contact with clients. You have to establish good personal relations as a base to deal successfully with upcoming conflicts. And you should cause clients’ understanding for the market (76). |
| **Problem**: How to deal with foreign suppliers / producers which can’t understand particularities of the German food market (75). |
| **Solution**: Establishing good personal relationships in order to stabilize the supplier-relation of the firm. Causing an understanding for prevailing market conditions (76). |

| **G. E.** | - no further statement - |
| **N. S.** | Stakeholder: Sales Team Conflict: Not enough turnover (77). Reaction: we defined sales goal for every customer / implemented a result-based salary-structure (78). |
| **Problem**: How to deal with employees from the sales team who don’t achieve sufficient turnover (77). |
| **Solution**: Defining sales goals for every customer. Establishing result based salaries (78). |

| **Deviant interviewee: A. E.** | A problem with our customers is that we try to apply a best practice approach which means appropriately scanning reliability of our customers. Some of them don’t like it. You know using our services is a privilege and so we have a policy. We are even forced to do so by laws, e.g. when people have names similar to those of criminals and so on. Once you provide your customers with too much transparency they complain about us investigating their background. In the UK it was even published in the newspaper that |
| **Problem**: How to deal with clients’ privacy. The company has to check prospective clients against terrorists’ lists. However in this respects providing |
we would put a client as a terrorist. How can you resolve this problem? We just provide less transparency to our customers – but normally the more transparent you are to your customers the better it is. But this case showed that it can be just the other way around.

| Deviant interviewee: H. H. | There is one client who is a small firm’s owner-manager. He had a long term employed employee which was very competent, however due to problems in his family he started drinking. After a while his work behaviour deteriorated more and more and finally he wasn’t acceptable for the owner. The owner-manager than discussed intensively with this employee and finally the latter agreed in participating in a therapy. The owner temporarily released him. He orally assured the employee of re-hiring him once he would have finished therapy successfully. I think it took about 6 to nine month and then the employee get off alcohol. He re-entered the firm and now I think he’s working for the company for years. I think this is a really positive example of how to deal with conflicts between the firm and employees. In my opinion this is only possible in small firms due to personal relationships between owners and employees. Such owners normally do everything to avoid firing employees. Sometimes they even react too late in this respect. A manager in a big company has only little possibilities to show considerations for employees’ personal problems. |
|-------------------------------| Problem: How to deal with a competent employee who started drinking due to private problems and who finally was no longer acceptable for the firm. Solution: Taking employees’ private circumstances and problems into account. Trying to maintain good staff even in critical situations. Personal discussions with the employees upon his problems. Offering him to participating in a therapy and promising to re-hire him after successful finish of the therapy. |

| Summarized findings | - see question 3 - |

Interview guideline question 5: What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfilment of contracts (delayed payments of suppliers), tax evasion?
- **Aspect: corruption / bribery**

<table>
<thead>
<tr>
<th>Name of Interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by Interviewee</th>
</tr>
</thead>
</table>
| H. J. K.            | Unethical behaviour wouldn’t pay in the long run.  
Bribery / corruption would lay oneself to blackmail (1) | - refusing bribery / corruption because it would lay oneself to blackmail (1) |
| F. S.              | Corruption / bribery not relevant because projects to small for such practices (2) | - not relevant (2) |
| A. H.              | I reject bribery but sometimes separation of right and wrong behaviour is hard. Is a dinner invitation of an architect already a bribe? (3) | - rejecting bribery / corruption but wondering at what point unethical behaviour begins (3) |
| M. S.              | Corruption / bribery: no issue because public officers wouldn’t accept a bribe. Project permissions are in accordance with laws.  
Permission progress is publicly communicated (4) | - not relevant (4) |
<p>| J. K.              | Ecological problems and issues like bribery and corruption hardly occur in a service firm like a lawyer (5) | - not relevant (5) |
| K. P.              | Corruption / bribery: Is sometimes an issue but I constantly refused any kind of bribery because I would be susceptible for blackmail (6). | - bribery / corruption refused due to the risk of being susceptible for blackmail (6) |
| A. K.              | Corruption / bribery: Can be issue but in my company and in small firms in general it isn’t existent. It would be possible if I would employ a buyer and he would receive a bribe from a supplier in order to purchase articles of his company. Therefore the structure of my firm avoids this issue because I order the goods on my own (7). | - not relevant because the owner-manager orders the articles on his own. Would probably be a problem if an employee would be responsible for the purchases and if large quantities would be bought (7) |
| G. M.              | Corruption / bribery: Plays a role in our relationship to companies from Eastern Europe. Though our behaviour is in accordance with existing laws in Germany we actually know that we sometimes have to pay commissions for people who are likely to evade taxes in their countries. On the other hand without these people we wouldn’t have success in these markets. We are highly dependent on these sales. Therefore I think we shouldn’t try to simply transfer our ethical convictions on people from other cultures or countries. Rather one should accept different cultural beliefs (8). | - relevant with respects to clients in Eastern Europe where corruption / bribery is seemingly common in business. The firm behaves according to German laws but doesn’t care about the usage of payments abroad. Foreign trade is regarded to be impossible without corruption / bribery (8). |
| H. S.              | Corruption / bribery: is no issue in our firm because there is not motivation for us or for people outside the firm. However some firms like project developers and others sometimes offer us commissions if we would advise our clients to invest in their properties. But we don’t do this because we are working solely for our clients. I think my business partners are behaving in the same way, but of course I’m not absolutely sure about that. Transparency is an important issue in order to control procedures of all partners. May be we should install means of control but even more important is obviously the selection of suitable business partners (9). | Offered bribes by external consultants or agents in order to get in contact with the firm’s clients are refused in order to maintain the firm’s reputation is a key factor for corporate success. This attitude requires transparency among all partners. Means of control and deliberate selection of business partners (9). |
| E. V.              | Corruption / bribery: This is no issue in my business. Negotiations are mainly driven by discussions upon prices; therefore I | Not relevant for this firm (10) |</p>
<table>
<thead>
<tr>
<th>Name</th>
<th>Corruption / bribery:</th>
<th>Notes</th>
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<tbody>
<tr>
<td>I. L.</td>
<td>It’s no issue in my firm but I know about a case of a pharmacy-cooperation in Hamburg where the group doesn’t get good conditions because the buying manager of the cooperation seemingly receives bribes. In general, changes in billing-systems decreased motivation for corruption. Today every medicine sold is equally charged with a fixed amount. Consequently motivation to sell a more expensive medicine is no longer existent. In former times it was quite beneficial to behave like this. Changes in that system were really good in order to avoid corruption and deception.</td>
<td>Refuses offered bribes but owner-manager is aware of cases of corruption some years before. Corruption / bribery no longer interesting due to establishment of fixed prices for products by law.</td>
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<td>S. H.</td>
<td>Corruption and bribery is no issue in our firm.</td>
<td>Not relevant.</td>
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<tr>
<td>B. S.</td>
<td>Sometimes competitors try to establish business relations to dentists by gifts, payments or other means. The boundaries between a legal company gift and illegal corruption aren’t clear. Gifts might be ok, but payments in order to keep competitors out of business are definitely not. In my company I don’t act like this. In this town I know almost everyone and I try to just maintain personal relationship based on trust.</td>
<td>Owner-manager knows about competitors who offer bribes. Problem of distinguishing between gifts which are legally acceptable and payments of bribes which are illegal.</td>
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<tr>
<td>A. N.</td>
<td>It is more that we sometimes help very good clients with some additional works e.g. in his private garden. But I wouldn’t call that corruption – it’s just doing regular clients a favour in order to maintain the business relationship.</td>
<td>Bribery / corruption are sometimes issues, but only to a minor degree. Owner-manager is sometimes doing a favour to regular clients in order maintain the business relationship.</td>
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<tr>
<td>A. M.</td>
<td>No issue in my firm.</td>
<td>Not relevant.</td>
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<tr>
<td>A. G.</td>
<td>Corruption is a common practice in our field of business. We often receive Christmas gifts from business partners which is a common practice in our field of business. But apart from this I think corruption is no important topic.</td>
<td>No important issue. Wonders about the boundaries between common gifts (Christmas) and corruption.</td>
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<tr>
<td>G. D.-P.</td>
<td>Corruption is no issue in our business.</td>
<td>Not relevant.</td>
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<tr>
<td>M. Sc.</td>
<td>Generally this doesn’t play a role in our field of business. However, it is difficult to say where normal procedures of acquisitions end and where corruption begins. With respect to our employees I think they wouldn’t do anything like this as we are a small company and sooner or later misconduct would be revealed.</td>
<td>Boundaries between acquisition and corruption can hardly be defined.</td>
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<td>M. T.</td>
<td>Is hard to define what corruption is. Of course my suppliers and I help each other. They sometimes help me to get in contact with clients and the other way around I sometimes advise clients to buy at my suppliers. Is that already corruption? Sometimes you even pay a little bit if you receive an order by recommendations of partner businesses. But only very small amounts because my company couldn’t afford to pay more.</td>
<td>Is a minor issue but sometimes relevant in acquisitions. Corruption / bribery is hard to define.</td>
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<tr>
<td>S. N.</td>
<td>It depends on what is regarded as corruption. We often receive Christmas gifts from business partners which is a common practice in our field of business. But apart from this I think corruption is no important topic.</td>
<td>No important issue. Wonders about the boundaries between common gifts (Christmas) and corruption.</td>
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<tr>
<td>H. H.</td>
<td>No, this is definitely no issue in my business.</td>
<td>Not relevant.</td>
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<tr>
<td>X. U.</td>
<td>Yes, it sometimes plays a role in acquiring orders. Especially in cooperation with architects who in the end decide which firm receives the contract. For the economy it is bad but for the firm you can’t keep away from such practices if you want to have success in our field of business.</td>
<td>Regards it as an occurring issue in acquisitions especially in cooperation with architects.</td>
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<td><strong>C. W.</strong></td>
<td>Corruption / bribery: No, this is no issue (27); however, there are rumours that in some fields it might occur. May be if big dealers are concerned (28). But in my business it is no aspect and if someone would ask for it I would refuse it because it doesn’t correspond with my values (29).</td>
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<td>Doesn’t see any possibility to keep away from such practices in his business (26).</td>
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<td></td>
<td>No important issue (27).</td>
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<td>However, thinks that it might happen in big businesses (28).</td>
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<td>Expresses that he would refuse such practices due to his values (29).</td>
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<tr>
<th><strong>G. E.</strong></th>
<th>In small firms all issues mentioned in this question (no. 5) aren’t important like in big firms (29a). Small firms are marked by direct contacts and fast procedures. Consequently the issues mentioned aren’t so decisive. Owner-managers always have to keep an eye on all processes in the firm (29b).</th>
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<td>Issues in this question aren’t important in small firms (29a) because</td>
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<td>- direct contacts</td>
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<td>- fast procedures</td>
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<td>Owner-managers have control procedures in their firms (29b).</td>
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<th><strong>N. S.</strong></th>
<th>This is a question of definition (30). When bribery starts with an invitation to the VIP-lounge at a soccer game (worth: approx. € 200,-) or to a 1-week ski-holiday trip, the honest answer should be: we take / took advantage of it. But I would define this kind of invitation as customer care (31). I would turn down a bribery / corruption attempt (32)</th>
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<td>Is an issue in acquiring new clients (30).</td>
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<td>Isn’t sure at which point corruption begins. Regards many practices as customer care (31). Would deny if a bribe would be offered to him (32)</td>
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<tr>
<th><strong>Deviant interviewee: A. E.</strong></th>
<th>This is an issue for my team but we haven’t enough resources to sufficiently deal with it. We check our vendors against the world checklist. And on senior levels there have been discussions what might be appropriate to do. However, I was not involved so far. But we constantly have to reflect this topic whenever we want to enter in new markets respectively new countries. Because then we face the regulatory side of the governments and it is there were corruption might occur.</th>
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<tr>
<td></td>
<td>Is an issue.</td>
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<td>Checking vendors against the world checklist in order to detect clients who are known as criminals.</td>
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<td></td>
<td>When entering new markets governmental offices are necessary in order to get approval. This is a potential field of bribing officials by corporate managers. However, so far no means to evaluate this field.</td>
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| **Deviant interviewee: Corruption / bribery: I think in small companies this is an aspect of only minor importance. Of course it is dependent on moral attitude of the owner-manager. Sometimes it might occur and it can even be the case that owners are forced to misbehave in order |
| --- | --- |
| | Seemingly an issue of minor importance in small firms. |
to receive an order. But as far as it becomes obvious to me most of the owner-managers avoid any of these practices in order to remain ‘clean’ in legal respects.

Dependent on owner-manager’s attitude. Sometimes a means of acquiring orders. Most of small firms’ owner-managers avoid corruption / bribery in order to avoid being open to legal attack.

### Summarized findings

14 interviewees express that corruption / bribery is not relevant in their firm (2,4,5,7,10,12,15,16,18,22,24,27,29a)

7 interviewees express that they refuse bribery / corruption (1,3,6,9,11,13,32). Two of them fear to become susceptible for blackmail (1,6). Three wonder where the line between a gift and a bribe should be drawn (3,13,19).

Three interviewees say that they are aware of bribery / corruption of firms in their field of business (11,13,28,30). One expresses that this kind of misconduct would be a threat for his firm’s reputation (9). One states that his firm is too small so that it wouldn’t pay for suppliers to bribe. He also says that it wouldn’t pay for him because he needs the income in his firm rather than as a private person. A bribe would be a benefit for him as a person but would reduce the firm’s income (7).

In addition one interviewee mentions that a change in existing laws (paying fixed prices for medicine) reduced the motivation to bribe (11).

- Corruption / bribery is hard to define / boundaries between corruption and acquisition aren’t clear (21,23,31)

Participants who sometimes are concerned with bribery / corruption express:
- that in foreign trade with Eastern Europe corruption is common. The owner-manager is aware of the fact, that his payments are partly used as a bribe in Eastern Europe though – from the German perspective – payments are legal (8).
- that with respects to private clients it sometimes occurs to do them a favour in order to maintain a positive business relationship (14).
- in fields of business in which the amounts of payments are high motivation of bribery / corruption are higher as well (9).
- that it sometimes occurs in acquisition (20,25,31)
- there is no possibility to keep away from such practices in certain fields of business (26)

Some participants suggested means to reduce or avoid bribery/corruption (9,29):
- transparency among partners / employees
- selection of partners / employees you can trust in
- tight control of procedures
- personal values of the owner-manager which doesn’t allow such behaviours
- Owner-managers have control procedures in their firms (29b)

Deviant interviewees’ statements:
Big company’s perspective:
- Corruption / bribery: potential threat if new foreign markets are accessed. Governmental officials might ask for bribes.
- Means to detect corruptive acts required

Bank’s perspective:
- issue of minor importance
- owner-managers fear legal punishments
- might be a means of acquisitions
- owner-managers’ attitudes decisive

DA5.1: Analysis: counting, grouping / categorization

14 interviewees express that corruption / bribery is not relevant in their firm (2,4,5,7,10,12,15,16,17,18,22,24,27,29a)

7 interviewees express that they refuse bribery / corruption (1,3,6,9,11,13,32). Two of them fear to become susceptible for blackmail (1,6). Three wonder where the line between a gift and a bribe should be drawn (3,13,19,21,23,31).

4 interviewees say that they are aware of bribery / corruption of firms in their field of business (11,13,28,30). One expresses that this kind of misconduct would be a threat for his firm’s reputation (9). One states that his firm is too small so that it wouldn’t pay for suppliers to bribe. He also says that it wouldn’t pay for him because he needs the income in his firm rather than as a private person. A bribe would be a benefit for him as a person but would reduce the firm’s income (7)

In addition one interviewee mentions that a change in existing laws (paying fixed prices for medicine) reduced the motivation to bribe (11).

Tabulations / counting general answer categories:

14 out of 25 participants express that corruption isn’t relevant in their business
11 out of 25 participants are – in different ways – concerned with corruptive acts

7 participants generally refuse any kind of corruption (2 of them fear to become susceptible for blackmail)
6 participants wonder where the line between means of acquisitions and corruption should be drawn
4 participants report about corruptive acts in their competitors’ firms
2 participants say that corruption wouldn’t pay for their firms
1 participant express that a change in laws reduced the motivation for corruptive acts
Participants who sometimes are concerned with bribery / corruption express:
- that in foreign trade with Eastern Europe corruption is common. The owner-manager is aware of the fact, that his payments are partly used as a bribe in Eastern Europe though – from the German perspective – payments are legal (8).
- that with respects to private clients it sometimes occurs to do them a favour in order to maintain a positive business relationship (14).
- in fields of business in which the amounts of payments are high motivation of bribery / corruption are higher as well (9).
- that it sometimes occurs in acquisition (20,25,31)
- there is no possibility to keep away from such practices in certain fields of business (26)

Statements which reveal reasons for corruption:

External factors:
- that in foreign trade with Eastern Europe corruption is common. The owner-manager is aware of the fact, that his payments are partly used as a bribe in Eastern Europe though – from the German perspective – payments are legal (8).
- there is no possibility to keep away from such practices in certain fields of business (26)

Internal factors:
- that with respects to private clients it sometimes occurs to do them a favour in order to maintain a positive business relationship (14).
- in fields of business in which the amounts of payments are high motivation of bribery / corruption are higher as well (9).
- that it sometimes occurs in acquisition (20,25,31)

Some participants suggested means to reduce or avoid bribery/corruption (9,29,29b):
- transparency among partners / employees (9)
- selection of partners / employees you can trust in (9)
- tight control of procedures (9)
- personal values of the owner-manager which doesn’t allow such behaviours (29)
- Owner-managers have to control procedures in their firms (29b)
- small firms characteristics (direct contacts, fast procedures) generally prevent from corruptive acts (29a)

Statements which give hints for reducing corruption:

Suggestions related to owner-managers:
- transparency among partners / employees (9)
- selection of partners / employees you can trust in (9)
- tight control of procedures (9)
- personal values of the owner-manager which doesn’t allow such behaviours (29)

Suggestions related to the firm’s structure
- Owner-managers have to control procedures in their firms (29b)
Deviant interviewees’ statements:

Big company’s perspective:
- Corruption / bribery: potential threat if new foreign markets are accessed. Governmental officials might ask for bribes.
- Means to detect corruptive acts required

Bank’s perspective:
- issue of minor importance
- owner-managers fear legal punishments
- might be a means of acquisitions
- owner-managers’ attitudes decisive

Interview guideline question 5: What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfilment of contracts (delayed payments of suppliers), tax evasion?

- Aspect: deception / withholding information
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>Withholding important information is a legal offence in real estate business (1) – however, presenting properties in an advantageous light is a necessity in business (2)</td>
<td>No issue as it is a legal offence in real estate (1). Boarder between withholding information and presenting properties advantageously difficult to define (2).</td>
</tr>
<tr>
<td>F. S.</td>
<td>Deception / withholding information don’t pay in the long run as clients would become aware of possible misconduct sooner or later. We would harm our reputation by those practices (3)</td>
<td>No issue, because it would harm the firm’s reputation (3).</td>
</tr>
<tr>
<td>A. H.</td>
<td>Deception and withholding information doesn’t pay in the long run (4). Today’s clients are very good informed or accompanied by lawyers or technical experts.</td>
<td>No issue because it wouldn’t pay in the long run (4).</td>
</tr>
<tr>
<td>M. S.</td>
<td>Deception / withholding information: would be possible but not successful. Law requires providing clients with the contract two weeks before signing. Furthermore distinct legal rules determine the content of the contract and our duties towards the clients (5)</td>
<td>No issue as the laws require certain standards and not obeying these requirements would be legally punishable (5).</td>
</tr>
<tr>
<td>J. K.</td>
<td>Deception / withholding information: important issue because it appears to be beneficial to initially argue that clients would have quite realistic chances to win a case in court. It might help to get the mandate (6). During the proceedings the lawyer then has to reduce clients’ expectations. It is difficult to say at which point immoral behaviour begins (7)</td>
<td>Is an issue in order to gain mandates (6). Difficult to define at which point immoral behaviour starts (7).</td>
</tr>
<tr>
<td>K. P.</td>
<td>Deception / withholding information: I doubtlessly use the possibilities that I have when I cash up with health insurances. But I only charges treatments which I really provided to my patients. My bills are constantly below average; therefore I think it is ok. However German health insurance system provides temptations to charge more services than carried out as there is absolutely no control by patients (8). It is not as easy as some years ago but it is still possible. But no medical doctor would admit that he deceives. Avoidance of deception would only be possible by transparency in calculation and effective control by health insurances (9)</td>
<td>Is an issue in medical services though no medical doctor would ever admit. Health system tempts to manipulate bills (8). Transparency and effective control by health insurances would be necessary in order to reduce immoral behaviour (9).</td>
</tr>
<tr>
<td>A. K.</td>
<td>Deception / withholding information: I try to maintain a level of freedom in decision making which allows us to openly tell clients if e.g. a suit doesn’t fit. I expect my employees to behave in the same way (10). However, sometimes it might happen that one of my sales assistants gives wrong information in order to realize a sale (11). In the final end we rely on our reputation as one of the well known men’s outfitter. And we rely on a big number of regular clients which have to be constantly satisfied with our services</td>
<td>Should be no issue as it would harm the firm’s reputation because it is mainly dependent on regular clients (10). Might sometimes happen by very ambitious employees (11).</td>
</tr>
<tr>
<td>G. M.</td>
<td>Deception / withholding information: Open communication is a must in our business (12). We once faced the problem that a product holds health risks. We immediately withdrew the product. In my experience it is better to go without profit in such situations. Otherwise the later consequences might be costly if not even threatening the existence of our company (13)</td>
<td>No issue as the firm is dependent on open communication (12). Withholding information could be threatening for the firm’s existence (13).</td>
</tr>
<tr>
<td>H. S.</td>
<td>Deception / withholding information: I think in the field of tax advisory services are clearly standardized (14). Consequently in most cases it is absolutely clear what we have to do for the client. My experience shows that clients are extremely cautious if we offer services apart from the mandate of tax advisory. Clients are normally not willing to pay for such services (15)</td>
<td>No issue as services are highly standardized (14). Clients wouldn’t pay for more (15).</td>
</tr>
<tr>
<td>E. V.</td>
<td>Deception / withholding information: I don’t behave like this. Very often problems just occur in situations in which the price is not</td>
<td>No issue, but sometimes problems occur</td>
</tr>
</tbody>
</table>


determined prior to our service (16). Clients sometimes assume we would charge too much (17) but I don’t do this in order to avoid such problems.

**I. L.** Deception / withholding information: Is sometimes an issue but not in my pharmacy. I’m working in a region in which most of the people are relatively poor. They wouldn’t be able to pay for more expensive medicines. In regions with more wealthy people it would be beneficial to sell the most expensive drug in order to achieve a higher turnover (18).

No issue in this firm but could be an issue in others if clients are able to pay medicine which is more costly than the standard drugs (18).

**S. H.** Deception / withholding information: This could be an issue; however I refuse to behave like this because we try to offer high quality in order to maintain our reputation. But it would be possible, e.g. to offer a cheap wine labelling it as a quite expensive Italian wine (19). What I have to say is that in gastronomy you normally have to expect that your employees are deceiving you. I developed a certain feeling for staff that tries to steel money from our cash or something else (20). The only way to avoid this is by fully automatic systems which integrate the orders with the output of meals and beverages and the invoices. But even then someone might just take some bottles of liquor. But if you increase the usage of technical means you decrease emotionality of your services. Just imagine what that means for a bar keeper… One issue with respect to deception might be that most of our employees are only short term employed. That is quite normal in our business because that are mainly younger people who are studying at that time (21).

Withholding information and deception is no issue in this company with respects to clients but it frequently occurs in this field of business (19).

However, deception frequently happens by employees who steal money or try to keep charged amounts on their own (20).

These practices can be avoided by technical means which then decreases emotionality of the services. Reliable staff, long-term employment and mutual trust are necessary (21).

**B. S.** Deception / withholding information: I think this can be a problem but it wouldn’t pay in the long run. My reputation is quality based and I would risk this important asset (22). Sometimes it is costly because you have to spend a lot of extra time which isn’t payed. However, I can’t go without quality work.

No issue because it wouldn’t pay in the long run as corporate reputation would be harmed (22).

**A. N.** Deception / withholding information: I think this is absolutely no issue. I just tell my clients what I recommend them even in cases that this reduces my orders (23). It is my aim to advise clients according to my expertise as good as possible regardless what this means for the order in question.

No issue as owner-manager wants to advise clients most advantageously (23).

**A. M.** Deception / withholding information: I try to be honest towards my clients and I think I assure this by providing high quality materials (24). However, to a certain degree this aspect is related to the question of my turnover. If I provide extensive consultations prior to the order and then don’t sell anything this would be loss making (25). I couldn’t afford such a procedure in the long run.

No issue. Owner-manager tries to avoid it by offering high quality materials (24) but also expresses that this attitude is only possible on the basis of a sufficient turnover of the firm (25).

**A. G.** Deception / withholding information: I think this is of minor importance in our field of business (26). Our clients are investors and the projects we offer just have to provide a sufficient return of investment. Of course we could try to make the investment seem better – but our counterparts are professionals as well. So it would be difficult to give wrong information (27). It might be possible but I think it is not important in our business.

No important issue (26). Clients are business professionals. They would recognize if the firm would try to make a technical investment seem better (27).

