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Consumer Ethics in Japan: An Economic Reconstruction of Moral Agency of Japanese Firms – Qualitative Insights from Grocery/Retail Markets

Sigmund Wagner-Tsukamoto

ABSTRACT. The article reconstructs, in economic terms, managerial business ethics perceptions in the Japanese consumer market for fast-moving daily consumption products. An economic, three-level model of moral agency was applied that distinguishes unintentional moral agency, passive intentional moral agency and active intentional moral agency. The study took a qualitative approach and utilized as empirical research design an interview procedure. The study found that moral agency of Japanese firms mostly extended up to unintentional and intentional passive moral agency. Certain myopic managerial views were found to affect active moral agency. This leaves room for business ethics program that aim at the development of active moral agency.

KEY WORDS: Economics & moral agency/consumer ethics, three types of moral agency, Japanese consumer industry, managerial perceptions on business ethics, qualitative empirical research

Introduction

There is a lack of empirical and theoretical research on ethical stakeholder behaviour in general, and ethical consumer behaviour in particular, as far as Japanese markets are concerned. Such a void has been pointed out, for instance, by Loewenstein (2002). He suggested that, because of the specific corporate governance system of Japan, Japanese firms should find it comparatively easy to respond and cater for ethical concerns of stakeholders, but he concluded '... whether this is indeed the case is difficult to determine ... [since] empirical work in this area is nonexistent'. (Loewenstein, 2002, p. 1690) A similar concern is voiced by Lewin et al. (1995, p. 85) who argued that it is often stakeholder pressure which yields corporate social responsiveness and thus effective corporate social performance. However again, Lewin et al. concluded that the case of Japan is lacking empirical research on such external pressures on firms to behave 'more ethically'. Erffmeyer et al. (1999, pp. 35–36) made a comparable observation that there is a little empirical work on international consumer ethics outside the USA. Their work to a degree addressed this void in the Japanese market insofar as *un*ethical consumption situations were researched by them. Their work thus differs from the current study which examines the effects of *ethical* consumption situations in the context of the Japanese market.

In general, the present study addresses gaps in empirical research on Japanese business ethics performance by taking a theoretical stance that is grounded in an economic approach to business ethics (Wagner-Tsukamoto, 2005; see also Wagner-Tsukamoto, 2003, 2007b). This article's objectives are to reconstruct in economic terms subjective, managerial business ethics perceptions in the Japanese consumer market for fast-moving, daily consumption products. A three-level model of corporate moral agency is applied which distinguishes (a) unintentional moral agency, (b) passive intentional moral agency and (c) active intentional moral agency. The subsequent discussion defines and explains these three levels. As a result, this article offers new insights not only because of its different theoretical approach, but also because of its different empirical research approach as compared to the few existing studies of Japanese business ethics in the groceries sector. Insights were generated regarding managerial perceptions of ethical values that are associated with the stakeholder 'customer' or 'consumer'.

In the following, section "Theoretical Concepts of an Economic Reconstruction of Moral Agency" briefly details the theoretical approach. Section "Literature Survey on Previous Empirical Research" assesses the few examples of previous empirical research on Japanese consumer ethics and how they differ from or complement the present study. Section "Research Method" details the empirical research approach, namely a qualitative, explorative research design. Japanese managers of the groceries/ retail sector were interviewed in order to probe their views and reasons to engage or not to engage in business ethics. If they were positive about an engagement in business ethics, it was examined what 'type' of business ethics was pursued. 'Types' of business ethics were classified in line with the economic approach to corporate moral agency introduced in section "Theoretical Concepts of an Economic Reconstruction of Moral Agency". Section "Findings and Interpretation" interprets research findings through the economic framework outlined in section "Theoretical Concepts of an Economic Reconstruction of Moral Agency". Section "Conclusions" concludes the article.

Theoretical concepts of an economic reconstruction of moral agency

Wagner-Tsukamoto (2005) mapped out an alternative to a behavioural (economic) approach to business ethics. This work provides the conceptual framework for the empirical research conducted by the present study. The present article applies and tests this framework. Wagner-Tsukamoto (2005) paid special attention to the fundamental philosophical principle that any moral 'ought' implies a practical 'can', which was interpreted with regard to the economic viability of moral agency of the firm under the conditions of the market economy, particularly competition. This details an economic understanding of business ethics with regard to classical and neo-classical views, on the one hand, and institutional, libertarian thought, on the other hand. In this way, implications were derived regarding *unintentional* and *passive intentional* moral agency of the firm. The article then moved on to suggest that moral agency can be economically viable in competitive 'market' interactions, which is conventionally disputed by classical/neo-classical economic and institutional, libertarian economics. The article here conceptualised *active* moral agency of the firm as the utilisation of ethical capital in firm–stakeholder interactions. This yielded a novel, economic reinterpretation of instrumental stakeholder theory (See also Wagner-Tsukamoto, 2007a)

Unintentional, passive moral agency

According to classical and neo-classical economic thought, the market economy itself comes with certain ethical ideals. Economics promote competition and competitive market ordering on ethical grounds. Although competition is likely to drive out moral agency from the 'moves of the game' of the market economy – especially when moral agency is costly –, this does not constitute a moral problem in classical and neo-classical economic thought. Competition and the 'moral-free' interaction moves it endorses come with wider ethical goals. The ideal of the wealth of nations is here of overriding importance. It reflects the outcome of mutual gains for all that are involved in economic exchange. Adam Smith's concept of the market economy implied such a moral stance. It would otherwise be difficult to comprehend why, after decades of behavioural ethical research, Smith ultimately favoured the economic approach to address moral problems of society.

