Are we making progress in international business ethics?

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Abstract

Purpose – The internationalisation of business and the process of globalisation raise many ethical issues about acceptable norms of conduct on the part of corporations. This article aims to evaluate whether there is progress in establishing standards for international business ethics.

Design/methodology/approach – The paper explores whether the case for a global standard of business conduct can be grounded and justified in rational argument.

Findings – As a moral minimum, corporate ethical codes need to rule out what the management believes to be clearly unacceptable behaviour. The distinction between thick and thin moral rules is particularly important in wrestling with the rights and wrongs of international business ethics. A good deal of room needs to exist for the local interpretation of these codes, but there are a number of situations where universal standards have to be enforced in the host country.

Originality/value – This paper summarises the progress made in establishing the field of international business ethics. And it identifies and discusses the evidence on the effectiveness of ethical codes in improving international business practice.

Keywords Ethics, Global, Codes of conduct, International corporations, Relativism, Global compact, International business, Globalization, Business ethics

Paper type Research paper

Introduction

The internationalisation of business and the process of globalisation raise many ethical issues about acceptable norms of conduct on the part of multi-national companies (MNCs) and other organisations. The core concerns of international business ethics today are: human rights, labour standards, bribery and corruption, environmental protection, and financial probity and the control of money laundering (Kline, 2005). Racism and discrimination are also a universal problem for a global business ethics (Chua, 2004). The search for better business ethics has been an issue accompanying the industrialisation process, as it has slowly become a global phenomenon (Ruskin, 1860). Globalisation is the main reason why international business ethics has become an important topic in the international business curriculum (Dunning, 2003). The firm doing business on a global basis is faced with many difficult decisions about what to do in different countries: whether to follow the company's home country rules and customs, or whether to follow host country rules and local customs. Ethical dilemmas and value conflicts are bound to arise in many areas, and corporate managers need new guidance (Brown, 2005). For example, over ethical issues arising out of international business transactions such as patent protection in the pharmaceutical industry; what is fair trade; what constitutes cultural imperialism; varying global labour standards, the dilemmas of child labour; outsourcing production and services to low-wage countries; the problem of international commerce with pariah states. Hence, corporations need to give careful thought to international business ethics, and need to use moral theory to establish principles of international business ethics.

Humanomics
Vol. 27 No. 3, 2011
pp. 212-224
© Emerald Group Publishing Limited
0828-8666
DOI 10.1108/08288661111165240

This paper will attempt to summarise the progress made in establishing the field of international business ethics. The problems faced by developers of moral theory in cross-cultural management will be outlined in the first section. The second section will focus upon the search for a cross-national code of ethics that could help to establish norms of conduct to deal with these issues in the global marketplace, and on the evidence of their effectiveness. The final section will look at the rise of corporate social responsibility (CSR) in multinational corporations, and will identify and discuss the effectiveness of these policies in improving international business practice.

Theoretical foundations for global business ethics

A very important initial question to consider is whether the case for a global standard of business conduct can be grounded and justified in rational argument. When considering the range of human behaviour across the world, some anthropologists point to a range of practices considered morally acceptable in some societies but condemned in others, including infanticide, genocide, polygamy, racism, sexism, and torture. Such differences may lead us to question whether there are any universal ethical principles or whether morality is merely a matter of cultural taste. Differences in moral practices across societies raise an important issue in international business ethics, that of relativism. To illustrate the problem, a brief analysis will be given of two differences in moral values between India and the West, in respect of informality and the involvement of family members in decision making.

India has become a haven for out-sourcing the West's call centres and parts of the software industry. However, while global trade has joined together east and west, it has not influenced the cultural values that each society brings with it. In fact, for foreign companies seeking to conduct business in India, cultural integration has to be considered very carefully. The challenge for the MNC is to meet global standards and be competitive while, at the same time, retain the rich cultural heritage of Indian society. For example, while lifestyle in the West is often informal, life in India borders on the conservative and formal. There is a strict observance of the status and civility conventions in Indian society. Family structures in India are very close-knit unit, and decisions are often made only after prior consultation with the family members. Life in the USA and Europe is more independent, and decisions are often made independently of such family influences. In India, making important decisions without talking to the family might be considered offensive and implies a lack of respect. This important Indian value may have implications in the workplace. The West prides itself on its independence and "raising yourself by your own efforts". This personal independence has helped build an individualistic attitude not found in India, but at the same time, it is argued by some social commentators, that it has damaged Western society to the point where children are often estranged from family members, and are sometimes lacking in civility (Fukuyama, 1999). Overall, the moral climate of the Indian workplace is very conformist and traditional compared to the West, and there are strengths and weaknesses associated with this divergence in values.

