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Strategic ambiguity and ethical actions

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Abstract

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STRATEGIC AMBIGUITY AND ETHICAL ACTIONS

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ABSTRACT

Ethics and moral obligations of management are an integral component in corporate strategy and support is now increasing for the proposition that ethics should be central, not peripheral, to the overall management of the firm. Within this context, we examine the influence of strategic ambiguity on the ethical actions of corporations. Strategic ambiguity is a prevalent and valuable tactic in organizational strategy making. However, the influence of strategic ambiguity on organizational strategy making and communication may lead to unethical executive behaviour and action. This paper develops a framework to examine the role of strategic ambiguity in ethical action, using James Hardie Industries as a case study. Areas for improvement to integrate ethics as a pivotal component of strategy making and the use of strategic ambiguity are recommended.

Keywords: strategic ambiguity, ethics, ethical actions.

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INTRODUCTION

The recent global financial crisis, with a significant number of corporate excesses, highlighted the social and moral dimensions of management in strategy making and organizations. The ethical actions and decisions of companies are under greater scrutiny by external stakeholders. There is increasingly a convincing argument that ethics should be central, not peripheral, to the overall strategic management of the firm. Within this context, we examine the influence of strategic ambiguity on ethical decision making and action. In particular, this paper examines the role of strategic ambiguity and ethical actions in the James Hardie Industries' asbestos case. Australia's has the world's highest number of documented cases of mesothemilia (a lung cancer caused by asbestos). James Hardie has been accused for over half of these cases (Hills, 2005).

The findings of this paper reveal how James Hardie, against mounting community and stakeholder pressure, took cover behind its purported primary obligation to its shareholders to make profits through a campaign that was strategically ambiguous. The paper is organized in the following manner. First, we explain the concept of strategic ambiguity and how it can influence ethical action. Next, we examine the role of strategic ambiguity in ethical decisions and actions. Then we present the James Hardie case to illustrate our analysis. After the discussion section, we conclude the paper by presenting the implications and its limitations.

STRATEGIC AMBIGUITY

Strategic ambiguity is a tool frequently used in strategy and communication. Strategic ambiguity reflects the intentional use of ambiguity or vagueness in strategic processes or discourses. Being unclear or imprecise in concept and communication leading to diversity of interpretation can be used to minimize

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uncertainty and achieving goals. For example, in international relations countries may be ambiguous about the question of Taiwan. In organizational contexts, strategic ambiguity can be applied to the strategy formation processes, mission statements, organizational change, and stakeholder relationships.

Strategic ambiguity can be employed to achieve four roles or uses (Eisenberg, 1984, 2007; Eisenberg and Goodall, 1977), namely: 1). promote unified diversity, 2). preserve privileged positions, 3). promote deniability, and 4). facilitate organizational change. The use of strategic ambiguity allows for diversity of views or interpretations and promotes inclusiveness and unity in its diversity. Hence vision and mission statements are often vague and general in nature to facilitate accommodation of diversity of interpretations and views. Strategic ambiguity can be used to preserve privileged positions by shielding individuals from scrutiny or the revelation of sensitive or confidential details, while providing a general overview or picture. A key characteristic of strategic ambiguity is deniability. Vagueness in communication has the potential and flexibility to develop future options by testing reactions to new ideas and minimising conflicts. Finally, strategic ambiguity facilitates organizational change by allowing interpretive room for individuals and diverse groups to change behaviour and course of action for the future. Leitch and Davenport (2002) elaborates that it provides the time and interpretative space for organizations to develop fully its policies or positions.

Wexler (2009) extends the role of strategic ambiguity to seven uses (p.65), which are listed as:

1) used when disseminating texts or information that are tentative (early plans), or require interpretation (mission statements)
2) used to buy time when pressed for a decision or specific information
3) used in addressing issues that are controversial, divisive and likely to lead to conflict
4) used to foster organizational change requiring buy-in from stakeholders
5) used to seal or buffer part of the organization from closer scrutiny
6) used by organizations seeking deniability rooted in earlier ambiguous communications, and

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7) used to cope with escalating demands for actions in the midst of organizational crises.

