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LEVEL 6
BUSINESS ETHICS AND SUSTAINABILITY

ABE • OFFICIAL STUDY GUIDE

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Author: Karen Cripps BA (Hons), MSc, PhD
Reviewer: Colin Linton MRes MBA PGCHE DipM DipFS FCIB FCIM FCIPS FCIEA FHEA FInstLM

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Using your study guide

Welcome to the study guide **Level 6 Business Ethics and Sustainability**, designed to support those completing an ABE Level 6 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities developed
Element 1: Theoretical perspectives on business ethics (20%)	• Ability to analyse theoretical concepts relating to business ethics • Ability to apply theoretical concepts relating to business ethics to practical industry examples • Ability to manage learning through systematic secondary research *Analysis, application, research, critical thinking, application of theory*
Element 2: Corporate social responsibility and sustainability principles (20%)	• Ability to communicate personal points of view effectively through debates, presentations and written reports • Ability to analyse and debate ethical dilemmas • Ability to synthesise complex information to develop reasoned recommendations *Communication, ethical practice, synthesis of complex information, making reasoned arguments*
Element 3: Implementing CSR policies (20%)	• Awareness of CSR and its importance • Ability to identify and evaluate the opportunities to develop ethical business practice through CSR • Ability to identify and evaluate the challenges to developing ethical business practice through CSR • Ability to understand the implementation of CSR policies and reporting procedures for triple bottom line approaches *Corporate social responsibility, evaluation and analysis, policy implementation, ethical business practice*
Element 4: Sustainability (20%)	• Ability to understand the concept of sustainability in relation to the business context • Ability to identify the drivers for sustainability, and the arguments for and against it • Ability to identify and discuss the common elements of sustainability that impact business organisations • Ability to assess the factors that an organisation must consider when developing a sustainability strategy *Planning, analysis, strategy, sustainability considerations, impact of business behaviour*
Element 5: Business ethics in responsible management practice (20%)	• Ability to evaluate and discuss different approaches to solving ethical dilemmas • Ability to reflect on ethical business considerations in making responsible management decisions • Development of investigative understanding through real life case studies • Working independently and in teams *Analysis of alternative arguments and approaches, problem solving, decision-making, investigation, team working, independent working*

This study guide follows the order of the syllabus (except where indicated in the text), which is the basis for your studies. Each chapter starts by listing the syllabus learning outcome covered and the assessment criteria.

L6 descriptor

Knowledge descriptor (the holder…)	Skills descriptor (the holder can…)
• Has advanced practical, conceptual or technological knowledge and understanding of a subject or field of work to create ways forward in contexts where there are many interacting factors. • Understands different perspectives, approaches or schools of thought and the theories that underpin them. • Can critically analyse, interpret and evaluate complex information, concepts and ideas.	• Determine, refine, adapt and use appropriate methods and advanced cognitive and practical skills to address problems that have limited definition and involve many interacting factors. • Use and, where appropriate, design relevant research and development to inform actions. • Evaluate actions, methods and results and their implications.

The study guide includes a number of features to enhance your studies:

'Over to you': activities for you to complete, using the space provided.

Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.

'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.

'Need to know': key pieces of information that are highlighted in the text.

Examples: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading list: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout denoting **glossary terms** located at the end of the study guide.

Note
Website addresses current as of August 2017.

Business ethics and sustainability

Unit introduction

This unit will develop your understanding of managerial and organisational principles through considering the role of ethics in business operations, including corporate social responsibility and sustainability. You will examine the origins, theory and practice of these closely interconnected issues. Business ethics are now fundamental to all aspects of business from finance to marketing, and can demonstrate accountability to the people and environments impacted by an organisation's actions. No business is immune, and it is important that organisations are aware of the ethical issues surrounding business decisions and that employees at all levels of the organisation are familiar with the principles of ethical decision-making.

Throughout the five chapters which make up this study guide, you will consider the complexities facing international management when engaging with stakeholders from diverse cultural and ethical backgrounds, who differ in business or ethical norms. You will study ethics through the lens of a global business ethical agenda alongside local cultural insight. By the end of the study guide you will be confident to discuss both practical theoretical issues relating to ethics and the relationship between business and society in an international context.

Chapter 1

Theoretical Perspectives on Business Ethics

Introduction

This chapter will provide you with an understanding of the major ethical theories, in order to analyse their value in guiding ethical business practice. This is important, since to make good business decisions it is necessary to understand a range of perspectives. Through applying differing theoretical frameworks, you will be better able to take a structured and systematic approach to determining what is right and wrong in a given situation. This will help you to understand how individual attributes are both influenced by, and likely to influence organisational behaviour in terms of ethical practice.

Learning outcome

On completing the chapter, you will be able to:

1 Critically evaluate differing approaches to business ethics

Assessment criteria

1 Critically evaluate differing approaches to business ethics

1.1 Evaluate teleological, deontological and mixed frameworks which influence western approaches to business ethics

1.2 Evaluate how the core principles of Confucianism philosophy influence eastern approaches to business ethics

Level 6 Business Ethics and Sustainability

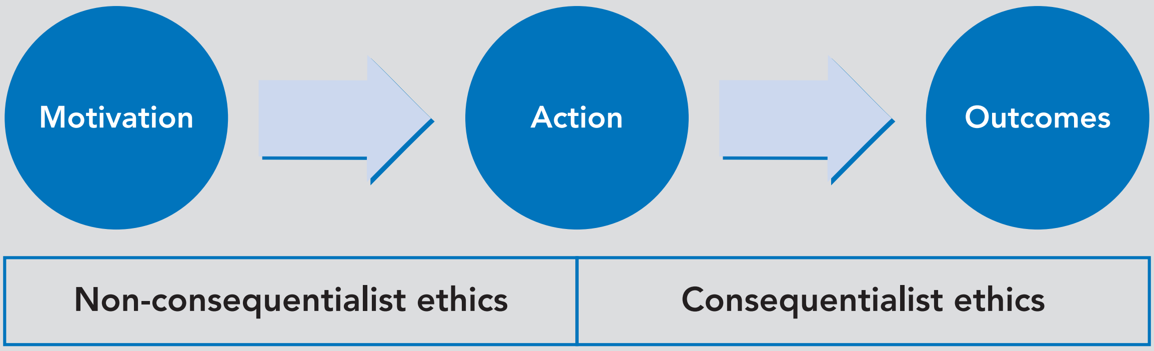
1.1 Western approaches to business ethics

NEED TO KNOW

Business ethics describes the analysis of business decisions, activities and contexts to assess issues of right and wrong through the study of moral and social responsibility.

Philosophical thinking associated with business contexts originated in the age of "modernity" in the eighteenth century. They are known as **"normative" theories** based on the fact that they make assumptions about the nature of the world and human beings. This means that the degree to which we accept the theory depends on the degree to which we agree with those assumptions.

The theories can be differentiated into two groups, according to whether they are based on a decision-maker's motivation (non-consequentialist ethics), or based on the outcome of an action (consequentialist ethics). This is shown in Figure 1.



Source: Adapted from Crane and Matten (2015)

Figure 1: Consequentialist and non-consequentialist theories in business ethics

Non-consequentialist theories suggest that actions are right or wrong based on the underlying principles being morally right. These theories are also known as "deontological" based on the Greek word for "duty", referring to a duty to act regardless of the outcome/consequences. You will study the main non-consequentialist theories of ethics of duty (**Kantianism**) and ethics of rights and justice.

Consequentialist theories are based on outcomes of actions. If the outcomes are desirable then the actions are seen as morally right, and if the outcomes are not desirable, the actions are seen as morally wrong. These theories are also known as "**teleological**" based on the Greek word for "**goal**". You will study two main consequentialist theories of "**egoism**" and "**utilitarianism**".

Non-consequentialist/Deontological ethical frameworks

These focus on the roles of duty and obligation in determining whether actions are right or wrong. The principal theories are those of Kantianism/duty and the rights of ethics/justice.

Ethics of duty/Kantianism

Immanuel Kant (1724–1804) founded the principle of "**ethics of duty**" – to act in a certain way based on unchangeable obligations. Kant believed that decisions about right and wrong are not based on particular situations or the consequences of actions, but instead by a set of pre-existing guiding principles/Universal Laws.

He termed this the "**categorical imperative**" meaning that without exception (categorical) we should act only according to universal duty (imperative), rather than consideration of factors such as who is involved in, or influenced by, decisions taken. Kant's view is that we should only act upon intentions which are universally acceptable. Key tests of whether an action can be deemed ethical are:

- **Consistency** – an action can only be deemed ethical if it would be followed by everyone in all cases, without exception. For example, murder and lying are considered immoral. This core principle is of course embedded in many major religions, but the difference is that through the Kantian view human beings are able to rationally understand and make decisions rather than look to a divine being.
- **Human dignity** – all actions should respect human dignity and other people's needs and goals. This means that people. should be treated as valuable, and not just be used in order to achieve something else.
- **Universality** – all actions should be rationally acceptable to all human beings. Therefore, you can be fairly sure that most rational human beings would agree with the rules guiding your actions.

An analysis of the Kantianism approach to business ethics should consider that there is little consideration of the outcomes of actions, and assumes that humans are rational decision-makers which of course can be disputed through actions based on egotistical behaviour (especially in a business context). It therefore does not give any consideration to "exceptions to the rule" such as whether a mother would be ethically wrong to kill someone in order to stop them from killing her child.

From this perspective, it can be suggested that people have a duty to do the "right" thing, even if that produces more harm/less good than doing the "wrong" thing. A true Kantian approach to business ethics would therefore need to ensure that the principles of consistency, human dignity and universality apply. In other words, any decisions should consider what would happen if everyone acted in this way, and how a decision would affect other people.

OVER TO YOU

Activity 1: Applying the principles of Kantian ethics

Identify how the principles of Kantian ethics can be applied to the following business practices:

- **Accessing confidential customer information from a competitor company.**
- **Offsetting carbon emissions in order to reduce the carbon footprint.**
- **Failing to recall a product which has small faults, reasoning that it is no more risky than other aspects of competitor products.**
- **Inflating anticipated profits on the balance sheet in order to attract investor confidence.**
- **Whistle-blowing on a colleague, although co-workers do not support this decision.**

Ethics of rights and justice

John Locke (1632–1704) conceptualised the concept of "natural rights", now known as "**human rights**" which expresses that all humans are entitled to basic rights regardless of gender, race, religion, nationality or any other factor. These rights can be related to Kantian duties, since a right for honesty for example implies a duty to provide honest information. Human rights essentially concern human dignity, and are therefore readily understood as part of business ethics. Many organisations produce human rights statements. However, some complexities can arise in particular cultures and contexts, since the notion of "rights" is commonly based on western views of morality.

Individual rights link to the issue of **justice** in ensuring the fair and equal treatment of all concerned (procedural justice), and ensuring that everyone gets what they deserve whether positive or negative (distributive justice). When considering how far the benefits/burdens of society should be shared, it can be difficult however to decide just how much each person deserves. In some situations for example, we might deem it acceptable for some sections of society to receive governmental financial support and assistance, but may feel differently if we perceive that such people receive more support than perceived to be "fair". John Rawls (1971) noted that any group/society is dependent upon members feeling that they are dealt with fairly/justly. This links to the Kantian view that individuals need to be treated with dignity, as equals.

But society is often not equal, inequalities exist both on a global level and on an individual level in terms of income, ability, health, social and economic status. Rawls proposes that justice is achieved when the basic freedoms associated with human rights are met, and that while inequalities are unavoidable in a competitive society, it is important that any action/decision taken ensures that even the party who benefits least overall is still better off. A decision-maker should consider if processes have been established to avoid "winners" and "losers" and to ensure everyone is treated fairly.

OVER TO YOU

Activity 2: Applying the principles of Rawls' view of justice

Identify which of the following scenarios effectively demonstrates how the principles of Rawls' view of justice can be applied to determine the "fair" treatment of stakeholders. Explain the reasons for your choice.

- **Multinational companies which source products from the developing world, using school-age children for labour. Although the children do not attend school, the companies argue that without this employment the children would be forced into worse activities such as begging, prostitution or theft.**
- **Multinational companies which take advantage of low wages in developing countries, but provide basic education and health care for the work force.**

Consequentialist/teleological frameworks

These focus on rights and wrongs according to the outcomes of decision (results-based ethics), meaning that something is deemed right or wrong depending only on the results of that act. There are two key theories associated with this approach, which deal with the outcomes in differing ways. Egoism focuses on outcomes for the decision-makers and utilitarianism focuses on the wider outcomes for the community.

Egoism

The principles of egoism are rooted in ancient Greek philosophy, and were influential in Adam Smith's (1723–1790) ideas about liberalist economics and Milton Friedman's advocacy of free markets (1912–2006). Egoism theory proposes that an action is morally right if supported by all decision-makers and is based on the assumption that since we only have limited insight into the consequences of actions, we should be free to pursue our own desires/interests.

Smith's (1793) economic view was that the pursuit of self-interest is morally acceptable because it produces a desirable outcome for society, when the marketplace is based on a system of open competition and open information (for example, ensuring no monopolistic behaviour). This means that a company might support charitable causes because it improves the reputation of the company and at the same time makes the decision-makers feel good about helping others.

Egoism is sometimes confused with the notion of being selfish, but the difference is that the egoist sees how helping others helps their own desires, while a selfish decision/action is unable to recognise the needs of others.

This links to the principle of "**enlightened egoism**" which identifies that acting altruistically (believing it is our ethical responsibility to help others) can be a deliberate strategy in order to help ourselves/serve our own interests. For example, organisations might support community projects because it improves workforce retention and staff satisfaction. Enlightened egoism/self-interest is at the heart of driving companies forward in corporate social responsibility and sustainability practices, as you will study in Chapter 2.

Egoist ethics are weakened by numerous situations where markets are skewed, and there is a lack of equality. This is apparent in the sustainability debate when considering that future generations are the victims of resource depletion, although they are not yet taking part in market decision-making.

OVER TO YOU

Activity 3: Linking actions to the principle of "enlightened egoism"

Identify how each of the following actions link to the principle of companies acting according to "enlightened egoism/self-interest":

- **Corporate philanthropy: Donations towards the building of a local school.**
- **Progressive employment practices: Family-friendly policies and medical care benefits.**
- **Environmental stewardship: Participation in environmental management programmes.**

Utilitarianism

Jeremy Bentham (1748–1832) proposed the "greatest happiness principle", and the term "utilitarianism" was introduced by John Stuart Mill (1806–1873). This theory states that actions are morally right if they result in the greatest amount of good for the greatest amount of people affected by those actions. As a consequentialist approach, it does not consider any act as right or wrong, but it depends on the consequences of that action (meaning, for example, that in some situations it would be ethically right to lie).

It is strongly consequentialist since it weighs good outcomes against bad outcomes, and encourages actions that lead to the greatest amount of good for everybody involved. This differs from egoism through considering collective welfare rather than individual interests.

This approach assumes that happiness can be measured. In making a decision, a particular "utility" can be assigned to each action and each person involved, and the action with the highest utility is seen as morally correct. In a business context, happiness is the equivalent of maximising profit, or return on investment. It fits understanding of "free market economics" (open, free and competitive market places) through assuming that contracts are only made when both parties believe it will improve their position.

Public policy is very closely connected to the utilitarianism philosophy, as decisions need to be based on results and consequences for the public good. Governmental regulation should be designed to ensure that business activities contribute to the overall good of society. Lowering interest rates for example, is neither good nor bad, but the decision should be made on whether it is likely to produce the best result for most people.

By utilitarian principles, it must be considered whether profitability has been gained at the cost of other people. This is similar to the notion of cost–benefit analysis, which in simple terms can be thought of as identifying the "pleasure" (benefits) compared to the "pain" (costs) involved in decision-making. After analysing all the good and bad effects, the relative pleasure or pain can be added up for differing actions, and the result will be the "utility" of this action. Decisions are therefore made through which actions involve the most pleasure for all parties involved.

However, the analysis of differing actions can be highly subjective depending on the perspective of who is carrying out the analysis, and it can be difficult to quantify costs and benefits to every situation. This has led to differentiation between "**act utilitarianism**" and "**rule utilitarianism**". Act utilitarianism considers whether in a single situation/particular circumstances, the collective pleasure outweighs any pain inflicted. This form of analysis can be complex. Rule utilitarianism considers the underlying principles of an action and whether it produces more pleasure than pain for society in the long run, thereby offering the possibility of applying the same principles to any situation.

OVER TO YOU

Activity 4: Conducting a basic utilitarian analysis

Conduct a basic utilitarian analysis of whether an organisation should decide to make 25% of a company's employees redundant in order to reduce costs and avoid a company going insolvent. Identify the pleasure and pain for the following stakeholders:

- **Shareholders**
- **Managers**
- **Employees who keep their jobs**
- **Employees who are made redundant**

- **Families of those made redundant**
- **Taxpayers**
- **Any other stakeholders you think relevant**

Source: Fisher et al. 2013

Virtue ethics

This is based on the character and **integrity** of the decision-maker, rather than the underlying principles or outcomes of particular actions. In this respect it has links to **Confucianism** which as you will learn in the following section, is based on cultivating virtues such as benevolence and righteousness.

Virtue ethics consider that morally correct actions are taken by those with virtuous character. Virtues can be considered as wisdom, honesty, courage, loyalty, mercy and so on. Aristotle was an early proponent of virtue ethics and considered virtuous behaviour as part of a good life. From a business perspective, a "good life" means not only economic success, but satisfied **stakeholders**.

It is very important to consider local cultures and traditions when considering what constitutes a "good life" and good virtues. For example, in some cultures it might be seen as appropriate for children to work with their family, rather than go to school to receive an education (which might be considered a western concept). A virtuous decision-maker therefore needs to be guided by organisational codes of conduct and training programmes which encourage sensitive judgement on ethical matters, and consider what a virtuous person would do in this situation.

We are not born with virtuous characters, but rather we learn to develop these traits and habits. Similarly, an organisation can seek to employ individuals with particular character traits and habits, but these are also shaped by workplace practices (as you will study in Chapter 5 with regard to developing an ethical approach through corporate **culture**).

Virtue ethics considers which type of person is making decisions, and how their character traits might be influenced by organisational practices. For example, a company which sets unrealistic sales goals may influence team members to become ruthless in the pursuit of making a sale.

OVER TO YOU

Activity 5: Applying virtue ethics to a particular profession

Identify how virtue ethics apply to a particular role/profession of your choice. Think of situations where the following virtues are important. You can add your own virtues to the suggested lists below.

Intellectual virtues: practical skills, knowledge, common sense, intuition, wisdom, resourcefulness, understanding, judgement, cleverness…

Moral virtues: courage, temperance, big-heartedness, generosity, high-mindedness, right ambition, patience, truthfulness, wittiness, friendliness, modesty…

CASE STUDY

Is McDonald's guilty of "deceptive" marketing to children? Ethical perspectives

In 2010 a US mother filed a lawsuit against the fast food chain McDonald's for unethical marketing practice towards children through providing toys in its "Happy Meals" which children nag parents for, but which arguably do not provide great nutritional value.

According to Friedman's theory of Individualism (Egoism), the company can be said to be acting ethically because its main purpose is to maximise profit. Since the meals bring happiness to children, families and staff, the restaurant is also acting ethically according to Utilitarian theory.

While McDonald's do not offer the toy because it is the morally right thing to do, and instead through a profit motive to attract children's interest in order to make profit, it satisfies most aspects of Kantian theory overall.

Virtue theory expresses the importance of showing good character through courage, honesty, temperance and justice. McDonald's is honest in communicating food nutritional values, provides a variety of products to suit differing needs, is honest about its values of providing fast food for cheap prices. From this author's view, it is therefore not guilty of deceptive marketing.

Adapted from Business Ethics Cases (2013)

OVER TO YOU

Activity 6: Ethical viewpoints

- **Do you think McDonald's takes an ethical approach to attracting children as customers?**
- **Which ethical theory do you most identify with in the analysis of this case?**

Now research another case study from the website and prepare to summarise the points below to the rest of the class:

http://businessethicscases.blogspot.co.uk/

- **Briefly describe the case and the business ethics issues involved.**
- **Set out how the issues can be analysed according to differing theoretical perspectives.**
- **Decide whether you think the company is acting ethically or not.**

1.2 Eastern approaches to business ethics

Differing cultural contexts

The section above has shown that western ethical theories are normative which means that they set out universal rules/principles which can be applied to indicate right versus wrong actions. They are based on philosophical arguments. Theories influencing eastern thought are based on Confucian theory, alongside religions such as Buddhism, Taoism and Islam. Both approaches can help indicate the "right" action. The difference is that western philosophical approaches are based on human reasoning, whereas eastern religious approaches are based on deities or teachings as a source of principles which influence ethical conduct. Eastern-influenced consequences of action imply salvation/enlightenment or damnation, whereas western philosophical-influenced theories are based on the consequence of social benefits versus harm. The differences in western and eastern ethics are shown below in Table 1.

Western ethics	Eastern ethics
Identifying truth through logic	Following tradition and showing respect to elders
Rational thought	Religious teachings
Judaism, Christianity	Hinduism, Buddhism, Confucianism and Taoism
Good must triumph over evil	Good and bad, light and dark all exist in equilibrium

Source: Difference Between (undated)

Table 1: Comparison between western and eastern ethics

REVISION on the go

Western ethical approaches are concerned with developing knowledge/identifying moral truths either by consequentialist or non-consequentialist means. The emphasis is on the individual discovering what is rationally/logically best, acting within the principles of justice and a rules-based approach. Eastern approaches are more concerned with virtuous behaviour (see the following section), the development of personal insight and judgement, relationships, showing respect and doing what is expected of you by family and society – and the universe will take care of the rest.

Western businesses emphasise **transparency** and are regulated by laws that apply to all. Businesses are based on free competition, with trust in governmental agencies to resolve issues such as fraud and **corruption**. Eastern businesses often work in systems of contradictory laws and regulations, and therefore place greater trust in social networks than the legal system. Organisational ethical approaches need to fit the societies and stakeholders in which they operate. The rest of this chapter will show how this influences all aspects of organisational life such as the degree to which employees follow set ethical codes, levels of commitment to the organisation, and attitudes towards the giving/receiving of gifts. Focus is given to the most influential approach on eastern thinking and business ethics; Confucianism.

CASE STUDY

Corporate culture in South Korea: Loosening their ties

Confucianism's philosophy, based on the importance of the family, continues to hold sway in South Korean business; companies strive to create a sense of brotherhood and belonging. Bosses are treated as father figures, and colleagues like siblings, joining in each other's family events. In return employees are expected to put in long hours at their desks – more than in any other OECD country, bar Mexico. To leave the office before higher-ups is seen as a betrayal. Late-night drinking sessions with bosses are de rigueur.

Yet companies are realising that their continued success, at home and abroad, requires an overhaul of the working culture that made them so big in the first place. At home, the changing expectations of younger workers – who are increasingly educated abroad, and less willing to sacrifice their home life for their corporate family – are forcing companies to rethink how they recruit. They are also grappling with how to manage their foreign operations: send out Koreans to run them, or put locals in charge? If the latter, should they try to impose Korean corporate ways on them?

Piecemeal change has been under way for decades. Relapsing back into old ways is unlikely to work, however, given the reluctance of younger employees to tolerate the strictures of the typical South Korean workplace. Their expectations are "totally different" from those of their parents, says Yongsun Paik, an expert on Korean management culture based in America. Now that many firms have stopped paying people according to time served, those who switch employers to escape an oppressive workplace or to try out something new are no longer penalised.

In 2018 South Korea's working-age population will begin to decline. Its firms will increasingly have to compete for workers, and thus need to rethink their biases against women, foreigners and those with an unconventional education. The country's traditional work culture helped power it to prosperity. Now it must change to attract the talent it needs.

Adapted from: The Economist (2015) http://www.economist.com/news/business/21679214-punishing-work-culture-gradually-being-relaxed-loosening-their-ties

Confucianism

Confucianism is the dominant philosophy shaping eastern culture, alongside major religions such as Taoism, Buddhism, Hinduism and Islam. Confucius (551 BC–479 BC) was a Chinese philosopher who emphasised the influence of personal and governmental morality, and social relationships in order to create a peaceful and harmonious society. Confucianism is concerned with behaving in a certain way through the adoption of key virtues/values, rather than following particular beliefs (as in Christian and Islam religions for instance).