The implied concept of moral agency is one of *unintended* moral agency. By merely engaging in economic exchange, actors contribute – unintentionally – to the wider moral goal of the wealth of nations. The studies of Hayek, Friedman, Buchanan and North here detailed that the market economy better delivers ethical ideals such as prosperity, fairness and liberty in social interactions than competing doctrines. For firm–consumer interactions, such an ideal can be narrowed down to ideas like 'value for money' or 'product quality'. Also, on another ethical issue, namely the accommodation of pluralism in social interactions, the market economy scores very well. The promotion of competition as interaction mechanism in a market economy enables economics to conceptually and practically accommodate value pluralism in social interactions. This is important, since, on the one hand, pluralism constitutes a socially desirable interaction condition, and, on the other hand, it reflects an unavoidable interaction condition when the competitive mechanisms and legal-institutional structures of the market economy are encountered.

An underlying assumption of the concept of unintentional moral agency is the costliness of moral agency. Otherwise, if moral agency were not costly but directly yielded competitive advantages, markets would nearly automatically 'moralize' economic exchange. However, there are circumstances in which intentional, costly moral agency can be observed in a market economy. First, through processes of public and legal ordering, moral agency of the firm can be systemically enforced. Business laws enforce moral minimum standards and the same costs of moral agency on all firms. Second, the question of the profitability of business ethics in the moves of the game can be addressed by looking into whether moral agency of the firm creates revenues which cover the cost of moral agency. These two issues are now reviewed in turn when passive, intentional moral agency and active, intentional moral agency are discussed.

Passive, intentional moral agency

Public and legal processes can enact certain moral standards on firms. This requires the codification of moral standards in business laws and the effective economic sanctioning of laws. In this way, moral standards are effectively enacted on all firms and this happens in a competition neutral manner. A level playing field for moral agency of all firms is created. The key conceptual work for this economic approach to business ethics is provided by libertarian, institutional economic thought. The works of Buchanan (1975, 1987, 1991), Brennan and Buchanan (1986), Williamson (1985) and Vanberg (1988, 2001) are here of high importance (See also Wagner-Tsukamoto, 2003, 2007b, forthcoming in 2008). They specified that incentive structures can induce rule-following. Conceptually, this brings moral-behavioural rules under an economic calculus and moral agency is reconceptualized in systemic, economic terms. One can here speak of *passive intentional* moral agency of the firm, which reflects the enforced nature of moral agency. Findings regarding the enforcement of moral agency through laws are in line with findings that a firm's own enforcement of ethical conduct, for instance through codes of practice, is ineffective unless properly sanctioned in economic terms (Wagner-Tsukamoto, 2005). This is implied by Matthews (1987, p. 125) and Nakano (1999, p. 336).

There are certain constraints to which passive intentional moral agency can be systemized in incentive structures. Self-interest as a coordination mechanism for moral agency has to remain intact. For example, moral rules which confiscate gains from cooperation in a 'communist manner', e.g. through a 85% tax-rate, undermine the effectiveness of incentive rules. Also, the internationalisation of markets further constrains the extent to which moral agency can be institutionalised on a certain national market (Vanberg, 2001; Wagner-Tsukamoto, 2005).

Active, intentional moral agency

The conventional economic assumption that moral agency of a firm can only exist as unintentional agency or as passive intentional agency can be revised on the ground of empirical evidence which suggests that under certain circumstances moral agency above and beyond legal rules ('the rules of the game') can be viable and profitable. This type of empirical evidence has been found by previous studies of European and North American markets (Dunfee, 1998; Wagner, 1997; Wagner-Tsukamoto and Tadajewski, 2006). Examples are environmentally friendly shopping behaviour, animal welfare issues or fair trading arrangements with farmers in developing countries. In these examples, firms engaged in moral agency that exceeded the standards laid down by public ordering. I interpret this as '*active*' corporate moral agency that could be observed *in the moves of the game* (For details, see Wagner-Tsukamoto 2005; see also Wagner-Tsukamoto 2007a). In economic terms, such moral agency can be conceptualised through the ideas of ethical capital and the trading of ethical capital among ethically high-minded stakeholders of the firm. Then, moral agency is approached as an economic asset. As Wagner-Tsukamoto (2005) noted: 'Ethical capital reflects the "price" a morally high minded consumer, employee, investor or other agent puts on active moral agency'. The concept of ethical capital implies that issues of business ethics are approached in the same way as a firm trades and sells other types of capital, such as human capital, technological capital, brand capital, etc. The creation of ethical capital can be initiated both by the firm and by stakeholders of the firm. For example, in the case of the Body Shop or Café Direct it was the firm that initiated the creation of ethical capital, the managers of Body Shop and Café Direct innovating a product which had high appeal to ethically committed consumers (See also Wagner, 1997; Wagner-Tsukamoto, 2005). However, there are also instances in which stakeholders of the firm actively initiated the creation of ethical capital. Green consumer behaviour is a good example; consumer boycotts are another example.

In the context of the present study, I empirically researched active moral agency and ethical capital through the notion of the ethical product: how far a firm created ethical benefits in relation to a product and how such benefits a consumer could derive from the buying and consumption of a certain product. In this respect, a qualitative research design was applied to investigate managerial perceptions on the ethical product and active moral agency of the firm. The research questions and research objectives of my empirical research design pick up this issue, as discussed below.

Literature survey on previous empirical research

As noted above, there is a certain scarcity of empirical research on current ethical issues that affect the Japanese groceries and retailing sector. A few studies are available which contribute certain insights, mostly indirect ones, to the present article.

Regarding unintentional moral agency, that is ethical ideals such as the wealth of nations which come with the market economy, there are interesting epistemological parallels with the Japanese words for 'economy' and 'business'. As Taka (1997, p. 1499) noted, the Japanese word for economy, 'keizai', means 'governing the world in harmony' (kei) and 'bringing about the well-being of the people' (zai). Similarly, the Japanese word for business, 'keiei', connotes '... to make efforts to develop societies harmoniously and raise the well-being of the people.' For example, Nakano (1999, p. 340) noted that the Japanese firm Reika Inc.'s founding principles reflected 'co-prosperity'. Moral categories, as they reflect unintentional morality, are in these respects intrinsically encapsulated by the very words the Japanese use for 'economy' and 'business'. Hence, it can be speculated that Japanese managers may be quite aware of unintentional moral agency when interviewed about the ethical nature of their work.