He applied the concept of strategic ambiguity to emerging coalitions of three loosely coupled discourse communities (based around profit, people, and planet) to advance the notion of business, corporate social responsibility and sustainability within the triple bottom line (3P's) banner. He advocated that strategic ambiguity be expanded beyond intra-organizational focus to one encompassing emergent coalitions and inter-organizational contexts. This approach is also supported by Leitch & Davenport (2002). From the above, strategic ambiguity serves many functions in discourse strategy and practice. Eisenberg (1984), Leitch and Davenport (2002, 2007) and others support the use of strategic ambiguity as a discourse practice. Menz (1999) accepts it as a way to generate new ideas and keep options open.

STRATEGIC AMBIGUITY AND ETHICAL ACTION

While strategic ambiguity is worthy of greater attention and usage, its ethical dimension must be considered. The line between ambiguity and deception is an ethical issue that needs to be addressed in the use of strategic ambiguity. Through the use of strategic ambiguity, organizations typically emphasize an interpretation where the organization is viewed most favourably (Ulmer and Sellnow, 1997). For example, using Jack in the Box as a case study, Ulmer and Sellnow (2000) apply stakeholder theory to ascertain the ethical implications of employing strategic ambiguity in organizational crisis communication. They conclude that the crisis response provided by Jack in the Box's leaders was ethically questionable in the areas of evidence, intent, and locus because the ambiguity they introduced privileged their financial stakeholders over others. This strategic use of ambiguity diminished the reputation of Jack in the Box.

Eisenberg and Goodall (1997, 1993) are concerned that strategic ambiguity can minimize the importance of ethics. The deniability attribute of strategic ambiguity can be used to avoid blame and responsibility or to preserve those who misuse their position and power. Paul and Strbiak (1997) contend that "strategic ambiguity itself does not minimize the importance of ethics. Rather, intentional unethical use and the naivete of communicators serve to minimize the ethical use of strategic ambiguity in organizations" (p.156).

Thus strategic ambiguity can be utilized both in an ethical or unethical manner. Its application depends on the ethicalness of the individual utilizing it. Paul and Strbiak (1997) proposed an intrapersonal framework to determine the ethicality of its use. According to these scholars, "strategic ambiguity is ethical when communicative behaviours are congruent with communicators' rational, logically consistent espoused ethics. Strategic ambiguity is unethical when it results from ethics-in-use that are incongruent with communicators' espoused ethics." (p.157). It is also unethical when it is the result of pressures to act contrary to one's espoused ethics.

THE CONTEXTUAL FRAMEWORK OF STRATEGIC AMBIGUITY

In this paper, we are considering the use of strategic ambiguity in organizational actions. The response to an organizational situation can be influenced by several factors. Våland and Heide (2005) examined how a company can handle situations, particularly 'bad episodes' related to corporate social responsibility (CSR). Such CSR event passes through three 'regulators' which influence the significance of the incident and the use of strategic ambiguity. These regulators are combined with the criteria (evidence, intent and locus) of Ulmer and Sellnow (1997, 2000) into a framework to examine the ethicality of strategic ambiguity. This is illustrated in Figure 1.

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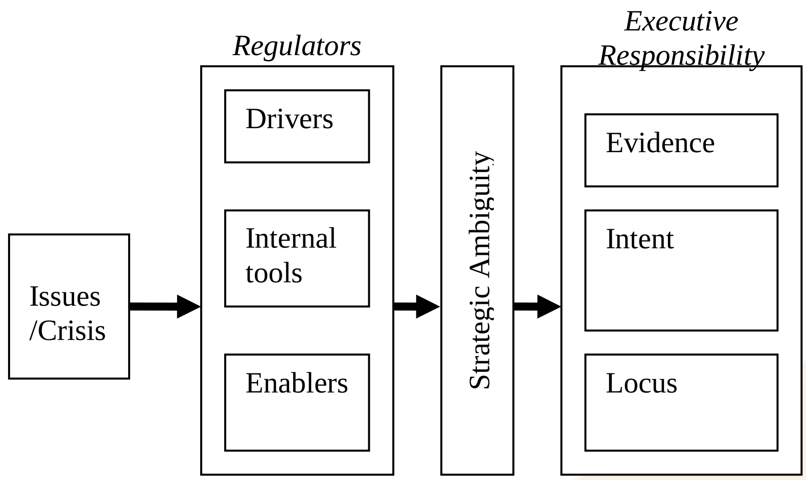
Figure 1: The Basic Framework for Analysis



Under regulators, *drivers* lead to increased emphasis on the crisis, increased awareness among stakeholders, public media interest and more integration/higher interdependencies between companies are some examples. Companies are facing increased demands for transparency and growing expectations that they measure, report, and continuously improve their social, environmental and ethical performance (Våland and Heide, 2005). Growing public media interest tends to reinforce the stakeholder awareness and the demand for clarity. More integration and higher interdependencies between actors mean that firms are increasingly held accountable for the practices of their business partners throughout the value chain.

