1

Introducing Business Ethics

In this chapter we will:

- Provide a basic introduction and definition of business ethics.
- Outline the relationship between business ethics and the law.
- Distinguish between ethics, morality, and ethical theory.
- Discuss the importance of business ethics at both an academic level and in terms of practical management in organizations.
- Present globalization as an important, yet contested, concept which represents a critical context for business ethics.
- Present the 'triple bottom line' of sustainability as a potential goal for business ethics.
- Critically examine the argument that there is a distinctive European perspective on business ethics.

What is business ethics?

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

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

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

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

Business ethics, it has been claimed, is an oxymoron (Collins 1994). By an oxymoron, we mean the bringing together of two apparently contradictory concepts, such as in 'a cheerful pessimist' or 'a deafening silence'. To say that business ethics is an oxymoron suggests that there are not, or cannot be, ethics in business: that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations). For example, in the latter case, Albert Carr (1968) notoriously argued in his article 'Is Business Bluffing Ethical' that the 'game' of business was not subject to the same moral standards as the rest of society, but should be regarded as analogous to a game of poker where deception and lying were perfectly permissible.

To some extent, it is not surprising that some people think this way. Various scandals concerning undesirable business activities, such as the despoiling of rivers with industrial pollutants, the exploitation of sweatshop workers, the payment of bribes to government officials, and the deception of unwary consumers have highlighted the unethical way in which some firms have gone about their business. However, just because such malpractices take place, does not mean that there are not some kinds of values or principles driving such decisions. After all, even what we might think of as 'bad' ethics are still ethics of a sort. And clearly, it makes sense to try and understand why those decisions get made in the first place, and indeed to try and discover whether more acceptable business decisions and approaches can be developed.

Certainly then, the revelations of corporate malpractice should not be interpreted to mean that thinking about ethics in business situations is entirely redundant. After all, as various writers have shown, many everyday business activities require the maintenance of basic ethical standards, such as honesty, trustworthiness, and co-operation (Collins 1994; Watson 1994). Business activity would be impossible if corporate directors always lied; if buyers and sellers never trusted each other; or if employees refused to ever help each other.

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

Whichever way one looks at it then, there appears to be good reason to suggest that business ethics as a phenomenon, and as a subject, is not an oxymoron. Whilst there will inevitably be disagreements about what exactly constitutes 'ethical' business activity, it is possible at least to offer a fairly uncontroversial definition of the subject itself. So, in a nutshell, here is what we regard the subject of business ethics as:

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

It is worth stressing that by 'right' and 'wrong' we mean morally right and wrong as opposed to, for example, commercially, strategically, or financially right or wrong. Moreover, by 'business' ethics, we do not mean only commercial businesses, but also government organizations, pressure groups, not-for-profit businesses, charities, and other organizations. For example, questions of how to manage employees fairly, or what constitutes deception in advertising, are equally as important for organizations such as Greenpeace, the University of Stockholm, or the German Christian Democrat Party as they are for Shell, Volvo, or Deutsche Bank. However, given the high profile of ethical issues in relation to commercial businesses, it is these types of businesses that we shall predominantly focus on in this book.

? THINK THEORY

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

Business ethics and the law

Having defined business ethics in terms of issues of right and wrong, one might quite naturally question whether this is in any way distinct from the law. Surely, the law is also about issues of right and wrong? This is true, and there is indeed considerable overlap between ethics and the law. In fact, the law is essentially an institutionalization or codification of ethics into specific social rules, regulations, and proscriptions. Nevertheless, the two are not equivalent. Perhaps the best way of thinking about ethics and the law is in terms of two intersecting domains (see **Figure 1.1**). The law might be said to be a definition of the minimum acceptable standards of behaviour. However, many morally contestable issues, whether in business or elsewhere, are not explicitly covered by the law. For example, just as there is no law preventing you from being unfaithful to your girlfriend or boyfriend (although this is perceived by many to be unethical), so there is no law in many countries preventing businesses from testing their products on animals, selling landmines to oppressive regimes, or preventing their employees from joining a union – again, issues which many feel very strongly about. Similarly, it is possible to think of issues that are covered by the law, but which are not really about ethics. For example, the law prescribes whether we should drive on the right or the left side of the road. Although this prevents

AN ETHICAL DILEMMA 1

No such thing as a free drink?

A good friend of yours, who studies at the same university, has been complaining for some time to you that he never has any money. He decides that he needs to go out and find a job, and after searching for a while, he is offered a job as a bartender in the student bar at your university. He gladly accepts and begins working three nights a week. You too are pleased, not only because it means that your friend will have more money, but also because the fact is that you often go to the student bar anyway and so will continue to see him quite frequently despite him having the new job.

The extra money is indeed much welcomed by your friend (especially as he has less time to spend it now too), and initially he seems to enjoy the work. You are also rather pleased with developments since you notice that whenever you go up to the bar, your friend always serves you first regardless of how many people are waiting.

After a time though, it becomes apparent that your friend is enjoying the job rather less. Whenever you see him, he always seems to have a new story of mistreatment at the hands of the bar manager, such as getting the worst shifts, being repeatedly chosen to do the least popular jobs, and being reprimanded for minor blunders which go uncensored for the rest of the staff.

This goes on for a short while, and then one day, when you are in the bar having a drink with some of your other friends, your friend the bartender does something that you are not quite sure how to react to. When you go up to pay for a round of four beers for you and your other friends, he discretely only charges you for one. Whilst you are slightly uncomfortable with this, you certainly don't want to get your friend into any kind of trouble by mentioning it. And when you tell your friends about it, they of course think it is very funny and congratulate you for the cheap round of drinks! In fact, when the next one of your friends goes up to pay for some drinks, he turns around and asks you to take his money, so that you can do the same trick for him. Although you tell him to get his own drinks, your friend the bartender continues to undercharge you whenever it is your turn to go to the bar. In fact this goes on for a number of visits, until you resolve to at least say something to him when no one else behind the bar is listening. However, when you do end up raising the subject he just laughs it off and says, 'Yeah, it's great isn't it? They'll never notice and you get a cheap night out. Besides, it's only what this place deserves after the way I've been treated.'

Questions

1 Who is wrong in this situation – your friend for undercharging you, you for accepting it, both of you, or neither of you?

2 Confronted by this situation, how would you handle it? Do nothing or ask your friend to stop undercharging you? If you take the latter option, what would you do if he refused?

3 To what extent do you think that being deliberately undercharged is different from other forms of preferential treatment, such as serving you in front of other waiting customers?

4 Does the fact that your friend feels aggrieved at the treatment he receives from his boss condone his behaviour at all? Does it help to explain either his or your actions?

chaos on the roads, the decision about which side we should drive on is not an ethical decision as such.

In one sense then, business ethics can be said to begin where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong. Discussion about the ethics of particular business practices may eventually *lead* to legislation once some kind of consensus is reached, but for most of the issues of interest to business ethics, the law typically does not currently provide us with guidance. For this reason, it is often said that business ethics is about the 'grey areas' of business, or where, as Treviño and Nelson (2007: 3) put it, 'values are in conflict'. **Ethical Dilemma 1** presents one such situation that you might face where values are in conflict. Read through this and have a go at answering the questions at the end.

As we shall see many times over in this book, the problem of trying to make decisions in the grey areas of business ethics, or where values may be in conflict, means that many of the questions posed are *equivocal*. There simply may not be a definitive 'right' answer to many business ethics problems. And as is the case with issues such as the animal testing of products, executive pay, persuasive sales techniques, or child labour, business ethics

Figure 1.1. The relationship between ethics and the law

problems also tend to be very controversial and open to widely different points of view. In this sense business ethics is not like subjects such as accounting, finance, engineering, or business law where you are supposed to learn specific procedures and facts in order to make objectively correct decisions. Studying business ethics should help you to make *better* decisions, but this is not the same as making unequivocally *right* decisions.

Defining morality, ethics, and ethical theory

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

In common usage, the terms 'ethics' and 'morality' are often used interchangeably. In many ways, it is probably true to say that this does not pose many real problems for most of us in terms of communicating and understanding things about business ethics. However, in order to clarify certain arguments, many academic writers have proposed clear differences between the two terms (e.g. Crane 2000; Parker 1998b). Unfortunately, though, different writers have sometimes offered somewhat different distinctions, thereby serving more to confuse us than clarify our understanding.[1] Nonetheless, we do agree that there are certain advantages in making a distinction between 'ethics' and 'morality', and following what we feel is the most common and useful way of distinguishing them, we offer the following distinction:

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

Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation. These rules and principles are called ethical theories.

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

A word of caution is necessary here. The emergence of the formal study of ethics has been aligned by several authors (e.g. Bauman 1993; Johnson and Smith 1999; Parker 1998b) with the modernist Enlightenment project, and the idea that moral uncertainty can be 'solved' with recourse to human rationality and abstract reasoning. As we shall show in chapters three and four, this has come under increasing attack from a number of quarters including feminists and postmodernists. However, it is important at this stage to

1 For example, Kelemen and Peltonen (2001) analyse the different usage of the concepts of 'ethics' and 'morality' in the writings of Michel Foucault and Zygmunt Bauman, two leading authors in the area of postmodern business ethics. They reveal strikingly different distinctions that in fact virtually provide a direct contradiction to one another.