International business ethics and domestic business ethics

It might be tempting to decline to accept that there are any absolute overarching values that can offer guidance to those whose business has to be conducted on a world wide basis. Perhaps, international business companies should acknowledge and celebrate this relativism as a virtue and declare itself in favour of an ethic of conduct that is local and situational. The appeal of this relativistic approach in international business ethics is easy to understand and has the following advantages: it promotes tolerance and acceptance; it maximizes MNC freedom of choice, whereas absolutism rules out alternatives; it respects the diversity of individual values and cultures; it values societies that want to be left alone; and finally it partly accounts for difficulty in attaining objectivity in moral judgements. However, the relativist position is not without its problems, for example: self-criticism and social criticism are difficult, since there are no standards by means of which one can judge values, actions, and goods; also learning from experience (progress and improvement in moral values) is problematic; decision-making is easy but often baseless; so many priorities are baseless, since "better" and "worse" presupposes some standard; and finally, the assertion, "all values are relative", is itself a claim that is absolute and universal.

Relativism is a view that holds that no culture has a better code of ethics than any other, and that, in turn, there are no international "rights" and "wrongs". The main problem with relativism is that not all cultural differences can be accepted. If one state endorses bribery, then one must grant bribery the same moral status as a doctrine of anti-bribery. If we reject relativism, then morality in the international sphere must be something more than an unprincipled "when in Rome do as the Romans do". It does not follow that all questions of moral differences among cultures can be solved by measuring them against a rigid, universal moral absolutes. But it does mean that morality has some, albeit imperfect, "thin" universal concepts that have relevance to the "thick" particular cultural context. This position has been advocated by the philosopher Michael Walzer in his book, *Thick and Thin* (Walzer, 1994).

Walzer notes the distinction between two moral vocabularies, one based on simplicity, the other on complexity. The complex one, which he labels "thick", is rooted in local conditions and circumstances. It is a language of ethics, which poses questions such as, what do I owe to those around me, those whose history, language, and culture are similar to mine? The language of "thin" morality, by contrast, is universal, but applies to everyone and at the same time to no one in particular. The language of simple, thin morality poses questions such as: what unites me with people who do not share my culture; what obligations do I have towards strangers and foreigners. Walzer's point is that each language of morality has its own sphere: thick morality is domestic, while thin morality is international. We should not tell the Burmese or the Nigerians how to provide education, but we can respond when they demand freedom and truth. But we do have a moral obligation to think about how we can provide education to our fellow citizens, because we share with them cultural and social resources that link our lives together. In Walzer's view, many moral mistakes are made when we apply a thick morality where thinness is appropriate, by trying, for example, to impose Western cultural values on those of a different culture. They can also occur when we apply too thin a morality in contexts that demand thickness, for then we fail to ask enough of the society that unites us. Consequently, there are only a few universal rules that can inform how and what we do in every case. Walzer argues that a scheme for a just social distribution of goods is a "thick" argument that can only be made within a single culture, but opposition to genocide and tyranny are universal "thin" moral rules.

The distinction between thick and thin moral rules is particularly important in wrestling with the rights and wrongs of international business ethics.

Consequently, the rejection of relativism and the adoption of universal principles, such as those establishing a minimal floor for business conduct in the international context, must respect cultural and social difference. Even if moral values were exactly the same around the world, the same specific principles would not necessarily be appropriate for every host country context. What follows is an attempt by various theorists to identify the "thin" moral principles that should be respected by international organisations wherever they do business.

Principles for a cross-national ethical framework

Many anthropologists have noted, however, that there are important moral similarities across cultures such as prohibitions against killing innocents and provisions for educating and socialising the young. The fact that these broad similarities exist gives support to Walzer's "thin" moral universalism that is still compatible with the significant differences among the moralities human beings have and do practice. Critics of relativism also argue that many moral beliefs presuppose religious and metaphysical beliefs, and that these beliefs, rather than any difference in fundamental values, give rise to much moral diversity. In addition, differences in moral belief across different societies may not arise from differences in fundamental values but from the need to implement the same values in different ways given the varying conditions obtaining in these societies. Nevertheless, despite many cultural and contextual differences many dominant religious belief systems have much in common.

