Chapter 2
The Implementation of Business Ethics Explored: 11 "Key Themes" or Building Blocks

How are "business ethics" implemented? Normally, ethical questions come from different parts of the organisation. "Ethical" or any leadership approach hence must focus on these "building blocks".

Based on the writings of Blowfield and Murray (2011), Crane and Matten (2010), Göbel (2010), Fisher and Lovell (2009), De George (2009), and Clausen (2009), the concepts of business ethics and CSR programmes can be compiled and structured into 11 overarching themes or building blocks. These areas of concern are all uniquely important and can thus be described separately from each other. The following paragraphs summarise the research in the field of business ethics; unless otherwise referenced, all authors share the same view and all generic material regarding the 11 themes is drawn from the above referenced body of literature.

These 11 themes are separate topics that would require significant change efforts and adequate leadership efforts from the organisation wishing to implement one of more of the themes.

For example, a company wishing to look into improving the supply chain according to CSR or business ethics standards is likely to put its sourcing strategy to the test. This usually involves the willingness to pay more, which is in contradiction with the usual cost and competitiveness discussion as well as to the classical shareholder value philosophy. This can imply—among many other issues—the control of ethical issues such as sweatshops. It also requires looking into the suppliers of the suppliers, which results in changing the contract work. It could mean looking for a more local, different, better, safer, or fairer production. All the processes involved need implementation, contracting work, and leadership efforts. It is the purpose of this chapter to introduce these 11 themes, because it is in the form of these 'building blocks' that organisations implement CSR or business ethics concepts or interventions. Normally, an implementation would come in the form of a CSR project, the introduction of a code of ethics or a compliance policy, or a new corporate governance model, to name a few examples. However, looking at the practice of this researcher, any sizeable CSR project, depending on the size of

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the organisation, will be operationalised in several, if not all, of the following 11 main themes. Approaching CSR implementation this way (instead of writing generic codes or regulations) has already led to some successful implementations.

2.1 Ethical Theory and Values

While this theme is not something foreseen for an 'implementation', it is a basis for understanding business ethics and is usually an initial part of ethics education and training. In addition, many executives and business owners are interested in understanding ethical philosophy. Underlying values are an extremely important foundation for this building block; ethical thinking is often philosophical thinking as well. While a lot of ethical thinking is based on culture and common values (e.g., religious values, morals, and a common philosophical understanding based on cultural heritage), a lot of this gets washed away under economic pressure, short-termism, and shareholder value thinking, especially in a globalised business environment.

The role of local law and morality and the individual considerations and interpretations of this form the context of ethical theory, based on different philosophical schools of thought, and, important for conducting global business, different cultural backgrounds. Cross-cultural business only functions when employees are made aware of these cultural differences. Copyright issues, for example, are viewed very differently depending on whether you come from a European or Asian business background. Really, as Crane and Matten (2010) state, business ethics often start where the law stops. There are many grey areas, mostly defined by the way one has learned to think about morals, values, and which philosophical and political belief systems are the underlying norm. This building block touches, for example, on the creation of corporate vision, mission, purpose, and value statements as well as the foundations of corporate culture.

2.2 Sustainability: The "Triple Bottom Line"

Sustainability deals with meeting the needs of the present without sacrificing the needs of future generations. It refers to the long-term maintenance of systems according to environmental, economic, and social considerations (Crane & Matten, 2010)—the often cited '*triple bottom line*'. Any 'economic' value (or profit) therefore needs to be balanced and offset against environmental value and social value; these three 'calculations'—partly referred to as *social accounting*—thus form the triple bottom line. Unsustainable businesses achieve gains in one of these three 'balance sheets' by making losses in one or both of the other two. This is typically seen as sacrificing environmental and social considerations for a higher profit, shareholder value thinking, or the fact that the business model would not work if these factors were priced into the equation.