**G. D.-P.** Deception / withholding information: This can be an issue and I think our employees are sometimes tempted to make his work seem better if something went wrong (28). I think this might occur from time to time. What we can do against it: training of our employees (29). We spend a lot of time and efforts on trainings and workshops. In a way we allow making mistakes and I think we Deception / withholding information might happen by some employees however unintended by owner-manager (28).
<table>
<thead>
<tr>
<th>Deception / withholding information:</th>
<th>Means to avoid deception / withholding information:</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Sc. Deception / withholding information: I intend to provide transparency (32) and honesty (33) towards clients and therefore it is my intention to avoid such practices (34). Openness (35) even in case of mistakes is essential in our business. And mistakes become obvious immediately. Our clients are experts (36); therefore I wouldn’t even dare to behave in this way. No, deception and withholding information wouldn’t pay for us (37). Therefore I try to avoid such behaviour.</td>
<td>Extensive training of employees (29). A corporate culture (30) which accepts mistakes as possible. Respectful behaviour towards employees (31).</td>
</tr>
<tr>
<td>M. T. Deception / withholding information: I think it wouldn’t pay to behave like this (38). Clients will be asked who advised them to choose certain light system or switches. If my products and services wouldn’t represent value for money I would threaten the basis of my business (39).</td>
<td></td>
</tr>
<tr>
<td>S. N. Deception / withholding information: If a client selects certain items which in my opinion don’t fit to the rest of the building I tell him what I think about it (40). But if he insists on his choice I do it the way he wants. Sometimes I even offer materials which are cheaper than those he had chosen. This is no problem for me as the profit is almost the same. So it doesn’t reduce my profit doing so (41).</td>
<td></td>
</tr>
<tr>
<td>H. H. Deception / withholding information: I think it is normal that a seller tries to improve the appearance of the goods (42). However in the farming industry you are selling food. This means that all the stuff is examined on its ingredients. If I would want to deceive when selling our milk I should bribe the milk-driver. He is the one who examines the milk while it is filled in his vehicle. He would never do such things because once it becomes obvious he would lose his job. It would be too dangerous because spoil food would harm consumers’ health (43).</td>
<td></td>
</tr>
<tr>
<td>X. U. In particular with regards to renovations many firms behave in this way in order to get the order (44). But we don’t and consequently lost some orders. But we obey the requirements of the producers because otherwise we would surely cause defects which we then would be liable for (45). Therefore we don’t want to do so.</td>
<td>Extensive training of employees (29). A corporate culture (30) which accepts mistakes as possible. Respectful behaviour towards employees (31).</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Note</th>
</tr>
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<tbody>
<tr>
<td>C. W.</td>
<td>Deception / withholding information: if my field of business would be marked by direct contacts to consumers I could imagine such behaviours. But we deliver our goods to discounters and our products are mainly self-service articles. These products have to sell themselves (47). Consequently I can’t personally influence the purchase. Of course I can improve the appearance of our goods. But before you can deliver meat to discount shop I have to provide a product pass which reliably displays the ingredients of our goods. Our meat is tested constantly (46). Otherwise you can’t deal with discount shops.</td>
<td>Regards such behaviour to be impossible in his business due to close controls in food industry (46) and because his goods have to sell themselves in discount-shops (47).</td>
</tr>
<tr>
<td>G. E.</td>
<td>- No further statement -</td>
<td></td>
</tr>
<tr>
<td>N. S.</td>
<td>We believe, trustful customer relationships are the key to sustainable success (49). So usually we avoid to withhold information (48) and be truthful in order to have the customer “in the boat” from the beginning - even if it isn’t always comfortable. But there have been situations where we twisted the truth a bit to save trouble and don’t risk to ruin the relationship (50).</td>
<td>Normally avoids such practices (48). Tries to base customer relations on trust in order to achieve sustainable success. (49) Admits that in some cases he wasn’t absolutely honest to customers in order to maintain the relationship (50)</td>
</tr>
<tr>
<td>Deviant interviewee: A. E.</td>
<td>Our business is very much standardized and we aren’t selling products which can be defective. Of course it sometimes happens that we bill a service twice or something like that. But that is no deception, we just settle it. However it might happen internally. For example the IT-team might know about problems to come but they don’t tell anyone because of deadline they have to keep.</td>
<td>Doesn’t regard it as a problem with respects to clients. Services provided are highly standardized</td>
</tr>
<tr>
<td>Deviant interviewee: H. H.</td>
<td>Deception / withholding information: I think it plays a certain role. But most of the small firms normally can’t afford to behave in this way because they mainly have regular clients. Thus they would threaten their client relationship if they would try to deceive them. Regular clients can only be acquired if the relationship is based on trust – misbehaviour would harm this relation.</td>
<td>Thinks it plays a role in small business. However, most small firms couldn’t afford to behave in this way because they mainly deal with regular clients. Deceptive behaviours would harm client-relationship and would avoid establishing relations based on trust.</td>
</tr>
</tbody>
</table>

**Summarized findings**

A majority of 20 participants expressed that deception / withholding information wouldn’t be an issue in their firms (1,3,4,5,10,12,14,16,18,19,22,23,24,26,29a,34,38,40-41,42,44,46,48).

9 said these behaviours wouldn’t pay in the long run and it would harm their companies’ reputation and would consequently be a potential threat for corporate existence (4,3,10,13,22,37,38,40-41,42,44,46,48).

For four interviewees existing laws and standardized services prevent from any temptation to deceive or withhold information (1,5,14,18).

One participant expressed that he simply doesn’t want to behave like this (23).

One interviewee said she would know about such practices in other firms (19).

Two respondents express that their clients are technical experts who wouldn’t be easily deceived (27,36).
One respondent admitted that – though it is no issue in his firm – ethical behaviour depends on business success (25).

He suggested offering high quality products and services in order to prevent oneself from being tempted by the practices in question (24).

One participant of this group emphasized that it is necessary to clearly fix conditions like service and price prior to the contract and the works. Otherwise problems might occur if clients expect too much (16)

For a minority (4 interviewees) deception and withholding information are issues of importance in their business. Sometimes these practices are means for acquiring new orders or contracts (6,8,28,50).

Even if an owner-manager refuses practices like deception or withholding information it might occur that one or some of his employees behave in this way in order to achieve better results in sales (11).

Obviously German health system provides temptations to deceive in billing services towards health insurances (8,18).

In one (gastronomy) case deception is an issue with respects to employees who frequently try to cheat the firm (20).

The difference between morally acceptable advantageous presentations of the firm’s products and services and unethical behaviours like deception and withholding information can hardly be defined exactly (2,7,42)

Refuses such practices though he lost some orders because competitors behaved deceptive (44).

Means to reduce the temptation of deception and withholding information:

- Definition at which point immoral behaviour begins (2,7)
- Transparency, effective control and legal constraints (9,32).
- Training / education of owner-managers and employees (11,23,29)
- Exact definition of services and prices in contracts (16,17)
- Standardization of products and services (15)
- Self-selling products in discount-markets (47)
- Reliable staff, long-term employment and mutual trust (21)
- respectful behaviour towards employees (31)
- corporate culture which accepts occurrence of mistakes (30)
- open communication even in cases of mistakes (35)
- honesty (33)
- Providing value for money in order to maintain corporate existence (39)
- strictly obeying producers’ requirements in order to avoid costly defects (45).
- close control by external institutions (43,46)
Owner-managers have control procedures in their firms (29b)

Deviant interviewees’ statements:

Big company’s perspective:
- isn’t an issue because services are highly standardized

Bank’s perspective:
- sometimes an issue in small firms
- small firms mainly deal with regular clients
- these relationships depend on trust
- deceptive behaviours would harm client-relationships
- small firms can’t afford to behave deceptively

DA5.2: Analysis: counting, grouping / categorization

A majority of 21 participants expressed that deception / withholding information wouldn’t be an issue in their firms (1,3,4,5,10,12,14,16,18,19,22,23,24,26,29a,34,38,40-41,42,44,46,48).
9 said these behaviours wouldn’t pay in the long run and it would harm their companies’ reputation and would consequently be a potential threat for corporate existence (4,3,10,13,22,37,38,40-41,44,49).
For four interviewees existing laws and standardized services prevent from any temptation to deceive or withhold information (1,5,14,18).
One participant expressed that he simply doesn’t want to behave like this (23).
One interviewee said she would know about such practices in other firms (19).
Two respondents express that their clients are technical experts who wouldn’t be easily deceived (27,36).
One respondent admitted that – though it is no issue in his firm – ethical behaviour depends on business success (25).
He suggested offering high quality products and services in order to prevent oneself from being tempted by the practices in question (24).
One participant of this group emphasized that it is necessary to clearly fix conditions like service and price prior to the contract and the works. Otherwise problems might occur if clients expect too much (16).
For a minority (4 interviewees) deception and withholding information are issues of importance in their business. Sometimes these practices are means for acquiring new orders or contracts (6,8,28,50).
Even if an owner-manager refuses practices like deception or withholding information it might occur that one or some of his employees behave in this way in order to achieve better results in sales (11).
Obviously German health system provides temptations to deceive in billing services towards health insurances (8,18).
In one (gastronomy) case deception is an issue with respects to employees who frequently try to cheat the firm (20).
The difference between morally acceptable advantageous presentations of the firm’s products and services and unethical behaviours like deception and withholding information can hardly be defined exactly (2,7,42).
Refuses such practices though he lost some orders because competitors behaved deceptive (44).

Participants not concerned with deception / withholding information towards clients: 21
Reasons:
- It wouldn’t pay in the long run, it would harm the firm’s existence (9 participants)
- Laws and standardized services prevent from temptation to deceive / withhold information (4 participants)
- doesn’t want to behave like this (1 participant)
- Technical expertise of clients prevent form deception / withholding information (2 participants)
- Providing high quality products / services prevents from deception / withholding information (1 participants)
- Clearly fixed conditions necessary in order to prevent misunderstandings (1 participant)

Participants concerned with deception / withholding information towards clients: 4
Reasons:
- Employees might deceive / withhold information in order to achieve better sales results in sales (1 participant)
- German health system provides temptations to deceive in billing services (2 participants)
- In gastronomy employees sometimes deceive clients and the firm 1 participant
- Difference between morally acceptable acquisition and unethical behaviours like deception and withholding information can hardly be defined exactly (3 participants)
- Competitors who deceive lead to acceptance of such behaviour by owner-managers in order to be competitive (1 participant)

Suggested means in order to reduce the temptation of deception and withholding information:

Means related to the structure of the firm and its products / services:
- Definition at which point immoral behaviour begins (2,7)
- Exact definition of services and prices in contracts (16,17)
- Standardization of products and services (15)

Means related to external environment of the firm:
- Transparency, effective control and legal constraints (9,32)
- Self-selling products in discount-markets (47)
- Providing value for money in order to maintain corporate existence (39)
- strictly obeying producers’ requirements in order to avoid costly defects (45)
- close control by external institutions (43,46)

Interpersonal skills inside the firm:
- Training / education of owner-managers and employees (11,23,29)
- Reliable staff, long-term employment and mutual trust (21)
- respectful behaviour towards employees (31)
- corporate culture which accepts occurrence of mistakes (30)
- open communication even in cases of mistakes (35)
- honesty (33)
- Owner-managers have control procedures in their firms (29b)

Deviant interviewees’ statements:

Big company’s perspective:
- isn’t an issue because services are highly standardized

Bank’s perspective:
- sometimes an issue in small firms
- small firms mainly deal with regular clients
- these relationships depend on trust
- deceptive behaviours would harm client-relationships
- small firms can’t afford to behave deceptively

Interview guideline question 5: What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfilment of contracts (delayed payments of suppliers), tax evasion?

- Aspect: environmental problems
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>Environmental problems aren’t a big issue in service industries (1) – however we switched to small cars (Smart) which are more convenient in the city and which are marked by low consumption of fuel (2)</td>
<td>Regards ecology to be only a minor issue (1). Switched to smaller cars but more for comfort reasons than to ecological concern (2).</td>
</tr>
<tr>
<td>F. S.</td>
<td>Ecology is increasingly important for our projects (3). However, clients have to pay for it and only few are willing to accept higher costs (4)</td>
<td>Increasingly important. However only few clients are willing to pay corresponding prices (4).</td>
</tr>
<tr>
<td>A. H.</td>
<td>Ecology: we have to cope with definite norms, therefore providing a minimum is easy. Doing more would increase costs and lower our benefit. I couldn’t afford this. We would do even less, if legal constraints wouldn’t be so strict (5)</td>
<td>Technical norms already require a minimum of ecological concern. Doing more is not affordable (5).</td>
</tr>
<tr>
<td>M. S.</td>
<td>Environment: Legal constraints require high efforts on ecology (6). Doing more wouldn’t pay for us because clients don’t want to pay for it (renewable energies etc.). Therefore only laws are helpful as they provide equal conditions for all project developers (7)</td>
<td>High ecological standards established by laws are to be obeyed (6). Clients wouldn’t pay for more on a voluntary basis therefore laws are necessary to enforce ecology (7).</td>
</tr>
<tr>
<td>J. K.</td>
<td>Ecological problems and issues like bribery and corruption hardly occur in a service firm like a lawyer (8)</td>
<td>No issue in a law firm (8).</td>
</tr>
<tr>
<td>K. P.</td>
<td>Ecology: No issue as we don’t deal with dangerous goods (9)</td>
<td>No issue in a medical doctor’s practice (9).</td>
</tr>
<tr>
<td>A. K.</td>
<td>Ecology: Is an issue but one we aren’t in the position to influence it (10). The major problems are the packaging materials which we receive when the articles are delivered. But actually we have no chance to change behaviour of supplying industries in this respect due to our position as a small firm (11)</td>
<td>Is an issue but more for owner-manager’s suppliers (10). He doesn’t see any possibility to influence suppliers in this respect (11).</td>
</tr>
<tr>
<td>G. M.</td>
<td>Ecology: We don’t store any products that might be risky for the environment (e.g. acids…). I wouldn’t do this because the risks are too high for a small company (12)</td>
<td>Is an issue. Owner-manager faces it by avoidance of dealing with dangerous goods (12).</td>
</tr>
<tr>
<td>H. S.</td>
<td>Ecology: No issue in our business (13)</td>
<td>No issue in tax advisory (13).</td>
</tr>
<tr>
<td>E. V.</td>
<td>Ecology: We just changed to ecologically advantageous paints in order to protect employees and clients. It is a little bit more expensive but in all I think it pays for me to use these materials (14)</td>
<td>Is an issue as they normally deal with potentially harmful goods. Changed to healthier materials in order protect employees and clients though the costs are higher (14).</td>
</tr>
<tr>
<td>I. L.</td>
<td>Ecology: No problems arise because disposal of old drugs is legally regulated. And I would risk losing my permission for my firm if I would misbehave in this respect (15)</td>
<td>No issue due to existing laws which exactly regulate how to deal with old drugs (15).</td>
</tr>
<tr>
<td>S. H.</td>
<td>Ecology: My business partner who is our cook would like to offer eco-food but we couldn’t get the prices we need for such high-quality food (16). We don’t have any other ecological problems. What can be seen as a very good development is the establishment of the non-smoking policy in German restaurants as this protects my non-smoking employees and guests (17)</td>
<td>Is an issue in several respects. Clients wouldn’t be willing to pay for eco-food if it is considerably higher (16).</td>
</tr>
<tr>
<td>Student-ID: 11381060</td>
<td>Jürgen M. Seeler</td>
<td></td>
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</table>

| B. S. | Ecology: We are frequently working with dangerous or harmful materials (18). I faced this problem by certifying my company and our daily conduct. I think we have been the first laboratory in Germany that has done this. I strictly insist on obeying the rules and regulations which have been required for the certificate. I think in 2010 it will become a law to being certified. I use our certificate as a means of our advertisement (19) | Non-smoking-laws contribute to employees’ and guests’ health (17). |

| A. N. | Ecology: The selection of materials is an important topic. Think e.g. of wood from tropical forests or permeable paving stones. I try to recommend ecological materials and to avoid tropical deforesting (20). Generally I must admit that I would do even environmentally harmful works if that is the order of a client. Another point is the usage of our old trucks. They are doubtlessly bad for the environment, however in this case economic aspects overweight. We can’t afford to scrap them just for environmental reasons (21) | Is an issue. Owner-manager faces it by already certifying all processes in his firm (first laboratory in Germany) though this will become a law not before 2010 (19). |

| A. M. | Ecology: this is an important issue in my business as there a lot of materials which possibly harm the environment, my clients and me. My offers generally take ecological aspects into account (22) | Is an issue. Owner-manager faces it by generally offering ecological materials even if they are more expensive (22). |

| A. G. | Ecology: We are a service company which mainly works with pencil, computer and telephone / mobile (23). Therefore I see hardly any important aspect in this respect. | No issue because the firm as a service company mainly works with computers, telephone etc (23). |

| G. D.-P. | It is an issue of minor importance (24). Of course I would like to work without chemical substances and to avoid releasing them into the eco-system. However doing that on our own would decrease our profits. I think it wouldn’t be affordable; therefore we would do it only if the laws would require it (25) | Is an issue of minor importance (24). Doing more than legally required is not affordable (25). |

| M. Sc. | Ecology: This issue becomes more and more important (26). However, most clients aren’t willing to pay for it. Events which spend less energy are tremendously more expensive (27). And some of the techniques – for example LED – even provide disadvantages which most clients wouldn’t accept (28). Therefore I would say that importance of ecology generally increases but for our daily business it is of minor importance. | Is an issue of increasing importance (26) but clients are hardly willing to pay more for it (27). |

| M. T. | With respects to the services provided by me I could put an emphasis on renewable energies, especially with solar energy. However so far these products don’t pay for clients (29). Therefore it is hard to convince them from the long-term advantages. | Could be an issue (solar energy) but so far investments in renewable energies don’t pay for the clients (29). |

| S. N. | This plays sometimes a role if we receive a demolition-order and some of the materials are made from asbestos (30). If possible I use specialised subcontractors (32) in these cases in order to make sure that these dangerous materials are dealt with appropriately. If my employees have to deal with asbestos I provide them with protective masks (31). But I must admit I distinguish between works in which asbestos material is cut and asbestos-dust can be set free and cases in which solid panels have to be removed | Is an issue in cases of demolition works (30). Owner-manager either takes sufficient |
without being destroyed. In the latter case I think protective means aren’t necessary as the risk of being harmed is minimal.

**H. H.**  
Ecology: This has become an increasingly important issue (33). Two of my relatives became seriously ill during the last 20 years. Consequently, I thought that the quality of food is most important in men’s life. Therefore I decided to switch my farm to ‘Demeter’-standards. This change in farming needs at least three years (34). But it has been beneficial because you received governmental contributions to the costs. Therefore ecology paid for me financially (35) – but this might have changed due to a decrease of governmental grants.

**X. U.**  
Ecology: Generally we don’t work with hazardous waste (36). The products we apply are registered and provide only limited dangers. There are guidelines how to apply these goods and if you do so there is normally no potential threat (37).

**C. W.**  
Ecology: Directly we are hardly concerned with such questions (38). And our suppliers – as producers – are high-tech organizations which have to comply with the international food standard (IFS). There procedures have to be in accordance with all norms which are applied in the food industry. No producer can afford to misbehave in this respect without severely threatening corporate existence (39). Of course there have been scandals in the past but in all these are only few exceptions.

**G. E.**  
- No further statement -

**N. S.**  
We understand ourselves as advisors providing our customers the service of CI (corporate identity) -oriented consultancy. And since we are the opinion that having a sense for social and environmental responsibility, are not only important attributes of companies to avoid pollution, but also we think, an ignorance of that responsibility has a strong negative influence on the company’s market reputation (41). This argument is another selling point for our service to the customer (40). So by advising our customers properly regarding their interests, we can usually convince the customer to not buy environmentally harmful product. But if the customer wants to have the “dangerous” product .... well, the customer decides (42).

**Deviant**  
No, I don’t think this is a problem because we aren’t manufacturing products or something like this. What I can say – and this quite

means to protect his employees (31) or – if this is impossible – uses specialized subcontractors (asbestos) in order to deal appropriately with dangerous materials (32).

Increasingly important issue (33).
Change process caused by severe sicknesses in owner-manager’s family. Implemented ‘Demeter’-standard which reduces intensity of field usage in farming (34).
Financially beneficial due to subventions (35).

Doesn’t regard ecology to be an important issue (36).

Doesn’t work with harmful goods and applies materials according to producers’ guidelines (37).

Isn’t directly concerned with this issue because of his firm being a dealer (38).
However, the goods have to comply with international standards in food industry. This is the producer’s obligation (39).

**Deviant**  
No, I don’t think this is a problem because we aren’t manufacturing products or something like this. What I can say – and this quite

Doesn’t regard ecology as an issue because
### Interviewee: A. E.

a good thing I think – is that our company once a year has a green week in which we invite certain companies and then encourage employees e.g. to install solar panels and such things. It’s just to raise ecological awareness and that’s good because we aren’t obliged to do so.

### Deviant Interviewee: H. H.

Ecology: I think companies are burdened by ecological regulations. Costs are increased by legal constraints, for example thinking of printing companies which have to invest huge amounts in machines which then keep emission limits required by laws. Therefore it is clear: ecology costs money, it’s an investment.

### Summarized Findings

| 10 participants state that ecology wouldn’t be an issue or only an issue of minor importance. They regard their firms not to be concerned with environmental problems (1,8,9,13,15,23,24,29,29a,36,38). |
| 13 participants regard ecology to be an important aspect (4,5,6,10,12,14,16,18,20,22,26,30,33,40). |
| 6 say that doing more than the minimum required by the laws wouldn’t be affordable (4,5,7,16,21,25,27,29). |
| 1 expresses that the main environmental problems occur at his suppliers firm (10,39). |
| 1 says that so far ecological solutions are accompanied by technical problems (28) |
| 1 says that ecological concern pays due to subventions granted (35) |
| 1 emphasizes the importance of (international) standards which have to be obeyed as a precondition for market access (39) |
| 1 says that ecological concern is a factor for corporate market position (41) |

Those owner-managers who actively engage in ecology are employing the following means:
- switching to smaller cars (2)
- avoidance of dealing with dangerous goods (12)
- voluntary change to healthier materials regardless the higher costs (14)
- voluntary monitoring and certification of all relevant processes in anticipation of a future law (19).
- advising clients to chose ecological materials (20,40)
- generally offering ecological materials (20)
- providing employees with sufficient means in order to protect them (31)
- involving specialized firms in cases of working with harmful goods (32)
- implementing ‘Demeter’-standard in farming (34)
- applying materials according to producers guidelines (37)
- Owner-managers have control procedures in their firms (29b)

It becomes obvious that owner-managers benefit from legal constraints in this field. By this means equal conditions for all firms in the field of business are established. Many firms perceive themselves to be unable for voluntary actions with respects to ecology. Therefore initiatives on meso and macro level are required.

Voluntary ecological means are seemingly possible if clients are willing to pay for it. In such cases ecology can provide the firm with competitive advantages.
Deviant interviewees’ statements:

Big company’s perspective:
- ecology is no important issue in service companies
- Firms should engage in actions which aim for improving employees ecological awareness

Bank’s perspective:
- ecology is an issue enforced by laws
- ecology is costly

DA5.3: Analysis: counting, grouping / categorization

11 participants state that ecology wouldn’t be an issue or only an issue of minor importance. They regard their firms not to be concerned with environmental problems (1,8,9,13,15,23,24,29,29a,36,38).
14 participants regard ecology to be an important aspect (4,5,6,10,12,14,16,18,20,22,26,30,33,40).
8 say that doing more than the minimum required by the laws wouldn’t be affordable (4,5,7,16,21,25,27,29).
1 expresses that the main environmental problems occur at his suppliers firm (10,39).
1 says that so far ecological solutions are accompanied by technical problems (28)
1 says that ecological concern pays due to subventions granted (35)
1 emphasizes the importance of (international) standards which have to be obeyed as a precondition for market access (39)
1 says that ecological concern is a factor for corporate market position (41)

General answer categories: Counting
Number of participants who regard ecology as of minor importance for their firms: 11
Number of participants who regard ecology to be important to their business: 14

Main reason mentioned for not doing more for the environment:
8 express doing more than legally required on ecology wouldn’t be affordable.

Main activities of owner-managers who actively engage in ecology:
Means mainly related to the public / the society
- switching to smaller cars (2)
Means mainly related to inside the firm (employees, owner-managers)
- avoidance of dealing with dangerous goods (12)
- voluntary change to healthier materials regardless the higher costs (14)
- providing employees with sufficient means in order to protect them (31)
- involving specialized firms in cases of working with harmful goods (32)

Means mainly related to external stakeholders
- advising clients to chose ecological materials (20,40)
- generally offering ecological materials (20)
- implementing ‘Demeter’-standard in farming (34)
- applying materials according to producers guidelines (37)
- voluntary monitoring and certification of all relevant processes in anticipation of a future law (19)

Deviant interviewees’ statements:

Big company’s perspective:
- ecology is no important issue in service companies
- Firms should engage in actions which aim for improving employees ecological awareness

Bank’s perspective:
- ecology is an issue enforced by laws
- ecology is costly

Interview guideline question 5: What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfilment of contracts (delayed payments of suppliers), tax evasion?