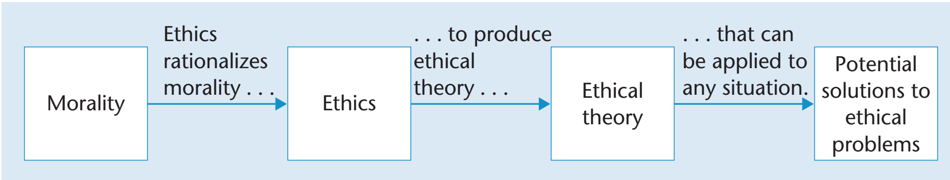

Figure 1.2. The relationship between morality, ethics, and ethical theory

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

Why is business ethics important?

Business ethics is currently a very prominent business topic, and the debates and dilemmas surrounding business ethics have tended to attract an enormous amount of attention from various quarters. For a start, consumers and pressure groups appear to be increasingly demanding firms to seek out more ethical and ecologically sounder ways of doing business. The media also constantly seems to be keeping the spotlight on corporate abuses and malpractices. And even firms themselves appear to be increasingly recognizing that being ethical (or at the very least being seen to be ethical) may actually be good for business. Ethical issues confront organizations whatever line of business they might be in. **Ethics in Action 1.1**, for example, provides an illustration of how Sam Roddick has taken the unusual step of opening an ethical 'erotic emporium' in London's Covent Garden.

There are therefore many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision-making skills. Here then are the main reasons why we think that a good understanding of business ethics is important:

1 The power and influence of business in society is greater than ever before. Evidence suggests that many members of the public are uneasy with such developments (Bernstein 2000). Business ethics helps us to understand why this is happening, what its implications might be, and how we might address this situation.

2 Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development, to name just a few examples. How, or indeed whether, this contribution is made raises significant ethical issues that go to the heart of the social role in business in contemporary society.

VISIT THE WEBSITE for links to useful sources of further information

ETHICS IN ACTION 1.1

Ethical sex?

Most people will have heard of Anita Roddick, the charismatic founder of the Body Shop chain of shops, and one of the best known advocates of ethical business. But now there is a new Roddick on the block – Anita's daughter Sam Roddick – who looks set to challenge ideas of ethical business all over again. For Sam is the founder of Coco de Mer, a self proclaimed 'erotic emporium' in London's Convent Garden that has taken a novel approach to the usually seedy sex industry by loudly broadcasting its firm ethical stance along with its x-rated products.

The shop sells a variety of sexually oriented material, from lingerie, to bondage gear, erotic literature and 'tools for bedroom arts'. It aims very much at the top end of a lucrative market, with a bondage belt with straps starting at an eyebrow raising €700 and a top of the range black glass and silver vibrator setting you back some €1500! However, Roddick has identified a clear market niche by targeting the kind of people that would not be seen dead in a back street sex shop but will happily sign up for one of the shop's striptease courses, or 'lessons in the art of loving' at its fashionable London address. Not only this, but Roddick has recognized that many people are uncomfortable with the whiff of exploitation that taints the traditional sex industry, and so has set about developing an 'ethical' approach to the business that offers a clear alternative to the rest of the market.

'We have very strong and clear ethics at Coco de Mer,' the firm's website boasts, 'All our products are made with the consideration of environmental and human rights. We invest in the talents of local artisans. When we seek a skill abroad, we work with small Fair Trade projects or cottage industries.' Not only this, but along with an educational approach to sex in the shop itself, Roddick is also involved in championing women's issues further afield, such as the 'Pleasure Project', which involves educating women in developing countries on how to use contraception – but also how to enjoy sex.

For some commentators, the whole idea of trying to marry business ethics with the business of sex is too much of a contradiction in terms to make any real sense. With its 'tasteful' erotica featuring topless models and full frontal nudity, and a product range that celebrates the full range of (legal) sexual activity in explicit detail, there is a significant portion of society that would simply brand the whole endeavour as objectionable and obscene – especially within the usually prudish British culture. And in much the same way that the anti-smoking lobby will not countenance the possibility of there being an ethical cigarette firm, so too are there problems for establishing a credible ethical sex shop.

Perhaps unsurprisingly then Roddick's Coco de Mer shop appears to be something of a pioneer within the sex industry – just as much as her mother was in the fledgling 'green' toiletries industry of the 1970s and 1980s. Maybe the ethical approach to sex will also catch on like the Body Shop approach did – but until it does, it seems like you'd have a hard job finding anywhere else that sold fair trade spanking paddles or 'non-toxic' sex toys endorsed by the WWF.

Sources

Macalister, T. 2005. Ethical erotica. *Guardian*, Saturday 15 January. www.guardian.co.uk
www.coco-de-mer-shop.co.uk

? THINK THEORY

If, as we have argued, business ethics is not an oxymoron, then is it necessarily true of *any* business, regardless on the industry it is in? Think about the reasons for and against regarding Coco de Mer as an ethical organization. Would the same arguments hold for an 'ethical' land mine manufacturer, or an 'ethical' animal testing laboratory?

3 Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to understand more about the causes and consequences of these malpractices, business ethics seeks, as the founding editor of the *Journal of Business Ethics* has suggested (Michalos 1988), 'to improve the human condition'.[2]

4 The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.

5 Few businesspeople in Europe and elsewhere have received formal business ethics education or training. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.

6 Ethical infractions continue to occur in business. For example, in a recent UK survey of ethics at work, one in four employees said that they had felt pressure to compromise their own or their organization's ethical standards, and one in five had noticed behaviour by their colleagues that violated the law or did not accord with expected ethical standards.[3] **Figure 1.3** provides details of the types of ethical misconduct that employees typically observe among their co-workers. Business ethics provides us with a way of looking at the reasons behind such infractions, and the ways in which such problems might be dealt with by managers, regulators, and others interested in improving business ethics.

7 Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.

8 Finally, business ethics is also extremely interesting in that it provides us with knowledge that transcends the traditional framework of business studies and confronts us with some of the most important questions faced by society. The subject can therefore be richly rewarding to study because it provides us with knowledge and skills which are not simply helpful for doing business, but rather, by helping us to understand modern societies in a more systematic way, can advance our ability to address life situations far beyond the classroom or the office desk.

2 For a summary and assessment of the contribution to this endeavour of the first 18 volumes of the *Journal of Business Ethics* (i.e. from 1982 to 1999), see Collins 2000.

3 Institute of Business Ethics. 2005. *Ethics at Work*. London: Institute of Business Ethics.

VISIT THE WEBSITE for links to useful sources of further information

ETHICS ON SCREEN 1

Supersize Me

An entertaining look at America's obesity epidemic and a lively exploration of personal versus corporate responsibility.

Megan Lehmann, *New York Post*

Released in 2004, *Supersize Me* recounts the exploits of filmmaker Morgan Spurlock who sets out on a journey to find out why Americans are so fat, and to explore the legal, financial, and physical costs of the fast food industry. The film details Spurlock's tongue in cheek 'experiment' to live on nothing but McDonald's food for an entire month, and to opt for super size portions every time he is offered. In so doing, he travels across America and interviews experts including doctors, nutritionists, and lawyers to get the full picture of the impacts of fast food.

© Tartan Films

Morgan Spurlock got the idea for the documentary when watching a TV news story about two girls who were suing McDonald's for making them obese. While he initially found their story ridiculous, he also found McDonald's argument that their food was healthy and nutritious even more unreasonable. Spurlock decided to put their claims to the test by eating McDonald's every day and then assessing the effects on his health with regular medical tests. As such, the film explores the growing unease about the impacts of the fast food industry, and also prompts us to question the appropriate boundaries between personal and corporate responsibility. However, it is also remarkable for the effects it has had on McDonald's itself.

The film premiered in the US in January 2004. Less than two months later, McDonald's announced that it would no longer sell any more super size meals, although they denied that the move was in reaction to the film. The public relations response from the firm was perhaps even more interesting, especially when comparing the responses in the UK and the US.

In the US, the company's response was somewhat aggressive. It issued a dismissive press release which had this to say: 'This movie is all about one individual's decision to act irresponsibly by consuming more than 5,000 calories a day – twice the recommended level for adult males – and by purposely limiting his physical activity. That's why this movie makes no contribution to the important dialogue taking place today on nutrition and balanced lifestyles. We see no reason to respond to Morgan Spurlock when so many other experts have already spoken out on the film's distortions and irresponsibility, including those consumers who voluntarily are conducting their own independent 30-day McDonald's diet to disprove his over-the-top behaviour.' Yes, it's true – people in the US really did conduct their own experiments, eating only McDonald's for 30 days, in order to prove Spurlock wrong!

The company went on to say, 'McDonald's is working closely with real experts on nutrition and fitness: scientists, government leaders, educators, and national advocacy groups. Morgan Spurlock is late to the national dialogue. By shocking instead of informing, he has missed an opportunity to be part of the solution.'

The company also engaged in something of a smear campaign, trying to discredit

Spurlock and project him as a liar, and an unreliable con man. They published an email he sent when trying to get an interview with Lisa Howard, the Public Affairs manager from the company, and where he said lots of fairly positive things about the company, such as 'McDonald's is committed to the healthy future of America' and 'I am amazed at the work currently being done at McDonald's'.

Interestingly, the response in the UK was less aggressive, and more focused on providing a 'balanced' debate. In fact, the company set up a dedicated website in the UK presenting its response to the film, and sponsored a link from Google. Under the headline 'A balanced diet: a balanced debate' the company was clearly more accommodating, saying things like 'What may surprise you is how much of the film we agree with'. The best part of the site is where it actually provides menu plans so that you can eat at McDonald's for breakfast, lunch and dinner, plus snacks, seven days a week, and still stay healthy!