In addition to the epistemological affinity of ethical ideals of the Japanese words for business and economy to ethical ideals, Taka (1994, p. 63) found that – more in a western tradition – firms which contributed to ideals like wealth, power, market share or competitive advantage were evaluated as ethical firms by Japanese society. Similarly, Wokutch and Shephard (1999, p. 529), Nakano (1999, pp. 338, 340) or Lewin et al. (1995, pp. 87, 89, 94, 99) implied that the provision of goods and services of high quality and the achievement of high customer satisfaction and consumer loyalty by Japanese firms reflects on ethical ideals. Unintentional moral agency, again, shines through in this regard. This concept of unintentional moral agency is very different from the idea of Japanese moralogy that focuses on benevolence and a virtue-based approach to stakeholder management (Taka and Dunfee, 1997) or philanthropy, such as the '1 percent club' of Keidanren in Japan (the Federation of Economic Organizations) (See, for example, Lewin et al., 1995, p. 85).

Regarding intentional passive moral agency of Japanese firms, Tanimoto (2004, pp. 160, 162) briefly hinted at the presence of legal issues when it comes to corporate social responsibility in Japan, but did not go into any details. This area of how legal codes impact business ethics behaviour in Japanese markets and thus reflect on intentional passive moral agency appears especially under-researched.

For the Japanese market, there are also previous research findings on active moral agency. Nakano (1997, pp. 1740–1741) reported that the second most important type of ethical conflicts managers experienced in a firm related to their relationship with consumers. In addition, Lewin et al. (1995, p. 87) found that the second most important issue of corporate citizenship related to customers and their relationship with a firm. These findings hint at the significance of research on Japanese consumer ethics and its impacts on firms in relation to ideas such as ethical capital and stakeholder relations. Taka (1997, p. 1501) also found that consumer groups began to affect firms as early as the mid-1960 s (See also Lowenstein, 2002, p. 1684). This hints at active moral agency of the firm in relation to the stakeholder 'consumer', although little was said by these studies about the nature and extent of such effects.

The same proposition is supported by Tanimoto (2004, pp. 155, 167) who reported survey findings that about 85% of the Japanese population were willing to buy environmentally friendly products. He further found that the overwhelming majority of these green consumers were prepared to accept a price differential between 5 and 20% for green products. Tanimoto (2004, p. 160) also noted that environmental problems can provide lucrative business opportunities. Lewin et al. (1995, pp. 84–86) found that often it is international stakeholder pressure which makes Japanese firms behave more ethically in home markets (See also Petrick, 2003). These suggestions again hint at the presence of ethical capital in the Japanese market. Lewin et al. (1995, p. 85) and Loewenstein (2002, p. 1690) stressed in this regard the need for further empirical research on these issues – which the present study addressed.

Research method

This article adopted a qualitative, explorative research methodology. The choice of this method relates to the lack of current knowledge on economic issues and stakeholder management in the Japanese consumption market. In the absence of such knowledge, quantitative methods, such as a questionnaire survey, are difficult to apply. However, as a result of the present research, future research can adopt more quantitative techniques.

The study explored views of managers on the three levels of moral agency outlined above. The key research questions were:

1. Does a firm perceive itself as having a social responsibility to society? Can examples of a firm's ethical business behaviour/ethical products be found in the Japanese market?
2. If a firm perceives itself as having an ethical responsibility to society, what is the nature of that responsibility? Does a firm's moral agency/ethical responsibility classify as (a) unintentional moral agency (e.g. the generation of public wealth), (b) passive intentional moral agency (e.g. the obeying of laws), and/or (c) active moral agency (e.g. the satisfaction of ethical motives of stakeholders, such as green consumers)?

These questions closely link to a qualitative research design. They aim at the discovery of new knowledge and insights as it is typical for qualitative research (Mohr et al., 2001; Strauss and Corbin, 1990). This is the more necessary since quantitative surveys on Japanese consumer ethics, such as Nakano (1997, p. 1740), complained about the limitations of quantitative research when generating new meaning for ethical issues and corporate decision making in Japan.

Qualitative research in the form of semi-structured interviews was conducted. Technically and methodically, although not regarding contents, the project replicated the research method of Wagner (1997) and Wagner-Tsukamoto and Tadajewski (2006). Semi-structured interviews have the advantage that they allow the interviewee to freely discuss the phenomenon under investigation while at the same time the interviewer can probe for certain issues and impose some structure on the interview process (Bernard, 1988; Mohr et al., 2001).

As a matter of constraint, the study focused on managers from the groceries/retail sector. Also, the above review in section ''Literature Survey on Previous Empirical Research'' hinted that certain ethical issues, such as environmental ones, might play a significant role in the Japanese consumption market, which makes the groceries/retail sector an interesting industry sector to study. In addition, previous studies of Japanese business ethics, such as that of Lee and Yoshihara (1997, p. 8), only partly focused on the groceries/retail sector. They did so by probing ethical dilemma scenarios, which reflects a very different approach compared with the open, qualitative, interview-based approach of the present study.

The project undertook purposive sampling as it typically characterizes qualitative research (Strauss and Corbin, 1990; Wagner, 1997). The aim of purposive sampling is to sample interviewees who have an interesting story to tell about the phenomenon under investigation. The members' list of the Tokyo-based Business Ethics Research Centre (BERC) was used to make contact with managers in groceries and retail markets. BERC is a charitable organization which dedicates itself to business ethics research and education. Its main target group for business ethics education are managers who receive ethical training through in-house seminars and lectures, workshops and conferences. Amongst other sources, BERC is financed through donations and subscription fees by its individual members and by its member organizations.