- Aspect: fulfilment of contracts
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>No statement (1)</td>
<td>No statement (1)</td>
</tr>
<tr>
<td>F. S.</td>
<td>Fulfilment of contracts is extremely important. However if clients don’t pay on time we are facing problems in paying our bills (2). We need to establish clear rules of payment with our clients in order to maintain our solvency at any time (3)</td>
<td>Important issue. Own behaviour heavily dependent on payment of clients (2). Therefore clear terms of payment important (3).</td>
</tr>
<tr>
<td>A. H.</td>
<td>Fulfilment of contracts: as many clients don’t pay on time we sometimes have problems that we simply are not able to pay our suppliers on time (4). We face this problem by open communication of the problem with our suppliers. Normally they help us with postponed due date of payment. Therefore if we wish to improve our ability of fulfilment of contracts we initially have to improve the payment practices of our clients (5)</td>
<td>Important issue. If clients pay delayed owner-manager faces problems in fulfilling his obligations towards suppliers (4). Open communication in case of arising problems necessary. Improvement of payment of clients is a precondition (5).</td>
</tr>
<tr>
<td>M. S.</td>
<td>Fulfilment of contracts: important issue for us. We are paying all bills within a week. This led to extremely reliable relations to sub-contractors (6). However, sometimes it has been disadvantageous to do so (in case of bankruptcy of sub-contractors) (7)</td>
<td>Important issue. Established self constraint: Payment of due bills always within one week (6). In some cases this behaviour was a disadvantage (7).</td>
</tr>
<tr>
<td>J. K.</td>
<td>Fulfilment of contracts: This is mainly a problem in relation to our clients as some of them don’t pay on time or refuse to pay the whole amount (8). In this respect we have to improve our procedures. Fulfilment of our obligations doesn’t lead to moral problems for us(9)</td>
<td>No issue with respect to owner-manager’s behaviour towards suppliers. However, existing problems with delayed payments by clients (8). Improvement of procedures in the firm necessary in order to guide clients to pay on time (9).</td>
</tr>
<tr>
<td>K. P.</td>
<td>Fulfilment of contracts: No issue, I just pay my suppliers on time (10)</td>
<td>No important issue. Owner-manager generally pays on time (10).</td>
</tr>
<tr>
<td>A. K.</td>
<td>Fulfilment of contracts: One of my most important aims as an entrepreneur is to pay all bills on time in order to use cash discounts. So far I have been in the position to fulfil all obligations on time and for this it has priority. I want to be payed on time by my clients. And I behave the same way in my firm as well as in my private life (11). If I would ever face problems in fulfilling obligations I would immediately communicate the problem and discuss a procedure to solve it (12).</td>
<td>Important issue. Owner-manager aims to always fulfil his obligations on time in order to gain cash discounts. He regards it as a duty because he expects his clients to pay immediately as well (11). If problems would occur owner-manager</td>
</tr>
<tr>
<td><strong>G. M.</strong></td>
<td>Fulfilment of contracts: My experience indicates that in the long run it doesn’t pay if I disregard suppliers’ interests. Of course in negotiations I try to achieve a good and reasonable result for us but a deal has to be beneficial for the supplier as well. As I already stated suppliers are essential for our business. Therefore I have to aim for mutual beneficial relationships. Only suppliers with products of high reputation enable us to achieve a sustainable position in the market (13).</td>
<td>Regards it as important issue because suppliers are of a key factor for corporate success. Mutually beneficial relationship with suppliers essential. Consequently payment on time is a must (13).</td>
</tr>
<tr>
<td><strong>H. S.</strong></td>
<td>No statement – no issue in participant’s company (14)</td>
<td>No issue (14)</td>
</tr>
<tr>
<td><strong>E. V.</strong></td>
<td>Fulfilment of contracts: So far I had no problems in this respect. I try to maintain a good relation to major clients and suppliers. Therefore we were in the position to fulfil our obligations on time (15). If it would ever happen I would try to contact my suppliers or my bank as soon as possible and would communicate temporary problems openly. I hope this would help (16)</td>
<td>No important issue as owner-manager had any problems in fulfilling obligations on time so far. Good relations to clients and suppliers are a precondition (15). If the firm would be temporarily unable to pay on time owner-manager would openly communicate the problem in order to find a solution (16).</td>
</tr>
<tr>
<td><strong>I. L.</strong></td>
<td>Fulfilment of contracts: The same like ecology, we have to behave 100 % according to our contracts and we are closely controlled whether we obey these regulations. Any mistake in this respect leads to losses because suppliers are in a very strong position and health insurances strictly control reliability of our procedures (17)</td>
<td>Highly regulated procedures of payments require to exactly behaving according to terms of payment. Any misconduct would lead to losses. Strong position of suppliers and insurances (17).</td>
</tr>
<tr>
<td><strong>S. H.</strong></td>
<td>Fulfilment of contracts: This is a constant problem in our business because we face the problem of only limited liquidity on our accounts (18). There has been one situation some years ago when we nearly fell bankrupt. We asked our suppliers to accept a reduction of their bills in order to maintain our business. Most of them agreed and this even stabilized our relationships to these suppliers (19)</td>
<td>Severe issue as the firm constantly lacks of liquidity on accounts (18). In a situation near to bankruptcy owner-manager negotiated a reduction of debts in order to maintain firm’s existence. Led to stable further relations (19).</td>
</tr>
<tr>
<td><strong>B. S.</strong></td>
<td>Fulfilment of contracts: We haven’t any problems in this respect. But it is a challenge that we have to finance all the materials for some months. This charges our accounts and that is extremely costly. Next year I’ll negotiate a longer period for payment (20). In cases that our accounts are temporarily overdrawn I inform my bank in advance. In the past this has always been a matter of days and our bank accepted that we overdrew the accounts (21)</td>
<td>Important issue. Owner-manager has to finance materials and consequently to overdraw accounts (20). Reliable cooperation with the bank is a precondition. Negotiating reasonable terms of payment (period of payment) necessary (21).</td>
</tr>
<tr>
<td><strong>A. N.</strong></td>
<td>Fulfilment of contracts: We established a limit of 5,000 Euro and in these steps we require part payments of our clients in order to</td>
<td>Important issue because the firm has to</td>
</tr>
<tr>
<td>Student-ID: 11381060</td>
<td>Juergen-M. Seeler</td>
<td></td>
</tr>
<tr>
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</tbody>
</table>

<p>| <strong>A. M.</strong> | Fulfilment of contracts: with respects to clients I try to be open even in cases of arising problems e.g. caused by delayed supplies of materials. I feel responsible for my clients even if it is a problem of my supplier. Concerning my obligations to suppliers I try to pay all my bills on time (24). It really makes me angry if my clients pay with delay or even don’t pay at all. Consequently I try to behave towards my suppliers like I would like to be treated by my clients (25). |
| <strong>A. G.</strong> | This is a very important issue as problems in fulfilling our obligations towards clients lead to severe financial problems due to delayed or reduced payments by our clients (26). This also weakens our position related towards our subcontractors. And we are a small company therefore our position is relatively weak in relation to our clients. Means to avoid such problems are high quality in our services, finishing the works according to schedule and balancing the contractual obligations towards clients and subcontractors. The latter aspect should be more considered in the future – the contracts have to fix exactly what is and is not our duty (26). |
| <strong>G. D.-P.</strong> | We don’t have any conflicts in this respect. I really attach importance to our ability to obey to our duties at any time (28). I would prefer to go without my own salary for a while instead of paying delayed to our employees. As an owner-manager I have to avoid losing face (29). |
| <strong>M. Sc.</strong> | This is an issue (30). In our field of business interactions between the firms are based on personal contacts if not even on friendship. Therefore upcoming problems are solved by getting into personal contact. Once you face problems to pay on time you’ll just call your subcontractor in order to explain e.g. that your major client is paying with delay. It is absolutely uncommon to send a reminder or something like this. Of course I try to pay as early as possible, especially with respects to freelancers. Because most of them have only few money (31). But sometimes I have the problem that we receive a client’s 700.000 Euro payment with a delay of three weeks (33). Then I you have to openly communicate this to your partner businesses (32). I wouldn’t lie in such situations. |</p>
<table>
<thead>
<tr>
<th>Name</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. T.</td>
<td>In case of a big order which requires to purchase a lot of materials (34) I try to negotiate a longer period allowed for payment (36). Otherwise it must be possible to overdraw my bank account. If not I have to pay the purchases from my private money which is the least option (38). But sometimes necessary in order to assure delivery of material. And this is a precondition to maintain my business. Since January I improved our billing procedures in that way, clients have to pay a first instalment quite early in order to enable us to pay for the materials (37). With our suppliers I negotiated a longer period of cash discount. If you can’t pay your suppliers you really have sleepless nights because it might harm my corporate existence.</td>
</tr>
<tr>
<td>S. N.</td>
<td>In this respect I don’t have any problems. I always fulfil my contractual obligations (39). It is just a matter of financial means. In our field of business you have to finance huge amounts and you have to wait for the payments of your clients. This requires having sufficient assets on your account and anticipating the money needed during a project (40). In my firm I don’t receive a regular income, rather spend my living costs on private withdrawals. And if there is only little money on our accounts I have cut down cost; in particular my private withdrawals (41).</td>
</tr>
<tr>
<td>H. H.</td>
<td>My suppliers? No I don’t see any point in this respect (42). I just fulfil my obligations. For example if I’ve ordered seeds I just have to check my ability to pay on time. In cases of bigger amounts to be paid I have to discuss this with my bank in order to temporarily finance purchases. Yes, I’m doing that in advance (43). It is a principle which I follow: I only order what I’m able to pay for (45). You know in such a small village like ours you easily get yourself talked about if it becomes obvious that you have problems to fulfil your obligations (44).</td>
</tr>
<tr>
<td>X. U.</td>
<td>We don’t need our bank for credit. Then we negotiated a very long period of payment with our suppliers – approximately 9 weeks (47). In contrast I charge my clients directly after the works are finished (47). Consequently we normally can fulfil our obligations on time. We also use cash discounts in order to minimize costs. In cases of big orders we charge part payments (49). You then gain an impression of the payment practices of your client. If you organize your work, your payments and your invoices like this you normally shouldn’t have any problems (46).</td>
</tr>
<tr>
<td>C. W.</td>
<td>With our suppliers we don’t have contracts. You only need a contract if problems occur. And this means that the relationship to your supplier is already harmed. We only have general agreements. And we have oral agreements how to carry out delivery and on time as they frequently can’t afford to wait for their money (31). Important issue (34). Negotiated a longer period of cash discount with suppliers (36). Aligned billing system towards clients accordingly (more instalments, earlier due-time of first instalment) (37). Hold private assets in order to pay materials from private accounts (least option) (38).</td>
</tr>
</tbody>
</table>

S. N. | Doesn’t regard it as an important issue (39). Holds sufficient financial means on his firm’s account in order to assure liquidity (40). If necessary, owner-manager goes temporarily without salary in order to maintain ability to pay (41). |
| H. H. | Doesn’t regard it as an important issue (42). Anticipates the need of money and assures his ability to pay the bills by credit of a bank or by assets (43). Fears to get talked about if delayed payments would become obvious in his village (44). Orders only what he is able to pay for (45). |
| X. U. | Doesn’t regard it problematic if procedures within the firm are sufficiently organized (46). Negotiated long periods of payment (47). In contrast he bills clients immediately after the service (48). In cases of big orders part payments are charged (49). |
| C. W. | Doesn’t regard it problematic (50). |
payments. For the fact that we are in the position to select our clients we mainly cooperate with the LIDL-group (51). This company is known for extremely hard negotiations but as well for absolute reliable payment practices. Receiving our money on time means that we are always in the position to pay our suppliers punctually. We normally don’t need bank credits. Therefore we can afford to behave like this without being dependent on a bank (50).

<table>
<thead>
<tr>
<th>G. E.</th>
<th>- No further statement -</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. S.</td>
<td>We apologize and pay (53), because relationship to supplier is even more important than the linkage to the customer. We depend on their fulfillment of contracts BIG TIME ...(54)</td>
</tr>
</tbody>
</table>

Tries to immediately pay if a payment occurred delayed (53).

Is dependent on good suppliers’ relations in order to enable the firm’s market success (54).

Deviant interviewee: A. E.

That can be an issue. We have a lot of suppliers because we outsourced a lot of work, even in India there are contractors working for us. What I can say is we really wait for the very last possible minute to pay our bills. But what I have experienced is that late payments aren’t only for purpose. It is mainly a question of approvals you have to get before you are allowed to pay people. Yes, it is mainly a thing of our structure and our systems which should be optimized. A couple of times we even lost vendors who were so unsatisfied that they switched to another company. And then it becomes an important aspect.

Is an issue in the company.

Invoices are frequently paid in the very last possible moment. This is done for financial purposes of the firm but it results from bureaucracy. Payments of high amounts normally require several approvals. Sometimes vendors switched to competitors due to late payments.

Deviant interviewee: H. H.

My opinion is that the majority of my small business clients fulfil their contracts because they want to be treated in the same way. And normally most of these firms are financially in the position to pay their suppliers on time. But sometimes small firms are externally hindered to fulfil their contractual obligations by clients which themselves pay delayed. It is then like being in the middle of a chain – if their client would have paid they would have fulfilled their obligations. But if they have to wait for big amounts they are just unable to pay their suppliers’ bills.

Thinks that most small firms fulfil their obligations because they want to be treated the same way.

However, some firms suffer from delayed payments of clients. Consequently they are temporarily not able to pay their suppliers’ bills.

**Summarized findings**

6 participants regard this aspect to be not important as they generally fulfil their contracts (8,10,14,15,17,29a,39,42,46,50). One also expresses that highly regulated procedures enforce fulfilment of contracts (17). One participant didn’t answer this question directly (but emphasize the reliability of his firm towards suppliers) (1).

12 interviewees perceive fulfillment of contracts towards suppliers to be an important issue in their business (2,4,6,11,13,18,20,22,24,26,28,30,34,54). Six of them express that their reliability mainly depends on their clients’ payment practices (4,8,15,26,33,52).

It can be recognized that many of the interviewees do a lot in order to maintain their ability to pay on time. 5 respondents established distinct self constraints or simply state that they always pay their bills promptly (1,6,10,11,15,25). Three interviewees express that they pay on time because they expect their clients to behave accordingly (11,15,25). One says he distinctly anticipates his
need of cash and then assures his ability to pay by assets or credits (43).

Two interviewees explain that their payment practices are important because they have to finance the purchase of materials and early payments would allow gaining advantageous conditions (discounts) (20,22). Three respondents express that they would temporarily even go without own income / hold private assets in order to pay employees wages / suppliers’ bills (29,38,41). One says that at least freelancers (who frequently lack of money) are paid immediately (31) even if he hasn’t received the money by his client. One expresses he would pay on time in order to avoid o get talked about in his little village once delayed payments would become obvious (44).

One interviewee express that payment practice is important to him as he constantly faces a lack of liquidity on his accounts. Therefore being reliable towards suppliers is extremely difficult for him (18).

Those participants who are active in markets with highly regulated payment procedures aren’t tempted to behave unethically in this respect. Such behaviour would harm their firm’s existence. However, at the same time there is hardly any space of negotiations. Consequently this field of business activities doesn’t provide the chance to differentiate the own firm from its competitors.

Recommendations of owner-managers with respects to fulfilling contracts:
- Establishing clear terms of conditions in the contract important (3)
- Negotiating realistic terms of payments with suppliers which the firm will be able to fulfil afterwards (21,36,47)
- Improvement of clients’ payment practices is a precondition for own on time payments towards suppliers (5)
- Improvement of procedures within the firm with respects to clients is a precondition (9,27,46)
- Aligning the firm’s billing procedures towards clients in order to prevent the firm from temporary illiquidity (charging relative small amounts in several steps in order to minimize the risks) (23,37,49)
- Establishing mutually beneficial relations towards clients, suppliers and banks (13,15,21)
- Anticipating the firm’s need of liquidity in order to gain advantageous conditions / discounts (23)
- In cases of temporary illiquidity open and personal communication of the problem towards suppliers in order to find a sufficient solution (5,12,16,32).
- If necessary negotiating a reduction of debts in order to maintain the firm’s existence and the business relation (if the firm faces the danger of bankruptcy) (19)
- Providing high quality and finishing works on time in order to avoid that client’s are keeping back payments (27)
- Aligning contractual agreements towards customers and subcontractors (27,48)
- Holding sufficient assets on the firm’s account in order to assure ability to pay (40)
- Holding private assets in order to maintain liquidity (38)
- only ordering what owner-manager is able to pay for (45)
- selecting only clients with reliable payment practices (51)
- Owner-managers have control procedures in their firms (29b)
- Immediate action if a payment was executed delayed (53)

Summarizing comment:

It becomes obvious that the firm’s ability to pay on time depends on the quality of relationships towards various stakeholders (suppliers, clients, banks, employees (for aligning firm’s procedures)). Consequently an integrated approach to stakeholder management is required.
Deviant interviewees’ statements:

Big company’s perspective:
- big firms fulfil their obligations, but very late
- they use their power and might for financial purposes
- in addition, procedures (several approvals required) avoid earlier payments

Bank’s perspective:
- small firms fulfil their obligations
- reciprocity: they want to be treated the same way
- sometimes problems in fulfilling contractual obligations occur because their clients pay delayed.

DA5.4: Analysis: counting, grouping / categorization

10 participants regard this aspect to be not important as they generally fulfil their contracts (8,10,14,15,17,39,42,46,50). One also expresses that highly regulated procedures enforce fulfilment of contracts (17). One participant didn’t answer this question directly (but emphasize the reliability of his firm towards suppliers) (1).

14 interviewees perceive fulfilment of contracts towards suppliers to be an important issue in their business (2,4,6,11,13,18,20,22,24,26,28,30,34,54). Six of them express that their reliability mainly depends on their clients’ payment practices (4,8,15,26,33,52).

General answer categories:
Number of participants for who fulfilment of contracts is normal and consequently no issue of further reflection: 12
Number of participants who regard fulfilment of contracts to be important: 14. Out of these respondents 6 feel dependent on their clients’ payment practices in fulfilling own contractual obligations

General statements of respondents on this issue

6 respondents established distinct self constraints or simply state that they always pay their bills promptly (1,6,10,11,15,25).
3 interviewees express that they pay on time because they expect their clients to behave accordingly (11,15,25).
3 respondents express that they would temporarily even go without own income / hold private assets in order to pay employees wages / suppliers’ bills (29,38,41).
2 interviewees explain that their payment practices are important because they have to finance the purchase of materials and early payments would allow gaining advantageous conditions (discounts) (20,22).
One says he distinctly anticipates his need of cash and then assures his ability to pay by assets or credits (43).
One says that at least freelancers (who frequently lack of money) are paid immediately (31) even if he hasn’t received the money by his client.
One expresses he would pay on time in order to avoid to get talked about in his little village once delayed payments would become obvious (44).
One interviewee express that payment practice is important to him as he constantly faces a lack of liquidity on his accounts. Therefore being reliable towards suppliers is extremely difficult for him (18). Those participants who are active in markets with highly regulated payment procedures aren’t tempted to behave unethically in this respect. Such behaviour would harm their firm’s existence. However, at the same time there is hardly any space of negotiations. Consequently this field of business activities doesn’t provide the chance to differentiate the own firm from its competitors (17). 

Recommendations of owner-managers with respects to fulfilling contracts:

**Financial aspects**
- Anticipation of needed financial means in order to assure ability to pay (43)
- Anticipating the firm’s need of liquidity in order to gain advantageous conditions / discounts (23)
- Holding sufficient assets on the firm’s account in order to assure ability to pay (40)
- Holding private assets in order to maintain liquidity (38)
- only ordering what owner-manager is able to pay for (45)

**Contractual aspects**
- Establishing clear terms of conditions in the contract important (3)
- Negotiating realistic terms of payments with suppliers which the firm will be able to fulfil afterwards (21,36,47)
- Aligning contractual agreements towards customers and subcontractors (27,48)

**Personal aspects**
- Behaving like they want be treated themselves (reciprocity) (11,15,25)
- Establishing self constraints / paying always on time (1,6,10,11,15,25)

**Procedural aspects**
- Improvement of procedures within the firm with respects to clients is a precondition (9,27,46)
- Aligning the firm’s billing procedures towards clients in order to prevent the firm from temporary illiquidity (charging relative small amounts in several steps in order to minimize the risks) (23,37,49)
- Immediate action if a payment was executed delayed (53)
- Providing high quality and finishing works on time in order to avoid that client’s are keeping back payments (27)
- Owner-managers have control procedures in their firms (29b)

**Aspects related to external stakeholders**
- Establishing mutually beneficial relations towards clients, suppliers and banks (13,15,21)
- In cases of temporary illiquidity open and personal communication of the problem towards suppliers in order to find a sufficient solution (5,12,16,32).
- If necessary negotiating a reduction of debts in order to maintain the firm’s existence and the business relation (if the firm faces the danger of bankruptcy) (19)
- selecting only clients with reliable payment practices (51)
- Improvement of clients’ payment practices is a precondition for own on time payments towards suppliers (5)
Deviant interviewees’ statements:

Big company’s perspective:
- big firms fulfil their obligations, but very late
- they use their power and might for financial purposes
- in addition, procedures (several approvals required) avoid earlier payments

Bank’s perspective:
- small firms fulfil their obligations
- reciprocity: they want to be treated the same way
- sometimes problems in fulfilling contractual obligations occur because their clients pay delayed.

Interview guideline question 5: What would you do respectively what did you do in ethical dilemma situations (not described above), such as: corruption / bribery, deception / withholding information towards customers, environmental problems, fulfilment of contracts (delayed payments of suppliers), tax evasion?

- Aspect: tax evasion
<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>No tax evasion (1), in the long run people who do this are kept by tax offices. That leads to high costs, timely inspections and continuous investigations (2)</td>
<td>Refuses any tax evading actions (1). Regards these practices to be too dangerous as tax offices would find out misconduct sooner or later (2).</td>
</tr>
<tr>
<td>F. S.</td>
<td>Tax evasion is no issue as long as our professional clients are concerned (project developer, public offices) (3). However cooperation with private clients might lead to offer of paying bills without value added tax (4). Fortunately so far no client asked for such a procedure. It would be problematic to deal with it (5)</td>
<td>No issue with regards to professional clients (3) however sometimes avoidance of value added taxes offered by private clients (4). Regards it as hard to deal with this question if misconduct is offered (5).</td>
</tr>
<tr>
<td>A. H.</td>
<td>Tax evasion: Clients frequently offer payment without bill in order to avoid value added taxes (6). It is sometimes hard to strictly obey the laws because it sometimes leads to a win-win-situation. And of course I’m dependent on clients (7). If only the state is harmed and my client and me benefit then it is hard to reject such a wish of a client. However in cases of big amounts I couldn’t afford to not receive the money in the company. And the risk of being accused for a legal offence increases (8)</td>
<td>Tax evasion frequently offered (value added taxes – payment without bill) (6). Dependency on clients makes it hard to refuse such offers. Only the state is harmed by this practice (7). Problem: Needs the money in his firm. Danger of being detected by tax offices (8).</td>
</tr>
<tr>
<td>M. S.</td>
<td>Tax evasion is sometimes an issue if clients want to pay a part of the amount with illegal earnings (beside the contract) (9). In these cases we don’t have big advantages but commit an offence. However, if we would refuse it the client might withdraw interest in buying the property (10)</td>
<td>Is an issue if clients want to pay partly beside the contract (spending own illegal earnings) (9). Problem: Mainly advantageous for the client but if owner-manager would reject he might lose the client (10).</td>
</tr>
<tr>
<td>J. K.</td>
<td>Tax evasion: Can be problematic if clients offer payment without bill (avoiding value added tax and income tax) (11). This is a severe problem with respects to society and in relation to the cooperation between the business partners in our firm. It’s quite tempting as it seemingly pays for the client and me. But it is a legal offence and it threatens the partnership between the business partners of my office (12)</td>
<td>Is an issue if clients want to avoid value added tax (11). On the one hand it is very tempting on the other hand it is legally extremely dangerous for a lawyer’s company. It also threatens the internal partnership between the owner-managers (12).</td>
</tr>
<tr>
<td>Name</td>
<td>Position and Reason for Tax Evasion</td>
<td></td>
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<td>--------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>K. P.</td>
<td>Tax evasion: Too risky for me. The potential amounts are low; the risk of being detected is relatively high. Furthermore I would be susceptible for blackmail because it would be impossible to hide such practices from employees (13)</td>
<td>Rejects tax evasion due to the risks of being detected and because she would be susceptible for blackmail (13).</td>
</tr>
<tr>
<td>A. K.</td>
<td>Tax evasion: Due to investments I have to pay only relatively few taxes, therefore at the moment this is no important issue to me. Generally tax rates can be discussed with respects to their reasonableness. However, for me it is clear that the state as a vast variety of tasks to be fulfilled. Consequently I feel obliged to pay taxes because that is my obligation to society (14). But sometimes our taxes are wasted by politicians. Of course that bothers me.</td>
<td>No important issue at the moment. Regards it as a general duty to pay taxes (14).</td>
</tr>
<tr>
<td>G. M.</td>
<td>Tax evasion: Issue of minor importance. Sometimes clients try to avoid value added taxes. However I never agreed to it because I would become susceptible to blackmail (15)</td>
<td>No important issue. Generally rejects clients’ attempts to evade taxes due to the danger of being susceptible to blackmail (15).</td>
</tr>
<tr>
<td>H. S.</td>
<td>Tax evasion: This is an important issue. And it deals with our professional existence. We don’t accept any kinds of tax evasion (16). This is not only a matter of ethics. Rather it has to do with our reputation. We would be susceptible for blackmail and we would lose our licence as tax advisors. We also don’t accept practices like employing staff without health insurances. And we wouldn’t work for clients who behave in this way. This is just our guideline. Definite laws and regulations are helpful for us in this respect as they reduce potential discussions with clients or employees (17). A problem which arises from time to time is to become aware of clients evading taxes. Actually we are obliged to cancel the contract in such cases. However, this can be a moral problem (18)</td>
<td>Important issue. Owner-manager rejects any form of tax evasion in order to maintain reputation and not being susceptible to blackmail (16). Regards definite laws to be an important in order to enforce legal behaviour (17). Conflicts of interest arise if owner-manager becomes aware of clients’ evading taxes. Obligation to cancel relations contradicts with the wish to maintain business relation (18).</td>
</tr>
<tr>
<td>E. V.</td>
<td>Tax evasion: It is sometimes a problem that clients try to avoid value added taxes and want to pay without invoice (19). I can’t prevent myself completely from this but I try to keep away from such practices. My accounts have to be comprehensive and in good order and my balance must show gains, no losses. Therefore I need payments in my accounts (20)</td>
<td>Important issue. Clients try to avoid value added taxes (19). Accepts it to a minor degree but mostly insist of full payments in order to generate profits on his firm’s accounts (20).</td>
</tr>
<tr>
<td>I. L.</td>
<td>Tax evasion: Is an issue especially if you sell drugs which you are not billing. Especially in the initial phases of my business that was a temptation. I have to admit that in that time I evaded taxes. Not very high amounts but I did it. However after some years my pharmacy went quite well and I considered whether it really pays to deceive in this respect and – by this – to be caught. I decided that I wouldn’t want to face the risk of being sentenced as that would surely be the end of my firm (21). So I stopped it and I think that was easy because my business ran well. If you are rich enough it is relatively easy to behave ethically (22)</td>
<td>Is an issue and a constant temptation, especially in start up phase. Regards it easier to behave ethically if the business is running well (22). The risk of being detected is the reason for a stop of tax evasion. Otherwise owner-manager would risk existence of her company (21).</td>
</tr>
<tr>
<td>Name</td>
<td>View on Tax Evasion</td>
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</tr>
<tr>
<td>S. H.</td>
<td>Tax evasion: The fact that we don’t achieve considerable profits at the moment prevents us from being in the position to evade taxes. But if it would be possible problems would occur between the owner-managers (23). We had this situation some years ago. What you can do against it is strictly register all orders. Tax offices are investigating and evaluating quite exact. Therefore it would be a risk to evade taxes. We try to double check accounts by at least two of our three partners (24). Generally there is a second aspect in gastronomy: Frequently employees are not appropriately registered as it is required by law. We can’t predict precisely how many service staff we’ll need. Consequently we sometimes have to ask for extra-work and we pay this without additional contributions to social insurances. This is a problem which often occurs in gastronomy (25). Rejets tax evasion because it might harm the relationship between owner-managers and because of the risk of being detected by tax offices (23). However tax evasion takes place with respects to registering employees exactly as this is frequently impossible to achieve (general problem in gastronomy) (25). Double checking all bills and accounts by all owner-managers as a means to avoid tax evasion (24).</td>
<td></td>
</tr>
<tr>
<td>B. S.</td>
<td>Tax evasion: In former times it was quite common that dental laboratories received money as illegal earnings for old gold. But today all procedures have to be exactly registered. Therefore it is difficult to do so. Even with clients there are nearly no chances to misbehave because normally they insist on an invoice in order request the bill to be balanced by their health insurance (26). Was frequently an issue in former times but due to today’s distinct regulations in the business field it is no important matter anymore (26).</td>
<td></td>
</tr>
<tr>
<td>A. N.</td>
<td>Tax evasion: Clients frequently ask for payment without bill in order to order to avoid value added taxes. To a certain degree we agree to that and to be honest you’ll hardly find any manual worker who never evaded taxes in this way (27). I even have a client who formerly was tax inspector and who asked us to leave out value added tax. He told me that tax offices are aware of these practices and would accept them to a certain degree. I think we are paying so many taxes and in a way we are the engine of this society. Therefore I think it’s ok to sometimes behave like this (28). Is an issue in the firm as clients frequently try to avoid value added taxes. Owner-manager agrees to a certain degree and says that even a former tax inspector ask him for this kind of tax evasion (27). Regards tax evasion to be acceptable to a certain degree because firms would pay considerable high taxes (28).</td>
<td></td>
</tr>
<tr>
<td>A. M.</td>
<td>Sometimes clients ask to avoid value added taxes. I think less than 10 % of my private clients ask for this (29). However I refuse it in almost every of these cases as I need the money in my firm for fulfilling my obligations towards suppliers and I have to pay for my pension plan as well (30). However, I think there is hardly any small business which – from time to time – would never accept a payment without bill by some clients (31). But these are only very small amounts. Is an issue of minor importance for the firm. Less than 10 % of clients ask for avoidance of value added taxes (29). Owner-manager mostly rejects this practice because he needs the money in his firm and particularly for his pension plan (30). Owner-manager thinks that payments without bills occur in almost every small firm (31).</td>
<td></td>
</tr>
<tr>
<td>A. G.</td>
<td>As we are only working with professional clients and don’t have any private customers we don’t have any temptations for tax</td>
<td>No issue in this firm as it only works with</td>
</tr>
</tbody>
</table>
evasion (32). May be it would be an issue if we would have private clients.