There are many initiatives in this area, such as the Global UN 'Local Agenda 21' and the UN Global Compact, which is a set of expectations based on business ethics that aims to contribute to making the triple bottom line of sustainability the preferred business model in modern society. Sustainability thinking, it can be argued, is concerned with disestablishing exploitation—not only of the environment, but also of people and of society. It wants to avoid short-term gains at the cost of long-term relations. Finally, sustainability looks at social perspectives and aims at responsible behaviour.

2.3 Governance: Aiming at ESG Criteria

The governance theme of business ethics deals with responsibility, transparency, control, compliance, regulations, laws, and accountability. Business ethics, in regard to public governance, are concerned with 'democratic accountability'—and with 'corporate accountability' in regard to private governance. Ideally, high levels of transparency are aimed at in both cases.

Today, as this book will elaborate, operational governance is what corporate governance need to look at, if it wants to achieve changes in the organisation. In addition, as Sect. 1.2 has described, governance needs to be concerned with the implementation of an organisation that is following the ESG criteria.

Many facets of corporate governance are being researched, whether codes of ethics work or the ISO 26000 framework on global social responsibility (ISO, 2010) has an impact. In addition, executive remuneration and stock options are debated. Following the finance and Euro crisis, it is discussed how much involvement and regulation is needed by central and national banks in order to control the finance and banking sectors (Göbel, 2010; Clausen, 2009). Corporate Governance is also the area where the ancient question is posed: *Quis custodiet ipsos custodies* (who controls the controllers)?

Ethical theory has always addressed the dilemma of proper governance and responsibility. The German social scientist Beck (1988) coins the term the 'Risk Society'. These societies are, for example, prepared to run nuclear power plants without really being able to cope with the risk or handle the residues. Beck also formulates the problem of 'organised irresponsibility' (Beck, 1988): he describes how, despite all compliance rules, controls, regulations, and the other applied mechanisms of governance, it would prove almost impossible to find someone who is responsible for his or her actions. Incidents such as Fukushima, Deep Sea Explorer, the banking crisis, and other scandals seem to illustrate the existence of such a fundamental problem. There are many leaders, executives, and officials in charge, but often no one is responsible or can be held accountable.

It can be argued that the banking industry has become a sector of 'risk companies' that pursue their profits at the risk of being in constant danger of bankruptcy by issuing high risk investment certificates or failing due to uncontrolled trading or faulty mergers. There is evidence that the governance system is not functioning as it should (Crossan, 2011). As Crossan (2011) also points out, governance is a combined effort. Businesses and accounting education, accounting bodies, and codes of practice and regulations might be jointly needed to change corporate governance in order to make it more efficient.

Governance, as a consequence, plays a very important and decisive role in the concept of business ethics (Clausen, 2009). There are several schools of thought. While many researchers seem to imply that ethical behaviour is guided and informed by intrinsic values, others suggest formal regulations to enhance compliance. Codes of ethics, for example, can be designed either to provide preferences and incentives or to be restrictive and sanctioning. In both cases, Talaulicar (2007) proposes that ethics training and audits can enhance how codes are followed, although his research shows that preferences based on norms work better than restrictions and sanctions. By contrast, Svensson and Wood (2011) argue that formal ethical structures are needed in order to improve ethical behaviour. To them, the effects of ethics education or ethical performance appraisals are overlooked or even ignored in contemporary research.

They suggest that governance is established by codes of ethics and formal structures. Leadership is needed to uphold and follow up on these structures, but Svensson and Wood do not consider leadership at all.

‘Rules or values’ is a subject of much debate; Mihelic, Lipicnik, and Tekavcic (2010) conclude that a code of ethics is not sufficient for the implementation of ethical behaviour, but that it still improves financial performance. Many such projects were, and still are perceived as mere corporate rhetoric or PR (Blowfield & Murray, 2011; Crane & Matten, 2010; Göbel, 2010; Clausen, 2009; Hind, Wilson, & Lenssen, 2009; Fisher & Lovell, 2009; Murphy, 1988). Quite a few studies seem to view codes of ethics as a means of communication, not a set of rules. Such codes, mission statements, and communications reinforce corporate values; the communication of the desired norms is essential if organisations want them to be followed (Van Zolingen & Honders, 2010; Ardichvili, Mitchell, and Jondle, 2009; Talaulicar, 2007). However, Talaulicar (2007) raises the question of whether codes of ethics actually change behaviour.