It is interesting to speculate on why there might be differences between the company's response to the film in the US and the UK. It may be something to do with a different approach to dealing with criticism, or may say something about the difficult PR position the company has been in the UK, due to the history of activism against the company. Either way, Spurlock showed the power of documentary to influence popular ethical debates about corporations and his film not only went on to pick up an Oscar nomination for best documentary, but even became one of the most successful documentaries of all time.

Sources
www.mcdonalds.com
www.supersizeme.com
www.supersizeme-thedebate.co.uk

Ethics on Screen 1 discusses some of these reasons in the context of the movie, *Supersize Me*. The film, a light-hearted documentary released in 2004, sets out to challenge fast food companies for providing unhealthy food in large portions – a theme we will return to in the end of chapter case, *McEurope*.

Having identified some of the reasons why business ethics is important, we should also make it clear that this does not necessarily mean that there are not also a number of problems with the subject of business ethics. Indeed, these have prompted writers such as Andrew Stark (1994) to pose the question 'what's the matter with business ethics?' and Tom Sorrell (1998) to pronounce on the 'strange state of business ethics'. After all, despite many years of business ethics being researched and taught in colleges and universities, ethics problems persist and the public remains sceptical of the ethics of business. However, in the main these concerns are addressed at how theories of business ethics have been developed and applied, rather than questioning the importance of business ethics as a subject *per se*.

Indeed, there does seem to be a growing consensus regarding the importance of business ethics, whether by students, by academics, by governments, by consumers, or, of course, by businesses. There are now modules in business ethics being run in universities across Europe and the rest of the world, at least partly, it would seem, in response to various ethics scandals that have hit the headlines. As *The Times* recently put it, 'business schools are talking up their ethics courses in the wake of recent corporate scandals' (Dearlove 2006). There has also been an outpouring of books, magazine, journal and newspaper articles on

Type of misconduct of co-workers	Percentage of employees observing misconduct
Abusive or intimidating behaviour towards employees.	21
Lying to employees, customers, vendors, or the public.	19
A situation that places employee interests over organizational interests.	18
Violations of safety regulations.	16
Misreporting of actual time worked.	16
Discrimination on the basis of race, colour, gender, age or similar categories.	12
Stealing or theft.	11
Sexual harassment.	9

Figure 1.3. Types of misconduct observed by employees among their co-workers
Source: Based on the '2005 National Business Ethics Survey', Ethics Resource Center, www.ethics.org

the subject, as well as web pages, blogs, and other electronic publications – amazon.com currently stocks more than 2,000 books related to business ethics and corporate responsibility, whilst a Google search on 'business ethics' returns more than 4 million hits at the time of writing.

Similarly, the last few years have witnessed significant growth in what might be regarded as the business ethics 'industry', i.e. corporate ethics officers, ethics consultants, ethical investment trusts, ethical products and services, and activities associated with ethics auditing, monitoring, and reporting (as have been recently developed by the likes of KPMG, McKinsey, PriceWaterhouseCoopers, and others). One annual UK survey, for instance, estimates the country's 'ethical market' (i.e. consumer spending on ethical products and services) to be worth something like €40bn annually.[4]

What is clear then is that business ethics has not only been recognized as increasingly important, but has also undergone rapid changes and developments during the past decade or so. In this book, we are concerned with addressing what we see as the two most fundamental challenges facing business ethics in Europe at this time: the new context provided by the phenomenon of globalization; and the new goals represented by the concept of sustainability.

Globalization: a key context for business ethics?

Globalization has become one of the most prominent buzzwords of recent times. Whether in newspaper articles, politicians' speeches, or business leaders' press conferences, the 'G-word' is frequently identified as one of the most important issues in contemporary society.

4 Co-operative Bank. 2005. *Ethical Consumerism Report 2005*. Manchester: Co-operative Bank.

In the business community, in particular, there has been considerable enthusiasm about globalization. For instance, the chairman of Goldman Sachs has talked of 'the gospel of globalization' and has praised the increasingly interconnected world economy and its benefits for economic growth, global welfare, democracy, and world peace (Paulson 2001). At the same time, business leaders have also started to recognize the increased risks that globalization can bring to their operations. As William Parrett, the Chief Executive Officer at Deloitte Touche Tohmatsu (one of the 'Big Four' accounting firms), commented at the 2006 World Economic Forum (WEF) in Davos: 'One effect of globalization has been that risk of all kinds – not just fiscal, but also physical – have increased for businesses, no matter where they operate. Information travels far and fast, confidentiality is difficult to maintain, markets are interdependent and events in far-flung places can have immense impact virtually anywhere in the world.'

So, globalization clearly has some downsides, even for the business community. But beyond this, it is significant that we have witnessed the rise of a new worldwide culture of 'anti-globalization' campaigners and critics. Various meetings of the World Economic Forum, the WTO, the IMF, and the World Bank as well as the summits of G8 or EU leaders have been accompanied by profound criticism and occasionally even violent protest against the 'global world order', 'global capitalism', the 'dictate of the multinationals' and so on. Riots in Seattle, Davos, Prague, and Genoa in the late 1990s and early 2000s made the public aware that globalization was a hotly contested topic on the public agenda, and successive battles over fair trade and poverty have kept the ethical spotlight on the process of globalization.

In the context of business ethics, this controversy over globalization plays a crucial role. After all, corporations – most notably multinational corporations (MNCs) – are at the centre of the public's criticism on globalization. They are accused of exploiting workers in developing countries, destroying the environment and, by abusing their economic power, engaging developing countries in a so-called 'race to the bottom'. This term describes a process whereby MNCs pitch developing countries against each other by allocating foreign direct investment to those countries that can offer them the most favourable conditions in terms of low tax rates, low levels of environmental regulation, and restricted workers' rights. However true these accusations are in practice, there is no doubt that globalization is the most current and demanding arena in which corporations have to define and legitimate the 'right or wrong' of their behaviour.

What is globalization?

Globalization is not only a very controversial topic in the public debate; it is also a very contested term in academic discourse.[5] Apart from the fact that – mirroring the public debate – the camps seems to be divided into supporters and critics, there is growing concern about whether globalization is a fact at all. So, for example, some argue that there is nothing like a 'global' economy, because roughly 90 per cent of world trade only takes

5 There is a wide range of literature addressing globalization and its meaning. Good introductions are provided by Beck (1999), Giddens (1999), and Held and McGrew (2000).

place either within or between the three economic blocks of the EU, North America, and East Asia, leaving out all other major parts of the globe (Chortarea and Pelagidis 2004; World Trade Organization 2004). Obviously, we have to examine the 'globalization' buzzword more carefully and to develop a more precise definition if we want to understand its character and its implication for business ethics.

What globalization is not

Using the work of Jan Aart Scholte (2000), we will try to bring some order into the chaos of 'global blurb' by examining various definitions, which are often used, but which do not really identify the central and new character of globalization. These concepts of globalization, which are especially popular among authors in business studies, are characterized by Scholte (2000: 44–6) as follows:

- Globalization as '*internationalization*': many see the recent increase in cross-border transactions as the new defining element of globalization. However, this has not been a new development. This phenomenon was already well established in ancient history, and even at the end of the nineteenth century, the percentage of cross-border transactions worldwide was not considerably lower than at the end of the twentieth century (Moore and Lewis 1999).
- Globalization as '*liberalization*': the recent globalization debate coincides with an increase in trade liberalization and various kinds of deregulation. Nevertheless, this phenomenon is much older and does not justify the invention and use of the term 'globalization' to describe it.
- Globalization as '*universalization*': an aspect of globalization is the fact that it leads to an increasing global spread of products, lifestyles, and ideas. However, this is not a new phenomenon either: throughout the last 2,000 years, for example, world religions such as Christianity or Islam have spread over large parts of the globe with the same unifying power and assimilating effects on people's lives. Therefore a new term such as 'globalization' is not needed to describe this old phenomenon.
- Globalization as '*westernization*': much of the criticism on globalization focuses on the fact that it results in the export of western culture to other, culturally different world regions. Again, this is not a new phenomenon at all: the era of colonization in the nineteenth century resulted in the export of various facets of Western culture to the colonized countries, evidenced for example by the British legacy in countries such as India, the Spanish legacy in South America, and the French legacy in Africa.

What globalization is

All of these views of globalization describe some of the more visible features of globalization. They are certainly important issues, but as Scholte (2000) shows, they do not characterize the significantly *new* aspects of globalization. If we want to get a grasp on the decisive features of globalization, he suggests we can start by looking at the way social connections traditionally took place. These connections, be it personal relations to family members or friends, or economic relations such as shopping or working, took place within a certain territory. People had their family and friends in a certain village, they had their work and business relations within a certain town or even country. Social interaction traditionally needed a certain geographical space to take place. However, this link between social connections and a certain territory has been continuously weakened, with two main developments in the last few decades being particularly important.

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

The second development is *political* in nature. Territorial borders have been the main obstacles to worldwide connections between people. Only 20 years ago, it was still largely impossible to enter the countries in the eastern bloc without lengthy visa procedures, and even then, interactions between people from the two sides were very limited. With the fall of the iron curtain, and substantial liberalization efforts elsewhere (for instance within the EU), national borders have been eroded and, in many cases, have even been abolished. In Europe, you can drive from Lapland to Sicily without stopping at any single national border.