An interview guide was prepared, which worked from the general to the specific. This reflects a standard approach in qualitative research (Bernard, 1988; Chikudate, 2000; Mohr et al., 2001; Wagner, 1997). The topics covered by the guide related to the research questions outlined above. Specifically, the interview guide inquired in a first step about examples of products for which the interviewed managers could think about ethical issues. These examples were noted down and later followed up through an in-depth discussion. The topics covered in this later discussion reflected on the economic three-level model of moral agency that was drawn upon in this article. In order to find out whether managers thought about unintended moral agency, larger societal ideals were inquired about which motivated the selling of products. Regarding passive, intended moral agency, the interview guide checked for legal influences on managerial, ethical thinking, e.g. examples of business laws they could give. In addition, with respect to active moral agency, the interview guide enquired about product examples and consumer influence that drove a company to get involved in ethical marketing. The initial interview guide was refined after a series of discussions with Japanese academic experts in the field of business ethics.

The following firms were covered by the sample of the present study: There were five companies from the cosmetics industry (skin care products, hair care products); five companies from the dairy industry (milk, yoghurt, cheese, etc.); three companies from the toiletries industry (tissues, nappies, personal hygiene products; etc.); there were three companies from the beverage industry (beer, wine, soft drinks, etc.); there were two meat producers (beef and pork); there was one vegetable/fruit producer; and there was one tea producer. Some of the managers I interviewed belonged to conglomerates which had not only interests in the groceries sector for fast moving consumer goods but also in other products, such as durable products (e.g. cars) or in the service industry (e.g. banking, insurance). As far as I contacted conglomerates for the purpose of collecting empirical data, I interviewed managers who were in charge of groceries products in the sector for fast moving, daily consumption products.

In the period from October 2005 to January 2006, 20 interviews were conducted, mostly with middle and senior managers in the age range 40–60 years. The ratio of male to female interviewees was 13 to 7. Interviews typically lasted about 45–50 minutes. Three persons participated in each interview: the managerial interviewee, a native speaker of Japanese who simultaneously translated the interview from Japanese into English, and the author of this article/researcher of this study (white Caucasian). Regarding their demographic profiles, the translator was male and about 60 years of age, while the researcher of this study was male and about 40 years of age. The interview was translated simultaneously at the point of the interview. The simultaneous translation was provided by a native Japanese with a specific background in management. Thus, the translator was highly qualified to translate the interview text from Japanese into English. All parts of the interview, the Japanese part of interviewing managers and the translation back into English, were recorded and later checked for consistency. It was important that the interviews were translated into English at the point of the interview, since this allowed the researcher of this study to participate in the interviews, e.g. ask follow-up questions (in English, which were then translated into Japanese by the simultaneous translator).

The managers interviewed were in charge of issues that related to corporate business ethics, such as CSR (Corporate Social Responsibility) auditing, environmental management or legal compliance. The sample also included a handful of top managers such as directors and chief executives. Specifically, the sample was composed in the following way regarding job positions: Middle managers interviewed included CSR managers (6), environmental managers (2) and a product safety manager (1); senior managers interviewed included general managers for legal affairs (5), chief executives/presidents (3), technical directors for quality management (2), and a director for corporate promotions (1).

Various quality measures were taken up, as they are recommended for qualitative research (Wagner, 1997; Yin, 1994). The goal is to ensure high reliability and constructive validity. Reliability refers to a study being easily replicated by another researcher to give the same results. This was achieved for the present study by carefully documenting the data collection process through transcribing the interview data word-by-word and by outlining in detail how data interpretation proceeded through various stages of coding and summarizing the interviews. Constructive validity refers to the correctness of the operational issues studied. It was improved through two types of triangulation, recommended for this type of research (Cheung and King, 2004, p. 249; Dentchev, 2004, p. 403; see also Yin, 1994). Firstly, a variety of information sources were used. Besides the transcribed interview itself, data sources such as memos, internal documents, corporate publications, etc. were collected. Such data was used to cross-check the information contained in interview text with the information of the additional sources accessed. Secondly, triangulation was also achieved by discussing the research project, and here especially the interview guide, with academic experts in the field of business ethics. They were recruited from JABES (Japan Association of Business Ethics Study) and BERC. Constructive validity also benefited by sampling interviewees up to the point of 'variance saturation' or 'theoretical saturation'. Chikudate (2000), Dentchev (2004), Heugens (2001) and Sandberg (2000) observed such saturation in the range of 12–18 interviewees (See also Mohr et al., 2001). In the present study some 20 managerial interviews were conducted. Repetitive answers and hence saturation were found from the 14th interview onwards.

Regarding another quality measure of empirical research, i.e. external validity, that is the generalizability of findings to a larger population, qualitative research is comparatively weak (Dentchev, 2004; Wagner, 1997). In this respect, the explorative insights generated by the present study need to be further scrutinized by quantitative research, such as a questionnaire survey. However, in general, the validity of qualitative research should not be assessed on the basis of quantitative research criteria (or vice versa) (Chikudate, 2000; Wagner, 1997).

Value-laden research topics, such as business ethics, are often associated with a social desirability bias (Dentchev, 2004; Randall and Fernandes, 1991). Various attempts were made to control such a bias. The triangulation of empirical research through conducting expert discussions in addition to managerial interviews is one such way (See above; see also Dentchev, 2004, p. 401). Another measure to keep a social desirability bias to a minimum is to guarantee anonymity to interviewees (Mohr et al., 2001, p. 53; Randall, 1991, pp. 808, 813). Furthermore, Chung and Monroe (2003, pp. 296–298) reported that a social desirability bias is less of an issue for studies that enquire about ethical behaviour (rather than unethical behaviour). This was the case for the present study since it researched the effects of positive ethical behaviour, such as environmentally responsible stakeholder behaviour or corporate philanthropy.