From a Confucian perspective, ethical business requires business leaders to consider the well-being of all people. It is therefore strongly linked to the western virtue ethics approach described in the previous section, and stakeholder theory as part of corporate social responsibility which is set out in Chapter 2. This perspective recognises the needs of society, employees, and customers alongside business success – "Virtuous business would adhere to the spirit of the law and go beyond legal compliance to ensure mutual benefit between business and stakeholders. In this way, they advance the progress and stability of society" (Lagan and Moran, 2006). Key virtues influencing approaches to business ethics are presented below.

- Sincerity – be truthful and conscientious in carrying out duties for others.
- Benevolence – show concern for others.
- Filial piety – respect the wishes of your father.
- Propriety – choose to do the "right" thing.

These values will now be explored through two key characteristics of eastern societies which influence approaches to business ethics; hierarchical social relations and collectivism.

Hierarchical social relations

This means that seniors should always be respected, who in turn give protection and care. Business leaders are therefore seen as superior, and should not act selfishly, but in the interests of subordinates. Employees will be loyal and respect managers, and managers will act as good role models and refuse to engage in unvirtuous behaviours such as accepting a bribe. The virtue of filial loyalty is shown to seniors, as trusted members of a strong social network in an environment where the legal system can offer a poor source of security. Leaders are expected to show **benevolence** (kindness, tolerance, trustworthiness) in order to ensure collective success.

Collectivism

Eastern societies are based on the promotion of collective welfare over individual welfare, in order to bring about group belonging and harmony. This focus on human relations and building good connections and trust in relations (beginning with learning these behaviours through family relations) is known in Confucianist philosophy as "**Guanxi**". It reflects the social networks and rich interpersonal relationships in other countries referred to as "Blat" in Russia, "Quan he" in Vietnam, "Ubuntu" in South Africa and "Jugaad" in India.

Guanxi is reflective of societies in which individuals and organisations are more dependent on connections rather than governments to provide security. Unlike western business relationships which are separate from personal relationships and can be formed and dissolved quickly, relationships are viewed as lifetime commitments.

The relationships in the context of business assume a certain level of trust. So, if there is disagreement when negotiating a contract, managers in such societies will feel less concern about the details of the contract as they consider that relationships and communication will solve it – the contract is only a symbol of the relationship. So, whereas western managers are likely to be concerned with specific wording and details, eastern managers can get upset if they discover that there can be no modification to agreed contracts without incurring penalties, while western managers can be upset to realise that partners had no real intention of meeting specific contractual conditions.

Interconnected social ties mean a high degree of benevolence shown through the acts of reciprocity/giving and saving face. This essentially means avoiding adversarial approaches, and is similar to the Christian belief of "do unto others as you would have them do unto you." In eastern cultures confrontation is avoided, and it is not seen as "right" to put people in an uncomfortable situation, even if engaging in unethical conduct. Therefore, **whistle-blowing** (see Chapter 5) may be frowned upon in eastern societies, while the giving and receiving of gifts is usual practice, unlike western business cultures which encourage open reporting and discourage the giving/receiving of gifts without formal processes.

Guanxi encourages good ethical conduct and improves the image and reputation of a business. Consequently, customers want to be associated with the organisation in their desire for belonging and harmony. However, it can also act against ethical practice if there is a sense of "collective blindness" and ignoring corrupt or unethical practices such as hiring unsuitable employees based on social relationships. It can also hinder ethical practice in the sense that individual rights might be suppressed in the pursuit of group harmony, and the strong sense of hierarchy/role-based behaviour implies an authoritarian approach rather than a culture of open discussion and participation to resolve conflict and make decisions on practice.

OVER TO YOU

Activity 7: Considering personal relationships

Discuss the following questions with a study partner, if possible:

What is the importance of personal relationships in an organisational context in your country?

What problems might emerge in business when people from different social and cultural backgrounds are negotiating but base trust on different factors?

CASE STUDY

Ping An of China

This case study of a Chinese insurance, banking and investment corporation highlights the influence of Confucianism on corporate culture. It also demonstrates the role of **globalisation**, and blended corporate culture approaches between East and West.

Ping An was established in 1988 when China was at the initial stage of transition to a market economy. Government policies and regulations were yet to be well established and the insurance market was in a monopolistic state. Ping An's culture for enterprise, innovation and performance-based appraisal mechanisms seemed strange to the public at that time because they were used to a planned economy and the idea of only working for one company in a lifetime.

Working in a context where society did not accept – or even rejected – commercial culture was challenging and the accelerated pace of reforms led to a culture where although Ping An employees worked hard, they did not share the company's traditional values.

The company began to return to the essence of Chinese traditional culture using traditional Confucianism as the base of the company and "benevolence, righteousness, propriety, wisdom, faith, honesty" as the ethical yardsticks and to guide relationships between individuals and the company, society and national interests.

In the mid-1990s the company implemented international standards through a strategy called "three foreign" – foreign capital, foreign structure and foreign brains. This grew the company through new expertise, adoption of overseas technologies and through embedding the essence of western culture – i.e. the rules of persisting in principles, disciplines and policies – and this became integrated into the traditional "people-oriented" culture of the company.

Following a credibility crisis in 2001 when investors complained they had been misled by sales agents through exaggerated figures on returns on investment, the company focused on rebuilding customer confidence. The company believes that a culture of leadership throughout the organisation is central to becoming a market leader, rule maker and price setter. Ping An advocates a value of "being a moral person of value who constantly seeks excellence, based on traditional culture and oriented by value maximisation".

Adapted from: Ping An (undated)

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Summary

This chapter has introduced you to a range of philosophies associated with western and eastern approaches to ethical business decision-making. It has set out a range of influences to be considered in the analysis of business actions. You will be able to apply this theoretical understanding to a practical analysis of corporate social responsibility practices in the following chapter. You are also encouraged to return to the philosophies in this chapter throughout your course, as they underpin understanding and reflection on all modern-day practices.

Chapter 2

Corporate Social Responsibility (CSR) Principles

Introduction

Engagement in CSR is firmly linked with managerial attitudes, which are influenced by cultural context and outlook towards business ethics as discussed in Chapter 1. Two key questions in the CSR debate concern the degree to which organisations have responsibilities towards society (see stakeholder theory below) versus the degree to which organisations only have responsibilities towards their shareholders, with a view that social issues can only be effectively managed by governmental bodies (see shareholder model below).

The following sections will demonstrate that the traditional theories of the firm which saw organisations acting only in the interests of company shareholders, have been superseded globally by the recognition that organisations are responsible towards meeting the needs of diverse stakeholders. Essentially, CSR is becoming increasingly mainstream. From a Deontological perspective, the stakeholder approach to CSR represents the idea that all individuals have worth and their interests and needs should be respected, rather than treating them as a means to an end in order to reach corporate goals of profit maximisation. From a Teleological perspective, meeting the needs of stakeholders links to utilitarianism through improved outcomes of decisions.

Learning outcome

On completing the chapter, you will be able to:

2 Analyse the core principles of corporate social responsibility

Assessment criteria

2 Analyse the core principles of corporate social responsibility

2.1 Analyse the core principles of the economic model, the philanthropic model, and the stakeholder models of corporate social responsibility

2.1 Principles of corporate social responsibility

Corporate social responsibility approaches to business reflect the changing role of business in society, the fair distribution of economic and social benefits, how externalities (any negative business impacts) are managed, and how organisations are held accountable.

! NEED TO KNOW

Corporate social responsibility (CSR) refers to ethical business practices which consider environmental, economic and social impacts, and take steps to address these impacts beyond minimum legal requirements. It is closely associated with concepts of corporate citizenship, sustainable development and responsible business practices.

REVISION on the go

Corporate social responsibility addresses a range of approaches which organisations can take to meet shareholder/organisational needs alongside those needs of employees, suppliers, the environment the organisation operates within, and the communities influenced by the organisation. These are summarised in Table 1:

Focus	Areas of concern
Employees	• Equal opportunities (race, gender, age, disability) – workforce profile • Health and safety – policies and training • Training/personal development • Communication with employees (newsletters, intranet, forums) • Pay and benefits – remuneration, pensions, other benefits • Workplace climate – employee handbook • Industrial relations • HR management • Child labour/forced labour

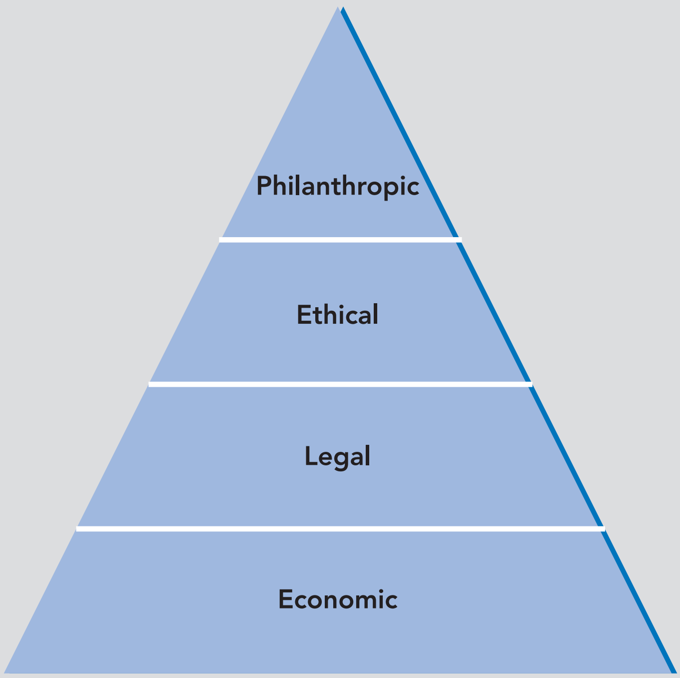
Focus	Areas of concern
Supply chain	• Selection/evaluation criteria linked to CSR • Support local businesses • Prompt payment of bills • Bribery and corruption • Creating awareness of CSR
Community	• Charities • Sponsorship • Donations • Local projects • Employee volunteering
Environment	• Waste • Water • Energy

Source: Adapted from Simply CSR (undated)

Table 1: Key CSR areas of interest

REVISION on the go

Archie Carroll's (1979) model of CSR (see Figure 1) depicts four interconnected areas of society's expectations of business.



Source: Adapted from Carroll (1991: 42)

Figure 1: Carroll's model of corporate social responsibility

REVISION on the go

- ## Economic responsibility

A primary responsibility of business is to remain in business in order to satisfy **shareholders** and enable employees to keep their jobs. This applies to all businesses, and only when this principle is satisfied can other responsibilities be addressed. This links to Friedman's shareholder view of the firm (see below).

- ## Legal responsibility

As with economic responsibilities, all businesses are required by society to comply with legal regulations in order to ensure responsible business practice.

- ## Ethical responsibility

Ethical obligations are expected (rather than necessarily required) by society. This means that organisations are expected to do what is right and fair for all stakeholders (see stakeholder approach below), even if not legally obliged to do so. Like legal obligations, these can vary across different countries.

- ## Philanthropic responsibility

This is at the tip of the pyramid, and is seen as a desirable responsibility, rather than a required or expected responsibility. It includes any activities that improve the quality of life for society and other stakeholders, such as supporting charitable and community projects.

A criticism of the model is that it does not explain conflicts in responsibilities. For example, organisations which relocate operations to developing countries in order to achieve lower operating costs may be beneficial to shareholders and those employed in these countries (assuming no exploitation), but is harmful to those who lose employment through the relocation.

CASE STUDY

HSBC starts laying off 840 information technology (IT) staff in the UK

HSBC (Europe's largest bank) has angered Unions by engaging in outsourcing IT jobs from the UK to "low cost economies" of Poland, China and India. This is part of a cost-cutting strategy necessary to "improve profitability and increase the annual dividend" which has been hurt since the 2008 banking crash and subsequent high compliance costs, fines and low interest rates. The move has been called "as ruthless as it is reckless" because employees have been left in the dark about their futures, and are now being asked "to train someone who will do their job for less money".

Source: Inman (2016)

OVER TO YOU

Activity 1: The ethics of outsourcing

Discuss the following question with a study partner, if possible:

Summarise the arguments for and against outsourcing.

Economic (shareholder) models of CSR

This is based on economic theory and is often linked to Milton Friedman (1912–2006) who published an article in 1970 in *The New York Times* which argued that the fundamental responsibility of business is the pursuit of profit and shareholder value, while adhering to legal and ethical norms. He questioned the use of company funds for charitable/philanthropic purposes since this diverts funds away from the profit goal, but did recognise that such projects can add shareholder value through improving company image/reputation.

Friedman was also of the view that organisations should not be responsible for supporting causes which should be financed by governments, since such donations lead to lower dividends, higher prices and/or lower wages. Additionally, it can create governmental dependencies on private businesses to "come to the rescue". He also pointed out that managers are not best placed to decide what is in society's best interest, since this is a governmental role.

Philanthropic model of CSR

This can be seen to link to the economic model in terms of organisations engaging in philanthropic projects for reputational/public relations purposes (as mentioned in the section above). It could be linked to other business-driven motives such as tax breaks.

The philanthropic model can also represent a totally divergent motivation for engagement through truly altruistic motives for engaging in CSR (because it's perceived as "the right thing to do"), rather than as required by law or business gain.

OVER TO YOU

Activity 2: Research activity – Corporate philanthropy and shareholder value

Research an organisation's philanthropic projects, and assess how Friedman's arguments could be applied in terms of whether corporate resources are being wrongly allocated, or whether shareholder value will increase through engagement.

You might like to use PepsiCo as a case example, looking at its corporate information on "Community Service and Volunteering" and "Disaster Relief and Humanitarian Support", using the links below:

http://www.pepsico.com/Purpose/Global-Citizenship/Community-Service-and-Volunteering

http://www.pepsico.com/Purpose/Global-Citizenship/Disaster-Relief-and-Humanitarian-Support

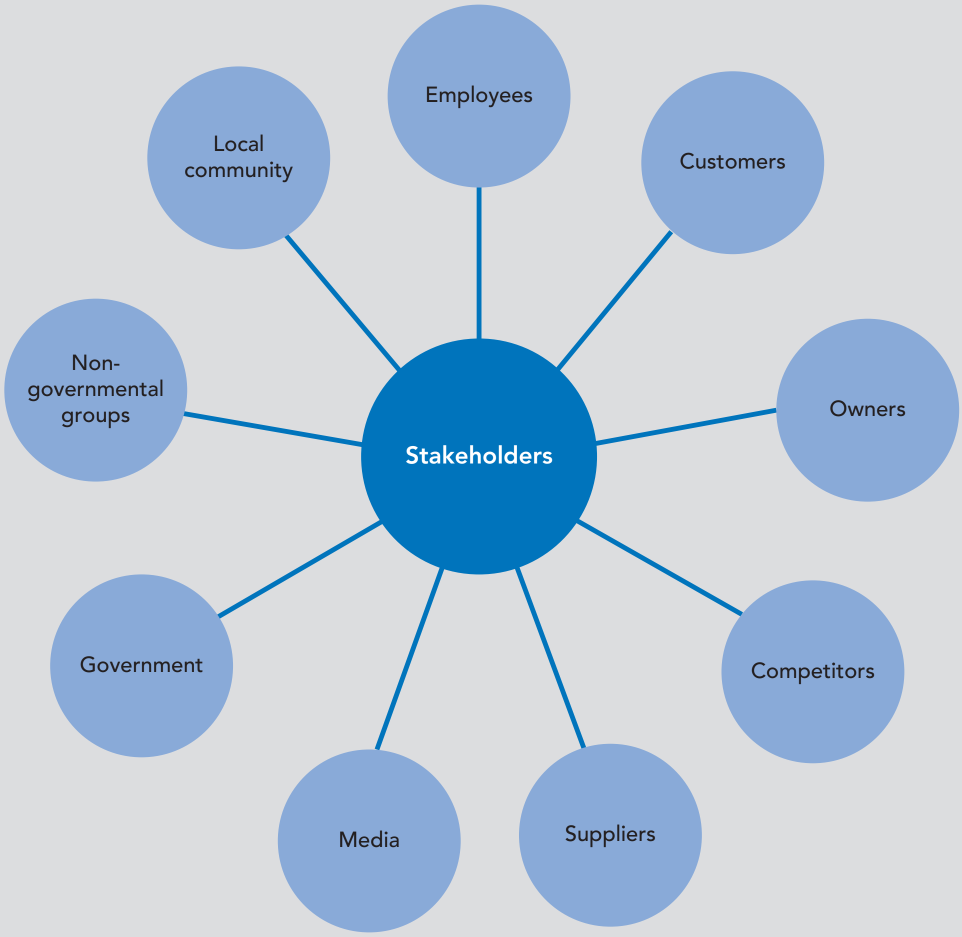
Stakeholder model

This is based on socio-economic theory and was popularised by the influential work of Edward Freeman in 1984 in his book *Strategic Management: A Stakeholder Approach*. Freeman (1984: 46) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the firm's objectives". The premise of **stakeholder theory** is that organisations should not be managed just in the interests of shareholders, but should also consider those affected by the organisation's activities. Figure 2 shows the range of stakeholders that can be identified.

NEED TO KNOW

Stakeholders are any individuals or groups who can either be harmed by, or benefit from the actions of organisations.

REVISION on the go



Source: Adapted from Open Learn (2017)

Figure 2: Organisational stakeholders

Stakeholder theory can help managers to understand their operating environment and relationships, and to take actions which bring most value to most stakeholders. However, it can of course be challenging to define which stakeholder interest should prevail, or to meet the interests of all stakeholders. This is also very much linked to cultural context and type of organisational structure. For example, the equivalent of conglomerate organisations in Korea (chaebol) or Japan (keiretsu) are often owned/controlled by one family group. This has led to scandals (Tejada 2017 in the reading list) among these sprawling businesses which consider stakeholder relationships differently from what would be more typically considered in independent organisational structures.

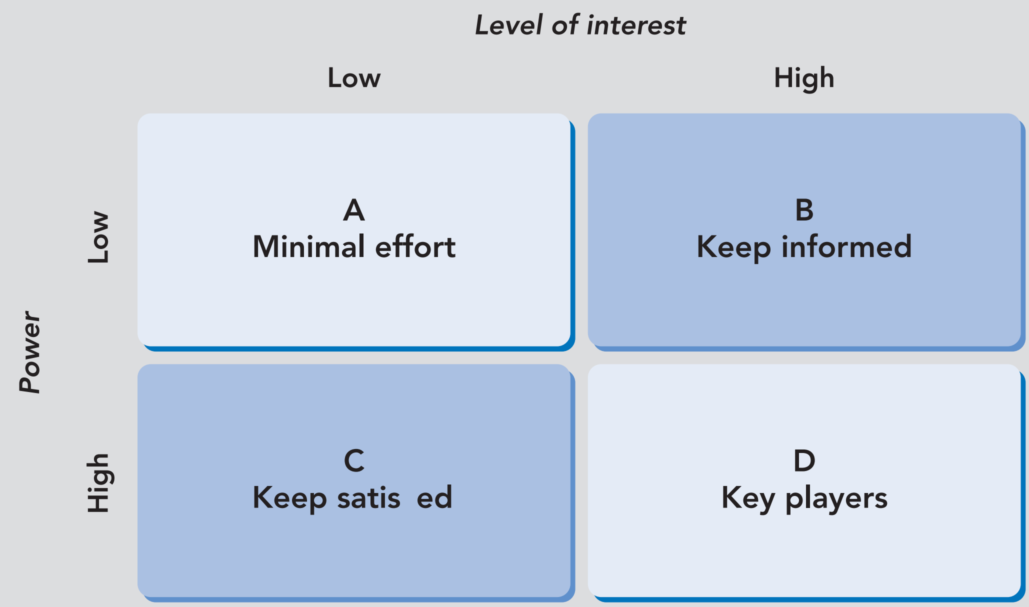
OVER TO YOU

Activity 3: Stakeholder versus shareholder approach

Discuss the following question in class or with a study partner, if possible:

Is the main purpose of business to make money for shareholders, or do businesses have a wider societal role towards stakeholders?

Mendelow (1991) proposed a matrix to help understand the level of influence of differing stakeholders on an organisation's strategy by mapping stakeholder interest in the organisation, alongside their level of power. Organisations can then prioritise which stakeholders are more important than others. For example, regulatory bodies are likely to hold high levels of interest and high levels of power, compared to casual, unskilled employees with low levels of both interest and power.



Source: CIMA (2007: 7)

Figure 3: The Mendelow matrix (1991)

A stakeholder analysis of an organisation must also consider that each stakeholder group is obliged to its own set of stakeholders. Stakeholders therefore comprise of more dominant groups, and more indirect groups. For example, stakeholders multiply when considering the supply chain of suppliers (see Chapter 3). Legislation on the Modern Day Slavery Act brings organisational responsibility towards all stakeholders down the supply chain sharply into focus. This will be addressed as part of a sustainability strategy in Chapter 4.

OVER TO YOU

Activity 4: Stakeholder analysis using the Mendelow Matrix

For an organisation of your choice, design a Mendelow matrix to consider where the range of stakeholders identified in Figure 2 should be placed.

Codes of practice/conduct

Codes of practice/conduct (also referred to as policies) might be developed at industry or organisational level to communicate values, and to guide employee/organisational behaviour. Such codes might focus on sustainability issues (see Chapter 4), or as a guide to ethical actions. An ethical focus might, for example, detail honesty, integrity, respect for privacy, governance, compliance, financial management and anti-discrimination. For some sectors, such as the medical industry, there are extensive codes detailing ethical standards. Table 2 below details part of the World Medical Association's Code of Ethics:

The table below identifies some key principles taken from the code which can be easily related to other industry sectors:

- Not allow his/her judgment to be influenced by personal profit or unfair discrimination.
- Deal honestly with patients and colleagues, and report to the appropriate authorities those physicians who practise unethically or incompetently or who engage in fraud or deception.

- Not receive any financial benefits or other incentives solely for referring patients or prescribing specific products.
- Respect the rights and preferences of patients, colleagues, and other health professionals.
- Recognise his/her important role in educating the public but should use due caution in divulging discoveries or new techniques or treatment through non-professional channels.
- Strive to use health care resources in the best way to benefit patients and their community.
- Respect the local and national codes of ethics.

Source: Adapted from World Medical Association (2017)

Table 2: World Medical Association International Code of Ethics: Duties of physicians in general

REVISION on the go

Corporate social responsibility codes can reflect both ethical and sustainability related information. The following case study details the ethical standards included within the CSR policy of an electronics company, Maxim Integrated, and this policy will be returned to in Chapter 4 to detail its sustainability content. It is useful to note the reference to content on whistle-blowers and participation which will be addressed in Chapter 5.

CASE STUDY: MAXIM INTEGRATED – CODE OF CORPORATE SOCIAL RESPONSIBILITY

Ethics

No corruption, extortion, or embezzlement: Corruption, extortion, and embezzlement, in any form, are strictly prohibited and may result in immediate termination as a Maxim supplier and in legal action.

No improper advantage: Bribes or other means of obtaining undue or improper advantage may not be offered or accepted.

Disclosure of information business activities: structure, financial situation, and performance should be disclosed in accordance with applicable laws and regulations.

Fair business, advertising, and competition: Fair business standards in advertising, sales, and competition should be upheld and means to safeguard customer information should be available.

Whistle-blowers: Programs should be maintained to ensure the protection of supplier and worker whistle-blower confidentiality, and anonymity, in accordance with local laws and regulations, and to prohibit retaliation against workers who participate in such programs in good faith.

Community engagement: Community engagement to help foster social and economic development should be encouraged.

Protection of intellectual property: Intellectual property rights should be respected and the transfer of technology and know-how should be done in a manner that protects intellectual property rights.

Management system

Company commitment: A corporate social and environmental responsibility statement affirming supplier's commitment to compliance and continual improvement should be posted in supplier's workplace.

Legal and customer requirements: Applicable laws and regulations and customer requirements should be identified, monitored and understood.

Communication: Clear and accurate information about supplier's performance, practices, and expectations should be communicated to its workers, suppliers, and customers.

Worker feedback and participation: An ongoing process to obtain feedback on processes and practices related to this Code and to foster continuous improvement should be maintained.

Audits and assessments: Periodic self-evaluations should be conducted to ensure compliance with this Code and reasonable efforts should be undertaken to notify all next tier suppliers of the requirements of this Code and with applicable laws and regulations.

Corrective action process: A process for the timely correction of any deficiencies identified by an internal or external audit, assessment, inspection or review should be maintained.