These two developments mainly account for the massive proliferation and spread in supra-territorial connections. These connections may not always necessarily have a global spread in the literal sense of worldwide spread. The new thing though about these connections is that they no longer need a geographical territory to take place and they are not restricted by territorial distances and borders any more. Scholte (2000: 46–61) thus characterizes globalization as '*deterritorialization*', suggesting that we can define globalization as follows:

Globalization is the progressive eroding of the relevance of territorial bases for social, economic and political activities, processes and relations.

Let us have a look at some examples of globalization according to this definition:

- Due to the modern communication infrastructure, many of us actually witnessed the 2006 Fifa World Cup in Germany live on TV – regardless of where we were located at that time. This event was global not in the sense that it actually happened all over the world, but in the sense that billions of people saw it, and to some extent took part in it, regardless of the fact that they were standing in Milan, Manchester, or Manila.

- We can potentially drink the same Heineken beer, drive the same model of Toyota car, or buy the same expensive Rolex watch almost wherever we are in the world – we do not have to be in Amsterdam, Tokyo, or Geneva. Certain global products are available all over the world and going for a 'Chinese', 'Mexican', or 'French' meal indicates certain tastes and styles rather than a trip to a certain geographical territory.

- We no longer tend to worry about where our bank stores our money and if their 'safes' really deserve that name. We can quite easily have a credit card which allows us to withdraw money all over the world, we can pay our bills at home in Europe via internet banking while sitting in an internet café in India, or even order our Swiss private banking broker to buy an option on halved pigs at the Chicago exchange without even moving our feet from the sofa.

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

The relevance of globalization for business ethics

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

Cultural issues

As business becomes less fixed territorially, so corporations increasingly engage in overseas markets, suddenly finding themselves confronted with new and diverse, sometimes even contradicting ethical demands. Moral values, which were taken for granted in the home market, may get questioned as soon as corporations enter foreign markets (Donaldson 1996). For example, attitudes to racial and gender diversity in Europe may differ significantly to those in Middle Eastern countries. Similarly, Chinese people might regard it as more unethical to sack employees in times of economic downturns than would be typical in Europe. Again, whilst Europeans tend to regard child labour as strictly unethical, some Asian countries might have a more moderate approach (for further examples, see Kline 2005). Consider the case of *Playboy*, the US adult magazine, which had to suspend its Indonesian edition and vacate the company premises in 2006 in the wake of violent protests by Islamic demonstrators – even though the Indonesian edition was a toned down version that did not show nudity.[6]

The reason why there is a potential for such problems is that whilst globalization results in the deterritorialization of some processes and activities, in many cases there is still a close connection between the local culture, including moral values, and a certain geographical region. For example, Europeans largely disapprove of capital punishment, whilst many Americans appear to regard it as morally acceptable. Women can freely sunbathe topless on most European beaches, yet in some states of America they can get fined for doing so – and in Pakistan would be expected to cover up much more. This is one of the contradictions of globalization: on the one hand globalization makes regional difference less important since it brings regions together and encourages a more uniform 'global

6 See Anon. 2006. '*Playboy* halts operations in Indonesia after protests'. *Hindustan Times*, 21 April: 15.

culture'. On the other hand, in eroding the divisions of geographical distances, globalization reveals economic, political, and cultural differences and confronts people with them. This dialectical effect has been a growing subject for research over the past decade (see Child 2000; Sorge 2000).

? THINK THEORY

Capital punishment and topless sunbathing are interesting issues to think about globalization theory and cultural dimensions of ethics, but have little to do with business responsibility as such. Can you think of some similar examples that a business might have to deal with?

Legal issues

A second aspect is closely linked to what we said previously about the relation of ethics and law. The more economic transactions lose their connection to a certain regional territory, the more they escape the control of the respective national governments. The power of a government has traditionally been confined to a certain territory, for example: French laws are only binding on French territory, UK laws on UK territory, and so on. As soon as a company leaves its home territory and moves part of its production chain to, for example, a third world country, the legal framework becomes very different. Consequently, managers can no longer simply rely on the legal framework when deciding on the right or wrong of certain business practices. If, as we said earlier (pp 5–8), business ethics largely begins where the law ends, then deterritorialization increases the demand for business ethics because deterritorialized economic activities are beyond the control of national (territorial) governments. For example, global financial markets are beyond the control of any national government, and the constant struggle of governments against issues such as child pornography on the internet shows the enormous difficulties in enforcing national laws in deterritorialized spaces.

Accountability issues

Taking a closer look at global activities, one can easily identify corporations as the dominant actors on the global stage: MNCs own the mass media which influence much of the information and entertainment we are exposed to, they supply global products, they pay peoples' salaries, and they pay (directly or indirectly) much of the taxes that keep governments running. Furthermore, one could argue that MNCs are economically as powerful as many governments. For example, the GDP of Denmark is about the same as the turnover of General Motors. However, whereas the Danish government has to be accountable to the Danish people and must face elections on a regular basis, the managers of General Motors are formally accountable only to the relatively small group of people who own shares in the company. The communities in the US, Brazil, or Germany that depend directly on General Motors' investment decisions however have next to no influence on the company and, unlike a regional or national government, General Motors is, at least in principle, not accountable to these constituencies.

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

Figure 1.4. Examples of the ethical impacts of globalization on different stakeholder groups

What this means is that the more economic activities get deterritorialized, the less governments can control them, and the less they are open to democratic control of the affected people. Consequently, the call for direct (democratic) accountability of MNCs has become louder during the last years, evidenced for example by the anti-globalization protests that we mentioned before. Put simply, globalization leads to a growing demand for *corporate accountability*. We shall examine this argument fully in the next chapter, but clearly, it is exactly here where business ethics is increasingly in demand since it offers the potential for corporations to examine and respond to the claims made on them by various stakeholders. Indeed, globalization can be seen to affect *all* stakeholders of the corporation, as we shall discuss in part two of the book. Some examples of these impacts are presented in **Figure 1.4**.

Sustainability: a key goal for business ethics?

At the same time that these new challenges of globalization have emerged, considerable interest has also been directed towards the development of new ways of addressing the diverse impacts of business in society. Many of these impacts are far-reaching and profound. To mention just a few, one only needs to think of impacts such as:

- The environmental pollution caused by the production, transportation, and use of products such as cars, refrigerators, or newspapers.
- The ever increasing problems of waste disposal and management as a result of excessive product packaging and the dominance of 'throwaway culture'.
- The devastating consequences for individuals and communities as a result of plant closures and 'downsizing' as experienced throughout Europe, from South Wales in the UK all the way to the accession countries of Central and Eastern Europe.
- The erosion of local cultures and environments due to the influx of mass tourism in places as diverse as Majorcan fishing villages, Swiss alpine communities, or ancient Roman monuments.

Faced with such problems (and many more besides), it has been widely suggested that the goals and consequences of business require radical re-thinking. Following the Rio Earth Summit of 1992, one concept in particular appears to have been widely promoted (though not unilaterally accepted) as the essential new conceptual frame for assessing not only business activities specifically, but industrial and social development more generally. That concept is *sustainability*.

Sustainability has become an increasingly common term in the rhetoric surrounding business ethics, and has been widely used by corporations, governments, consultants, pressure groups, and academics alike. **Figure 1.5** provides some examples of sustainability being used in the corporate reports and other business communications of some major European firms.

Despite this widespread use, sustainability is a term that has been utilized and interpreted in substantially different ways (Dobson 1996). Probably the most common usage of sustainability, however, is in relation to *sustainable development*, which is typically defined as:

> **Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.**
> **(World Commission on Environment and Development 1987)**

This, however, is only the core idea of an elusive and widely contested concept – and one which has also been subject to a vast array of different conceptualizations and definitions (Gladwin, Kennelly, and Krause 1995). So whilst we would caution against any unreserved acceptance of any particular interpretation, at a very basic level, sustainability appears to be primarily about system maintenance, as in ensuring that our actions do not impact upon the system – for example the Earth or the biosphere – in such a way that its long term viability is threatened. By focusing sustainable development on the potential for future generations to satisfy their needs, sustainability also surfaces considerations of *intergenerational equity*, i.e. equality between one generation and another.