Helin and Sandström (2008) raise the point that codes of ethics can come from different legal systems and cultural backgrounds. In their study, an example of a US code of ethics was not accepted in the Swedish part of the corporation due to cultural differences and different legal backgrounds. Furthermore, the code divided the company into ‘us’ and ‘them’. The authors state that stories from the field are rare and that more studies are needed that look at cross-cultural differences and the resulting negative effects. However, their study also completely ignores the kind of leadership applied to implement this code of ethics.

When the owners of a company exercise more control, managers behave differently (Crossan, 2011). Exercising control is a leadership issue. It is remarkable that few studies seem to be interested in individuals dealing with the communication of values and the implementation of codes of ethics, even though this is mainly a leadership issue. Writing and printing a code of ethics has potentially no effect if the management layers within an organisation do not support it, as Helin and Sandström (2008) summarise.

Only with such support are training or appraisals beneficial. Governance is closely related to controlling and responsibility. It is surprising that leadership aspects attract little research attention.

One important aspect of corporate governance and the most popular theme from the business ethics concept is perhaps CSR.

This concept is introduced in the next paragraph. Blowfield and Murray (2011) even suggest that business ethics are actually a subtopic of an overarching CSR theme.

Currently, there are strong desires for business ethics, CSR, and fair trade organisations to enter the attractive market of the certification business. While the ISO group initially developed ISO 26000—the standard on social responsibility—with the clear intention that *this norm must not be a certifiable standard* (Val, Zinenko, & Montiel, 2011), many firms would still like to be certified. There are *voluntary* activities such as the UN 'Global Compact' standard with its framework of ten binding obligations and an annual report (Rasche & Gilbert, 2012). However, certifications seemingly have more marketing potential, and as Manasakis, Mitrokostas, and Petrakis (2013) report, both corporations and certificate providers seeing market potential are pushing the issue. However, the question remains of how one can possibly certify ethical and honest behaviour. This researcher has the view that honesty and an ethical stance are not certifiable. This is based on the subjective experience of this researcher that exactly those organisations among the client base that have the most quality and management certifications on their stationery are particularly poor at applying these very processes. During certification audits, these processes are under everyone's attention; after the certification, the processes go back into the drawers and are by no means adhered to. Certificates do not mirror the reality and do not testify to it either. Again, the clear difference is, whether leaders adopt the ideas behind the certificates, or not.

2.4 Responsibility and Society: Corporate Social Responsibility, Corporate Citizenship

Rasche (2010) states that ethics, compliance, and Corporate Social Responsibility (CSR) codes are generally problematic. As a 'law', they cannot function, eventually resulting in moral mediocrity. Their voluntary nature gives them a character of 'soft' law solutions. They have more a discretionary responsibility than a legal one (Boddy, Ladyshewsky, and Galvin, 2010).

Thus, CSR could be a code, a set of rules or principles, a suggestion, or activities carried out on a regular basis. CSR lacks a clear definition, as it draws from many themes of business ethics (stakeholder thinking, responsibility, social aspects, sustainability, etc.). It is a concept under which organisations identify stakeholders, social aspects, environmental aspects, and the rules of how interactions with stakeholders groups in regard to these social aspects take place. ‘Corporate Citizenship (CC)’ for example describes an organisation actually, not ideally, acting like a citizen, solving social problems in the local environment, and using employee volunteering, donations, and sponsoring.

Knippenberg and de Jong (2010) look at 80 research studies in the field of CSR and find that in none of the reviewed studies does leadership play a decisive role in the implementation of CSR. The authors conclude that a precise definition of a ‘CSR concept’ is still lacking. This chapter therefore gives an overview of the building blocks typically part of CSR projects. Without supporting leadership activities on all levels, these concepts cannot be implemented.