Variables were selected and coded in relation to the interview data and the theoretical issues under investigation. As suggested by Glaser and Strauss's (1967) approach to grounded theory, an iterative process of reading and coding the interview data was undertaken, that means the interview text was searched for coded categories. Codes were developed in line with the research questions and research objectives set out above. The development of grounded theory rests on two ideas: On the one hand, a priori, theoretical categories are drawn upon from existing theoretical frameworks (as outlined for this study in section "Theoretical Concepts of an Economic Reconstruction of Moral Agency" above). On the other hand, ideas and themes are to emerge from the data. 'Patterns in meaning' are to be sought, as suggested by Spiggle (1994, p. 499). In this respect, the interview data was read repeatedly and searched for coded categories. Interview data was re-searched time and again until no further examples could be found in the text. Also, same ideas were sought across different interviews.

Findings and interpretation

Sections "Theoretical Concepts of an Economic Reconstruction of Moral Agency" and "Literature

Survey on Previous Empirical Research'' introduced and critiqued a theoretical framework and previous empirical work on the economic reconstruction of managerial views on business ethics in the Japanese groceries/retail markets. In the following section, the research questions on unintentional moral agency, passive intentional agency and active moral agency are answered by interrelating the conceptual framework of the study with empirical findings. Interpretation guidelines for qualitative research are followed (For a review of such guidelines, see Wagner, 1997).

Unintentional moral agency and managerial views on ideals of the market economy

Unintentional moral agency refers to the unintended generation of ethical outcomes through self-interested, economic exchange, such as the generation of the wealth of nations or co-prosperity in social interactions. Managerial comments on the production of safe products, of high quality products and/or products that were priced competitively reflect on such unintentional agency in firm-customer interactions. The most prominent categories retrieved from the managerial interviews in this regard were product quality (12 interviewees) and product safety (12 interviewees); the idea of low, competitive pricing (2 interviewees) was revealed to a lesser degree. Several managers argued that a reasonable level of product safety or high product quality were sufficient for characterizing 'the ethical product' and corporate business ethics. In this respect, one can follow the argument of one manager (M10) who stated: 'For the products we are selling today, we do not have any deep seated moral issues.' Another example was: 'As long as the product is safe and of good quality, we view it as ethical.' (M12) This latter manager then further specified product safety in a legalistic manner, namely the observation of laws for the use of pesticides and fertilizers, and in this respect, M12 linked unintentional moral agency to intentional passive agency.

Four managers, more abstractly referred to issues that linked moral agency to product safety, product quality or competitive pricing. They spoke of 'customer orientation' or 'customer satisfaction'. Thus, they basically equated corporate moral agency with conventional marketing. The CSR report of M7's firm was most explicit in this respect: 'CSR at our company can be essentially defined as building relations in order to ensure customer satisfaction – that is, ''CS + R'' (Customer Satisfaction + Relations).' Indeed, at the level of the individual firm, customer-oriented marketing can be viewed as a manifestation of larger social and ethical goals that come with the market economy, such as the generation of the wealth of nations or co-prosperity through self-interested economic exchange. The CSR report of M3's firm here interrelated issues of customer satisfaction and co-prosperity through its management principles: 'We will always try to see things from our customers' perspective ... . Quality first, coexistence and co-prosperity, respect for consumers'.

In general, the sole characterization of a product in line with safety, quality and low pricing reflects a comparatively restricted, tough stance on unintentional, passive moral agency taken by the firm. However, there were some managers who related further, idealistic issues to the actual selling of their products and thus qualified – idealistically – the conception that customer orientation or customer satisfaction, as previously interpreted, were already sufficient to justify the selling and marketing of products. This idealistic string of managers viewed a reasonable level of product quality and product safety or competitive pricing as insufficient when it came to corporate marketing and firm-customer interactions. They argued that the ethical product should be distinguished from conventional products by such issues as the '100%-safe product' (2 interviewees); or issues of life-cycle assessment were raised for a product's production process or sourcing process (4 interviewees). As indicated, these idealisms were self-declared as such. On the one hand, they reflect certain noble attitudes of these managers regarding what one ought to do, but on another, they reflect a perhaps overly narrow conception of what is practically feasible and what is not. For example, for some firms who had implemented ISO (International Standards Organization) standards on environmental management, the life-cycle related screening of production and sourcing processes was a reality rather than an unachievable, expensive idealism. (However, whether the implementation of ISO standards on environmental management actually translated into ethical capital and active moral agency still needs to be assessed. This is discussed below when active moral agency is reviewed.)

Thus it appears that unintentional moral agency manifested itself in considerable degrees in perceptions regarding product safety and product quality and, more abstractly, in the discussion of customer satisfaction and customer orientation.

Intentional, passive moral agency and managerial views on business laws and ethics

Intentional passive moral agency refers to the implementation of moral standards by a firm as they are laid down in law. A firm engages in legal, moral agency on the grounds of self-interested choice since the breaking of a law, assuming its effective economic sanctioning, would be more costly than abiding by the law. The subsequent gives us an idea of how far intentional, passive moral agency is stimulated through codified moral precepts in the Japanese groceries sector and how such legal precepts are perceived by Japanese managers.

The most prominent laws discussed by the managers interviewed were food sanitation laws, product safety and product liability laws, recycling laws, and anti-trust laws, and here especially advertising regulations. A few managers (6 interviewees) saw no dilemmas concerning legal compliance, for example regarding conflicts between legal compliance and economic issues, in particular profitability, or regarding legal grey areas that left it to the firm to interpret laws. However, the majority of interviewees voiced concern in this respect (13 interviewees). They argued that laws were open to (mis-)interpretation, that 'laws could be played with' (M9), or that laws did not cover all issues that required regulation, and that unregulated grey areas existed. A related problem raised in this connection was one of complexity. For instance, one manager (M14) commented that nearly 80 laws had to be observed relating to production methods, distribution methods and engagement in competition with other firms.

Regarding those managers who raised the issue of legal grey areas, interestingly, most responded that internal rules had been implemented that ensured rule-following behaviour that considerably exceeded what was seemingly suggested by law. For example, an internal business code of conduct stipulated product safety standards that were higher than legal requirements: 'Some guidelines of our business code of conduct are much higher than the law. Especially if the law does not say anything for a certain area, the guidelines fill this gap as much as possible'. (M15) Or, environmental management systems were put into place, such as the implementation of ISO standards on environmental management, which exceeded the apparent requirements of laws.