With its roots in environmental management and analysis, for a long time, sustainability as a concept was largely synonymous with environmental sustainability. More recently though, the concept of sustainability has been broadened to include not only

Company	Sustainability statement	Source
BP.	'For BP, "sustainability" means the capacity to endure as a group: by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate.'	Sustainability Report, 2005
ICI.	'The ICI Board is committed to the principles of sustainable development . . . Why? Because we believe it is right, and because our stakeholders expect it. They value our products and admire our creative talent; but they also fear that our activities might have harmful effects.'	Sustainability Report, 2005
Nokia.	'Nokia's vision of technology as an enabler of environmental sustainability is based on a strategy of eco-efficiency and life cycle thinking.'	www.nokia.com
Shell.	'Contributing to sustainable development is part of our business principles.'	The Shell Report, 2004
Volkswagen.	'The challenges facing society today can only be met by search and decision-making processes that continuously re-balance the requirements of economic performance, environmental protection and social justice . . . For Volkswagen, sustainability is the basis for policy as well as part of a living, breathing corporate culture.'	www.volkswagen-ag.de

Figure 1.5. Corporate commitments to sustainability

environmental considerations, but also economic and social considerations (Elkington 1998). This is shown in **Figure 1.6.**

This extension of the sustainability concept arose primarily because it is not only impractical, but even sometimes impossible, to address the sustainability of the natural environment without also considering the social and economic aspects of relevant communities and their activities. For example, whilst environmentalists have opposed road-building programmes on account of the detrimental impact of such schemes on the environment, others have pointed to the benefits for local communities of lower congestion in their towns and extra jobs for their citizens. **Ethics in Action 1.2** looks at this problem of trade-offs between environmental, social and economic criteria as faced by the cod fishing industry in the UK. Another argument for this extension is the consideration that if equity is to be extended to future generations, then logically it should also be extended to all those in the current generation. Hence, one of the World Commission on

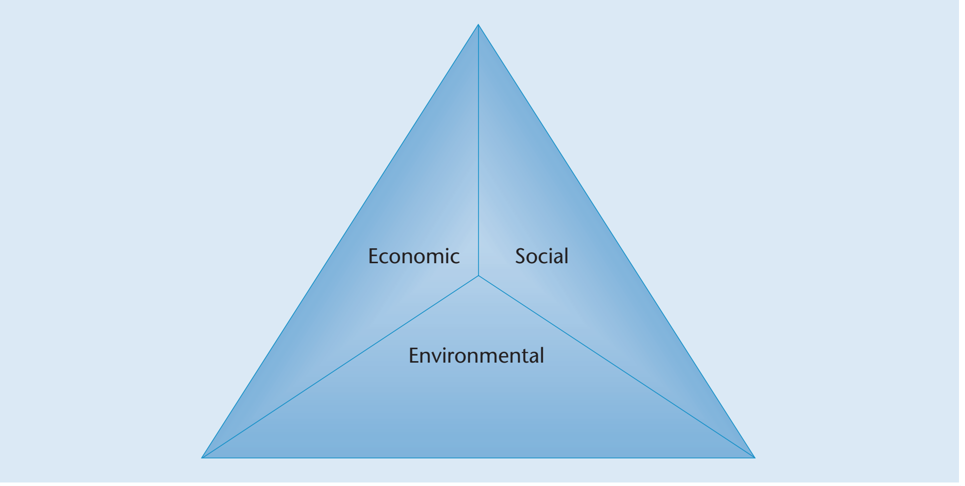

Figure 1.6. The three components of sustainability

Environment and Development's primary espoused aims was the eradication of world poverty and inequity.

As we see it then, sustainability can be regarded as comprising three components – environmental, economic, and social. This suggests the following definition:

> **Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations.**

Whilst we regard this definition as sufficient for determining the essential content of the sustainability concept, it is evident that sustainability as a phenomenon also represents a specific goal to be achieved. The framing of sustainability as a goal for business is encapsulated most completely in the notion of a 'triple bottom line'.

The triple bottom line

The triple bottom line (TBL) is a term coined by, and vigorously advocated by, John Elkington, the Director of the SustainAbility strategy consultancy and author of a number of influential books on corporate environmentalism. His view of the TBL is that it represents the idea that business does not have just one single goal – namely adding economic value – but that it has an extended goal set which necessitates adding environmental and social value too (Elkington 1998). From this perspective, it should be clear why we have highlighted sustainability as a potentially important new goal for business ethics. However, in order to develop a clearer picture of just what the three components of sustainability actually represent in terms of a goal for business ethics, we shall have to examine each of them in turn.

VISIT THE WEBSITE for links to useful sources of further information

ETHICS IN ACTION 1.2

Goodbye fish and chips?

Fish and chips is one of the UK's best known and most popular dishes. Sold throughout the country at chip shops (or 'the chippy' as many locals will describe it), and especially popular at seaside resorts, fish and chips has long been the UK's number one take away food – at least until the onset of fast food hamburger restaurants, kebab shops, and the ubiquitous curry house started to erode its dominance in the sector. But recently, the nation's favourite has had rather more to contend with than just a decline in popularity. Quite simply, the UK is running out of fish.

The traditional centrepiece of the fish and chip meal is a piece of deep fried, battered fish – almost always cod or haddock, or occasionally a more unusual alternative such as skate of plaice. However, overfishing in the North Sea has led to dwindling fish stocks of many popular species, especially cod. Over the years, various scientists and civil actors such as Greenpeace and WWF have produced evidence of an impending fishing crisis and advocated the need for intervention. However, any restrictions on fishing quotas pose a major threat to jobs and the local economies in fishing areas. This is especially a problem for the North Sea fishing industry of Northern England and Scotland since it is concentrated in isolated regions where the industry is at the hub of local communities and provides, either directly or indirectly, a significant proportion of local jobs.

Local communities and the fishing industry have sought to protect their interests by arguing against any restrictions on fishing rights, whilst the British government, along with its counterparts in many other European countries such as Spain, Ireland, and France have backed calls to reject proposals to impose restrictions. As a result, the price of cod and other endangered species has rocketed, whilst supplies have plummeted. In the last ten years, prices have more than doubled in the UK whilst supply has more than halved.

However, some governments such as those in Iceland and Norway have long imposed more rigorous management systems to ensure more sustainable stocks. Similarly, Unilever, one of the world's biggest fish buyers, has collaborated with the WWF to set up the (now independent) Marine Stewardship Council to establish and certify sustainable fish supplies, thereby creating further sustainable alternatives to North Sea fish.

As a result of these developments, most cod in the UK is now imported from Iceland and other more sustainable sources – according to some reports, something like a staggering 95 per cent now comes from overseas. In fact, one of Unilever's brands, Birds Eye provoked controversy in UK fishing communities when it ran an ad in 2002 saying the company would no longer be taking any cod from the North Sea in line with its policy of sourcing from sustainable fisheries.

Contestation over fishing restrictions has inevitably continued in the UK and more widely in Europe, but with little progress made in preserving cod stocks or other endangered species. Evidence suggest that the EU's annual quotas fail to satisfy anyone completely. As one Scottish newspaper reported on the 2006 quota: 'Fishermen and politicians said the deal failed the Scottish fleet, while environmental groups said it would be the death knell for North Sea cod.' Whilst the new regulations cut the amount of cod that could be caught by half, and restricted the number of days that cod trawlers could spend at sea by 5 per cent, the European Commission had initially recommended a 15 per cent reduction in days, and scientists had again called for a total ban on cod fishing to preserve dwindling stocks. The environmental protection group, the WWF therefore roundly condemned the new quotas, complaining: 'It makes no sense to continue to allow targeted fishing on a stock that is on the brink of collapse, as fisheries ministers are with North Sea cod. In doing so they are ensuring that this iconic British species has virtually no chance of survival or recovery.'

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? THINK THEORY

Think about the problems of the North Sea cod fishing industry from the perspective of the sustainability concept. What are the relevant social, environmental, and economic issues at stake and how can they be effectively balanced? To what extent do you think that sustainability issues such as this require businesses to act as opposed to leaving governments to act through legislation?

Environmental perspectives

As we mentioned briefly above, the concept of sustainability is generally regarded as having emerged from the environmental perspective, most notably in forestry management and then later in other areas of resource management (Hediger 1999). Indeed, it would probably be true to say that, at the present moment, there is still a fairly widespread conception within business (though we believe a mistaken one) that sustainability is a purely environmental concept.

The basic principles of sustainability in the environmental perspective concern the effective management of physical resources so that they are conserved for the future. All biosystems are regarded as having finite resources and finite capacity, and hence sustainable human activity must operate at a level that does not threaten the health of those systems. Even at the most basic level, these concerns suggest a need to address a number of critical business problems, such as the impacts of industrialization on biodiversity, the continued use of non-renewable resources such as oil, steel, and coal, as well as the production of damaging environmental pollutants like greenhouse gases and CFCs from industrial plants and consumer products. At a more fundamental level though, these concerns also raise the problem of economic growth itself, and the vexed question of whether future generations can really enjoy the same living standards as us without a reversal of the trend towards ever more production and consumption.

Economic perspectives

The economic perspective on sustainability initially emerged from economic growth models that assessed the limits imposed by the carrying capacity of the earth.[7] The recognition that continued growth in population, industrial activity, resource use, and pollution could mean that standards of living would eventually decline, led to the emergence of sustainability as a way of thinking about ensuring that future generations would not be adversely disadvantaged by the activities and choices of the present generation. Economists such as Kenneth Arrow (Arrow and Hurwicz 1977), Herman Daly (Daly 1991; Daly and Cobb 1989), and David Pearce (1999) have since been highly influential in advancing the agenda for macroeconomic understanding of sustainability.

The implications for business ethics of such thinking occur on different levels. A narrow concept of economic sustainability focuses on the economic performance of the corporation itself: the responsibility of management is to develop, produce, and market those products that secure the long-term economic performance for the corporation. This includes a focus on those strategies which, for example, lead to a long-term rise in share price, revenues and market share rather than short-term 'explosions' of profits at the expense of long-term viability of success. An example of an unsustainable approach in this perspective would be the 'dot.com bubble' at the beginning of this century.

A broader concept of economic sustainability would include the company's attitude towards and impacts upon the economic framework in which it is embedded. Paying bribes or building cartels, for instance, could be regarded as economically unsustainable because these activities undermine the long-term functioning of markets. Corporations which attempt to avoid paying corporate taxes through subtle accounting tricks might be said to behave in an unsustainable way: if they are not willing to fund the political-institutional environment (such as schools, hospitals, the police, and the justice system) they erode one of the key institutional bases of their corporate success. The international pressure group, the Tax Justice Network, has therefore formed a coalition of researchers and activists with a shared concern about such issues to raise awareness and stimulate action against the harmful impacts of tax avoidance, tax competition, and tax havens (see www.taxjustice.net).

