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## Business Ethics in Global Economy

By: **Marjaana Kopperi** [[biography](#)]

Business ethics, in my view, can simply be defined in terms of social and ecological responsibility of business. According to this definition, business ethics requires that business decisions should not be made exclusively from the narrow, economical perspective, but also the social and ecological concerns should be taken into account. This means that people who work in the business life should consider how their economical decisions affect other people, environment or the society on the whole. In other words, it means that the interests of all the relevant parties, or "stakeholders" are acknowledged and weighed.

This view can be contrasted with the claim that the responsibility of business is limited to the interests of the shareholders. Thus, the managers of corporations should focus merely on the economical factors in their decision making. As Milton Friedman has famously argued "the social responsibility of business is to increase its profits".

The "stakeholder" approach to business is especially made known by Kenneth Goodpaster who defines the term as follows: "A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives." As examples of such stakeholder groups Goodpaster mentions employees, suppliers, customers, competitors, governments and communities.

Many textbooks of business ethics seem to be primarily concerned with the responsibility of individual firms and their managers. Social and ecological responsibility of business, or the rights and duties of various stakeholder groups, are discussed from this point of view. These books deal with problems and practices such as employee rights, advertising or environmental issues that are in the interests of most companies.

It seems, thus, that business ethics strongly concentrates on the question of how individual business executives and single firms can improve their performance in ethical matters in the context of business life.

This approach has, however, recently been criticised as inappropriate for the circumstances of global economical competition of today. David Korten, for instance, has argued that it is not realistic to expect that social and ecological problems could be resolved by increasing the social responsibility of managers. Korten believes that many managers acknowledge their responsibility. The problem is the global economical system that makes it impossible for them to act as they think they should. In Korten's view, the global economical systems works in a way that has been characterised as a "race to the bottom". This means that corporations, and societies that want to have corporations and employment, are forced to compete with lower salaries, taxation, safety regulations and standards for environmental protection. In this kind of system, it is very difficult or even impossible to act in a way that would benefit not only the shareholders but all the stakeholders and the society on the whole. As Korten argues:

"As local settings are opened to the global economy, it becomes possible, and highly profitable, for a firm to take advantage of the differences between localities with regard to wages, market potential, employment standards, taxes, environmental regulations, local facilities, and human resources. This means arranging its global operations to produce products where cost are lowest, sell them where markets are more lucrative, and shift the resulting profits to where the tax rates are least burdensome."

If this is the case, the alternatives of individual managers are indeed very limited. What is needed, is not the discussion of the responsibility of individual corporations or managers, but, rather, the discussion of the moral acceptability of the institutional frameworks within which the global economy works. It is not the moral responsibility of individual managers but the general rules of the global economy that we should be concerned of.

I do not believe, however, that the situation is so unequivocal even for individual corporations and their managers as Korten assumes. Corporations and entire sectors of industry have created various systems of their own which help including

ethical questions in their decision making procedures. One of the best examples is the Responsible Care programme of the Chemical Industries Association. This initiative started in Canada on 1984 and spread steadily around the world. The aim of the programme is, as Erik Schokkaert and Johan Eyckmans define it,

"to improve performance through a public commitment of its members to observe a set of guiding principles. These include operating to the best practice of the industry, concern for continuous improvement in health, safety and environmental policy, and releasing all relevant information about activities to employees, customers and the public in general. No formal sanctions are included in Responsible Care but it is obvious that members cannot afford to violate one of the principles since comparisons between companies are published."

What is essential in this programme, from the viewpoint of business ethics, is that it is not concerned with single questions or problems but the entire course of action. It regards all business activities from the perspective of health, safety and environmental issues. The effects of the business operations on these issues are examined in every level of the organization and the suppliers, subcontractors and other cooperators are also expected to follow the principles of the programme.

RC -programme provides a good example of the serious concern for environmental issues in today's business world. It seems, however, that the social responsibility is not as generally acknowledged. Yet the social issues could be dealt with much in the same way. Social questions could also be examined in every level of the organization and the responsibility of the social effects of business activities could be included in the normal decision making procedures of an organization. In fact, I think that there even exists programmes which could include social responsibility in their agenda.

One of such "programmes" is a well known management technique, called Total Quality Management (TQM). The principles of TQM can and do include many issues that have usually been seen as the concern of business ethics. TQM principles emphasize, for instance, long-term commitment to customers, employees, suppliers, cooperators and society on the whole. They also require to pay attention to the protection of environment and to the health and safety of the citizens. These factors are examined when evaluating the performance of the

organization. They form a part of the criterion that determines the quality of its business activities.

As in the RC -programm also in the TQM -philosophy it is essential that the entire course of action is considered. Total quality management techniques are designed to improve performance, not only the external quality of the products. Thus, the "quality" is not related only to the completed products or services but to entire performance of a corporation: the organization and its strategies, policies and activities in general can be evaluated from this perspective. Moreover, the factors that form the quality are to be observed in every level of the organization and the suppliers, subcontractors and cooperators can also be required to follow the given principles.

However, even if "quality" is in principle defined very widely in TQM, in practice it is still often understood in quite a narrow way, as an external characteristic of the products or services. The performance on the whole, during the entire process and through the entire organization including also suppliers and cooperators, is not always examined from this perspective. Nevertheless, I think that when properly understood, TQM can provide a useful means to include ethical issues in the everyday decision making procedures of corporations. As the RC -programme, it also offers a way to improve the performance in ethical matters and provides a criterion for evaluating the quality of the organization in its strategies, policies and operations on the whole.

I think, however, that even though single firms and entire sectors of industry can do a lot in ethical matters, question of the broader frameworks for business activities is still important. Questions about the individual morality are beside the point if the moral acceptability and satisfactoriness of these frameworks is not considered. Therefore, it is necessary to ask about the conditions under which individual managers and corporations must operate. Are the institutional arrangements within which the global economy works morally acceptable and satisfactory? Do they encourage individual corporations and their managers to take the social and ecological responsibility seriously or do they rather encourage to make decisions from the narrow economical perspective? What kind of institutional arrangements would be required to make global economy work in a way that benefits all stakeholders and the society on the whole?

The formulation of ethically satisfactory frameworks is the task that requires international political cooperation. As Alistair Macleod has pointed out, the contribution of individual firms or individual business executives to improvement of the moral quality of business activities, is not always enough, but "the morally necessary change sometimes requires the concerted action over time of many different individuals and organizations, generally with the government playing the crucial role of facilitating or orchestrating such action." In the circumstances of global economy, such facilitating actions must also be made in the global political level.

It is not easy, of course, to create such general rules or arrangements neither ethically nor politically. Yet, the situation is not hopeless. In recent years there have been discussion and even some agreement between different cultures and religions about the principles of global ethics. Moreover, there has also been discussions about the need of "global governance", that is about the common, political action aimed at the control of global ecological, economical and social problems. The developments in both directions are most welcome. Global business needs global ethics and global politics if it is supposed to benefit all stakeholders and the society on the whole.

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