Since the implementation of such internal standards is costly and competition in many cases was described as high, this phenomenon requires some explanation. One economic explanation relates to the avoidance of future penalties in conflicts with law courts: If high internal standards are followed, the chances of being severely penalized are lower than in cases where high standard-setting behaviour within a firm is absent. A different economic explanation links high internal standard setting behaviour to customer expectations regarding product quality or product safety or, more ethically, customer expectations regarding clean corporate behaviour. In the first case, when high internal standard setting behaviour takes place because of customer expectations regarding product quality or product safety, this connects back to unintentional moral agency and a marketing oriented model of corporate behaviour. In the second case, when customers 'reward' a firm for ethically clean behaviour, or similarly, in a case when law courts 'reward' a firm for ethical behaviour that exceeds legal standards, the scenario of active moral agency is entered, as discussed in more detail below. It is already interesting to note at this point that, in the daily practice of managerial decision making, significant interrelationships exist between passive intentional agency and unintentional moral agency, as well as between passive intentional agency and active moral agency.

To sum up, regarding passive intentional moral agency it can be concluded that abiding by laws has played a very significant part in the moral agency of Japanese firms in the groceries and retailing sector. Such agency was neither easy to achieve nor trouble-free since in many cases legal grey areas were encountered that required interpretation and internal rule-setting of the firm. In many cases, it appeared that internal rules were set at levels that were considerably higher than what was apparently required by law. Various economic reasons were suggested for this observation.

Active moral agency and managerial views on the generation of ethical capital

Active moral agency refers to the marketing of an ethical product or service to an ethically aware stakeholder of the firm who is prepared to pay the costs of the firm's moral agency. For example, for consumption markets, environmentally friendly products can be linked to active moral agency. They frequently come with a higher price because of more expensive production techniques and they can only succeed in the marketplace if environmentally aware consumers are prepared to pay such additional costs. Such products and the type of revenue they reflect in the marketplace can be referred to as 'ethical capital' (Wagner-Tsukamoto, 2005, 2007a).

Regarding active moral agency, some Japanese managers raised issues of environmental management, e.g. the implementation of ISO standards in a factory (6 interviewees) or organic production methods (2 interviewees); another issue raised in this respect was 'universal product design' (3 interviewees), which refers to easy-to-use packaging, mainly for disabled and elderly people. Animal rights issues (1 interviewee) and social contribution (1 interviewee) were also mentioned. Such issues radically depart from a conception of unintended moral agency and passive intentional agency. On a first glance, these numbers do not look too bad for a sample of 20 interviewees, but two things have to be kept in mind here. First, even amongst managers who mentioned these examples of potential active moral agency, the main bulk of their discussion of business ethics related to unintentional and passive intentional agency. Second, a critical question is whether those managers who gave these examples of potential active moral agency actually transformed such corporate awareness of ethical problems into active moral agency and the creation of ethical capital. This means it must be checked whether a market was created of ethically aware consumers who paid the costs for such moral agency of the firm and thus allowed the firm to occupy a special niche market for an 'ethical product'. This was largely not the case. For example, corporate achievements regarding ISO standards or regarding environmental management systems were only monitored for internal, auditing purposes but were not marketed and communicated to consumers. Some of the interviewed CSR managers and environmental managers voiced deep frustration in this respect. For example: 'Our environmental activities do not link with our sales and marketing activities in this field. For Canon or Sharp this is different, their products do link to environmental issues.' (M3) A lack of vision among top managers and marketing managers regarding the marketing of an ethical environmental product advantage can be blamed for this situation.

Also, many CSR and environmental management departments have only been recently established by Japanese firms (See also Demise, 2005, pp. 213–215) and, as the interviews confirmed, they tend to be inward looking, focused on environmental auditing and CSR auditing rather than contributing to a marketing and customer-oriented, ethical vision of the firm – and thus to active moral agency. It seems the way Japanese firms have emphasized an ethical business strategy mainly relates to certain in-house issues, e.g. the setting up of a CSR department or the drafting of a corporate mission statement. Apart from their auditing function, CSR departments, for instance, seem to be quite isolated in many Japanese firms, lacking formal and informal organizational relationships with other departments. In this respect, their knowledge and insight to advise on the generation of ethical capital is not utilised. The same comment applies for universal product design issues. They are only utilized for internal purposes but they are not marketed to external audiences. This may also explain in parts certain myopic views of the interviewed managers regarding the feasibility of active moral agency. A lack of consumer interest in ethical products was claimed in this regard by the interviewed managers, too:

> Market research is here very interesting. Our consumers think that environmental issues are very important. But then you have two products for which the quality is almost the same: One is an environmental product, the other one is not. The environmental one is expensive, the other one is not. Many consumers buy the cheap one. This is unbalanced; there is a gap, a dilemma. (M3)

Or:

> There are not many cases in which ethical interests of consumers have affected our company. And this may not be an issue for our company itself but it may be an

industry-wide one. For example, when you keep cattle, this causes certain issues with neighbours, like noise and smell. These matters always cause problems but this is not a problem specific to our company but an industry-wide issue, although farmers make their production facilities according to laws. (M13)

Or:

As a whole, the food industry is not so much influenced by ethical consumer interests. The consumer in Japan is very much interested in product safety but not the environment and animal rights, but consumers are very much concerned about product safety. Consumers are not so much aware of the universal product design we do, they are not really prepared to pay more for it. In the case of a car manufacturer this may be different. (M15)

As indicated, these statements were typical for very many interviewees and further examples could be added. Price consciousness and consumers' lack of ethical awareness were viewed as barriers to catering for ethical market segments in the groceries and retailing industry for daily consumption products.