Documentation and records: Documents and records should be maintained to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

Source: Maxim Integrated (undated)

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Summary

This chapter has set out the core principles of corporate social responsibility (CSR), in terms of a key model depicting economic, legal, ethical and philanthropic responsibilities. CSR practices are commonly attributed to the stakeholder theory of the firm, which will be demonstrated through the remaining chapters. This has been shown to differ from the shareholder theory of the firm, which is concerned with profit-making alone. CSR codes/policies have been introduced in this chapter as a starting point to illustrate company commitment to communicating its principles and guiding organisation actions. The following chapter will take up the more in-depth process of organisational reporting on CSR.

Chapter 3

Corporate Social Responsibility (CSR) Reporting

Introduction

This chapter details the key global initiatives which enable reporting on corporate social responsibility (CSR) practices. This links very closely to Chapter 4 on sustainability and this chapter shows how the concepts are intertwined. The chapter begins with how CSR applies to Small and Medium-sized Enterprises (SMEs), before setting out its key principles and benefits. The main focus of the chapter is given to key global initiatives in CSR reporting, and which trends need to be considered in the development of organisational approaches.

Learning outcome

On completing the chapter, you will be able to:

3 Critically evaluate the opportunities and challenges for a range of organisations to develop ethical business practice through corporate social responsibility policies and reporting

Assessment criteria

3 Critically evaluate the opportunities and challenges for a range of organisations to develop ethical business practice through corporate social responsibility policies and reporting

3.1 Critically evaluate how organisations of different types can effectively implement corporate social responsibility policies and reporting procedures on triple bottom line sustainability

3.1 Implementing corporate social responsibility policies and reporting procedures

It is useful to set out the applicability of CSR practices and reporting (which also considers ethical and sustainability concepts) to small and medium-sized enterprises (SMEs). The World Bank (2015) reports that SMEs play an especially important role in developing economies, where it suggests there are 365 to 445 million **micro, small and sedium enterprises** (MSMEs).

This means that although company-specific contributions and impacts may be small, collectively they are highly significant. As they tend to have less of a public profile, they are often not focused upon by governments and non-governmental organisations to demonstrate CSR commitments, with many regulatory requirements focused on large businesses. However, there are often many leading examples of best business practice in the SME sector across differing industries.

Although SMEs might consider they are more stretched in time and resources to engage in CSR practices, the IISD (2007: 28) report on the implementation of CSR practices notes: "The small size of operations may make it easier to find information on actual and potential CSR activities and impacts. Also, many small businesses operate closely with local communities and understand the issues". Drivers for engaging in CSR may differ for SMEs. They may be less influenced by reputational risk or license to operate for example, and are not subject to the same level of regulatory requirements as larger organisations. For some, the "philanthropic" arguments for engaging in CSR may be stronger, based on the interests of the business owners.

The principles for engagement are the same as those for a large organisation. There are several industry publications designed to support SMEs to integrate CSR practices. The International Organization of Employers (IOE) and the Global Reporting Initiative (GRI) published the report "Small Business Big Impact" in 2016, which provides specific guidance for SMEs to meet the United Nations Sustainable Development Goals (see Chapter 4).

Reporting benefits/drivers

CSR reporting (also referred to as **social accounting**) is concerned with organisations assessing and communicating impacts on social, environmental and ethical issues associated with organisational activities. It differs from financial accounting in that it extends beyond financial data, is developed for communication to multiple stakeholders (rather than just shareholders) and is a voluntary, rather than legally-regulated, process.

The focus of this chapter is on CSR reporting, but it is first useful to set out the principles of ethical financial reporting. In order to ensure "clean" financial statements, auditors must abide by legal accounting standards which ensure the objective presentation of information.

CASE STUDY

Top Ten Mandates: The Financial Reporting Imperative

1. Ensure transparency across the organisation.
2. Promote collaboration and communication among different departments.
3. Create processes to enable all employees to identify a mistake or questionable activity.
4. Ensure that everyone involved in governance processes is knowledgeable and informed.
5. Develop processes for identifying and correcting financial reporting anomalies, inaccuracies and omissions.
6. Report non-financial performance to provide a better picture of how the company is doing.
7. Implement systems of checks and balances to reduce the chance for errors.
8. Hold budget makers responsible for the financial numbers that have been reported.
9. Implement financial software to strengthen controls within business departments.
10. Frequently communicate with investors.

These guidelines are far more than a wish list. They're the reality of financial reporting today. And they call for more accuracy, speed and competency than ever before.

Source: Adapted from Leahy (2004)

Crane and Matten (2015) suggest the following reasons why organisations engage in CSR reporting:

- **Internal and external pressure**: Pressure from competitors, industry associations, governments, shareholders, consumers, unions, the media, pressure groups and so on.
- **Identifying risks**: Reporting procedures are helpful to identify social, ethical and environmental impacts which could present a risk to operations and/or reputation.
- **Improved stakeholder management**: Reporting to stakeholders is helpful to develop good relationships and trust.
- **Enhanced transparency and accountability**: Reporting helps to ensure **transparency** (not hiding impacts) and **accountability** (ensuring organisations are answerable for the consequences of actions).

CSR reporting is becoming increasingly mainstream (greatly due to increasing regulatory requirements), with the importance of its role clearly highlighted at the most recent United Nations Conference on Sustainable Development – Rio+20 (see next chapter). The KPMG (2016) report into sustainability reporting highlights how public opinion also drives the regulatory and reporting agenda. This is exemplified by the case of Nike which came under global scrutiny regarding conditions for factory workers, and produces detailed CSR information into its practices to "minimise environmental footprint, transform manufacturing and unleash human potential".

The benefits of reporting apply to both smaller and larger businesses, as detailed in the report "Small Business – Big Impact" (GRI and IOE, undated). On its website, the Global Reporting Initiative (GRI, undated) indicates a range of benefits from reporting:

Internal benefits

- Increased understanding of risks and opportunities.
- Emphasising the link between financial and non-financial performance.
- Influencing long-term management strategy and policy, and business plans.
- Streamlining processes, reducing costs and improving efficiency.
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives.
- Avoiding being implicated in publicised environmental, social and governance failures.
- Comparing performance internally, and between organisations and sectors.

External benefits

- Mitigating – or reversing – negative environmental, social and governance impacts.
- Improving reputation and brand loyalty.
- Enabling external stakeholders to understand the organisation's true value, and tangible and intangible assets.
- Demonstrating how the organisation influences, and is influenced by, expectations about **sustainable development**.

OVER TO YOU

Activity 1: Benefits of reporting

Prepare a dialogue in which you need to persuade the manager of a small company to engage in reporting. You must overcome objections and set out the benefits. This can be based in an industry sector of your choice.

Global reporting initiatives

Alongside the growth of the sustainable development agenda (see Chapter 4) CSR reporting has become increasingly mainstream since the 1990s, and similar to financial reporting, is subject to increasing regulations, standard setting and credibility concerns. In response to this, copious reporting tools have been developed, with many applying especially to financial markets and stock exchanges (for example, introducing responsible taxation measures which ensure companies are paying their fair share of tax in the countries in which they operate). For example, the Johannesburg Stock Exchange (JSE) Listing Requirement, 2010, requires 450 South African companies listed on the JSE to produce an annual integrated report (financial and sustainability information) or explain why they do not. The Securities and Exchange Board of India (SEBI), Business Responsibility Reports, 2015, initially requires the country's top 500 companies to engage in a thorough environmental and social reporting process. Other major international initiatives include:

- FTSE4 Good Sustainability Index (including ASEAN index)
- Dow Jones Sustainability Index
- Accountability 1000 (AA1000)
- Social Accountability 8000 (SA8000)
- International Organisation for Standardisation (ISO26000)
- United Nations Global Compact
- Sustainability Stock Exchange Initiative
- The International Integrated Reporting Council
- The Sustainability Accounting Standards Board
- The Integrated Reporting Framework
- International Labour Organisation Standards
- Universal Declaration of Human Rights

The extent of the number of policy and regulatory initiatives influencing CSR reporting is clearly demonstrated in the GRI "Carrot & Sticks" annual reports on global reporting actions (see the resources at the end of this chapter). The 2016 report details 400 reporting instruments in 64 countries, which very clearly highlights the challenges in developing a harmonised and transparent approach to reporting. It is worth noting that about two thirds of all the identified reporting instruments are mandatory, requiring companies to report on all aspects of non-financial performance.

OVER TO YOU

Activity 2: Carrots & Sticks – Global sustainability reporting instruments

Investigate this website: https://www.carrotsandsticks.net [Accessed on: 7 July 2017] and explore the sustainability reporting instruments available in a country/region of interest. Report back to the class.

Source: https://www.carrotsandsticks.net/ [Accessed on: 7th July 2017]

Global Reporting Initiative

The Global Reporting Initiative GRI™ is an international independent organisation that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. With thousands of reporters in over 90 countries, GRI provides the world's most trusted and widely used standards on sustainability reporting, enabling organisations and their stakeholders to make better decisions based on information that matters. Currently, 42 countries and regions reference GRI in their policies. GRI is built upon a unique multi-stakeholder principle, which ensures the participation and expertise of diverse stakeholders in the development of its standards. GRI's mission is to empower decision-makers everywhere, through its standards and multi-stakeholder network, to take action towards a more sustainable economy and world. It was established by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP). It is focused on here since it is the most influential framework on global approaches to CSR reporting. The KPMG (2015) report on CSR reporting (see the reading list at the end of this chapter) shows that these remain the most popular voluntary reporting guideline worldwide.

Its purpose was to create a common approach to reporting on **economic, social and environmental performance**. Its first guidelines were released in 2000, and it has continued to go through global consultation processes to work towards good practice and harmonisation in reporting standards.

The 2016 standards are shown in Table 1 below. It is immediately notable how many more social standards exist and it is important to point out that this is not to express a relative importance, but rather that the impacts are comparatively more broken down and readily identifiable.

Economic standards	Environmental standards	Social standards
Economic performance	Materials	Employment
Market presence	Energy	Labour/Management relations
Indirect economic impacts	Water	Occupational health and safety
Procurement practices	Biodiversity	Training and education
Anti-corruption	Emissions	Diversity and equal opportunity
Anti-corruption behaviour	Effluents and waste	Non-discrimination
	Environmental compliance	Freedom of association and collective bargaining
	Supplier environmental assessment	Child labour
		Forced or compulsory labour
		Security practices
		Rights of indigenous peoples
		Human rights assessment
		Local communities
		Supplier social assessment
		Public policy
		Customer health safety
		Marketing and labelling
		Customer privacy
		Socio-economic compliance

Source: GRI (2016)

Table 1: GRI Sustainability Reporting Standards 2016

REVISION on the go

OVER TO YOU

Activity 3: GRI G3 Sector supplements

Visit the "Sector Supplement" page of the GRI website: https://www.globalreporting.org/information/g4/sector-guidance/sector-guidance/
Pages/default.aspx for a sector you are interested in and identify issues of interest. The sectors covered are:

Airport operators	**Media**
Construction and real estate	**Mining and metals**

Electric utilities	**NGO**
Event organisers	**Oil and gas**
Financial services	**GRI (undated) G3 Sector supplements**
Food processing	

Effectiveness in CSR reporting

Unlike financial accounting, the information reported in CSR reporting tends to be more descriptive/qualitative due to the nature of social and ethical issues. Some challenges can therefore exist for organisations in measuring impacts, and deciding which impacts to report on. CSR reporting is therefore critiqued since organisations may only report on aspects of operations in which they can be portrayed in a positive light. Reporting may also only be descriptive, and not lead to any strategic change in organisational activities. Since reporting tends to be limited to larger organisations, there is also a need to engage more small and medium-sized businesses.

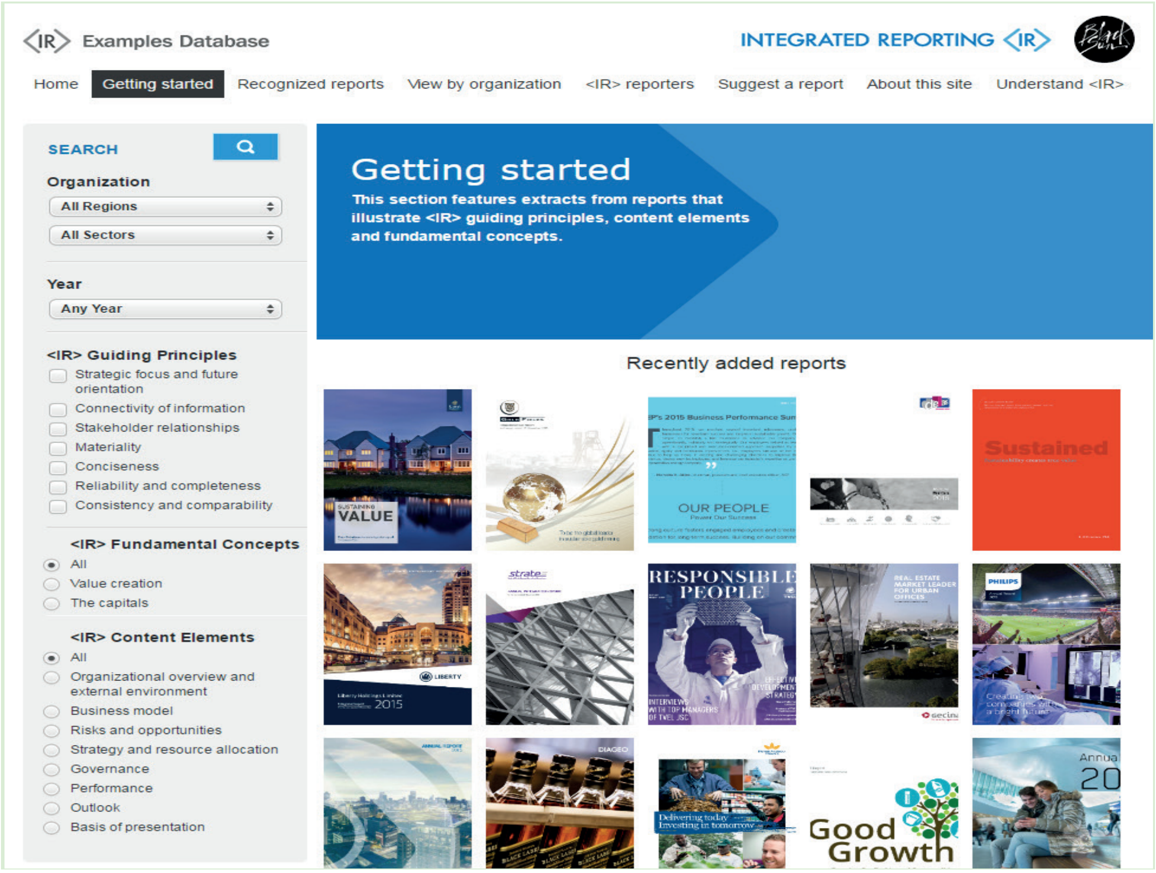
Perceived obstacles to engaging in reporting may include costs and time involved, challenges in collecting and updating information, and reticence to disclose information. Organisations might be unsure how to report in a way which meets the expectations and scrutiny of a wide range of stakeholders. However, it is reasonable to argue that some form of reporting is better than none at all. Best practice in reporting is now moving towards **integrated reporting** which means that CSR data is included in annual financial reports (rather than as a stand-alone report).

South Africa as a county is developing an impressive approach to CSR reporting, through a mandatory requirement since 2010 for all listed companies (and an encouragement for all non-listed companies) to apply the "King 111 Code of Governance Principles". The Integrated Reporting website (see Activity 4 below) is very informative and includes information on the links between its code and the GRI standards. The following activity will enable you to explore this website.

OVER TO YOU

Activity 4: Integrated reporting examples database

Research the database at http://examples.integratedreporting.org/getting_started by region and/or sector, and choose an organisation you are interested in learning more about. Study the report and highlight areas of good reporting practice. If you are studying in a class, prepare to present your findings to your fellow students.

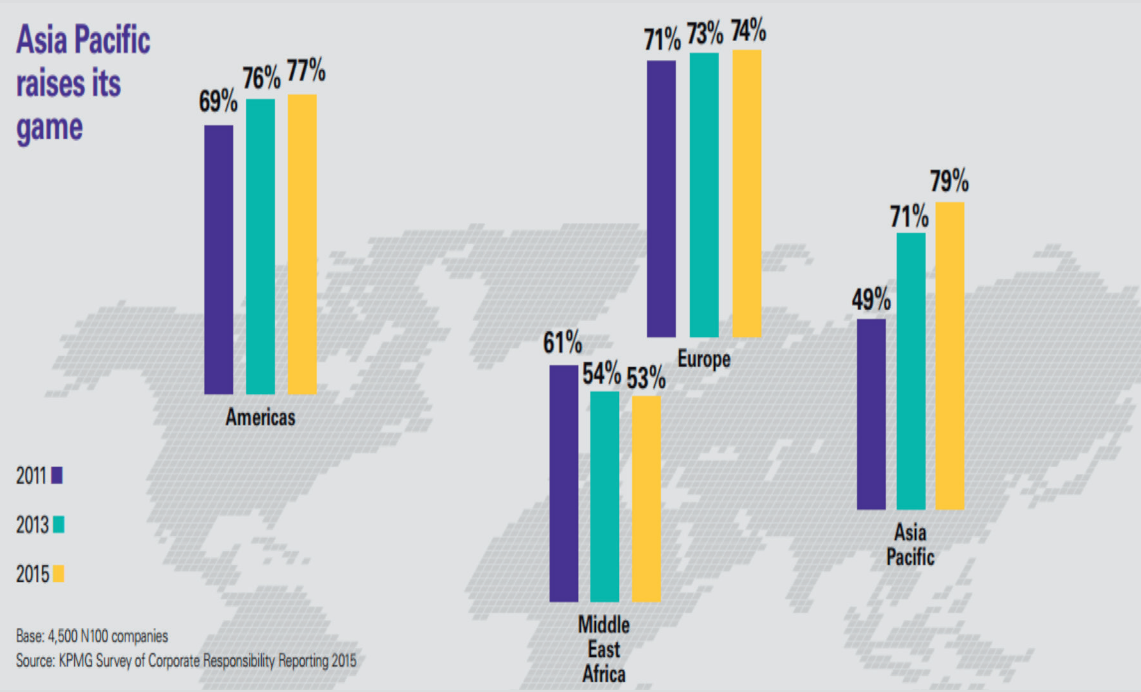


Source: International Integrated Reporting Council (IIRC) and Black Sun plc

Trends in CSR reporting

The KPMG (2016) "Carrots & Sticks" report highlights that more companies report on CSR in Asia Pacific than in any other region, followed by the Americas, then Europe and then the Middle East/ Africa (see Figure 1). Four emerging economies have the highest global reporting rates: India, Indonesia, Malaysia and South Africa. There has been a surge in reporting in countries such as India, Taiwan and South Korea. This is a significant development, since Europe has traditionally led the field. However, it is important to consider that Europe's ranking is attributed to the low level of reporting in eastern European countries, which affected the overall rating.

This is set to change however since the EU introduced a regulatory requirement for non-financial reporting as of December 2016. This directive requires large companies to report on environmental matters, social and employee related matters, human rights, anti-corruption, bribery and diversity. This is significant since a main driver for engagement in CSR reporting is increasing regulatory need for companies to publish non-financial information. The EU has also introduced new reporting instruments on **climate change** mitigation and the protection of human rights in global supply chains. The rate of growth for environmental reporting instruments is slowing down, reflecting a longer history of environmental regulation.



Source: KPMG Survey of Corporate Responsibility Reporting (2015)

Figure 1: Engagement in CSR reporting

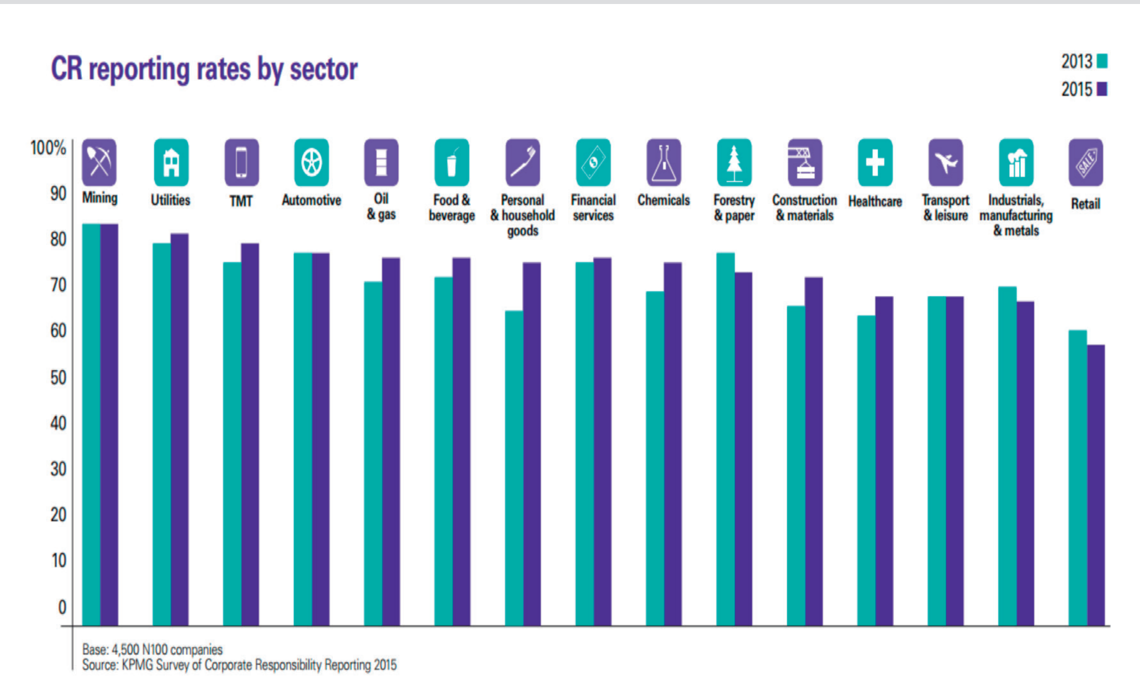
The GRI (2015) notes in "Sustainability and Reporting Trends in 2025" (see the reading list at the end of this chapter) that effective reports can lead to better companies, policies and decisions. Reports can show how companies are working in the public interest to achieve sustainable development goals. However, for these to be effective they need to be designed to tackle major sustainable economy issues such as:

- shortage of raw materials;
- definition of policies and actions to tackle climate change;

- reduction of waste and ecosystem contamination;
- reduction of wealth inequality;
- management of social conflict and migration;
- protection of human rights;
- definition of regional sustainable development plans;
- re-education of workers for new sectors;
- growth of ethical and reputational crises;
- reinforcement of anti-corruption policies.

The GRI Reporting 2025 project report also sets out that technology will enable companies and stakeholders to access and analyse data much more effectively through digital data. This will make it more important than ever for organisations to demonstrate accountability and transparency, to become better informed about the impacts of business activities and to deal with any issues that are not yet regulated. It states that "So far, measuring and reporting on sustainability impacts has not been used effectively as a tool to promote change on the scale that is needed" (GRI 2015: 4). These issues of sustainable development (including the explanation of "Triple Bottom Line" from syllabus learning outcome 3.1) are taken up in the next chapter. In terms of reporting, the challenge is how to develop reporting content and formats.

KPMG (2015) reports that the sectors leading the way with CSR reporting continue to be the heavy and traditionally polluting industries, and retail lags behind (see Figure 2). The report (KPMG 2015: 32) notes that "The scale of impact is no less significant in this sector, but boundaries are blurred and retailers lack control over factors upstream and downstream of their own operations". This topic will be picked up in Chapter 5 on the recent legislative requirement in the UK for reporting on practices in the supply/procurement chain as part of the Modern Day Slavery Act.



Source: KPMG Survey of Corporate Responsibility Reporting 2015

Figure 2: CSR reporting by sector

OVER TO YOU

Activity 5: Considering challenges in CSR reporting

Consider the challenges faced by businesses (small and large) in a sector of your choice, to engage in CSR reporting.

READING LIST

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Summary

This chapter has continued the concepts presented in Chapter 2 regarding CSR to practical implementation considerations. It has set out how financial reporting relates to ethical business considerations, and how this sits apart from the CSR agenda. It has identified the external and internal benefits of reporting, and explored key initiatives along with identifying how organisations can ensure effective organisational reporting. The following chapter will show how organisational approaches to CSR contribute to the goals of sustainable development. The concept of the triple bottom line will be explored in this context.