Interfaith code of international business ethics

A series of interfaith dialogs began in 1984 under the patronage of HRH Prince Philip, the Duke of Edinburgh, and HRH Crown Prince E1 Hassan Bin Talal of Jordan. Followers of the three monotheistic faiths Christianity, Islam, and Judaism took part, under the auspices of St George's House, Windsor, and the Al Albait Foundation and the Arab Thought Forum in Amman. An Interfaith code of ethics for international business was formulated in the light of these religious traditions and was published in 1993. The provisions of the guidelines reflect the ethical basis indicated in the teaching of the three religions. A group of eminent scholars, clerics, and business people drew up the declaration from the three religions. They formulated a declaration that is based on a shared concern for justice, mutual respect, steward-ship, and honesty. (*An Interfaith Declaration – A Code of Ethics on International Business for Christians, Muslims, and Jews,* 1993, Amman, Jordan).

The cross-faith agreement established in this forum might not be convincing for the secular communities across the world, or for MNCs that have to work in a multi-faith and secular contexts. Several moral philosophers have attempted to identify the principles of a global ethic based upon social contract theory, Kantian ethics, and a synthesis of religious and rights-based approaches.

Social contract theory

Donaldson has advocated the social contract theory of international business ethics in his book, *The Ethics of International Business* (Donaldson, 1989). Donaldson offers three concepts for interpreting international business ethics: a social contract between productive organisations and society, the notion of a fundamental international rights, promulgated by ten specific international maxims, and a moral "algorithm" to help multinational managers make tradeoffs between conflicting norms in home and host countries. Donaldson proposes a strategy for developing a company code of conduct based on the idea that a contract can be held to exist between individuals and society. Based on this contract, he argues for a set of moral maxims that MNCs should seek to follow. He suggests corporations use rules, which might have been agreed by individuals before the age of industry, under what John Rawls termed it, "a veil of ignorance". The idea is to explore what rules of conduct individuals would have agreed to before businesses were established. Donaldson argues that firms should act in the same manner in deciding on the rules of conduct for international business. Donaldson reasons that the following three maxims would probably have been agreed upon as a social contract:

(1) That a company should enhance the long-term welfare of employees and consumers in any society in which the organisation operates.

(2) That a company should minimize the drawbacks associated with moving beyond the state of nature to a state containing productive organisations.

(3) That a company should refrain from violating minimum standards of justice and of human rights in any society in which it operates.

Donaldson then proposes a method for determining a set of rules of conduct by distinguishing rules about basic rights and duties from those that are desirable and aspirational. The following ten maxims, he calls fundamental rights:

(1) freedom of physical movement;
(2) ownership of property;
(3) freedom from torture;
(4) fair trial;
(5) non-discriminatory treatment;
(6) physical security;
(7) freedom of speech and association;
(8) minimal education;
(9) political participation; and
(10) subsistence.

Donaldson urges companies to honour these fundamental rules of conduct. Other requirements such as not polluting the environment and not paying bribes are derivative rules in his view, and when they come into conflict with the fundamental maxims the later should prevail. For example, the pollution control right is derived from the right to physical security. When there are two competing derivative rights, one must consider the magnitude of the impact of each alternative and how closely tied each derivative right is to a fundamental right.

Kantian foundations for international business ethics

Richard DeGeorge, has advocated a Kantian approach in his book on international business ethics, *Competing with Integrity in International Business*. He takes the view that the development of international business, particularly in the form of MNCs, has outstripped the national frameworks of regulation (De George, 1993). Consequently, the problems of injustice, harm, loss of rights, and exploitation of nature are all too common in international business. In this situation, DeGeorge seeks to explain how a company of integrity should act. His basic moral guidelines are derived from a wider set of moral considerations beyond those of Kant and include consequences, unalienable human rights, and justice. DeGeorge identifies the following moral guidelines for MNCs:

- do no intentional harm;
- produce more good than harm for the host country;
- contribute by their activity to the host country's development;
- respect the human rights of one's employees;
- to the extent that local culture does not violate ethical norms, multinationals should respect the local culture and work with and not against it;
- they should pay their fair share of taxes; and
- multinationals should cooperate with the local government in developing and enforcing just background institutions.

