

OXFORD



BUSINESS ETHICS

FIFTH EDITION

ANDREW CRANE | DIRK MATTEN | SARAH GLOZER | LAURA SPENCE

Business Ethics

Business Ethics

**Managing Corporate Citizenship and Sustainability
in the Age of Globalization**

Fifth edition

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HOW TO USE THIS BOOK

Who is it for?

This book is suitable for MBA students, advanced undergraduates, and master's students, as well as participants on executive courses. It has been specifically written from an international perspective, so it can be enjoyed by students from any country, and can be used effectively for courses in Europe, North America, Australasia, Asia, Latin America, or Africa.

One of the main differences between this and many other business ethics textbooks is that it adopts a broad perspective on business ethics and integrates issues of globalization, corporate citizenship, and sustainability throughout. As such, it has been designed to be used as a core recommended text for courses in business ethics, corporate responsibility, business and society, or stakeholder management. It can also be successfully used for modules focusing specifically on sustainable business, marketing ethics, supply-chain ethics, and other specialist subjects.

Structure of the book

The book consists of two parts, as shown in **Figure A**:

- **Part A** presents the key conceptual foundations of business ethics. This enables you to gain a thorough understanding of the subject's main theories and tools.
- **Part B** explores business ethics in the context of key stakeholder groups. Each chapter explains the specific stakeholder relationship involved, the main ethical issues that arise, and then how each stakeholder can be examined through the lenses of globalization, corporate citizenship, and sustainability.

Most courses will tend to use Part A as a foundation and then selectively use chapters or sections from Part B to suit the aims and structure of the particular course. The book has been specifically designed to accommodate this modular approach, and each of the sections in Part B can be used as a standalone component to support individual courses.

Part A: Understanding Business Ethics				
Chapter 1: Introducing Business Ethics				
Chapter 2: Framing Business Ethics Corporate Responsibility, Stakeholders and Citizenship	Chapter 3: Evaluating Business Ethics Normative Ethical Theories	Chapter 4: Making Decisions in Business Ethics Descriptive Ethical Theories	Chapter 5: Managing Business Ethics Tools and Techniques of Business Ethics Management	
Part B: Contextualizing Business Ethics — The Corporate Citizen and Its Stakeholders				
Chapter 6: Shareholders Shareholders as Stakeholders Ethical Issues Shareholders & Globalization Shareholders & Corporate Citizenship Shareholders & Sustainability	Chapter 7: Employees Employees as Stakeholders Ethical Issues Employees & Globalization Employees & Corporate Citizenship Employees & Sustainability	Chapter 8: Consumers Consumers as Stakeholders Ethical Issues Consumers & Globalization Consumers & Corporate Citizenship Consumers & Sustainability	Chapter 9: Suppliers and Competitors Suppliers/Competitors as Stakeholders Ethical Issues Suppliers/Competitors & Globalization Suppliers/Competitors & Corporate Citizenship Suppliers/Competitors & Sustainability	Chapter 10: Civil Society Civil Society as Stakeholders Ethical Issues Civil Society & Globalization Civil Society & Corporate Citizenship Civil Society & Sustainability
			Chapter 11: Government and Regulation Government as Stakeholders Ethical Issues Government & Globalization Government & Corporate Citizenship Government & Sustainability	
Chapter 12: Conclusion				

Figure A Structure of the book

Tools for teaching and learning

The book takes an applied approach to business ethics that emphasizes real-world application. This means that it is grounded in the academic literature, but has been written with a strong emphasis on practical problems and real-life examples and illustrations. Business ethics issues seem to be in the media almost every day, so there is no shortage of current material to draw on. In fact, you are certain to have come across many of the examples featured in the book at some time—and Crane, Matten, Glozer, and Spence provide you with a way of linking those real-life events to the conceptual material that you will be covering on your course. For a full description of the pedagogical features used in the book, please see the Guide to the book (p. xx).

Chapter summaries

- **Chapter 1** provides a basic introduction to the concept of business ethics and its importance both at an academic level and in terms of practical management in different types of organizations. As well as explaining the international perspective adopted in the book, this chapter introduces two of the main themes of the book: globalization and sustainability.
- **Chapter 2** introduces ways of framing business ethics in the context of the corporation being part of a wider society. The chapter provides an overview of concepts such as corporate social responsibility and stakeholder theory, and leads on to an analysis of key contemporary concepts such as corporate accountability and corporate citizenship, which offer important conceptual space for understanding business ethics beyond its traditional boundaries.
- **Chapter 3** sets out the key normative ethical theories that can be applied to business ethics problems, in terms of both traditional and contemporary theoretical approaches. The main intention is to identify a pragmatic, pluralistic approach to theory application.
- **Chapter 4** provides an alternative way of addressing these questions of ethical decision-making by looking at how decisions are actually made in business ethics, and by assessing the various descriptive theories in the literature. The main focus is on revealing the different individual and situational influences on how (and whether) business people recognize and deal with ethical problems.
- **Chapter 5** provides a critical examination of proposals for managing business ethics through specific tools, techniques, practices, and processes. This is done by looking at the importance of, and problems in, attempting to manage business ethics in the global economy, and the development over time of different ethics tools and techniques.
- **Chapter 6** sets out the rights and responsibilities of shareholders, emphasizing the ethical issues that arise in the area of corporate governance including insider trading, executive remuneration, and ethics of private equity. It also highlights the different corporate governance models across the globe, and the specific role played by shareholders in socially responsible investment. It concludes with a discussion of alternative forms of corporate ownership as a basis for enhanced sustainability.
- **Chapter 7** examines ethical issues in relation to employees and workers. It discusses the various rights and duties of this stakeholder group, and presents the global context of workers'

rights. Moves towards corporate citizenship and sustainability in relation to employees are discussed in the context of issues such as employee participation, work–life balance, and sustainable employment.

- **Chapter 8** considers the ethical issues arising in the context of consumers. It examines the question of consumer rights, the ideal of consumer sovereignty, and the role of ethical consumption in shaping corporate responsibility. The chapter concludes by examining problems and solutions around moving towards more sustainable models of consumption.
- **Chapter 9** explores the ethical issues arising in relation to firms' suppliers and competitors. The chapter examines problems such as conflict of interest, bribery, and unfair competition, and moves on to discuss the global supply chain and ethical sourcing. Finally, the challenges of sustainable supply-chain management and industrial ecosystems are explored.
- **Chapter 10** considers the relationships between businesses and civil society organizations (CSOs), addressing the changing patterns of relationships between these traditionally adversarial institutions. Key issues examined here include the ethics of pressure group tactics, business–CSO collaboration, and social enterprise.
- **Chapter 11** covers government and regulation. Government as a stakeholder is a very multifaceted group, which we unpack at various levels, functions, and areas. The chapter explores problems such as corruption and corporate lobbying, and examines the shifting relationships between regulation, government, and business, stressing the increasingly important role played by corporations in the governance of the global economy.
- **Chapter 12** provides a review and integration of the previous chapters in terms of key topics covered. Emerging themes of gender and other inequalities, alternative business models, and digitalization are identified. The chapter also discusses the potential conflicts between different stakeholder groups discussed in Part B, and draws conclusions about the future relevance of business ethics issues.

GUIDE TO THE BOOK

Having completed this chapter you should be able to:

- Explain why corporations have social responsibilities.
- Explain corporate social responsibility in terms of its levels, strategies and approaches.
- Explain the stakeholder theory of the firm.
- Accurately apply the concepts of corporate citizenship, accountability, transparency to the political role of corporation.

Key concepts:

- Gig economy
- Modern slavery
- Employee rights
- Employee duties
- Workplace discrimination

PRACTITIONER SPOTLIGHT 3 Inspiring ethics leaders of tomorrow



Photo credit: Sébastien St-Jean/Agence QMI

Business and management ethics have been heavily critiqued for promoting short-termism over a longer-term and sustainable orientation. But exactly how can business ethics within business education scholarship? We spoke with Ph.D., Assistant Professor of Business Ethics, Université du Québec, Canada to learn about her teaching and research in business ethics and inclusive societies.

Please can you tell us a bit about your current job role, connects with business ethics?

Ethics in Action 1.2 Ethical fashion for Ethics Girls

Want to buy a new pair of jeans, but also care about how much the work they cost? Think there may be space in your life for an iPhone case made from reclaimed parachute silk? Well, being ethical does not have to mean being at least not according to the UK-based Ethics Girls organization. The Ethics Girls to 'set the example' in 'ethical fashion, shopping and ideas'. Featuring a shop the opportunity to become a member of the Ethics Girls co-operative, they promote ethical consumption, to make life and our choices simpler.

ETHICAL DILEMMA 7 Off your face on Facebook?

You are the human resource manager of AllCure Pharmaceuticals. It is a busy day in the product approval department have called you because they desperately need a team member to assist them with the clinical trials of what could become the next big thing for the company. You get started and within a week you have managed to find two applicants for the job. The interviews went well and there are two really good candidates. One is a woman, recent university graduate, and you find it hard to decide between

Learning objectives

Each chapter starts with a set of bulleted learning outcomes, which indicate what you can expect to learn from the chapter.

Key concepts

Explore the key concepts set out at the beginning of each chapter in more detail and recap the key theories and essential terminology as you work through the text.

Practitioner spotlights

A new feature in the fifth edition, these spotlights give you the opportunity to hear directly from people who are using business ethics in their daily work. A diverse selection of practitioners from around the world share their rich perspectives to bring to life the multitude of ways that business ethics can be an embedded part of your skillset and your future career.

Ethics in action

These are short articles that showcase current ethical problems faced by business, leading-edge initiatives, or high-profile scandals that have hit the headlines.

Ethical dilemma

These describe a hypothetical ethical scenario, mainly derived from real-life incidents, and provide you with the opportunity to think about what you would do in a typical business ethics situation in a structured way.



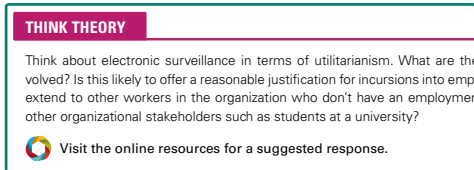
Ethics on screen

Reviews and analysis of topical films or documentaries help to bring to life some of the key issues discussed in the chapters.



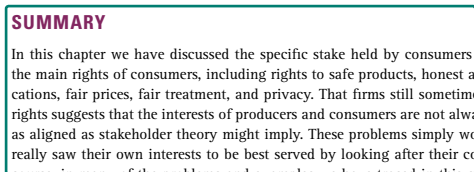
Case studies

At the end of each chapter, an extended case study describes the ethical issues faced by well-known companies and organizations. They provide an excellent opportunity to use the material covered in the chapter to conduct a critical analysis of a real-life situation.