G. D.-P.  
This might be an issue but to a minor degree (33). And it can only occur on the employees’ level if two of them plan to deceive. On the one hand we have the principle of double checking each turnover. Furthermore every bill is referred to the employee who served the client. And every employee has to achieve a certain monthly turnover. Therefore it isn’t so easy to evade taxes. Consequently I would state that there might be a risk of tax evasion by employees but our procedures reduce the risk to a minimum. But I know that generally in our field of business tax evasion is quite common and widespread (34-35).

Professional clients (32)

Is probably an issue but of minor importance (33) (only by employees, if they really intend to deceive and if two of them are doing it together). However it is seen to be a major issue in the field of business (34) (because firms have to work with private clients who frequently ask for avoidance of value added taxes) (35).

Means to avoid tax evasion:
- double checking bills by two employees (36)
- employees have to achieve monthly turnover-targets (reduction of temptation to deceive) (37)

M. Sc.  
Tax evasion: The whole bookkeeping is conducted by a tax advisor’s office therefore I’m dependent on its competency (40). But I wouldn’t try to consciously do something in this respect (38). If you want to maintain your business for a longer time you shouldn’t behave in that way. Firms which evade taxes normally disappear from the market quite soon (39).

Refuses any tax evading actions (38).
Bookkeeping by an external tax advisor (40).
Tax evading firms disappear from the market soon. Maintaining the own business for a long time requires to obey the tax regulations (39).

M. T.  
This is a very dangerous issue and of course it occurs (41). On the one hand related to avoiding value added tax (42) and on the other hand with regards to illicit work (43). The former is frequently offered by clients and if only small amounts are concerned I sometimes agree to it. I think there is nothing to do against it and the only thing is that it is extremely dangerous for the firm if you evade large amounts (44).

Regards it as important issue (41).
Avoiding value added tax (42) and illicit work (43). Sometimes agrees if only small amounts are concerned. However fears punishment in cases of big amounts (44).

S. N.  
Tax evasion is problem which meanwhile occurs in almost every client-relationship. It has increased since the government raised value added taxes up to 19 %. I think we could do half of our orders without bills and value added taxes. The point is that we have mainly private clients. They benefit from these practices (46). I try to explain the disadvantages of these practices and some of my potential clients then disappear and obviously try to get another firm in such behaviour (47).

Tries to keep away from such practices (45).
Problem increased since value added taxes have been raised to 19 %. Private clients frequently ask for ‘payment without bills’ (46).
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. H.</td>
<td>Tries to explain clients disadvantages of tax evasion, however already lost some clients because of this (47). Sometimes evades value added taxes and consequently income taxes (48). However only small amounts as otherwise tax offices would detect him (49).</td>
</tr>
<tr>
<td>X. U.</td>
<td>Tax evasion: One aspect is that in cooperation with other firms legal constraints are so strict that you normally can’t evade value added taxes (50). All these laws are actually helpful because they help the good firms which really intend to provide good work (51). Is not concerned with tax evasion because of severe legal constraints in bookkeeping, if business-to-business relations are addressed (50). Regards these legal constraints helpful for ‘good’ firms (51).</td>
</tr>
<tr>
<td>C. W.</td>
<td>Tax evasion: No, how should I do this. We have only to do with business clients and suppliers. And they can only deal with correct invoices (52). It is not that I’m a saint but there is hardly any possibility to misbehave in this respect in my field of business. Isn’t concerned with tax evading practices because he only deals with business clients (52).</td>
</tr>
<tr>
<td>N. S.</td>
<td>wouldn’t do that. Crime doesn’t pay (53)</td>
</tr>
<tr>
<td>G. E.</td>
<td>- No further statement -</td>
</tr>
<tr>
<td>N. S.</td>
<td>Refuses tax evasion because of the legal consequences (53)</td>
</tr>
<tr>
<td>Deviant interviewee: A. E.</td>
<td>Absolutely, that’s a big issue. We do really everything to avoid paying taxes in the US. Today even the headquarter is no longer in the UK but in Luxemburg. And very many procedures are today based in Singapore where we negotiated quite low taxes and have to provide a certain number of jobs in exchange. You know, all this is legal and in a way it is understandable, because really no one likes to pay taxes. But it is also to make use of international business activities of big companies. Regards it as an important issue. However the company tries to make use of their international branches by establishing headquarter at locations with extremely low tax rates. Thus behaviour is legal but it uses its power as internationally working company.</td>
</tr>
<tr>
<td>Deviant interviewee: H. H.</td>
<td>I assume that this is only an issue with respects to payments without value added taxes. This might occur sometimes and illicit work as well, but only to limited levels. Apart from these practices I’m not aware of any case of tax evasion of one of my clients. Thinks that small firms are – to a limited level – concerned with evading value added taxes and illicit work. Is not aware of other evading practices of small firms.</td>
</tr>
</tbody>
</table>
### Summarized findings

9 participants express that tax evasion isn’t an issue in their firm (3,14,15,26,29a,32,50,52,53). 7 interviewees state that they generally reject any attempt to evading taxes (1,12,13,16,23,38,45).

12 respondents report that tax evasion is an issue in their business activities (6,9,11,16,19,22,25,26,27,33,41,48). 8 of them are concerned with avoidance of value added tax (payment without bills) (6,11,19,27,29,35,42,48). These practices normally lead to evading income taxes as well. 5 are dealing with tax evasion in other fields (9,16,22,25,43).

Therefore it can be stated that a majority has to do with tax evading practices in their firms’ conduct. Avoiding value added taxes is seemingly the most important aspect. It also comes out that payment without bills is a problem with respects to private customers rather than in business to business relations.

One reports that the demand for evading value added taxes increased since the government raises the tax rate up to 19 % (46)

Reasons for tax evasion mentioned by participants:
- Three say that it is hard to refuse such actions because clients benefit most from it and might probably stop business relationship if the owner-manager would reject payment without bills (5,7,10,46).
- One expresses that it is quite tempting because by this he would have the money directly in his pocket (12).
- One regards tax evasion to be acceptable to a certain degree because firms would pay considerably high amounts of taxes (28)
- One reports that tax evasion is widely accepted in society (even former tax inspectors would be aware of such practices) (31)
- Two expresses that potential severe punishments prevent him from evading larger amounts – however, in cases of small amounts he sometimes agrees in tax evasion (44,49)

Reasons for refusal of tax evasion:
- Five say it would be too dangerous because tax offices would find it out sooner or later (2,8,13,21,53)
- Three state that such practices would make them susceptible to blackmail (13,15,16)
- Two express that tax evasion might harm the relationship between owner-managers (12,23)
- Two emphasize that they would need the money on their firms’ account in order to generate (and demonstrate) profits (8,30)
- 4 mention that tax evasion might harm corporate reputation or even corporate existence (12,16,21,39,44)

Means to reduce tax evasion:
- double checking all bills and accounts by all owner-managers of the firm (transparency) (24,36)
- definite laws, controls and severe punishments (17,21,44,49,51,52)
- establishing a motivation system (turnover targets) which reduces temptations to deceive) (37)
- Bookkeeping by external tax advisor (40)
- explaining clients the disadvantages / dangers of vat-evading practices (47)
- Owner-managers have control procedures in their firms (29b)

Deviant interviewees’ statements:

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Big company’s perspective:
- important issue
- company makes use of international branches
- selects locations with lowest tax rates
- behaviour is legally correct but uses all possibilities to reduce tax payments

Bank’s perspective:
- mainly evasion of value added taxes and illicit work

**DA5.5: Analysis: counting, grouping / categorization**

9 participants express that tax evasion isn’t an issue in their firm (3,14,15,26,29a,32,50,52,53). 7 interviewees state that they generally reject any attempt to evading taxes (1,12,13,16,23,38,45).

16 respondents report that tax evasion is an issue in their business activities (6,9,11,16,19,22,25,26,27,29,33,35,41,42,48). 8 of them are concerned with avoidance of value added tax (payment without bills) (6,11,19,27,29,35,42,48). These practices normally lead to evading income taxes as well. 5 are dealing with tax evasion in other fields (9,16,22,25,43).

**General answer categories:**
- Tax evasion no issue in owner-managers’ firms: 9 respondents
- Tax evasion is an issue in owner-managers’ firm: 16 respondents

Out of the latter group:
- 8 are concerned with evading value added taxes
- 5 are concerned with other kinds of tax evasion

**Reasons for tax evasion mentioned by participants:**

**Societal aspects**
- One reports that the demand for evading value added taxes increased since the government raises the tax rate up to 19 % (46)
- Two expresses that potential severe punishments prevent them from evading larger amounts – however, in cases of small amounts he sometimes agrees in tax evasion (44,49)
- One reports that tax evasion is widely accepted in society (even former tax inspectors would be aware of such practices) (31)

**Market aspects**
- 4 say that it is hard to refuse such actions because clients benefit most from it and might probably stop business relationship if the owner-manager would reject payment without bills (5,7,10,46).

**Personal aspects**
- One regards tax evasion to be acceptable to a certain degree because firms would pay considerably high amounts of taxes (28)
- One expresses that it is quite tempting because by this he would have the money directly in his pocket (12).
Reasons for refusal of tax evasion:

Reasons related to potential external risks:
- 5 say it would be too dangerous because tax offices would find it out sooner or later (2,8,13,21,53)
- 3 state that such practices would make them susceptible to blackmail (13,15,16)
- 5 mention that tax evasion might harm corporate reputation or even corporate existence (12,16,21,39,44)

Reasons related to risks inside the firm:
- Two express that tax evasion might harm the relationship between owner-managers (12,23)
- Two emphasize that they would need the money on their firms’ account in order to generate (and demonstrate) profits (8,30)

Means to reduce tax evasion:

Internal means
- double checking all bills and accounts by all owner-managers of the firm (transparency) (24,36)
- establishing a motivation system (turnover targets) which reduces temptations to deceive (37)
- Bookkeeping by external tax advisor (40)
- explaining clients the disadvantages / dangers of vat-evading practices (47)
- Owner-managers have to control procedures in their firms (29b)

External means
- definite laws, controls and severe punishments (17,21,44,49,51,52)

Deviant interviewees’ statements:

Big company’s perspective:
- important issue
- company makes use of international branches
- selects locations with lowest tax rates
- behaviour is legally correct but uses all possibilities to reduce tax payments

Bank’s perspective:
- mainly evasion of value added taxes and illicit work

Interview guideline question 6: Which means do you think would be appropriate in order to deal with these conflicts?

<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>J. K.</th>
<th>Establishing clear written guidelines for behaviour (1). Owner-manager doesn’t need written code but has to act exemplarily (2) in order to guide employees. Employees should be provided with trainings (3). Employees’ conduct has to be continuously controlled (4).</th>
</tr>
</thead>
</table>
| Written guidelines for behaviour (1)
Exemplary behaviour of owner-managers (2)
Extensive trainings of employees (3)
Ongoing control of employees’ conduct (4) |
| F. S. | Written self-constraints and codes (5). Definite values shared by owner-managers and employees (6). Open communication inside the company (7). Clear communication of corporate values to external stakeholders (8). |
| Written self-constraints and codes (5)
Values shared by employees and owner-managers (6)
Open communication inside the firm (7)
Communication of corporate values to external stakeholders (8) |
| A. H. | Prevention of corruption and bribery and tax evasion only possible by close control and severe punishments (9). Ecological conduct to be enforced by legal constraints (10) and norms. Fulfillment of contracts: We have to solve problems with our clients in order to be in the position to fulfil our obligations on time. We should consider demanding clients for payment in advance (11). Trustworthy behaviour towards clients requires open communication (12). Employees have to be provided with related trainings (13). |
| Close control and severe punishment in order to prevent corruption, bribery, tax evasion (9).
Legal constraints in order to enforce ecology (10)
Demanding payment in advance by clients in order to fulfill obligations towards suppliers (11).
Trustworthiness and open communication (12)
Training for employees (13) |
| M. S. | Ecology: can only be enforced by laws. Nobody would just accept lower profits (14). Fulfilment of contracts: Self constraints helpful as a means to differentiate the firm from its competitors (15). Deception / withholding information: Self constraints would be reasonable but with respects to clients there are already legal constraints which prevent clients from unethical behaviour. However, firms should make clear what they want to offer and what they won’t. IKEA as an example! (16) Corrupation, bribery, tax evasion: Distinct legal constraints and considerable punishments are necessary. If chances of extra-profit are low and risks of being severely punished are high, no one will be interested in such practices (17). |
| Laws in order to enforce ecology (14).
Self constraints and rules in order to differentiate the firm from competitors (15)
Making clear what the company wants to provide and what it won’t (16).
Laws and legal constraints with respects to corruption, bribery and tax evasion (17) |
| J. K. | Deception / withholding information: Self constraints (18) are necessary based on the conviction the trustworthiness pays in the long run (19). In this respect it is a matter of leadership – guiding one’s own behaviour (20). Tax evasion: Is a leadership issue as well, but also requires distinct legal constraints and the threat of severe punishments (21). It should be clear that unethical behaviour doesn’t pay. Only then honest people wouldn’t feel to be the most disadvantaged (22). |
| Trustworthiness (19)
Leadership (guiding employees and owner-managers behaviour) (20)
Self constraints (18)
Legal constraints and severe punishments with respects to tax evasion (21).
Recognizing that unethical behaviour doesn’t pay in the long run (22) |
| K. P. | Transparency in charging our services most important (enforced by legal regulations) (23). This means that patients should be able |
| Transparency in charging services by legal |
to comprehend (24) what we put on the bill towards the health insurance. Establishing definite internal rules and self constraints (25). Trust in the employees (26)

| **A. K.** | Entrepreneurs should behave exemplarily (27). Ethics is a part of the quality of my life (28). I think that depends on my education and on religious values (29). I also have to admit that I never faced a situation in which I had to weight up between e.g. my life or my health and ethical misconduct. My convictions are based on the golden rule of philosophy (30). In my firm I just have to behave correctly in every respect in order to guide employees’ behaviour in the same direction. I also have to protect employees from the pressures that I have to face as the owner-manager (31). Nevertheless I’m not the ideal person; I might have been lying sometimes like everyone else |
| **G. M.** | Leadership (32) and exemplary behaviour (33) and strict controls (34) are crucial. I can’t expect moral behaviour of employees if I wouldn’t behave accordingly. And I think behaving 100 % correctly in the small and simple things is important in order to show that moral behaviour is generally required. E.g. cash payments even for coffee or similar staff are charged exactly and the books are kept in this way as well. Control is enforced by open-plan offices (35) and by transparency in our procedures (36) |
| **H. S.** | This is mainly a matter of personal values and ethical convictions (37). Behaving exemplarily (38) is an important factor in this respect. However, our social market economy is mainly based on self-interest. And this establishes the boundaries of moral behaviour. Our system wouldn’t work without self-interest (39) |
| **E. V.** | To be honest (40), not deceiving anyone (41) and providing high quality works (42). And I try to be involved in the final phases of our services in order to settle defects and to keep clients satisfied (43) |
| **I. L.** | I would avoid illicit (44) work by permitting jobless people to earn money in addition to jobseekers allowance. Furthermore I think if tax rates would be lower (45) tax evasion and other unethical behaviours would be reduced. The multi-faceted levels of taxes and contributions (46) lead to practices which are frequently illegal. In my firm I try to avoid any illegal behaviour just because of |

<p>| <strong>Regulations (23)</strong> | Comprehensible internal procedures (24) Internal rules and self constraints (25) Trust in employees capabilities (26) |
| Exemplary behaviour of owner-managers in order to guiding employees (27) Ethics as an aspect of life quality (28) Education and religious values as precondition (29) Golden rule of philosophy as guiding principle (30) Protecting employees from pressures which owner-managers have to face (31) |
| Leadership (33) | Exemplary behaviour in order to enforce moral standards (34) Transparency in procedures (36) Open-plan offices in order to demonstrate openness (35-a) |
| Ethical convictions and personal values (37) | Exemplary behaviour (38) Understanding the limitations of ethical behaviour: self-interest as a basis for market economy (39) |
| Honesty (40) | Avoidance of deceiving others (41) Providing high quality works (42) Final control of employees’ works by owner-manager in order to satisfy clients (43) |
| General: | Reducing illicit work (44) Reducing tax rates (45) |</p>
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| **the dangers which I would face. But many entrepreneurs are not able to go without unethical practices. Reducing complexity of our tax system and overall lower taxes would be decrease advantages of immoral conduct. This system even prevents me from granting extra payments for my employees as it would only limitedly contribute to their net income (47) --- (48) and (49) from statements on other questions** | **Reducing complexity of tax system (46) Increasing motivation for extra work by reducing income taxes for employees (47)** | **In the firm:**
- avoiding own illegal behaviour (danger of being detected) (48)
- behaving exemplarily (49) |
| **S. H.** | **Most important to me is to be independent from financial pressure (50). This would reduce negative emotions (51). Moral misconduct is a problem to me because I feel bad about this behaviour. How can I expect my employees to behave ethically if I do not? (52)** | **- being financially independent (50)
- avoiding negative emotions (51)
- Problem: How to behave exemplarily in a field of business in which moral misconduct is common (52)** |
| **B. S.** | **You have to behave exemplarily (53). And people should know what they can expect from you (54). You must show that ethics is important to you (55). Being modest and respecting others is important as well (56). Recently I had a client, an old woman who receives a very low pension so that she couldn’t afford the crown. I just told her that I wouldn’t charge it to her. If your employees recognize this, you can be sure that they will behave accordingly (57)** | **- exemplary behaviour (53)
- making clear what people can / cannot expect (54)
- making ethical convictions visible for others (55)
- Respect, being modest towards others (56)
- Showing employees that you aren’t solely seeking for profits.
- Guiding employees towards moral behaviour (57)** |
| **A. N.** | **One thing is to keep oneself informed. I have to know about ecological materials in order to advise clients appropriately (58). Other aspects are discussions with colleagues in order to gain an impression of what is morally required in business (59). But then it is a personal decision how to behave. Ethics depend on individual viewpoints (60)** | **- Keeping oneself informed (ecology) in order to advise clients accordingly (58)
- discussions with colleagues in the field of business (59)
- Ethics depends on personal values and convictions (60)** |
| **A. M.** | **Consumers should be aware of fair money for value (61). It isn’t ok that a good which has a recommended price of 1000 Euro can be offered for only 300 Euro (62). And consumers should be informed that presentation of goods as well as consultations prior to an order are costly and have to be paid as well (63). So, people have to come to an understanding for fair prices (64). Otherwise they have to experience scandals like that with the rotten meat. As an owner-manager I try to build up a certain consciousness of my clients (67) and I hope that this becomes widespread in their circles of friends. E.g. I have hardly any discount (65) offers because what I’m doing represents a certain value (66).** | **- Keeping customers informed about fair value for money (61)
- making customers used to charging presentations and consultations (63)
- increasing clients’ understanding of fair prices (64)
- avoidance of aggressive advertisements offering 'the cheapest ever!!!' (62)** |
A. G.  
With respects to employees it is necessary to anticipate their expectations and to cope with these aspects as far as it is reasonably possible (68). Therefore openness is an important aspect (69). However as an owner-manager one has to avoid to be exploited. If you provide flexibility for example with respects to working hours it sometimes happens that some employees just work less than they should, they come delayed, use the company’s car extensively for private use etc. Therefore behaving consistently towards employees is a necessity as well (70).

With respects to clients it is important to pay attention to problems which result from own mistakes. By this we have to learn and to direct our further development (71). If a client complains for good reasons we have to agree in order to show that we are willing to fulfil the client’s expectations (72).

G. D.-P.  
I think clear procedures (73) which make it more difficult to deceive. Then, exemplary behaviour is a key factor (74). I can only expect certain behaviours by employees if I live the underlying values. Employees need guidance by exemplary behaviour and by control as well (75).

M. Sc.  
I think in small companies it is a matter of leadership (76) and exemplary behaviour (77). Behaviour towards employees, freelancers and clients has to be open (78) and fair (79). You have to admit mistakes once they occurred (80).

M. T.  
I think you have to be very experienced (81). And you need a lot of contacts, be it to clients or to experts like tax advisors and so on (82). External experts are often a good means (84) because you can’t know everything as an owner-manager. It would also be a plus to learn from experiences of other owners (83). Towards employees you have to sometimes provide additional benefits if you – in turn – demand for additional work (85).

S. N.  
Means? I don’t know, I just think you always have to try to convince your counterpart if problems occur (86). But I don’t see means apart from these personal consultations.

H. H.  
In a way I think that every owner-manager has to be a sly fox (87). And you have to be able to turn a blind eye to certain things (88). I think if your misbehaviour is limited it is no problem at all. But of course there are boundaries, I wouldn’t do things which would be subject to severe legal punishments (89). But for example tax evasion doesn’t really cause bad conscience to me.

X. U.  
It is owner-manager’s the attitude towards the firm which is decisive. I’m responsible for the jobs of my employees and consequently for the welfare of many families. And of course I have to take care of my own family. Therefore you always need a
positive attitude. You can’t assume that every day is comfortable in business. But if you work hard you’ll have success sooner or later. Responsibility is important … and moral values. The fact that I started this company on my own and build it up over the years is related to moral concern as well.

C. W.  
That’s a difficult question… I think a virtue like trustworthiness is a very important means with respects to clients and suppliers. Reliability even in the simple things. Doing little things I myself rather than delegating tasks like in big firms – that is what distinguishes us from others. Respect for the people you have to deal with, regarding the person and not only the role he has to play. This requires having a certain feeling for your counterparts.

G. E.  
Moral concern begins with the owner-manager…

N. S.  
Ask yourself if you can still look into the mirror without feeling guilty

Deviant interviewee: A. E.  
In my personal opinion if you have a corporate government group and there are managers from every business you should have people from the risk management as well and they should sit equally at the table. So putting an element of risk management in every business - that would really help. Instead, business people normally not even want to know what we are thinking about the risks of their activities.

Deviant interviewee: H. H.  
I think owner-managers should behave towards their stakeholder in that way they would expect to be treated by them as well.