A company of integrity must also engage in various imperfect duties, ideals, and virtues that go beyond the moral minimum: such as charitable activities, providing employment security, and profit sharing. An important theme is ethical displacement which is the view that various moral problems cannot be solved at the level at which they occur, but can only be resolved by moving to a higher level. The problem many MNCs face, when confronted with demands for payoffs or for bribery, may not be resolvable without moving to the level of the firm or to the firms in that market and instituting appropriate structural changes. Measures that do this are the US Foreign Corrupt Practices Act, where bribery by US firms anywhere in the world is held to be a criminal offence.

The contribution of Hans Kung

Building on these religious and philosophical arguments, and the fundamental nature of human rights, the theologian, Hans Kung, has developed the basic values of a "Global Ethics" which he claims could be the basis for cross-cultural and religious agreement (Kung, 1997). The Second Parliament of the World's Religions held in Chicago in 1993 approved the following declaration. Kung identifies two basic values and eight core values.

Basic values

Humanity – In the face of all inhumanity, it should be a shared basic ethical principle that every human being must be treated humanely.

Reciprocity – There is a principle, which is found and has persisted in many religions and ethical traditions of humankind for thousands of years: *What you do not wish to be done to yourself, do not do to others.*

Core values

Respect for life, non-violence; justice; tolerance; truthfulness; equality; and partnership.

This global ethic implies that all MNCs should adopt the same "thin" principles of conduct in different places and contexts. Variation is bound to occur between operations in developed and developing countries, but variations should be justifiable in relation to the application of the same general principles. The difficulty with any code of ethics, whether organisational or international, is enforcement. To encourage adherence to ethics codes, MNCs first must institutionalise adherence to the code internally in their organisations. Deviations from the code should be reported; and after investigation, the problem, its solution, and the reason the conduct was considered unethical should then be communicated to all employees. Additionally, the MNC should encourage others such as non-governmental organisations (NGOs) and media organisations to tract its commitment and enforcement of the code in practice.

International codes of conduct

One strategy that can help the MNC to build legitimacy and trust is to declare that the organisation is commitment to and will be guided by a code of business conduct in all that it does. The drive towards an international code of ethics for MNCs has been a long one. The international labour organisation (ILO) was founded in 1918 to try to get better labour standards worldwide. The creation of the United Nations (UN), in the aftermath of the second world war, produced a universal declaration of human rights in 1948 for its member states to subscribe to, and this charter has been supplemented by a variety of more specific codes over the past few decades: the UN convention on international sales of goods 1980; the World Health Organisation infant formula code 1981; the UN general consumer guidelines 1985 covering product safety, quality, and distribution. In 1999, the UN Secretary General launched the idea of a global compact, covering human rights, labour, and the environment and invited companies to embrace and enact a set of nine principles in their operations. The nine principles of the global compact are:

Human rights
Businesses are asked to:

(1) Support and respect the protection of international human rights within its sphere of influence; and

(2) Make sure its own corporations are not complicit in human rights abuses.

Labour
Businesses are asked to uphold:

(3) Freedom of association and the effective recognition of the right to collective bargaining;

(4) The elimination of all forms of forced and compulsory labour;

(5) The effective abolition of child labour; and

(6) The elimination of discrimination in respect of employment and occupation.

Environment
Businesses are asked to:

(7) Support a precautionary approach to environmental challenges;

(8) Undertake initiatives to promote greater environmental responsibility; and

(9) Encourage the development and diffusion of environmentally friendly technologies.

Businesses that are willing to sign up to these principles have to send the UN a letter from the chief executive officer setting out the company's commitment to the principles, and then be prepared to publicise, once a year, one example of how they have put these principles into practice. Businesses in the compact are allowed to use the UN global compact logo on their company publicity. Over 2,300 businesses from over 87 countries have signed up to the global compact so far. However, critics question whether this voluntary bottom-up approach will be sufficient to really tackle the ethical issues facing global business.