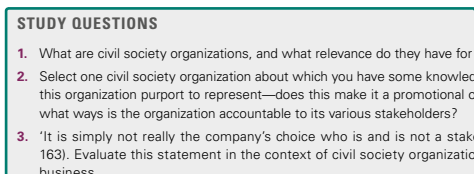
Think theory

Throughout the text there are call-out boxes that encourage you to stop and think about how the theories discussed in the book apply to real-world examples.



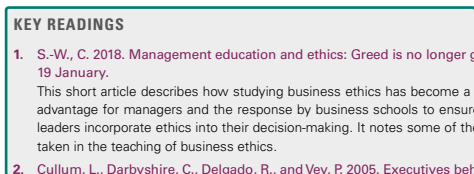
Chapter summary

This provides a brief overview of the issues covered in a particular chapter, helping you to review what you have learned.



Study questions and research exercise

These offer an opportunity to test your knowledge and understanding of the material covered so far, in a format commonly used in course assignments and exams.



Key readings

Two carefully selected articles that provide the best insight into some of the issues discussed in the chapter, annotated with helpful comments about their content, will help prioritize additional reading and research.

GUIDE TO THE ONLINE RESOURCES



Credit: Percom / Shutterstock

For students

Practitioner Spotlight videos

New for the fifth edition, these videos are thought-provoking clips featuring some of the professionals from the Practitioner Spotlights in the book. The practitioners discuss contemporary issues and explore the challenges faced within their organizations. Full transcripts from the videos are also provided.

Links to Film Trailers

All the Queen's Horses - <https://www.youtube.com/watch?v=iGshuC9BH7I>

The Post - <https://www.youtube.com/watch?v=nXY6gzTMM>

Baby Driver - <https://www.youtube.com/watch?v=z2z857RSfhk>

Links to film trailers

Trailers of the movies featured in the Ethics on Screen boxes.

Film List

Chapter 1 – Introducing Business Ethics

Erin Brockovich (2000, Universal): lightly fictionalized telling of the Pacific Gas and Electric Company case, where chemicals entered the water supply and harmed local residents. Covers issues of environmental degradation, threats to human health, sustainable business, and the difficulty of pursuing court cases against large firms.

Michael Clayton (2007, Warner Bros.): a “fixer” for a law firm has to protect his firm and its clients from a partner undergoing a breakdown. Examines issues of individual conscience, organizational culture, professional responsibilities, and how we insulate ourselves from the effects of our unethical decisions.

Film list

An annotated list of relevant movies to guide you in learning more about the issues covered in the book.

THINK THEORY 1

A good definition is an important starting point for any theory. The one we have given for business ethics is mainly a definition of business ethics as an academic subject. If you were trying to define an organization's business ethics, what definition would you use? Try writing it in the form, “An organization's business ethics are . . .”

Simply turning the academic definition of business ethics on its head renders the following:
“An organization's business ethics is its practice of addressing issues of right and wrong business situations, activities, and decisions.”

Think Theory solutions

Attempt to answer them yourself and then check your knowledge with suggested solutions for all of the Think Theory questions posed in each chapter.

Chapter 1 Multiple choice questions

Which of the following statements is correct?

- ☐ Business ethics is not a real concept as the rules and ethics of everyday life don't apply to the world of business.
- ☐ Business Ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed.
- ☐ Business ethics cannot be defined as a real concept as it is an oxymoronic term.
- ☐ Business ethics is concerned with the study of assessing the activities of a business based on their profitability.

Multiple choice questions

New for the fifth edition, the multiple choice questions allow you to test yourself on each chapter of the textbook and receive instant feedback.

Introducing Business Ethics
Ethics on Screen: Wolf of Wall Street
 Wolf of Wall Street (IMDb website):
<http://www.imdb.com/title/tt0933269/>
 The real-life Wolf of Wall Street is an unlikely advocate of ethics.
<http://www.theglobeandmail.com/report-on-business/international-business/is-business-real-life-wolf-unlikely-advocate-of-ethics/article1590235/>
 The book that prompted the film:
<http://www.amazon.ca/Wolf-of-Wall-Street-Jordan-Belfort/dp/0953361275>
 The Wolf of Wall Street Cart's Design
<http://www.myspace.com/news/features/jordan-belfort-2013-12/>
 'Murks' discovers 'The Wolf of Wall St':
<http://www.bbc.com/news/health-2013-12-01>

Ethics Careers Guide

As a student studying business ethics, you might be interested in pursuing a career involving ethical issues. The appeal is considerable: a career in ethical business can unite the dynamic world of business with a sense of greater meaning and greater contribution to the common good. Moreover, ethical business can bring significant resources and unique problem-solving capabilities to today's most pressing social and environmental problems. Being part of this change can be uniquely rewarding. The good news is that ethical practices and ethics-oriented programs are increasingly common in the business world. This has led to a burgeoning field of ethics-oriented careers, and a wide array of opportunities for you to pursue. So the jobs are out there. The challenge is to find an ethics-oriented career that plays to your background, qualifications, and capabilities, as careers in ethical business typically do not follow a standard career path. To work in ethical business, you will need talent,

Block, U. 1996. 'What Is Globalization?'. Cambridge: Polity Press.
 This book provides an overview of the issues related to globalization.
 Cragg, W. Ed. 2012. *Business and Human Rights*. Cheltenham: Edward Elgar.
 Recent edited collection that provides an extremely helpful overview of how businesses impact human rights.
 Donaldson, T. 1996. 'Values in Tension: Ethics Away from Home', *Harvard Business Review* (May-June): 46-52.
 This piece reviews issues related to cross-cultural ethics.
 Dunphy, D., Benveniste, J., Griffiths, A. and Sutton, S. 2005. 'Sustainability: The Corporate Challenge of the 21st Century', *Allen & Unwin Academic*, New S. Wales.
 Introduction to sustainability issues from an Australian perspective.
 Dunphy, D., Griffiths, A., & Bens, S. 2003. 'Organizational change for corporate sustainability: A guide for leaders and change agents of the future', *Abingdon: Routledge*.

Structured Workshop Chapter 1

Workshop purpose:

- Engage students' moral imagination through relating business ethics to recent news events and situations they might have faced that are ethics related and familiarise the students with some of the basic theory and research in the area of business ethics.

Depending on the length of the workshop, a selection can be made of the following exercises, designed to stimulate discussion, critical analysis and knowledge gain.

Why is business ethics important?

1. Power and influence of business in society
2. Potential to provide major contribution to society
3. Potential to inflict harm
4. Increasing demands from stakeholders

McEthics in Europe and Asia: Should McDonald's extend its response to ethical criticism in Europe

This case examines ethical criticisms of the US fast food giant McDonald's, and explores demands for the company to extend their vigorous efforts to restore their dented credibility in Europe, to markets in Asia. The case focuses on the problems of obesity and unhealthy eating that have confronted the company, which are presented in the context of the broader critique of the chain. These issues cover many of the key concepts around ethics, globalization, and sustainability that we have discussed in Chapter One. It offers a chance to explore the company's actions in Europe and to reflect on their broader application.

Annotated web links

Links to websites relevant to all the Cases, Ethics in Action, Ethics on Screen, and, new for this edition, Practitioner Spotlights features included in the chapters, providing you with the opportunity for exploring issues in more detail.

Ethics careers guide

Information about the careers that are available to you in the field of business ethics.

Further reading

Annotated links for additional readings have been provided as guides to finding out more about the issues raised within each chapter and to help you locate useful academic literature in the field.

For lecturers

Ideas for structured workshops

New for the fifth edition, these are suggested class activities for use in seminars to encourage student engagement.

PowerPoint slides

A full set of chapter-by-chapter lecture slides including all of the main points and figures in the text, fully customizable to suit your own presentation style.

Teaching notes

Suggested answers, teaching suggestions, and further resources for all Ethics in Action features, Ethical Dilemmas, Ethics on Screen, and end-of-chapter Cases.

Case

Dispensing 'the less orthodox inducements'—BAE Systems and the global defence industry

This case is concerned with a series of major scandals that have rocked the defence industry, most notably concerning the UK company, BAE Systems. The case discusses the company's dealings with governments across the world, and examines the specific

Case bank

Repository of all the cases (with teaching notes) from the previous editions of the book, so that you can still get access to all the tried and tested cases you have used in the past.

What is Crane and Matten's definition of sustainability?

- ☐ a. Sustainability means the capacity of a business to survive over time whilst contributing to the local community and protecting the local environments in which it operates.
- ☐ b. Sustainability means that business must extend its goals beyond that of adding economic value, to incorporate adding environmental and social value also.
- ☐ c. Sustainable development is development that meets the needs of the present without compromising the ability future generations to meet their own needs.
- ☐ d. Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations.

Test bank

A ready-made electronic testing resource to help assess your students' learning of the key points in the text. The test bank can be customized to meet your teaching needs.

Course Outline: Business Ethics

Course Aims:

This course explores the ethical challenges facing business today, and how individuals and firms can address those challenges. The course aims to enhance the skills and expertise of participants in through combining examination of ethical and managerial theory with discussion of common ethical problems in context. Course material includes individual moral theory, the development of ethical organizational culture, the development of ethical management systems designed to respond to ethical challenges, and wide-ranging discussion regarding major trends, challenges, and opportunities in the field of ethical business.

Sample course outline

A sample course outline for instructors specifying course aims, student skills, weekly subjects, and key readings.

ACKNOWLEDGEMENTS

First off, we would like to thank all the students and fellow instructors who over the years have provided such great feedback in developing the successive editions of *Business Ethics*. We are also grateful to the legions of anonymous OUP reviewers who have taken the time to provide detailed comments and suggestions on the book throughout its five editions. We would like to thank Simon Oldham for research assistance on the new edition and for his hard work in updating the online resource materials. We particularly acknowledge advice that was provided in compiling Chapter 3 by Sareh Pouryousefi and Janet Borgerson, Chapter 5 by Kostas Iatridis, and Chapter 11 by Stephanos Anastasiadis. Other contributors directly and indirectly to whom we are grateful include: Md. Nazmul Hasan, Colin Higgins, Sanjukta Choudhury Kaul, Lauren McCarthy, Vivek Soundararajan, and Scott Taylor. Special thanks are also due to all the contributors to this edition who participated in the new 'Practitioner Spotlight' feature. Others who have provided help are acknowledged at the relevant places in the book.

The fifth edition sees the introduction of Sarah Glozer and Laura J. Spence to the Crane and Matten team, enabling some fresh perspectives which we hope our readers will find valuable. Our sincere thanks go to our respective universities—the University of Bath (Crane and Glozer), Royal Holloway, University of London (Spence), and Schulich School of Business (Matten) for providing us with the time, resources, and support without which the book would not have been possible. More importantly still, our families deserve a huge thank you for being patient and supportive as we have dedicated time and energy towards the book.