Chapter 4

Sustainability: Principles and Practice

Introduction

This chapter demonstrates how the goals of corporate social responsibility achieve the goals of sustainable development. The chapter begins by setting out the core principles of sustainable development, and how this relates to corporate sustainability. The business case for sustainability is then set out, with exposition of several key global initiatives that require corporations to demonstrate commitments to corporate sustainability principles. Detailed strategies for implementation are described, along with challenges to implementation.

Learning outcome

On completing the chapter, you will be able to:

4 Analyse the core principles of sustainability in relation to businesses

Assessment criteria

4 Analyse the core principles of sustainability in relation to businesses

4.1 Analyse the meaning and importance of sustainability in a business context

4.2 Critically discuss the common elements of sustainability in a business context

4.3 Critically assess the factors an organisation must consider when developing a sustainability strategy

4.1 Defining sustainability

CSR can be seen as an approach to achieving sustainability. The concept of sustainability became mainstream with the publication of the United Nations World Commission on Environment and Development's *Brundtland Report*, also known as "Our Common Future" (1987), which defined **sustainable development** as follows:

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The IISD website (see the resources at the end of this chapter) notes that this definition "contains within it two key concepts:

- the concept of **needs**, in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of **limitations** imposed by the state of technology and social organization on the environment's ability to meet present and future needs."

Sustainable development is concerned with environmental, social and economic impacts of activities, commonly referred to as the **triple bottom line**. This phrase was coined by John Elkington in 1994 and focuses on organisations meeting the needs of People (social goals), Planet (environmental goals) and Profits (economic goals). The framework is based on the idea that organisations need not only to meet financial bottom line requirements, but also consider social responsibilities towards people and environmental responsibilities towards the planet. Key global sustainability issues are covered in this section.

4.2 Sustainability in a business context

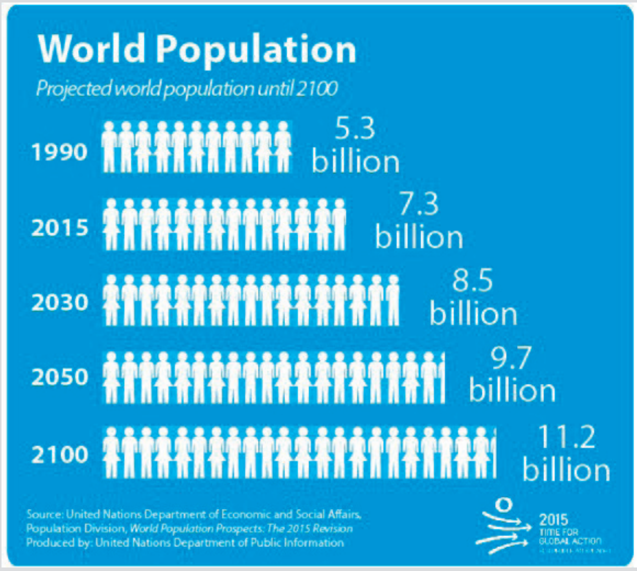
Consumerism

This is defined by Fisher et al. (2009: 381) as "the compulsive acquisition of products and services not needed to satisfy basic human needs, and to the disposal of still functioning products to acquire new ones that offer the same or a very similar function". They note that initiatives to improve manufacturing processes and the use of natural resources will have minimum impact if consumerism continues to increase. However, to reduce consumerism also implies a downturn in economic growth with related social problems.

Although we are increasingly aware of our environmental impact, and may take steps such as recycling or purchasing environmentally friendly models, most people (notably of course in the developed world) are still deeply engaged in consumerism, and indeed are encouraged to be consumers by governments keen to demonstrate "consumer confidence". After all, "green" consumerism is still consumerism.

Population growth and poverty

The UN (2015) reported that the world's population is projected to reach 8.5 billion by 2030, 9.7 billion by 2050 and exceed 11 billion in 2100. India is expected to surpass China as the most populous around 2022, and Nigeria is expected to overtake the United States to become the world's third largest country around 2050. During the 2015 to 2050 period, half of the world's population growth is expected to be concentrated in nine countries: India, Nigeria, Pakistan, Democratic Republic of the Congo, Ethiopia, Tanzania, the United States, Indonesia and Uganda.



Source: United Nations (2015)

Figure 1: World population growth

REVISION on the go

Population growth in already poor countries, is clearly a significant concern. As the UN (2015) article notes, "The concentration of population growth in the poorest countries presents its own set of challenges, making it more difficult to eradicate poverty and inequality, to combat hunger and malnutrition, and to expand educational enrolment and health systems, all of which are crucial to the success of the new sustainable development agenda".

Ageing populations through extended life expectancy are an issue in developed and developing countries alike, posing challenges for already stretched pension and healthcare systems. It is also critical to consider that the living standards of people in developed countries are often supported by raw materials and cheaper labour from less developed countries. This highlights the issues associated with outsourcing and supply chain labour standards (see Chapter 5).

Recycling and waste

Recycling and waste disposal is a controversial issue since it is important to develop understanding that it does not offset all the costs associated with production, and encourage rampant consumerism to continue. Costs of recycling and waste disposal are very high, and the number of recycling facilities even in the developed world are often insufficient.

With continuing adoptions of new products and technology across the world, for example increased use of electronic devices such as mobile phones, alongside problems with products such as cartons that contain recyclable and non-recyclable materials, it is a serious issue on the global development agenda.

With increasing awareness of pollution and stricter legislation on practices such as developing countries "exporting" waste to less developed countries, organisations and individuals will need to take greater responsibility for consumption and recycling practices. Ideally, organisations should adopt methods to produce, distribute and dispose of goods that are less environmentally damaging (including for example, developing technologies in solar, wind and hydro power).

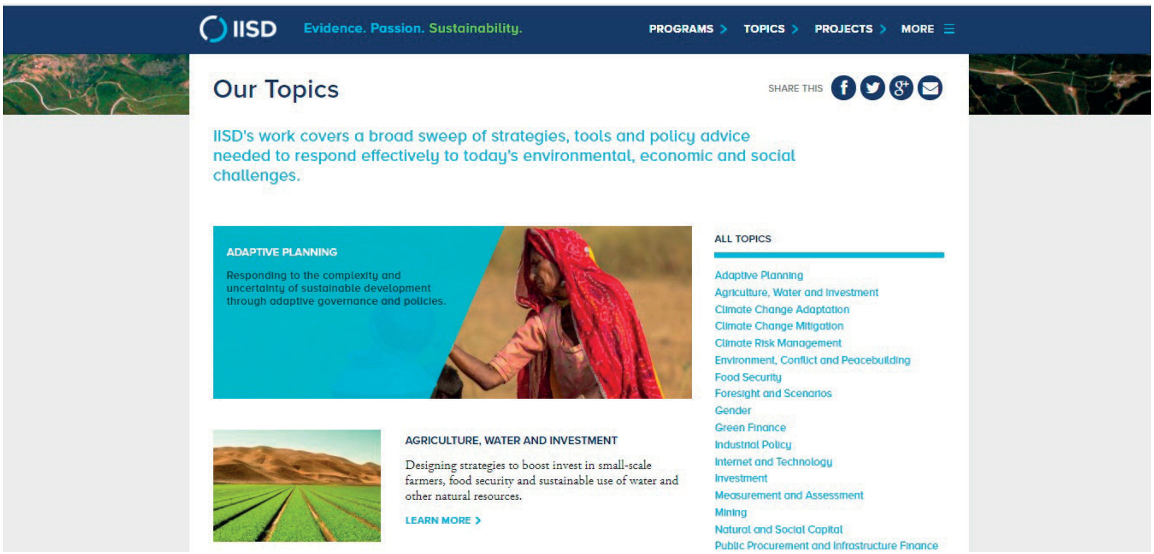
Climate change

Climate change, including global warming, is a very powerful driver of engagement in sustainability development since it is firmly on the global agenda at all levels. It is a highly contentious political issue both in terms of regulating businesses which leads to complaints that this can damage economic growth, and challenges in placing limits on growth particularly in developing nations (especially if being asked to cover costs associated with producing goods and services then exported to developed nations).

Major global treaties have been developed in response to climate change, as detailed in the section below. From an organisational and individual perspective, a consideration of carbon offsetting schemes can be useful. The airline sector is a good example since it tends to resist carbon/emissions taxes on the basis of damaging air travel growth and associated profitability, and focuses on developing more fuel efficient aircraft and offsetting air travel impacts through investing in renewable energy sources. This again highlights whether continued consumerism and growth can be compatible with sustainable development, and whether offsetting our impacts is enough. You will have the opportunity to explore these topics in the following activity.

OVER TO YOU

Activity 1: Environmental, economic and social challenges



Source: International Institute for Sustainable Development (IISD)

Visit the Topics page of the IISD (International Institute for Sustainable Development) website: http://www.iisd.org/topics and categorise the topics according to environmental, social or economic areas of impact. Then, investigate a topic of interest and prepare to share your findings with the class.

Key global initiatives

Debates and discussions around sustainability can be traced back to the 1951 report by the United Nations on "Measures for the Economic Development of Under-Developed Countries". A first leading initiative took place in 1992 in Rio at the United Nations Conference on Environment and Development/World Summit which developed *Agenda 21*. These were followed up at the next World Summit in Johannesburg in 2002 (*Rio + 10*), and in Rio in 2012 (*Rio + 20*).

The **Millennium Development Goals** were established by the United Nations in 2000, to be met by 2015. In 2015, these were further developed to *Sustainable Development Goals* which are set out later in this section. The reduction of carbon emissions is a particularly important focus of the global development agenda. Early landmark discussions date back to the 1997 Kyoto Protocol, at the United Nations Framework Convention on Climate Change, and continue to be hotly debated today. Targets were more recently revised in 2015 under the *Paris Agreement*. Since Paris, the C40 Cities Initiative has become one of the most influential initiatives in tackling climate change.

C40 Cities Initiative

This group began in 2005 and connects 90 of the world's leading cities to focus on tackling climate change **(global warming)** through reducing greenhouse gas emissions and climate risks. This is vital to health, well-being and economic opportunities for urban citizens. It enables city leaders to work together on knowledge-sharing projects such as urban waterfront developments to eliminating diesel vehicles, in order to create greater social equity and sustainable cities.

Its most recent report *Deadline 2020* analyses the contribution that C40 cities can make to delivering the Paris Agreement objective of limiting global temperature rise to 1.5 degrees, and what is required during the critical period from now to 2020. This report presents actions that cities need to take to achieve the Paris Agreement. Its report notes that:

"Over half the emissions savings identified in this route map can be delivered directly or through collaboration by C40 city governments. If the action pathway outlined in this document is pioneered by C40 cities, and then adopted by cities globally, action within urban areas would deliver around 40% of the savings needed to achieve the ambition of the Paris Agreement. Cities are therefore critical to delivering a climate safe future". (C40 Deadline 2020 Report, page 7)

Climate change is a critical topic that is addressed in all initiatives detailed as part of sustainability and corporate social responsibility. It affects all industry sectors, all over the globe. The following case study sets out a statement on the website of healthcare organisation Johnson & Johnson regarding its support for C40.

CASE STUDY

Johnson & Johnson

Over half the world's population now lives in metropolitan areas—and that number is expected to rise to nearly 70% by 2050. More than 80% of urban residents are exposed to unsafe air, a number that rises to 98% in low- and middle-income countries.

Johnson & Johnson have been committed to positive climate action for decades, and reduced greenhouse gas emissions and energy costs by about 20% over the past 10 years. They have also increased use of renewable electricity to nearly 25% by building renewable energy systems on our properties globally, and buying wind power in the U.S.

The C40 partnership has the potential to drastically improve climate change and human health through a global team effort.

Source: Adapted from Johnson & Johnson (2016)

OVER TO YOU

Activity 2: Addressing climate change in the world's megacities

Source: C40 (map ©Mapbox ©OpenStreetMap)

Visit the C40 Cities website: http://www.c40.org/cities to find out what is happening in a city near you.

The United Nations Global Compact

In 2000, the ten principles of the United Nations Global Compact were developed to drive global consensus in the areas of human rights, labour, the environment and anti-corruption. The principles are designed to apply to all sizes of business, across all sectors, across the globe. The Compact is the world's largest global corporate sustainability initiative with over 9000 companies and 4000 non-business participants in over 170 countries.

CASE STUDY

Corporate sustainability

The UN Global Compact defines the following features of corporate sustainability:

1 Principled business

This means going beyond compliance with the law, to actively address social, environmental and governance issues. It means operating with integrity in all areas of the business and supply chain practices.

2 Strengthening society

This refers to companies working with all other stakeholders to tackle challenges that cannot be overcome by one player acting alone (such as climate change, corruption and discrimination). Issues of poverty, conflict, resource scarcity and uneducated workforces affect business viability, so need to be addressed through strategic activities.

3 Leadership commitment

Effective leadership is required to send a strong message to employees and suppliers that all players are responsible.

4 Reporting progress

Non-financial reporting is essential for transparent communication of company actions, to measure impacts, to guide strategy and to help guide investor decision-making.

5 Local action

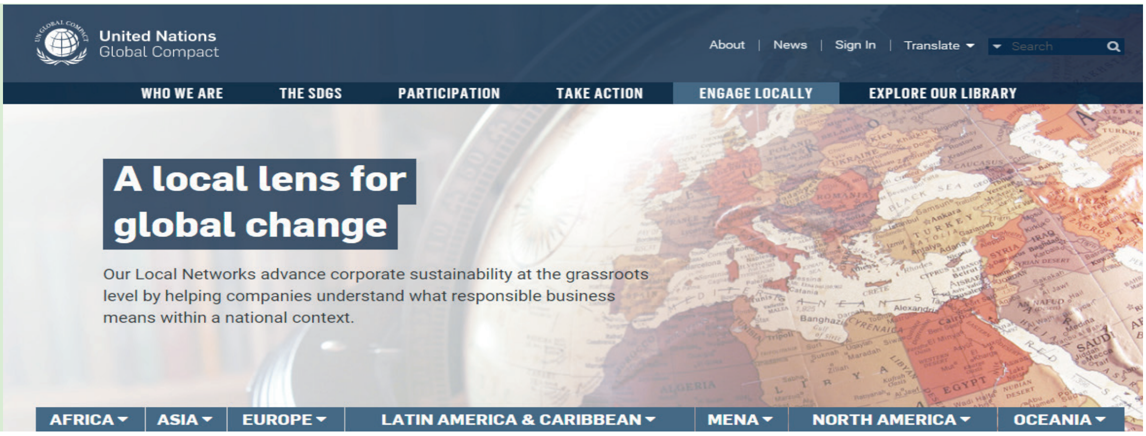
While the principles are universal to all businesses, it is recognised that companies act within nations and communities with variable expectations of what responsible business means. Therefore local networks exist to foster learning on a country-by-country basis.

Source: Adapted from United Nations Global Compact (2014)

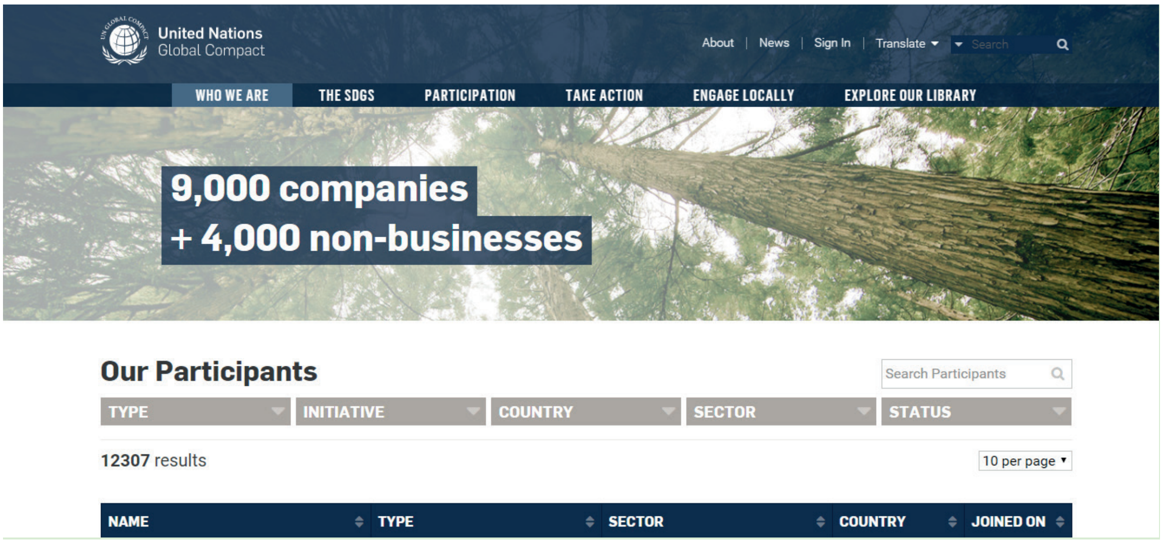
OVER TO YOU

Activity 3: United Nations Global Compact: Local networks and participation

a) Explore the "Engage Locally" section of the United Nations Global Compact website: https://www.unglobalcompact.org/engage-locally. Identify useful resources for your geographical area of interest.



b) Explore the "Our Participants" section of the United Nations Global Compact website: https://www.unglobalcompact.org/what-is-gc/participants. Identify organisations by country and/or sector of interest, and research links for further information.



Sustainable development goals

CSR approaches and tools such as reporting are ultimately assessed on their ability to work towards a sustainable world envisioned by the *2030 Agenda for Sustainable Development*. This was developed by member states of the United Nations in 2015 and sets out a plan with goals and targets for the next 15 years for people, the planet and prosperity. This is detailed below.

CASE STUDY

2030 Agenda for Sustainable Development

People: End poverty and hunger to ensure that all human beings can fulfil their potential and live in a healthy environment of quality and dignity.

Planet: Protect the planet from degradation, sustainably managing natural resources and taking urgent action on climate change, to support the needs of the present and future generations.

Prosperity: Ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress align with nature.

Peace: Foster peaceful and inclusive societies which are free from fear and violence.

Partnership: Build global solidarity, focused in particular on the needs of the poorest and most vulnerable, and with the participation of all countries and all stakeholders.

Source: Adapted from UNDSD (undated)

The *2030 Sustainable Development Agenda* includes 17 **Sustainable Development Goals (SDGs)**, which replaced the Millennium Development Goals. These are shown in Table 1. Each goal has actionable targets to reach, is focused on the efforts of all stakeholders, and is applicable to developing and developed countries alike. The GRI (2015) with the working parties of the United Nations Global Compact and the World Business Council for Sustainable Development developed a guide for implementation called "The SDG Compass". This notes that "Not all 17 SDGs will be equally relevant for your company. The extent to which your company can contribute to each, and the risks and opportunities they individually represent, will depend on many factors" (GRI 2015: 11). A food production company, for example, would be primarily focused with Goal 2.

Goal 1	End poverty in all forms everywhere.
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
Goal 3	Ensure healthy lives and promote well-being for all at all ages.
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5	Achieve gender equality and empower all women and girls.
Goal 6	Ensure availability and sustainable management of water and sanitation for all.
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all.
Goal 8	Promote sustained, inclusive and sustainable economic growth, full productive employment and decent work for all.
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
Goal 10	Reduce inequality within and among countries.
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable.
Goal 12	Ensure sustainable consumption and production patterns.
Goal 13	Take urgent action to combat climate change and its impacts.
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Source: GRI (2015)

Table 1: Sustainable Development Goals (SDGs)

REVISION on the go

CASE STUDY

United Nations World Tourism Organization: (UNWTO) Tourism and the Sustainable Development Goals

"Emphasis is placed on Goals 8, 12 and 14, in which tourism is featured.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all: By giving access to decent work opportunities in the tourism sector, society – particularly youth and women – can benefit from enhanced skills and professional development.

Ensure sustainable consumption and production patterns: Develop and implement tools to monitor sustainable development impacts for sustainable tourism which creates jobs and promotes local culture and products.

Conserve and sustainably use the oceans, seas and marine resources for sustainable development: Coastal and maritime tourism, tourism's biggest segments, particularly for Small Island Developing States (SIDS), rely on healthy marine ecosystems".

Source: UNWTO (undated)

OVER TO YOU

Activity 4: Sustainable Development Goals

Examine the Sustainable Development Goals and identify those which are most relevant to an industry sector of your choice.

4.3 Business case for sustainability

The GRI (2015) SDG Compass report details many opportunities for businesses to engage in sustainability through identifying new opportunities for growth and minimising risks. The business case for addressing sustainability considerations includes increasing sales, developing new market segments, strengthening the brand, improving operational efficiency, stimulating product innovation and reducing employee turnover. These are summarised in Table 2:

Identifying future business opportunities	• Innovative technologies to increase energy efficiency, renewable energy, energy storage, green buildings and sustainable transportation. • Substitution of traditionally manufactured and processed products by ICT and other technology solutions that reduce emissions and waste. • Meet the needs and improve the lives of the four billion people who live in poverty through products and services such as healthcare, education, energy, finance and ICT.
Enhancing the value of corporate sustainability	• Governments and others should introduce taxes, fines and other pricing mechanisms to make externalities become internalised to the business. This will strengthen economic incentives to use resources sustainably, or switch. • Employee engagement and productivity can increase, especially among younger generations who value responsible business practices. • Consumers are increasingly basing purchasing decisions on their perception of a company's sustainability performance.
Strengthening stakeholder relations and keeping pace with policy developments	• Improve trust among stakeholders. • Strengthen license to operate. • Reduce legal, reputational and other business risks. • Build resilience to costs or requirements imposed by future legislation.
Stabilising societies and markets	• Lift billions out of poverty, thereby growing global consumer markets. • Strengthen education, leading to more skilled and engaged employees. • Make progress on gender equality and women empowerment. • Ensure that the global economy operates within the capacity of the planet's resources that it depends on for production. • Encourage accountable, open and rule-based trading and financial systems, thereby reducing the costs and risks of doing business.
Using a common language and shared purpose	• The goals provide a common language of action and language that will help companies communicate consistently and effectively with stakeholders about their impact. • By providing unified priorities and purpose the goals can assist with partnerships between governments, civil organisations and other companies.

Source: Adapted from GRI (2015)

Table 2: The business case for implementation of Sustainability Development Goals

REVISION on the go

OVER TO YOU

Activity 5: Implementing the Sustainability Development Goals

Consider how the arguments for the business case for implementation of the Sustainability Development Goals (in Table 2) apply to an industry of your choice.

Challenges to implementing sustainability

Challenges to sustainability exist since it is evident that global problems concerning the environment, people and poverty continue to exist. It can be argued that sustainable development business initiatives and corporate social responsibility reporting help organisations to justify business growth and profit, under the guise of "sustainability".

Fisher et al. (2013) point out that the ground rules for sustainable development are set out by governments and non-governmental organisations that are perceived to be highly ethical and acting in the interests of the people and planet, but principles are often unenforceable and such institutions are also influenced by powerful economic and political interests. This is demonstrated in the carbon emissions debate (leading on from the UN Kyoto Agreement) which sees some developed countries refuse to pay debts, and that data is skewed by "outsourcing emissions" (producing them in less developed countries but consuming them in developed countries).

The principles of sustainable development are also felt by some to restrict opportunities for economic progress, and that it is wrong for western nations to "impose" standards on developing nations in the East (see Mustunsir 2015). From an organisational perspective, it can be challenging to introduce new technologies and processes. This can involve setup costs, specialised expertise and time investment. Although consumer interest in sustainability is often referred to, there is generally a lack of evidence that this results in changed purchasing habits, or a willingness to pay extra for sustainability investments. This can mean that organisations follow mandatory requirements, but it is "window dressing" and does not reflect a substantive change in organisational behaviour, or effectively minimise impacts.

This is referred to as "**green washing**" whereby organisations engage in CSR reporting or develop communications on policy initiatives, but they are little more than marketing hype rather than a genuine commitment to change. A similarly derogatory term "**blue washing**" has been developed to refer to *United Nations* initiatives such as "The Global Compact" which organisations sign up to, without making any substantive change to business practices.

If organisational motives are not driven by ethical and/or philanthropic beliefs, and if these beliefs are not supported by top management, it is questionable how much ethical/sustainability practice will be incorporated into organisational processes. However, that is not to say that positive outcomes cannot be achieved regardless of motive. For example, just because ethical actions are driven by a desire to boost employee morale, does not make them any less effective than actions driven by a sustainability motive.

OVER TO YOU

Activity 6: Debating views on sustainability

Prepare to debate views on sustainability. One group should represent the views of sustainability campaigners, and another group should represent the views of organisations which challenge and question the ease of implementation into business.