Internal Tools refer to the firm's own rules, processes and structures that safeguard a 'responsible' company. Measurements, auditing and reporting are tools to strengthen internal efforts to comply with the company's policies and thereby build trust with external stakeholders. The strength of the internal tools is also influenced by organizational consistency. When

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employees handle, interpret and understand an incident very differently from management, the consistency is low. With low internal consistency, the significance and power of internal tools are reduced.

According to Valand and Heide (2005), internal tools include internal systems, controls and procedures designed to minimize exposure to corporate ambiguity, fraud and malpractice. Many companies realise that employees cannot be held accountable for responsible behaviour if they are not aware of its importance nor provided with the information and tools they need to act appropriately. These companies tend to highlight the importance of responsible executive action and include ethical behaviour as a subject in management training programs to provide managers and staffs with decision-making processes that help them achieve responsible outcomes.

Enablers are generally designed to support, measure, and assist in implementation and enhance accountability for corporate performance. Valand and Heide (2005) distinguish between several types of enablers: 1) Conventions and standards, 2) Codes of conduct and 3) Law, provisions and court decisions. Conventions and standards include a variety of initiatives ranging from specific accountability and reporting standards (e.g. *AccountAbility* and *The Global Reporting Initiative*), to guidelines and principles for an ethical and responsible corporate behaviour (e.g. *United Nations Global Compact*). Potential conflicts of interest between the individual, the company and the supplier/customer might be avoided through professional ethical standards. Issues related to honesty and equity (i.e. fairness, impartiality and justice) are relevant in order to improve the consciousness and ethical awareness among professional individuals. Law, provisions and court decisions, entail rules against manipulation of competition and laws with the aim of improving the ethicality of executive communication and action. Like the drivers, Valand and Heide (2005) point out that the effectiveness of the enablers is also influenced by the

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level of consistency. For example, the effect of the enablers will be reduced in cases where there is legal ambiguity. Similarly, if the threshold for breaking anti-corruption legislation differs across nations, the enablers will be weaker than in a situation where national legislation is backed by international conventions.

Thus the drivers, internal tools and enablers constitute regulators, which may reduce or amplify the effects of the company's response to a crisis. In some situations, the impact of the event may nearly diminish because public media show no interest in the episode or the company has the necessary tools to defuse the situation. In other circumstance, the incident may cause a significant uproar because it is illegal or in conflict with internal rules of conduct and ends up as a front-page story in the leading newspapers (Våland and Heide, 2005).

INFLUENCE OF STRATEGIC AMBIGUITY ON ETHICAL ACTION

Based on the framework offered by Ulmer and Sellnow (1997, 2000), the ethicality of the use of strategic ambiguity can be determined by applying three criteria: evidence, intent and locus. The first criterion relates to the question of evidence and its interpretation. According to Ulmer and Sellnow (2000), the nature and complexity of any material evidence, including their interpretations, often complicated by the use of rhetoric or metaphors, can be examined for its reasonableness, bias and equity of impact on relevant parties or stakeholders. As noted earlier, the use of strategic ambiguity to skew evidence to favour selected stakeholders raises the question of ethicality.

The question of intent is often critical in determining whether any action is ethical or not. Applying strategic ambiguity with an intent to misinterpret, mislead and deceive raises issues of social legitimacy (Seeger, 1986), honourable intention and truth. The final criterion involves the

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question of locus of responsibility. Determining responsibility in a crisis or other problematic situation for any organization can be ambiguous and difficult. Taking advantage of this to shift the cause and blame to other parties or stakeholders poses ethical issues. These three questions of evidence, intention and locus proposed by Ulmer and Sellnow (1997, 2000) can be applied to ascertain the ethicality of using strategic ambiguity in any discourse strategy at the individual level.