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Unless otherwise stated, all websites mentioned in the text were last accessed in December 2018.

Sarah Glozer
Laura J. Spence
Andrew Crane
Dirk Matten
December 2018

FRONT COVER

The image used on the front cover is taken from a series of photos that focus on the 'Info Ladies' in Bangladesh. In this image, one of the Info Ladies helps two relatives connect over Skype, one of whom is working in Saudi Arabia. The Info Ladies offer a series of vital services as in Bangladesh less than a quarter of the population uses the internet, and access is both slow and expensive. Once they have been trained for three months in using a laptop, mobile phone, and a digital camera the Info Ladies fan out across some of the most remote parts of the country to offer villagers anything from Skype calls to distant relatives, and help with filling out online forms, to pregnancy tests, photographs, and farming advice. The project was launched by local NGO Dnet in 2008.

Cover image: © GMB Akash / Panos Pictures

Paper

This book is printed on paper that has been accredited by the Forest Stewardship Council. FSC members comprise a diverse group of representatives from environmental and social groups, the timber trade, paper industry, forestry profession, indigenous people's organizations, community forestry groups, and forest product certification organizations from around the world. It is their job to ensure that the forests are managed to protect wildlife habitat and respect the rights of local communities.

All products carrying the FSC Logo have been independently certified as coming from forests that meet the internationally recognized FSC Principles and Criteria of Forest Stewardship. Certification involves inspection and auditing of the land from which the timber and pulpwood originate and tracking it through all of the steps of the production process until it reaches the end user. The FSC is an international non-profit organization to support the world's forests. It is an example of a business-civil society organization (CSO) collaboration, like others discussed in Chapter 10.

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The authors and Oxford University Press are immensely grateful to the following reviewers, who provided invaluable feedback at multiple stages of the writing of this edition of the book. This feedback informed the book's development and has helped to ensure that it fulfils its aims.

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PART A

Understanding Business Ethics

- 1 Introducing Business Ethics
- 2 Framing Business Ethics: Corporate Responsibility, Stakeholders, and Citizenship
- 3 Evaluating Business Ethics: Normative Ethical Theories
- 4 Making Decisions in Business Ethics: Descriptive Ethical Theories
- 5 Managing Business Ethics: Tools and Techniques of Business Ethics Management



Introducing Business Ethics

Having completed this chapter you should be able to:

- Provide a basic definition of business ethics.
- Describe the relationship between business ethics and the law.
- Distinguish between ethics, morality, and ethical theory.
- Evaluate the importance of business ethics as an academic subject and as a practical management issue in organizations.
- Specify ethical challenges in different types of organizations.
- Describe how globalization represents a critical context for business ethics.
- Elaborate on different international perspectives on business ethics, including European, Asian, and North American perspectives.
- Explain how the 'triple bottom line' of sustainability is a key goal for business ethics.

Key concepts

- Business ethics
- Race to the bottom
- Globalization
- Comparative analysis of business ethics
- Sustainability

WHAT IS BUSINESS ETHICS?

'A book on business ethics? Well, that won't take long to read!'

'You're taking a course on business ethics? So what do you do in the afternoon?'

'Business ethics? I didn't think there were any!'

These are not very good jokes. Still, that has not stopped a lot of people from responding with such comments (and others like them) whenever students of business ethics start talking about what they are doing. And even if these are not particularly funny jokes, nor even very original, they do immediately raise an important problem with the subject of business ethics: some people cannot even believe that it exists!

Business ethics, it is sometimes claimed, is an oxymoron (Prasad and Agarwal 2015). By an oxymoron, we mean the bringing together of two apparently contradictory concepts, such as in 'a cheerful pessimist' or 'a deafening silence'. To say that business ethics is an oxymoron suggests that there are not, or cannot be, ethics in business: that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations). For example, it has long ago been said that the 'game' of business is not subject to the same moral standards as the rest of society, but should be regarded as analogous to a game of poker, where deception and lying are perfectly permissible (Carr 1968).

To some extent, it is not surprising that some people think this way. A long list of scandals has highlighted the unethical way in which some firms have gone about their business. However, just because such malpractices take place does not mean that there are not some kinds of values or principles driving such decisions. After all, even what we might think of intuitively as 'bad' ethics are still ethics of a sort. And clearly it makes sense to try to understand why those decisions get made in the first place, and indeed to try to discover whether more acceptable business decisions and approaches can be developed.

Revelations of corporate malpractice should not, therefore, be interpreted to mean that thinking about ethics in business situations is entirely redundant. After all, as various writers have shown, many everyday business activities require the maintenance of basic ethical standards, such as honesty, trustworthiness, and co-operation (S-W 2018). Business activity would be impossible if corporate directors always lied; if buyers and sellers never trusted each other; or if employees refused ever to help each other. Similarly, basic principles of fairness help ensure that people in business feel adequately rewarded for working hard rather than being evaluated on irrelevant criteria such as how good they are at golf or the type of shoes they wear.

It would also be wrong to infer that scandals involving corporate wrongdoing mean that the *subject* of business ethics is in some way naïve or idealistic. On the contrary, it can be argued that the subject of business ethics primarily exists in order to provide us with some answers as to *why* certain decisions should be evaluated as ethical or unethical, or right or wrong. Without systematic study, how are we able to offer anything more than vague opinions or hunches about whether particular business activities are acceptable?

Whichever way one looks at it, there appears to be good reason to suggest that business ethics as a phenomenon, and as a subject, is not an oxymoron. While there will inevitably be disagreements about what exactly constitutes 'ethical' business activity, it is possible at least to offer a fairly uncontroversial definition of the subject itself. So, in a nutshell, we regard the subject of **business ethics** as the study of business situations, activities, and decisions where issues of right and wrong are addressed.

Business ethics The study of business situations, activities, and decisions where issues of right and wrong are addressed.

It is worth stressing that by 'right' and 'wrong' we mean morally right and wrong, as opposed to, for example, commercially, strategically, or financially right or wrong. Moreover, by 'business' ethics, we do not mean only commercial businesses, but also government organizations, pressure groups, not-for-profit businesses, charities, and other organizations. For example, questions of how to manage employees fairly, or what constitutes deception in advertising, are equally important for organizations such as Wikimedia, Seoul National University, or the German Christian Democrat Party as they are for Facebook, Samsung, or Deutsche Bank (for detailed discussion of ethics in different types of organizations see the section 'Business ethics in different organizational contexts' later in this chapter).

THINK THEORY

A good definition is an important starting point for any theory. The one we have given for business ethics is mainly a definition of business ethics as an *academic subject*. If you were trying to define an *organization's* business ethics, what definition would you use? Try writing it in the form, 'An organization's business ethics are ...'.



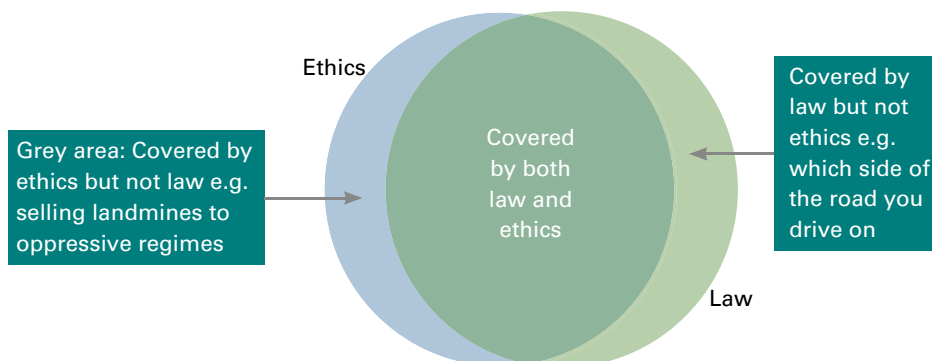
Visit the online resources for a suggested response.

BUSINESS ETHICS AND THE LAW

Having defined business ethics in terms of issues of right and wrong, one might quite naturally question whether this is in any way distinct from the law. *Surely the law is also about issues of right and wrong?*

This is true, and there is considerable overlap between ethics and the law. In fact, the law is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions. Nevertheless, the two are not equivalent. Perhaps the best way of thinking about ethics and the law is in terms of two intersecting domains (see Figure 1.1). The law might

Figure 1.1 The relationship between ethics and the law



be said to be a definition of the minimum acceptable standards of behaviour. However, the law does not explicitly cover every possible ethical issue in business—or for that matter outside of business. For example, just as there is no law preventing you from being unfaithful to your significant other (although this is perceived by many to be unethical), so there is no law in many countries preventing businesses from testing their products on animals, selling landmines to oppressive regimes, or preventing their employees from joining a union—again, issues that many feel very strongly about.

Similarly, it is possible to think of issues that are covered by the law but which are not really about ethics. For example, the law prescribes whether we should drive on the right or the left side of the road. Although this prevents chaos on the roads, the decision about which side we should drive on is not an ethical decision as such.

In one sense then, business ethics can be said to begin where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong. Discussion about the ethics of particular business practices may eventually *lead* to legislation once some kind of consensus is reached, but for most of the issues of interest to business ethics, the law typically does not currently provide us with guidance. For this reason, it is often said that business ethics is about the ‘grey areas’ of business, or where there is no clear legal guidance and, as Treviño and Nelson (2014: 39) put it, ‘values are in conflict’. **Ethical Dilemma 1** presents one such situation that you might face where values are in conflict. Read through this and have a go at answering the questions at the end.

We should note before we proceed that **Figure 1.1** is of course simplified. The law is not as static as it implies, since it evolves in most countries over time, and is of course different in different states. There is also the tricky question of cases where the law itself is unethical—we could think of instances where the law denies the rights of all people to vote (called universal suffrage), or disadvantages one ethnic group over another, or denies individuals the right to choose a marriage partner. Such examples are historically documented, but continue to be relevant today. In 2018, for instance, gay sex was made legal in India, leaving the open question of whether the law, prior to that, was ethical. Such examples are not represented in **Figure 1.1**, which assumes an ethical relevance to the law when dealing with moral issues.

As we shall see many times over in this book, the problem of trying to make decisions in the grey areas of business ethics, or where values may be in conflict, means that many of the questions we face are equivocal. What this suggests is that there simply may not be a definitive ‘right’ answer to many business ethics problems. It is often not just a matter of deciding between right and wrong, but between courses of action that different actors, for different reasons, both believe are right—or both believe are wrong. Consider the case of bottled water. Critics, such as *The Story of Bottled Water Project’s* Annie Leonard (2010), argue that it promotes needless consumption, creates waste, and has been deceptively advertised as superior to tap water. The dangers of excessive plastic waste have become a high-profile environmental, consumer, and business issue, with claims that a million single-use plastic bottles are bought per minute around the world (Laville and Taylor 2017). Proponents, such as Nestlé, nevertheless contend that bottled water meets customers’ need for convenience, encourages more healthy lifestyles (by substituting for sugary drinks), and has a low carbon footprint compared to other bottled drinks (Kitts 2013).