A certain myopia regarding active moral agency seemed to exist in this respect. This suggestion can be put forward on the basis of examples of active green consumer behaviour that exist for durable goods in Japan, for instance, for electronics products or cars. As mentioned above, many of the interviewed managers were aware of examples of green consumer behaviour and green corporate behaviour in industry sectors for durable goods. Here, consumers have strongly and favourably responded to the green marketing campaigns of Japanese firms. To assume that a similar success could not be achieved for the non-durable product sector, such as the foods and groceries industry, reflects the image of a split personality of the Japanese consumers. This may be untenable in its own, psychological right. Furthermore, there are examples, albeit small in market size, even from the Japanese groceries market, which contradict such a managerial view. Such exceptional examples were outlined by two of the interviewed managers. Their firms strategically moved into organic food markets by setting up a retail chain that exclusively marketed organic products (M17, M19). Or, another manager (M8) outlined his firm's initiative in a small niche market to market a product at a price premium through which a social program for elderly people was financed. These instances may be exceptional examples of active moral agency for daily consumption goods in Japan, but still, they underline that managerial views on the non-existence of an ethical and green consumption market for non-durable products merely reflect a myopic conception regarding the feasibility of active moral agency. A few managers were, to a degree, aware of such strategic initiatives on the part of their competitors, but despite acknowledged price premiums of up to 100% for ethical products, which directly reflects ethical capital that could be earned in these markets, these managers questioned the size and viability of these markets (e.g. M14).

There is further evidence from previous research which supports the suggestion that managerial claims regarding the non-existence of the ethically aware Japanese consumer is difficult to uphold. Tanimoto (2004, pp. 155, 167) suggested that some 85% of the Japanese population were potentially prepared to buy environmentally friendlier goods, although regarding this type of proposition one has to voice some caution regarding a potential awareness–behaviour gap of consumers and regarding the unspecified nature of industry sectors for which this claim was made by Tanimoto (Wagner, 1997).

It is important to note in this connection, when comparing the findings of this article with findings from other studies, that the present study conducted *qualitative* research with managers and only through their expressed, personal views was the current Japanese groceries sector examined. Hence, my research findings on certain myopic managerial views regarding ethical products and active moral agency do not reflect an objective, status quo analysis of the Japanese groceries industry as such and even less so of the Japanese industry. As said, durable products, like cars, were not included in the research design of the present study. In the durable sector of the Japanese industry, there are some noteworthy examples of ethical capital, such as Toyota's hybrid car. However, the managerial views identified by the present study for the groceries sector are likely to provide a good snapshot of what is going in the Japanese groceries sector, in particular whether ethical issues such as the environmental friendliness of a product are vital for ensuring the profitability of a firm. If groceries managers were totally out of touch with their commercial environment, e.g. a high consumer demand for environmentally friendly products, it could be expected that their firms would go out of business soon. As indicated above, ethical product issues did show up in my sample but only in a minor, very limited sense. Groceries managers showed quite a sceptical attitude towards marketing the ethical product and getting involved in active moral agency. This implies that ethical marketing in the groceries sector is at present a niche marketing strategy which not really has affected the mainstream of groceries retailing. Future research can here examine whether the very recent economic upturn in Japan has positively affected Japanese consumer ethics and the thinking of Japanese managers in the groceries and retailing industry.

To sum up, issues referring to active moral agency reflected a minor side issue for the managers interviewed. Their concerns with moral agency were mainly focused on unintentional and passive intentional agency, as discussed above. This contradicts the few existing examples of literature on ethical stakeholder behaviour that speculated that Japanese firms should find it comparatively easy to cater for ethical concerns of stakeholders (Loewenstein, 2002, p. 1690) or that ethical stakeholder pressure should have a considerable effect on Japanese firms (Lewin et al., 1995, p. 85). The present study here voices some caution. There were only few examples of Japanese firms in the groceries and retailing sector who took a progressive stance on the marketing and selling of ethical products. A lack of ethical imagination can in this respect be suggested for many firms. Green marketing techniques appear strongly underutilised and the potential for active moral agency is not fully exploited.

Conclusion

The article reconstructed through an economic model of corporate moral agency empirical findings on the Japanese groceries and retailing sector for non-durable goods. This not only yielded new insights into the Japanese groceries and retailing market, which reflected the specific empirical focus of the present research project, but it also substantiated the relevance and insightfulness of an economic model of corporate moral agency.

Business ethics views of Japanese managers dominantly focused on issues concerning unintentional moral agency and passive intentional agency. Regarding unintentional moral agency, the study found that issues of high customer orientation and customer satisfaction played a significant role for Japanese managers to justify their corporate activities in ethical terms. Customer orientation and customer satisfaction were frequently narrowed down by the managers interviewed to issues, such as product quality and product safety. This understanding of business ethics – that the production and marketing of a high quality and safe product reflects an ethical product – is compatible with macro-ideals that come with the market economy, such as the generation of wealth and co-prosperity for all involved in economic exchange. In this respect, the study illustrated how ethical ideals of the market economy can be reconstructed in economic terms at the level of the individual firm and its customers.

Regarding passive intentional moral agency, the study found that legal regulation played a very significant role for Japanese managers when it comes to the enactment of business ethics. However, the economic influence of laws on moral agency was not as straightforward as some previous, economic models or CSR models suggest. In economic terms, the effective sanctioning of laws clearly plays an important role in enforcing moral agency, but frequently laws are incomplete, loaded with ambiguous grey areas that need interpretation. Very many of the managers interviewed complained about dilemmas when faced with legal grey areas. Interestingly, most of the managers interviewed pointed out that their firms had decided to play safe when faced with legal grey areas and considerably exceeded what was apparently required by law. Such 'safe playing' can be economically reconstructed with regard to an effective judicial system that in the case of legal conflicts severely punishes a firm which did not play safe. Another type of economic reconstruction of 'safe playing' relates to the generation of additional product quality or product safety, which can be conventionally marketed (and this leads back to unintentional moral agency), or it may relate to the intentional generation of an ethical advantage for a product; for example, the implementation of an environmental management system that considerably exceeded legal requirements. Whether in this case ethical capital was created through active moral agency depends on whether it was successfully marketed. In general, the complexities surrounding the legal enactment of moral agency, as unearthed by the present study, illustrates that the 'legal responsibility' of the firm, as it is covered as a dimension by so many CSR models, is not a straightforward and simple issue.