The organisation for economic co-operation and development (OECD) in 1994 (updated 1999) also issued a set of Guidelines for Multinational Enterprises, making the integration of economic, environmental, and social concerns a key objective in company policy. The European Union (EU) has recently recommended that all publicly quoted companies with over 500 employees in the EU should publish social responsibility reports detailing what they are doing about sustainable development and issues of employment, training, and working conditions. In 2007, the International Finance Corporation, the World Bank's private lending arm, put into effect comprehensive labour and environmental standards covering the investments, it makes in the private sector across the world. It is also working with the UN's ILO to promote better labour standards in the global garment, footwear, electronic equipment, and other light manufacturing industries.

Corporate codes of ethics have a long history prior to globalisation, but they were often confined to particular companies with special cultures or strong founders who instilled a particular set of guiding values at an early stage in the growth of the company (McIntosh *et al.*, 1998).

Another aspect of the impact of globalisation is also adding to the demand that there should be more corporate codes of conduct. In a world of nation states, the assumption is that the state will be the *locus* of regulatory activity in regard to the operation of the company. However, the growth of many businesses into corporations that operate in many states and across states means that the regulatory powers of any one state have been much attenuated, and in many cases the jurisdiction of one state over a MNC is often limited. Moreover, the wealth and financial power of the MNC means that politicians are often competing against each other to gain the support of the corporation for inward investment and support for their political party. States can, therefore, be in a position where they are competing with each other for foreign direct investment and to provide the most favourable regulatory regime to attract MNCs to invest in them. Consequently, this conflict of interest between acting as the regulator of corporations and recipient of their investments is weakening the control of the state in relation to business. The power and scope of many companies means that the welfare and prosperity of many citizens in a nation state can be affected by the decisions taken by the management of the corporation. The speed of communications and mobility of finance and investment through international markets and the outsourcing and globalisation of the supply chain of the MNCs enhance this power still further. In many ways, corporations can now choose where to be registered, and so can shape the legal regime that will govern their operations. Nation states are often in effect engaged in regulatory competition. Without some degree of self-regulation or restraint there will be increasingly fewer restrictions placed upon the conduct of the MNC besides those of the market.

The creation of international legal regimes to match the scale and scope of the MNC is a formidable challenge, and while many laws and regulations do exist, the ability of international institutions to monitor and enforce compliance with these laws is limited. The UN and the OECD are the most obvious candidates as international regulators.

However, the development of the EU as a regional regulator of the affairs of corporations in Europe is perhaps the most promising development in terms of matching the power and effectiveness of the MNC in part of their domain.

Evidence on the effectiveness of ethics codes

Whilst there is now an established literature on how to devise a code of international business ethics, there is not much evidence, as yet, on whether they work and actually do make a difference to business practice (Payne *et al.*, 1997). Only a few studies have produced evidence on this important issue.

A study published by the Ethics Resource Centre in the USA, examined employee attitudes and behaviour in relation to the existence of three components of an ethics program:

(1) codes of conduct;

(2) the introduction of ethics into employee and management training; and

(3) the establishment of ethics and compliance offices.

Over 1,500 US workers were surveyed representing different levels of responsibility, job functions, company size, and industries. The survey indicated that ethics programs appeared to have a distinctly positive impact on employee behaviour and their opinions about the ethics of fellow employees, management, their companies and even themselves. The most positive effects were reported in companies, which had all three program components – codes of conduct, ethics training, and ethics offices. Striking differences could be seen in the responses of employees in companies with comprehensive ethics programs and the responses of those in companies with no program elements or with only a code of conduct. Indeed, a code of conduct as the sole element of an ethics effort often seemed to have a negative effect on employee perceptions. Ethics initiatives appeared to increase employee awareness of misconduct, employee willingness to report misconduct, and the level of satisfaction with the outcome of their reporting (Ethics Resource Centre, 2003).