THE JAMES HARDIE INDUSTRIES' ASBESTOS CASE

The Hardie Group manufactured asbestos products such as cement, piping, insulation and brake linings for over 70 years in NSW, Queensland and Western Australia. Estimates of Australia's total liability for future asbestos claims start around $6 billion (Prince, Davidson & Dudley, 2004). A major difficulty for compensation planning in asbestos diseases is mesothelioma or cancer of the chest cavity can emerge as late as 40 years after exposure. Since 1945 about 7000 Australians have died from this disease, estimated to rise to 18,000 by 2020 (Murray, 2005). A major problem for the Hardie Group is the wide range of products it made with asbestos. It faces growing claims from users of these products. Over half of the claims made to the NSW Dust Diseases Tribunal in 2002 were against the Hardie Group (Prince, Davidson & Dudley, 2004).

According to Hills (2001), the timeline of this case reveals that the harmful effects of asbestos dust were documented as far back as in 1898 by British factory safety workers. In 1916, the first James Hardie asbestos factory opened at Camellia in Sydney's West. With the first of lot of successful claims for compensation for asbestos disease settled by Massachusetts Industrial Accidents Board in 1926, 'asbestosis' was given its name. While the documented asbestos death

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toll in 1946 reached 235 in Britain, 30 in Italy, 16 in France, the first known death of a James Hardie worker was in 1960. In 1964, a James Hardie safety officer wrote a long memo to senior management warning that asbestos dust is a dangerous industrial poison. A James Hardie partner, CSR Ltd closes its asbestos mine at Wittenoom, Perth in 1966 after more than 100 cases of lung disease among workers and their families. In 1977, the first of more than 4,000 compensation claims were filed against CSR, James Hardie and more than 100 other companies. As a result, in 1986 James Hardie stops manufacturing asbestos. In 2001, James Hardie announces it has been sued by 2,000 people injured or killed by its products and launches the Medical Research and Compensation Foundation (MRCF) with assets of $293 million to settle all future claims. In 2003, the company announces the MRCF is underfunded. In 2004, a special commission of inquiry is set up to inquire into the companies activities. In the same year, the Commonwealth passes the James Hardie Act in December. Hardie shareholders in 2007 approve the first payment into the new fund as the Australian Securities and Investments Commission starts civil proceedings against 10 former directors and managers. In 2007, Hardie asbestos victim and compensation campaigner, Bernie Banton dies from asbestos related disease on November 27. The civil hearings conclude in 2009, March and the verdict handed down on April 23, holding all 10 directors knowingly misled when a media release said a new asbestos compensation trust was "fully funded" and "provided certainty" for asbestos disease claimants. In addition, they were held liable for breaching their duty to act with care and diligence. The directors were fined for varying amounts (from $30,000-$350,000) and banned from managing a company for varying periods (from 5-15 years). At the time of writing, seven directors have filed appeals.

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ANALYSIS OF REGULATORS IN JAMES HARDIE CASE

The impact of the regulators on the use of strategic ambiguity is analysed here. The intense media scrutiny on the company has been a major *driver* that has led to an increased emphasis on the crisis and increased awareness among stakeholders. Due to the action taken by prominent James Hardie victims such as Bernie Banton, increased demands for transparency and growing expectations on victim compensation has affected almost every sphere of activity of James Hardie. Growing public media interest has reinforced the stakeholder awareness. More integration and higher interdependencies between these stakeholders especially the State, Federal and corporate watch dogs such as ASIC has held James Hardie accountable for their actions, communications and dealings with their publics.