Sustainability strategies

The following section is based on the advice given for business action to implement the Sustainable Development Goals in the GRI (2015) SDG Compass report (see the reading list at the end of this chapter). It outlines a five-step process:

Step 1: Understand the SDG goals

Step 2: Define priorities

Step 3: Set goals

Step 4: Integrate sustainability into core business functions

Step 5: Report and communicate

Step 1 has been addressed in the sections above, so the remainder of this chapter will focus on steps 2, 3, 4 and 5.

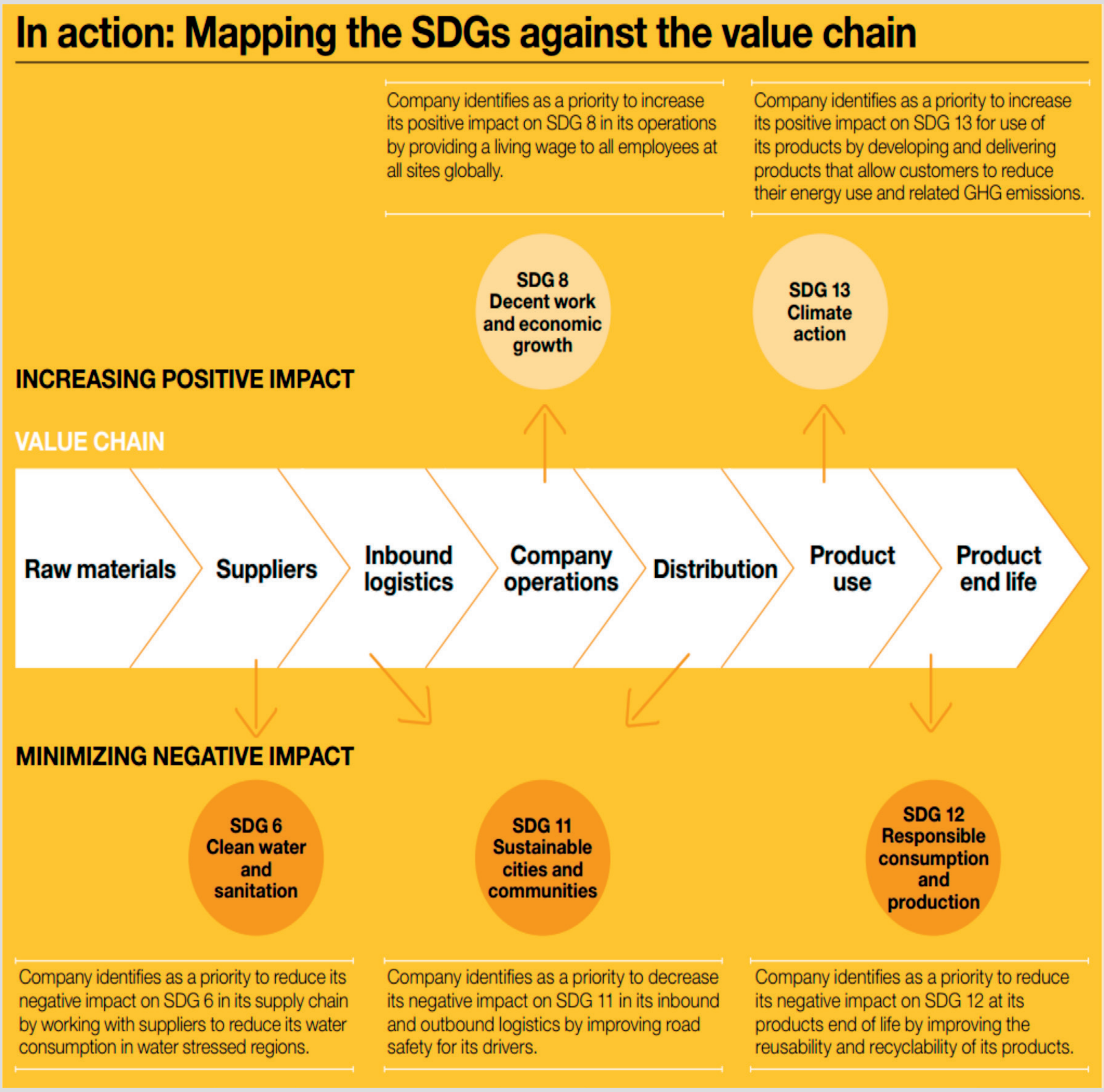
Step 2: Define priorities

- Map the **value chain** to identify impact areas

This considers the whole **supply chain** involved in the production and delivery of products/services to the end user. It does not require a detailed assessment, but rather an overall examination of each part of the value chain to identify potential areas of negative impact, and where the SDGs can be applied. To reduce complexity, this can be applied at product or location level and should involve multi-stakeholders.

It is noted that the mapping process should consider stakeholder interest, concerns and expectations. This should include disadvantaged/**marginalised groups** such as migrant workers and indigenous people, alongside stakeholders unable to articulate views such as future generations and the ecosystem.

If areas of potential high impact are identified, it is recommended that other industry tools are used to help organisations address these areas (such as the Poverty Footprint tool or WBCSD Global Water Tool). An example of how this mapping process is applied in practice is shown in Figure 2 below, and demonstrates opportunities to increase positive impact at each stage of the value chain, linked to the SDGs.



Source: GRI (2015) https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf

Figure 2: Mapping the value chain

The issue of value chain analysis is pertinent to increasing global focus on principles expressed in the SDGs around equality of opportunity and treatment, forced labour, transition from the informal to the formal economy, social security, occupational safety and health and industrial relations. This is particularly important since social factors tend to have lagged behind environmental factors in terms of both understanding, measuring and addressing impacts. The SDGs define regulations laid down by the International Labour Organization (ILO) which set out detailed *International Labour Standards* which are incorporated into global regulations.

The ILO estimate that there are 21 million people globally trapped in some form of forced labour, trafficking, debt bondage or child labour. This very important issue is returned to and explored further in Chapter 5. The UK has responded through implementation of the **Modern Day Slavery Act**. As of December 2016, this requires any UK business with a global turnover of £36 million ($44 million) to annually publish a slavery and trafficking statement on its website, to show what steps the organisation is taking to ensure there is no slavery in any part of its business, including its supply chain. This also applied to foreign companies/subsidiaries in the UK, or overseas subsidiaries of UK companies that produce goods or services sold or used in the UK.

This clearly shows the increasing expectation for companies to be able to effectively map and report on value/supply chain activities and impacts. This can present some challenges due to the complexity of many global supply chains. The case study below of the Ford Motor Company illustrates these challenges.

CASE STUDY

Ford Motor Company Ltd: Slavery and Human Trafficking Statement for the Financial Years 2015 and 2016

"The automotive supply chain is one of the most complicated of any industry. There are often six to ten levels of suppliers between an automaker and the source of raw materials that enter the manufacturing process. The breadth, depth and interconnectedness of the automotive supply chain make it challenging to effectively manage business and sustainability issues.

Respecting human rights and environmental issues in the supply chain is ultimately our suppliers" responsibility. As customers, however, we play an active role in supplier development and have adopted various means to clearly communicate our expectations to our suppliers.

Supply chain standards

In our standard production procurement process, we issue purchase orders that incorporate our Global Terms and Conditions (GT&Cs). The GT&Cs are further supplemented by our web-guides, which expand on our expectations and suppliers" obligations on specific topics. For example, our Social Responsibility and Anti-Corruption Web-Guide outlines our prohibition of child labour, forced labour (including human trafficking), physical disciplinary abuse and any infraction of the law. Our Environmental Web-Guide sets out environmental requirements, including the elimination of materials of concern and increasing the use of sustainable materials whenever technically and economically feasible.

Internally, we have adopted Policy Letter 24, our Code of Human Rights, Basic Working Conditions and Corporate Responsibility, to address workplace issues such as working hours, child labour, forced labour, non-discrimination, freedom of association, health and safety and the environment. This policy applies to our own operations, and we encourage businesses throughout our supply chain to adopt and enforce similar policies in their own operations. Furthermore, we seek to identify and do business with companies that have aligned standards consistent with Policy Letter 24, including working to cascade these expectations throughout their own supply chain.

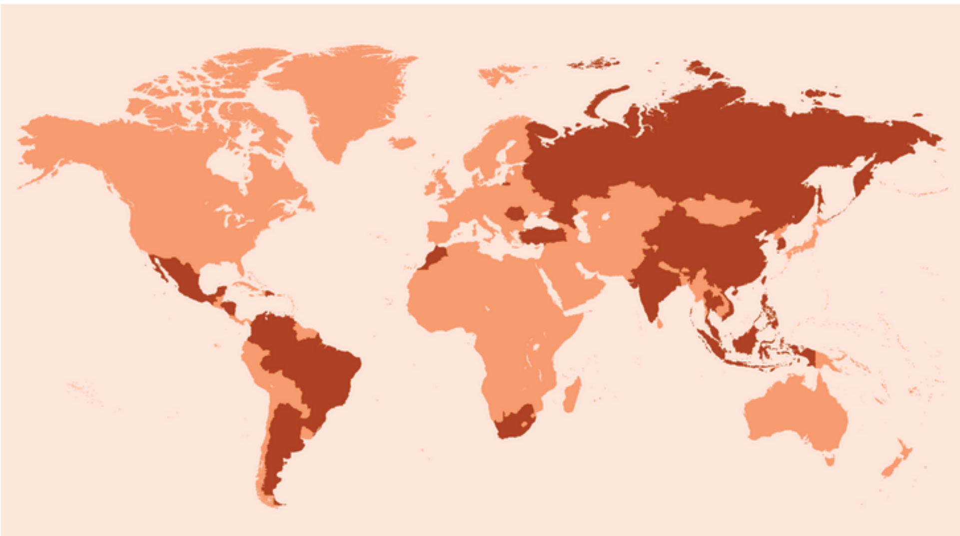
Slavery and human trafficking

Slavery and forced labour can take many forms, including human trafficking or child labour. Ford's Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility, clearly states that we will not tolerate forced labour (including human trafficking) or child labour in our operations and we conduct internal audits of our manufacturing locations to ensure compliance. Our processes include actions to safeguard against human rights abuses (including forced labour and human trafficking) in our supply chain, including:

Our Global Terms and Conditions forbid the use of forced labour, child labour and physically abusive disciplinary practices. Our definition of forced labour is inclusive of human trafficking as outlined in our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility. Ford's purchase orders require suppliers to certify compliance with our prohibition of forced labour, child labour and physical disciplinary abuse as part of our Global Terms and Conditions that govern the purchase by Ford of goods and services from suppliers. We reserve the right to terminate our relationship with a supplier if issues of noncompliance with our policies are discovered and/or noncompliance is not addressed in a timely manner.

We regularly assess risk related to human trafficking and forced labour associated with our supply base. Our preliminary assessment is based upon geography, the commodity purchased, supplier quality performance and the nature of the business transaction. Ford performs this risk assessment with input from external stakeholders. In 2014, as a result of this analysis, we added Indonesia to our list of high-priority countries, increasing the total to 22 countries. The high-priority country list, combined with our training and assessment history in a given country and engagement with our regional buying community, is used to prioritise our training and assessment efforts.

Human Rights and Working Conditions Program Focus Countries



Americas

Argentina, Brazil, Colombia, Dominican Republic, Honduras, Mexico, Nicaragua and Venezuela

Asia

China, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand and Vietnam

Europe, Middle East and Africa

Morocco, Romania, Russia, South Africa and Turkey

Training and building capability

We regularly conduct internal training on our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility with our Global Purchasing staff, including management and supplier quality teams. Additional training is conducted regarding our Supply Chain Sustainability Program, including coverage of the Code and our Global Working Conditions Program.

Ford requires suppliers in high-risk countries to attend training to increase their awareness of Ford's requirements and legal requirements, including those related to forced labour and child labour.

We regularly conduct audits of at-risk Tier 1 supplier factories to monitor compliance with Ford expectations and legal requirements. These audits are independent and generally announced. We choose which facilities to audit based upon our risk assessment as described above. If any issues are identified during an audit, the supplier is required to prepare a corrective action plan and resolve all violations within an agreed upon time period".

Ford (2016)

OVER TO YOU

Activity 7: International Labour Organisation

Research a country/region of interest to identify current debates and actions surrounding ILO standards.

Source: Copyright © International Labour Organization (2017)

Continuing with the SDG Compass report guidelines on step 2:

- Select indicators and collect data

For each area of high impact, organisations are recommended to identify **indicators** that will help understand impact and track performance over time. The SDG Compass sets out indicators mapped against the SDGs, which link to well-recognised sources such as the Global Reporting Initiative (GRI) indicators presented in Chapter 3. Indicators help organisations to identify, measure and monitor impacts and progress with regard to social, environmental and **economic performance**. Organisations should identify indicators that will help direct the collection of information on social, environmental and economic impacts. Data collection might be through existing business systems for data collection, interviews, questionnaires, field visits, focus groups and so on.

- Define priorities

This stage involves considering the severity of impacts, the importance to key stakeholders, opportunities to strengthen competitiveness, the potential for new regulation, and risks through not addressing negative impacts. It is recognised that all of the stages require subjective judgements, so it is best to document processes *transparently* and to repeat them frequently.

Step 3: Set goals

- Define scope of goals and select **key performance indicators (KPIs)**

KPIs are quantifiable measurements used to identify and track progress on environmental, social and economic performance. The SDG Compass recommends that goals ensure opportunity to make positive contributions as well as reducing current and potential negative impacts across the value chain. It notes that it is important to focus on social dimensions such as anti-corruption, which tend to be addressed less than environmental issues because of challenges in monitoring and measuring.

It is important that KPIs are specific, measurable and time-bound, rather than too broad such as "become carbon neutral". These can be based on the indicators used to assess impacts set out in step 2, and it is beneficial to use commonly used indicators in order for easier comparison with other companies.

- Define **baseline** and select goal type

A baseline/minimum expectation should be set for each goal, which should be closely related to the impact and indicator. For example, a goal to increase the number of women on the Board of Directors by 40%, relative to the baseline defined in 2013. Goals may be "absolute" meaning they only consider that key performance indicator (such as reduce health and safety incidents by 30% by 2022 from 2017), or they may be "relative" meaning they compare the indicator to a key unit of output (such as reduce greenhouse gas emissions per unit of company sales by 25% by 2022 from 2017).

- Set level of ambition

The SDG Compass sets out that more ambitious goals are likely to drive greater impacts and better performance than more modest goals. Setting goals significantly above the baseline that no one yet knows exactly how they will be achieved, inspires innovation and creativity. It is interesting to consider that the actions of industry leaders can also create pressure for peers to keep up.

Goals should be set based on the aspirations of the SDGs, based on industry type, geographical location and size. Timeframes are also important for goal-setting, ensuring that there is enough time to make a meaningful change, while also setting shorter milestones alongside long-term goals.

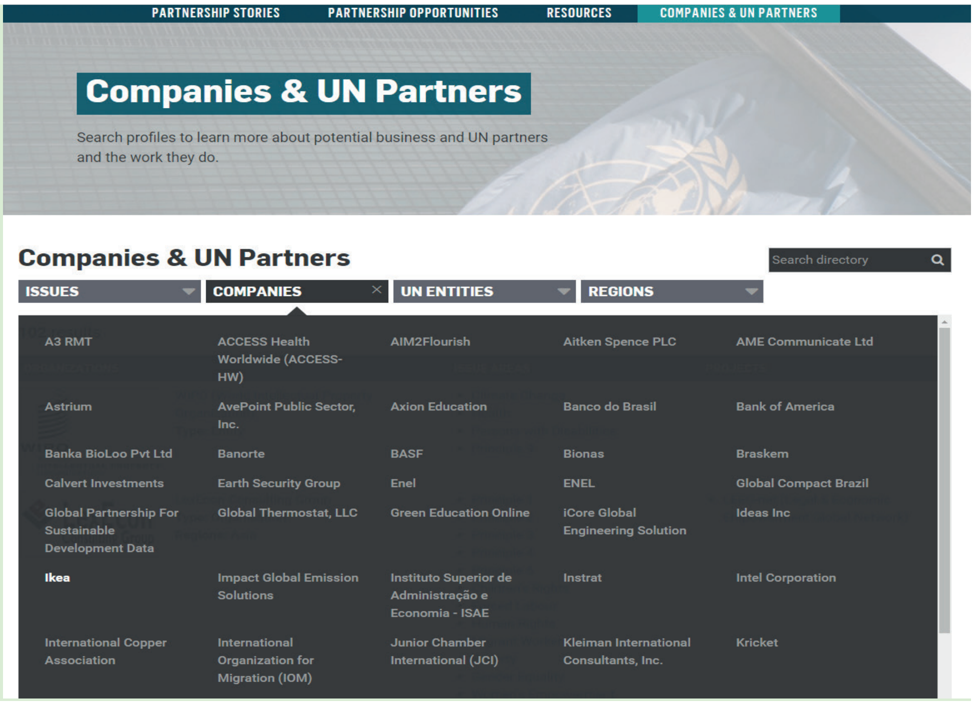
- Announce commitment to SDGs

Making goals public can be effective in demonstrating organisational aspirations, but this needs to be balanced against risks of criticism if the goals are not met in time. Therefore, it is important to be transparent in reporting on the efforts made, progress achieved and challenges faced. The SDG Compass recommends that organisations announce goals on the United Nations business.un.org website. This website enables business to learn more about UN programmes, with lots of supporting resources. It encourages businesses to communicate progress made towards achieving goals.

OVER TO YOU

Activity 8: UN Business Action Hub – www.business.un.org

Research the "Companies" section of the website and look at the projects detailed to identify the type of goals set, and consider how they link to the Sustainable Development Goals. Is useful information provided on the progress made towards achieving goals?



Source: UN Business Action Hub (2017)

Step 4: Integrate sustainability into core business functions

- Anchor sustainability goals within the business

Active leadership by the CEO, Board of Directors and senior managers is critical to integrating sustainability into long-term strategy and all functions of the business. This is addressed in detail in Chapter 5. It is necessary to communicate the business case for sustainability and how it can complement progress towards other financial and operational goals. It is suggested that sustainability goals should be integrated into performance reviews and remuneration schemes, and that ultimately it should be reflected in the vision and mission statements of a business.

- Embed sustainability across all functions

Sustainability needs to be embedded into strategy, culture and operations. Therefore, it is important that all departments are accountable for sustainability goals. Some goals will be suited to some departments more than others. To support the development of an organisation's sustainability strategy, it can be useful for a team of cross-functional representatives to be brought together as part of a sustainable committee at Board level, in order to drive forward business integration.

- Engage in partnerships

The SDG Compass suggests that organisations can explore three types of partnerships. Value chain partnerships enable organisations to access complementary skills, technologies and solutions. Sector partnerships enable leaders to come together to raise standards, share best practices and overcome shared challenges. Multi-stakeholder partnerships with governments and civil society organisations enable complex challenges to be addressed. The SDGs can help bring partners together through shared goals and priorities. However, effective sustainable development partnerships require a high level of commitment and require clear governance structures and processes to be laid out.

Step 5: Report and communicate

Corporate websites, social media channels, events, product and service labelling and advertising can all be effective ways to communicate to stakeholders on sustainability.

- Effective reporting and communication

As discussed in Chapter 3, it is important for organisations to use internationally-recognised reporting standards, for example by the Global Reporting Initiative. Reports should cover both positive and negative aspects of performance against identified priorities, the significance of impacts, and any issues of high significance to stakeholders. External assurance can enhance the credibility and quality of reports.

- Communicate on SDG performance

The SDGs provide a common framework for reporting. Organisations should identify which SDGs are relevant and the process for defining SDG priorities, such as any stakeholder engagement. Reports should address impacts (both positive and negative) related to the relevant SDG, goals relevant to the SDGs and progress made towards achieving them, a description of practices and strategies related to the SDGs and achievement of goals (such as policies, systems and processes).

Sustainability codes/policies

The final section of this chapter sets out the use of organisational codes/policies on sustainability. These might also be referred to as ethical, corporate social responsibility or responsible codes of practice. All refer to a written document which sets out standards of behaviour at organisational and employee level. They are likely to include an indication of the organisation's values and its perceived responsibilities towards stakeholders.

They are designed to communicate commitments to stakeholders, and to guide organisational decision-making. The content of codes will be tailored to industry and organisational needs, and the relative focus on ethical practices, CSR and/or sustainability. A CSR/sustainability focus will also consider environmental, social and economic matters. In Chapter 2, the organisation Maxim Integrated was introduced and its CSR policy relating to ethical issues was presented. The next case study presents aspects of its CSR policy relating to environmental and social matters.

CASE STUDY: MAXIM INTEGRATED – CODE OF CORPORATE SOCIAL RESPONSIBILITY

Labour and human rights

Wages and benefits: Workers should be paid at least the minimum wage required by applicable laws and regulations.

Working hours: Workweeks should not exceed the maximum set by local law.

Non-discrimination: Workers should not be discriminated against based on race, colour, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, national origin, or marital status in hiring and employment practices.

Child labour: Child labour is not to be used in any stage of manufacturing. The term "child" refers to any person employed under the age of 15 (or 14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.

Humane treatment: Workers should not be subject to harsh or inhumane treatment, including sexual harassment, sexual abuse, corporal punishment, mental coercion, physical coercion, or verbal abuse.

Involuntary labour: Forced, bonded, indentured, or prison labour, slavery or trafficking of persons should not be used in the workplace.

Freedom of association: The rights of workers to associate freely, form and join workers organisations of their own choosing, seek representation, bargain collectively, and engage in peaceful assembly as permitted by and in accordance with applicable laws and regulations, should be respected.

Environmental

Environmental permits and reporting: Environmental permits (e.g. discharge monitoring) and registrations should be obtained, maintained and kept current, as required by law, and operational and reporting requirements of such permits followed.

Hazardous substances: Suppliers should comply with applicable laws and regulations prohibiting or restricting specific hazardous substances.

Wastewater and solid waste emissions: Wastewater and solid waste generated from operations, industrial processes, and sanitation facilities should be monitored, controlled, and treated as required by applicable laws and regulations before discharge or disposal.

Air emissions: Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals, and combustion by-products generated from operations should be characterized, monitored, controlled, and treated as required by applicable laws and regulations before discharge.

Pollution prevention and resource reduction: Suppliers must endeavour to reduce or eliminate waste of all types, including water and energy, by implementing appropriate conservation measures in its facilities, in its maintenance and production processes, and by recycling, re-using, or substituting materials.

Source: Adapted from Maxim Integrated (undated) https://www.maximintegrated.com/content/dam/files/aboutus/company/code-of-corporate-social-responsibility.pdf

OVER TO YOU

Activity 9: Designing a sustainability policy

Design a sustainability policy for an organisation of your choice. You must choose an organisation which does not currently include this information in its communications.

To design your policy, first take some time to research similar businesses in the sector which might already have published policies. Critically analyse the codes you find – are terms clearly defined? Is the content aspirational or does it clearly define standards of behaviour? Does it address economic, social and environmental considerations both in its operations and in the supply chain?

Use the Sustainable Development Goals in the design of your policy.

The principles and content of sustainability policies are shared with those of CSR policies discussed in Chapter 1, so you should also refer back to your previous learning.

If you're studying in a centre, share your policy developments with a study partner – or the class as determined by your tutor, presenting a case for how it can be implemented into the organisation.

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Summary

This chapter has brought together the concepts of sustainable development and corporate social responsibility and sought to demonstrate how the two concepts are interlinked. It is suggested that it is perhaps most effective to think of sustainability as a tool to achieve the goals of CSR. It has been shown that there are many drivers and indeed challenges to engaging in sustainability/CSR practices, and that there are many practical tools available to assist organisations in differing contexts. This is further focused upon in the following chapter which details practical applications of CSR/sustainability concepts.

Chapter 5

Management Applications of Business Ethics

Introduction

This chapter sets out how the principles of corporate social responsibility (CSR) and sustainability can be applied in practice, through the consideration of national and organisational cultural values, leadership characteristics, marketing and human resource management. It will be shown how an understanding of approaches to sustainability principles requires an understanding to cultural and organisational context, but this should not mitigate responsibility through denied responsibility.