Regarding active moral agency, the study found only sporadic examples in the Japanese groceries and retail market for non-durable products. Although the project collected a number of examples of potential routes to enacting active moral agency, in most cases such a potential was not exploited due to a lack of integration of CSR management and environmental management with conventional marketing. Across most interviews there was quite some pessimism among managers when asked whether ethical product attributes could be successfully marketed for groceries. Such pessimism reflects a lack of ethical imagination and may be largely unjustified. This can be suggested for various reasons:

First, there actually exist a few examples of groceries products and retail chains which have successfully marketed ethical products, such as organic products. Ethical capital was in these instances created, as reflected by price premiums of these products of anything between 30 and 100% as compared to conventional products. From here, an ethical business strategy appears to be at least an attractive, viable niche market strategy in the Japanese groceries sector.

Second, there also exist quite a number of examples in the Japanese market for durable products, such as cars, refrigerators or electronics, where ethical product attributes, such as environmental friendliness, have been very successfully marketed. One might speculate that this should encourage managers in the groceries sector to engage in ethical marketing and active moral agency, too, but the opposite seemed to be the case. The interviewed managers rather suggested a split personality of consumers regarding what consumers do when they shop for durable products as compared with shopping for non-durable ones. Australia and many European and American countries have shown a different way. Hence, it can be suggested that such scepticism on behalf of Japanese groceries managers may reflect a certain myopia.

Third, there exist examples in other South East Asian markets, which to a degree may not be as highly economically developed as the Japanese market, where ethical marketing has had a very significant impact on groceries markets. An excellent example is the case study of Yuhan-Kimberly in South Korea (Lee, 2005). An environmental campaign that focused on the re-foresting of large non-urban and urban Korean sites significantly contributed to developing the ethical image of Yuhan-Kimberly. By 2005, many surveys ranked it as the number one firm for environmental management and ethical management, and as the most respected company overall in South Korea. In the course of this campaign, Yuhan-Kimberly increased its market share for products such as nappies or tampons from about 20% in 1995 to about 60% in 2005, and saw its financial performance improve dramatically. The environmental campaign was initiated by the marketing department of Yuhan-Kimberly and reflects the building of ethical capital through active moral agency. This strategy is likely to have had a substantial impact on the rise of profits from 1995 to 2005. Japanese groceries managers as well as firms who are considering an entry into the Japanese groceries sector may take some encouragement from this example and from the other findings made above, namely that a more progressive stance regarding active moral agency and the marketing of ethical products to stakeholders such as environmentally concerned consumers may reflect an attractive, strategic market option.

The present study also made some interesting *theoretical* findings regarding the economic reconstruction of moral agency. As much as conceptually different levels of moral agency can be clearly separated into unintentional, passive intentional or active moral agency, the study found that certain interrelationships existed among these levels. Unintentional agency can connect to passive intentional agency, for example, when laws on product safety or product quality enforce certain minimum standards on a firm. Passive intentional agency can connect both to unintentional agency and active moral agency: A connection to unintentional agency exists in so far as the exceeding of legal standards by a firm is done for reasons of higher product quality or higher product safety; a connection to active moral agency exists in so far as the exceeding of legal standards by a firm is done for reasons of generating ethical capital; for instance, the surpassing of legal standards is successfully communicated to ethically interested consumers, who buy products from the firm for this specific reason. Regarding these interconnections among different levels of moral agency, the model suggested by Wagner-Tsukamoto (2005) can be finetuned.

A key purpose of qualitative research is to unearth – because of its information richness – interesting categories of variables and provide input for future research projects. The present project was rather successful in this respect. For example, regarding unintentional moral agency, the study identified the specific categories of product quality, product safety or low competitive pricing and the more abstract categories of customer satisfaction and customer orientation. Or, for passive, intentional agency, categories were identified such as unregulated, legal areas, grey areas, or complexity problems because of too many laws. Such categories can be drawn upon to develop a questionnaire survey and re-examine some of the suggestions of the present study for statistical significance.

Regarding sampling populations, both BERC member firms and non-member firms can be approached and it can be thus examined whether the ethical training provided by BERC for managers has had some significant effect on managerial attitudes regarding business ethics. As outlined in the research methods section of this article, managers of BERC membership firms were focused on, and here especially business ethics managers and environmental managers. One could have expected that this favoured the discovery of highly developed attitudes not only regarding unintentional and passive, intentional agency but also regarding ethical capital and active moral agency. However as reported, this was largely not the case regarding active moral agency. One could speculate in this respect that among managers who are not ethically trained through the activities and programs of BERC and/or who are not members of a CSR department or environmental management department views and propensities towards active moral agency are even lower. Future research can address this issue, for example, by doing qualitative and/or quantitative research on non-BERC member-firms.

Another way to refine future research on active moral agency in Japan is to focus on top manages and/or marketing managers only. They may have different agendas and views than business ethics managers and environmental managers, who were primarily focused on by the present study.

Also, the present study focused on managers as far as empirical research was concerned. Future research may want to address the same research questions from the consumer's perspective, thus complementing but also cross-checking the insights of the present study.

A further area for future research is the application of the research method of the present study to another country and culture. It can then be crosschecked how culturally robust an economic reconstruction of corporate moral agency is. Presently, one cannot engage in straightforward and easy generalizations of the findings made for the Japanese groceries sector with regard to other countries. Rather, future empirical research in this area has to be awaited for.

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School of Management,
University of Leicester,
University Road, Leicester LE32RU, U.K.
E-mail: saw14@le.ac.uk