The Institute of Development Studies published a study of labour code implementation in 2006, commissioned by the UK's Ethical Trading Initiative (ETI) (Barrientos and Smith, 2006). The study found that codes of international business ethics had positive impacts on certain issues: health and safety, for example better fire safety, introduction of training on emergency procedures, and safer use of chemicals; working hours – reduced regular and overtime hours; wages, for example ensuring payment of the minimum wage and provision of state insurance and pensions; child labour – less employment of children and young workers. The codes were found to be having less impact in relation to freedom of association, discrimination, regular employment, and harsh treatment, where serious issues frequently remained. Workers on some sites visited were weary of engaging with trade unions, especially when their jobs were insecure. Although codes had led to some practical improvements for women workers (such as provision of post-natal benefits), they had done little to address basic inequalities such as unequal access to employment, promotion, and training. Social auditors often failed to identify these more embedded issues. Permanent and regular workers benefited most from MNC codes. A significant finding was the extent to which migrant and third party contract workers were employed across different sectors and countries. Codes of labour practice often failed to reach these workers. Many experienced poor working conditions, particularly for those employed by third party labour contractors, where significant issues remained. Implementing codes of business ethics in complex global value chains posed significant challenges. The study found that companies were more likely to achieve positive change through working collaboratively in conjunction with trade unions and NGOs. MNCs needed to engage more actively with local stakeholders, suppliers, and workers. The ETI was considered to provide an important forum for collaboration and learning between companies. The conclusion of the study was that international business codes have helped to raise awareness of employment laws, but they were not a substitute for more effective implementation of effective labour, health and safety, and environmental legislation.

Transparency international (TI) has been at the forefront of the anti-corruption movement since it was formed in 1993. TI is a non-profit, independent, NGO dedicated to increasing government accountability and curbing both international and national corruption. TI publishes and annual *Corruption Perceptions Index* (CPI), examining levels of perceived corruption in 163 countries. The CPI scored countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low-levels. About 71 countries – nearly half – in the index scored below three, indicating that corruption is perceived as rampant in many parts of the world. Haiti had the lowest score, with Iraq and Myanmar close behind. The least corrupt countries were perceived to be Finland, Iceland, and New Zealand. TI also established the *Bribe Payers Index* (BPI) in 1999, highlighting the supply side of the corruption equation. The 2008 BPI assessed the propensity of companies from 30 of the leading export countries to bribe abroad. It showed that companies from the wealthiest countries generally ranked in the top half of the index, but still routinely paid bribes, particularly in developing countries. In addition, companies from emerging export powers such as China, India, and Russia ranked among the worst in bribing abroad. The 2008 BPI reflected the responses of more than 8,000 business people in 125 countries. The publication of these facts is, in some small way, perhaps part of the solution to these intractable ethical problems.

The new CSR agenda

In the absence of effective regulation of the MNC, the role of public opinion and the media on the activities of corporations has to some extent filled the vacuum. The growth of corporate public relations in response to this interest, with the intension of trying to shape media reporting in the company's favour are important developments in modern management strategies. The main corporate response to media criticism and NGOs campaigns aimed at various aspects of corporate conduct and power is for the corporation to try to demonstrate a commitment to voluntary self-regulation and various notions of CSR. CSR is a fairly recent term but it is becoming a well-known expression for what, in the recent past, has been a collection of different and yet related terms: corporate philanthropy, corporate citizenship, business ethics, stake-holding, community involvement, corporate responsibility, socially responsible investment, sustainability, triple-bottom line, corporate accountability, corporate social performance. Authoritative definitions of CSR are hard to come by in this developing area of responsibility because there is, as yet, so little orthodoxy in both theories of CSR and in its practice (Carroll, 1999). CSR is the idea that companies should consider the interests of society and the environment when making decisions. The EU definition of CSR is given in the green paper *Promoting a European framework for CSR*, "as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." (EU Comm, 2001, p. 6). There seems to be no general theory of CSR, although many academics have sought to establish the fact that such a responsibility exists, and some academics are leading advocates and campaigners for its adoption in business (Zadek, 2001).

Many MNCs in response to these pressures have developed policies on CSR (Warren, 2000). A quick reading of the report and accounts for many MNCs will reveal that stakeholders, accountability, and sustainability have become the slogans of the new millennium. Many companies are now publishing operating and financial reviews along side their mandatory accounts, and some have actively welcomed independent auditors and NGOs as verifiers of their sustainability statements and achievements. The failure of a MNCs to take swift action in the face of social pressure can be enormous, it is much harder for managements to get these decisions wrong than right. For many international companies, the attention that has had to be devoted to social responsibility issues is proving to be costly and time consuming. Most corporations now allocate some of their budget to social responsibility issues.