Learning outcome

On completing the chapter, you will be able to:

5 Analyse the influence of organisational culture and leadership on business ethics with a focus on marketing and human resource management

Assessment criteria

5 Analyse the influence of organisational culture and leadership on business ethics with a focus on marketing and human resource management

5.1 Critically evaluate how organisations' culture and leadership can influence approaches to ethical decision-making

5.2 Assess the opportunities and challenges for differing types of organisation to effectively integrate ethical decision-making into the marketing mix and human resource management functions

5.1 Organisational culture and ethics

Organisational culture shapes ethical decision-making through the established organisational norms and beliefs. This can be reflected through formal organisational rules and procedures, or policies/codes as discussed in Chapters 2 and 4. Informal group cultural norms may also be apparent in the way employees act, talk, dress and so on. Such group norms may conflict with organisational policies. For example, employees may consider it acceptable to illegally pirate licensed software for home use as a perk of the job, although it is officially prohibited.

! NEED TO KNOW

Ethical organisational culture refers to the values, beliefs and behaviours of an organisation and its members that support positive ethical actions regarding societies, environments and economies.

REVISION on the go

An "ethical culture" is necessary to facilitate ethical decision-making. As discussed in Chapter 4, the SDG Compass report highlights the need to embed sustainability into all areas of business functions, and to ensure it is reflected in organisational mission and value statements. This is important, since it ensures ethical practice is instilled throughout the business, avoiding the need for timely and costly monitoring and compliance programmes. It is closely dependent upon the actions of leaders, as will be discussed in the following section.

Without the development of an ethical culture, departments will work in isolation rather than towards a consideration of the **triple bottom line** (see Chapter 4). For example, an outsourcing strategy might be heralded as successful through reducing costs, without considering the wider implications.

The Institute of Business Ethics (IBE) report (2016: 1) detailing indicators of corporate culture sets out that examples of a good culture were identified to be "companies with a well-articulated set of values clearly owned by the board and senior executive, companies displaying a strong tone from the top in a behavioural sense, and companies with codes of practice/conduct (policies) informed by their values and with good arrangements for monitoring compliance". Table 1 below sets out the findings on indicators of culture (whether good or bad).

Quantitative or factual	Processes (in place or not/effective or not)
• Competition rules infringements	• Aggressive tax policies
• Customer satisfaction data	• Board effectiveness reviews
• Health and safety record over time (including near misses)	• Consistent application of code of conduct
• Public commitment to values by leadership	• Complex legal and/or management structures obscuring accountability lines
• Qualified audit reports	• Due diligence in acquisitions and record of integrating them
• Regulatory sanctions	• Dysfunctional board
• Shareholders contesting remuneration	• Equal treatment of shareholders
• Staff satisfaction (employee engagement survey)	• Embedding of code of conduct (training of all employees)
• Speak-up/whistle-blowing statistics	• Entrenchment of board and/or management
• Staff turnover	• Engaged directors, having first-hand familiarity with operational level
	• Independent speak-up or whistle-blowing arrangements with feedback to board
	• Internal audit/board monitoring of exit interviews
	• Open culture in which staff at all levels feel free to speak up about concerns
	• Over-ambitious targets set by management
	• Overbearing chief executive
	• Propensity for gearing to increase or for excessive gearing compared to peers
	• Recruitment policies with declared values
	• Regular review of code of conduct
	• Remuneration and incentives at all levels consistent with declared values
	• Status of internal audit
	• Succession planning
	• Tolerance of minor regulatory or code breaches by star employees
	• Training of middle management in handling speak-up or whistle-blowing
	• Transparent and robust risk management systems

Source: Institute of Business Ethics (IBE) (2016)

Table 1: Indicators of culture

Values of national culture

In order to understand organisational culture towards ethical practice, it is necessary to consider context through national culture. Geert Hofstede (1983) carried out influential research into national value differences in organisations, comparing the **personal values** of employees in 53 countries. The research helps to understand characteristics of national culture, which link to an understanding of approaches to business ethics.

He identified the following five main dimensions of values, called **National culture values**:

- **Power distance**

This describes the extent to which less powerful members of organisations both expect and accept that power is distributed unequally. High power distance cultures based on hierarchical relationships accept more inequality between individuals, and business authority is rarely challenged. Accountability for ethical decision-making sits firmly with senior management who are responsible for decision-making. Since there is a higher tolerance of being treated unfairly, there may be less expectation for organisations to act ethically and customers may be less likely to complain.

In low power distance cultures, accountability is linked to job role, at whatever level of the organisation that may be. Individuals in low power distance countries are not scared to question decision-makers and to openly express opinions.

- **Individualism**

This describes the strength of ties between individuals. In high individualistic cultures ties are loose and individuals are expected to look out for themselves. In low individualist cultures (collectivist), people stay in cohesive and loyal groups. Such collectivist cultures may lead to a strong customer motivation to buy from an "ethical" company in order to be associated with this organisation which works towards collective gain. The high degree of loyalty will mean they are less likely to switch to less ethical companies, even if they are selling at a lower price.

- **Masculinity**

This describes differences in gender roles. In high-masculine countries behaviour is expected to be assertive, tough and focused on material success. The focus is on material goods, status, accomplishment, reward and ambition. Individuals are willing to sacrifice leisure time in order to "win" at business. Ethical practice would imply monitoring and control mechanisms, and punishments for unethical behaviour. Low-masculine (feminist cultures) are identified by a more modest, caring approach based on supporting others and human needs.

- **Uncertainty avoidance**

This describes the degree to which people are comfortable with uncertain/unknown situations. Societies with low uncertainty avoidance are comfortable with ambiguity, reflected for example in loose contractual details. Societies with high uncertainty avoidance prefer clear rules and guidelines and avoid any ambiguity.

- **Long-term orientation**

In long-term oriented cultures, employees will seek to cultivate long-term rewards rather than short-term benefits. The long-term orientation is linked to building trust through ongoing, loyal relationships and a focus on family and discipline. A long-term orientation might encourage ethical practices through the perceived benefits to society, rather than a short-term orientation towards more immediate gain.

CASE STUDY

Chinese culture, the business context and Hofstede

China has a high **power distance** index, i.e. members of Chinese society believe that significant inequalities amongst people are acceptable.

China is a highly **collectivist** culture where people act in the interests of the group and not necessarily of themselves.

Chinese society is driven by **"masculine"** values such as competition, achievement and success, with success being defined by the winner/best in field.

China has a low score on **uncertainty avoidance**, indicating that the Chinese are comfortable with ambiguity.

China is a highly **long-term oriented** society in which future rewards are sought through persistence and perseverance.

Source: Institute of Business Ethics (IBE) 2012

OVER TO YOU

Activity 1: Hofstede's dimensions of national culture

On Hofstede's website select a country (other than your country of residence) and a comparison country (your country of residence) and note the findings about national culture.

https://geert-hofstede.com/countries.html

Compare your findings with a study partner and/or the rest of your class. Consider how these findings might apply in an analysis of approaches towards business ethics.

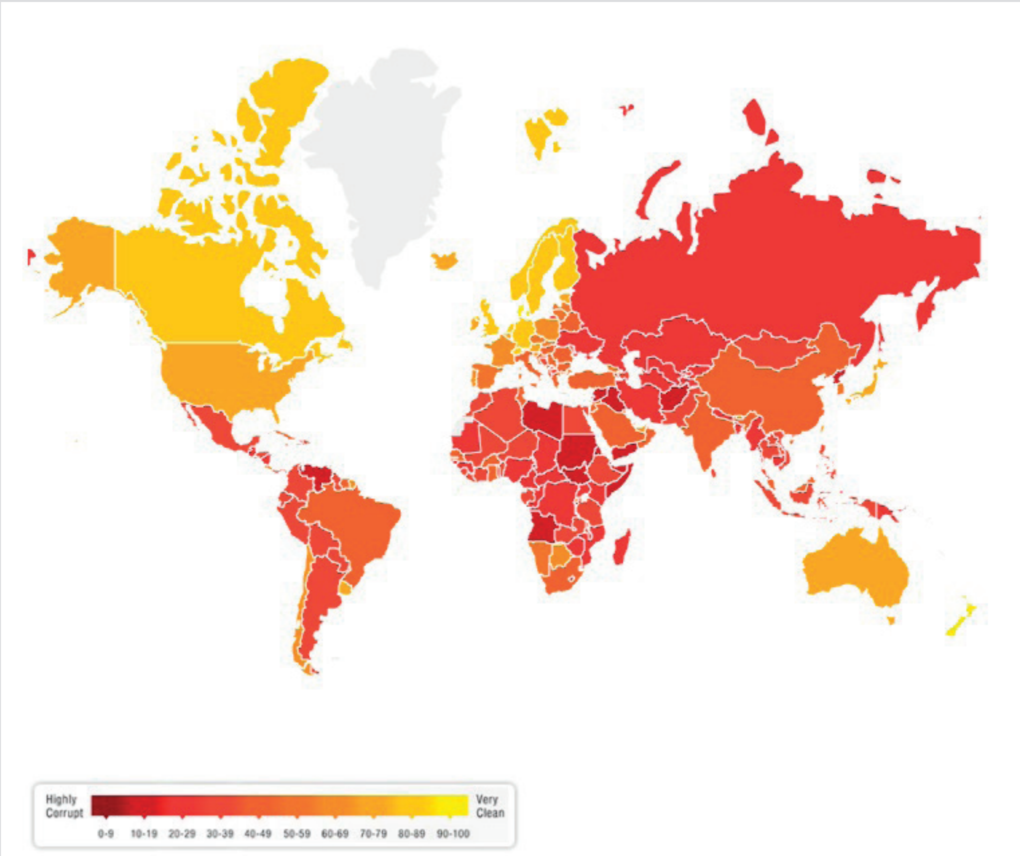
Global cultural differences: corruption

Finally, it is useful to consider ethical dilemmas that can arise for employees working within cultures where values differ from their own, and whether decisions should be driven by their own values, or the values of the country they are working within. This is very much evident when considering issues of corruption. Although many organisations issue policies and procedures surrounding corruption, attitudes vary across the globe. In some countries, if offering or paying a bribe means being able to put food on the table for your family, or receiving a cash incentive or "backhander" is not seen as a form of corruption, it is understandable why high levels of corruption can exist.

For organisations working within cultures where corruption is ingrained into the way business is done, it is important for staff to be trained to recognise, understand and respond to such ethical challenges. This is important as staff may be unsure whether it is appropriate to accept gifts for example, which is perfectly normal in eastern cultures, but in the West can be seen as a form of bribery.

The organisation, Transparency International, has reported on levels of global corruption since the 1990s. It defines corruption as "the abuse of entrusted power for private gain" and that it can be "classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs". It highlights that corruption has costs politically through depleting national wealth, socially through eroding trust and environmentally through the lack of enforcement of environmental regulations. Transparency International encourages **transparency, accountability and integrity** in business dealings.

Figure 1 shows its research into levels of country corruption and reports that "Over two-thirds of the 176 countries and territories in this year's index fall below the midpoint of our scale of 0 (highly corrupt) to 100 (very clean). The global average score is a paltry 43, indicating endemic corruption in a country's public sector. Top-scoring countries (yellow in the map below) are far outnumbered by orange and red countries where citizens face the tangible impact of corruption on a daily basis".



Source: Transparency International (2017) released under CC BY-ND 4.0 licence

Figure 1: Corruption Perceptions Index 2016

Transparency International runs many initiatives to raise awareness of, and combat, corruption. Figure 2 illustrates its campaign to encourage people to sign up to declarations regarding anti-corruption. It is this type of awareness-raising that must be instilled into corporate cultures, in order to meet ethical business, CSR and sustainability aims.

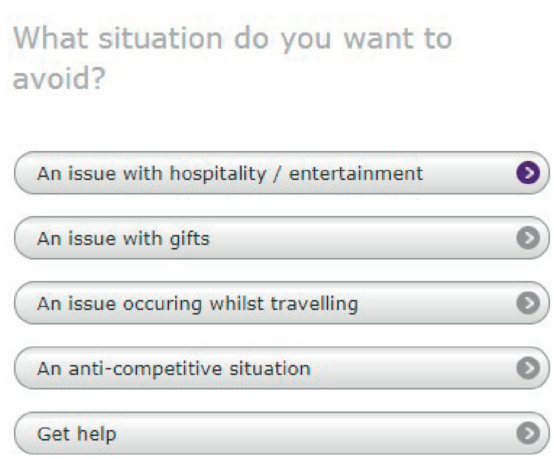
Source: Transparency International (2017) released under CC BY-ND 4.0 licence

Figure 2: Declaration against corruption

OVER TO YOU

Activity 2: Say No Toolkit

Explore the website: http://www.saynotoolkit.net/app/ and the advice given in the following situations. Can you relate it to your own experiences, and how it may apply in particular cultural contexts? Is there any further advice you would add?



Source: Institute of Business Ethics (IBE) (undated)

OVER TO YOU

Activity 3: Ethical dilemmas

Think of situations which could cause an ethical dilemma in the workplace. Two situations are given below and you can also use the "Say No Toolkit" for ideas.

- **You are a sales manager for a large organisation. You have been approached by an overseas partner who has asked for a large commission in return for securing a large deal. Should you pay the commission?**
- **You receive a very expensive gift from one of your suppliers, who you have spent a considerable amount of time with ensuring their satisfaction. What should you do?**

Leadership and ethics

Continuing with the topic of corruption, it is important that senior management does not tolerate such practices. They must also lead by example in order to develop an open and trustworthy culture, in which these issues are regularly discussed, and employees feel supported to do the right thing.

NEED TO KNOW

Ethical leadership refers to the role of senior management in encouraging and influencing ethical behaviour throughout the organisation.

REVISION on the go

The personal values of leaders are important here, since if leaders are perceived to be ruthless and primarily concerned with the financial bottom line, it is likely to permeate organisational culture. Conversely, if leaders are seen to drive forward the implementation of ethical practices, it can have a positive motivating influence on others.

Since leadership is primarily about setting direction and vision, and motivating and inspiring people, it plays an important role in ethical business practice. While leadership cannot ensure ethical behaviour, it can surely influence and shape it. It is much more likely to be effective than other ethical practices such as producing ethical codes.

Crane and Matten (2015) suggest two differing modes of ethical leadership:

- **Ethical cultural change**

In this approach the leader's role is to communicate and personify the values and standards of the organisation, and to inspire and motivate employees to follow their lead. For this to be effective, leaders need to be perceived to be a moral person. This may create some challenge for leaders to demonstrate fully and consistently, thereby creating doubt in the minds of employees.

- **Ethical cultural learning**

In this approach ethical behaviour is not just promoted through the leader's example and approach, but through facilitating employees to engage with the issues and empower them to make ethical decisions. This can of course involve some risk in giving employees control to make the "right" decisions.

Characteristics of ethical leaders

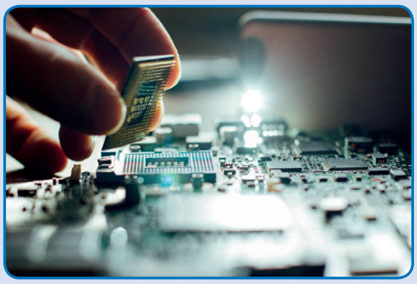
Freeman and Stewart (2006) provide the following framework of ten facets of ethical leadership:

1 Articulate and embody the purpose and values of the organisation

It is important for leaders to give a positive example through their own behaviour. This is especially important when business leaders are prominent in society and must act as role models. Prutzman (2009) reported that at a debate on ethical leadership, a Chairman of Johnson & Johnson stressed that leaders need to be honest about their own personal values, they need to "have the courage not to compromise" and that "Your behavior speaks louder than your words". This can cause serious reputational and financial problems for an organisation when leaders are caught up in scandals.

CASE STUDY

Toshiba accounting scandal



In 2017 the Japanese electronics conglomerate has faced fresh scandal following on from admitting it had overstated earnings by $1.3 billion over seven years. The CEO and President Hisao Tinaka resigned, and independent investigators found that it had a corporate culture in which management decisions could not be challenged, and employees were pressurised into inappropriate accounting. The company has not faced criminal charges due to insufficient evidence and differences in accounting laws, but continues to be investigated. Former chief executives deny giving instructions to falsely report a rise in profits.

Source: Adapted from Financial Times (2017)

2 Focus on organisational success rather than personal ego

Ethical leaders focus on the goals and dreams of the organisation and recognise that employees drive organisational success. A prime example of this is US-based Dan Price, founder of a credit processing payment company who funded a raise in the minimum salary to $70,000, by cutting down his salary. The company website states he did this "to provide his team a better quality of life and improve the success of his clients" (Gravity Payments 2017).

3 Find the best people and develop them

This is fundamental to effective leadership, and involves taking ethics and character into account in the selection process. Ethical leaders consider evaluating integrity as more important than evaluating skills and experiences. Tactics for recruiting staff with integrity can include using ethical scenarios, or using integrity testing. This form of personality testing focuses on assessing a person's honesty and dependability.

4 Create a living conversation about ethics, values and the creation of value for stakeholders

To engrain ethical values, leaders need to inspire employees through regular discussion of issues, rather than just taking a compliance-based approach.

5 Create mechanism of dissent

It is important that employees are able to express dissatisfaction with leaders' actions. Through engaging employees in this way, damaging and costly mistakes can be avoided. This can be facilitated through establishing whistle-blowing systems.

! NEED TO KNOW

Whistle-blowing refers to employee actions to expose ethical or legal violations within organisations, either internally or publicly.

REVISION on the go

If an employee perceives there to be some legal or ethical violation, they may choose to "blow the whistle" to external bodies such as regulatory agencies or journalists. It is clearly preferable for there to be systems for internal reporting to organisational leaders. Reporting on actions implies a high level of personal integrity, and also of course involves some risk since the response cannot be predicted and people can be seen as troublemakers. Organisations therefore need to create organisational cultures which incentivise internal reporting. This is important since whistle-blowing is the most common detection method for occupational fraud, as identified by the ACFE (2016) Global Fraud Study (see the resources list at the end of this chapter).

Some countries have therefore introduced legal protection for whistle-blowers, and require organisations to adopt methods for anonymous reporting. In the UK, you are protected by the law if you report any of the following:

- a criminal offence, e.g. fraud;
- someone's health and safety is in danger;
- risk or actual damage to the environment;
- a miscarriage of justice;
- the company is breaking the law, e.g. by not having the right insurance;
- you believe someone is covering up wrongdoing.

This is a relatively new business approach in Asia which is based on close-knit business communities which place high value on company loyalty and can view whistle-blowing as a form of spying. Some Asian countries (such as Singapore) lack overarching legislation to ensure statutory protection to whistle-blowers, but this is beginning to change (Malaysia for example introduced a Whistle-blower Protection Act in 2010).

The importance of whistle-blower protection is addressed in many international initiatives. G20 Summits made up of governments and central bank governors from the top 20 major economies, for example, support principles for whistle-blower protection legislation developed by the OECD (2012). The OECD reported that the UK, the USA, Australia, Canada, Ghana, Korea, New Zealand, Romania, and South Africa had the most comprehensive legislation.

CASE STUDY

Corruption Watch South Africa

Corruption Watch is a South African Non-Governmental Organisation established in 2012 to fight corruption and hold leaders accountable for their actions. It encourages the public to speak out against corruption so it can be investigated and reported. The following is taken from its website:

"Corruption affects us all. It threatens sustainable economic development, ethical values and justice; it destabilises our society and endangers the rule of law. It undermines the institutions and values of our democracy. But because public policies and public resources are largely beneficial to poor people, it is they who suffer the harmful effects of corruption most grievously.

To be dependent on the government for housing, healthcare, education, security and welfare, makes the poor most vulnerable to corruption since it stalls service delivery. Delays in infrastructure development, poor building quality and layers of additional costs are all consequences of corruption.

Many acts of corruption deprive our citizens of their constitutional and their human rights.

Corruption and international perceptions of corruption in South Africa has been damaging to the country's reputation and has created obstacles to local and foreign direct investment, flows to the stock market, global competitiveness, economic growth and has ultimately distorted the development and upliftment of our people.

Education and training for all employees about corruption and how to avoid or report it should be part of any induction programme. Businesses can establish whistle-blowing hotlines and internal audit procedures. They should ensure all employees, and particularly any involved in tender and procurement programmes, are aware of the law and their roles and responsibilities to obey it (and possible criminal charges if they do not)."

Source: Corruption Watch (2016)

OVER TO YOU

Activity 4: Whistle-blowing in your country/organisation

What processes (if any) are in place at country and – if you are in employment – organisational level for the workplace? Can you make any suggestions for improvements?

6 Take a charitable understanding of others' values

Ethical leaders are said to understand why different people make different choices, and to enable people to do the right thing rather than just focusing on preventing people from doing the wrong thing.

7 Make tough calls while being imaginative

Ethical leaders face dilemmas, and will need to make difficult decisions, and they constantly strive to do the "right" thing morally and for the business.

8 Know the limits of the values and ethical principles they live by

Ethical leaders know that ethical values, like any values, cannot be prescribed and followed in exactly the same way in all situations. They need to be related to the context, and leaders need to use judgement in their application. For example, if a decision is made to stop using a supplier because the product is made using child labour, this may lead to starvation for that child and their family. Consideration of local cultural context is particularly important for ethical leaders.

9 Frame actions in ethical terms

Freeman and Stewart (2006: 7) note that "principles, values, cultures, and often individual differences often conflict". It is recognised that while taking responsibility for making sound moral judgements, ethical leaders recognise that their own values may be a poor guide, so are open to new ideas through listening to the values of others. They understand that actions need to be based on a consideration of all stakeholders, and how leading in a certain way will affect their character, and the character of others.

10 Connect the basic value proposition to stakeholder support and societal legitimacy

"Ethical leaders speak to us about our identity, what we are and what we can become, how we live and how we could live better" (Freeman and Stewart 2006: 8). Ethical leaders recognise that the purpose of business is to create value for stakeholders, in a way which meets society expectations, within an ethical approach.

Personal and organisational values

To understand approaches to ethical leadership, it is important to understand the influence of personal values and **organisational values**. Table 2 below sets out a range of personal values as suggested by Mindtools.com.

Accountability	Excellence	Perfection
Accuracy	Excitement	Piety
Achievement	Expertise	Positivity
Adventurousness	Exploration	Practicality
Altruism	Expressiveness	Preparedness
Ambition	Fairness	Professionalism
Assertiveness	Faith	Prudence
Balance	Family-orientedness	Quality-orientation
Being the best	Fidelity	Reliability
Belonging	Fitness	Resourcefulness
Boldness	Fluency	Restraint
Calmness	Focus	Results-oriented
Carefulness	Freedom	Rigour
Challenge	Fun	Security
Cheerfulness	Generosity	Self-actualisation
Clear-mindedness	Goodness	Self-control
Commitment	Grace	Selflessness
Community	Growth	Self-reliance
Compassion	Happiness	Sensitivity
Competitiveness	Hard work	Serenity
Consistency	Health	Service
Contentment	Helping society	Shrewdness
Continuous improvement	Holiness	Simplicity
Contribution	Honesty	Soundness
Control	Honour	Speed
Cooperation	Humility	Spontaneity
Correctness	Independence	Stability
Courtesy	Ingenuity	Strategic
Creativity	Inner harmony	Strength
Curiosity	Inquisitiveness	Structure
Decisiveness	Insightfulness	Success
Democraticness	Intellectual status	Support
Dependability	Intelligence	Team work

Determination	Intuition	Temperance
Devoutness	Joy	Thankfulness
Diligence	Justice	Thoroughness
Discipline	Leadership	Thoughtfulness
Discretion	Legacy	Timeliness
Diversity	Love	Tolerance
Dynamism	Loyalty	Traditionalism
Economy	Making a difference	Trustworthiness
Effectiveness	Mastery	Truth-seeking
Efficiency	Merit	Understanding
Elegance	Obedience	Uniqueness
Empathy	Openness	Unity
Enjoyment	Order	Usefulness
Enthusiasm	Originality	Vision
Equality	Patriotism	Vitality

Source: "What Are Your Values?" © MindTools.com, Reproduced with permission.

Table 2: Personal values

REVISION on the go

OVER TO YOU

Activity 5: Identifying personal values

Mindtools.com presents the following exercise based on the values expressed in Table 2. List ten values which are most important to you. Then place them in order of importance by comparing value against value. Mindtools.com suggests you consider the following questions:

- **Do these values make you feel good about yourself?**
- **Are you proud of your top three values?**
- **Would you be comfortable and proud to tell your values to people you respect and admire?**
- **Do these values represent things you would support, even if your choice isn't popular, and it puts you in the minority?**

Mindtools.com note that "your organization's workplace values set the tone for your company's culture, and they identify what your organization, as a whole, cares about. It's important that your people's values align with these". For corporate social responsibility/sustainability, this requires organisations to clearly set out values aligned with environmental, social and economic goals.