Hind et al. (2009) find that CSR initiatives are often met in a cynical way or are perceived as PR and ‘window dressing’. Arvidsson (2010) describes that many companies still do not see CSR as a value-creating activity. Coming from being ‘responsive’, i.e., responding to social pressure or preventing legitimacy concerns from growing, CSR now turns to looking at how ‘responsible’ companies are, thus focusing on building legitimacy. This is also a reaction to the growing power of consumers and clients.

As mentioned, research has identified many cases of managerial resistance to the ideas of CSR (Boddy et al., 2010). One possible explanation for the slow implementation of CSR is that many companies are finding it quite hard to meet the expectations that come with CSR, as it can affect the underlying business model. Firms, as rational actors and organisations, have no interest in moralising themselves, as this would lead to moralising the market. However, this is precisely what seems to happen. The focus of CSR broadens more and more.

For example, ‘social accounting’, a CSR discipline related to the topic of ethical responsibility, looks at how food retailers make profits (at whose cost?), taking employee wages, the destruction of small shops and suppliers, the domination or exploitation of food producers, the quality of the food, and the consequences for consumer health into consideration. Environmental aspects are also part of the equation. Poff (2010) states that CSR is only deployed by companies if it makes business sense to do so; it remains voluntary and market-driven, and it is *not an internal wish* of companies. Her referencing stops in 2006, it must be noted; however, Blowfield and Murray (2011) summarise more recent studies stating that CSR has meanwhile become a mainstream issue and thus generally a more accepted activity.

D’Amato and Roome (2009) state that further research is needed to shed light on the factors that limit or support CSR practices and an according leadership culture. Again, all of these factors supporting a CSR initiative and its implementation seem related to leadership. Lin et al. (2010) list factors for successful CC initiatives. These need social identity, resource allocation, and a perception of integrity. Negative effects occur when a company is felt to treat external stakeholders better than its own employees, or when CC is communicated as practice, but no resources are allocated. When employees internalise such values, this strengthens a

CSR-oriented culture, as does communication regarding such social activities. However, without leaders support, internalisation or communication are not likely to happen.

Mostovicz, Kakabadse, and Kakabadse (2011) conclude that the Deepwater Horizon event in April 2010 illustrated the limits of CSR programmes, as the involved companies, BP, Transocean, and Halliburton, all had such programmes in place, partly even award-winning ones. The US authorities charged with controlling these organisations and regulating the oil drilling industry were simply receiving data and policies, but in no way challenged or tested them. There was no functioning public or corporate governance. The authors posit that corporate values are only as good as the personal attributes of the persons working within the system. Corporate responsibility thus requires the qualities of leadership, ethics, personal responsibility, and trust.

CSR principles are in no way effective at preventing even worst case incidents (Mostovicz et al., 2011; cf. Boddy et al., 2010). It is also noteworthy that many ethical scandals and incidents are international, sometimes even global; however, local management levels are always involved, which must lead accordingly in order to prevent such incidents. Corporate governance, at least in CSR matters, will need to become local governance in order to ensure compliance. More local control is needed, and an according leadership based on principles seems a better approach to achieve this than international regulations.

2.5 Globalisation: Blessing or Curse?

Business ethics have a lot to do with issues of globalisation. Globalisation encompasses economies, markets, industries, and strategies and is a huge challenge for modern management, a ‘blessing’ opening chances as well as a ‘curse involving many risks’ (Stonehouse, Campbell, Hamill, and Purdie, 2004). Globalisation drivers affect markets, sourcing and access, cost dimensions, government regulations, and the competition (Yip, 1992). Global sourcing forms the background to many ethical debates circling around bribing, corruption, child labour, low wages, subsidy skimming, pollution, the misuse of power relations, the exploitation of e.g., banana, coffee, cocoa, and wheat producers, supporting dictatorships, and many more aspects. There is a moral debate regarding whether companies such as Nike should be allowed to have such high profit margins, as they are known to charge premium prices for cheaply produced products. Nike is known for opening new factories in the most underdeveloped nations, usually closing them after the second round of wage improvements and moving them elsewhere to avoid more costs, therefore preventing development and growth in the region of the producers. Sourcing thus becomes an important part of the globalisation aspect. The ‘fair trade’ approach, part of these considerations, is designed to develop producers by assigning fair terms and conditions and proper pricing, as opposed to taking the profits away from producing countries, allowing large trading corporations and chain food stores to benefit in what is perceived as being unfair, or out of proportion, ways. Other issues in this debate are tariffs and tolls, commercial treaties, economic unions, import and export regulations, environmental considerations, and the development of democracy.