Internal Tools refer to the firm's own rules, processes and structures that safeguard a 'responsible' company and its employees. Measurements, auditing and reporting are tools to strengthen internal efforts to comply with the company's policies and thereby build trust with external stakeholders. The strength of the internal tools is also influenced by organizational consistency. The James Hardie's annual reports for 2001 (p.33) and 2002 (pp. 43-46) stated that the company seeks to maintain high standards of integrity and is committed to ensuring business is conducted in accordance with the highest standard of ethical behaviour and a code of ethics that require employees to comply with the spirit as well as the letter of all laws and other statutory requirements. The James Hardie Code of Business Conduct and Ethics (2008) requires employees to "never discuss JH with the press unless you've been explicitly authorized to do so by Investor Relations" (p.14). Despite this, the Hardie board members denied under sworn testimony to the Supreme Court, that the central document of the case, the media release signed

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by Greg Baxter, Senior Vice President Corporate Affairs about asbestos compensation (James Hardie, 2001) was not tabled and approved by the members of the board. However, the Supreme Court rejected this testimony and held that board members approved the media release grossly under estimating the amount of compensation. The exercise has been a public relations disaster. Thus when Hardie employees handle, interpret and understand the victim compensation saga very differently from other stakeholders such as the public and Supreme Court, organizational consistency is low. With low consistency, the significance and power of internal tools are reduced. Hence the power on internal tools to minimize the unethical use of strategic ambiguity in communication is diminished.

Enablers are generally designed to support, measure, and assist in implementation and enhance accountability for corporate performance. Valand and Heide (2005) distinguish between several types of enablers: 1) Conventions and standards, 2) Codes of conduct and 3) Law, provisions and court decisions. At James Hardie, all directors and company employees worldwide are aware of the existence of the Code of Business Conduct and Ethics that requires employees to comply with the spirit and the letter of all laws and other statutory requirements governing the conduct of James Hardie's activities in each country of operation. However, it can be argued that whilst knowing the dangers of asbestos dust as far back as 1898 and despite the first James Hardie death occurring in 1966, James Hardie continued to manufacture asbestos products until 1986, showing little regard for safety standards and duty of care especially towards employees and customers. The above analysis illustrated that the regulators had limited impact on the unethical use of strategic ambiguity in the James Hardie case.

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STRATEGIC AMBIGUITY AT JAMES HARDIE

The role of strategic ambiguity in the James Hardie asbestos saga can be seen clearly in the establishment of the MRCF. In a 2001 James Hardie media release, CEO, Peter Macdonald claimed that with starting assets of $293 million, the establishment of the MRCF,

> provides certainty for people with a legitimate claim against the former James Hardie companies which manufactured asbestos products...Its establishment has effectively resolved James Hardie's asbestos liability and this will allow management to focus entirely on growing the company for the benefit of all shareholders.

This media release seems specific, but is in fact ambiguious. The establishment of the MRCF is to provide "certainty for people with legitimate claim". What constitute certainty is not clear as it is not specific as to the level or nature of the compensation that is deemed sufficient and certain. The use of "legitimate claim" will obviously be subjected to subsequent interpretation, argument and representation. Strategic ambiguity was probably used here to promote diversity of interpretations, providing avenues for deniability of alternatives not preferred by the company.

The company CEO also argues that certainty is provided by the assets of $293 for the MRCF and the actuarial advice provided by Trowbridge Deloitte based on claims data at that time. The best estimate of liabilities indicated at $286m was below the asset level. A subsequent updated report indicated a much higher level asbestos-related liabilities of $574.3m. Trowbridge Deloitte attributed this increase to the fact that James Hardie did not provide it with all the available information. It was alleged that James Hardie withheld its claim data for the 9 months

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to December 2000 (Letters Patent, 2004). This did not reflect well on James Hardie, which probably had used strategic ambiguity to hide its intention.

The use of strategic ambiguity is also reflected in the establishment of the MRCF and the separation of the liabilities from the main operating companies and the parent company. The MCRF was created to assume all current and future liabilities of asbestos claims. This will create the "distance" between the James Hardie companies and the compensation vehicle. This separation was further carried out when the parent company was moved to the Netherlands (as JHNV in October 2001). In 2009, there is a proposal to move the domicile again to Ireland, ostentably for tax reasons. With each move, the separation become more distant and can serve to create more obstacles for claimant in pursuing James Hardie for further compensation. This also adds to the corporate veil.

The 2001 media release also highlighted the primacy of shareholders relative to other stakeholders. The raising of the need for the company to focus on "growing the company for the benefit of all shareholders" can be used to downgrade attention and resources to compensation claims, and can be used as an argument to leave compensation claims solely to the MCRF. This situation is enhanced by the increasing distance between the MCRF and James Hardie parent company.