7 For an early articulation of this relationship, see Meadows et al. (1974). Whilst many of their initial predictions of growth limits proved to be overly pessimistic, the basic principle of carrying capacity has become largely accepted.

Social perspectives

The development of the social perspective on sustainability has tended to trail behind that of the environmental and economic perspectives (Scott, Park, and Cocklin 2000) and remains a relatively new development. The explicit integration of social concerns into the business discourse around sustainability can be seen to have emerged during the 1990s, primarily it would seem, in response to concerns regarding the impacts of business activities on indigenous communities in less developed countries and regions. It would be wrong to assume though that this means that, until this time, local community claims on business (and other social issues) went entirely unheard by business, or unexamined by business ethics scholars. Indeed, in chapter two we shall be tracing a quite impressive literature dealing with such issues. However, the inclusion of social considerations such as these within the specific domain of sustainability marked a significant shift in the way that notions of sustainability were conceptualized.

The key issue in the social perspective on sustainability is that of *social justice*. Despite the impressive advances in standards of living that many of us have enjoyed, the UN 2005 Report on the World Social Situation identified persistent and deepening inequality across the globe. With 80 per cent of the world's gross domestic product belonging to the 1 billion people living in the developed world and the remaining 20 per cent shared by the 5 billion people living in developing countries, the report suggested that 'failure to address this inequality predicament will ensure that social justice and better living conditions for all people remain elusive, and that communities, countries and regions remain vulnerable to social, political and economic upheaval' (UN 2005: 12). In particular, the report highlighted 'the widening gap between skilled and unskilled workers, the chasm between the formal and informal economies, and the growing disparities in health, education and opportunities for social and political participation' (p. 3). As one of the main engines of economic development, business is increasingly bound up in such debates. Therefore, a more just and equitable world, whether between rich consumers in the West and poor workers in developing countries, between the urban rich and the rural poor, or between men and women, remains the central concern in the social perspective on sustainability.

How exactly business should respond to such a challenge remains open to question, but the goals at least have received some clarification in recent years with the publishing of the UN's Millennium Development Goals. These set out the main social and developmental challenges facing the world at the present time, and articulate specific targets and indicators to be achieved by 2015. The eight Millennium Development Goals are to:

- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal health.
- Combat HIV/AIDS, malaria, and other diseases.

- Ensure environmental sustainability.
- Develop a global partnership for development.

Although the goals and targets identified by the UN are essentially the responsibility of *governments* to achieve, some of them have very direct implications for business, whilst others relate more broadly to the broader environment in which companies have to operate. Ultimately, as Nelson and Precott (2003) argue, 'all of them are relevant for the private sector in today's inter-dependent global economy' – a point borne out by the attempt by some companies, such as Nestlé, to issue reports on their contribution to the Millennium Development Goals.

? THINK THEORY

Consider each of the Millennium Development Goals and set out how business could reasonably contribute to progress towards them

Implications of sustainability for business ethics

Given this extended set of expectations placed on business according to the triple bottom line of sustainability, there are clearly significant implications for how we should look at business ethics. Issues of an ethical nature, be they plant closures, product accessibility issues, or industrial pollution demand that we consider a diverse and complex range of considerations and concerns. However, to achieve genuine sustainability in any of the three areas, still yet in *all* of them, is perhaps expecting too much at the present time. After all, there are few if any products, businesses, or industries that can confidently claim to be sustainable in the full sense of the word. However, with the notion of sustainability widely promoted by governments, businesses, NGOs, and academia, it is clearly vital that we understand its full implications and evaluate business ethics practices at least according to their *potential* to contribute to sustainability. As Elkington (1998) suggests, the TBL is less about establishing accounting techniques and performance metrics for achievements in the three dimensions (which we shall look at in chapter five), and more about revolutionizing the way that companies think about and act in their business. It is these challenges, as they are framed according to each of the corporation's stakeholders, that we shall be examining in the second part of the book.

Europe: a key perspective for business ethics?

Having addressed the challenges for business ethics represented by globalization, as well as the goals proposed by sustainability, we come now to the final part of this introductory chapter where we examine the question of whether there is a distinctly European perspective on business ethics.

Whilst ethical and unethical business practices have long been the subject of public debate in Europe, the formal academic subject of business ethics is largely an American invention and has most of its roots and a large part of its traditions on the other side of the Atlantic. The reception of business ethics in Europe however is fairly young, and only became visible from the beginning of the 1980s (van Luijk 2001). In presenting a European text, we believe that although many of these original ideas have been, and still are, very useful in the European context, there are definite limits to the transfer of North American approaches into the European business context. The European context poses some distinctly different questions, which are not necessarily on the agenda from an American perspective (Spence 2002). Likewise, Europe has quite a distinct historical, philosophical and religious legacy, giving rise to a different approach to the study, as well as the practice, of business ethics in Europe (von Weltzien Hoivik 2002). At another level, it is also critical to think beyond Europe and the US in developing our knowledge and understanding of business ethics. After all, it is in the developing world where many ethical issues in business are most pressing, and insights from Asian, African, and Latin American ethical perspectives are therefore essential for situating business ethics in a truly global context. Let us begin though by looking at the nature of Europe, and then go on to discuss how a European perspective differs and/or mirrors other regional approaches to business ethics.

What is Europe?

When talking about Europe the immediate question normally would be: what exactly is meant by the term Europe? In simple geographic terms, one could think of the territory between Ireland and Portugal in the west and the Urals and the Bosphorus in the east, and from Lapland in the north to Sicily in the south. However, in terms of economic conditions and business activities, this is an extremely heterogeneous entity, which would easily require different books about these different 'Europes'. Therefore, moving on from these merely geographical framings, there can be no doubt that for our purposes, Europe is better defined by a common intellectual and cultural heritage (Morin 1987).

For practical reasons, we will use the term 'Europe' in the sense that it includes the members of the European Union as well as its new and prospective new member states in the east, and including countries such as Norway and Switzerland, which are not as yet members of the EU. We are aware that this is still a bit delicate, given the heterogeneity of the cultural heritage amongst these countries. For example, one might argue that the UK shares a more substantial cultural heritage with the US than with the rest of Europe, whilst continental Europe in many aspects differs quite significantly from the UK in the areas that are relevant to the topic of this book. However, given the long history of international relations within Europe, as well as increasing integration in recent years, as exemplified by the EU and the Euro currency, one might reasonably argue that Europe as a whole represents a distinct world block that is differentiated from that of North America, from where much of the literature on business ethics has originated, or from that of, say Asia, where many of the most challenging ethical issues faced by European companies now occur. This, as we shall now see, has a number of important implications for how we shall be approaching the subject of business ethics.

European versus alternative approaches to business ethics

Various authors have claimed that there are certain fundamental differences in the way in which business ethics is practiced and studied in Europe (e.g. Koehn 1999; van Luijk 1990; Vogel 1992, 1998). In this section, we shall look at these differences in relation to six key questions and three regions: Europe, the US, and Asia (summarized in **Figure 1.7**). In so doing, we recognize that given its cultural and geographical breadth, Asia is perhaps even harder to generalize about than Europe. However, the point is not to make an absolutely definitive statement about business ethics in Europe or Asia (or anywhere else for that matter), but to show that any approach to business ethics is likely to be driven by the cultural and historical context of the region.

• Who is responsible for ethical conduct in business?

The US is typically said to exhibit a strong culture of individualism, suggesting that individuals are responsible for their own success. Hence, if there are demands for solving ethical questions, it would be the individual who is usually expected to be responsible for making the right choices. There is an impressive literature dealing with individual ethical decision making emanating from the US (as we shall discuss in chapter four), and many US textbooks focus on decision making at this level (e.g. Ferrell, Fraedrich, and Ferrell 2002; Treviño and Nelson 2007). In Asia, however, hierarchy is much more important, and so top management is typically seen as responsible for ethical conduct. Conversely, in Europe, it has traditionally been thought that it is not the individual businessperson, nor even the single company, that is primarily expected to be responsible for solving ethical dilemmas in business. Rather, it is a collective and overarching institution, usually the state. European business ethics has therefore tended to focus more on the choice *of* constraints compared with the US approach of focusing on choice *within* constraints (Enderle 1996).

• Who is the key actor in business ethics?

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

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

In the US, in most (but not all) areas, the institutional framework of business ethics has been significantly looser, and so the key actor has tended to be the corporation. This, at least partly explains the more practical approach to business ethics evident in the US approach (Enderle 1996). Similarly, given that business ethics is particularly important when the law has not yet codified the 'right' or 'wrong' of a certain action, this would also seem to partially explain the longer legacy of the subject in the US. However, the identification of the corporation as the key actor in the US also means that corporate misconduct tends to face greater enforcement and harsher penalties (Vogel 1992).

- **What are the key ethical guidelines for ethical behaviour?**

This differing character and extent of the legal framework in Europe compared to other regions to some degree necessitates different approaches to business ethics. Similarly, it also suggests that whereas the key practical guidelines for ethical behaviour in Europe tend to be codified in the negotiated legal framework of business, in Asia, there is greater managerial discretion, giving rise to a more organic and flexible approach to ethical decision-making that places considerable emphasis on personal virtues and collective responsibility and relationships (Koehn 1999). Notably, personal and professional life are not seen to be distinct, as is typically the case in the US and Europe (Parker 1998a: 128). Indeed, in the US, there is a strong reliance on rules and guidelines for business conduct, but rather than coming from government (as in Europe), these tend to come from businesses themselves, in the form of corporate codes of ethics and internal compliance programmes (Enderle 1996). Nonetheless, these are often put in place to avoid the potentially hefty fines that accompany breaches of the US federal sentencing guidelines (Vogel 1992).