With issues such as bottled water, as well as countless others including sweatshop working conditions, executive compensation, or corporate tax avoidance, we can see that business ethics

ETHICAL DILEMMA 1 No such thing as a free drink?

Jenna, a good friend of yours who studies at the same university, has been complaining for some time to you that she never has any money. She decides that she needs to go out and find a job, and after searching for a while, is offered a job as a bartender in the student bar at your university. She gladly accepts and begins working three nights a week. You are pleased too, not only because it means that Jenna will have more money, but also because it means you will continue to see her regularly—after all, you are a regular customer at the bar!

Jenna enjoys the extra income that the job brings. She also seems to enjoy the work. You are rather pleased with developments since you notice that whenever you go up to the bar, Jenna always serves you first regardless of how many people are waiting.

After a short while, though, it becomes apparent that Jenna is not enjoying the job quite as much as she did. Whenever you see her, she always seems to have a new story of how the bar manager has mistreated her. She tells you how she has been getting the worst shifts, always getting chosen to do the least-popular jobs (like cleaning the washrooms), and being constantly reprimanded for minor blunders that seem to go uncensored for the rest of the staff.

This goes on for a short while and then one day, when you are in the bar having a drink with some of your other friends, Jenna does something that you are not quite sure how to react to; when you go up to pay for a round of four drinks for you and your other friends, she discreetly only charges you for one drink. While you are slightly uncomfortable with this, you certainly do not want to lose the opportunity to save some money, or even worse, to get your friend into any kind of trouble by refusing. And when you tell your other friends about it, they think it is great fun and congratulate you for the cheap round of drinks! In fact, when the next one of your friends is due to go and buy some drinks, he instead asks you to take his money, so that you can do the same trick for him. Although you tell him to get his own drinks, Jenna continues to undercharge you whenever it is your turn to go to the bar.

This goes on for a number of visits. You are happy to get the cheap rounds at the bar but you are not 100% comfortable with what is going on. You decide to at least say something to Jenna when no one else is around. However, when you do end up raising the subject she just laughs it off and says, 'Yeah, it is great isn't it? They will never notice, and you get a cheap night out. Besides, it is only what this place deserves after the way I have been treated.'

QUESTIONS

1. Who is wrong in this situation—Jenna for undercharging you, you for accepting it, both of you, or neither of you?
2. Confronted by this situation, how would you handle it? Do nothing, or ask Jenna to stop undercharging you? If you take the latter option, what would you do if she refused?
3. To what extent do you think that being deliberately undercharged is different from other forms of preferential treatment, such as Jenna serving you in front of other waiting customers?
4. Does the fact that Jenna feels aggrieved at the treatment she receives from her boss condone her behaviour? Does it help to explain either her actions or your actions?

problems tend to be very controversial and open to widely different points of view. In this sense, business ethics is not like subjects such as accounting, finance, engineering, or business law where you are supposed to learn specific procedures and facts in order to make objectively correct decisions. Rather, it is about gathering relevant evidence, and systematically analysing it

through particular lenses and tools (as discussed in more detail in Chapter 3) in order to come to an informed decision that has taken account of the most important considerations. So studying business ethics should help you to make *better* decisions, but this is not the same as making unequivocally *right* decisions. Business ethics is principally about developing good *judgement*.

DEFINING MORALITY, ETHICS, AND ETHICAL THEORY

Some of the controversy regarding business ethics is no doubt due to different understandings of what constitutes morality or ethics in the first place. Before we continue, it is important for us to sort out some of the terminology we are using.

In common usage, the terms ‘ethics’ and ‘morality’ are often used interchangeably. This probably does not pose many real problems for most of us in terms of communicating and understanding things about business ethics. However, in order to clarify certain arguments, many academic writers have proposed clear differences between the two terms (e.g. Crane 2000; Gert and Gert 2017). Unfortunately, though, writers have offered somewhat different distinctions, thereby potentially serving more to confuse us than clarify our understanding.¹ Nonetheless, we do agree that there are certain advantages in making a distinction between ‘ethics’ and ‘morality’. Following the most common way of distinguishing between them:

Morality is concerned with the norms, values, and beliefs embedded in social processes which define right and wrong for an individual or a community.

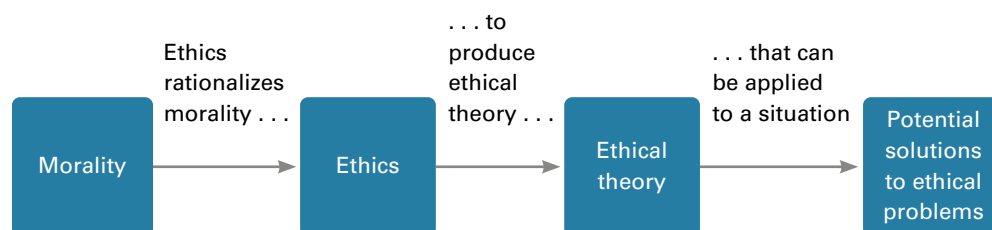
Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine morally acceptable courses of action.

Ethical theories are the codifications of these rules and principles.

According to this way of thinking, morality precedes ethics, which in turn precedes ethical theory (see Figure 1.2). All individuals and communities have morality, a basic sense of right or wrong in relation to particular activities. Ethics represents an attempt to systematize and rationalize morality, typically into generalized normative rules that supposedly offer a solution to situations of moral uncertainty. The outcomes of the codification of these rules are ethical theories, such as rights theory or justice theory.

A word of caution is necessary here. The emergence of the formal study of ethics has been aligned by a number of authors (e.g. Bauman 1993; Johnson and Smith 1999) with the modernist Enlightenment project, and the idea that moral uncertainty can be ‘solved’ with recourse to human rationality and abstract reasoning. As we shall show in Chapters 3 and 4, this has come under increasing attack from a number of quarters, including feminists and postmodernists. However, it is important at this stage to recognize that *ethics* is about some form of

Figure 1.2 The relationship between morality, ethics, and ethical theory



rationalization of *morality*. The importance of this distinction will hopefully become clearer, and will certainly become more pertinent, as we start to examine these and other theories (in Chapter 3), as well as assessing how they feed into ethical decision-making in business (in Chapter 4). Indeed, contributing to the enhancement of ethical decision-making is one of the primary aims of this book, and of the subject of business ethics more generally. In the next section, we shall briefly review this and some of the other reasons why studying business ethics is becoming increasingly important today across the globe.

WHY IS BUSINESS ETHICS IMPORTANT?

Business ethics remains a very prominent topic, and debates surrounding the subject have attracted a lot of attention from various quarters, including consumers, the media, non-governmental organizations (NGOs), and, of course, companies themselves. This attention to ethics confronts organizations, whatever line of business they might be in. In *Ethics in Action* 1.1, for example, the case of supporting employment for people with disabilities in the dynamic Indian Information Technology (IT) industry shows the challenges faced in changing culture and embedding ethical practice in an organization.

There are many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities or as managers seeking to improve their decision-making skills. Consider the following:

1. **Business has huge power within society.** Business affects almost every aspect of our lives, and can even have a major impact on the democratic process of government. Evidence suggests that many members of the public are uneasy with such developments. For instance, one poll revealed that a large majority of the US population believe that powerful groups such as senior politicians (60%), lobbyists (58%), and advertisers (34%) have very low levels of honesty and ethical standards.² This raises a host of ethical questions and suggests we need to find new answers to the question of how we can either restrain this power or ensure that it is used for social good rather than the exploitation of the less powerful.
2. **Business has the potential to provide a major contribution to our societies.** Whether in terms of producing the products and services that we want, providing employment, paying taxes, acting as an engine for economic development, or solving complex social problems, business can be a tremendous force for good. How, or indeed whether, this contribution is actually realized in practice goes to the heart of the business ethics debate. European research suggests 49% of people think the contribution of business to society is overall negative. So while there is potential for a positive contribution, business has some reputational challenges to overcome, or perhaps needs seriously to reflect on the quality of the contribution made (European Commission 2013).
3. **Business malpractice has the potential to inflict enormous harm on individuals, communities, and the environment.** When the Rana Plaza building collapsed in Bangladesh in 2013, more than 1,000 garment workers stitching clothes for suppliers of Western retailers died, having been forced to return to work after the building was evacuated and declared unsafe (Reinecke and Donaghey 2015). Most ethical issues are not as extreme as the risk of death, but business does impinge on the health and welfare of individuals, the security of communities, and the natural environment.

Ethics in Action 1.1 Tackling the talent crunch in Indian IT

Sanjukta Choudhury Kaul

The Indian IT industry is hugely important with over 50% of revenue coming from international markets, particularly Europe and the USA, accounting for 7.7% of the country's gross domestic product.¹ The brutally competitive sector is fraught with challenges—pricing pressures, changing business models, a turbulent global political context, and, not least, an extreme talent crunch—a skilled labour shortage. This is the story of one human resources (HR) manager of an Indian IT business and her experience in trying to do her job responsibly and ethically.

Meera, an HR professional with several years of industry experience, was excited about her new role at Futuristic Technologies, a financial services technology start-up headquartered in Bengaluru (known as India's 'Silicon Valley'), with employee strength of 200 people. A determined professional, driven by passion for her work, Meera wanted to bring her corporate experience to the start-up. As a rapidly growing young business there was an urgent need to quickly formalize processes and systems for attracting and retaining talent, offering competitive pay and nurturing a high-performance work environment.

The business had a pretty standard start in life, with energetic entrepreneurs focused on the products offered rather than the organization itself. Nikhil and Deepak, the 30-something founders of Futuristic Technologies, had met abroad a few years ago. They quickly developed a professional partnership, applying their technical competencies and passions to create their first start-up. The first-generation entrepreneur-duo were ambitious, smart, and public relations savvy. While extremely competent with their technical skills and deep product knowledge, Nikhil and Deepak had little patience in building a people-centric organization. Their start-up was facing the typical critical challenges in terms of locating, hiring, and retaining the existing workforce. Therefore, when one of their mentors recommended getting Meera for the job of HR manager, given her outstanding past experience, they swiftly acted to get her on board.