James Hardie couched the announcement of the establishment of the MCRF to give the impression of certainty and adequacy of meeting all asbestos claims. However in 2003, just after 2 years of making this claim, $293 million was proved to be grossly inadequate. A 2004 estimate

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of compensation liability put the figure at $2.24 billion. In 2001, the Hardie Group assured the NSW Supreme Court that it would call on $1.9 billion to meet future asbestos claims. However, in March 2003, they failed to honour this commitment, and moved the Hardie Group's assets overseas, out of reach of asbestos victims in Australia. It has been called as one of the most morally and legally repugnant acts in Australian corporate history (Prince, Davidson and Dudley, 2004). This "litany of deception" uncovered from the Jackson inquiry recommended criminal proceedings against the CEO, Peter Mcdonlad. In a 2009 judgment from the civil proceedings initiated by ASIC, the court held that 10 former James Hardie executives knowingly misled when a media release said a new asbestos compensation trust was "fully funded" and "provided certainty" for asbestos disease claimants. In addition, they were held liable for breaching their duty to act with care and diligence.

Thus, in the James Hardie case, the drivers, internal tools and enablers all point to an amplification of the effects of the company's response to a crisis. In this case, the impact of the event gained momentum with increasing attention in the public media resulting in the strategic events of the restructure of James Hardie and the establishment of the MRCF to protect James Hardie assets. Both these strategic events will now be subjected to the analysis of questions of evidence, intent and locus (Ulmer and Sellnow, 1997, 2000) to determine the ethicality of the use of strategic ambiguity

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INFLEUNCE OF STRATEGIC AMBIGUITY ON JAMES HARDIE' ETHICAL ACTION

Questions of evidence in the James Hardie case are centered over the legal debates which occurred in the aftermath of a crisis. According to Ulmer and Sellnow (1997), these altercations usually pit the organisation's team of experts against those from legal or governmental agencies. This is clearly evident from the long inquiry and hearing on the case. For example, the legal debate that continued with the James Hardie case on the companies' ability to hide behind the corporate veil is one example relating to evidence in this case. Dunn (2005) analysing the James Hardie case in the *Sydney Law Review*, state that various parties to the inquiry raised the question of whether the conduct of the directors of the various companies involved gave rise to causes of action under Australian corporations legislation..

However, notwithstanding Hardie's willingness to compensate victims in this case, the Commissioner was of the opinion that the circumstances that have been considered by this inquiry suggest there are significant deficiencies in Australian corporate law (Dunn, 2005). In particular, there is concern that 'under the current Corporations Act, there is the potential for other companies to attempt to divest themselves of liability by hiding behind the corporate veil' (Merritt and Buffini, 2004). As Ulmer and Sellnow (1997) correctly observe, the resulting legal interpretations and altercations leaves the audience with two or more plausible interpretations which are too complex to grasp fully without technical expertise.

Questions of intent or motives emerge when the organization's social legitimacy is questioned. In other words, if the organization cannot prove that it intended to produce reliable products and services in a safe manner, it will likely lose whatever public support it once enjoyed. In the Hardie case, the company lost the public confidence first due to continuing to

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manufacture a harmful product. Even when James Hardie partner, CSR Ltd opted to close its asbestos mine at Wittenoom in 1966, Hardie continued to manufacture asbestos until 1986. Ulmer and Sellnow (1996) argue that crisis situations often create dialogues which "leave the audience with two competing alternatives: willful disregard for the public's welfare versus a mischance in an otherwise socially responsible system" (p. 11). With media reports and expert comments pouring out under headings such as "James Hardie: No Soul to be Damned and No Body to Be Kicked" (Dunn, 2005), the Hardie executives continued with the usual rhetoric of painting a positive image on the crisis, often, further damaging its social legitimacy. For instance, after three weeks of James Hardie advertisements declaring "there are two sides to every story", it bowed down to community pressure, and billed the compensation deal as "the largest-ever voluntary compensation offer made in Australia's history" (Sexton, 2004). But merely six months before the declaration of the compensation deal, Hardie was insisting it had no intention to pay, that the directors' duties to their shareholders prevented them from doing so, suggesting wilful disregard of public welfare by James Hardie.