For Voegtlin, Patzer, and Scherer (2012) and Carroll (2004), globalisation is the main reason for ethical debate and CSR. Weighing home-country against host-country ethical standards seems to be the most pressing issue for managerial decisions and practice, leading to many ethical dilemmas. Decision-making, as a consequence, is the next main theme of the business ethics concept.

2.6 Ethical Decision Making: Values, Facts and Ethical Dilemmas

As stated before, many ethical considerations operate in a vacuum, where laws do not play a role. The issues are usually complex, often global, and are naturally discussed in highly competitive environments. On the one hand, this has to do with values; on the other hand, it is about how efficient decision-making processes work and if these are based on principles and rules.

Depending on the ethical stance and philosophy in a given company, based on culture and experience, many decisions that can be made (and have been made) are bad for customers, employees, and often both. Ethical issues and decisions can be normative, consequential, or utilitarianist, for the benefit of as many persons as possible. Sparks and Pan (2010) look at how managers make ethical judgments. While more than half of the 185 empirical studies published between 1996 and 2003 list ethical judgments as a dependent variable, there is no consistent definition of the concept, i.e., how persons make a choice about ethical judgments.

Eckhardt, Russell, and Devinney (2010) write that economic reasons play a role for managers in a business context; there is always the fear of losing a job and the financial security with it. Dean and Sharfman (1996) find that procedure, rationality, and political behaviour influence decisions as well; in particular, corporate politics harm good decision-making. Yet again, leadership was not part of the research. Further, the study does not explain how a rational, perfect decision-making process deals with ethical dilemmas.

Although Pfeffer and Sutton (2000, 2006) took the concept called ‘data and fact-based management’ from medical analysts and pointed out the relevance of this concept for policy and decision-making in the business context, ethical dilemmas are rarely based on pure facts, but also on a moral dimension based on values.

In particular in medicine and healthcare, ethics and cost of health are important sources of ethical dilemmas. Facts and data can only prepare a case for a decision so much; values, applied ethics, and the cultural context are also important dimensions. Ethical leadership and ethical culture, in this respect, are suggested as subjects for further research. Pimentel, Kuntz, and Elenkov (2010) is one of the few studies to link ethical decision-making to the individual and his or her ethical stance as well as to the 'ethical compass' the organisation provides. Furthermore, an ethical culture in an organisation is formed by processes that ensure ethical conformity and a leadership with value-based ethics. Pimentel and her colleagues conclude that forming an ethical climate is important for resolving the ethical dilemma. It is the leaders who make the decisions; leadership, organisational culture, and values as equally important as, for example, codes, CSR policies, or decision-making rules and processes.

Business ethics, as has shone through repeatedly, are concerned with identifying various stakeholder groups, the subjects of decisions, and the potential beneficiaries or sufferers of the outcome of the decision-making process. Stakeholder management therefore forms the next main theme.

2.7 Ethical Stakeholder Management

As Yukl (2010) describes, the conflicting interests of different stakeholders and their competing values are the world of executives and leaders. Knowing the various stakeholder groups, including their interests, expectations, and needs, is an important part of leadership and of proper decision- and policymaking as well as for planning CSR or CC activities. Sustainability projects and all other considerations must reflect who the stakeholders are. As Parmar et al. (2010) put it, stakeholders are at the centre of where capitalism and ethics potentially connect.

Business ethics discuss the level of responsiveness and capacity to responsibly act in regard to any problems encountered with stakeholders.