Nikhil and Deepak repeatedly articulated to Meera the urgency of 'quickly locating the right kind of young talent and skills who will fit the fast-paced company'. Given the fight for talent, this was going to be tricky. Meera realized she needed to think outside the box. She started looking for inspiration in the Futuristic Technologies employee database. Her brow furrowed as she realized that 87% of the employee base were men between the ages of 27 and 35, belonging to a specific religion. Nearly 90% of recent new employees had been hired from just two of the neighbouring Indian states, and in a multilingual country, nearly the whole company spoke a single Indian language. Meera was the only woman with a senior role in the firm. Diversity, in terms of gender, age, disability, sexual orientation, race, ethnicity, and religion, simply was not a part of the strategy. The vast majority of the employees looked, sounded, and to all intents were the same as the founders. Though not surprised, as she pushed away from the desk and walked to look through the large glass window of her office, Meera wondered why the business seemed to use cloning as a hiring strategy. This did not seem to be either an ethical or productive way forward.

Over the next few months, Meera increasingly became convinced that, going forward, the main challenge for Futuristic Technologies was to build a well-diversified workforce. Apart from a gut feeling that this was the right thing to do, she was also influenced by a meeting with an impressive non-governmental organization (NGO), Inclusive India Foundation, which pursues social and economic independence for people with a disability through training and education. The organization had placed several professionals with some of the large Indian IT companies, and had acted as facilitators for businesses, creating better understanding of people with a disability as employees through their programmes and workshops. This might be just what we need, Meera reflected. Meanwhile, she also knew about regulatory changes in the country and the passing of the Rights of Persons with Disabilities Bill (2016). Time to act, she thought; I will present my ideas at the next weekly meeting of the leadership team.

¹ Some of the details of this case have been adapted for publication.

As Meera stood up to give her presentation, she was pleased that she had managed to get some attention from the corporate leadership for her agenda to bring people with disabilities into the firm, tackling the unethical approach to diversity and the talent crunch in one go. Applauding her for some great ideas at the end of her presentation, Deepak excitedly said, 'You have the full support of the Board, but this must go under our corporate social responsibility (CSR) initiative. At Futuristic Technologies we must do something to solve the problem of these unfortunate people'. Nikhil chipped in, 'This is great, Meera, but I am not sure if the deaf and dumb people can do our complex jobs. But Futuristic Technologies must reserve financial support for the initiative; in any case the new regulation is still very ambiguous and I am not sure if it is binding for private businesses of our size and specialization.' The language her bosses used shocked her, and was a symbol of what she was up against. With great difficulty, Meera managed a half smile as she realized the voluminous gap between her vision and that of her bosses. As she steeled herself for the next course of action, it occurred to her that diversifying the talent pool for Futuristic Technologies was going to be a long road. What had seemed like a terrific proven project to start the process in earnest was being seen as a quirky project of no ethical or strategic value except as a PR stunt.

It dawned on Meera that no single project was going to change things in the long term, though it might help shift perceptions in the short term. What was needed was a cultural change, and some serious conversations about the values and ethics enacted through the business. She literally rolled up her sleeves, and thought, 'Right. Where shall we begin?'

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QUESTION

If, as we have argued, business ethics is not an oxymoron, what do you think about the tension that some business people feel between acting ethically and the perception of what is most effective for the business? In the case of employing people with disabilities in the Indian IT industry, is it ethical, good business, neither, or both? Are there differences in the approach in the short and long term?



Visit the online resources for web links to useful sources of further information.

4. The demands being placed on business to be ethical by its various stakeholders are becoming more complex and challenging. It is critical to understand these challenges and to develop responses to them that address the demands of stakeholders but also enable firms to perform their economic role effectively. Getting this balance right remains a vital challenge for managers.
5. Employees face significant pressure to compromise ethical standards. For example, a survey of 600 accountants in 23 European countries found that the majority (64%) had

been put under pressure to act unethically during their professional career, with about a third admitting to succumbing to the pressure.³ Studying business ethics provides us with a way of looking at the reasons behind such infractions, and the ways in which such problems might be dealt with by managers, regulators, and others interested in improving ethical practice.

6. **Business faces a trust deficit.** Globally, only 52% of the general public trust business, reserving particular ire for the media, which only 43% trust. Enhancing business ethics will be a critical component in restoring that trust in the future, and the majority of people look to business to take a lead on this.⁴

Having identified some of the reasons why business ethics is important, we should also make it clear that there are a number of problems with the subject of business ethics. The limits of the business ethics discipline have been a subject of discussion for decades (e.g. Stark 1994; Sorrell 1998), even prompting one team of business ethics textbook authors to admit that ‘we are not particularly fond of “business ethics”’ (Jones et al. 2005: 1). After all, despite many years of business ethics being researched and taught in colleges and universities, ethics problems persist and the public remains sceptical of the ethics of business. However, in the main, these concerns are directed at how theories of business ethics have been developed and applied (see Fryer 2016), rather than questioning the importance of business ethics as a subject per se.

There appears to be a growing consensus regarding the importance of addressing questions of business ethics, whether on the part of students, academics, governments, consumers, or, of course, businesses. Modules in business ethics are now being run in universities across much of the world. As *Businessweek* magazine put it, ethics and profits is the ‘B-Schools’ new mantra’ (Stonington 2011). There has also been an outpouring of books, and magazine, journal, and newspaper articles on the subject, as well as web pages, blogs, and other electronic publications—amazon.com currently lists more than 20,000 books related to business ethics, while a Google search on ‘business ethics’ returned more than 180 million hits at the time of writing. Even through television and cinema, business ethics issues are reaching a wide audience. There are high-quality documentaries such as *Ethics on Screen 1, All the Queen’s Horses*, which tells the startling story of a financial controller’s systematic corruption in small-town America. Films such as *The Big Short*, the subject of *Ethics on Screen 6*, raise a number of critical business ethics issues and have played them out to millions of viewers across the globe.

Similarly, we have witnessed significant growth in what might be regarded as the business ethics ‘industry’, i.e. corporate ethics officers, ethics consultants, ethical investment trusts, ethical products and services, and activities associated with ethics auditing, monitoring, and reporting. One UK survey, for instance, estimates the country’s ‘ethical market’ (i.e. consumer spending on ethical products and services) to be worth something like £78 billion annually.⁵ The ethical market ranges from organic and fair trade foods to responsible holidays, energy-efficient products, ethical banking, and ethical clothes. As *Ethics in Action 1.2* shows, organizations such as Ethics Girls have sprung up to help consumers navigate these new market niches—and to promote the idea that ethics is important for consumers too.

What is clear then is that business ethics has been recognized as increasingly important, and has also undergone rapid changes and developments during the past decade or so. This has been the case not only in large corporations, but also in small and medium-sized enterprises (SMEs), in public sector bodies (such as the case of the city of Dixon in *Ethics on Screen 1*), and

Ethics in Action 1.2 Ethical fashion for Ethics Girls

Want to buy a new pair of jeans, but also care about how much the workers were paid to make them? Think there may be space in your life for an iPhone case made from upcycled fire hose and reclaimed parachute silk? Well, being ethical does not have to mean being unfashionable anymore, at least not according to the UK-based Ethics Girls organization. The Ethics Girls seek, as they put it, to 'set the example' in 'ethical fashion, shopping and ideas'. Featuring a shop, magazine, and even the opportunity to become a member of the Ethics Girls co-operative, they promise to 'take the guilt out of ethical consumption, to make life and our choices simpler'.

Unlike some ethical shopping sites, such as the Ethical Consumer organization's online buyers' guides (which provide detailed scorecards for a wide range of products in numerous categories), Ethics Girls do not claim to have a particularly robust research methodology. Their approach is style led rather than research led, with an emphasis on lifestyle journalism and the promotion of positive choices among young women. And perhaps more than anything, it shows the continuing transformation and maturation of the marketplace as a place for ethical shoppers of all kinds—and not just diehard activists—to go for advice, information, and inspiration.

SOURCES

Ethics Girls website: <http://www.ethicsgirls.co.uk>.

Ethical Consumer website: <http://www.ethicalconsumer.org>.

QUESTIONS

Have you ever changed your decision about what to buy on the basis of ethics?

1. What factors might influence you and why? You might consider factors such as who has produced the product, what they were paid, the conditions they worked in, what environmental damage was done, how the product can be disposed of or recycled.
2. What brands do you know which have a reputation for ethics?



Visit the online resources for web links to useful sources of further information.

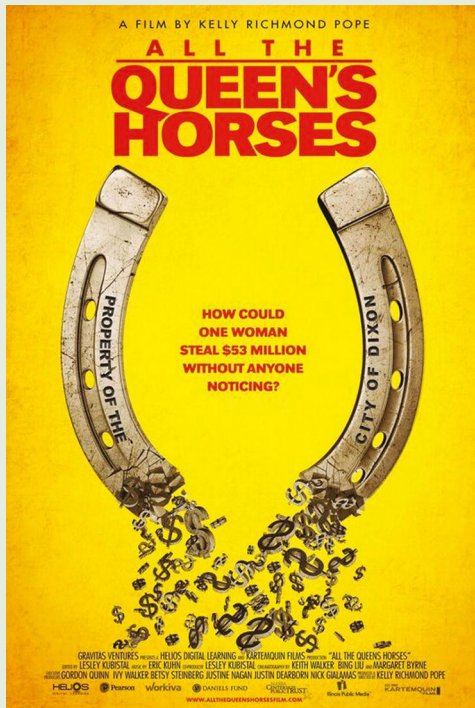
non-profit organizations too. Let us now take a closer look at how business ethics issues might be manifested in these rather different organizational contexts.

BUSINESS ETHICS IN DIFFERENT ORGANIZATIONAL CONTEXTS

It should be clear by now that whatever else we may think it of it, business ethics clearly matters. It matters not just for huge multinational corporations like McDonald's, Nestlé, Shell, or HSBC, but also for a range of other types of organizations. Some of the issues will inevitably be rather similar across organizational types, while others differ considerably.

For example, if we look at differences across industrial sectors, it is clear that some issues are simply more important than others, as Anja Schaefer (2013) has noted, and examples of which are shown in Table 1.1.

Such sector differences as shown in Table 1.1 are still more pronounced in smaller firms that are built around their product or service rather than taking on the form of large bureaucratic systems, which may be more similar whatever the business sector.

ETHICS ON SCREEN 1 *All the Queen's Horses*

All the Queens Horses, directed by Kelly Richmond Pope. Courtesy of Kartemquin Films / Helios Digital Learning

Small town. Large fraud. Global problem

Kelly Richmond Pope is an accounting professor who got so intrigued by a particular case of financial fraud that she ended up making this documentary about it. While some documentaries are pursuing a very clear agenda, Richmond Pope manages to offer a balanced account of what, in the end, is both unethical and illegal activity. Going beyond the obvious ideas around the bad character of one individual, she pushes further, to also investigate the culpability of individuals and organizations which enabled one person's fraudulent and deeply unethical behaviour to play out.