Summarized findings

What do owner-managers regard to be appropriate in order to deal with ethical problems:

- Open communication, trustworthiness, reliability and mutual trust (inside and outside the firm) (7,12,19,26,35-a,63,69,78,86,96,97)
- Exemplary behaviour of owner-managers (2,27,34,38,49,53,74,77)
- shared values inside the firm (e.g. ethics, honesty, fairness, convictions, respect) (6,8,28,30,37,40,55,56,60,79)
- Owner-manager’s attitude is decisive (90,101,102)
- Owner-manager’s moral values (especially: founding and developing the own firm over years) (93)
- owner-manager’s virtues (95,)
- Responsibility for employees’ jobs and families (91)
- Responsibility for owner-manager’s own family (92)
- Respecting others, having a feeling for one’s counterpart (99,100)
- Hard work of the owner-manager (94)
- owner-managers doing even the little things on their own (98)
- Laws and severe punishments in cases of misconduct (with respects to corruption, bribery, tax evasion, ecology) (9,10,14,17,21,44,45,46,47,89)
- Trainings of employees and owner-managers (3,13,29,39,58,59,)
- Learning from other owner-managers (83)
- Establishing self constraints (in order to differentiate the firm from its competitors) (5,15,22,25,41,48,62,)
- Control of employees' and owner-managers’ conduct (4,9,35,43,75
- Leadership (20,33,57,70,75,76)
- Making clear what the firm stands for (16,54,61,64,67
- Transparency (23,36)
- Written guidelines (1)
- Payment in advance (11)
- Adequate procedures (24,65,72,73)
- Protecting employees (31)
- Reciprocity towards employees (demand for extra works – providing extra benefits) (85)
- Providing high quality products / services (42,66)$
- Experience (81)
- Contacts (82)
- External experts (e.g. tax advisors) (84)
- Being a sly fox (87)
- Turning a blind eye to some things (88)

Deviant interviewees’ perspective:

Big company’s perspective:
- risk management necessary
- increasing managers’ risk awareness
- balancing business opportunities and risk aspects

Bank’s perspective:
- following reciprocity principle
**DA6: Analysis: counting, grouping / categorization**

What do owner-managers regard to be appropriate in order to deal with ethical problems:

**Personal characteristics of owner-managers:**
- Leadership (20,33,57,70,75,76)
- Exemplary behaviour of owner-managers (2,27,34,49,53,74,77)
- Open communication, trustworthiness, reliability and mutual trust (inside and outside the firm) (7,12,19,26,35-a,63,69,78,86,96,97)
- Transparency (23,36)
- shared values inside the firm (e.g. ethics, honesty, fairness, convictions, respect) (6,8,28,30,37,40,55,56,60,79)

- Owner-manager’s attitude is decisive (90,101,102)
- Owner-manager’s moral values (especially: founding and developing the own firm over years) (93)
- owner-manager’s virtues (95,)
- Respecting others, having a feeling for one’s counterpart (99,100)
- Responsibility for owner-manager’s own family (92)
- Responsibility for employees’ jobs and families (91)
- Protecting employees (31)
- Reciprocity towards employees (demand for extra works – providing extra benefits) (85)

- Experience (81)
- Being a sly fox (87)
- Turning a blind eye to some things (88)

- owner-managers doing even the little things on their own (98)
- Hard work of the owner-manager (94)
- Contacts (82)

**What the firm should provide to its stakeholders:**
- Establishing self constraints (in order to differentiate the firm from its competitors) (5,15,22,25,41,48,62)

**Structural means by the firm:**
- Control of employees’ and owner-managers’ conduct (4,9,35,43,75)

- Making clear what the firm stands for (16,54,61,64,67)
- Written guidelines (1)
- Establishing self constraints (in order to differentiate the firm from its competitors) (5,15,22,25,41,48,62)
- Payment in advance (11)
- Adequate procedures (24,65,72,73)
- Trainings of employees and owner-managers (3,13,29,39,58,59)
- Learning from other owner-managers (83)
- Providing high quality products / services (42,66)
- External experts (e.g. tax advisors) (84)

Structural means by legislation:
- Laws and severe punishments in cases of misconduct (with respects to corruption, bribery, tax evasion, ecology) (9,10,14,17,21,44,45,46,47,89)

Deviant interviewees’ perspective:
Big company’s perspective:
- risk management necessary
- increasing managers’ risk awareness
- balancing business opportunities and risk aspects

Bank’s perspective:
- following reciprocity principle

Interview guideline question 7: What role do you believe ethics should play in business generally?

<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by Interviewee</th>
</tr>
</thead>
</table>
| H. J. K.            | Firms’ ethical behaviour necessary due to its social embeddedness in local communities (1). Individuals inside and outside the company cooperate if they share similar moral attitudes (2). In the long run ethical behaviour pays for the company (3) | Ethics necessary
- because firm is socially embedded in local community (1)
- cooperation between individuals inside and outside the firm depends on shared |
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<tr>
<th><strong>Name</strong></th>
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<tbody>
<tr>
<td><strong>F. S.</strong></td>
<td>Ethics is important in order to lead once life stringently according to one’s own system of values (4). Cooperation inside and outside the corporation with those who share similar values increases efficiency (lower costs) (5)</td>
</tr>
<tr>
<td><strong>A. H.</strong></td>
<td>Ethics is important in order to establish relationships based on mutual trust (6). If I expect ethical behaviour towards me, I have to behave in the same way towards corporate stakeholders (7). Honesty inside and outside the firm is important, e.g. admitting mistakes (8). Honest behaviour pays, but not in every case (9)</td>
</tr>
<tr>
<td><strong>M. S.</strong></td>
<td>Ethics is important but it is understood differently because wrong or right is a matter of one’s individual perspective (10). I would name it trust, mutual trust (11). Everyone should know what he can expect from others (12). Ethical behaviour is a precondition of cooperation (13)</td>
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<tr>
<td><strong>J. K.</strong></td>
<td>Ethics is important because business is based on human cooperation (14). We sometimes work for people who aren’t able to pay the normal rates. We then reduce our bills. Ethics is particularly important in legal issues as many laws are established in order to enforce ethical convictions in human interactions (15)</td>
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<tr>
<td><strong>K. P.</strong></td>
<td>My business depends on trusting relationships (16); therefore ethical behaviour is fundamental for my practice. I have to behave exemplarily towards employees (17). Authenticity of the team is extremely important in order to maintain good relations to patients (18)</td>
</tr>
</tbody>
</table>

- moral values (2)
- ethics pays in the long run (3)
- leading life stringently according to one’s own system of values (4)
- shared values between people inside and outside the firm increase efficiency (5)
- establishing relationships based on mutual trust (6)
- golden rule of philosophy (7)
- honesty inside and outside the firm (8)
- ethics pays in the long run (9)
- however it is understood differently due to varying individual values (10)
- Mutual trust is essential (11)
- Making clear what the firm stands for (12)
- Ethics as a precondition for cooperation (13)
- because business depends on human cooperation (14)
- laws are frequently established in order to enforce distinct ethical convictions (15)
- exemplary behaviour of owner-manager is a necessity (17)
- Authenticity of all individuals in the firm is crucial for good relationships towards clients (18)
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<tbody>
<tr>
<td><strong>A. K.</strong></td>
<td>I’m no dreamer and I would like people to be more honest in business (19). However, ethics plays an important role in business to me; be it in private life or in my firm. I just want to be able to sleep nights. This is extremely important to me (20)</td>
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<td></td>
<td>Ethics important</td>
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<td></td>
<td>- however, honesty in business should be increased (19)</td>
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<td>- ethics important because owner-manager wants to behave morally in business and private life (20)</td>
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<tr>
<td><strong>G. M.</strong></td>
<td>Ethics is important due to principles of reciprocity (21). And my experiences also indicate that aspects like moral behaviour, honesty, straightness and trustworthiness (23) pay in the long run (22). A wide range of tasks in business can only be dealt with successfully if one has a high reputation (24). And you can only gain this by sustained reliable behaviour</td>
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<td>Ethics important</td>
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<td>- because of the golden rule of philosophy (reciprocity) (21)</td>
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<td></td>
<td>- ethics pay in the long run (22)</td>
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<td></td>
<td>- honesty, straightness, trustworthiness (23)</td>
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<td></td>
<td>- ethics important in order to establish and maintain firm’s reputation (24)</td>
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<tr>
<td><strong>H. S.</strong></td>
<td>Generally ethics and business are two different things because business is based on self-interest of the individual (26). Ethics is a means to correct negative impacts of business activities (25). Nevertheless moral concern is necessary and that is quite obvious in the contemporary financial crisis. Short term success might be possible without taking care of moral concern. But sustained business success depends on stable relationships to stakeholders (28). And establishing such relations is only possible if behaviour is marked by ethical and economic aspects (27)</td>
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<td>Ethics important</td>
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<td>- ethics as a means to correct negative results of self interest (25)</td>
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<td>- self interest as a precondition of business (26)</td>
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<td>- ethics necessary in order to establish good relations in business (27)</td>
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<td></td>
<td>- good relations are essential for long-term business success (28)</td>
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<tr>
<td><strong>E. V.</strong></td>
<td>As long as it is based on mutuality (e.g. towards clients) ethics plays an important role (29). But in many respects I fear that moral concern is no longer of importance. I have to pay for so many public offices (trade corporation, professional association…) and I don’t see any service in return. Such regulations reduce my confidence in moral values (30)</td>
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<tr>
<td></td>
<td>Ethics important</td>
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<tr>
<td></td>
<td>- golden rule of philosophy (reciprocity) (29)</td>
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<tr>
<td></td>
<td>- ethical concern of owner-managers is reduced by regulations of legislation and by high contributions and taxes (30)</td>
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<tr>
<td><strong>I. L.</strong></td>
<td>It is a very important aspect. I have to rely on my employees (31) because due to my parental commitments I am only every second week in my pharmacy. I can only expect employees to behave ethically if I myself act accordingly (32). Respect for my followers is very important, too (33). Furthermore I want to avoid any legal problems; consequently I try to obey existing laws (34)</td>
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<tr>
<td></td>
<td>Ethics important</td>
</tr>
<tr>
<td></td>
<td>- owner-manager has to rely on employees (reciprocity) (31)</td>
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<tr>
<td></td>
<td>- golden rule of philosophy (expecting moral behaviour of employees,</td>
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<tr>
<td>Name</td>
<td>Ethics</td>
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<tr>
<td>S. H.</td>
<td>Ethics is most important because men can only exist if they try to lead a good life (35). If one wants to be successful he has to feel good (36). And if you want to feel good ethical behaviour is a precondition to that (37)</td>
</tr>
<tr>
<td>B. S.</td>
<td>Ethics is the most important aspect because people are the essential factor in business activities (38). And that means that the personality determines interactions (40) between different participants in the market and consequently influences business success (39)</td>
</tr>
<tr>
<td>A. N.</td>
<td>Ethics should play a more important role in business than it does so far. Moral behaviour isn’t the most natural thing in human cooperation (41). Rather everyone has to aim for it (42). Particularly important is ecological concern (43) and in Germany we have achieved a lot in this respect. Referring to employees’ needs ethics is important as well (44). One should try to maintain as many jobs as possible rather than enforcing automation (45). If more and more men will be replaced by machines, who should buy products and services in the future? (46)</td>
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<tr>
<td>A. M.</td>
<td>On the one hand limits have to be established which avoids things like child labour, ecological harmful materials etc (47). Therefore ethics is an important issue in business and it is the consumer who guides this development (48). But it requires extensive information of consumers (49).</td>
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<tr>
<td>Respondent</td>
<td>Comment</td>
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<tr>
<td>A. G.</td>
<td>Ethics is important and it should play a major role in business. Ethics is necessary in order to establish and maintain a firm in good condition. Close cooperation is a key aspect but at the same time a certain distance towards employees and clients is crucial as well.</td>
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<tr>
<td>G. D.-P.</td>
<td>In my opinion it is decisive how to behave towards the people. Keeping personal and emotional aspects out of business leads to results which currently become visible in the economic crisis. Therefore ethics plays a major role in business and I wouldn’t like to work as an owner-manager if values wouldn’t be important in business. However, the firm has to generate profits as well.</td>
</tr>
<tr>
<td>M. Sc.</td>
<td>In my opinion ethics is extremely important – especially in the long-term perspective of a business. Quality of works/services is important and even in financially problematic times you have to maintain a high level of quality. If you are providing poor works, dissatisfied clients will decline your business’ reputation. Business success isn’t mainly about quantity and turnover – it is about quality and profit. Moral concern therefore contributes for maintaining the firm and its reputation.</td>
</tr>
<tr>
<td>M. T.</td>
<td>I think ethics is very important. In particular it is necessary to be as fair as possible. If problems or mistakes occur you have to admit it openly. Finally this is good for the firm but for me as a person as well.</td>
</tr>
<tr>
<td>S. N.</td>
<td>Ethics should play a major role and in my opinion in our small firms ethics is an important topic. Big companies are mainly driven by numbers and hard facts. In small companies many things are dependent on personal contacts. I know my business partners and most of them even on a private basis. Without moral behaviour you would threaten your business relationships. Therefore you can’t go without ethics in small firms.</td>
</tr>
</tbody>
</table>
| **H. H.** | I think ethics is the most important aspect (68). It makes it easier to lead one’s own life if you are behaving morally right (69). | Ethics is most important (68)  
Moral behaviour helps leading one’s own life easier (69) |
|-----------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| **X. U.** | Moral concern is very important, especially in such small companies (70). You have to cope with stress and problems and you can’t reduce workload. Therefore ethics is an important factor to come along with all these burdens (71). | Moral concern is very important in small firms (70).  
Ethics helps to cope with stress, problems and high workload (71) |
| **C. W.** | Ethics is quite an important aspect in business (72). In our field it is crucial because of the concentration of trade companies (73). | Ethics is important (72)  
Helps improving client-relationships (73) |
| **G. E.** | Ethics should be most important (74). Consequently the moral problems mentioned above occur less frequently in small companies (75). | Ethics should be most important (74)  
Ethical conflicts occur less frequently in small firms (75) |
| **N. S.** | Should play big role (76), because: economic-wise: company work more efficient since not having to spend time and other resources on hiding unethical behaviour (77), society-wise: ethics avoid lobbyism (78) and the widening of the gap between the rich and the poor (79) | Ethics should be important (76)  
Ethics pays because it reduces costs for hiding unethical behaviour (77)  
Ethics reduces lobbyism (78)  
Ethics reduces the gap between the poor and the rich (79). |
| **Deviant interviewee:** A. E. | Ethics should play a huge role because the lack of ethics is the reason for the current financial crisis. It should be even a part of everyone’s performance measures. Though I know it is difficult to measure. It’s also necessary to show your followers how to behave. Firms should do more in this respect. I’ve seen that e.g. sales people who achieve good results aren’t ask for their ethical behaviour. | Ethics should play an important role.  
Lack of ethics caused current financial crisis.  
Ethics should be integrated in managers’ performance measures. (However, hard to measure)  
Managers should behave exemplarily  
Successful sales managers aren’t ask how they achieved their results (ethically or unethically?) |
Summarized findings

Ethics should play an important role in business. Fairness is important and obeying rules is crucial. It is better to behave like this than trying to push through the own aims by all means.

<table>
<thead>
<tr>
<th>Deviant interviewee: H. H.</th>
<th>Ethics should play an important role. Fairness. Obeying rules (compliance).</th>
</tr>
</thead>
</table>

All participants regard ethics to be necessary and important.

14 participants mention that ethics is important because it is a precondition for cooperation inside and outside the firm (1,5,6,13,14,16,21,27-28,29,39,51-52,66,67,73).

6 owner-managers explain that ethics is important as the firms’ activities are based on mutual trust (6,11,16,39) respectively say that shared values are important and consequently ethics is a necessity (2,5)

4 interviewees say that behaviour in business should be based on reciprocity according to the golden rule of philosophy (7,21,29,31-32)

8 respondents emphasize distinct personal aspects to be central for ethical behaviour (respect, personality, honesty, trustworthiness, straightness, authenticity, exemplary behaviour, fairness) (8,17,18,19,23,33,40,63)

8 participants regard ethics to be important because they want to lead a good life (4,20,35,41-42,47,56,69,71)

11 interviewees express that ethical behaviour would pay for the firm in the long run (3,9,12,16,22,28,36-37,46,50,61,77).

2 respondents regard ethics to be important in order to establish and maintain corporate reputation (24,60)

One participant says that ethical behaviour is a necessity because of firms’ social embeddedness (1).

Ethical conflicts occur less frequently in small firms (75)

3 participants emphasize that frequently laws are established in order to enforce moral convictions (15,30,34).

One respondent says that current problems (financial crisis) are caused by business practices without moral concern (54)

One expresses that owner-managers have to deal with tensions between firm’s necessity to generate profits and with ethical concern (55)

One participant express that providing high quality and avoiding clients’ dissatisfaction are central ethical aspects (58-59)

One expresses that openly admitting own mistakes is important (64)
<table>
<thead>
<tr>
<th>Ethics reduces lobbyism (78)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics reduces the gap between the poor and the rich (79)</td>
</tr>
</tbody>
</table>

**Deviant interviewees’ statements:**

**Big company’s perspective:**
- ethics important
- managers’ performance measures should contain ethical aspects
- exemplary behaviour of owner-managers required
- managers’ ethical performance should matter

**Bank’s perspective:**
- ethics important
- fairness
- obeying rules

**DA7: Analysis: counting, grouping / categorization**

**General finding:**
All participants regard ethics to be necessary and important. However, some express it should play a major role which allows the assumption of not all participants being fully convinced of a sufficient level of moral concern already achieved in business.

**Ethics supporting general corporate goals:**
14 participants mention that ethics is important because it is a precondition for cooperation inside and outside the firm (1,5,6,13,14,16,21,27-28,29,39,51-52,66,67,73).
6 owner-managers explain that ethics is important as the firms’ activities are based on mutual trust (6,11,16,39) respectively say that shared values are important and consequently ethics is a necessity (2,5)
2 respondents regard ethics to be important in order to establish and maintain corporate reputation (24,60)
One participant says that ethical behaviour is a necessity because of firms’ social embeddedness (1).

**Philosophical underpinning**
4 interviewees say that behaviour in business should be based on reciprocity according to the golden rule of philosophy (7,21,29,31-32)
8 participants regard ethics to be important because they want to lead a good life (4,20,35,41-42,47,56,69,71)
Owner-managers’ personal characteristics related to ethics in business:
8 respondents emphasize distinct personal aspects to be central for ethical behaviour (respect, personality, honesty, trustworthiness, straightness, authenticity, exemplary behaviour, fairness) (8,17,18,19,23,33,40,63)
One expresses that owner-managers have to deal with tensions between firm’s necessity to generate profits and with ethical concern (55)
One participant expresses that providing high quality and avoiding clients’ dissatisfaction are central ethical aspects (58-59)
One expresses that openly admitting own mistakes is important (64)

Financial motivations for ethical behaviour:
11 interviewees express that ethical behaviour would pay for the firm in the long run (3,9,12,16,22,28,36-37,46,50,61,77).

Societal perspectives on business ethics:
Ethical conflicts occur less frequently in small firms (75)
3 participants emphasize that frequently laws are established in order to enforce moral convictions (15,30,34).
One respondent says that current problems (financial crisis) are caused by business practices without moral concern (54)
Ethics reduces lobbyism (78)
Ethics reduces the gap between the poor and the rich (79)

Deviant interviewees’ statements:
Big company’s perspective:
- ethics important
- managers’ performance measures should contain ethical aspects
- exemplary behaviour of owner-managers required
- managers’ ethical performance should matter

Bank’s perspective:
- ethics important
- fairness
- obeying rules

Interview guideline question 8: Do you consciously apply ethical means in your day-to-day business? Can you please give an example?

<table>
<thead>
<tr>
<th>DA8</th>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
<th>Issues addressed by interviewee</th>
</tr>
</thead>
</table>
|     | H. J. K.            | First there were distinct behaviours, and then we established successful behaviour as a rule for the firm (1). Awareness of the lack of consciously used ethical means (2). Mainly unconscious application of ethical means, however improvement aimed for (3) by starting to work with a business consultant. Encouraging further education if employees ask for it (4) | - Rules of the firm are derived from behaviours which proved to be successful (1)  
- Ethical means not consciously applied (2)  
- Improvement of the situation is aimed for (by external consultants) (3) |
<p>| <strong>F. S.</strong> | Corporate philosophy: service orientation (5), orientation towards the expectations of clients (6), Leadership (10), open communication (11), integrating employees in decision making (kaizen-meetings) (7) – has to be improved. Owner-managers try to understand the different perspectives of employees (9). Corporate tradition (80 years) (12): trying to maintain jobs even in times with problematic order situation (8) | - Encouraging employees’ further education (4) |
| --- | - service orientation (5) - anticipation of clients’ expectations (6) - integrating employees in decision making (kaizen meetings) (7) - trying to maintain jobs (8) - understanding employees’ perspectives (9) - Leadership (10) - open communication (11) - Corporate tradition (12) |
| <strong>A. H.</strong> | Ethical behaviour is mainly dependent on traditions (13) of our company which exists for more than 80 years now. Our workers are employed for 10, 15 and 25 years (14). Mutual behaviour is marked by respect (15). Maintaining such relationships requires leadership (16) and exemplary behaviour (17) of the owner-manager. Trust in employees (18) is important as well. Acknowledging their expertise in certain technical details is important. Regular meetings with employees and their families (19) about twice a year. Encouraging further education (20) | - Corporate tradition (13) - long term employment (14) - mutually respectful behaviour (employees – owner-manager) (15) - Leadership (16) - Exemplary behaviour (17) - Trust in employees capabilities (18) - Regular meetings with employees and their families (19) - Encouraging employees’ further education (20) |
| <strong>M. S.</strong> | Leadership is important (21) although we don’t have any employees. It is important for the relation of the owner-managers (partners) of our firm. Sub-contractors have to be guided as well. We try to behave reliably for external groups (22). Everyone should know what can be expected by our company (23). Maybe that is a cultural dimension. We have some principles (on-time-payment, solving problems and disputes in cooperative dialogues, providing banks with all information required, providing tax office with our annual accounts as early as possible) (24) | - Leadership (guiding sub-contractors) (21) - Reliability towards external groups (22) - Making clear what one can expect from the firm (23) - Principles which make corporate culture visible: on-time payments, personal dialogues in cases of disputes, keeping banks and tax offices well informed (24). |
| <strong>J. K.</strong> | I think it is more subconscious. We emphasize cooperation between the partners (25) and in particular if important decisions are addressed. Therefore almost every day we have breakfast together in our office in order to discuss important issues. Furthermore we meet every Tuesday evening for discussions (26). These meetings are also useful to talk about more private things. This contributes to the understanding (27) between the partners and improves the climate in our partnership (28) | Mainly subconscious application of ethical means (24a): - Emphasis of cooperation among partners (daily breakfast circle) (25) - Evening discussions once a week (business and private issues) (26) |</p>
<table>
<thead>
<tr>
<th><strong>K. P.</strong></th>
<th>I demand for loyalty and I think I provide loyalty towards employees (29). In addition to salaries, employees receive extra-payments for a pension scheme (30). I try to enforce making provision for employees’ retirement, because I’m sure they wouldn’t do so but would just spend the money right now (Taking care for employees’ future). Regular meetings (dinner, works outing) (31) in order to maintain a cooperative climate based on mutual trust (32)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. K.</strong></td>
<td>Open communication towards employees (33) with respects to corporate situation. I try to provide job-safety to employees. May be I’m not typical for entrepreneurs because employees’ wellbeing is absolutely central (35) for me. Therefore it is one of my most important aims to maintain the jobs (34) of the staff regardless the problems which sometimes result from this attitude. I think it is essential to maintain an understanding of how employees’ life might be (36). Providing staff with understanding and job safety contributes to corporate success (37), because employees then are more efficient in their daily work</td>
</tr>
<tr>
<td><strong>G. M.</strong></td>
<td>We just conducted the ISO 9000 process (quality management) and therefore we had to establish and describe our different goals (38). But we didn’t do more in this respect</td>
</tr>
<tr>
<td><strong>H. S.</strong></td>
<td>Exemplary behaviour (39), open communication (41) of problematic or even criminal behaviour of clients, even if it contradicts our business aims. Stringent behaviour towards internal and external stakeholders (40). Behaviour which stakeholders can rely on (42). Further education of all employees. Every employee is obliged to at least one session of further education. If employees are seeking for further education which leads to higher educational degrees we support this by providing free time and by partly payment of the fees (43). Fluctuation of staff is low. Long-time employment is normal in our firm (44). We also support parental leaves (45) of our staff and consequently these employees stay at our company for years. We also provide limited social contacts. Salaries are relatively high in our company and we offer additional employers’ contributions (46). We also take care of the climate in our firm (47) and especially on workplace conditions (48). I’ve to admit that we do all these things because we’re convinced that it pays in the long run to invest in our staff (49)</td>
</tr>
</tbody>
</table>

- furthering understanding among partners (27)
- establishing a climate of mutual understanding (28)
- Mutual loyalty (employees – owner-manager) (29)
- social concern with respects to employees needs (extra-payments for pension scheme) (30)
- Regular meetings outside the firm (discussing private issues with employees) (31)
- Establishing a climate of mutual trust (32)
- Open communication towards employees (33)
- Trying to maintain jobs (34)
- Seeking for employees wellbeing (35)
- Taking care of employees needs contributes to the firm’s success (37)
- Establishment of a general agenda of goals during ISO 9000 certification (38)
- No further measures in this respect
- Exemplary behaviour (39)
- Stringent behaviour inside and outside the firm (40)
- Open communication (41)
- Reliability (42)
- Encouraging, expecting and supporting employees’ further education (43)
- Long-term employment and low fluctuation (44)
- Supporting parental leaves (45)
- Over average salaries and additional employer’s contributions (46)
- Establishing a positive climate of cooperation (47)
What is moral behaviour? I try to behave just normal, try to keep calm even in problematic situations, but is this already ethical?

Open communication is important. In addition I have to learn from my employees because quite often they have very good ideas. We have regular meetings outside my firm in order to spend time together. Discussions with employees with respect to what is going on in my firm are led regularly as well. My employees are 15, 12, 10, 8 years employed. I have a motto: Behave towards others like you want to be treated. I think it is also important to praise staff for good work. Establishing a good climate is an issue as well.

We aren’t in the position to spend a lot of money in such instruments. However I try to guide employees to behave ethically and I think we are successful in motivating staff to provide a very good service. But in my opinion our leadership should be better and in particular it should be consciously structured. I think we have quite good employees but we owner-managers are obviously unable to gain adequate profits with these capabilities of our staff.