This includes whether a company reacts at all, how it defends stakeholders and/or accommodates them, how proactively it does this, and how it communicates.

Stakeholders can be owners, employees, neighbours, suppliers, or the entire society. Shareholders are a group of stakeholders. The role that 'shareholder value' plays in the business world is a subject of heavy debate and criticism among business ethics writers, as this form of stakeholder management has placed the shareholder above anything else, leading to short-term thinking, in violation of sustainability and social responsibility.

Relationships with stakeholders can take many forms at different levels: payments, dialogue, support, alliance, action, ignorance, and collaboration. Good stakeholder management encourages trust and collaborative efforts, which lead to positive exchanges and economic outcomes (Crane & Matten, 2010; De George, 2009).

Governance looks into the interests of various stakeholder groups. While the Anglo-American model of corporate governance is often based on profit maximisation and the protection of shareholder interests, the German consensus-driven model rather looks at all stakeholder groups (Blowfield & Murray, 2011; Crane & Matten, 2010). Even in companies where shareholders are treated as the most important stakeholder group, managers may concentrate on short-term policies, at the same time working towards their own goals and interests rather than looking at shareholders’ long-term interests (Crossan, 2011).

In companies where stakeholders have weak control, governance, and influence, thus little involvement, boards have free reign to pursue their own interests, not taking the interests of the owners into account. Managers can even argue it is impossible for them to cater for all the needs, claiming they are unaccountable—a weakness of the stakeholder model.

Business ethics are about aligning and balancing stakeholder interests with governance structures that protect their interests in a socially responsible manner. Unethical behaviour mostly benefits managers and not stakeholders. Codes of ethics and governance processes are thus needed in order to look after all stakeholder groups. Talaulicar (2010) underlines the importance of good relations with all stakeholder groups. Stakeholder management tries to look at the interests of all stakeholders, driven by their legitimacy, power, and urgency. According to Talaulicar, there is evidence that such a balanced approach leads to better financial performance.

Apart from shareholders or society, stakeholder groups such as employees and customers are substantial addressees of business ethics instruments and strategies, and these will be explored next.

2.8 Ethical Treatment of Employees

One of the important stakeholder groups of an organisation is the one of employees. Employees are always concerned about compliance, rules, values, organisational culture, CC, employee volunteering, and living up to mission statements. Winstanley and Woodall (2000) argue that until 2000, business ethics had only marginal significance in HRM research; therefore, most HR departments paid little attention to them.

Employee relations are about remuneration, development, equality, leadership, gender, diversity, intercultural awareness, and many other issues. These relations, often dealt with through HR departments, are subject to corporate rhetoric, propaganda, policies, or codes of ethics. Such instruments and codes have a questionable value, as their use and adoption rarely occur, according to Painter-Morland (2010). A code is a paper with an intention; it will not gain transformational powers if not equipped with real governance processes and supporting leadership.

Another aspect is the dehumanisation of workplaces and employment standards, sometimes in the globalisation context also referred to as the “*race to the bottom*” syndrome (Crane & Matten, 2010: 321). Employee relations are often based on compliance regulations and codes. Business ethics aspects are often touched on when it comes to cases of fraud, betrayal, and corruption. Other aspects include discrimination, sexual harassment, choleric superiors, bad leadership and management practices, cynicism, and pressure. Privacy, control, fairness, fair wages, participation, outsourcing issues and protection are also areas of concern for business ethics.

Ethical aspects touch on the balance of rights and duties, or lay-offs, in order to raise profits versus the employee's right to work. One important aspect of business ethics in relation to employees and unethical behaviour is the area of 'whistleblowing', the fact that employees find ways of opposing unethical procedures. What can employees do in the face of wrongdoing? As Kaptein (2009) describes, there is a range from inaction (observing but not doing anything) to confrontation of the wrongdoer(s) to reporting to management. The next step would be calling an internal ethics hotline, if provided, finally external whistleblowing, informing the media, authorities, or clients. Whistleblowing has meanwhile become a research field of its own.