In the absence of a world-wide political community, companies are bound to look to their shareholders interests first rather than take the wider view of all global stakeholders into consideration in their actions. But taking a broader view of stakeholder interests is possible to some extent. Ethical thinking like political thinking in the present age is moving slowly beyond narrow self-interest and beyond the confines of the nation state to consider stakeholder interests in the broader global civil society (McIntosh *et al.*, 1998).

Corporations wanting to communicate with their stakeholders face a bewildering array of reporting standards and frameworks. There is the UN Global Compact, standards such as AA1000 and SA8000, and multinational guidelines such as those of the OECD. The Global Reporting Initiative (GRI) is emerging as one of the leading frameworks because of its broad foundations and international reach. The GRI is a UN-backed organisation that has brought together governments, business, campaign groups, trade unions, accountants, and academics to develop reporting guidelines applicable to any organisation anywhere. Another advantage of GRI is that it is compatible with other systems and standards. GRI covers three components of CSR sustainability reporting, environmental, social, and economic performance. Companies are asked to report on a wide range of indicators from greenhouse gas emissions and waste management to human rights, child labour, bribery payments, and customer data privacy. In all, there are 57 core indictors of performance and 53 voluntary ones. The GRI are also producing sector-specific supplements in sectors such as financial services, tour operators, mining, and car manufacturing. The next challenge is for MNCs to standardise the verification and auditing of these reports. The International Standards Organisation (ISO) is developing a new standard for auditing CSR called ISO 26000.

Conclusions

MNCs are increasingly being challenged by NGOs and the media to justify their conduct and legitimacy in ethical terms. Activities that undermine human rights and visibly damage the environment are being particularly strongly challenged by pressure groups. In recent years, nation states and international institutions such as the UN have begun to call upon companies to respect human rights, seek sustainable business practices and take up other ethical initiatives. This paper set these developments in the context of international business within a global "civil society". Codes of company ethical conduct can reach, by persuasion, beyond coercive legal obligations. However, codes of international business conduct have to be theoretically grounded in universal principles and values, rather than national and cultural values. Many governments following the lead of the UN are trying to develop regulations and incentives to promote ethical behaviour by businesses, to redress the failure of markets to manage protection for human rights, and to protect aspects of the natural world for its own sake. Examples are declarations to uphold human rights, and to fight against corruption, and to promote sustainability of resources.

Business leaders and the non-government organisations that advocate greater CSR on these subjects have the opportunity to contribute to the development of global civil society by working together to establish persuasive codes that do not require slow and difficult international intervention by government. But there is a whole set of potential conflicts that an international corporation needs to think carefully about how to handle. Corporate codes of conduct are standards of behaviour which a company adopts without being compelled to by law, but which then become binding on all employees, in order to minimise potential conflicts arising from undesirable effects of international business activity on societies and the natural environment. Such corporate codes of conduct at least make it clear that the management of the corporation is concerned about how business goals are achieved. As a moral minimum, corporate ethical codes need to rule out what the management believes to be clearly unacceptable behaviour. A good deal of room needs to exist for the local interpretation of these codes, but there are a number of situations where the MNC has to have the courage to apply its own standards and values, and not that of the different social and cultural frameworks of the host country. This might be the case in areas such as labour standards, discrimination, bribery, marketing, information policy, environmental protection, animal experiments, and health and safety policy. Ethically acceptable manoeuvrability within the corporation's code needs be clarified and its effects on people, environment, and society analysed. MNCs also face complex issues in relation to consistent and uniform standards in ethical auditing and reporting.

The movement pressing for the widespread adoption of international codes of business ethics will face numerous further hurdles. Many special interests in developed countries may wish to use an ethical code as a cover to advance their own agendas rather than as a means of ensuring fair international trade. Given the present state of the global free market, and the resulting difficulty of obtaining transparency and monitoring, let alone sanctions, on MNCs activities, some observers are pessimistic about making progress in improving international business behaviour (Barber, 2003). However, given the fact that international business ethics is now part of the business education curricula in many countries, and that there are increasing public expectations concerning CSR, this may eventually lead to a change in the rules of the game of international business for the better.

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Fonte: Humanomics, v. 27, n. 3, p. 212-224, 2011. [Base de Dados]. Disponível em: <http://www.emeraldinsight.com>. Acesso em: 24 Nov. 2011.