- **What are the key issues in business ethics?**

This contrast is often manifested in the types of issues deemed important within business ethics in different contexts. This becomes evident when looking at contemporary US business ethics textbooks, since they tend to accord considerable amount of space to issues such as privacy, worker's rights, salary issues, and whistleblowing to just to name a few. These are deemed to be the responsibility of the individual company, since the state, in principle, does not take on full responsibility for regulating these issues. The European approach, in contrast, has tended to focus more on social issues in organizing the framework of business. Hence, European business ethics textbooks have tended to also include greater consideration of subjects such as the ethics of capitalism and economic rationality (Enderle 1996). In Asia, interests in the responsible organization of business have given rise to a focus on ethical issues in relation to corporate governance and the accountability of management for practices such as mismanagement and corruption.

- **What is the most dominant stakeholder management approach?**

Another important aspect that follows from the above is the different character of European and other corporations (Whitley 1992). European corporations in general are smaller

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

Figure 1.7. Differences between Europe, the United States, and Asia from a business ethics perspective

than their US counterparts, and may be more likely to see multiple stakeholders (as opposed to simply shareholders) as the focus of corporate activity. European and Asian models of capitalism are not so dominated by the drive for shareholder value maximization compared with American companies. European companies are often managed by large executive and supervisory boards, with considerable amount of interlocking ownership structures between companies and close bank relations (van Luijk 1990). Asian companies also feature a great deal of structural integration, but the interests of employees and other stakeholders are often promoted through cultural norms of trust and implicit duties rather than formal governance mechanisms (Johnson and Scholes 2002: 199). This sort of arrangement might be thought of as a form of 'benign managerialism' (Parkinson 2003: 493).

Sources of difference between Europe and other regions

From where have such differences emerged? Thinking in terms of Europe as a shared cultural and intellectual heritage, we can see that many of these differences are rooted in the differing cultural, economic, and religious histories of the Europe and the US and Asia. For example, even though today we tend to talk about much of Europe and the US as secularized countries, there are significant differences in the religious legacies of the two regions. One argument here is that the influence of the Catholic and Lutheran Protestant religions in Europe led to a collective approach to organizing economic life whereas the individual focus of the Calvinist-Protestant religion in the US led to the rise of a distinctly different capitalist (in the original sense) economic system (Weber 1905).[8] In Asia, the influence of Hinduism, Buddhism, and Confucianism, for example, could be said to have led to a more pragmatic, relational, and flexible approach to ethical decision-making (Koehn 1999).

Georges Enderle (1996) suggests that the interest in broader macro issues of business ethics in Europe can also be partly traced to the need to rebuild institutions after the Second World War and in the aftermath of economic and political restructuring in Eastern Europe. Moreover, Vogel (1992) argues further that the focus on individual action and codes of conduct in the US has been substantially driven by the impact of widely publicized corporate scandals which have focused attention on the need to avoid ethical violation at the firm level. As we can see then there are a number of reasons that can be advanced to explain these differences. But does this mean the differences are becoming more or less distinct?

Globalization and assimilation between Europe and other regions

Finally, then, we might ask whether these culturally rooted differences in business ethics between Europe and other regions are likely to be sustained given on-going processes of globalization. Certainly, globalization has quite significantly reduced and mitigated some of the peculiarities of the European business system and the European firm (Whittington and Mayer 2002). Therefore, however important it is to see the differences between Europe and other regions, there is a clear tendency of assimilation in the different business systems. In Europe, this has been manifested in a decrease in importance of (especially national) governmental regulation for business. Globalization has resulted in a rapid and comprehensive move towards deregulation of business activities which increasingly puts businesses in contexts similar to the American version of capitalism (van Luijk 2001). This is even more the case if we focus on Eastern Europe: economies in transition are typically characterized by a weak state, and a deficit in law enforcement, which together leave a growing amount of ethical issues to be tackled by businesses (Lang 2001). Therefore, this

8 In a nutshell, this argument suggests that Catholicism sees people as sinners, who depend on the church to help them and to lead them on the right way throughout their life, so that they reach heaven and salvation once their life on earth comes to an end. Man is born into this world, receives salvation through baptism in the church as a baby, becomes a member of the church as a child, receives various sacraments such as marriage or the regular pardon of sins after confession and upon death, the priest is there to administer the 'last rights'. This has supposedly then led to an approach to organize social and economic life, where the collective, chiefly the state, has the main responsibility. The individual's well-being is more of a public issue rather than a result of the individual's personal struggle for wealth, success, and happiness. Calvinism on the contrary is said to see man as a responsible being with an individual responsibility to work for his or her own salvation. People are sinners, but they are able to achieve salvation by leading a godly and pious life. To attain salvation is one's individual responsibility, and most notably, is beyond the authority of the church or any other superior authority. It is argued that this religious approach has led to a very different approach: if the individual is in charge of their own future success, there should be the least amount of hindrances to do so. The individual's success is the dominant focus of the economic system, and the rules and institutions in society should be tailored in a way that every person is able to succeed in the most effective manner.

book, while keeping a distinct focus on the European corporation and its experience of globalization, will also integrate and discuss contributions from other approaches to business ethics (especially that of the US), as there is still a considerable (even growing) overlap in issues, problems, and agendas.

Specifically, we shall provide the following balance between the different positions on each of the main differences in business ethics evident in Europe, the US, and Asia:

- Rather than selecting either one or the other, we will consider both the individual decision-maker and the corporation itself as responsible for ethical conduct – and consider both top managers as well as rank and file organization members. Although it is clearly individuals in organizations who ultimately make business ethics decisions, the European tradition suggests that we also have to look at the context that shapes those decisions. Moreover, most us quite naturally regard corporations as significant actors in business ethics. If there is an incident of industrial pollution or it is revealed that children are being used in an overseas factory, it is usually the company as a whole that we criticize rather than any specific manager(s).
- We will focus on the corporation in its relations with other key actors such as government, pressure groups, and trade unions.
- We will provide a critical perspective on both managerial discretion and ethical guidelines (such as codes of conduct), and broader forces shaping ethical decision-making such as product and financial markets, supply chains, civil society, and systems of governance.
- The morality of single business situations will be considered in the context of corporate governance and the broader organizing framework of business.
- A multiple stakeholder approach that includes shareholders as a particularly important constituency will be taken. As we will outline in chapter two, this assumes some intrinsic rights for stakeholders rather than focusing only on their role in affecting shareholder value.

Summary

In this chapter, we have defined business ethics, and set it within a number of significant currents of thinking. First, we have shown the importance of business ethics to current business theory and practice, suggesting that knowledge of business ethics is vital in the contemporary business environment. Second, we have argued that business ethics has been fundamentally recontextualized by the forces of globalization, necessitating a distinctly global view of ethical problems and practices in business. Third, we have identified sustainability as a crucial concept that helps to determine and frame the goals of business activities from an ethical perspective. Finally, we have made the case for a distinctly European perspective on business ethics, both given the specific intellectual and commercial heritage in Europe, as well as the need to understand current developments insofar as they are likely to affect European business and society. In the rest of the book, we shall revisit these themes of globalization, sustainability, and Europe many more times in order to expand, refine, and contextualize the initial arguments put forward here. In the next chapter though, we shall move on to consider specifically the social role and responsibilities of the corporation, and examine the emerging concept of corporate citizenship.

Study questions

1. Critically evaluate the proposition that business ethics is an oxymoron.
2. What is the relation between business ethics and the law?
3. 'Business ethics is of no practical importance to managers. Debates about right and wrong should be left in the classroom.' Critically evaluate this statement using examples where appropriate.
4. What is globalization? Select one multinational corporation based in your home country and set out the different ways in which globalization might have reframed business ethics for that corporation.
5. What is sustainability? To what extent do you think it is possible for corporations in the following industries to be sustainable:

   (a) Tobacco industry.
   (b) Oil industry.
   (c) Car industry.

   Explain your answers.
6. In what ways do you think that the context of the country you are currently studying in differs in the way that business ethics is thought about and practiced compared with:

   (a) USA.
   (b) Asia.
   (c) Other European countries.

Research exercise

Conduct some research on the ethical issues and criticisms that accompanied the Enron (US) and Parmalat (Italy) accounting scandals in 2002/3.

1. What were the main issues and criticisms in these cases?
2. To what extent is it possible to classify these as ethical as opposed to legal violations?
3. What influence do you think these scandals had on the general public's view of business ethics in the US and Italy respectively?
4. To what extent do you think the problems at Enron and Parmalat were related to their national context? Could similar problems arise in other countries? Explain your answer.

VISIT THE WEBSITE for links to further key readings

Key readings

1 Collins, J.W. 1994. Is business ethics an oxymoron? *Business Horizons*, September–October: 1–8.

This paper is very readable and provides a good overview of the challenge facing business ethics. It goes on to identify a route forward that emphasizes the importance of managers building trust and creating value.

2 Stark, A. 1994. What's the matter with business ethics? *Harvard Business Review*, May–June: 38–48.

This interesting article suggests where business ethics as a subject may be going wrong and how it can become more relevant and meaningful for practicing managers.