2.9 Ethical Treatment of Customers, Consumers, and Clients

Clients and consumers are another important stakeholder group of business ethics. Aspects include all areas of consumer protection—bad or unhealthy ingredients, consequences of a product (health problems or predetermined breaking points), unjust pricing, marketing, and brand promises are among these. There are many possibilities how an organisation can 'cheat' its internal and external clients, and business ethics are looking into all these possibilities. Transparency issues are of importance here, as are governance and legal issues. Consumer protection, product testing, and transparency regulations (e.g., the 'food ingredients traffic light' system, the 'ecological footprint', or the 'fair trade' movement), coupled with a global consumer conscience, are slowly changing the rules of marketing and production. Customers do have problems when learning that a t-shirt can be shipped around the globe before it is sold, and that this t-shirt is subsidised in the US, while African cotton producers are starving. Or that North Sea crabs are being flown to North Africa to be hand peeled there and then flown back, as this process is cheaper than paying North Sea workers for the work. Here, business ethics play an important role in shaping this corner in the mind of the customer. Local sourcing is another vital aspect; here, supporting home markets and stabilising home society are the issues.

'Greenwashing' is a name given by transparency organisations when corporations claim or pretend their products are particularly healthy, safe, or produced in an environmentally friendly and sustainable way, when often they are not. As a consequence, where and how to produce, buy, and source, is becoming more and more of an issue; this will be the next building block. Another aspect of this, as discussed, is the growing power of consumers and clients.

While it can be shown that customers who want to behave ethically do not always act on this due to economic reasons, more and more consumers and clients do. This powerful stakeholder group demands more ethics, moral behaviour, and transparency. This goes as far as asking how much profit is actually acceptable or ethical and if off-shoring, outsourcing, or sweatshops are an acceptable practice, not to speak of child labour. The pressure on companies to be seen acting accordingly is constantly rising (Carrington, Neville, and Whitwell, 2010; Eckhart et al., 2010; Göbel, 2010; Crane & Matten, 2010; Clausen, 2009).

2.10 Ethical Treatment of Suppliers and Ethical Sourcing

There is a strong and ongoing debate about the effects of globalisation. Although this is needed to build strong economies in developing countries, the ‘race to the bottom’ can harm home markets and societies. Industrialised nations cannot compete in many fields, and are exporting jobs and production capabilities to other countries; eventually, this could erode their employment figures, tax income, and general GDP. The debate on local sourcing circles around how much a business should be sourcing locally in order to protect the home base. This kind of sourcing also wants to prevent, for example, consumers consulting the local store and then buying via the Internet based on cheapest price. Companies such as UBER and Airbnb, for example, are believed to deconstruct entire service industries on the cost of the social system.

Business ethics also want to make sure companies source from personally known and audited sources with a high ethical standard. Ethical sourcing is believed to form a vital part of any business ethics approach.

Aspects of concern include the analysis of corruption, bribing purchasers, dealings with dictatorships, and environmental issues.

It can be argued that nowadays, it is not companies and brands competing with each other: instead, entire supply chains do. Supply chain management and contracting, the misuse of market dominance, self-contracting, preferential treatment contracts that lock out many other providers, kick-back contracts, and the world of corruption by gifts, bribes, and ‘special’ hospitality in negotiations are also involved issues.

Other aspects are long-term adhesion contracts, unfair terms and conditions clauses, outsourcing issues, and generally moving responsibilities to external service providers. Leveraging unfair working conditions, making use of subsidies to move production facilities, replacing product components with cheaper materials without notifying the client, cancelling product tests, and faked quality certificates are all topics of business ethics.

Business ethics also look at the role of trade boards (food, energy, buying rights, raw materials such as frozen orange juice etc.). Trade board contracts are often subject to price speculation and are also used to disguise sourcing from producers making use of child labour or extremely low wages. Prominent examples are trade with ‘rare earths’ from Africa or ‘blood diamonds’. Companies often argue the competition leaves them no choice; obviously, the harder the competition, the more the aspects of ethical sourcing are under threat.

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