Questions of locus emerge as organizations and external agencies decide where the blame should be placed for the crisis. Debates arise in determining whether responsibility rests within or outside the organization. Cheney (1991) exemplifies how the hierarchical nature of organizations allows organizational leaders to " 'decenter' the self, the individual, the acting subject through language that is 'powerfully ambiguous' " (p. 5). Assigning blame to an organization becomes difficult because "organizational messages take on a relatively placeless, nameless, omniscient quality, even when a corporate identity is assumed and declared" (ibid). Therefore, it is difficult to assign blame to organizations because they become ambiguous entities which are able to diffuse responsibility. However, in the James Hardie case, the Jackson QC and ASIC inquiries

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squarely placed the responsibility on the executives of the company. For example, the Jackson QC inquiry found 'a litany of deception that he recommended should lead to criminal charges' against Hardie's CEO, Peter Mcdonald (Hills, 2005). Another instance is when James Hardie defended its underfunding of the MRCF due to a 'best estimate' report by the Trowbridge Deloitte report (February 2001). An updated report by Trowbridge attributed the discrepancy to James Hardie not providing it with all available information, having withheld its claims data for the 9 months to December 2000 (Sexton, 2004). Finally, the locus for the crisis at James Hardie becomes clear in light of the apology and declaration that "in retrospect, we could have responded differently, and more quickly" by Meredith Hellicar, its chairwoman (Sexton, 2004).

Based on the above, there is clear evidence, intent and locus to hold James Hardie executives individually responsible for the crisis. However, at the organizational level, the Jackson QC inquiry found that the company had no legal obligation to pay compensation to its victims (Sexton, 2004). Under the corporate law concept of the corporate veil, companies and not their shareholders are individually responsible for liabilities, even if they are part of a larger group. This effectively meant that Hardie's new, Netherlands-based, Australian-listed parent company and the old Australian parent are protected from claims against the operating companies.

Based on the three criteria of evidence, intent and locus, the use of strategic ambiguity in the James Hardie case is really ethically questionable. While its use provided a form of temporary cover for the company, it diminishes the long term credibility and reputation of the company in the eye of the general public. While the unethical use of strategic ambiguity seems clear in the James Hardie's case, it may not be so in many other situations. In such cases where the three criteria of evidence, intent and locus may not yield a clear cut conclusion, it is possible

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to extend the analysis to a higher plane with the application of the concept of organizational virtuousness (Bright,2006; Bright, Cameron and Caza, 2006) to determine whether virtuousness is present in such situations. The extension of the concept of organizational vituousness will be examined in detail in a subsequent paper.

IMPLICATIONS AND CONCLUSION

In this paper, we incorporated the work of Valand and Heide (2005) and that of Ulmer and Sellnow (2004) to develop a basic framework for analysis of the ethicality of using strategic ambiguity and applied it to the James Hardie case. The unethical use of strategic ambiguity in James Hardie is evident. Greater attention should be paid to the ethical usage of strategic ambiguity in strategic discourses. While this line of inquiry is in its embryonic stage, the James Hardie case reveals the use of strategic ambiguity on the pretext of its primary obligation to make profits, despite mounting community and stakeholder pressures. After the company was caught out, the apology was tempered by a reminder that the company had legal and fiduciary responsibilities and that the board's obligations to shareholders should not be forgotten. While organizations have the potential to typically emphasize an interpretation where the organization is viewed most favorably, the line between ambiguity and deception is an ethical issue that needs to be addressed in the use of strategic ambiguity.

This research is based on the use of secondary data of the much publicized case of James Hardie's compensation scandal and has its inherent limitations. A basic limitation is that the deliberate use of strategic ambiguity can only be inferred and this can only be remedied by undertaking primary research to determine intentions on the part of the participants, particularly

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prior to the event happening. This research nevertheless raises important questions for future research on the role of strategic ambiguity in the ethical or unethical action of firms. The Hardie case can be identified as one of the most extreme cases for examining the role of strategic ambiguity in (un)ethical corporate action. However, in more mild cases which do not out rightly appear to have violated basic societal expectations, the use of the strategic virtuousness concept can reveal interesting and subtle tensions between various variables such as questions of intent and moral goodness. Future researchers could examine the application of the extended framework on a larger sample of companies drawn from several industry sectors and stakeholder perspectives. In this line of research, the challenges of underdeveloped models, measurements and empirical methods need to be addressed.

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