The story begins by acknowledging that no one would ever have guessed that a small city in Dixon, Illinois in the USA was home to a world-class thief, who embodied corrupt practices and lacked any sense of responsibility for the people she worked with. At least, no-one guessed for 20 years, during which time Rita Crundwell—financial controller and treasurer, and a trusted member of the small, tight-knit community—embezzled US\$53 million. It was Rita's close colleague, Kathe Swanson, who sounded the alarm when she by chance spotted large amounts of the city's money being trans-

ferred into a personal account care of Rita Crundwell. Ever the accountant, Crundwell unwittingly helped the subsequent FBI investigation because she kept very good records of her fraud. She covered her tracks by generating fake invoices that were then paid into her secret account. Her success lay in the simplicity of the process and the position of overarching authority which she held, and because, as one Dixon resident put it, 'people just trusted her so well'. Another resident notes that she was a nice person because she *had* to be, to maintain that trust.

Where did all that money go? With somewhat of a raised eyebrow, *All the Queen's Horses* tells us that Rita had a hobby—she bred a particular breed of horse at world championship level, and this helped to hide her unexplained wealth. Her tracks were covered by curious and spurious rumours of how much money she made from her horses. But then she spent her money locally and many people benefitted. In a sick twist, whether consciously or not, the names of Rita's horses pointed to her questionable wealth—'Jewellery by Tiffany' and 'Packin' Jewels' were two examples. Rita loved horses. It turned out that she owned an astounding 400 show horses on 22 farms across many States.

Giving us a bigger picture to the scandal, Kelly Richmond Pope puts the case in context. The city of Dixon was running a huge deficit. A similar neighbouring city noticed this and alerted Dixon, but nothing was done at the time. This white-collar crime was far from victimless—year after year, cuts were made in Dixon's budget and amenities affecting public safety, public projects, and infrastructure in the town. The FBI determined that, while Rita didn't have a formal accomplice, many factors made it possible for her to be such a successful fraudster, covering a range of areas of business ethics.

All the Queen's Horses unpacks some of the issues for us directly. First, the governance structure in the organization was weak, which meant that no-one had regular oversight of what Rita was doing, and neither did they recognize that this might be a problem; it was just considered normal, and was arguably a culture of negligence. Any irregularities in the finances were accepted without question, if only because everyone trusted Rita. The other people with governance responsibility were not sufficiently aware of the financial statements they were approving. The auditors responsible for the veracity of the accounts, Clifton, should have been aware of course, but they were lax in their approach, not recognizing the dubious nature of the fake invoices. They also turned out not to be properly independent, since they both created and audited the City of Dixon accounts, as well as dealing with Crundwell's personal tax returns (and never questioning her vast, unexplained income). Such poor practices violated accounting professional ethics, and a settlement was agreed out of court between Clifton and the City of Dixon. Finally Third Bank, which held the fraudulent account, also conceded that they should have questioned some of the irregularities, and they too settled out of court. Multiple layers of questionable competence and ethics enabled Rita Crundwell's fraudulent behaviour. Does Crundwell get her comeuppance? Watch *All the Queen's Horses* to find out.



Visit the online resources for web links to useful sources of information related to this film.

THINK THEORY

The case depicted in *All the Queen's Horses* is both illegal and unethical. How do you think the people who worked with Rita Crundwell felt about her activities? In your view, were they most upset by the illegality or the poor ethics or both?



Visit the online resources for a suggested response.

Table 1.1 Business ethics issues in some key business sectors

Sector	Key issues
Chemical industry	Competitive practices, environmental responsibility, health and safety, human rights.
Construction industry	Employment issues including modern slavery, health and safety, provenance of raw materials, environmentally sustainable construction (waste reduction, demolition, energy saving, CO ₂ emissions), community and supply chain relationships.
Supermarkets	Healthy eating (especially sugar and salt content and pricing strategies), food and packaging waste (especially plastics), power in supply chain relationships, supply chain CO ₂ emissions, community relationships, local economic decline of town centre locations.
Information and mobile technology	Competitive practices, fair pricing, global production methods, data protection, protection of consumers (especially children) from harmful materials, energy usage, and CO ₂ emissions.
Financial services	Weak regulation, financial crime, responsible lending, sales practices and consumer protection, tax evasion and avoidance.

Source: Adapted from Schaefer (2013)

BUSINESS ETHICS IN LARGE VERSUS SMALL COMPANIES

Small businesses (often referred to as SMEs or small and medium-sized enterprises) typically differ in their attention and approach to business ethics compared to large firms. Much of the business ethics literature has tended to overlook this group of businesses, despite their importance as the main drivers for economic growth. SMEs make up over 95% of most private sector economies (Soundararajan, Jamali, and Spence 2018), the vast majority of which have fewer than ten employees and are known as micro-businesses. Definitions vary, but a straightforward measure commonly used across Europe for an SME is firms with fewer than 250 employees. While individual impact may be limited, in the European Union, for example, collectively SMEs account for over two thirds of private sector employment, and when the financial sector is excluded, well over 50% of value added (Eurostat 2018). In developing countries, the importance of SMEs to community prosperity—and poverty avoidance—is still more pronounced (Soundararajan, Spence, and Rees 2018).

As we show in Table 1.2, in comparison to large firms, civil society (by this we mean non-profit, charity, or non-governmental organizations), and public sector organizations, SMEs experience different issues in business ethics, including the lack of time and resources that small business managers have available to focus on ethics, their autonomy and independence with respect to responsibilities to other stakeholders, and their informal, trust-based approach to managing ethics (Spence 1999). Proximity to stakeholders is a driving feature, meaning that employees and community members are of key importance (Lähdesmäki et al. 2017). Accordingly, on-the-ground (and digital) relationships lie at the heart of ethics in SMEs (Spence 2016a).

Large corporations, on the other hand, tend to have much more formalized approaches to managing business ethics. They have considerably more resources available to develop

Table 1.2 Differences in business ethics across organizational types

	Large corporations	Small businesses	Civil society organizations	Public sector organizations
Main priorities in addressing ethical issues	Financial integrity, employee/customer issues	Employee and community issues	Delivery of mission to clients; integrity of tactics; legitimacy and accountability	Rule of law, corruption, conflicts of interest; procedural issues, accountability
Approach to managing ethics	Formal, public relations and/or systems-based	Informal, personal relationship and trust-based	Informal, values-based	Formal, bureaucratic, regulated
Responsible and/or accountable to	Shareholders and other stakeholders	Owners and family members	Donors and clients	General public, higher-level government organizations
Main constraints	Shareholder orientation; size and complexity	Lack of resources including time	Lack of resources and formal training	Inertia, lack of transparency

sophisticated ethics and compliance management programmes. That said, they are constrained by the need to focus on profitability and shareholder value, as well as the very size, bureaucracy, and complexity of their own operations and the often global supply chain.

BUSINESS ETHICS IN PRIVATE, PUBLIC, AND CIVIL SOCIETY ORGANIZATIONS

In one sense, private, public, and civil sector organizations face some similar ethical issues. Indeed, despite some historical differences, the level of ethical violations observed by employees in different sectors appears to be converging in some ways. However, in other ways, these types of organizations operate in different ethical contexts. While private sector businesses will tend to be responsible primarily to their shareholders or owners, the main responsibilities of civil society organizations (CSOs) are to the constituencies they serve (and to a lesser extent their donors). In the public sector, more attention is paid to higher-level government and the general public. Typical ethical issues prioritized by government agencies will be those of the rule of law, corruption, conflicts of interest, public accountability, and various procedural issues involved in ensuring that resources are deployed fairly and impartially (Moilanen and Salminen 2007). This is usually reflected in a formalized and bureaucratic approach to ethics management, often dictated by regulation. An example here is the UK Public Services (Social Value) Act 2013, which requires those commissioning public services to think about how they can also secure wider social, economic, and environmental benefits.

CSOs, on the other hand, will often be more informal in their approach, emphasizing their mission and values and focusing resources on their cause rather than organizational issues. CSOs may be limited in terms of the resources and training they may typically be able to deploy in relation to managing ethics, whereas government organizations are often restricted by a heavy bureaucracy, which breeds inertia and a lack of transparency to external constituencies.

Although brief, the summary of some of the differences in business ethics across organizational contexts provided in Table 1.2 should give you some of the flavour of the challenges that managers may face in each type of organization. In this book, we will generally focus more on large corporations than the other types—principally because most of our readers will probably end up working in such organizations. However, as we go through, we will also highlight issues pertinent to small firms, and in the latter part of the book in particular, we will discuss in much fuller detail business ethics issues in CSOs (Chapter 10) and government (Chapter 11). Before we move on, though, we need to consider another important context—namely the global nature of business ethics today.

GLOBALIZATION: A KEY CONTEXT FOR BUSINESS ETHICS?

Globalization has become one of the most prominent buzzwords of recent times and an integral part of contemporary society. In the business community, in particular, there has been considerable enthusiasm about globalization and the business opportunities it is seen to offer. Businesses search for new employees worldwide, supply chains span multiple continents, and global brands such as Coca-Cola, Adidas, and Huawei are now an everyday feature even in the remotest African village. But as much as many businesses (as well as many consumers and employees) have enjoyed the fruits of globalization, they have also experienced a downside. As William

Parrett, the former Chief Executive Officer of Deloitte Touche Tohmatsu (one of the 'Big Four' accounting firms), commented at the World Economic Forum (WEF) in Davos:

One effect of globalization has been that risk of all kinds—not just fiscal, but also physical—have increased for businesses, no matter where they operate. Information travels far and fast, confidentiality is difficult to maintain, markets are interdependent and events in far-flung places can have immense impact virtually anywhere in the world.

So, globalization clearly has some negative effects, even for the business community. But beyond this, it is noteworthy that over the past two decades a significant 'anti-globalization' protest movement has also emerged. Some meetings of global organizations such as the WEF, the World Trade Organization (WTO), or the G8, for example, have been accompanied by criticism and occasionally even violent protest. Hackers have targeted global companies such as Amazon and Sony, while successive battles over fair trade, poverty, food prices, water access, and financial stability have kept the ethical spotlight on the process of globalization. The 'Occupy' movement of the early 2010s, though it had mixed long-term results, revitalized a strident critique of 'corporate globalization'.⁶

In the context of business ethics, this controversy over globalization plays a crucial role. After all, corporations—most notably multinational corporations (MNCs)—are at the centre of the public's criticism on globalization. They are accused of exploiting workers in developing countries, destroying the environment, and, by abusing their economic power, engaging developing countries in a so-called '**race to the bottom**'. However true these accusations are in practice, there is no doubt that globalization is the most current and demanding arena in which corporations have to define and legitimize the 'rights and wrongs' of their behaviour.

Race to the bottom A process whereby multinationals pit developing countries against each other, by allocating foreign direct investment to countries that can offer them the most favourable conditions in terms of low tax rates, low levels of environmental regulation, and restricted workers' rights.

WHAT IS GLOBALIZATION?