Mindtools.com highlight the following examples of organisational values:

- being accountable
- making a difference
- focusing on detail
- delivering quality
- being completely honest
- keeping promises
- being reliable
- being positive
- meeting deadlines
- helping others
- being a great team member
- respecting company policy and rules, and respecting others
- showing tolerance

CASE STUDY

Ben and Jerry's organisational values

"By definition, the manufacturing of products creates waste. We strive to minimize our negative impact on the environment. We strive to show a deep respect for human beings inside and outside our company and for the communities in which they live. We seek and support nonviolent ways to achieve peace and justice. We believe government resources are more productively used in meeting human needs than in building and maintaining weapons systems.

Capitalism and the wealth it produces do not create opportunity for everyone equally. We recognize that the gap between the rich and the poor is wider than at any time since the 1920s. We strive to create economic opportunities for those who have been denied them and to advance new models of economic justice that are sustainable and replicable.

The growing of food is overly reliant on the use of toxic chemicals and other methods that are unsustainable. We support sustainable and safe methods of food production that reduce environmental degradation, maintain the productivity of the land over time, and support the economic viability of family farms and rural communities."

Source: Ben and Jerry's (undated)

OVER TO YOU

Activity 6: Identifying organisational values

Research organisations in a sector of your choice, and look for indication of organisational values. Consider how those values reflect the context of the sector operated in, and what it indicates about the organisation in terms of culture and leadership.

Marketing and ethics

This section begins with a consideration of ethical issues in market research, before going on to examine the **marketing mix** in light of ethical considerations.

NEED TO KNOW

Ethical marketing concerns honesty, truth, fairness and responsibility in marketing activities.

REVISION on the go

Market data collection

Technological developments have resulted in organisations being able to collect enormous amounts of information on consumers. This has implications for **consumer privacy**, in terms of consumer rights to control information which is collected about them, along with how it is stored, used and shared. Issues of consumer privacy and the need to take steps to ensure the security of data collected, stored and disseminated is therefore included in the Global Reporting Initiative indicators and OECD Guidelines for Multinational Enterprises (see the resources list at the end of this chapter).

Standards of *consumer protection* vary across the world, both in terms of regulation and organisational approach. In 2014 many Asian countries developed stricter data privacy regulations.

Many are based on the guidelines of the "APEC Privacy Framework". APEC (2005) notes the importance of protecting information privacy and ensuring effective information flows in the Asia Pacific and its trading partners.

An ethical approach to consumer privacy will involve going beyond compliance by giving consumers the opportunity to opt out and ensuring that privacy policies are clearly communicated. This is more important than ever at a time of increasing consumer, media and regulatory attention on privacy and data management. Organisations that are able to build consumer trust and confidence have the opportunity to build competitive advantage.

Privacy policies are featured on many global corporate websites and typically include sections on:

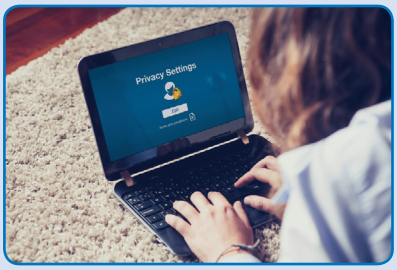
- how and why personal information is collected;
- how personal information is used and protected;
- when and with whom personal information is shared;
- what choices you can make about how personal information is collected, used and shared.

Additional information may also be included, such as privacy rights of children as detailed in the case study below.

CASE STUDY

How does Walmart protect the privacy of children online?

"Our websites and mobile services are intended for a general audience and are not directed to children. We recognize the importance of protecting children's online privacy. In order to protect the privacy of children, Walmart websites and mobile services knowingly collect personal information from children under the age of 13 only with prior parental consent or as permitted by law. Please contact us if you believe we may have collected information from your child through our websites or mobile services and we will work to delete it."



Source: http://corporate.walmart.com/privacy-security/walmart-privacy-policy

OVER TO YOU

Activity 7: Identifying data protection laws

Research the data protection laws for your country. These are likely to be detailed on governmental websites. You can also look at information on leading organisations.

As technology develops, organisations are able to capture increasing amounts of information, including users" online locations and behaviour, in order to personalise communications. It is important that consumers are made aware of their "**digital footprint**". This is increasingly reflected in organisations communicating how websites use cookies, and asking for consumer agreement to proceed. Organisational approaches to data privacy should extend beyond a regulatory role, to organisations taking active steps to highlight and remind consumers how data is used. With several high profile organisations, including Facebook and Apple, facing data privacy and security concerns, organisations are now increasingly aware of the need to communicate information, and to give consumers more control.

Consumers are often willing to provide extra information, through opting in to data collection programmes which then enhance their usage of the product or service. In such cases, it is likely that customers will only provide full information to companies they trust. Disney World for example offer wristband technology (MyMagic+) which uses radio frequency transmissions and fingerprint technology. This is designed to enhance the customer experience through reduced queues, replacing credit cards, hotel room keys, and even tracking airport arrival. This enables Disney to better understand behaviour in real time information (by, for example, noting busy areas in the park and addressing this). Storm (2013) comments "Welcome to the new magical kingdom where Mickey Mouse is also Big Brother". MyMagic+ is detailed in depth on the website to ensure consumers are familiar with how information is collected and used.

5.2 Integrating ethical decision-making into the marketing mix and human resource management

Marketing Mix

Product

This concerns consumers' rights to products and services that are safe and *fit for purpose*. This is to be expected as standard since consumers are unlikely to buy any poor quality goods, but ethical questions arise concerning the length that producers need to go to in ensuring safety, and to what degree they are responsible for the consequences of customer use of their products.

Organisations have a duty of care to ensure their products and services are fit for purpose and safe for use, and if not, they are liable for any adverse consequences. They also need to advise consumers of any risks, and this is particularly so for products potentially harmful to health such as medicine, unhealthy food, tobacco and alcohol. All product descriptions must be accurate, non-misleading and clearly labelled. Labelling must, for example, include information on quantity/size, price, materials, how and where it was made, and its uses. Sector-specific regulations are likely to exist in many countries. Figure 3, for example, highlights footwear labelling requirements in the UK.

Material used			
leather: 	coated leather: 	textile: 	other materials 

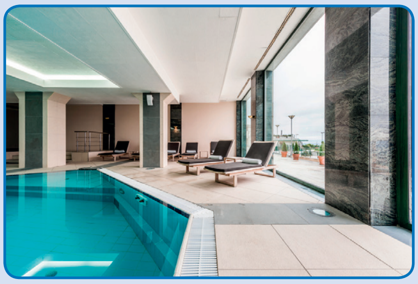
Source: Business Companion (undated)

Figure 3: Footwear labelling requirement in the UK

Product considerations also extend to how goods are manufactured and service delivery processes. For example, with increasing understanding of environmental impacts, there are ever-growing opportunities to develop environmentally friendly processes and materials. Social impacts are increasingly under the spotlight in product/service design in the consideration of working standards and ensuring workers are not exploited through wage, age and freedom of choice. Economic impacts are central to product design through the principle of using local materials wherever possible, and ensuring fair prices are paid.

CASE STUDY

InterContinental Hotels Group (IHG)



IHG is one of the world's leading hotel companies. Its responsible business practices focus on areas where it can have the greatest positive impact. This includes global corporate responsibility programmes dedicated to putting the environment at the heart of how its hotels operate, including driving reductions in carbon and water usage, and offering education and skills training to local people.

IHG's work also contributes towards the objectives of the UN's Sustainable Development Goals. Its website details seven SDGs which IHG identify as being where they can have the greatest impact (Clean water and sanitation, Decent work and economic growth, Reduced inequalities, Sustainable cities and communities, Responsible consumption and production, Climate Action, Partnership for the Goals).

IHG is a strong example of developing a sustainable approach to hotel operations. Its website notes, "Our culture of responsible business underpins our entire strategy and impacts the way we approach all aspects of the hotel life cycle. Our corporate responsibility programmes were developed to address the aspects where we believe we can make the biggest difference at scale. We work to reduce the environmental impacts of hotel operations. Leveraging the economic and social contribution of hotels, we are creating jobs, stimulating local economies, providing opportunities for skills-building, and offering support when disasters strike."

Seawater air conditioning at the InterContinental Bora Bora Resort & Thalasso Spa

The InterContinental Bora Bora Resort & Thalasso Spa uses a unique and innovative system to cool the property. Through the installation of a 2km pipeline at a depth of 900 meters, seawater at a temperature of 50°c is piped to a titanium heat exchanger. The hotels 15kW seawater pump provides cooling that would otherwise consume 300kW of electricity. Through the circuit the seawater is returned back to the sea, thus limiting the hotel's impact on the environment.

Source: InterContinental Hotels Group (IHG)

Price

This concerns consumers' rights to a **fair price**. This is generally the case in open and competitive market places, but problems can arise when organisations exploit their position in the market. This can happen in a market **monopoly**, or when consumer choice is limited since they have an irrevocable need for a product (for example housing, food or medicine). Most countries have regulatory bodies to police market distortions, but pricing can still be problematic and act against the interests of fair competition.

- **Excessive pricing/Price-gouging**

This can occur when consumers have little choice about what or when they can purchase. This is commonly associated with collusion between organisations to fix prices above the market rate. Although this is illegal in most parts of the world, problems can arise when such practices are undetected. For example, the controversial rise in holiday prices during the school holiday season. As illustrated in the case study below, it is also a feature of monopolistic conditions in medicine markets.

CASE STUDY

Mylan EpiPens

Mylan has faced price scrutiny due to the high price of EpiPens (emergency treatments for severe allergic reactions). The company defended its prices by explaining that profits are shared between insurers, pharmacies and that cost-saving options are available.

It is now also offering a generic equivalent to the branded medication, at a lower cost. This will help it to keep market share against competitors seeking to get US approval to produce rival brands.

Source: Adapted from The Guardian (2016)

- **Predatory pricing**

This is when organisations set prices lower than the market rate in order to force out competition. For example, writing for CNBC, Sandholm (2014) accused Amazon of predatory pricing, selling books at heavily discounted prices in order to capture control of the market. This is described as restrictive to new works being published since authors receive less and less.

- **Deceptive pricing**

This is unfair pricing, where advertised prices do not reflect the full price that consumers will need to pay. The full price is often only found in the small print details. It also refers to misleading pricing. This can occur in "supermarket" wars, where illusions of cost savings are given through discounts, but they were only sold at full price for very short periods, or where producers reduce packaging size without informing consumers.

Place

This refers to how producers distribute goods and services to end consumers, and is therefore concerned with relationships in the supply chain. Chapter 4 highlighted increasing concern and regulatory requirements for organisations to ensure fair labour practices throughout the supply chain, and broader product considerations include environmental and economic responsibilities.

Organisations have a responsibility to treat supplier data confidentially, in the same way as consumer data detailed at the beginning of this section. They should also be treated fairly in tendering practices. Issues of power are an important part in developing ethical approaches to supply chain distribution, since supplier businesses are often smaller, so it is important that organisations do not abuse this position, by paying unfair prices, for example. Organisations also need to be alert to any corrupt practices in the supply chain, and develop clear policies to guide managers on hospitality and gifts. Issues of ethical responsibility towards supply chain practices and fair labour are returned to at the end of this chapter in the section on "modern day slavery".

Promotion

Ethical issues arise in all areas related to promotion – direct sales, sales promotions, personal selling, Public Relations, social media, TV advertising and so on. Crane and Matten (2015) suggest that the topics can be understood from two perspectives: individual impacts through misleading/deceptive practices; and wider social and cultural impacts of marketing.

Misleading/deceptive marketing practices

The aim of marketing is to inform consumers about products and services, and to persuade them to buy. As noted in the section above concerning accuracy in product descriptions/labelling, it is important that misleading claims are not made in promotional advertising. This is not straightforward, since by its very nature advertising often tends to exaggerate.

Consumer deception refers to a situation whereby promotional messages substantially create false beliefs in the mind of the consumer. This can include untrue claims, or those that give false impressions of product or service qualities. Crane and Matten (2015: 349) note that, "Ultimately, any assessment of consumer deception will depend critically on what degree of interference in consumers' rational decision-making we decide is acceptable, how well consumers can delineate between fact and fiction, and whether by getting this wrong they will be significantly harmed".

CASE STUDY

Red Bull

The energy drink manufacturer was sued in the USA in 2014 for falsely claiming its product "gives you wings". It agreed an out-of-court settlement in order to avoid a timely and costly lawsuit, and paid $13 million into a fund, which partly included paying $10 to every person who bought the drink since 2002 through an "Energy Drink Settlement" website.

It is interesting to note that the company's website now updates the slogan to "providing wings whenever you need them", and refers to "gives you wings" within a customer comment.

Source: The Telegraph (2014)

Social and cultural impact on society

Many countries will have regulations on advertising standards. For example, in the UK the Advertising Standards Authority (ASA) provides advertising guidelines for a range of industry sectors, which address particular topics such as advertising to children. These are shown in Table 3, which provides a useful overview of the areas in which advertising has impact on society.

Social and political	Lifestyle and living	Money and legal
Beliefs and cultural identity	Alcohol	Financial products and services
Privacy and popular culture	Clothes, shoes and jewellery	Legal and regulation
Charity, education and the third sector	Food, drink and supplements	Pricing and charges
Children and the vulnerable	Gardening	Promotions and competitions
Claims, endorsements and testimonials	Holidays, travel and motoring	Property sales and lettings
Gender, sex and relationships	Home and garden	Recruitment and work
Safety and security	Sports, leisure and hobbies	
	Vaping, smoking and drugs	
Technology and environment	**Health and beauty**	**Media channel**
Animals and farming	Beauty products, grooming and hygiene	Packaging and point of sale
Appliances, electronics and machinery	Cosmetic surgery and procedures	Online, catch-up, TV and radio, in-app and in-game
Computers, phones and telecoms	Health conditions	Mailings, email, phone, fax and messaging
Delivery, construction and logistics	Medical devices	Cinema
Utilities, energy and environment	Medicines, remedies and therapies	TV and radio (broadcast only)
	Weight and slimming	Poster and other out of home
		Newspapers, magazines and printed material

Source: ASA (undated) https://www.asa.org.uk/issues-and-topics.html

Table 3: Advertising Standards Authority (UK) issues and topics

REVISION on the go

The Advertising Standards Authority goes on to provide useful definitions of what is considered to be offensive, misleading or harmful advertising:

- **Offensive advertising**

"Special care must be taken to avoid causing offence on the grounds of race, religion, gender, sexual orientation, disability and age. When making a decision on whether an ad is likely to cause widespread offence, we take into account: the audience who are likely to see the ad; the context in which the ad appears; the product it's promoting; and prevailing standards in society. To help judge those standards, from time-to-time, we commission major consumer research to find out what concerns people and where they think the line should be drawn."

- Misleading advertising

"The kind of complaints we receive about misleading ads often concern pricing and issues such as hidden costs like booking fees and credit card charges. We also receive complaints about exaggerated savings claims, significant terms and conditions not being made clear, promotions that aren't run fairly, and health claims that discourage potentially vulnerable people from seeking professional medical advice or treatment."

- **Harmful advertising**

"We have upheld complaints about harm and social responsibility against a diverse range of ads including:

- alcohol – e.g. not encouraging excessive or unwise styles of drinking;
- motoring – e.g. not encouraging motorists to drive irresponsibly such as at high speed or without a seatbelt;
- health – e.g. not discouraging essential treatment of serious or prolonged ailments;
- body image – e.g. not encouraging an unhealthy diet or lifestyle including the depiction of extremely thin models.

Particularly special care should be taken when ads are addressed to, or depict, children or young people. Ads that fall into this category should contain nothing that is likely to result in a child's physical, mental or moral harm and they should not exploit a child's *credulity*, loyalty, *vulnerability* or lack of experience."

Source: ASA (undated)

CASE STUDY

Google ads – Inappropriate content policy

Google doesn't allow the promotion of any of the following:

- Hatred; violence; harassment; racism; sexual, religious, or political intolerance or organisations with such views.
- Content that's likely to shock or disgust.
- Content that's exploitative or appears to unfairly capitalise at the expense of others.

Intolerance

- Content that incites or endorses hatred against others.
- Content that inappropriately discriminates against a person or group.

Harassment and exploitation

- Content that seeks to intimidate, exploit or humiliate others.

Physical harm

- Content that advocates the infliction of physical injury on oneself or another person.
- Content that promotes cruelty or gratuitous violence towards animals.

Shocking content

- Promotions containing violent language, gruesome or disgusting imagery, or graphic images or accounts of physical trauma.
- Promotions containing gratuitous portrayals of bodily fluids or waste.
- Promotions containing obscene or profane language.
- Promotions that are likely to shock or scare.

Sensitive events

- Content that may be deemed as capitalising on or lacking reasonable sensitivity towards a natural disaster, conflict, death or other tragic event.

Threatened or extinct species

- Content that may be interpreted as trading in, or selling products derived from, threatened or extinct species.

Source: Adapted from Google (2017)

OVER TO YOU

Activity 8: Advertising standards

Research any advertising standards linked to your country. Consider how they relate to a sector of interest to you, and think about the degree to which you think marketers should be responsible for their actions.

Human resource management and ethics

The final section of this chapter examines the role and duties of employees as stakeholders in the organisation, considering throughout ethical issues for managing employees in differing cultural contexts. The following discussion is based upon Crane and Matten's (2015) analysis of employee rights and duties. They note that many aspects of workers' rights are set out by laws, especially in developed countries. Globalisation has required international organisations to address labour standards, and most are based on those of the International Labour Organization, which as previously discussed in Chapter 4 has been especially instrumental in setting labour standards for suppliers throughout the value chain.

! NEED TO KNOW

Globalisation concerns the integration of people, companies and governments across the world in a movement beyond domestic to international markets.

REVISION on the go

The challenges of globalisation on Human Resource Management (HRM) will be returned to at the end of this chapter, but it is important to recognise from the outset that the extent to which organisations take on the role of "corporate citizens" and the extent to which they are held accountable by global regulations, varies considerably. Generally speaking, regulations are more relaxed in emerging economies, but standards are improving. This is based upon the United Nations Guiding Principles on Business and Human Rights (2011) which sets out a framework of "protect, respect and remedy":

- Protect: Under international law governments are responsible for organisational abuses, even if they happen overseas.
- Respect: Organisations are expected to exercise due diligence and respect international principles of human rights, even if they are not legally enforced.
- Remedy: As grievances are inevitable, organisations and governments are expected to put into place formal systems for investigation and punishment.

Employee duties are concerned with complying with the labour contract, providing acceptable performance, using time and company resources appropriately and refraining from illegal activities. Ethical considerations arise in the monitoring and enforcement of *compliance*. A particularly interesting area of discussion is employees' personal use of social media which some organisations might monitor if, for example, it is considered that their activities are having an impact on colleagues (in cyberbullying) which then impacts upon the organisation. Like in other areas of organisational activity, codes of practice/policies are commonly developed to guide employee behaviour, although it can still be challenging to ensure compliance. The following sections will now consider employee rights in turn. These refer to employee obligations to employers, based on their contracts and employment law.

Discrimination

Through globalisation, managing diversity is an increasingly important management requirement. Discrimination refers to situations where employees are given preferential, or less preferential treatment on the basis of human characteristics (age, gender, religion, disability, nationality, marital status, gender reassignment, sexual orientation, physical appearance) rather than their job performance or qualifications.

Although many countries are likely to have regulation in place designed to overcome the most overt forms of discrimination, challenges can arise in ensuring its enforcement. The Department for International Development (DFID) which is a UK governmental department which works on global equality issues, has also noted that differing definitions of disability, and inconsistent data means that the needs of people with disabilities are often not taken into account. Crane and Matten (2015: 292) note that discrimination also continues to be "deeply embedded in business" in developed economics, despite "decades of anti-discrimination legislation".

Focus will be given here to gender discrimination, since this is a deeply rooted issue in many countries. The International Labour Organization (2015: 7) report "Women in Business and Management: Gaining Momentum" notes that "the glass ceiling that prevents women from reaching top positions in business and management may be showing cracks but it is still there. More women than ever are managers and business owners, but there is still a dearth of women at the top of the corporate ladder. And the larger the organization, the less likely the head will be a women – 5% or less of the Chief Executive Officers (CEOs) of the world's largest corporations are women". This is shown in Figure 4.

Stock exchanges	Percentage	Stock exchanges	Percentage
OECD[1]	< 5.0	European Union[2]	2.8
Latin 500[3]	1.8	FTSE 100, UK[4]	4.0
US Fortune 500[5]	4.8	ASX 200 Australia[6]	3.0
JSE South Africa[7]	3.6	BSE 100 India[8]	4.0
Mexico Expansion 100[9]	3.0	CAC 40 France[10]	0.0
SGX Singapore[11]	4.6	DAX 30 Germany[12]	0.0
China[13]	5.6	NZSX 100 New Zealand[14]	5.0

Source: Copyright © International Labour Organization (2015)

Figure 4: Women Chief Executive Officers of public listed companies

REVISION on the go

As from April 2018, UK organisations with more than 250 employees will need to declare how many men and women fall into each salary band, in order to reveal the **gender pay gap**, and identify organisations where men dominate the highest-paid positions. Such initiatives are important, in order to address the imbalance. In countries such as the UK, the main role of women is often still perceived to be as a carer for families and households. In regions including the Middle East, North Africa and South Asia, social and religious norms also influence the role of women in labour markets.

CASE STUDY

Promoting women in management

ILO advice on what companies can do to promote women in management includes:

- Equal opportunity/diversity policy
- Sexual harassment policy
- Sensitisation of company managers on gender stereotyping and diversity approaches
- Assessment of employee profiles

- Ensure equal access to training for men and women/special training for women
- Flexible working arrangements
- Re-entry programmes after career breaks/staying in touch during leave
- Encourage male employees to engage in family care (leave, working hours, etc.)
- Assist in child and elder care arrangements
- Results-based employee performance evaluations
- Appoint women to senior management, CEO, company board and board sub committee members
- Appoint women managers to key/strategic roles, not only HR, finance and CSR managers
- Foster role models (women managers, male gender champions) and use them as examples or inspiration
- Awareness raising of staff on the business case for gender diversity and equality.

Source: Copyright © International Labour Organization (2015)

OVER TO YOU

Activity 9: What companies can do to promote women in management

Study the advice given by the ILO (2015) in the case study above, and think of examples of organisational actions you are familiar with that follow this advice. You might like to carry out research into local businesses, or large organisations that operate in your country through websites. What examples of good practice can you find? What are the barriers to engagement?

Sexual and racial harassment

This concerns all forms of physical, verbal and emotional harassment regarding a person's gender, face, sexual orientation, etc. Legal definitions of harassment include spreading rumours, undermining someone, bullying, unfair treatment and so on. It can sometimes be difficult to detect and prevent, because what might be a "joke" could be offensive to someone else, so there might be cultural and contextual considerations, and some degree of subjectivity.

Equal opportunities and affirmative actions

Many organisations have introduced equality policies/affirmative action policies in order to avoid discrimination. This is important since there are often so many "grey areas" legally, and advice on how discrimination should be dealt with can also be unclear. These approaches typically cover the following areas:

- Recruitment policies

This covers equal opportunity to employment through ensuring advertisements are placed appropriately, specific criteria are set out for applicant suitability, standardising interview questions, deliberately trying to increase the proportion of women, disabled or racial minorities or other under-represented groups.

- Fair job criteria

This can present some ethical challenges, since job criteria inherently make jobs not applicable to some applicants. However, it is important that certain groups are not disadvantaged, through for example offering flexible working patterns to enable applications from those responsible for childcare.

- Promotion to senior positions

This ensures under-represented groups are able to access senior management positions, through offering training and supportive working conditions such as remote working, care leave, paternity leave and career breaks. In some countries, in an effort to recruit and retain talented women, this extends to organisational policies to fund part of the cost for procedures such as in vitro fertilisation (IVF) and egg-freezing.

- Training programmes for discriminated minorities

This is a contentious issue since organisations cannot reasonably be expected to remedy societal discriminations that exclude certain groups through, for example, socio-economic considerations and associated levels of qualification. However, organisations can engage in pre-recruitment training programmes for under-represented groups.

CASE STUDY

Police Scotland (UK) increased recruitment of black and minority ethnic (BME) employees

"Police Scotland has launched a new programme to encourage potential officers from black and minority ethnic (BME) backgrounds to consider a career in policing.