I try to motivate employees for example by activities outside the firm. Recently we’ve been walking together in the forest nearby. I also try to integrate some of my best employees in acquisitions. For example three of them now accompany me when having business dinners with clients. However, I also made the experience that two former employees made use of the knowledge received by me in order to start up an own company.

Establishing a good climate of cooperation in the firm is important. Employees should be treated as individuals not just as means for achieving corporate goals. They should be payed adequately and their needs and commitments like e.g. family and so on should be taken into account. In all respecting fundamental human rights at workplaces should be normal. We try to integrate employees and we have personal relationships which are not only based on corporate interests. We are even friends and spend some time together after work. We pay more than salary scales require though we are not bound to wage agreements. We also consider employee’s holiday requests whenever we can make it possible. He is already nearly 6 years in our company.

- Providing good workplace conditions
- Ethics pays in the long run
- Just behaving normal
- Keeping calm in every situation
- Open communication
- Learning from employees
- Regular meetings outside the firm
- Keeping employees informed about corporate success
- Long term employment
- Establishing a climate of cooperation
- Praising staff for good work
- Behaviour according to the golden rule of philosophy
- Leading and guiding employees towards ethical behaviour
- Motivating employees to provide high quality services
- Improvement of leadership required
- Consciously structured leadership required
- Problem: Though capable staff is employed, firm doesn’t generate sufficient profits
- Motivating staff by activities outside the firm
- Integrating best employees in crucial procedures
- However some employees made use of the knowledge received by me in order to start up an own company
- Establishing a climate of good cooperation
- Treating employees as individuals rather than as a means to generate profits
- Over average salaries
- Taking employees needs and commitments into account
<table>
<thead>
<tr>
<th>Student-ID: 11381060</th>
<th>Juergen-M. Seeler</th>
</tr>
</thead>
</table>

| **A. M.** | I try to behave honestly (75) towards clients, to provide fairness (76), openness (77) and fair value for money (78). By this I also achieved that I hardly need any advertisements in newspapers and so on. It is a certain type of client which I try to attract (79). If you regard my shop and the materials used (80) it becomes obvious that those who are constantly seeking for the biggest discount are definitely not in the focus. |

| **A. G.** | As already stated you have to closely cooperate with employees but at the same time you have to keep a certain distance (81). Thus you can push through even uncomfortable decisions (82). Cooperation means that employees have the possibility to talk with me about issues that are important to them. Perspectives and viewpoints of employees have to be taken into account (83). Balancing employees’ needs with the firm’s necessity is a key factor – and of course you have to behave in a friendly manner with employees (84). |

| **G. D.-P.** | What we consciously do is our extensive training and coaching of our employees (85). And we try to give our young staff orientation (86). Therefore contents of trainings are mainly directed to behavioural questions. Furthermore we pay attention to the selection of employees which fit to our corporate culture (88). We try to provide a friendly and comfortable working atmosphere (87). |

| **M. Sc.** | The question is at which point ethics begins (89). First of all it is a matter of personal behaviour towards employees and clients (90). Providing a friendly work atmosphere is a key factor (91). This includes even private activities with employees and their families (92). Then it is important to assure that employees participate financially in the firm’s success (93). These aspects are important in order to establish a positive work climate. Reciprocity is essential (94). That means that if I expect my staff to perform above average I have to provide them with additional benefits like dinner invitations for them and their families, bonuses, additional free time etc (95). Appreciating employees’ performance is very important (96). And of course once a year we organize a party in which employees and their relatives are invited. |

| **-** | **- Complying with fundamental human rights (71)** |
| **-** | **- Integrating employees in decision making (72)** |
| **-** | **- Establishing good personal relations (73)** |
| **-** | **- Meetings outside the firm (private) (74)** |
| **-** | **- Honesty (75)** |
| **-** | **- Fairness (76)** |
| **-** | **- Openness (77)** |
| **-** | **- Fair value for money (78)** |
| **-** | **- Focussing a certain group of clients (79)** |
| **-** | **- Displaying the firm’s claim of ‘high quality works’ by applying only quality materials (80)** |
| **-** | **- cooperation / keeping the distance (81)** |
| **-** | **- leadership (82)** |
| **-** | **- understanding employees needs, expectations (83)** |
| **-** | **- respect (84)** |
| **-** | **- extensive training of employees (85)** |
| **-** | **- guidance of employees / leadership (86)** |
| **-** | **- providing a friendly and comfortable working atmosphere (87)** |
| **-** | **- selection of employees which fit to the firm’s culture (88)** |
| **-** | **- wonders how to define the boundaries of ethics (89)** |
| **-** | **- personal communication towards employees and clients (90)** |
| **-** | **- friendly work atmosphere and positive work climate (91)** |
| **-** | **- private activities with employees and their families (92)** |
| **-** | **- letting employees benefit from the firm’s success (93)** |
| **-** | **- Principle of reciprocity (94)** |
| **-** | **- Additional benefits for employees** |
| **M. T.** | For example I try to advise clients appropriately. And this means that I try to offer those materials which fit to his situation. And I try to behave in a fair manner (97). I try to offer fair value (98) and to bill my services accordingly (99). | (bonuses, free time, family invitations…) (95)  
- Appreciating employees’ achievements (96)  
- fairness towards clients (97)  
- offering fair value (98)  
- fair billing practices (99) |
| **S. N.** | No, I don’t apply moral behaviours consciously. But I have to keep promises (100), I can’t advise things which I’m not convinced of (101), and of course trust is an important aspect (102). I have to hold my opinion and I want to be able to see my face in the mirror every morning. | Doesn’t consciously apply moral behaviours (100-a).  
- keeping promises (100)  
- authenticity (101)  
- trust (102) |
| **H. H.** | Yes, I worked as a truck driver before I became a farmer and I always thought that all the exhausts from the cars cannot be accepted in the long run. When I started to work as a farmer I always used a mask when I applied chemicals on the fields. I felt that chemicals can’t be a solution in the future (104). The fields are temporarily handed over by my ancients and consequently I switched to ecological farming (103). And then I even installed solar panels but this was more an investment than a result of moral concern (105). Governmental contributions make solar energy quite beneficial. Consequently I invested a large amount in order to increase my pension. | - feeling responsible for the environment (103)  
- avoiding ecological misconduct (104)  
- ecological investments which are economically beneficial (105) |
| **X. U.** | I think positive thinking and positive behaviour is important (106). And this true to me as well as to my employees. Employees’ commitment to the firm is also essential (107) because otherwise clients might be unsure about our works. Then knowledge is also crucial (108) because you must convince clients. Trustworthiness (109) is a further aspect, then keeping deadlines and appointments (110). And employees have to be motivated (111). Not only criticising them but also praying good performances (112). Financially and with words. As owner-manager you sometimes are in the position of a ‘father’ to your staff (113). | - positive thinking and behaviour (106)  
- furthering employees commitment to the firm (107)  
- technical knowledge (108)  
- trustworthiness (109)  
- keeping deadlines and appointments (110)  
- motivating employees (111)  
- praying employees for good work (112)  
- being a ‘father’ to employees (113) |
| **C. W.** | Hm, behind all ethical considerations you have to aim for the firms’ success and this means in the final end my own success. I think we are too small for applying distinct means. No, I think we don’t consciously do anything in this respect. | No conscious applications of means (114-a).  
- seeking for success seen to be central (114) |
| **G. E.** | I think there is a relation between professional qualification, moral concern of the owner-manager and economic success of the firm (115). Your company will be very successful if you are really qualified and if you take ethical aspects honestly into account. | Professional qualification and owner-manager’s ethical attitude are decisive for business success (115). |
| **N. S.** | Yes. Example: supplier forgot to charge accrued expenses. We told them and paid the extra money in order to invest in long-term relationships (and may have the supplier owe us a favour for future projects) (116) | Behaving fairly towards suppliers (remembering supplier to charge extra |
| Deviant Interviewee: A. E. | One good thing which we put an emphasis on keeping things human. This means trying to communicate personally rather than constantly emailing with colleagues. Workplace conditions are established according to current standards. I also experienced one manager who – when he had to decide about the local placement of a department – he decided not to choose a location close to a production plant of a chemical company which pollutes the environment. With respects to contractual agreements I can say that all these things are based on national regulations. A benefit we have is that every employee receives a one month extra vacation every 5 years you are working for the firm. The company also contributes financially to employees’ further education if the course chosen contributes to the firm’s goals. What we really emphasize is cultural sensitivity, especially with respects to gender aspects, minorities and so on. Employees who misbehave in this respect have to face to severe discussions with human resource management. However, we have less sensitivity with regards to family commitments of employees. Respecting public holidays in other countries, weekends of families and so on – all this sometimes really makes me upset. |
| Deviant Interviewee: H. H. | It is a little bit difficult to me to say this because we don’t have so much insight in the firms’ procedures. However, mutual trust seems to be important for some of the small firms’ owner-managers. There are some who think they wouldn’t need any written contracts as everyone can rely on what they say. And with such owners we never had any problems. However, the number of those is declining. I think it’s a matter of their attitude and their education. Obviously it is increasingly problematic to just rely on what people expressed orally. Today you need written contracts in almost every situation. |

| | Emphasis on personal interactions rather than by mails. |
| | Compliance with legal requirements related to workplace conditions. |
| | Voluntarily preventing employees from potentially harmful business locations. |
| | Compliance with national regulations according to fulfilment of contractual obligations. |
| | Providing employees with extra free time / possibility of sabbatical |
| | Furthering and supporting employees’ further education. |
| | Enforcement of cultural sensitivity, respecting gender aspects and the rights of minorities. |
| | Respecting employees’ family commitments should be improved. |
| | Mutual trust as a key aspect. |
| | Reliability of owner-managers (with or without written contracts). (However, number of those declines). Increasing importance of written agreements. |
| | Attitude of owner-managers important |
| | Education of owner-managers important |
Summarized findings

Interview statements indicate three different perspectives that owner-managers show:

- Perspective on employees
- Perspective on external stakeholders
- Perspective on general ethical means and characteristics

1. Perspective on employees:
- Respectful behaviour towards employees (15-18,28,29,35,59,68,84)
- Regular private meetings / activities with employees and families (19,31,53,64,74,92)
- Understanding employees perspectives / enabling employees’ participation in the firm’s success (payment, pension scheme, workplace conditions, bonuses, additional free time…) (27,30,36-37,46-48,69-70,83,93-95)
- Maintaining jobs / long term employment (8,14,34,44,55)
- Emphasis on cooperation with employees / principle of reciprocity (18,25-26,32,47,56,59-60,67,73,81,94)
- Integrating employees in decision making (7,33,54,65,72)
- Encouraging further education: (4,20,43)
- Training / coaching of employees (85)
- Supporting parental leaves (45)
- Learning from employees (52)
- Praising employees for good work / appreciating employees’ achievements (57,96,112)
- Guidance of employees / leadership (86)
- Selection of employees which fit to the firm (88)
- Friendly and comfortable working atmosphere (87,91)
- Furthering employees commitment to the firm (107)
- Motivating employees (111)
- Being a ‘father’ to employees (113)

2. Perspective on external stakeholders:
- Improving services / products (5,38,60,80)
- Technical knowledge / expertise (108)
- Offering fair value (98)
- Reliability towards external groups (22,42,110)
- Making clear what the firm stands for (23,79)
- Anticipating customers’ needs / expectations (6)
- Fairness towards clients (97)
- Behaving fairly towards suppliers (remembering supplier to charge extra costs) in order to establish a good long term relation. (116)
- Fair billing practices (99)
- Feeling responsible for the environment (103)
- avoiding ecological misconduct (104)
- ecological investments which are economically beneficial (105)

3. Perspective on general ethical means and characteristics:
- Open communication (11,33,41,51,77,90)
- Leadership (10,16,21,59-61,62,82)
- Trust / trustworthiness (18,29-32,67,102,109)
- No conscious application of ethical means (2,24a,38,100-a,114-a)
- Exemplary behaviour (17,39)
- Corporate tradition (12,13)
- Honesty / fairness (75-76)
- authenticity (101)
- keeping promises (100)
- positive thinking (106)
- owner-managers attitude (115)
- professional expertise of the owner-manager (115)
- Deriving internal rules from behaviours which proved to be successful (1)
- seeking for success seen to be central (114) rather than ethical means.

Deviant interviewees’ statements:

Big company’s perspective:
- emphasis on personal interactions
- keeping the rules related to workplace conditions
- avoiding employees’ being exposed to harmful conditions
- fulfilling contractual obligations according to the laws
- extra free time and sabbaticals for employees
- employees’ further education
- respecting different cultures, gender aspects and minorities
- respecting employees’ family commitment would be desirable

Bank’s perspective:
- Mutual trust as core aspect
- Reliability of owner-managers
- Owner-managers’ attitude decisive
- Owner-managers’ education decisive

**DA8: Analysis: counting, grouping / categorization**
No emphasis on ethics
- No conscious application of ethical means (2,24a,38,100-a,114-a)
- seeking for success seen to be central (114) rather than ethical means.

Interview statements indicate two different perspectives that owner-managers show:
- Perspective on owner-managers’ behaviour
- Perspective on structural means of the firm

1. Related to owner-manager’s attitude / behaviour
- Leadership (10,16,21,59-61-62,82)
- Guidance of employees / leadership (86)
- Exemplary behaviour (17,39)
- Open communication (11,33,41,51,77,90)
- Trust / trustworthiness (18,29-32,67,102, 109)
- Honesty / fairness (75-76)
- authenticity (101)
- keeping promises (100)
- positive thinking (106)
- owner-managers attitude (115)
- Respectful behaviour towards employees (15-18,28,29,35,59,68,84)
- Understanding employees perspectives / enabling employees’ participation in the firm’s success (payment, pension scheme, workplace conditions, bonuses, additional free time…) (27,30,36-37,46-48,69-70,83,93-95)
- Emphasis on cooperation with employees / principle of reciprocity (18,25-26,32,47,56,59-60,67,73,81,94)
- Integrating employees in decision making (7,33,54,65,72)
- Learning from employees (52)
- Praising employees for good work / appreciating employees’ achievements (57,96,112)
- furthering employees commitment to the firm (107)
- motivating employees (111)
- being a ‘father’ to employees (113)

2. Related to structural institutionalized means
- Regular private meetings / activities with employees and families (19,31,53,64,74,92)
- Maintaining jobs / long term employment (8,14,34,44,55)
- Encouraging further education: (4,20,43)
- friendly and comfortable working atmosphere (87,91)
- training / coaching of employees (85)
- Supporting parental leaves (45)
- Selection of employees which fit to the firm (88)
- Corporate tradition (12,13)
- Improving services / products (5,38,60,80)
- technical knowledge / expertise (108)
- professional expertise of the owner-manager (115)
- offering fair value (98)

- Making clear what the firm stands for (23,79)
- Anticipating customers’ needs / expectations (6)
- fairness towards clients (97)
- fair billing practices (99)

- Reliability towards external groups (22,42,110)
- behaving fairly towards suppliers (remembering supplier to charge extra costs) in order to establish a good long term relation. (116)

- feeling responsible for the environment (103)
- avoiding ecological misconduct (104)
- ecological investments which are economically beneficial (105)

Deviant interviewees’ statements:

Big company’s perspective:
- emphasis on personal interactions
- keeping the rules related to workplace conditions
- avoiding employees’ being exposed to harmful conditions
- fulfilling contractual obligations according to the laws
- extra free time and sabbaticals for employees
- employees’ further education
- respecting different cultures, gender aspects and minorities
- respecting employees’ family commitment would be desirable

Bank’s perspective:
- Mutual trust as core aspect
- Reliability of owner-managers
- Owner-managers’ attitude decisive
- Owner-managers’ education decisive
Interview guideline question 9: Do you or your company apply a code of ethics or similar self constraint? Would it be possible for me to have copy of this document?

<table>
<thead>
<tr>
<th>Name of interviewee</th>
<th>Interviewee’s statement (translated into English and summarized)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>H. J. K.</td>
<td>Only in broad terms (1) in our internet homepage. Awareness of the necessity of clearly expressed rules and self constraints is existent, yes! (2)</td>
<td>Code: Only in broad terms on firm’s homepage (1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clear rules and self constraints necessary (2)</td>
</tr>
<tr>
<td>F. S.</td>
<td>Only in broad terms (3) in our internet homepage. We should clearly express corporate mission and corporate ethics (4). This</td>
<td>Code: Only in broad terms on firm’s</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
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<tr>
<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Student-ID: 11381060                         Juergen-M. Seeler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. H.</td>
<td>I think it is not necessary to write it down (5) – we just live these rules (6). Maybe I should nevertheless consider writing it down?! Written rules aren’t necessary (5). ‘Living’ distinct rules required (6)</td>
<td></td>
</tr>
<tr>
<td>M. S.</td>
<td>We tried to write some principles down (7). However it should be maintained and developed on a regular basis (8). We didn’t do that so far Code: Some principles are written down (7) Should be maintained and developed (8)</td>
<td></td>
</tr>
<tr>
<td>J. K.</td>
<td>No, we don’t have any codes or written rules (9). We thought about it when we founded our firm two years ago. However in daily business we didn’t do it due to time constraints. It would be better to establish such rules and self constraints (10) Code: Not existent so far (9) Considered to write code of conduct but didn’t do it due to time constraints. Regards written code to be necessary (10)</td>
<td></td>
</tr>
<tr>
<td>K. P.</td>
<td>In our quality management system we had to establish a model of what we want to be and how we would like to work (11). However this is very general and to be honest it is half-hearted. We are such a small company that I think it is sufficient to just live certain values and rules (12) Code: Description of what the firm wants to do was established during quality management process but only half hearted (11) ‘Living’ values and rules is sufficient in small firms (12)</td>
<td></td>
</tr>
<tr>
<td>A. K.</td>
<td>Yes, but only a small written description of what we want to represent (13). It is more general written and I think it would be better to state what these aspects mean in particular operations (14). The values mentioned represent my personal convictions Code: General description of the firm’s aim (in company’s brochure) (13) Regards a detailed code to be an important means (14)</td>
<td></td>
</tr>
<tr>
<td>G. M.</td>
<td>We wrote our goals down during that ISO 9000 process (15). However, in the first instance the owner-managers are just living our values in day to day business. Therefore we don’t have any written code of conduct (16). Big companies frequently have such codes but I doubt that they are behaving more ethically. Consequentially I’m not sure whether a written code is really necessary for a small company Code: Only firm’s general goals written down during quality management process (15). Regards ‘living’ certain values to be important rather than written codes. Doubts that firms behave according to established codes (16)</td>
<td></td>
</tr>
<tr>
<td>H. S.</td>
<td>We don’t have a code of ethics or something similar. But we have our company’s brochure in which we provide some information on our core competencies for our clients (17). But we live distinct values (18). E.g. all of our staff has a health insurance. We feel responsible for our employees and I think in the long run we can only be successful in positive cooperation with our employees. But all this is not established in a written code Code: No distinct code but in the firm’s brochure it is established which core competencies are central (17).</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Statement</td>
<td>Code</td>
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</tr>
<tr>
<td>E. V.</td>
<td>We don’t have any written code (19). But we try to provide high quality services. And I think this works. Since three years I don’t advertise anymore – we are just recommended by former clients. Being always on time, making short term appointments possible, such behaviours pay for us (20)</td>
<td>‘Living’ certain values (taking care for employees wellbeing, responsibility, climate of good cooperation) (18)</td>
</tr>
<tr>
<td>I. L.</td>
<td>As a part of a quality management system I had to establish a guideline about what we want to work (21). My employees and I had to sign this sort of vision and I think this enforces the commitment towards established goals. I think it is quite helpful to write down what one intends to be in business (22)</td>
<td>Code: No written code (19). Owner-manager emphasizes provision of high quality. ‘Living’ distinct rules (being on time, short term availability) important (20)</td>
</tr>
<tr>
<td>S. H.</td>
<td>No, we don’t have any (23). However, we once wrote a philosophy of our firm. But we didn’t live that (24). Our restaurant is driven by the sentence: “At home at ‘Ludwig’” (25). I think this statement shows how we would like to appear</td>
<td>Code: No written code established (23). Tried to write down corporate philosophy but experienced that they didn’t live it (24). However established a motto which serves to guide the firm (25).</td>
</tr>
<tr>
<td>B. S.</td>
<td>During the certification process we established a basic principle of our laboratory (26). But to be honest, I don’t remember the exact content of it (27)</td>
<td>Code: basic principles established during quality management process (26). However didn’t continue to develop the code – doesn’t even remember the content (27).</td>
</tr>
<tr>
<td>A. N.</td>
<td>I think the guiding idea is ‘I never let corrupt myself’ (29). This is a thought we maintained from our former boss. And it means that we try to be honest to clients and that we won’t do things just for convenience reasons which we normally would reject. But we don’t have any written guideline (30)</td>
<td>Code: No written code established (29). However behaving according to a motto which was established by the former boss (30).</td>
</tr>
<tr>
<td>A. M.</td>
<td>In a way it is the name of my firm (‘Filigran’ (filigree)). And I have some aspects in my firm’s flyer and on my internet homepage (32). However, these aspects (quality, durability, consultation) are labelled by almost every company. But I don’t have a written</td>
<td>Code: No written code established (31).</td>
</tr>
<tr>
<td>Code or something similar (31).</td>
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<td>-----------------------------</td>
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<tr>
<td>Emphasizes certain values (quality, durability, consultation) on the firm’s homepage in the company’s flyer. Firm’s name represents a guiding motto (32).</td>
<td></td>
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<tr>
<td>A. G.</td>
<td></td>
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<tr>
<td>We don’t have any written code (33). I presume that my employees – who are highly educated – know how to behave ethically. May be I would even limit them with a written code (34).</td>
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</tr>
<tr>
<td>Code: No written code established (33) Assumes that a written code might even limit employees in their ethical concern (34).</td>
<td></td>
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<tr>
<td>G. D.-P.</td>
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<tr>
<td>Our standards of behaviour are written down in a guideline. These are related to distinct situations and guide our staff in what they should do and what they have to avoid by any means. We don’t have a code (35) which deals with abstract philosophical questions but we make clear what we expect from our employees in certain situations.</td>
<td></td>
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<tr>
<td>Code: Not an ethics code but a behavioural guideline for employees is established however mainly for describing minimum requirements (35).</td>
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<tr>
<td>M. Sc.</td>
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<tr>
<td>No, we don’t have any code (36). In my former company which was a bigger organization with about 100 employees we had a code of conduct, however these regulations and self constraints are only as valuable as the principles included are lived by the managers (37). Our experiences have been negatively. And I think procedures in a small firm like mine have to be so flexible that you wouldn’t be able to establish an appropriate ethics code (38). I think moral concern mainly depends on owner-managers’ behaviour in day to day business.</td>
<td></td>
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</tr>
<tr>
<td>No code of ethics existent (36) Codes are only as valuable as the people and their behaviour – and that of the owner-manager in particular (37) Small firms’ flexibility doesn’t fit with establishing a fixed code of ethics (38).</td>
<td></td>
<td></td>
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<tr>
<td>M. T.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes we have some principles written down in our firm’s brochure (39). In it we stated our corporate philosophy as well as our services and particular competencies (40).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some principles written down (39) Statements concerning corporate philosophy, services and competencies (40)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. N.</td>
<td></td>
<td></td>
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<tr>
<td>Code of ethics? No, I don’t have any written code (41). Of course we have sort of a code of honour. And we have some informal rules (42).</td>
<td></td>
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<tr>
<td>No written code (41) Applies informal rules inside the firm (42)</td>
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<tr>
<td>H. H.</td>
<td></td>
<td></td>
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<tr>
<td>Yes there is a guideline of Demeter (44) which I had to follow when switching my farm to their standards. But an own ethical code – no, I’m not so strong in writing (43).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No ethical code existent (43) Leads his farm according to ‘Demeter’-standards (44)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X. U.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No, we don’t have a written code (45) or something like this. However, our company’s homepage is a means to provide information on our capabilities and display former works in order to demonstrate our competency (46).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No written code existent (45) Homepage provides information on competencies and former projects (46)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. W.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No, we don’t have any written code (47).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No written code existent (47)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. E.</td>
<td></td>
<td></td>
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<tr>
<td>There is nothing we have written down (48).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No written code existent (48)</td>
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</tr>
</tbody>
</table>
No written documents (49). But applying it daily (50), being an example for the employees (51)

No written code existent (49)
Living ethical values (50)
Exemplary behaviour (51)

We have a code of ethics and I can give you this paper in order to show you.

Written code existent.

It’s interesting because in our bank we have a code of conduct, however hardly any employee knows about it. In our clients’ small firms there is no ethics code or anything similar applied. At least I don’t know about any small firm having established such a code.

Code existent in the bank – but nobody knows its content.
Small firms don’t have written codes.

Summarized findings
12 participants mention that they established some corporate goals, however in broad terms. They were recorded in brochures, flyers, on homepages, in handbooks during quality management processes, as behavioural guideline for employees etc. (1,3,7,11,13,15,17,21,26,35,39-40,44,46).

13 owner-managers express having any written ethics codes or similar constraints (5,9,19,23,29,31,33,36,41,43,45,47,48,49).

5 interviewees regard the establishment of an ethics code to be necessary and important (2,4,10,14,22).

9 participants emphasize that ‘living’ certain ethical principles is most important in small firm’s business conduct (6,12,16,18,30,32,37,42,50-51).

5 owner-managers think that a written code isn’t necessary or helpful at all (5,16,20,34,38). One of them fears a limitation of employees’ ethical concern by written codes (34). One other expresses that fixed codes don’t fit with small firm’s flexibility (38)

Deviant interviewees’ statements:

Big company’s perspective:
- Written code exists

Bank’s perspective:
- Small firms don’t have written codes
- However, the bank has a code but no one knows its content

DA9: Analysis: counting, grouping / categorization
12 participants mention that they established some corporate goals, however in broad terms. They were recorded in brochures, flyers, on homepages, in handbooks during quality management processes, as behavioural guideline for employees etc. (1,3,7,11,13,15,17,21,26,35,39-40,44,46).
13 owner-managers express having any written ethics codes or similar constraints (5,9,19,23,29,31,33,36,41,43,45,47,48,49).