Globalization is not only a very controversial topic in the public debate, it is also a very contested term in academic discourse.⁷ This is partly due to controversy about its merits and downsides, as we have just alluded to. Moreover, it often gets mixed up with similar ideas such as '*internationalization*', '*Westernization*', or '*homogenization*' (Scholte 2005). While we can say that globalization has many facets, it is useful to understand what its influence is on the role of business. Let us first consider some recent examples that get to the heart of what globalization is.

- The countries of the European Union have been in various states of lingering financial crisis for over a decade. In particular, the fiscal problems of Greece, Ireland, Spain, and Italy have at different times had a substantial effect, not only on the wider system of state finances in the countries of the Eurozone, but far beyond in global financial markets. More recently we have seen the wave of populism, not least in the UK resulting in the vote to leave the European Union in 2016 (known as Brexit), the election of political outsider Donald Trump in the USA (also in 2016), and the rise in elected legitimacy of

extreme parties on both the left and right in continental Europe (on the left, Podemos in Spain and Syriza in Greece; on the right, the National Front in France and the Sweden Democrats) (Cox 2018). Globalization entails that *events, which have local roots, have knock-on effects far beyond* in seemingly disconnected places.

- Global climate change has gradually been acknowledged as a critical problem to address across the world. While some companies have taken steps to reduce their emissions and a number of countries have issued regulations limiting greenhouse gas emissions, it is clear that solutions to this global problem can only be achieved if we develop global agreements. The Kyoto Protocol and the Paris Agreement on Climate Change make it very clear that *global problems need global solutions*—and finding these solutions and maintaining global commitment has become one of the big unresolved challenges in managing global issues.
- Luckily, most of us have not been personally affected by acts of terror. But we all are affected by terrorism as we have to go through enhanced security checks in airports, public buildings, or mass events, or have encountered difficulties in getting a foreign visa—just to name some examples. Globalization has led to a situation where *events, people, or ideas from faraway places can have a very palpable effect on people in otherwise unconnected locations and situations*.

The game-changing feature of ‘globalization’ is that it makes real-time social, political, economic, and cultural exchanges possible between people or organizations without any need for direct physical contact. **Globalization** makes these interactions possible regardless of how close or how far away the different partners are actually located from each other.

Globalization The ongoing integration of political, social, and economic interactions at the transnational level, regardless of physical proximity or distance.

To get a good grasp on what globalization means, two main developments in the last few decades are particularly important.

The first development is *technological* in nature. Modern communications technology, from the telephone through to the internet and digitalization, opens up the possibility of connection and interaction between people, despite the fact that there are large geographical distances between them. Furthermore, the rapid development of global transportation technologies allows people to easily meet with other people all over the globe. While Marco Polo had to travel for many months before he finally arrived in China, people today can step on a plane and, after a passable meal and a short sleep, arrive some time later on the other side of the globe. Territorial distances play a less and less important role today. The people we do business with, or that we make friends with, no longer necessarily have to be in the same place as us.

The second development is *political* in nature. Territorial borders have traditionally been the main obstacles to worldwide connections between people. Thirty years ago, it was still largely impossible to enter the countries in the communist Eastern bloc without lengthy visa procedures, and even then, interactions between people from east and west were very limited. With the fall of the iron curtain and substantial liberalization efforts elsewhere (for instance within the EU), national borders have been eroded and, in many cases, have even been abolished. In Europe, you can drive from Lapland to Sicily without stopping at a single national border. More recently, there has been a backlash against this process of integration, with an increased

resentment of migration and free movement, as we discuss in more detail in Case 7. Globalization is a dynamic, continually evolving process.

Nevertheless, political and technological developments mainly account for the massive proliferation and spread of supra-territorial connections. These connections may not always necessarily have a global spread in the literal sense of worldwide coverage, but they no longer need a geographical territory to take place, and territorial distances and borders do not restrict them (Scholte 2005).

We all enjoy various elements of globalization already. For instance, due to the modern communication infrastructure, many of us could closely follow the 2018 FIFA World Cup in Russia, or the wedding in the same year of Prince Harry and Meghan Markle in the UK, live on TV—regardless of our actual location at the time. Such events are global, not in the sense that they actually happen all over the world, but because millions of people follow them, and to some extent take part in them, regardless of the fact that they are in Woolloomoola, Windsor, Washington, or Warsaw. Or think of many of our consumption decisions: we can potentially drink the same Heineken beer, drive the same model of Toyota car, or buy the same expensive Jimmy Choo shoes almost wherever we are in the world—we do not have to be in Amsterdam, Tokyo, or London. Certain global products are available all over the world and if we go out to eat ‘Chinese’, ‘Mexican’, or ‘Italian’, we normally do not have to travel to a certain geographical territory. Or think of the way we do our personal banking: our banks no longer store or provide access to our money in a single geographic location. Most people have a bank card that allows them to withdraw money all over the world, or we can pay our bills via internet banking at home in Istanbul, or while sitting in a cafe in India.

Global communications, global products, and global financial systems and capital markets are only the most striking examples of globalization in the world economy. There are many other areas where globalization in this sense is a significant social, economic, and political process. As we shall now see, globalization also has significant implications for business ethics.

GLOBALIZATION AND BUSINESS ETHICS: A COMPLEX GLOBAL SPACE TO MANAGE

Globalization, as defined in terms of the closer integration of economic activities, is particularly relevant for business ethics, and this is evident in three main areas—culture, law, and accountability.

Cultural issues

As business becomes less fixed territorially, so corporations increasingly engage in overseas markets, suddenly finding themselves confronted with diverse, sometimes even contradictory, ethical demands. Moral values that were taken for granted in the home market may get questioned as soon as corporations enter foreign markets (Bailey and Spicer 2007). For example, attitudes to racial and gender diversity in North America may differ significantly to those in Middle Eastern countries. Similarly, Chinese people might regard it as more unethical to sack employees in times of economic downturn than would be typical in Europe. Again, while Scandinavians tend to regard child labour as strictly unethical, some South Asian countries might have a different approach. Or consider the case of IKEA, which in 2018 rejected an actor for an advert for Ikea Greece on the basis that he ‘can’t be black for the Greek market’.⁸ Was IKEA

right to adapt to local standards or was it wrong to compromise its own standards of anti-discrimination and human rights?

The reason why there is potential for such problems is that, while globalization results in the 'deterritorialization' (Scholte 2005) of some processes and activities, in many cases there is still a close connection between the local culture, including moral values, and a certain geographical region. For example, Europeans largely disapprove of capital punishment, while many Americans appear to regard it as morally acceptable. Gun ownership, similarly, is considered normal in South Africa and Canada, but controversial in Japan or Australia. This is one of the contradictions of globalization. On the one hand, globalization makes regional difference less important, since it brings regions together and encourages a more uniform 'global culture'. On the other hand, in eroding the divisions of geographical distances, globalization reveals economic, political, and cultural differences and confronts people with them. This dialectical effect has been a growing subject for research over the past decade (see for instance Iyall Smith 2013).

THINK THEORY

Capital punishment and gun ownership are interesting issues to think about when considering globalization theory and cultural dimensions of ethics, but they only have tangential elements of business responsibility as such. Can you think of some similar examples that a business might have to deal with?



Visit the online resources for a suggested response.

Legal issues

A second aspect is closely linked to what we said previously about the relationship between ethics and law. The more economic transactions lose their connection to a certain territorial entity, the more they escape the control of the respective national governments. The power of a government has traditionally been confined to a certain territory; for example, French laws are only binding on French territory, UK laws on UK territory, and so on. As soon as a company leaves its home territory and moves part of its production chain to, for example, an emerging economy, the legal framework becomes very different. Consequently, managers can no longer simply rely on the legal framework when deciding on the right or wrong of certain business practices. If, as we said earlier (see section 'Business ethics and the law'), business ethics largely begins where the law ends, then globalization increases the demand for business ethics because globalized economic activities are beyond the control of national (territorial) governments. One striking example of how companies might skilfully benefit from these confines of the law are the tax avoidance strategies of Apple, Google, Starbucks, and Amazon, who have all been criticized for paying only marginal amounts of tax. Through a complex system of transfer pricing between subsidiaries and by exploiting differences in tax legislation in various countries of operation, these companies were able to minimize their tax payment without breaking the letter of the law in any particular jurisdiction. More recently, new legislation in the UK has sought to tackle these excesses.⁹

Accountability issues

Taking a closer look at global activities, it is easy to identify corporations as a dominant actor on the global stage: multinationals own the mass media that influence much of the information

and entertainment we are exposed to, they supply global products, they pay our salaries, and they pay (directly or indirectly) much of the taxes that keep governments running. Furthermore, one could argue that MNCs are economically as powerful as many governments. For example, the revenue of Walmart is larger than the gross domestic product (GDP) of many major economies including Australia, South Korea, and India (Myers 2016). However, whereas the Australian government has to be accountable to the Australian people and must face elections on a regular basis, the managers of Walmart are formally accountable only to the relatively small group of people who own shares in the company. The communities in the USA, the UK, or Chile that depend directly on the company's investment decisions, however, have next to no influence on them and, unlike a regional or national government, Walmart is, at least in principle, not legally accountable to these constituencies.

What this means is that the more economic activities become global, the less governments can control them, and the less they are open to democratic control by the people affected by them. Consequently, the call for direct (democratic) accountability of MNCs has become louder in recent years, as evidenced, for example, by the Occupy movement, which we mentioned above. Put simply, globalization leads to a growing demand for *corporate accountability*. We shall examine this argument fully in Chapter 2, but this is a clear example of why business ethics is in demand, since it offers the potential for corporations to examine and respond to the claims made on them by various stakeholders. Indeed, globalization can be seen to affect *all* stakeholders of the corporation, as we shall discuss in Part B of this book. Some examples of these impacts are presented in Table 1.3.

Table 1.3 Examples of the ethical impacts of globalization on different stakeholder groups

Stakeholders	Ethical impacts of globalization
Shareholders	Globalization provides potential for greater profitability, but also greater risks. Lack of regulation of global financial markets, leading to additional financial risks and instability.
Employees and workers	Corporations outsource production to developing countries in order to reduce costs in the global marketplace—this provides jobs but also raises the potential for exploitation of employees through poor working conditions.
Consumers	Global products provide social benefits to consumers across the globe but may also meet protests about cultural imperialism and Westernization. Globalization can bring cheaper prices to customers, but vulnerable consumers in developing countries may also face the possibility of exploitation by MNCs.
Suppliers and competitors	Suppliers in developing countries face regulation from MNCs through supply chain management. Small-scale indigenous competitors are exposed to powerful global players.
Civil society (pressure groups, NGOs, local communities)	Global business activity brings the company into direct interaction with local communities, thereby raising the possibility for erosion of traditional community life. Globally active pressure groups emerge with the aim to 'police' the corporation, in countries where governments are weak and corrupt.
Government and regulation	Globalization weakens governments and increases the corporate responsibility (CR) for jobs, welfare, maintenance of ethical standards, etc. Globalization also confronts governments with corporations from regions with different cultural expectations about issues such as bribery, corruption, taxation, and philanthropy.