Now halfway through the first Introduction to Policing course, more than fifty potential recruits met Chief Constable Phil Gormley at the Scottish Police College, Tulliallan, [...] and saw the facilities where every Police Scotland officer undergoes initial training.

Delegates also heard from two of Scotland's most senior BME officers, Superintendent Thom McLoughlin from G Division (Greater Glasgow) and Superintendent Faroque Hussain from U Division (Ayrshire) who spoke about their decisions to become police officers as well as their careers. Applicants also attended workshops on divisional and probationary training, and the work of CID and the Operational Support Division.

Attendees from a range of backgrounds, cultures and religions, including Russian, Pakistani, Turkish, Polish, Syrian, African, Lithuanian and Spanish, as well as Sikh and Muslim, are all hoping to submit successful applications to become either regular Police Constables or Special Constables in the near future.

The four-week programme will enhance potential candidates' knowledge of Police Scotland's application and selection process, help gauge their current physical fitness and enable people to gain a better understanding of day-to-day policing functions. The expectation is that attendees will be better prepared to succeed in their application to join the service having completed the course.

Accompanied by their families, potential applicants toured Police Scotland's highly rated facilities and were once more put through their paces in a practice session of the Bleep Test which is used to assess recruits fitness levels.

Chief Constable Phil Gormley said, "Police Scotland is lucky to enjoy a strong position of support across the country as we police by consent. We need to remain relevant and recruit the broadest range of people possible to ensure our service is as representative of our communities as possible.

"We can only continue to do this if our service learns from these communities and the best way to do this is by people from different ethnic backgrounds becoming officers and sharing their knowledge, wisdom and culture with their colleagues."

Source: Police Scotland (2017)

Reverse discrimination

This is sometimes necessary to redress the balance when equal opportunity policies have led to an unfair representation of previously minority groups. Although it is illegal in most countries for organisations to set "quotas" for minority groups, they need to monitor numbers and targets.

Employee privacy

This links to the previous discussion on data privacy as part of marketing research, and relates to employees" ability to control what information is held, and how it is shared inside and outside the workplace. This includes electronic surveillance and whether it is legitimate for organisations to be able to monitor the use of personal communications (whether by phone, email or social media).

Health and drug testing is another contested issue, and is routine in the US where there is a strong culture of litigation if employees or customers feel they have been placed at risk from someone's use of drugs, alcohol or if they are sick. In many countries, testing is currently limited to specific industries, although organisations are obliged to ensure they meet Health and Safety regulations.

OVER TO YOU

Activity 10: To test or not to test – A debate

Develop your arguments based on the notes below either for or against.

For: If people are free to give consent to testing, they can refuse and this is not safe, organisational costs are high through lost productivity, litigation, absenteeism, injury, insurance and so on.

Against: It is an invasion of a person's private life and body, just because a person refuses it does not mean they have got anything to "hide" but might be treated unfairly, the results might not be reliable.

Due process and lay-offs

This requires organisations to be able to demonstrate fair actions/due diligence in processes such as promotions, redundancies, firings and disciplinary procedures. The steps are often set out in legal requirements and company policies. Organisations are now increasingly expected to engage in outplacement/career transition strategies in order to assist employees who have been made redundant to find work.

Employee participation and association

Organisations should give employees opportunity to shape how their workplace is organised, managed and governed. Questions arise concerning just how far participation rights should extend. Organisations differ, for example, in regard to the *delegation* of responsibilities, *consultation* processes and the degree to which employees should be able to make major decisions. In many countries, such rights are exercised through trade unions/work councils.

Improving levels of employee participation can increase morale and productivity, and improve the employer–employee relationship. However, it can be challenging to implement, particularly in countries under-represented by Unions or where Union influence is limited. An ILO (2012: 5) report sets out challenges to participation in India for example:

1. "For union or worker representatives, the double roles they are required to play make participation quite difficult;
2. Managements are often reluctant to share responsibility;
3. There are often perceived differences in social status, education and awareness between the two parties in employee participation. This obstructs transparency and trust;
4. The unions find themselves party to decisions which they are not really influencing. In fact, a mere scheme of participation without an accompanying system of regular communication does not work anywhere; and
5. It is also clear that real participation cannot be continued for long in the current context. It may prove successful in a particular context, and in a particular crisis, but is very difficult to sustain when conditions improve or change completely."

Work-life balance

In many countries, there are increasing pressures to spend longer hours in the workplace. For example, there is a trend in China, among other countries, where workers leave their families to work in cities, often living in dormitories with other workers in similar situations. Excessive work hours impact upon employee physical and mental health. In developed countries, this can be exacerbated by the use of emails and electronic devices, which blur the boundaries between work and personal time. However, it can be difficult for an employee to express a need for a greater work–life balance (particularly in some cultures with a strong work ethic and commitment to the organisation), and some highly trained professionals might be indispensable to the organisation.

Freedom of conscience and freedom of speech in the workplace

Although usually an area of governmental regulation, this is relevant to ethics in business in situations where employees feel restricted in the ability to discuss concerns. This requires whistle-blowing processes as discussed at the beginning of this chapter in order for employees to be able to inform third parties without fear of retribution.

Working conditions

Regulation and management of health and safety in working conditions has been addressed as a legislative concern as far back as the early nineteenth century. Most developed countries have health, safety and environmental regulations but the main issues are again how they are implemented and enforced. This relates to managing issues in overseas subsidiaries, and in supply chains, in countries where regulations might not be as tight. This has been the focus of many controversies by global clothing companies, as highlighted in the case study below.

CASE STUDY

Rana Plaza disaster – Bangladesh

In April 2013, an eight-storey building housing five garment factories supplying global brands suddenly collapsed, killing 1135 people. The collapse of the complex, built on swampy ground outside the capital Dhaka, sparked demands for greater safety in the world's second-largest exporter of ready-made garments and put pressure on companies buying clothing from Bangladesh to act.

Sixty percent of the clothes go to Europe, 23% to the United States and 5% to Canada. The minimum monthly wage for garment workers in Bangladesh is $68, compared with about $280 in mainland China, which nevertheless remains the world's biggest clothes exporter.

The disaster led to the creation of two international coalitions designed to assess and help fund improvements to building and fire safety at thousands of garment factories in Bangladesh. Most European retailers signed up to an Accord on Fire and Building Safety in Bangladesh, which oversees more than 1600 factories used by large high street brands.

Accord inspectors set out structural, electrical and fire safety improvement plans for most of the factories. But nearly three years on, about 70% of those plans are behind schedule, according to data on its website. Setting and maintaining standards is challenging.

Legislation such as the UK's Modern Slavery Act 2015 is expected to put added pressure on companies to clean up their supply chains. But garment workers in Bangladesh still face daunting challenges to unionisation.

As well as companies and governments, consumers are getting involved in the campaign for greater supply-chain transparency. Global retailers' efforts will have little impact unless consumers demand more ethically produced goods. Fashion Revolution, a UK-based charity established in response to the Rana Plaza disaster, has popularised the Twitter hash tag #whomademyclothes.

Source: Adapted from Reuters (2016)

OVER TO YOU

Activity 11: Who should pay more – a debate

The case study on the Rana Plaza disaster highlighted problems in the fashion industry. Who should take responsibility for paying more for fairer wages: factories, brands, consumers or governmental contributions? Prepare to express your opinions if you are studying in a class.

Fair wages

Although many governments set minimum statutory wages, considerable debate takes place in many countries regarding whether this is sufficient in terms of a fair "living wage". This again is particularly important to organisations operating subsidiaries, and with supply chains in other countries.

The right to work

There is some debate over whether a right to work translates to a right to employment, since although it is fair to say that governments have a responsibility to create economic conditions that enable citizens to work, employment by an organisation is only possible given the right market conditions – meaning that not all individuals may be employed. This is therefore most effectively understood in terms of equality and fair conditions as discussed in all of the above. It also links to the final issue to be considered in this study guide; modern day slavery.

Modern day slavery

To complete this course, it is fitting to return attention to the highly prominent concern of **modern day slavery**. This was touched upon in Chapter 4 in regard to ensuring fair labour standards throughout supply chains as part of a social and economic commitment to sustainability.

On its website, Anti-slavery International (see the resources list at the end of this chapter) describes modern slavery as any of the following:

"**Forced labour** – any work or services which people are forced to do against their will under the threat of some form of punishment.

Debt bondage or bonded labour – the world's most widespread form of slavery, when people borrow money they cannot repay and are required to work to pay off the debt, then losing control over the conditions of both their employment and the debt.

Human trafficking – involves transporting, recruiting or harbouring people for the purpose of exploitation, using violence, threats or coercion.

Descent-based slavery – where people are born into slavery because their ancestors were captured and enslaved; they remain in slavery by descent.

Child slavery – this is often confused with child labour, but is much worse. Whilst child labour is harmful for children and hinders their education and development, child slavery occurs when a child's labour is exploited for someone else's gain. It can include child trafficking, child soldiers, child marriage and child domestic slavery.

Forced and early marriage – when someone is married against their will and cannot leave the marriage. Most child marriages can be considered slavery."

Of particular note in a consideration of business ethics, are the issues surrounding debt bondage, forced labour and child slavery. The ILO (2017) provides the following facts on its website (see the resources list at the end of this chapter):

- Almost 21 million people are victims of forced labour – 11.4 million women and girls and 9.5 million men and boys.
- Almost 19 million victims are exploited by private individuals or enterprises and over 2 million by the state or rebel groups.
- Of those exploited by individuals or enterprises, 4.5 million are victims of forced sexual exploitation.
- Forced labour in the private economy generates US$150 billion in illegal profits per year.
- Domestic work, agriculture, construction, manufacturing and entertainment are among the sectors most concerned.
- Migrant workers and indigenous people are particularly vulnerable to forced labour."

Modern day slavery is directly addressed in the Sustainable Development Goals discussed as part of the 2030 Agenda for Sustainable Development in Chapter 4, and is addressed within the UN Global Compact and the Global Reporting Initiative indicators. The ILO is currently leading a campaign to encourage governments to ratify its Protocol on Forced Labour. The "50 for Freedom Campaign" aims for at least 50 countries to sign up before 2018, in order for it to become an international treaty.

In a handbook for employees and businesses on combating forced labour (see the reading list at the end of this chapter) the ILO highlights the following economic sectors as frequently reported for human trafficking and forced labour:

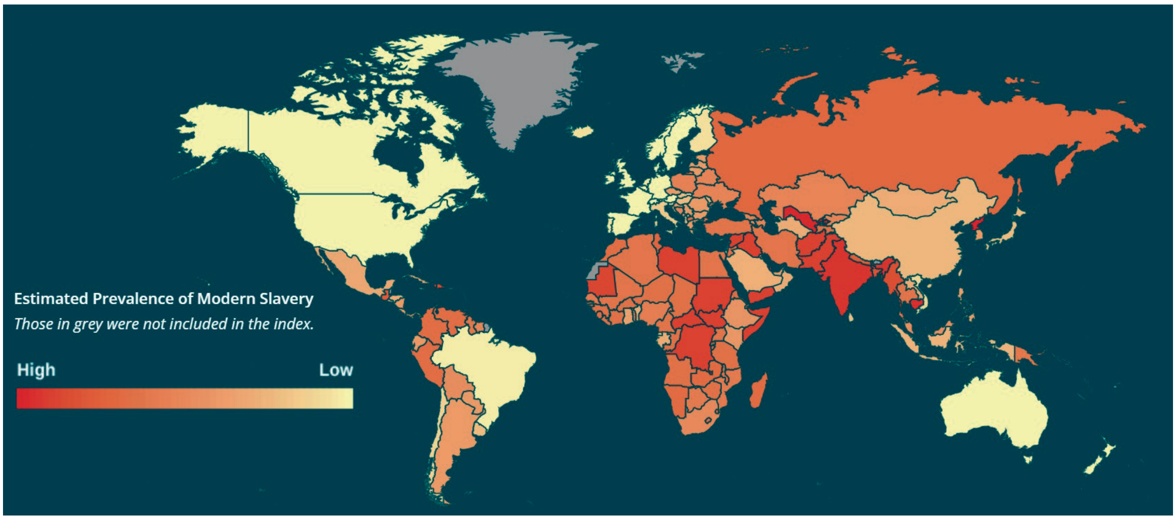
- "Agriculture, forestry, and fishing;
- Construction, manufacturing and utilities;
- Mining and logging;
- Domestic service and other care and cleaning work;
- Sex industry and prostitution;
- Garments and textiles under sweatshop conditions;
- Hospitality and catering;
- Transportation."

It is a global problem, frequently among vulnerable groups through gender, ethnic background, migrant status or socio-economic profile. The report therefore advises that organisations give special attention to such vulnerable groups in their supply chain. This is especially important for those working in smaller, informal businesses which are less likely to be regulated through fair organisational processes. Ultimately, every organisation needs to take responsibility, regardless of sector, size or location.

OVER TO YOU

Activity 12: Global slavery index

Visit the Global Slavery Index website (https://www.globalslaveryindex.org/index/) and research a region/country of interest. Learn about what the programmes are, and what actions are being taken. Investigate how foreign-owned or locally-owned organisations are addressing the issues.



Source: The Walk Free Foundation (2016) The Global Slavery Index 2016, Perth, Australia

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Summary

This chapter has brought together understanding from all previous chapters regarding the practical application of corporate social responsibility and sustainability principles. It has shown the direct application beyond codes and policies toward all other areas of organisational performance regarding human resource management and marketing. It has again demonstrated the importance of organisations adhering to international initiatives, and in particular highlighted global attention to the issue of modern day slavery.

Glossary

Accountability Organisational responsibility to be answerable for the consequences of actions.

Affirmative actions Actions an organisation takes to ensure that employees are treated fairly (see equal opportunities).

Act utilitarianism Whether in a single situation/particular circumstances, the collective pleasure outweighs any pain inflicted.

Baseline goals/measurement Minimum expectations set with regard to social, environmental and economic performance.

Blue washing A derogatory comment in reference to organisations which sign up to United Nations initiatives such as 'The Global Compact' without making any substantive change to business practices.

Business case Reasons for organisations to engage in CSR/sustainability through consideration of the organisational benefits and risks through not engaging.

Business ethics The analysis of business decisions, activities and contexts to assess issues of right and wrong through the study of moral and social responsibility.

Categorical imperative Associated with Kantianism and means that without exception (categorical) we should act only according to universal duty (imperative), rather than consideration of factors such as who is involved or influenced by decisions.

Climate change A change in global weather patterns over a period of time (also known as global warming).

Codes of conduct/practice Developed at industry or organisational level to communicate values associated with ethics/CSR/sustainability issues, to guide employee/organisational behaviour.

Collectivism Eastern cultures based on the promotion of collective welfare over individual welfare, in order to bring about group belonging and harmony.

Confucianism Behaving in a certain way through the adoption of key virtues/values, rather than following particular beliefs.

Consequentialist theories (see teleological) Based on outcomes of actions (results-based ethics), meaning that something is deemed right or wrong depending only on the results of that act.

Consistency Associated with the categorical imperative of Kantianism that an action can only be deemed ethical if it would be followed by everyone in all cases, without exception.

Consumerism The frequent purchase of non-essential goods and services, and the disposal of still-functioning products to replace them with new ones that offer similar functionality.

Consumer privacy Consumer rights to control information which is collected about them, along with how it is stored, used and shared.

Corporate Social Responsibility (CSR) Ethical business practices which consider environmental, economic and social impacts.

Corporate Social Responsibility reporting Organisation's assessment and communication of impacts on social, environmental and ethical issues associated with organisational activities.

Corruption Dishonesty in business relationships, such as bribery.

Culture (ethical) Refers to the values, beliefs and behaviours of an organisation and its members that support positive ethical actions regarding societies, environments and economies.

Deceptive pricing Unfair pricing, where advertised prices do not reflect the full price that consumers will need to pay.

Deceptive marketing Promotional messages that substantially create false beliefs in the mind of the consumer. This can include untrue claims, or can give false impressions of product or service qualities (see misleading marketing).

Digital footprint Traceable actions from communications on the Internet.

Discrimination Situations where employees are given preferential, or less preferential treatment on the basis of human characteristics (age, gender, religion, disability, nationality, marital status, gender reassignment, sexual orientation, physical appearance) rather than their job performance or qualifications.

Economic performance Analysis of an organisation's direct and indirect economic impacts, anti-corruption practices, procurement practices and so on.

Economic responsibility A primary responsibility of business is to remain in business in order to satisfy shareholders and enable employees to keep their jobs. Links to shareholder view.

Egoism An action is morally right if supported by all decision-makers, and is based on the assumption that since we only have limited insight into the consequences of actions, we should be free to pursue our own desires/ interests.

Employee duties Complying with the labour contract, providing acceptable performance, using time and company resources appropriately and refraining from illegal activities.

Enlightened egoism Acting altruistically (believing it is our ethical responsibility to help others) can be a deliberate strategy in order to help ourselves/serve our own interests.

Environmental performance Analysis of an organisation's practices with regard to issues such as energy, waste and water usage in production and supply.

Equal opportunities All employees should have equal access to all areas of an organisation's activities and functions regardless of age, gender, sexual orientation and so on (see affirmative actions).

Ethics of duty Associated with Kantianism and refers to the duty to act in a certain way based on unchangeable obligations.

Ethical cultural change (linked to ethical leadership) The leader's role is to communicate and personify the values and standards of the organisation, and to inspire and motivate employees to follow their lead.

Ethical leadership The role of senior management in encouraging and influencing ethical behaviour throughout the organisation.

Ethical cultural learning (linked to ethical leadership) Ethical behaviour is not just promoted through the leader's example and approach, but through facilitating employees to engage with the issues and empower them to make ethical decisions.

Ethical marketing Honesty, truth, fairness and responsibility in marketing activities.

Ethical organisational culture The values, beliefs and behaviours of an organisation and its members that support positive ethical actions regarding societies, environments and economies.

Ethical responsibility Organisations are expected to do what is right and fair for all stakeholders, even if not legally obliged to do so.

Excessive pricing/price-gouging Where organisations collude to inflate prices. This is illegal in most countries, but excessive prices can be set when customers have little choice about whether or not to buy a product/service.

Fair price Setting prices so that it enables both suppliers and retailers/producers to make a reasonable profit.

Global warming A change in global weather patterns over a period of time (also known as climate change).

Globalisation Concerns the integration of people, companies and governments across the world in a movement beyond domestic to international markets.

Green washing Criticism of organisations which engage in CSR reporting or develop communications on policy initiatives, but they are little more than marketing hype rather than a genuine commitment to improvement (linked to blue washing).

Guanxi The importance of connections in good social networks and rich interpersonal relationships in eastern cultures.

Harmful advertising/marketing An issue for products such as cigarettes and alcohol, and which needs to be carefully considered in relation to vulnerable groups such as children and elderly people.

Hierarchical social relations Associated with eastern culture and means that seniors should always be respected, who in turn give protection and care.

Human dignity Associated with the categorical imperative of Kantianism that all actions should respect human dignity and other people's needs and goals.

Human rights All humans are entitled to basic rights regardless of gender, race, religion, nationality or any other factor.

Indicators Help organisations to identify, measure and monitor impacts and progress with regard to social, environmental and economic performance.

Individualism Describes the strength of ties between individuals, and implications for the nature of business relationships.

Integrated reporting CSR data is included in annual financial reports (rather than as a stand-alone report).

Integrity Acting with honesty in business transactions. Associated with the values of accountability and transparency in business deals.

Justice (ethics of) Fair and equal treatment of all concerned (procedural justice), and ensuring that everyone gets what they deserve whether positive or negative (distributive justice).

Kantianism A philosophical school of western ethical thought derived from Immanuel Kant (1724–1804).

Key performance indicators (KPIs) A quantifiable measurement of activity, used in relation to measuring and tracking economic, environmental and social performance.

Legal responsibility All businesses are required by society to comply with legal regulations in order to ensure responsible business practice.

Long-term orientation In long-term oriented cultures, employees will seek to cultivate long-term rewards rather than short-term benefits.

Marginalised groups Stakeholders such as migrant workers, indigenous people and stakeholders unable to articulate views such as future generations and the ecosystem.

Marketing mix A combination of marketing tools that an organisation uses to influence customers to buy its products/services.

Masculinity In high-masculine countries behaviour is expected to be assertive, tough and focused on material success.

Micro, small and medium enterprises (MSMEs) Categorising organisations by turnover or number of employees to determine size. Definitions vary according to culture, the size of the country's population, industry and so on.

Millennium Development Goals Designed by the United Nations to guide global actions for sustainable development, now replaced by the Sustainable Development Goals.

Misleading marketing Promotional messages that substantially create false beliefs in the mind of the consumer. This can include untrue claims, or can give false impressions of product or service qualities (see deceptive marketing).

Modern day slavery Concerns any situations of debt bondage, forced labour, child labour, human trafficking, descent-based slavery and forced/early marriage.

Modern Day Slavery Act As of December 2016, any UK business with a global turnover of £36 million ($44 million) is required to annually publish a slavery and trafficking statement on its website, to show what steps the organisation is taking to ensure there is no slavery in any part of its business, including its supply chain.

Monopoly Where one or a few organisations control the market.

National culture values Hofstede outlined five principle dimensions of national culture as power distance, individualism, masculinity, uncertainty avoidance and long-term orientation.

Non-consequentialist theories Actions are right or wrong based on the underlying principles being morally right.

Normative theories Set out universal rules/principles which can be applied to indicate right versus wrong actions.

Offensive advertising (marketing) Unacceptable practices on the grounds of race, religion, gender, sexual orientation, disability and age.

Organisational values Beliefs and principles which set out what is important within an organisation to guide actions and distinguish it from competitors.

Personal values Beliefs and principles which are important to individuals.

Philanthropic responsibility Organisational activities that improve the quality of life for society and other stakeholders, through supporting charitable and community projects. Differs from economic and legal responsibilities as engagement is driven through being seen as the "right" thing to do.

Policies (see codes of practice/conduct) Developed at industry or organisational level to communicate values associated with ethics/CSR/sustainability issues, to guide employee/organisational behaviour.

Power distance The extent to which less powerful members of organisations both expect and accept that power is distributed unequally.

Predatory pricing This is when organisations set prices lower than the market rate in order to force out competition.

Racial harassment This concerns all forms of physical, verbal and emotional harassment regarding a person's ethnicity.

Rule utilitarianism Considers the underlying principles of an action and whether it produces more pleasure than pain for society in the long run, thereby offering the possibility of applying the same principles to any situation.

Shareholder A shareholder owns part of a company through stock ownership.

Sexual harassment All forms of physical, verbal and emotional harassment regarding a person's gender, sexual orientation, etc.

Social accounting (see Corporate Social Responsibility reporting) Organisation's assessment and communication of impacts on social, environmental and ethical issues associated with organisational activities.

Social performance Analysis of an organisation's practices with regard to labour standards both in its own organisation and in its supply chain, impacts of activities on local communities, customers and other stakeholders.

Stakeholders Any individuals or groups who can either be harmed by, or benefit from the actions of organisations.

Stakeholder theory Organisations should not be managed just in the interests of shareholders, but they should also consider those affected by the organisation's activities.

Supply chain (see value chain) Analysis of all stakeholders/organisations involved in the production and delivery of products/services to the end user.

Sustainable development Commonly defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

Sustainable Development Goals (SDGs) 17 goals defined by the United Nations, replacing the Millennium Development Goals, and designed to guide global action for sustainable development.

Teleological theories (see consequentialist) Based on the outcomes of action (results-based ethics), meaning that something is deemed right or wrong depending only on the results of that act.

Transparency Organisations not hiding impacts in communicating and reporting on activities.

Triple bottom line Focuses on organisations meeting the needs of People (social goals), Planet (environmental goals) and Profits (economic goals).

Uncertainty avoidance Degree to which people are comfortable with uncertain/unknown situations.

Universality Associated with the categorical imperative of Kantianism that all actions should be rationally acceptable to all human beings.

Utilitarianism (see act utilitarianism and rule utilitarianism) Actions are morally right if they result in the greatest amount of good for the greatest amount of people affected by those actions.

Value chain (see supply chain) Analysis of all stakeholders/organisations involved in the production and delivery of products/services to the end user.

Virtue ethics Based on the character and integrity of the decision-maker, rather than the underlying principles or outcomes of particular actions.

Whistle-blowing Employee actions to expose ethical or legal violations within organisations, either internally or externally.