Case 1

McEurope: McDonald's responds to ethical criticism in Europe

This case examines ethical criticisms of the US fast food giant McDonald's in Europe, and their vigorous efforts to respond in a way that might restore their dented credibility. The case focuses on the problems of obesity and unhealthy eating that have confronted the company, and these are presented in the context of the broader critique of the chain in Europe. The criticisms faced by McDonald's cover many of the key issues around ethics, globalization, and sustainability that we have discussed in chapter one, and the case offers a chance to explore the specifically European context of these issues.

McDonald's is truly a multinational corporation. By 2006, the firm was operating some 30,000 restaurants in 119 countries, serving almost 50 million customers a day. The market leader in its industry, and one of the most vigorous exponents of a global business approach, McDonald's has pioneered an innovative business model that has since been widely imitated in the fast food industry and beyond.

However, there are many who are not so positive about the corporation's approach and protests against McDonald's have been a common feature of the past two decades. Nowhere has this been more evident than in Europe, where since the corporation first entered the region in the 1970s, the rapid in-roads it has made into European markets have been paralleled with growing numbers of anti-McDonald's activists. Not only has the company gaining the distinction of being the subject of England's longest ever trial – the by now legendary McLibel case of the 1990s – but anti-globalization campaigners in France and elsewhere have targeted the company with store occupations and assaults. Perhaps even more worrying for the company though is that nutritionists and healthy eating campaigners have increasingly criticized the company for its standard fare of high calorie burgers and fries that many saw as a major cause of spiralling obesity rates, especially among young people. With the prospect of legal claims from obesity victims on the horizon and a loss of market share to apparently healthier offerings, such as Subway's freshly filled sandwiches, McDonald's was reaching a crisis. So much so that in 2002 the company posted its first ever quarterly loss, and by 2003, its share price was as low as it had been for almost a decade, and profits at its 770 British restaurants had plummeted by 70 per cent. As one BBC programme put it at the time, the Big-Mac was 'under attack'.

Big Mac under attack (I): the McLibel story

The McLibel trial was the result of McDonald's decision in 1990 to take two activists, Helen Steel and Dave Morris, to court for distributing a leaflet headed 'What's Wrong with McDonald's?'. The leaflet attacked McDonald's on a wide range of issues, including ill-treatment of animals, exploitation of children, and the destruction of rainforests.

The trial escalated to an unprecedented scale. There were 28 pre-trial hearings before the case even got to court. Then, from June 1994 to December 1996, over 313 days in the court, every one of the accusations made in the leaflet were meticulously examined and contested. With 180 witnesses called to court, including environmentalists, nutritionists, former employees and trade unionists, and 40,000 pages of documents and witness statements admitted, almost every aspect of the multinational's vast business empire came under scrutiny. As the case dragged on, the modern day David and Goliath story of the community gardener and the unemployed postal worker who defended themselves without lawyers or legal aid against the corporate giant attracted massive international publicity. The trial became the subject of an acclaimed book, a TV programme, a documentary film, and numerous media articles. The McSpotlight website, set up in 1996 in support of the defendants, immediately made a wealth of information critical of McDonald's available to an international audience, gaining immediate international media coverage and recording millions of hits – including 1,700 visits from McDonald's itself in the first week alone!

This was certainly not the first time that McDonald's had taken to the courts to defend their reputation. However, in the past, it had usually found that the mere threat of legal action was sufficient to force retractions from its critics. In the case of Steel and Morris, however, the McLibel trial was something of a public relations disaster for the firm. Although the corporation was partly vindicated by the judge's verdict in June 1997, Steel and Morris were ruled to have proven their claims that McDonald's 'exploits children' with its advertising; is 'culpably responsible' for cruelty to animals; is 'strongly antipathetic' to unions; pays its workers low wages; falsely advertises its food as nutritious; and risks the health of its most regular, long-term customers – hardly a positive message to be sending to its millions of customers across the world.

Big Mac under attack (II): France's farm crusader takes on McDonald's

As it was recovering from the public relations disaster of the McLibel trial in the UK, McDonald's immediately found itself caught up in further tribulations across the channel. In August 1999, in the town of Millau in southern France, up to 300 protesters stormed a building site and wrecked a half-built McDonald's restaurant. Jose Bové and 9 other members of his radical farmers' union, the Confederation Paysanne, were subsequently accused.

Bové, a sheep farmer and union leader, immediately became a folk hero in France for his campaign to defend small, local producers and resist the march of the American multinational in France. Hailed as a 'McHero' for his exploits, Bové's subsequent crusades against the injustices of the world trade system led to him being taken up as a figurehead for anti-globalization protesters at the turn of the millennium. Although Bové's profile subsequently declined, McDonald's continued to meet resistance within France and other parts of the world throughout the 2000s, due to an upsurge in anti-American feeling following the invasion and occupation of Iraq.

Big Mac under attack (III): A big fat problem with health and nutrition

Perhaps the biggest ethical challenge faced by McDonald's in recent years however concerns issues of health and nutrition. With critics claiming that a diet of fast food has been a major contributor to escalating rates of obesity, McDonald's as the world's leading fast food company, has inevitably been first in the firing line. Among the arguments made by its critics are that the company has failed to provide a balanced menu, that it provides insufficient nutritional information and guidance, and that it actively encourages consumers (especially children) to make unhealthy choices, for example by promoting 'supersize' portions.

In this context, perhaps it was no surprise that the attack in the US quickly escalated to litigation. An initial lawsuit against the firm, brought on behalf of two New York children, was filed with great publicity in 2002. This accused the fast-food chain of misleading young consumers about the healthiness of its products, and understandably stirred up fears that food companies could come under the similar sort of legal attacks that hammered the tobacco industry in the 1990s. Although the initial lawsuit was dismissed, elements regarding deceptive advertising were reinstated as admissible following appeal in 2005. So, whilst the company continues to regard the suit as 'frivolous', the threat of litigation still unmistakeably hangs over the company.

The hauling over the coals of the company's nutritional record continued with the box office success of the film *Supersize Me* across much of Europe and the US in 2004 (see **Ethics on Screen 1**: pp 12–13). European governments also got in the action, with the UK government, for example, imitating a Commons health committee inquiry into obesity that saw executives from McDonald's and other food companies giving evidence, and further action aimed at tackling obesity anticipated in the near future.

Big Mac fights back

In the face of such sustained criticism, McDonald's has not stood idly by, especially once profits looked to be at risk. In 2001, for instance, the company acquired a sizeable minority stake in the London-based Pret A Manger sandwich chain. Given that Pret A Manger promotes its range of fresh, homemade, natural food as an alternative to mass produced junk food, McDonald's could be clearly seen to be giving its European portfolio a little more balance.

But this was nothing compared to the substantial turnaround strategy that the chain launched in 2003. To many people's surprise, the firm dropped its supersizing options, and put a range of new healthy options on the menu, including salads and grilled chicken flatbreads, porridge for breakfast, and even the opportunity for concerned parents to replace fries with carrot sticks and fruit in the ubiquitous children's 'happy meals'. A huge advertising campaign emphasizing the firm's fresh and healthy new approach accompanied the menu changes, with the slogan 'McDonald's. But not as you know it' splashed across close-up pictures of fruit and salad. The campaign was also backed by booklets detailing the new menus and healthy options for children, which were sent to 17m households across the UK and elsewhere.

Beyond its own stores, McDonald's has also launched an exercise initiative especially targeted at young people. The 'what I eat and what I do' campaign intends to show young people that there are two sides to a healthy lifestyle – a balanced diet and exercise. Country websites in Europe now sport a 'Be Active' section in addition to the usual information about stores and menus, and the firm boasts partnerships with football associations to train community football coaches and make coaching more widely accessible to young people.

As far as the company is concerned, these developments are simply part of its long-term strategic development rather than a specific response to mounting criticism. And, as some of its critics have pointed out, the new approach isn't such a dramatic change to the old model, after all. Evidence suggests that the vast majority of customers still order a burger, fries, and cola, even if it feels more acceptable to eat at McDonald's again because the menu is supposedly healthier. And the new look menu even managed to raise its own barrage of negative press when it was revealed that one of the new salads, the Chicken Caesar salad, had more fat and calories than the much maligned hamburger – though McDonald's responded quickly by introducing a lower-fat dressing.

So, whilst some applaud the firm for making such unprecedented changes to its traditional menu, others argue that it is simply a ploy to head off litigation claims and the potential of regulatory intervention on nutrition labelling and advertising. Either way, the strategy seems to have contributed to a turnaround in the firm's faltering prospects. Sales are up, the firm is back in profit, and its share price has regained much of its lost ground. However, the turnaround has been considerably slower in Europe than in the US, and 2006 saw McDonald's announce the closure of 25 stores in the UK in the face of a continued consumer backlash. It therefore remains to be seen if the company's response really marks a change of ethical direction, as well as a change of fortunes, at the golden arches.

Questions

1. Set out the main criticisms that have been levelled at McDonald's. Are these criticisms specific to the corporation, or are there other more general issues at stake? If so, what are they?
2. Describe and evaluate the tactics used by McDonald's in responding to their critics in Europe. How do you explain the changes in the types of tactics used by the company?
3. How could McDonald's seek to avoid similar problems in the future?
4. Should McDonald's offer healthy alternatives to the same degree in all the countries in which it operates, or just those where it has been criticized in the past?
5. How sustainable is the fast food industry from the point of view of the triple bottom line?

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