GLOBALIZATION AND BUSINESS ETHICS: LOCAL CHALLENGES TO ADDRESS

So far in this section we have accentuated the homogenizing effects of globalization: it creates a distinctive space where business faces similar ethical questions worldwide. Paradoxically, though, globalization also has an opposite effect on business: the more business becomes global, the more it gets exposed to regions and countries where ethical values and practices are still vastly different. From this perspective it is important to note that the formal academic subject of business ethics is largely a North American invention and has most of its roots, and a large part of its traditions, in the US, while, for instance in Europe, it only became visible from the beginning of the 1980s (van Luijk 2001). In presenting a text from an international perspective, we believe that, although many of the original ideas in business ethics have been, and still are, very useful in, say, the African, Latin American, or Asian context, there are definite limits to the transfer of North American approaches into the rest of the world. For instance, the European context poses some distinctly different questions, which are not necessarily on the agenda from an American perspective (Spence 2002). Likewise, Asia has quite a distinct historical, philosophical, and religious legacy, giving rise to a different approach to the study, as well as the practice, of business ethics in Asia (Kalleberg and Hewison 2013; Ip 2009). At another level, it is also critical to think beyond developed countries in shaping our knowledge and understanding of business ethics. After all, it is in emerging economies and the developing world where many ethical issues in business are most pressing (Soundararajan, Spence, and Rees 2018), and insights from Asian, African, and Latin American ethical perspectives are therefore essential for situating business ethics in a truly global context.

INTERNATIONAL VARIETY IN APPROACHES TO BUSINESS ETHICS

Various authors have claimed that there are certain fundamental differences in the way in which business ethics is practised and studied in different parts of the world. Much of this early work initially focused on Europe and North America (e.g. van Luijk 1990; Vogel 1992, 1998), but there have also been studies emerging since then on Africa (Naude 2017; Rossouw 2005; Visser et al. 2006), Australasia (Collins et al. 2009; Jonson et al. 2015), Latin America (Haslam 2007; Vives 2007), and Asia (Kalleberg and Hewison 2013; Ip 2009). In this section, we shall look at these differences in relation to six key questions and discuss some of the specifics of business ethics in various regions or countries globally. An example of this discussion with regard to three key regions is summarized in Table 1.4. In so doing, we recognize that, given their cultural diversity and geographical spread, some regions such as Africa or Asia are perhaps harder to generalize about than Europe or North America. However, the point is not to make an absolutely definitive statement about business ethics in different regions of the world, but to show that any approach to business ethics is likely to be driven by the cultural and historical context of the region or country.

Who is responsible for ethical conduct in business?

North America is typically said to exhibit a strong culture of individualism, suggesting that individuals are responsible for their own success. Hence, if there are demands for solving ethical questions, it would be the individual who is usually expected to be responsible for

Table 1.4 Regional differences from a business ethics perspective: the example of Europe, North America, and Asia

	Europe	North America	Asia
Who is responsible for ethical conduct in business?	Social control by the collective	The individual	Top management
Who is the key actor in business ethics?	Government, trade unions, corporate associations	The corporation	Government, corporations
What are the key guidelines for ethical behaviour?	Negotiated legal framework of business	Corporate codes of ethics	Managerial discretion
What are the key issues in business ethics?	Social issues in organizing the framework of business	Misconduct and immorality in single-decision situations	Corporate governance and accountability
What is the dominant stakeholder management approach?	Formalized multiple stakeholder approach	Focus on shareholder value	Implicit multiple stakeholder approach, benign managerialism

making the right choices. There is some impressive literature dealing with individual ethical decision-making emanating from the US (as we shall discuss in Chapter 4), and many US textbooks focus on decision-making at this level (Schwartz 2017; Treviño and Nelson 2014). In Asia, however, hierarchy is generally much more important, and so top management is typically seen as responsible for ethical conduct. Similar perspectives can be found in Africa or India, where long-standing tribal and close-knit family-based communities tend to embed the individual in a broader social context in which responsibility for decisions is more a collective than an individual matter. Somewhat similarly, in Europe it has traditionally been thought that it is not the individual business person, nor even the single company, that is primarily expected to be responsible for solving ethical dilemmas in business. Rather, it is a collective and overarching institution, usually the state. European business ethics has therefore tended to focus more on the choice *of* constraints compared with the North American approach of focusing on choice *within* constraints (Enderle 1996). A specific flavour of this approach can then be found in Central Europe and post-communist countries, where individuals have tended to assign responsibility for ethical behaviour primarily to the larger collective or bureaucratic entities that govern economic or social life (Lewicka-Strzalecka 2006).

Comparative analysis of business ethics. Understanding the differences in cultural norms and moral values between different countries and regions is an important skill in business ethics. Comparative analysis helps you to understand that key issues, actors, and guidelines for ethical conduct always need to be understood in the specific geographic context where a business operates.

Who is the key actor in business ethics?

In North America, in most (but not all) areas, the institutional framework of business ethics has traditionally been fairly loose, so that the key actor has tended to be the corporation. This,

at least partly, explains the rather practical approach to business ethics evident in the North American approach (Enderle 1996). Similarly, given that business ethics is particularly important when the law has not yet codified the 'right' or 'wrong' of a certain action, this would also seem to partially explain the longer legacy of business ethics as an academic subject in North America. However, the identification of the corporation as the key actor in North America also means that corporate misconduct tends to face greater enforcement and harsher penalties (Vogel 1992).

Conversely, in most European countries there is quite a dense network of regulation on most of the ethically important issues for business. Workers' rights, social and medical care, and environmental issues are only a few examples where it could be said that European companies have not traditionally had to give much consideration to the moral values that should guide their decisions. These questions have, at least in principle, been tackled by the government in setting up a tight institutional framework for businesses. Examples range from the Scandinavian welfare state to the German codetermination system and the strong position of trade unions and workers' rights in France (Matten and Moon 2008).

In Europe, governments, trade unions, and corporate associations have therefore been key actors in business ethics. A similar focus on government tends to be evident in the Asian perspective, although it is corporations rather than trade unions that have typically been involved with governments in this activity. For example, in Japan, firms are interconnected with one another and with the government through *keiretsu* arrangements, while South Korea exhibits a similar *chaebol* structure. In China, many large corporations are still state owned. Hence, engagements with business ethics in Asia often look to both governments and corporations as key actors.

Moving to developing countries in Africa or Latin America, however, the so-called 'third sector', i.e. non-governmental organizations (NGOs), is often a key player within the arena of business ethics. One of the reasons for this lies in the fact that governments in these regions are often underfunded or even corrupt, and, therefore, provide limited guidance or legal frameworks for ethical decision-making. In Latin America, for instance, NGOs are the key players in organizing, incentivizing, or co-ordinating ethical initiatives by business (Haslam 2007). NGOs also partner with business (and governments) in public-private partnerships to address urgent ethical issues, such as poverty, disease, or lack of education—as we will discuss in more detail in Chapter 10.

What are the key ethical guidelines for ethical behaviour?

The differing character and extent of the legal frameworks globally to some degree necessitates different approaches to business ethics. Similarly, it also suggests that whereas the key practical guidelines for ethical behaviour in some regions, such as in Europe, tend to be codified in the negotiated legal framework of business, in Asia there is greater managerial discretion, giving rise to a more organic and flexible approach to ethical decision-making that places considerable emphasis on personal virtues and collective responsibility and relationships (Koehn 2016). In North America, there is a strong reliance on rules and guidelines for business conduct, but rather than coming from government (as in Europe), these tend to come from businesses themselves in the form of corporate codes of ethics and internal compliance programmes (Matten and Moon 2008). Nonetheless, these are often put in place to avoid the potentially hefty fines that accompany breaches by organizations or individuals of particular US law (known as the US federal sentencing guidelines) (Vogel 1992).

As the Asian context suggests, these differences become even more pronounced once we leave the context of Western and industrialized countries. Deon Rossouw (2005: 98), for instance, argues that business ethics in the African context is predicated on the philosophy of *Ubuntu*, a value system in which the ‘commitment to co-existence, consensus, and consultation’ is prized as the highest value in human interaction. While Rossouw infers that *Ubuntu* explains the absence of shareholder supremacy in African corporate governance, the somewhat similar Chinese notion of *guanxi* exposes a general tension with these traditional values: they sometimes fly in the face of certain fundamental Western ethical beliefs. The *guanxi* idea puts close, reciprocal, trusting interpersonal ties at the core of human interaction, which has led some commentators to mistakenly question whether in Chinese business relations, the *guanxi*-informed practice of gift-giving in fact amounts to little less than an indifference to bribery (Ho and Redfern 2010).

What are the key issues in business ethics?

This contrast is often manifested in the types of issues deemed important within business ethics in different contexts. This becomes evident when looking at contemporary US business ethics textbooks, since they tend to accord a considerable amount of space to issues such as privacy, workers’ rights, salary issues, and whistleblowing, to name just a few. These are deemed to be the responsibility of the individual company, since the state, in principle, does not take full responsibility for regulating these issues.

The European approach, in contrast, has tended to focus more on social issues in organizing the framework of business. Hence, European business ethics textbooks have tended to include greater consideration of subjects such as the ethics of capitalism and economic rationality (Enderle 1996). In Asia, concerns about the responsible organization of business have given rise to a focus on ethical issues in relation to corporate governance and the accountability of management for practices such as mismanagement and corruption. Specifically in China, the latter issue is high on the agenda of the government, exemplified by the fact that some of the biggest business ethics scandals to hit the country have led to arrests and even the execution of corrupt officials (Ip 2009).

In the developing world in general, there seems to be a predominant focus on the ethical obligations of business to provide jobs that pay a living wage, and to provide fairly priced goods and services (Visser 2008). Next to these basic economic functions of business, ethical considerations in the developing world place a particular expectation on multinationals—particularly foreign ones—to contribute to local development, healthcare, and education.

What is the most dominant stakeholder management approach?

Another important aspect that follows from the above is the variety in institutional arrangements shaping the form and purpose of corporations in different countries (Husted et al. 2016). European corporations, in general, are smaller than their North American counterparts, and may be more likely to see multiple stakeholders (as opposed to simply shareholders) as the focus of corporate activity. European, African, and Asian models of capitalism are not so dominated by the drive for shareholder value maximization, compared with North American companies. European companies are often managed by large executive and supervisory boards, with a considerable amount of interlocking ownership structures between companies and close bank relations (van Luijk 1990). Asian companies also feature a great deal of structural