**General answer categories:**
- Firms without any written codes: 13
- Firms with at least fragmentary written codes or principles: 12

**Statements on usefulness of written codes:**

**Supporting written codes**
- 5 interviewees regard the establishment of an ethics code to be necessary and important (2,4,10,14,22).

**Denying usefulness of written codes:**
- 9 participants emphasize that ‘living’ certain ethical principles is most important in small firm’s business conduct (6,12,16,18,30,32,37,42,50-51).
- 5 owner-managers think that a written code isn’t necessary or helpful at all (5,16,20,34,38).
  - One of them fears a limitation of employees’ ethical concern by written codes (34).
  - One other expresses that fixed codes don’t fit with small firm’s flexibility (38)

**Deviant interviewees’ statements:**

**Big company’s perspective:**
- Written code exists

**Bank’s perspective:**
- Small firms don’t have written codes
- However, the bank has a code but no one knows its content
## 9.4 Ethics Integration Guideline (full table with references)

| 1. Ethical Guidance Instrument of the Firm | C46, C58, C67 |
| **Headline / guiding questions or imperatives** | **References** |
| 1.1.1 Develop a vision for your company. | Bleicher 2001 |
| Consider both, economic and ethical goals. | |
| Try to express your corporate vision in one sentence. | |
| 1.1.2 Develop a mission for your firm. | Bleicher 2001 |
| What do you regard to be the ideal way to achieve the vision? | Bleicher 2001 |
| Keep in mind that the mission is describing the ‘road’ to the ideal state. | |
| Try to express your corporate mission in one sentence. | |
| 1.2 Value system | Gordon 2002, C61 |
| Which are the most important values underpinning your daily course of business? | Gordon 2002, DA6 – 90,91,92,93,95, 101,102 |
| If not mentioned above which of the following values would you add to your list: respect, honesty, trustworthiness, straightness, authenticity, and openness. | DA6 – 6,7,8,12,19,26, 28,30,35-a,37,40,55, 56,60,63,69,78,79,86, 96,97, DA7 – 8,17,18,19,23, 33,40,63 |
| Please give a definition (your perspective) for each of the values mentioned. | DA6 – 90,93,95,101, 102 |

| 2. Ethics Enforcement System | |
| **Headline / guiding questions or imperatives** | **References** |
| Explanation of the values, determined in component 1. | C57,C64,C69,C70 |
| In component 1 six values have been mentioned. In addition you as an owner manager were asked to add further values you regard as important to your business. You defined each of these values. Now please translate each of the values to your business practice. Consider particularly crucial situations and describe what each of the values mean in that situations and how you and you firm will behave. | DA6 – 23,36, DA9 – 6,12,16,18,30, 32,37,42,50-51 |
Example:
Value: openness
Description: For us at ……….. (company’s name) openness means that we disclose important information even if this is to our financial disadvantage. If, for example, we are negotiating a contract with you and we get to know that a material involved is likely to harm your health, we will disclose this information immediately.

Carry out this procedure for each of the values:
- respect
- honesty
- trustworthiness
- straightness
- authenticity
- openness
- and those values, additionally mentioned by you

Include your employees in this process.

Once you have established these explanations, make sure you communicate them to employees and external stakeholders of your firm.

Look for sufficient means to regularly repeat informing employees and external stakeholders Think in terms of regular publications (newsletters, personal discussions, meetings, workshops).

Regularly consider whether your behaviour matches your value definitions and value explanations. Consult with your employees and – if possible – with outside stakeholders.

Which means do you regard to be important in addition in order to communicate and share your values inside and outside the firm?

<table>
<thead>
<tr>
<th>Leadership</th>
<th>C9,C10,C26,C57C64</th>
</tr>
</thead>
<tbody>
<tr>
<td>What do you regard to be important aspects of your leadership style?</td>
<td>DA6 – 20,33,57,70,75, 76</td>
</tr>
<tr>
<td></td>
<td>DA8 – 10,16,21,59-61-62,82,86</td>
</tr>
<tr>
<td>Consider the following aspects and ask yourself whether you currently integrate them in your leadership.</td>
<td>DA6 – 20,33,57,70,75, 76</td>
</tr>
<tr>
<td>Do you behave exemplarily? Think of situations where you think you did and where you did not.</td>
<td>DA6 – 2,27,34,38,49, 53,74,77</td>
</tr>
<tr>
<td></td>
<td>DA8 – 17,39</td>
</tr>
<tr>
<td>Is your knowledge and expertise up to date?</td>
<td>DA6 – 81</td>
</tr>
</tbody>
</table>
Do you work at least as hard as your employees?

Are you doing even the little things; thus showing your commitment to the work to be done in your firm?

Is your behaviour driven by the values raised in component 1? Consider recent critical situations and check your behaviour against these values.

Do you regularly communicate the values to your firm’s stakeholders? Do you regularly discuss the values with your employees?

Do you openly show your sense of responsibility towards your employees and their family / private commitments?

Do you always behave respectfully towards stakeholders of your firm? Consider critical situations and reflect your behaviour? Would you say, an external observer would judge your behaviour to be respectful?

Do you show your willingness to learn from your employees and from other owner managers? Do you generally encourage learning (training, further education) in your firm?

Do you integrate your employees in decision making?

Do you motivate your employees for example by praising their achievements?

Do you organize private meetings with your employees and their family members in order to strengthen personal relationships and to improve mutual understanding?

Behavioural guidance

Make sure you develop clear guidelines which exactly describe the expected behaviour of all members of your firm.

Consider whether you apply written guidelines or whether you prefer different ways of communicating your guidelines internally and externally.

Make sure all standards established comply with the overriding guideline (corporate vision, mission and values).

In component 2 you developed strategies to address potential or experienced stakeholder conflicts. Create a behavioural guideline which exactly defines how you and your employees are expected to behave in such conflict situations. Consider

including your employees and – if appropriately possible – the stakeholder group in question in this process.

In component 3 you developed strategies to address potential or experienced ethical dilemma situations. Create a code of conduct or a similar self-constraint which exactly defines how you and your employees are expected to behave in such dilemma situations. Consider including your employees and – if appropriately possible – the stakeholder group concerned in this process.

Ensure all internal and external stakeholders become aware of the guidelines and the standards they can rely on in your firm’s activities.

Make sure you and your employees always comply with the behavioural guidelines developed. Control procedures and behaviours within your firm. Establish and communicate channels through which your firm’s stakeholder can report on corporate representatives who do not comply with the guidelines.

Training and awareness building

<table>
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<tr>
<th>Training (internally orientated)</th>
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</table>

How could you make sure your employees are trained in all relevant issues of your ethics program? Consider frequency, way of training and content of the training.

Consider where personal coaching by external experts for employees and owner managers are necessary and appropriate. Plan a coaching program.

How could you make sure that you and other owner managers of your company are regularly trained in all relevant issues of your ethics program? Consider frequency, way of training and content of the training.

How could you arrange regular training sessions in which owner managers and employees learn from each other? Consider the organization of such training.

How could you arrange regular training sessions in which owner managers can learn from other owners of other companies? Consider the organization of such training.

How could you encourage your employees and owner managers to participate in further education? Think, for example, in terms of additional benefits such as additional free time.

How could you make sure you and your employees’ technical expertise is always up to date? Consider how to ensure regular

| DA6 – 5,15,22,25,41,48,62 |
| DA8 – 22,42,110 |
| DA6 – 6,8,28,30,37,40,55,56,60,79 |
| DA6 – 4,9,35,43,75 |
| DA8 – 22,42,110 |
| DA9 – 6,12,16,18,30,32,37,42,50-51 |
| C25,C43,C58,C65,C70 |
| DA6 – 3,13,29,39,58,59 |
| DA8 – 85 |
| DA6 – 3,13,29,39,58,59 |
| DA8 – 52 |
| DA8 – 4,20,43 |
| DA8 – 108,115 |
Further education in order to maintain your firm’s position in the market.

How could you establish a sufficient knowledge management system which assures knowledge is shared among employees and owner managers of the firm? How could you make sure, knowledge gained remains available within the firm even if the respective employee leaves the firm? Consider these issues with regards to both, technical expertise and ethical standards.

Awareness building (internally and externally orientated)

How could you assure all internal and external stakeholders understand all ethical perspectives and means you developed in component 1, 2 and 3?

Clearly and regularly communicate your corporate vision, mission and values. Explain their explicit meaning for each of your stakeholder groups.

Clearly state what your stakeholders can and can not expect from your companies. Establish comprehensive standards (behavioural guidelines, codes) which your stakeholders can rely on. Communicate these standards.

How could you regularly communicate your ethical standards to the public so that a wider community becomes aware of the ethical approach of your firm?

How could you make sure your firm’s behaviour always complies with the ethical standards established? Consider how your stakeholders build sustained trust in your firm Make sure your behaviour shows stakeholders that they can rely on your firm.

How could you manage to integrate your stakeholders in the process of developing each of the components of this ethics integration program? How could you establish a regular revision of the ethics integration program in which you integrate your stakeholders as far as possible?

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### 3. Stakeholder Management System

<table>
<thead>
<tr>
<th><strong>Headline / guiding questions or imperatives</strong></th>
<th><strong>References</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Carry out a stakeholder ranking.</td>
<td>Lepoutre and Heene 2006</td>
</tr>
<tr>
<td>Which stakeholders do you have to deal with in your business?</td>
<td>C1,C5,C16,C23,C34, C36,C46,C50,C52,C53, C54,C56,C59,C63,C68</td>
</tr>
<tr>
<td>If not already mentioned, please include the following stakeholders: clients, employees, owner managers, suppliers, banks, state and society and the public.</td>
<td>C1,C2,C3,C4</td>
</tr>
</tbody>
</table>
Please rank the stakeholders from most to least important. Put an emphasis on those stakeholders most important to your firm.

| 3.2 Address frequent stakeholder conflicts mentioned by small firm owner managers in participants statements. | Lepoutre and Heene 2006 |
| Prioritize efforts by perceived stakeholder importance. | Lepoutre and Heene 2006 |

| Clients | Lepoutre and Heene 2006 C5,C6,C7,C8,C9,C11 |
| What could you do in order to address conflicts with (regular) clients who demand for prices and terms of payment which are financially unacceptable for you? | C2,C5 – C36 |
| What can you do in order to assure clients pay on time rather than delayed? | |
| How could you appropriately deal with clients who are (temporarily) unable to pay their bills? | |
| How could you react to clients with excessive expectations, but low readiness to pay accordingly? | |
| How could you respond to clients behaving in an unfair manner (reduction of payments without good reasons, putting your firm under pressure)? | |
| If you are dependent on your suppliers (e.g. on time delivery) when executing your clients’ orders, how do you make sure you can fulfil your obligations towards your clients? | |
| Are your contractual agreements with your clients sufficiently precise? If not, improve. | |
| How could you sufficiently deal with clients’ complaints (be they justified or just created)? | |
| How can you maintain trust between your client and you during the process of executing the order? | |
| How could you deal with clients who demand extensive consultations (without payment) prior to giving you the order? | |
| Proposed solutions: Consider the following suggestions how to address frequent conflicts with clients. The proposed means might complement your own ideas. | |

| Make sure your clients fit into your firm. | |
| Determine at which point you would cancel a client relationship. | |

<p>| DA2 – 68,73 | DA3 – 95 |
| DA2 – 67 | DA2 – 15 |
| DA3 – 35 | DA3 – 35 |
| DA2 – 57 | DA3 – 31 |
| DA2 – 66 | DA2 – 6,8,11,28,30,37, 39,44,48,51,55,59 |
| DA3 – 11,27,33,55,89 | DA3 – 12,28,48 |
| DA3 – 24 | DA3 – 10, 12 |
| DA3 – 24 | DA3 – 29 |
| DA3 – 9 | DA3 – 29 |
| DA3 – 21,81 | DA3 – 29 |
| DA2 – 57 | DA3 – 9 |
| DA3 – 31 | DA3 – 9 |
| DA2 – 66 | DA3 – 24 |
| DA3 – 10, 12 | DA3 – 29 |</p>
<table>
<thead>
<tr>
<th>Determine at which point and how to clearly communicate that you are considering cancellation the client relationship.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Openly communicate with your clients in all cases of complaints, distrust, defects and mistakes, delays, additionally required work and payments, and other conflicts etc.</td>
</tr>
<tr>
<td>Always try to get in personal contact in order to solve problems and to find sufficient compromises and agreements with clients.</td>
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<tr>
<td>Try to uncover reasons for complaints if you feel they are unjustified.</td>
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<tr>
<td>Anticipate your clients’ interests and expectations and try to match your procedures and behaviours accordingly.</td>
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<td>Make sure you always react immediately on clients’ complaints.</td>
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<tr>
<td>Provide the highest possible quality of your products and service in order to minimize complaints.</td>
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<tr>
<td>Require (partial) payment in advance (if appropriate) in order to minimize the risk of not being paid by clients.</td>
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<tr>
<td>Clearly state which payment you expect for consultations prior to the order in case the client doesn’t place the order with your firm.</td>
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<tr>
<td>Establish exact contractual agreements.</td>
</tr>
<tr>
<td>Avoid legal actions if possible, try to find compromises.</td>
</tr>
<tr>
<td>Prepare yourself in cases of legal questions.</td>
</tr>
<tr>
<td>Identify further conflicts with clients experienced or anticipated in your business.</td>
</tr>
<tr>
<td>Develop strategies and procedures to address all stakeholder conflicts important to your business.</td>
</tr>
<tr>
<td>Consider the proposed solutions above and check against applicability in your firm.</td>
</tr>
<tr>
<td>Check all solutions to avoid or minimize conflicts with clients against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.</td>
</tr>
</tbody>
</table>

**Employees**

How can you assure you provide a remuneration package which satisfies your employees and serves their private needs and commitments? Think of salary, flexible work time, holiday leave, compensation of overtime work. Find solutions which balance the firm’s necessities and affordability with

<table>
<thead>
<tr>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA2 – 1,5,27,47,54,58,64</td>
</tr>
</tbody>
</table>

| DA3 – 22,34,86,90 |
| DA3 – 48,50,56,74,90,96 |
| DA3 – 24 |
| DA3 – 32,96 |
| DA3 - 74,101 |
| DA3 – 66 |
| DA3 – 28,36 |
| DA3 – 30 |
| DA3 – 34,82 |
| DA3 – 28,36 |
| DA3 – 22 |

| C20,C21,C22,C23,C26,C27,C30,C31,C33,C35,C36 |
| C 57,69 |

| DA2 – 1,5,27,47,54,58,64 |

| 424 |
employees’ expectations.

How can you assure your employees maintain a high level of work quality which helps the firm staying competitive and avoids clients’ complaints?

What could you do to keep employee’s work motivation as high as possible?

How can you manage your employees apply your understanding of service orientation towards your clients?

How could you teach young employees punctuality, reliability and work quality?

How can you convince your employees of uncomfortable but necessary changes in your business?

How can you improve mutual understanding between you and your employees?

How could you improve employees’ understanding of economic necessities of the firm?

How could you align the goals of your firm and your employees?

How can you minimize the risk of a misuse of trust by employees?

How should you react in case an employee broke your trust?

How can you make visible you respect employees as individuals rather than seeing them just as means to achieve corporate goals?

What could you do in order to assure cooperation and a good work climate among your employees?

How could you sufficiently introduce new employees?

In which way could you deal with new employees who don’t satisfy your expectations?

How could you guide your employees towards corporate goals?

**Proposed solutions:**
Consider the following suggestions how to address frequent conflicts with employees. The proposed means might complement your own ideas.

Consider and improve your leadership approach.

Behave consistently.

Behave exemplarily.

<table>
<thead>
<tr>
<th>Question</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>How can you assure your employees maintain a high level of work quality which helps the firm staying competitive and avoids clients’ complaints?</td>
<td>DA2 – 19,50</td>
</tr>
</tbody>
</table>
| What could you do to keep employee’s work motivation as high as possible? | DA2 – 29  
DA3 – 1 |
| How can you manage your employees apply your understanding of service orientation towards your clients? | DA2 – 20,38  
DA3 – 13 |
| How could you teach young employees punctuality, reliability and work quality? | DA3 – 19 |
| How can you convince your employees of uncomfortable but necessary changes in your business? | DA2 – 7,60  
DA3 – 85 |
| How can you improve mutual understanding between you and your employees? | DA2 – 32,36,47,75  
DA3 – 3,87 |
| How could you improve employees’ understanding of economic necessities of the firm? | DA2 – 54 |
| How could you align the goals of your firm and your employees? | DA2 – 24  
DA3 – 5,41 |
| How can you minimize the risk of a misuse of trust by employees? | DA2 – 65, 65 |
| How should you react in case an employee broke your trust? | DA3 – 57,93 |
| How can you make visible you respect employees as individuals rather than seeing them just as means to achieve corporate goals? | DA2 – 42 |
| What could you do in order to assure cooperation and a good work climate among your employees? | DA3 – 17  
DA3 – 69 |
| How could you sufficiently introduce new employees? | DA3 – 45 |
| In which way could you deal with new employees who don’t satisfy your expectations? | DA3 – 25,83 |
| How could you guide your employees towards corporate goals? | DA3 – 77 |

| Proposed solutions: Consider the following suggestions how to address frequent conflicts with employees. The proposed means might complement your own ideas. | DA3 – 2,4,14,20,46  
DA3 – 94  
DA3 – 4,70 |
| Improve your knowledge in human resource management. | DA3 – 18 |
| Integrate your employees in decision making. Emphasize cooperation in your relationship to your employees. Show your willingness to learn from your employees. | DA8 – 7,33,54,65,72<br>DA8 – 18,25-26,32,47,52,56,59-60,67,73,81,94 |
| Emphasize open, personal, cooperative communication. Show tact and respect. | DA3 – 2,4,6,26,58,84,88 |
| Exactly explain the firm’s necessities, such as required extra works. | DA3 – 88 |
| Try to maintain jobs as long as reasonably possible; thus showing your commitment to your employees (providing long term employment). | DA8 – 8,14,34,44,55 |
| Anticipate employee’s private commitments. | DA3 – 42 |
| Consider measures to increase or maintain employees’ motivation. Think of a friendly and comfortable work atmosphere. Praise your employees for achievements. | DA3 – 20<br>DA8 – 57,96,107,111,112,113 |
| Give employees a second chance after severe misbehaviour. But fire them in case of ongoing breach of trust. | DA3 – 94 |
| Encourage and provide further education of employees. | DA3 – 20<br>DA8 – 4,20,43,85 |
| Improve selection process in order to assure appointing new employees who fit the needs of the firm (expertise and personality). | DA3 – 20<br>DA8 – 88 |
| Plan regular social activities with your employees and their families. | DA3 – 2<br>DA8 – 19,31,53,64,74,92 |
| Establish clear rules for employees. Closely control. | DA3 – 18,86<br>DA3 – 78 |
| Introduce result based salaries where appropriate. | DA3 – 42,88<br>DA8 – 27,30,36-37,45,46-48,69-70,83,93-95 |
| Improve remuneration where appropriately possible. Consider salaries, pension schemes, flexible work-time models, additional holidays, workplace conditions, bonuses, additional free time, parental leaves etc. | DA3 – 46 |
| Design a sufficient introduction phase for new employees. | DA3 – 84 |
| In case of persistent problems with employees involve external experts (e.g. mediator). | |
| Identify further conflicts with employees experienced or anticipated in your business. | |
| Develop strategies and procedures to address all stakeholder conflicts important to your business. | |
Consider the proposed solutions above and check against applicability in your firm.

Check all solutions to avoid or minimize conflicts with employees against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.

<table>
<thead>
<tr>
<th>Owner managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questions to be answered by all owner managers:</td>
</tr>
<tr>
<td>How could you balance strategic aims (e.g. necessary changes in the structure of your firm) with requirements of your day to day business?</td>
</tr>
<tr>
<td>How could you sufficiently deal with time and resource constraints?</td>
</tr>
<tr>
<td>How could you deal with inner conflicts which result from your different roles? Consider your role as the owner of your firm and your position as the firm’s leading manager?</td>
</tr>
</tbody>
</table>

| Questions to be answered by owner managers who run their firm jointly with other owner managers: |
| How could you deal with different aims, expectations and contributions of the different owner managers to corporate success? Think, for example, of time commitment, private financial goals, reinvestment of profits, and other issues. Consider strategies to align the different aims of the business partners. |
| How could you deal with owner managers’ different attitudes and commitments to work? Think of equally sharing profits or sharing profits according to achievements. |
| How could you deal with different opinions about which part of the business is most important for its success? |
| What could you do in order to bridge gaps between owner managers due to different educational backgrounds? |
| How could you ensure conflicts between owner managers are always solved cooperatively? |
| How could you maintain good working relationships between owner managers in the long run? |

Identify further conflicts of (the) owner manager(s) experienced or anticipated in your business.

Develop strategies and procedures to address all stakeholder conflicts important to your business.

C20,C21,C22,C23,C26,C27,C30,C31,C33,C35,C36

C 57,69

DA2 – 53

DA2 – 53

DA2 – 63

DA2 – 4, 23, 26

DA2 – 26, 41

DA2 – 14

DA2 – 35

DA2 – 23

DA2 – 41

DA2 – 10
Check all solutions to avoid or minimize conflicts of owner managers against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.  

<table>
<thead>
<tr>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>How could you sufficiently address conflicting expectations of your bank(s) and your firm? Think of your wish for financial flexibility (getting credit as immediate as possible) and the banks increasing demand for securities which you have to provide.</td>
</tr>
<tr>
<td>How could you appropriately respond to bank’s increasing demand of corporate information?</td>
</tr>
<tr>
<td>Given the strong position of banks in negotiations and the increasing problem of small firms to gain credit, what could you do in order to prepare your firm in the long term perspective?</td>
</tr>
<tr>
<td>Does your bank meet the needs of your firm? If not, is the bank an appropriate banking partner for your business? Answering this question requires to firstly determine the requirements of your firm in regards to financial services.</td>
</tr>
<tr>
<td>Proposed solutions: Consider the following suggestions how to address frequent conflicts with banks. The proposed means might complement your own ideas.</td>
</tr>
<tr>
<td>Carefully select a bank which fits the needs of small firms (presumably a regional bank that understands your business, rather than a global financial player).</td>
</tr>
<tr>
<td>Try to reduce your firm’s dependency on banks by cutting down loans and / or looking for other financing options.</td>
</tr>
<tr>
<td>Identify further conflicts with banks experienced or anticipated in your business.</td>
</tr>
<tr>
<td>Develop strategies and procedures to address all stakeholder conflicts important to your business.</td>
</tr>
<tr>
<td>Consider the proposed solutions above and check against applicability in your firm.</td>
</tr>
<tr>
<td>Check all solutions to avoid or minimize conflicts with banks against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.</td>
</tr>
</tbody>
</table>

**Suppliers / subcontractors**

How could you generally deal with suppliers who behave
unfairly towards you? Think for example of suppliers who try to charge higher prices than agreed on, who try to get around your firm in order to directly sell to your customers, who refuse to comply with oral agreements, or who refuse to cover the warranty agreed on in the contract.

| DA2 – 34,71                                      | DA2 – 45                                      | DA2 – 56,74                                      |
| DA3 – 37,51,59                                   | DA2 – 67                                      | DA2 – 70                                        |

How could you deal with your firm’s dependency on suppliers due to their outstanding position (e.g. availability of expertise or materials which can’t be easily accessed elsewhere)?

How could you establish terms of payment which serve your and your supplier’s needs. Think of supplier’s wish to receive payment as early as possible and your interest to make sure you receive goods and services exactly the way agreed in the contract.

| DA3 – 67                                      | DA2 – 13                                     |
| DA2 – 13                                      | DA2 – 67                                     |

How could you react in case of wrongly executed orders? Try to design a procedure which helps maintaining a good relationship towards your supplier.

| DA2 – 45                                     |
| DA2 – 56,74                                   |

How could you react if delivery isn’t executed on time? Try to design a procedure which helps maintaining a good relationship towards your supplier.

| DA2 – 70                                     |

How could you deal with contradicting expectations of you and your supplier regarding prices and conditions? Try to design a procedure which helps maintaining a good relationship towards your supplier.

| DA2 – 61                                     |
| DA2 – 49                                     |

How do you assure your contractual agreements are clear, precise and unambiguous?

| DA2 – 49                                     |
| DA2 – 61                                     |

If sufficient execution of your clients’ orders is directly dependent on your suppliers, how can you assure you establish exactly the same regulations in both contracts?

| DA2 – 56,74                                   |
| DA2 – 70                                     |

How could you make sure your supplier avails the resources necessary for execution of your order?

| DA2 – 49                                     |
| DA2 – 61                                     |
| DA3 – 61                                     |

In case your suppliers are from a different cultural background, how could you further mutual cultural understanding between you and your supplier?

| DA2 – 25                                     |
| DA3 – 15                                     |

How could you convince your suppliers to adapt their supply structures and procedures, if this turns out to be necessary for your firm?

| DA3 – 75                                     |

How could you raise your supplier’s understanding of your market particularities in order to improve supply quality?

Proposed solutions:
Consider the following suggestions how to address frequent conflicts with suppliers. The proposed means might...
<table>
<thead>
<tr>
<th>Complement your own ideas.</th>
<th>DA3 – 16,60,68,72,76</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish good, sustained personal relationships to suppliers. Consider business as well as private (where appropriate) activities. Use personal discussions, meetings, workshops and other measures to improve mutual understanding.</td>
<td>DA3 – 76</td>
</tr>
<tr>
<td>Use personal contact to continuously sensitize suppliers for the necessities of your market.</td>
<td>DA3 – 68</td>
</tr>
<tr>
<td>Emphasize reciprocity. Consider providing suppliers with benefits such as additional orders.</td>
<td>DA3 – 38</td>
</tr>
<tr>
<td>Establish and promote a guideline clearly outlining your firm’s behaviour towards suppliers (e.g. clearly fixed dates of payments which suppliers can rely on)</td>
<td>DA3 – 52</td>
</tr>
<tr>
<td>In case of powerful suppliers consider establishing a purchasing cooperation. Jointly aim for better conditions and lower costs (by centralized purchase functions).</td>
<td>DA3 – 60,62</td>
</tr>
<tr>
<td>Improve selection of suppliers. Don’t solely regard low prices but consider financial means, expertise, security and experience of the supplier.</td>
<td>DA3 – 62</td>
</tr>
<tr>
<td>Carefully balance contracts with suppliers and with clients in order to avoid ‘contractual gaps’.</td>
<td>DA3 – 72</td>
</tr>
<tr>
<td>Consider legal actions if suppliers don’t deliver according to the contract. Prepare legal actions carefully (excellent documentation throughout the contract period).</td>
<td></td>
</tr>
<tr>
<td>Identify further conflicts with suppliers experienced or anticipated in your business.</td>
<td></td>
</tr>
<tr>
<td>Develop strategies and procedures to address all stakeholder conflicts important to your business.</td>
<td></td>
</tr>
<tr>
<td>Consider the proposed solutions above and check against applicability in your firm.</td>
<td>C20,C21,C22,C23,C26,C27,C30,C31,C33,C35,C36</td>
</tr>
<tr>
<td>Check all solutions to avoid or minimize conflicts with suppliers against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.</td>
<td>C 57,69</td>
</tr>
<tr>
<td><strong>State and Society</strong></td>
<td></td>
</tr>
<tr>
<td>How could you generally deal with lawsuits? Think in terms of your preparation and your expectations?</td>
<td>DA2 – 16</td>
</tr>
<tr>
<td>In case of a lawsuit: How could you find compromises regardless of your perception that your perspective is right and should be appreciated by the court? Think of preparing yourself to find compromises though you find your legal position is crystal clear. Try to incorporate the perspectives</td>
<td>DA3 – 39</td>
</tr>
</tbody>
</table>
and expectations of the other parties involved.

<table>
<thead>
<tr>
<th>Question</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>How could you make sure you are well informed about subventions granted in your field of business?</td>
<td>DA2 – 62</td>
</tr>
<tr>
<td>How could you sufficiently deal with public administration in cases of subventions you want to get? Consider there is sometimes administrative discretion.</td>
<td>DA3 – 91</td>
</tr>
</tbody>
</table>

**Proposed solutions:**

Consider the following suggestions how to address frequent conflicts with state and society. The proposed means might complement your own ideas.

- **Always try to establish and maintain a good personal contact with all parties involved.**  
  DA3 – 40

- **Improve your communication skills.**  
  DA3 – 40

- **Generally prefer to search for appropriate compromises, rather than for legal actions.**  
  DA3 – 40

- **In cases of problems with public administration, try to address the problem to a superior authority, rather than directly considering a lawsuit.**  
  DA3 – 92

- **In case problems with a public administration can be resolved, consider chances and risks of a lawsuit. Decide.**  
  DA3 – 92

- **Identify further conflicts with state and society experienced or anticipated in your business.**

- **Develop strategies and procedures to address all stakeholder conflicts important to your business.**  
  C20,C21,C22,C23,C26,C27,C30,C31,C33,C35,C36

- **Check all solutions to avoid or minimize conflicts with state and society against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.**  
  C 57,69

**In case you identified further stakeholders to be important for your business, run the above procedure for each of the stakeholders:**

**Stakeholder: …………………..**

- **Outline the conflicts experienced or anticipated to be important.**

- **Formulate guiding questions which address the conflicts.**

- **Propose solutions:**  
  In accordance with the procedures established above

- **Develop strategies and procedures to address all stakeholder**
conflicts important to your business.
Consider the proposed solutions above and check against applicability in your firm.
Check all solutions to avoid or minimize conflicts with state and society against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.

4. Ethical Dilemma Management System

<table>
<thead>
<tr>
<th>Headline / guiding questions or imperatives</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addressing dilemma situations included in the research. Prioritize by perceived dilemma importance</td>
<td>C37,C38,C40,C41,C44,C50,C51,C52,C53,C56</td>
</tr>
<tr>
<td>Corruption / Bribery</td>
<td>References</td>
</tr>
<tr>
<td>Are corruption and bribery issues a concern in your business?</td>
<td>DA5.1 – 2,4,5,7,10,12,15,16,17,18,22,24,27,29a</td>
</tr>
<tr>
<td>Is their potential for corrupt practices (even of your employees)? If yes continue with the following questions on corruption and bribery; otherwise step forward to the next ethical dilemma.</td>
<td>DA5.1 – 1,6,7,9,</td>
</tr>
<tr>
<td>If you generally agree there is potential for corrupt practices in your business, how could you raise awareness of the possible harm for your firm? Think of you and your employees. Consider consequences such as downturn of corporate reputation, becoming susceptible to blackmail, severe financial consequences, and legal consequences.</td>
<td>DA5.1 – 3,13,19,21,23,31</td>
</tr>
<tr>
<td>Is the boundary between corrupt practices and legally and ethically justifiable means of acquisitions absolutely clear in your business? If not, how could you define the exact boundary?</td>
<td>DA5.1 – 11,13,28,30</td>
</tr>
<tr>
<td>Corruption harms equal conditions in market competition. What could you do in case you become aware of competitors behaving corruptly?</td>
<td>DA5.1 – 11</td>
</tr>
<tr>
<td>Are you fully aware of the boundaries between legal actions and illegal corrupt practices? How could you manage to comprehend compliance requirements? How could you make sure you comply with the laws?</td>
<td>DA5.1 – 8</td>
</tr>
<tr>
<td>Some kinds of corruption aren’t illegal; however, morally questionable. They bear a considerable risk for your firm’s reputation in the long run (e.g. facilitation fees without adequate service in return etc.)? Are you aware of procedures which are legally acceptable but morally questionable?</td>
<td>DA5.1 – 8,26</td>
</tr>
<tr>
<td>Are you active in (foreign) markets in which corrupt practices are seen to be common? If yes, which actions could you take to ensure you and your firm don’t take part in such practices?</td>
<td></td>
</tr>
<tr>
<td>How could you keep motivation of your employees low to</td>
<td></td>
</tr>
<tr>
<td>Question</td>
<td>Reference</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Take part in corruption / bribery? Think of fields in which temptation</td>
<td>DA 5.1 – 9, 20,25,31</td>
</tr>
<tr>
<td>is quite high (e.g. if high amounts of money are concerned, in</td>
<td></td>
</tr>
<tr>
<td>acquisition, in fields of business commonly known to be spoilt by</td>
<td></td>
</tr>
<tr>
<td>corruption). Are you concerned with (regular) clients or their</td>
<td></td>
</tr>
<tr>
<td>representatives who expect a bribe in return for a sustained business</td>
<td></td>
</tr>
<tr>
<td>relationship? How could you address this issue without taking part in</td>
<td></td>
</tr>
<tr>
<td>corrupt practices and without putting the relationship at risk?</td>
<td></td>
</tr>
<tr>
<td>Proposed solutions: Consider the following suggestions how to address</td>
<td></td>
</tr>
<tr>
<td>corruption and bribery. The proposed means might complement your own</td>
<td></td>
</tr>
<tr>
<td>ideas.</td>
<td></td>
</tr>
<tr>
<td>Ensure transparency internally and externally. This is particularly</td>
<td>DA5.1 – 9</td>
</tr>
<tr>
<td>important among business partners and owner managers and employees.</td>
<td></td>
</tr>
<tr>
<td>Carefully select business partners (owner managers) and employees.</td>
<td>DA5.1 – 9</td>
</tr>
<tr>
<td>Consider and check integrity prior to appointments. Check whether they</td>
<td></td>
</tr>
<tr>
<td>share your firm’s values.</td>
<td></td>
</tr>
<tr>
<td>Tightly control procedures in the firm. This relates to business</td>
<td>DA5.1 – 9</td>
</tr>
<tr>
<td>partners and employees.</td>
<td></td>
</tr>
<tr>
<td>Make sure your values stated in part 1 of the questionnaire guide your</td>
<td>DA5.1 – 29</td>
</tr>
<tr>
<td>behaviour in tempting situations. Make sure your employees share these</td>
<td></td>
</tr>
<tr>
<td>values and act accordingly.</td>
<td></td>
</tr>
<tr>
<td>Develop strategies and procedures to address corruption / bribery in</td>
<td></td>
</tr>
<tr>
<td>your business. Consider the proposed solutions above and check against</td>
<td>C39,C42,C43,C46,C48,C49,C53,C54,C55,C56</td>
</tr>
<tr>
<td>applicability in your firm.</td>
<td></td>
</tr>
<tr>
<td>Check all solutions to guide behaviour in ethical dilemma situations</td>
<td>C57, C69</td>
</tr>
<tr>
<td>against the core values established in component 1: respect, honesty,</td>
<td></td>
</tr>
<tr>
<td>trustworthiness, straightness, authenticity, openness, and those</td>
<td></td>
</tr>
<tr>
<td>additionally mentioned by the owner manager.</td>
<td></td>
</tr>
<tr>
<td>Establish codes or similar self-constraints (where appropriate) to</td>
<td>C 70</td>
</tr>
<tr>
<td>address ethical dilemmas. This helps to formulize procedures and to</td>
<td></td>
</tr>
<tr>
<td>guide behaviour of employees and managers.</td>
<td></td>
</tr>
<tr>
<td>Deception / Withholding information towards clients: Is deception /</td>
<td>DA5.2 – 1,3,4,5,10,12,</td>
</tr>
<tr>
<td>withholding information from clients generally an issue of importance in</td>
<td>14,16,18,19,22,23,24,</td>
</tr>
<tr>
<td>your field of business (be your firm or your competitors concerned with</td>
<td>26,29a,34,38,40-41,42,</td>
</tr>
<tr>
<td>it)?</td>
<td>44,46,48</td>
</tr>
<tr>
<td>If there are temptations to deceive your clients / withhold information,</td>
<td>DA5.2 – 11,20,44</td>
</tr>
<tr>
<td>who is mainly concerned: you, your employees</td>
<td></td>
</tr>
</tbody>
</table>
or your competitors?

Does your particular field of business provide temptations to deceive / withhold information? If this is the case, how could you respond to these temptations in order to avoid such behaviours?

Are you and your firm or your employees under considerable pressure to gain orders from clients? Do you see this pressure raises the motivation to deceive your clients / to withhold information?

Is your salary system attracting deceptive behaviour e.g. by excessive commissions to your sales personnel paid upon obtained client contracts?

If you critically reflect your acquisitions, would you regard deception / withholding information to be means for obtaining client’s orders?

Are you fully aware of legal and professional regulations which set the boundaries between legal acquisition and marketing actions and illegal deception / withholding information?

How could you make sure your clients fully understand the contractual agreements so that they don’t feel deceived (without good reasons) afterwards?

Have you ever considered the negative effects deception / withholding information will have for your firm in the long run? Take reputation damages and costly lawsuits into account. Share these reflections with your employees?

How could you alter your program of products and services as well as your terms of conditions so that temptations to deceive or withhold information are minimized? Think in terms of general standardizations as well as of premium quality.

How could you make potential clients aware of deceptive behaviours of competitors without directly accusing those firms?

How could you deal with competitors who obviously gain competitive advantages by deception / withholding information?

Have you clearly defined the boundary between acceptable behaviour in acquisition and marketing and immoral deception and withholding information?

Proposed solutions:
Consider the following suggestions how to address deception / withholding information towards clients. The proposed means might complement your own ideas.
<table>
<thead>
<tr>
<th>Steps</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exactly define the boundaries between acceptable behaviour in acquisition and immoral behaviours such as deception /withholding information.</td>
<td>DA5.2 – 2,7</td>
</tr>
<tr>
<td>Exactly define services, prices and conditions in contracts with clients.</td>
<td>DA5.2 – 16,17</td>
</tr>
<tr>
<td>Standardize products and services where appropriately possible.</td>
<td>DA5.2 – 15</td>
</tr>
<tr>
<td>Seek for transparent procedures in sales. Openly communicate details of your products, services and conditions.</td>
<td>DA5.2 – 9,32</td>
</tr>
<tr>
<td>Seek for standardized products and services where reasonably possible (self-selling products in discount markets).</td>
<td>DA5.2 – 47</td>
</tr>
<tr>
<td>Provide value for money in order to reduce temptations for deception / withholding information.</td>
<td>DA5.2 – 39</td>
</tr>
<tr>
<td>Raise awareness in your firm for legal constraints in sales.</td>
<td>DA5.2 – 9,32</td>
</tr>
<tr>
<td>Closely control sales activities in your firm. Consider external control-institutions where appropriate.</td>
<td>DA5.2 – 9,29b,32,43,46</td>
</tr>
<tr>
<td>If you apply materials from external producers, strictly obey with all requirements established by the producers in order to assure product quality.</td>
<td>DA5.2 – 45</td>
</tr>
<tr>
<td>Provide training and further education for owner managers and employees.</td>
<td>DA5.2 – 11,23,29</td>
</tr>
<tr>
<td>Provide long-term employment for your employees. Select reliable employees. Establish a respectful, trustful work atmosphere which allows the occurrence of mistakes.</td>
<td>DA5.2 – 21,30,31,33</td>
</tr>
<tr>
<td>Make sure you openly communicate mistakes to your clients, rather than trying to hide them. Advise and train your employees accordingly so that honest and transparent behaviour becomes a characteristic of your firm’s business activity.</td>
<td>DA5.2 – 11,23,29,30,33,35</td>
</tr>
<tr>
<td>Develop strategies and procedures to address deception /withholding information towards clients.</td>
<td></td>
</tr>
<tr>
<td>Consider the proposed solutions above and check against applicability in your firm.</td>
<td>C39,C42,C43,C46,C48,C49,C53,C54,C55,C56</td>
</tr>
<tr>
<td>Check all solutions to guide behaviour in ethical dilemma situations against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.</td>
<td>C57, C69</td>
</tr>
</tbody>
</table>
procedures and to guide behaviour of employees and managers.

**Environmental problems**

Do you feel concerned with ecological questions in your business? Try to identify the fields in which your business affects the environment. If you don’t see major environmental problems, try to identify issues in which you could engage in protection of the environment.

Are you aware of the national and international ecological standards you have to obey in order to get and maintain market access? Try to get a comprehensive understanding.

What could you do more than the minimum required by the laws with regards to ecology? Identify means which are affordable and do not harm your market position. Please consider even measures which appear – from your perspective – to address minor issues.

Please consider the whole supply chain of your firm (including suppliers, deliverers, traders, and others). Where do you see ecological problems in your supply chain (even if the occur outside your firm)? What could you do in order to address these issues? Think of means like selection of environmentally concerned suppliers, joint approaches to improve ecology along your supply chain etc..

Where do you see major technical problems when introducing ecological solutions? Try to exactly describe them and look for solutions or alternatives.

Which subventions by the government are granted for ecological solutions? Find out all programs potentially applicable in your business and along your supply chain.

How could an improved ecological conduct contribute to your firm’s market position? Think in terms of the fields you should engage in and the benefit it would have in market competition.

Which requirements (by laws or by your customers) might come up in the future? Try to identify important fields and consider strategies to address these issues.

**Proposed solutions:**

Consider the following suggestions to address environmental problems. The proposed means might complement your own ideas.

| Proposed solutions: | DA5.3 – 1,8,9,13,15, 23,24,29,29a,36,38 |
| Consider switching to smaller cars where appropriate. | DA5.3 – 2 |
| Generally avoid dealing with dangerous goods where possible. Consider this aspect when coming to contractual agreements with your clients. | DA5.3 – 12 |
Consider application of healthier materials in your business (even if they are more expensive). Try to get an awareness of the long term consequences (harm of corporate reputation, employees’ sickness leave, legal cases etc.), if you do not apply healthy materials.

Try to fully understand the legal requirements regarding workplace conditions of your employees. Provide your employees with sufficient means to protect them from harmful materials or conditions.

In cases where your firm’s expertise doesn’t sufficiently cover dealing with harmful goods, involve specialized firms in order to assure the safest possible conduct.

Make sure materials used in your firm are always applied according to the producer’s guideline. Assure your employees fully understand and comply with these guidelines.

Consider applying existing ecological standards (such as for example ‘Demeter’ in farming) throughout your entire value creation chain. If you apply such a standard, promote your ecological approach towards your clients.

Try to change your firm’s product program towards ecological materials. Always advise your clients to choose ecological materials.

Establish sufficient controls to assure compliance with environmental standards set by the laws and/or by your firm. Involve external institutions to monitor and certify your approach.

Anticipate future requirements by laws, clients or public opinion and try to comply with such requirements as early as possible in order to gain competitive advantages.

Develop strategies and procedures to address environmental problems in your business.

Consider the proposed solutions above and check against applicability in your firm.

Check all solutions to guide behaviour in ethical dilemma situations against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.

Establish codes or similar self-constraints (where appropriate) to address environmental problems. This helps to formulize procedures and to guide behaviour of employees and managers.

**Fulfilment of contracts (delayed payments of your suppliers bills)**
Is your field of business marked by highly regulated payment
procedures enforced by laws or standards of public authorities? If yes, this section might be of minor importance for your business.

Is your ability to fulfil your contractual obligations towards suppliers directly dependent on payment practices of your clients? (This is frequently the case e.g. in project-management). If so, consider carefully why your clients pay delayed.

Which negative consequences could continuously delayed payments have for your business? Think in terms of your reputation within your local community, your suppliers and other important stakeholders (e.g. banks, public authorities).

Are there potential advantages of on-time payment of your firm (advantageous conditions by suppliers, discounts etc.) you could try to take advantage of?

How could you establish self-regulations, which clearly state the period within which you always pay your bills? Consider how you can assure your clients can always rely on this regulation.

How could you make sure your suppliers are aware of this self-regulation? Consider how to promote it.

How could you install a systematic anticipation of needed financial means in order to assure your ability to pay on time?

How could you – as the responsible owner manager – prepare yourself in order to contribute private means in case your firm is temporarily unable to pay on time?

In case your firm is temporarily unable to fulfil all contractual obligations on-time, how could you prioritize those stakeholders who are most important for your business or who are most desperately in need of the payments?

Proposed solutions:
Consider the following suggestions to address problems in fulfilment of contracts. The proposed means might complement your own ideas.

<table>
<thead>
<tr>
<th>Proposed solution</th>
<th>Reference</th>
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<tbody>
<tr>
<td>Regularly and systematically anticipate the financial means needed in order to assure your ability to pay all your bills on time.</td>
<td>DA5.4 – 43</td>
</tr>
<tr>
<td>Prepare your firm to pay on time in order to negotiate better prices and conditions with suppliers.</td>
<td>DA5.4 – 23</td>
</tr>
<tr>
<td>Make sure (by systematic control) your firm holds sufficient assets on its account in order to assure ability to always pay on time.</td>
<td>DA5.4 – 40</td>
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</tbody>
</table>
Hold sufficient private assets in order to make sure you can temporarily support your firm in cases of illiquidity.

Make (systematically) sure you and employees only order goods and services, if it is assured you have sufficient financial means to cover the costs.

Establish clear, unambiguous terms of conditions in your contracts with suppliers.

Consider which conditions (in particular: which period of time) you can agree to in contracts. Make sure you negotiate conditions which you can be sure to fulfil afterwards.

Make sure your contracts with clients and with suppliers fit. Align contractual agreements so that you can be sure to be able to fulfil your obligations on time.

Establish payment procedures in your firm which enforce on time payments at any time. Establish self-regulations in which you bind yourself to on time payment.

Align your billing procedures towards clients accordingly. Make sure you charge small amounts in several instalments in order to obtain a steady flow of liquidity on your accounts. If clients don’t pay on time or at all, react immediately.

Provide highest possible product and service quality in order to avoid clients’ refusal of payments and its impact on your own ability to pay suppliers’ bills on time.

Select clients with reliable payment practices (if possible).

Closely control payment procedures in your firm.

Establish mutually beneficial, trustful relationships to suppliers, clients and banks.

In cases of temporary illiquidity proactive, open and personal communication of the problems with the suppliers’ management. Trying to find a sufficient solution which serves the needs of your firm as well as those of your supplier.

If the firm faces the danger of bankruptcy, negotiate a reduction of the debts in order to maintain the firm’s existence.

| Develop strategies and procedures to address problems in fulfilment of contracts in your business. |
| C39,C42,C43,C46,C48,C49,C53,C54,C55,C56 |
| Consider the proposed solutions above and check against applicability in your firm. |
| C57, C69 |
situations against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.

Establish codes or similar self-constraints (where appropriate) to address problems in fulfilment of contracts. This helps to formulize procedures and to guide behaviour of employees and managers.

**Tax evasion**

Is tax evasion an important issue in your business? If so, please describe the fields and practices you are mainly concerned with.

Are you concerned with evading value added taxes? If so, how could you reduce the demand of client’s to pay ‘without bill’?

Clients’ frequently ask for reducing value added taxes because it pays financially for them. What are the disadvantages for the client and what problems could result for you and your business? List the aspects? Think e.g. for missing warranty for clients and for a lack of liquidity in your corporate bank accounts.

What could you offer clients who demand for evasion of value added taxes? How could you make sure you can refuse such practices without losing the client?

What could be the legal consequences which would result if tax evasion would be detected in your firm?

If you would evade taxes, who would be able to blackmail you? What would be the consequences for your business and for you personally?

What would be the consequences for your corporate reputation if it would become known you evaded taxes? Think of your local community, your suppliers, your clients and banks.

In case you are leading your firm together with other owner managers: What would be the consequences for the relationship between the owner managers of your firm, if it would become obvious that one of them evaded taxes?

Imagine your tax evading practices would be punished in a lawsuit. Would you it be affordable for you to pay the entire amount of evaded taxes plus a severe fine? Think of the existence of your firm and of your personal financial existence.

How could you make sure that everyone in your firm (you, other owner managers, and employees) fully understands the risks of tax evading practices?

**Proposed solutions:**

Consider the following suggestions to address tax evasion.

<table>
<thead>
<tr>
<th>C 70</th>
<th>DA5.5 – 6,9,11,16,19, 22,25,26,27,29,33,35, 41,42,43,48</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA5.5 – 6,11,19,27,29,35,42,48</td>
<td>DA5.5 – 6,11,19,27,29,35,42,48</td>
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<tr>
<td>DA5.5 – 8,12,23,30</td>
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<td>DA5.5 – 5,7,10,46</td>
<td>DA5.5 – 44,49</td>
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<td>DA5.5 – 2,8,13,21,53</td>
<td>DA5.5 – 13,15,16</td>
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<td>DA5.5 – 12,16,21,39,44</td>
<td>DA5.5 – 12,23</td>
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<tr>
<td>DA5.5 – 8,12,16,21,30,39,44</td>
<td>DA5.5 – 12,23</td>
</tr>
</tbody>
</table>
The proposed means might complement your own ideas.

Double check all bills and payments in your firm by owner managers (or, in case there is only one owner manager: by owner manager and one employee). Apply the ‘four eyes principle’.

Establish a motivation system which reduces temptations to evade taxes. Think e.g. of turnover targets and other means.

Involves external institutions such as tax advisors in all accounting / bookkeeping operations.

Develop a stringent chain of arguments which you can present to clients who ask for evading value added taxes. Particularly describe the risks, dangers and threats of the clients.

Establish close controls which you as the owner manager carry out, if your employees are tempted by tax evading practices. Raise an awareness of the risks and promote your control procedures.

Generally raise awareness (you, your employees and your clients) of the legal constraints, the expected fines in case of tax evasion and control procedures. Clearly describe the consequences for employees, if they engage in tax evading practices.

Develop strategies and procedures to address tax evasion in your business.

Consider the proposed solutions above and check against applicability in your firm.

Check all solutions to guide behaviour in ethical dilemma situations against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager.

Establish codes or similar self-constraints (where appropriate) to address tax evasion. This helps to formulize procedures and to guide behaviour of employees and managers.

**Are there further ethical dilemma situations which you have to face in your business? If so, clearly describe them and run the above procedure for each of the dilemmas identified:**

**Ethical dilemma: …………………..**

Outline the dilemmas experienced or anticipated to be important.

Propose solutions:

Develop strategies and procedures to address the identified ethical dilemma situations.

| The proposed means might complement your own ideas. | DA5.5 – 24,36 |
| Double check all bills and payments in your firm by owner managers (or, in case there is only one owner manager: by owner manager and one employee). Apply the ‘four eyes principle’. | |
| Establish a motivation system which reduces temptations to evade taxes. Think e.g. of turnover targets and other means. | DA5.5 – 37 |
| Involves external institutions such as tax advisors in all accounting / bookkeeping operations. | DA5.5 – 40 |
| Develop a stringent chain of arguments which you can present to clients who ask for evading value added taxes. Particularly describe the risks, dangers and threats of the clients. | DA5.5 - 47 |
| Establish close controls which you as the owner manager carry out, if your employees are tempted by tax evading practices. Raise an awareness of the risks and promote your control procedures. | DA5.5 – 29b |
| Generally raise awareness (you, your employees and your clients) of the legal constraints, the expected fines in case of tax evasion and control procedures. Clearly describe the consequences for employees, if they engage in tax evading practices. | DA5.5 – 17,21,44,49, 51,52 |
| Develop strategies and procedures to address tax evasion in your business. | |
| Consider the proposed solutions above and check against applicability in your firm. | C39,C42,C43,C46,C48,C49,C53,C54,C55,C56 |
| Check all solutions to guide behaviour in ethical dilemma situations against the core values established in component 1: respect, honesty, trustworthiness, straightness, authenticity, openness, and those additionally mentioned by the owner manager. | C57, C69 |
| Establish codes or similar self-constraints (where appropriate) to address tax evasion. This helps to formulize procedures and to guide behaviour of employees and managers. | C 70 |
| **Are there further ethical dilemma situations which you have to face in your business? If so, clearly describe them and run the above procedure for each of the dilemmas identified:** | In accordance with the procedures established above |
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